



Heart of England NHS Foundation Trust

# Annual Report and Accounts 2015-16



Building **healthier** lives



**Heart of England NHS Foundation Trust**  
**Annual Report and Accounts 2015/16**  
Presented to Parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the  
National Health Service Act 2006



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# Section 1 Performance Report



This Annual Report covers the period 1 April 2015 to 31 March 2016



## Performance Report

### 1.1 Overview

#### 1.1.1 Principal Activities of the Trust

Heart of England NHS Foundation Trust (HEFT) is one of the largest acute hospital Trusts in the country, serving a diverse population of 1.2 million across Birmingham East and North, Solihull, Sutton Coldfield and South Staffordshire.

Comprising three acute hospital sites (Heartlands, Good Hope and Solihull), a range of community services and Birmingham Chest Clinic; the Trust also runs a number of smaller 'satellite' units ensuring patients can be treated closer to home.

Birmingham Heartlands NHS Trust was formed in 1992 and became the first acute trust in the city. The following year it merged with Yardley Green Hospital and acquired Birmingham Chest Clinic. In 1995, after merging with Solihull Hospital, the Trust was renamed Birmingham Heartlands and Solihull NHS Trust (Teaching). In 2005 it achieved foundation trust status and took the name it is known by today. In 2007 Good Hope Hospital joined the fold. Since 2011 there has been a varied portfolio of community healthcare services for Solihull residents.

In 2015/16 the Trust dealt with:

- 261,225 A&E attendances
- 87,198 day case & elective spells
- 826,753 outpatient attendances
- 74,182 emergency spells and
- Supported 9,989 births.

Like the majority of Trusts across England, HEFT is encountering increasing demand for acute services from a growing, ageing and diverse population.

The Trust is situated amongst a number of other large West Midlands providers of healthcare, including University Hospitals Birmingham NHS Foundation Trust, Sandwell and West Birmingham Hospitals NHS Trust and University Hospitals Coventry and Warwickshire NHS Foundation Trust.

The Trust has a workforce of approximately 11,000

staff and is recognised as a national leader in the treatment of MRSA and other infectious diseases. The Trust also specialises in treating a range of conditions including heart and kidney disease, cancer, HIV/AIDS and is home to the West Midlands Adult Cystic Fibrosis Centre and a nationally renowned weight management clinic and research centre.

As one of the region's most research active hospitals, doctors and other medical staff are involved in more than 500 active projects aiming to find new and better ways of treating patients.

Funding for services comes mainly from local Clinical Commissioning Groups (CCGs) and NHS England. The Trust's income in 2015/16 was £682.9m.

#### 1.1.2 Monitor intervention

The Trust is currently subject to Monitor undertakings under sections 106 and 111 and as such work is underway, with the support of Ernst and Young (EY), to re-establish a sustainable financial position while continuing to improve performance against access targets. This financial recovery has been developed and submitted to NHS Improvement, the independent regulator of the Trust.

In this plan, the Trust Board of Directors have agreed to the conditions placed on acceptance of the Sustainability and Transformation Fund (STF), including achieving a maximum target deficit of (£13.6m) in 2016/17, subject to a number of caveats as set out in the response.

Since the appointment of Rt Hon Jacqui Smith and Dame Julie Moore as Interim Chair and Chief Executive of HEFT in late October 2015, a number of pieces of work have been commissioned, but not yet implemented or completed.

Those work programmes, over and above the financial and performance priorities, include:

## **i. Governance**

The Good Governance Institute has commenced Board development work with individual interviews with all Board members.

## **ii. Organisational Structure**

- A new operational delivery structure has been developed and implemented. It ensures clear roles, responsibilities and accountabilities across the organisation
- Job descriptions have been written, a meeting structure has been mapped and senior clinical mentorship has been put in place
- A review of the corporate structure of the organisation has commenced.

## **iii. Ensuring Clinical Quality**

- CEO meetings with senior clinicians have been arranged, the importance of reporting has been emphasised to staff and monthly CEO-led Root Cause Analysis meetings have been established.

## **iv. Estate and Infrastructure**

- An independent estates review has been undertaken and draft strategy produced identifying £190m for investment in Estates improvements at Heartlands needed in the first phase.

## **v. ICT**

- A preliminary review of ICT has been undertaken and an infrastructure survey is underway.

## **vi. Capital Programme**

- A review of the capital programme has been undertaken.

## **vii. Staff Engagement**

- The response from clinical staff in the organisation is extremely positive and heartening, with large numbers of invitations being received from clinical teams to visit them as well as requests for meetings
- There have been massive turnouts to the open briefings the interim CEO and Chair have given

and many positive suggestions have been received as well as concerns raised

- The most important task of all faced by the new executive team is to reinvigorate the clinical and support staff to engage with addressing the challenges, to move from passive to active in resolving performance issues. This is a significant cultural change and will take time to deliver.

## **viii. External Stakeholder Engagement**

- External stakeholder engagement has been a priority since the arrival of the new executive management team
- The new approach is one of transparency and honesty, has been proactive and, where possible, has been delivered face-to-face by the Chair, Chief Executive or appropriate member of the Executive team
- All key MPs, Councillors, as well as Birmingham and Solihull health-related organisations have been met with, or spoken to. Quarterly MP stakeholder meetings with the Chair and Chief Executive have been diarised. The Chair and CEO have given updates at the Health Overview and Scrutiny Committees and are playing an integral part in the Sustainability and Transformation Plan process
- Meaningful relationships with the Clinical Commissioning Groups are also being built
- Local pressure and patient support groups have been engaged with. However the external stakeholder strategy is to engage with as many members of the public and patients as is possible, using established forums and networks, to ensure that a consistent message is delivered in person to all interested parties.

### **1.1.3 Strategy for 2015/16**

The community the Trust serves continues to grow and local health needs are becoming more complex. There are all sorts of reasons for this – more babies are being born, and people are enjoying longer lives, although often with a number of health problems that need to be treated or managed.

At the same time, there are many issues affecting the ways in which the Trust needs to operate. These include ensuring progress continues to be made with new technology and treatments; meeting performance targets, recruiting and keeping the best staff; and balancing the delivery of more care alongside ongoing financial pressures. The Trust is working to adapt to an ever changing NHS in order to continue providing high quality care for its patients.

During 2015/16 the Trust has been concentrating on improving the basics. Work focused on improving:

- Governance
- Urgent care
- Scheduled care
- Information management and technology
- Mortality
- Culture and engagement
- Financial stability.

More details on the Trust's performance can be found in the Performance Analysis in section 1.2. Evidence-based information on progress and the quality of services delivered can be found within the Quality Account in Section 3.

A revised clinical, operational and financial strategy will be developed by the new Executive team during 2016/17.

### 1.1.4 Key issues, risks and uncertainties that could affect the Trust in delivering its objectives

The Trust has identified a number of key risks and uncertainties that could affect it in delivering its objectives which are included in its Board Assurance Framework, as follows:

#### Clinical Quality

- Failure to have in place a sustainable, embedded organisational governance infrastructure for all divisions set against the Trust's quality and safety strategy and assurance frameworks.
- Inability of estates infrastructure and equipment to facilitate the provision of safe and effective care, due to deterioration of condition, poor space utilisation and functional suitability.
- Failure to deliver access standards owing to rising volume of routine secondary care work, delayed transfers of care, rising Emergency Department attendances, gaps in community provision and lack of impact from better care fund.

#### Workforce

- Failure to have appropriate leadership skills and capacity at all levels to deliver new ways of working and appropriate ways of leading that promote the Trust safety culture.

- Failure to retain staff and the inability to recruit sufficient numbers of appropriately skilled, trained and competent staff.

### Affordability

- Significant deterioration of the Trust's underlying financial position resulting in the inability to deliver the Financial Recovery Plan.
- Lack of a robust infrastructure: IT systems; Metrics; Workforce information systems; financial modelling and payment methods to allow the Board and management teams to deliver the required programme of change.
- Further details of these risks and associated controls are set out in the Annual Governance Statement in section 2.7. Further controls are currently under development to mitigate these risks.

### 1.1.5 Key Risks to Quality

The Trust's key risks with regard to quality are included above.

In its Annual Plan submission to Monitor, the Trust declared a risk to delivery of four key performance metrics in the Monitor Risk Assessment Framework:

- 18 week referral to treatment
- A&E 4 hour wait
- Cancer 2 week wait – all referrals
- Cancer 2 week wait – breast symptomatic.

### 1.1.6 Going concern

After making enquiries, the Directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts. Details of this assessment are included in accounting note 26.



Dame Julie Moore,  
Interim Chief Executive Officer

Date: 25 May 2016

## 1.2 Performance Analysis

### 1.2.1 Performance during the year and performance against key health care targets

At the start of the year the Trust was under increased scrutiny from Monitor due to the number of indicators in the Monitor Risk Assessment Framework that the Trust was failing to meet. The Trust was non-compliant with the A&E 4 hour wait target, the 18 week Referral to Treatment (RTT) Indicators and three of the cancer targets.

There has been a significant increase in activity levels through the year, particularly in A&E where the Trust has seen a 5.3 percent increase in activity across the year. The Trust has not delivered the maximum wait time of four hours in A&E from arrival to admission, transfer or discharge indicator for a number of years and continues to perform below target. However, performance in the last six months of 2015/16 has generally been better than the same time in 2014/15 despite the increasing demand on the service.

Following the problems in 2014/15 when the Trust was unable to report against the 18 week RTT targets, full reporting of performance against all three elements of this indicator (admitted, non-admitted and incomplete pathways) has been in place since April. In October a change in the national reporting requirements has meant that the Trust has only had to report its incomplete pathway performance. The Trust had made a considerable improvement in its performance through the year and met the target in both February and March.

The Trust was failing both the two week wait cancer referral targets (all two week wait referrals and breast symptomatic referrals) at the start of the year, but has now turned this around, with compliance being achieved for both these metrics in quarter 4. This is set in the context of an increase in urgent two week referrals of 10.7 percent in the first ten months of 2015/16.

Performance against the cancer target relating to patients receiving their first definitive treatment for cancer within two months (62 days) of urgent referral has fluctuated throughout the year, but the indicator has been met three out of the last four months (November 2015 to February 2016). With regards to infection control, the Trust had a full year trajectory of 64 Clostridium Difficile Infection (CDI) cases for the year, and finished the year with a total of 61, achieving the target. The number of cases attributed to the Trust as a lapse

of care was 14 cases in the year.

The following table demonstrates the Trust's increased activity during this year:

Activity Type	2014/15	2015/16	Variance
A&E Attendances	248,069	261,225	5.30%
Assessment Area Spells	21,504	18,978	-11.75%
Emergency Spells	72,279	74,182	2.63%
Day Case & Elective Spells	79,844	87,198	9.21%
Outpatient Attendances	819,446	826,753	0.89%
<b>Total</b>	<b>1,241,142</b>	<b>1,268,336</b>	<b>6.28%</b>

### 1.2.2 Progress towards targets as agreed with local commissioners and other key quality improvements

The amount of information reported to the Board in relation to monitoring compliance with delivery has increased throughout the year, with monthly performance reports being sent to the Board and Executive level groups. These focus on delivery of key contractual requirements as well as a number of local key performance indicators. The development of bi-monthly Executive-led Divisional Performance Reviews provides additional scrutiny and assurance on delivery of key indicators.

The Board also receives reports on both clinical quality and care quality, which provide an additional layer of detail on key metrics.

The Trust has a number of contracts including Acute, Specialised Services, Community and Public Health. It is required to monitor delivery of these contractual requirements through the production of Service Quality Performance Reports.

The Trust has shown variable performance against a number of indicators throughout the year and where exceptions are identified, remedial action plans are developed and shared with the Executive team and commissioners.

The Trust has agreed trajectories with the commissioners for improved and sustained performance of the key priority targets for 2016/17.

National Targets and Regulatory Requirements	Time Period	2015/16 Performance	2015/16 Target
Clostridium Difficile (post-48 hour cases)	Apr 2015 – Mar 2016	61 (number of cases judged avoidable 14)	64
62-day wait for first treatment from urgent GP referral: all cancers	Apr 2015 – Mar 2016	82.91%	85%
62-day wait for first treatment from consultant screening service referral: all cancers	Apr 2015 – Mar 2016	95.93%	90%
31-day wait from diagnosis to first treatment: all cancers	Apr 2015 – Mar 2016	98.75%	96%
31-day wait for second or subsequent treatment: surgery	Apr 2015 – Mar 2016	98.2%	94%
31-day wait for second or subsequent treatment: anti-cancer drug treatments	Apr 2015 – Mar 2016	99.90%	98%
31-day wait for second or subsequent treatment: radiotherapy		Not applicable	Not applicable
Two week wait from referral to date first seen: all cancers	Apr 2015 – Mar 2016	91.44%	93%
Two week wait from referral to date first seen: breast symptoms	Apr 2015 – Mar 2016	91.28%	93%
18-week maximum wait from point of referral to treatment (incomplete pathways)	Apr 2015 – Mar 2016	90.28%	92%
Maximum waiting time of four hours in A&E from arrival to admission, transfer or discharge	Apr 2015 – Mar 2016	88.13%	95%
Self-certification against compliance with requirements regarding access to healthcare for people with a learning disability	Apr 2015 – Mar 2016	Certification made	N/A
Community Services data completeness: referral to treatment	Qtr 4	100%	50%
Community Services data completeness: referral information	Qtr 4	97.25%	50%
Community Services data completeness: treatment activity	Qtr 4	99.73%	50%

### 1.2.3 Review of Emergency Medicine

The Trust agreed an improvement trajectory with Monitor and its commissioners for the past financial year, but patient numbers continued to rise at unprecedented levels, both in volume and acuity, meaning that neither the national 95 percent standard nor the improvement trajectory was met in 2015/16.

Despite not meeting the 95 percent standard, there have been a number of significant improvements that have been made within the year to improve the level of patient care across all three hospital sites.

#### i. Solihull Minor Injuries Unit

Work was completed to redefine the Solihull service as a Minor Injuries Unit (MIU), providing additional clarity to patients on the type of conditions that can be seen at Solihull. This work was undertaken following previous CQC recommendations. Although the MIU can treat fewer conditions than a 'full service' Emergency Department (ED), it retains close links with Birmingham Heartlands ED to ensure that patients receive timely, appropriate care. Solihull residents may have noticed the road signs around the area have changed in 2015/16 to a solid red 'H', in order to reflect the changes to Solihull MIU.

Work at Solihull will continue in 2016/17 to deliver the new Solihull Urgent Care Centre, which will deliver an integrated and sustainable 'one-door' urgent care service for the population of Solihull for many years to come.

#### ii. GP in ED Service

Following the successful implementation of the GP in ED Service at Heartlands during 2015/16, the ED team has extended the service to both Good Hope and Solihull Hospitals. Although not intended to replace a person's regular GP service, this service does enable patients arriving at ED, who do not require specialist emergency medicine input, to be seen by a primary care specialist, treated if appropriate and then discharged home. In addition to improving the care of this group of patients, this initiative has also enabled the team to use less agency medical staff in certain areas therefore both improving quality and reducing cost.

#### iii. Birmingham Heartlands Expansion

In response to the consistent rise in the number of attendances across the three EDs, and in particular at the Heartlands site, the Trust Board agreed

to expand the footprint of the Heartlands ED in May 2015. Undertaking work within an existing emergency department is always challenging, but the congested nature of the Heartlands site added further complexity.

Emergency Medicine and many other clinical specialities worked tirelessly to open a new 'minors' unit (for patients with injury and less severe illness) at the Heartlands site, thus allowing the previous 'minors' footprint to be reused to expand the 'majors' area (for sicker patients) before the onset of winter 2015.

### 1.2.4 Review of Cancer Services

The Trust is one of the largest providers of cancer services in England, receiving well over 2,000 urgent '2 Week Wait' (2WW) referrals every month. During 2015/16 the Trust Board made the decision to reorganise the way in which cancer services are monitored in order to improve the systems and processes that support the tracking and management of the numerous cancer pathways.

Since October, when these changes came into effect, the Trust's performance against a number of cancer waiting times targets has improved, with the 2WW suspected cancer target being met each month from November 2015 to March 2016.

The Cancer Services team is responsible for supporting the divisions in delivering the cancer waiting times operational standards and for ensuring there are robust systems in place for assessing demand, planning capacity and monitoring performance.

Other changes in 2015/16 saw the introduction of new NICE guidance for primary care on the urgent referral of suspected cancers. This is likely to have an impact on demand and place further pressure on diagnostic services in 2016/17, with the Trust anticipating up to 32,000 urgent referrals over the next year.

The Trust is working closely with commissioners and other providers across Birmingham and the Black Country to ensure that the full impact of the revised NICE guidance is properly understood and that there are robust plans in place to deal with the additional demand on services.

### 1.2.5 Review of Referral to Treatment

A number of changes occurring both within and outside of the Trust's control has made delivery of the Referral to Treatment (RTT) target standard

difficult during this financial year. A change in the RTT rules set out by the Department of Health took place in October 2015 which resulted in the incomplete RTT position – this is patients without a treatment plan – receiving greater focus. The target remained that 92 percent of the overall cohort of patients awaiting treatment should be under 18 weeks, with the remaining 8 percent tolerance for those over 18 weeks (with complex pathways or patient choice).

The decision was also made to increase the fine threshold to £300 per patient, payable monthly for each Directorate who failed to deliver the 92 percent standard. At the same time the rules changed to discount the Trust's ability to put patient-led pauses into the RTT admitted pathway due to patient choice/availability. The impact of this was an additional 200 patients breaching the RTT standard on the admitted backlog.

In April 2015 the Trust delivered an incomplete standard of 90.26 percent; this deteriorated to 87.64 percent by September 2015 with the majority of specialities failing to achieve the 92 percent incomplete standard. At the same time, the admitted surgical backlog remained static at c1,200 between March 2015 and September 2015, despite the use of the private sector and introduction of a Vanguard theatre unit.

A trajectory for improvement was put in place in September 2015 and with focused efforts quarter 4 of 2015/16 demonstrated a continual improvement with delivery of the incomplete standard achieved in February 2016 at 92.07 percent. This was the first month that the Trust had achieved the incomplete standard since their return to RTT reporting in April 2015.

Despite the achievement of the incomplete standard in February, challenges still exist within the admitted pathway with c1,500 patients waiting for surgery in excess of 18 weeks. The Directorates with the greatest backlogs unsurprisingly sit in the larger surgical specialities of Trauma & Orthopaedics, General Surgery, Urology and Ophthalmology. That being so, the Trust has withdrawn from the private sector (with the exception of one group of cancer patients within Urology) and decommissioned the Vanguard theatre unit. This is in part due to financial constraints, but also due to evidence that, with more efficient use, there is already enough theatre capacity in existence within the Trust. With a service redesign, Directorates are understood to have the ability to stabilise their admitted backlog through existing resource.

The Theatre Directorate is currently working with specialities to introduce "learnt theatre procedure

times" to maximise theatre capacity and increase cases per list with a view to reducing the overall admitted backlog. Early indications within the pilot services have demonstrated good results with an increase seen in theatre utilisation. The Theatre Directorate is working with other Directorates to ensure continued rollout of this project.

The management team for all specialities attend a focused patient tracking list meeting on a weekly basis where plans are shared to support RTT recovery. Monthly 'confirm and challenge' meetings are taking place to agree specific actions to improve the RTT position, this includes capacity and job plan reviews including service redesign. These meetings are proving beneficial to date with a general improvement seen within the RTT incomplete standard. The monitoring of the RTT recovery plan will form part of these discussions to ensure continual improvement is achieved.

There has also been an overall reduction in patient waits over the last quarter from c170 patients waiting more than 40 weeks for treatment to more recently between 40 and 50. This is being delivered through proactive management by the Directorate teams and greater understanding of the RTT position by the clinical body.

The Trust needs to move towards sustainability of the RTT position, to ensure continual delivery. With the introduction of the measures identified and greater clinical understanding and engagement with the RTT pathway, the team feel positive they will reach a sustainable position by September 2016.

## 1.2.6 Review of Diagnostics

The national diagnostic target is 99 percent, ensuring all patients receive their diagnostic test within six weeks of request. The diagnostic arm of the pathway supports both Cancer and RTT Services. Throughout the year the Trust has consistently struggled to achieve the 99 percent standard, however with increased clinical and physical resource, the team has seen a consistent improvement from 95.68 percent in September 2015 to achieving the standard for the first time this financial year in February 2016 at 99.48 percent.

Within the Radiology Department the challenges have centred on equipment failure, a significant increase in demand and a shortage of clinical staff to deliver the standard. MRI and ultrasound scans have been similarly impacted by these issues. The Gastroenterology Department has received similar challenges but physical space and capacity as well

as incorporating an extensive planned waiting list backlog to their demand resulted initially in a significant deterioration in the overall Trust position.

In order to support recovery of the Trust position, as well as improve the patients' overall experience and waiting time, the Trust has heavily invested within both services, resulting in achievement of the diagnostic standard in February, and more recently in March.

The Radiology Department has outsourced the reporting of diagnostic investigations as well as arranging a mobile MRI unit to attend the Heartlands site for four days per month initially, which has been increased to eight days per month from April. At this time there are no plans to reduce the additional MRI contribution further due to the continued demand the service receives.

The Endoscopy Unit has also had physical capacity brought on site with the introduction of a Vanguard mobile endoscopy unit, delivering 10 additional endoscopy sessions per week as well as a number of locum gastroenterologists to support the demand both in diagnostic services as well as outpatients. The service also benefited from an external diagnostic agency delivering high volume upper GI endoscopies in the summer of 2015, based on the Good Hope site to reduce the significant backlog of upper GI endoscopy procedures at that time. More recently, the Trust has committed to supporting the Vanguard unit for an additional 12 months, as well as funding a purpose built endoscopy room on the Solihull site to provide permanent additional capacity for the service moving forward.

A diagnostic recovery plan is in place to ensure this standard will be consistently delivered from September 2016 in line with the trajectory submitted to the Strategic and Transformation Fund. The additional capacity provided to manage current demand should support sustainable delivery moving forward.

## 1.2.7 Safeguarding

The Trust is committed to ensuring the safety of children and adults within all services that they commission giving total support to local and national safeguarding children and adults initiatives at all times.

During 2015/16 the Trust has:

- Invested considerably in the specialist Safeguarding team in recognition of the

growing organisational statutory and regulatory requirements for safeguarding adults and children

- Increased the effectiveness of partnership safeguarding by establishing a safeguarding specialist presence in both Solihull and Birmingham multi-agency safeguarding hubs. This has improved the timeliness of information sharing and increased capacity for joint decision making for children
- Expanded the scope and scale of safeguarding supervision within the organisation helping to support staff and enhance their decision making
- Engaged the whole workforce in safeguarding learning and has achieved and maintained levels for safeguarding education at level 1, 2 and 3 at over 85 percent. The Trust has delivered PREVENT training to over 68 percent of staff. The Trust has continued to expand safeguarding education and development opportunities in relation to the Mental Capacity Act, DOLS, The Care Act and Making Safeguarding Personal, Child Sexual Exploitation and 'Right Service Right Time'
- Updated safeguarding policies in view of changes highlighted in Working Together (2015); the Lamphard Review (2015) and Mandatory reporting of Female Genital Mutilation has been introduced for registered NHS staff
- Continued to lead a well-established safeguarding audit programme which focuses on transition points or areas of identified risk
- Monitored patterns of safeguarding activity and demonstrated substantial improvements in the quality of information provided in safeguarding referrals (particularly those from community midwifery services)
- Increased mechanisms to provide service user feedback in relation to safeguarding within the organisation.

The Trust is able to provide examples of specific cases where children or adults were identified as vulnerable/ at risk of abuse or neglect and due to sharing of information effective multi-agency responses were put in place to safeguard.

Moving Forward:

During 2016/17 the Trust is committed to embedding the Care Act 2014 to ensure that all services/ professionals are able to make safeguarding personal for their adult patients by taking into account their wishes and feelings and by adhering to DoH principles.

In addition the Trust is working to:

- Improve the effectiveness of the safeguarding

assessments carried out on 16-18 year olds presenting to adult services

- Continue to embed best practice in relation to identification and response to child sexual exploitation and domestic abuse
- Continue to promote and support early help to families and children through use of appropriate assessment tools
- Ensure that safeguarding audit priorities are reviewed and reflect areas of relevance
- Continue to improve the quality of referral information with a particular focus on the Emergency Departments
- Further the expansion of safeguarding supervision to support frontline staff with complex assessment and decision making
- Develop the team of specialists for safeguarding to ensure there is expert help and advice available to staff
- Continue to refine and progress partnership working in a variety of ways including ongoing commitment to MASH and multi-agency information sharing forums.

### 1.2.8 Review of Infection Prevention and Control

The Trust continues to have a robust Infection Prevention and Control programme in place and whilst significant improvements have been made, challenges have been experienced during 2015/16.

A trajectory of zero post 48 hour MRSA bacteraemia was set. Four (YTD) post 48 hour MRSA bacteraemia have been reported and there was one community acquired MRSA bacteraemia which was deemed to be attributable to the Trust. This leaves the Trust with total of five (YTD) MRSA bacteraemia for 2015/16. There have been no MRSA bacteraemia at Solihull Hospital for over four years and none at Good Hope for over two years.

A very challenging trajectory of 64 post 48 hour Clostridium difficile cases was set this year. The Trust has remained within this with a total of 54 (YTD) cases. Of these cases, 36 (YTD) were considered to be unavoidable and it is likely that an irreducible minimum has now been achieved.

### 1.2.9 Research

In 2015/16 over 100 new studies have been given approval to start within the Trust meaning there are more than 500 projects now in progress. There are 28 departments across the Trust taking part in research with between one and six research active consultants in each of these areas.

In 2015/16 6,086 patients have been recruited. Clinical trials remain the largest research activity performed at the Trust, in terms of project numbers. There is a mixed portfolio of commercial and academic studies, the majority of which are adopted onto the National Institute for Health Research (NIHR) portfolio. Non-portfolio work is also undertaken and this comprises commercial clinical trials, student-based research or pilot studies for future grant proposals.

During 2015/16 patient recruitment was highest in Renal Medicine, Diabetes and Thoracic Surgery. Renal Medicine has been particularly successful this year thanks to a Trust investigator, Dr Mark Thomas led study, which has been supported by the Critical Care, Anaesthetic and Resuscitation Research team. This is an on-going study which is looking at the identification and management of acute kidney injury, the results of which may have national impact.

Areas to highlight research growth in 2015/16 are:

- Mental Health: 0.43% in 2015/16 compared to 0.08% in the previous year
- General Surgery: 1.36% in 2015/16 compared to 0.06% in the previous year
- Vascular Surgery: 0.44% in 2015/16 compared to 0.16% in the previous year.

Information on the Trust's Research portfolio by Directorate can be found within the Quality Account in Section 3.

### 1.2.10 Patient Care Activities

#### 1.2.10.1 Arrangements for monitoring improvement in the quality of healthcare and progress towards meeting any national and local targets, incorporating Care Quality Commission assessments and reviews

The Trust continues to have a robust and effective framework in place to provide assurance around the quality of care it offers and to monitor organisational performance.

The Board of Directors and Executive Director-level groups receive monthly performance reports which present performance against national and local targets and priorities. These reports adopt a risk-based approach to reporting to ensure that the consequences of underachievement are highlighted to the Executive Team and Board of Directors as well as the actions that are in place to

improve performance. Findings from Care Quality Commission assessments are also reported. The framework provides a good level of assurance and supports effective decision-making.

The Trust also has a Clinical Quality Monitoring Group and a Care Quality Group in place led by the Executive Medical Director and the Executive Chief Nurse respectively. These groups report to the Board of Directors and provide additional assurance and effective accountability around clinical quality and the patient experience. See the Trust's Quality Account in Section 3 for further details.

The Trust has a strong informatics capability with information on key performance indicators and clinical quality priorities available to clinical and management staff on its web-based dashboard.

### 1.2.10.2 Service improvements following staff or patient surveys/ comments and Care Quality Commission reports

The Trust welcomes all feedback and takes the views and opinions of its service users and staff seriously – acting on any complaints and making improvements whenever possible. Significant gains as a result of feedback have been made this year in a range of service areas, highlights of which include:

- Open visiting at the Trust being introduced which has been attributed to a reduction in patient falls
- Ward quality reviews being introduced across all hospital Divisions using the expertise of a patient panel in conjunction with senior staff
- A Carers Forum being developed to support carers' issues and experiences in order to improve the standard and flow of information to carers
- A new complaints confirm and challenge/scrutiny process being agreed over the strength of action taken in response to complaints. Doctors' involvement in complaints was also reviewed
- The Trust's complaints policy being updated with renewed policy training for staff
- A Task and Finish Group being set up at Solihull chaired by the Associate Head Nurse to look at issues raised and solutions for those issues
- A review of ward waking times being undertaken on the Heartlands site. Some wards were non-compliant with requirements so all ward supervisory ward sisters had meetings with the Head Nurse to establish the expectations around patients' waking times and how care should be delivered early in the morning. This is to be monitored on an

ongoing basis by the Associate Head Nurses and Matrons

- Reviews of Trust hospitals at night time being undertaken as a result of concerns about noise at night at Good Hope
- 100 dignity champions being enrolled at the Trust – volunteers geared to supporting patients and their clinical teams
- Delirium volunteers being recruited to further support patients with delirium
- Nursing quality dashboards being developed to show patient experience data and complaints at ward level
- FFT performance data being discussed at Divisional confirm and challenge/performance meetings. Wards and departments with low quality scores are required to submit rectification plans with agreed improvement trajectory via quarterly divisional nursing and midwifery assurance board
- Therapy classes for patients with conditions such as Parkinson's Disease and Multiple Sclerosis being launched at local leisure centres thanks to a collaboration with Solihull Council
- Health talks open to the public being hosted by the Trust. This enable locals to learn and ask questions about a range of health issues throughout the year
- An innovative mobile app being launched by thoracic surgery which enabled the team to better support patients receiving rehabilitation after surgery.

### 1.2.10.3 Focus on Dementia

The Trust recognises that carers and relatives play a vital role in the care of patients with dementia and is committed to improving how it works with and supports carers of its patients. A regular carers' survey is used as an audit tool to measure carers'/relatives' experiences and the support provided to them in inpatient and outpatient areas. The surveys are distributed in conjunction with the 'About Me' booklets, and forget-me-not magnets. Key activity undertaken during the year was:

- The launch of the new dementia paperwork which was supported by workshops on dementia awareness
- The 'forget me not' flower magnetic symbol (the national symbol for dementia) was placed above the bed space of a person with dementia to highlight that communication and care may need to be adjusted in accordance with the patients' needs
- A successful carers' conference held at Solihull Hospital which was attended by over 200 carers and staff
- Displays in all health information areas on

the three hospital sites containing the latest leaflets, booklets and contact numbers for various organisations to aid signposting and offer support groups for users to contact

- Reviewing and sharing the carers' survey feedback at the Carers Forum, the Dementia Steering Group, and with the Head Nurse for Patient Experience. Appropriate actions were identified to improve the dementia care carers' survey completion rate through local ownership and staff education process.

#### 1.2.10.4 End of Life Care and Bereavement Services

The Trust recognises the diverse demographics of the local community and incorporates this into the Bereavement policy and procedures. There is a rapid release procedure to enable deceased patients, not requiring referral to the Coroner, to be buried as soon as possible after death. This includes out of hours release.

A two monthly Faith Advocacy Group meeting takes place whereby representatives from the Coroner, Registry Office, and Bereavement Services across all Birmingham NHS Trusts, CCGs, and local faith communities meet to discuss End of Life and Bereavement issues both within and out of hospital/community.

The Trust continues to trial a working process which reflects the Government's proposal for Death Certification reforms following the Shipman Enquiry. This involves scrutiny of the circumstances leading up to the death of a patient and ensuring accuracy of cause of death.

#### 1.2.11 Multi-faith Chaplaincy Service

Religion is one of the equality monitoring data characteristics the Trust has routinely collected from patients. Please visit the web link below for more information.

<http://www.heartofengland.nhs.uk/equality-and-diversity/equality-monitoring/>

The multi-faith chaplaincy team provides services to the whole hospital community and the Trust's in-house male and female chaplaincy staff and volunteers regularly visit the wards and departments within the three hospital sites to be alongside everyone in their moment of need to offer spiritual, pastoral and religious care. The team offer a confidential listening and supportive ear and can be contacted by patients, relatives and hospital staff at any time.

The Trust provides multi-faith prayer facilities on the three hospital sites. Regular services of Prayer as well as Holy Communion and Roman Catholic Mass are offered.

#### 1.2.12 Equality and Diversity

The Trust serves a population that is ethnically diverse; nearly 42 percent of the population is from black and minority ethnic backgrounds and speak over 60 languages. Among the Trust's staff, 27.3 percent are from different ethnic communities.

The local demographics are dynamic and it is vitally important that all patients and staff who come into contact with the organisation in different settings feel included, respected and valued. Treating everyone in a fair and inclusive manner is a key priority.

Partnership working across the Birmingham and Solihull health community was the focus of the Trust's equality work in 2015/16 to ensure services are as inclusive and accessible as possible across primary and secondary care patient pathways with involvement from all communities. This is demonstrated by the equality activity undertaken in this year and the equality implementation is based upon the Equality Delivery Framework (EDS2) which is focused on achieving:

- Better health outcomes for all
- Improved patient access and experience
- Empowered, engaged and included staff
- Inclusive leadership at all levels.

Key highlights for patients and staff in 2015/2016 included:

- More patients being seen by the specialist Acute Liaison Learning Disability Health Facilitation Service
- A specialist Community Learning Disability Nurse Service working with children up to 18 years old and undertaking social, educational and healthcare assessment, planning, implementation of strategies and evaluation in partnership with parents/ carers/ children and young people to achieve better outcomes
- Launch and implementation of a learning disability toolkit 'making a difference together'
- Hosting a safeguarding and learning disability conference 'Making a difference – no decisions about me without me'
- Development of guidance for providing care to pregnant women and new parents with a learning disability
- Increased use of the accessible 24/7 interpreting

service. 12,957 face to face interpreting sessions in 60 languages including BSL (British Sign Language) were provided to patients during the year

- Development of guidance for meeting the needs of visually impaired people
- Completion of online Equality & Diversity/ Human Rights training by 5,076 Trust staff
- Becoming the first NHS Trust to partner with Dyslexia Action to support all staff with hidden disabilities such as dyslexia, dyspraxia, autism, ADHD and dyscalculia
- Staff engagement events held with LGBT, disability, black and minority ethnic groups.

Mainstreaming equality is central to the Equality and Diversity team's work. Across all areas there is genuine commitment to the principles of fairness, equality of access for patients, carers and visitors as well as equality of opportunity for staff. There is also a good understanding of how to access the various services that are in place to make sure those patients with additional needs are well cared for and not disadvantaged. These include meeting the religious, spiritual, dietary and communication needs of all patients.

The Trust's equality objectives are to:

- Review Trust Equality Impact Assessments (EIA's) process and ensure that all new/revised policies and service transformation plans take equality fully into consideration
- Improve the experience of people with learning disabilities who use health services
- Improve the collection of equality data and report findings to the service commissioners to help address health inequalities and provide more effective services
- Ensure Trust leaders have the right skills to support their staff to work in a fair, diverse and inclusive environment
- Work collaboratively with internal and external key stakeholders to develop best practice in promoting and implementing sexual orientation equality in patient care and workforce areas
- Work with local health economy partners to continue to improve learning disabilities services for patients and carers

For more details on equality and diversity relating specifically to the Trust's workforce and also the Trust's policies on equality and diversity, see the Staff Report in section 2.4.

## 1.2.13 Stakeholder Relations

It is acknowledged that there has not been a clear stakeholder relationship management strategy over the past 12 months. A comprehensive, consistent approach to managing key partners will be implemented for 2016/17.

## 1.2.14 Environmental Issues

### 1.2.14.1 Energy and Sustainability

The Trust's three hospital sites have recorded the following energy consumptions:

- Heartlands Hospital: 64.7 GJ/100m<sup>3</sup>
- Solihull Hospital: 75.46 GJ/100m<sup>3</sup>
- Good Hope Hospital: at 72.05 GJ/100m<sup>3</sup>

Currently this falls below the NHS Estates Department of Health target of 55-65 GJ/100 cu m by an average of eight percent.

The Trust has full year reports for 2014/15 which show an average energy increase of eight percent for the full year against the whole of 2007/08 financial year which is the baseline year for NHS carbon reduction targets, which is an average of just over one percent per year for the last seven years.

Energy costs and consumption are monitored on a monthly basis and data stored on TEAM Software, an industry recognised database.

Energy procurement is carried out via Crown Commercial Services (CCS) ensuring Office Journal of the European Union (OJEU) compliance and effective purchasing. Both gas and electric are procured on a flexible contract which is deemed to be the most effective method of purchase.

The Trust has a legal obligation to comply with the European Union Emissions Trading Scheme, of which the Heartlands site is a registered participant. This involves reporting all fuel usage and is designed to encourage participants to reduce their CO<sub>2</sub> emissions. The Trust has elected to opt out of the main scheme into the 'Small Emitters and Hospitals' scheme. It is anticipated that this will save the Trust in the order of £770k over a seven year period between 2013 to 2020.

The Trust has embarked on a long term investment of energy and sustainable efficiency which has resulted in the development of three Combined Heat and Power (CHP) schemes (one per site) and a four year Sustainable Development Framework.

Further energy initiatives include: replacement of the Solihull Building Management System (BMS) in its entirety and major upgrades of the existing BMS systems at Heartlands and Good Hope Hospitals. During 2016/17, the Trust will be launching a staff energy awareness scheme to all disciplines throughout the Trust to help further reduce its energy consumption.

### 1.2.14.2 Carbon Footprint

The Trust recognises its corporate responsibility to take care of the environment.

The NHS Sustainability Development Unit (SDU) and Department of Health set out an ambition for the NHS to be a leading low carbon and sustainable health care system in 2009. This included an interim target of 10 percent reduction in carbon emissions by 2015 from 2007 levels and a further target of 80 percent by 2050. In order to meet these targets, the Trust has invested heavily in CHP at all three sites.

A tri-generation CHP system installed during 2006/7 at Heartlands has guaranteed savings of £260k per annum and a reduction in carbon emissions of 1,600 tonnes per annum.

The Solihull CHP scheme launched in 2010. This enabled the site to generate guaranteed savings of £350k per annum and helped reduce carbon emissions of 2,000 tonnes per annum. The final CHP scheme at Good Hope became operational in 2014 with guaranteed savings of £550k per annum and carbon emission savings of 2,600 tonnes per annum.

A four year Sustainable Development Framework was commissioned in 2013 and has seen two phases implemented, both of these phases operate on guaranteed savings and whilst Maintenance & Verification (M&V) reports are still being finalised, the schemes which consist of major lighting upgrades, variable speed drives, insulation, high efficiency pumps, energy display meters and solar PV are set to deliver guaranteed savings of £850k per annum with carbon reductions of 3,500 tonnes per annum for Phase I and guaranteed savings of £200k per annum with carbon reduction of 900 tonnes per annum for Phase II.

The next step is to develop Phase 3 of the Energy & Sustainability Programme.

### 1.2.14.3 Waste Management

In 2014 the Trust introduced recycling to reduce as much of the 1,400 tonnes of municipal waste the organisation produces annually as possible. In 2014/15 the Trust recycled 154 tonnes and is on track to recycle 275 tonnes in financial year 2015/16.

A three year contract for municipal and recyclable waste was awarded in April 2015 to Birmingham City Council.

To consolidate costs and gain efficiencies, a three year contract for clinical waste collections was awarded to US company SRCL (Stericycle Inc) in June 2015, prior to this, two clinical waste contractors serviced the three main hospital sites.

As part of this new clinical waste contract, a trial of SRCL's Bio System (Reusable Sharps Containers) started in July/August with the aim of reducing cost for sharps containers and reducing carbon footprint of burning plastics. The trial has been successful and will be rolled out in 2016, saving the Trust in excess of £80k per annum.

### 1.2.14.4 Transport

During 2015 a review of the Trust's commercial fleet in Facilities was undertaken with the aim of rationalising the number of vehicles required for service delivery, this saw a reduction from 33 to 19.

The Trust in 2015 joined the Network Smart, smarter choice group; the group is run by Birmingham City Council, Solihull Council and includes the Centro travel network. The aim is to identify and encourage both staff and visitors to explore alternative methods of travel to and from the hospitals.

Centro have assisted the Trust with obtaining two grants, one for Heartlands Hospital and the other for Solihull Hospital. These grants enabled the hospitals to obtain four new cycle shelters, located near to our main entrances.

To encourage greater use of bus travel, public information screens have been installed at all three hospital sites located in reception areas and Emergency Departments which help inform both staff and visitors of real bus departures from the hospital site in question.

## 1.2.15 Major Capital Developments

September 2015 saw the opening of two multi-million pound projects; Heartlands Hospital's new hybrid theatre and Solihull Hospital's new Dermatology Unit.

These new developments provide the best levels of care for patients, a high quality environment and a more efficient service. The state of the art hybrid theatre incorporates a robotic imaging system and 'smart glass' x-ray protection; at the time of installation the imaging system was only the third one to be installed in the country. The new Dermatology Unit, which is significantly larger than its predecessor, incorporates modern theatre and consulting suites, within a safe, pleasant and dementia friendly environment.

## 1.3 Finance Review

In 2015/16 the Trust has reported a deficit of £46.1m after an impairment gain of £0.9m. At the beginning of the year the Trust had submitted a planned deficit of £9.9m to Monitor, however subsequent reviews have indicated that this underestimated the financial challenge facing the Trust. This has been compounded by a series of investments in additional capacity as part of a programme of improving performance targets and quality, for which the costs significantly exceeded the available funding. These factors, as well as efficiency programmes being behind plan, meant that significant overspends had been incurred by the end of the first half of the year.

Following intervention by Monitor, Ernst and Young (EY) were appointed to provide specialist support to the Trust to develop a financial recovery programme and the new Executive Team took further steps to reduce costs, particularly in non-clinical areas. Whilst the rate of spend has decreased in the later months of the financial year, the final result was a significant deficit.

The Trust prepares its accounts in accordance with International Financial Reporting Standards (IFRS) and International Finance Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union applicable at 31 March 2016 and appropriate to NHS Foundations Trusts. There have been no significant amendments to the accounting standards in 2015/16 and HM Treasury requirements so the Trust accounting policies remain largely unchanged. The Trust's results are consolidated with the results for the Charity to deliver a consolidated deficit of £46.8m for the group.

## 1.3.1 Income

There was a 6% growth in the Trust's total income to £682.9m, partly as a result of £18.6m of income from the Department of Health as one-off additional funding of healthcare services. The value was calculated as the difference between the Trust's planned capital expenditure for the year and the forecast as at month 7.

The Health and Social Care Act 2012 requires that the Trust's principal activity is to deliver goods and services for the purposes of the National Health Service in England. The revenue generated from NHS clinical activity is £613.8m, of which only £0.7m is derived in NHS Wales, Scotland and Northern Ireland. Therefore revenue from NHS in England at 90% of total income is significantly ahead of the minimum 50% requirement.

The Trust's principal source of income is contracts with the CCGs, which for 2015/16 returned to the Payment by Results regime where prices are based on national tariff and planned volumes are paid for the commissioners monthly followed by payment adjustments for over or under performance. There are a number of other income sources to the Trust. The Education and Training income (£21.5m) supports the costs of training doctors, nurses and other healthcare professionals and in doing so supports the quality of care provided at the Trust. The research and development income (£4.6m) is a combination of Department of Health income and grants and income from commercial establishments and research institutions that contributes to the improvement of healthcare both in the Trust and in the wider healthcare environment. The remainder of the Trust's income sources are not directly linked to patient care and include items such as catering, accommodation revenues and for services provided to other third parties.

## 1.3.2 Expenditure

The Trust's total expenditure in the year was £722.3m. As in previous years, staff costs are the largest component of expenditure, accounting for 60% of operating expenses. As part of the implied efficiency in tariff, the Trust was required to deliver £24.0m of cash releasing efficiency savings in the 2015/16 year. A detailed programme of schemes across all divisions has been monitored throughout the year with reports to the Service Improvement and Efficiency Plan (SIEP) Board and Finance and Performance Committee. The programme is a combination of schemes identified by divisions and Trust-wide initiatives. In the year £17.9m of savings were delivered, this is 75% of the target.

The Trust has complied with the cost allocations and charging requirement set out in HM Treasury and Office of Public Sector information guidance.

### 1.3.3 Statement of Financial Position

The Trust has continued to invest its cash balances into the Trust's estates and facilities. In the 2015/16 year the Trust incurred £19.3m of capital expenditure including £7.9m on site strategy projects completing the new hybrid theatre at Heartlands and a Dermatology Department at Solihull, £4.5m on IT infrastructure, £4.1m on equipment in clinical areas, £2.3m on estates improvements and £0.5m on externally funded schemes.

The capital programme was significantly curtailed part way through the financial year as part of the financial recovery programme so that only essential or contractually committed programmes remained as being spent in the year. The Trust is reviewing the estates strategy, particularly on the Heartlands site as well as the requirement for ICT investment as part of developing an investment plan.

As a result of the deficit, the cash balances at the Trust have decreased significantly in the year to a year-end balance of £31.5m. The Trust does not have a working capital facility.

The Trust performed the interim valuation of its land and buildings as at 31 March 2016 that is required per the accounting policies. This valuation was performed under the modern equivalent asset valuation (MEAV) methodology. This resulted in an overall increase in the value of the asset base compared to the value it had been recorded at of £11.4m, split between decreases causing an impairment charge to the SOCI of £9.6m, offset by income reversals of previously charged impairments where the asset has increased of £10.5m, thereby generating an overall release of £0.9m. The remainder of the adjustment generated a net increase in the revaluation reserve of £10.5m. Further details can be seen in note 10.5 of the Annual Accounts.

### 1.3.4 Charity Consolidation

The Heart of England Charity is proud to support the patients, carers and families at our local hospitals – Heartlands, Good Hope, Solihull Hospital, Birmingham Chest Clinic and in the Community.

The Charity has just over 300 funds covering

every speciality as well as a general fund for each hospital.

The Charity provides funding in many different areas including research, equipment purchases, facilities and training. This expenditure helps to improve patients' care and experiences above and beyond what the core NHS funding allows. During the past year the Charity gave over £1.9m of charitable support to the Trust for the benefit of our patients and staff.

From 2013/14 HM Treasury have removed the exception for consolidating charities associated with foundation trusts, so in the accounts the results of the Trust have been consolidated with the results of The Heart of England NHS Foundation Trust Charity ('the Charity').

The Charity has an income of £1.4m and expenditure of £2.1m for 2015/16 and has generated a loss of £0.7m before losses on investments of £0.4m, reporting a net loss of £1.1m. The application of the accounting policy is in note 1.2 of the financial statements and the details of the Charity's financial results are in notes 2.1-2.3 of the financial statements.

### 1.3.5 Future

The Trust has been working with EY to develop a financial recovery plan which will detail the steps that need to be taken by the organisation in order to return to financial balance.



## Section 2 **Accountability Report**



This Annual Report covers the period 1 April 2015 to 31 March 2016



# Accountability Report

## 2.1 Directors' Report

### 2.1.1 Overview

It is the responsibility of the Directors of the Trust to prepare the Annual Report and Accounts. The Board of Directors considers that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.

### 2.1.2 Audit Information

So far as each of the Directors is aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors has 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.

### 2.1.3 Pensions

The accounting policy for pensions and other retirement benefits are set out in note 1.13 to the financial statements and details of senior employees' remuneration can be found in the Remuneration Report in Section 2.

### 2.1.4 Disclosures in accordance with Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

Disclosures regarding likely future developments, employment of disabled persons, and informing and engaging with staff are included within the Performance Analysis.

### 2.1.5 The Board and Board Committees

The voting Directors serving on the Board during the year ended 31 March 2016 were:

**Mr Jonathan Brotherton** – Director of Operations  
**Dr Patrick Cadigan** Non-executive Director \ † ‡ • (resigned 31 October 2015)

**Mr Darren Cattell** – Interim Director of Finance and Performance (resigned 21 January 2016)

**Dr Andrew Catto** – Medical Director and Interim Deputy Chief Executive (resigned 29 February 2016)

**Mr Andrew Edwards** - Non-executive Director \ † ‡ •

**Mr Andrew Foster** – Interim Chief Executive • (resigned 31 October 2015)

**Mrs Sam Foster** – Chief Nurse

**Prof Jon Glasby** – Non-executive Director \ † ‡ • (appointed 1 October 2015)

**Ms Hazel Gunter** – Director of Workforce and Organisational Development

**Ms Karen Kneller** - Non-executive Director \ † ‡ •

**Mr Les Lawrence** – Chair \ † ‡ • (resigned 30 November 2015)

**Mr David Lock QC** - Non-executive Director and Senior Independent Director \ † ‡ (resigned 29 February 2016)

**Ms Alison Lord** - Non-executive Director and Deputy Chair \ † ‡ • (resigned 31 January 2016)

**Mr Julian Miller** – Interim Director of Finance (appointed 3 February 2016)

**Dame Julie Moore** – Interim Chief Executive • (appointed 26 October 2015)

**Dr Jammi Rao** - Non-executive Director \ † ‡ •

**Dr David Rosser** – Interim Medical Director (appointed 1 March 2016)

**Prof Laura Serrant** – Non-executive Director \ † ‡ (resigned 30 September 2015)

**Rt Hon Jacqui Smith** – Interim Chair \ † ‡ • (appointed 1 December 2015)

**Mr Adrian Stokes** – Director of Delivery and Deputy Chief Executive (resigned 13 November 2015)

\ Independent † Audit Committee ‡  
Remuneration Committee • Nominations  
Committee

Mr Andrew Edwards was appointed Deputy Chair and Prof Jon Glasby was appointed Senior Independent Director, both with effect from 4 April 2016.

In addition to the Chair, the Board currently comprises six voting Executive Directors and four voting Non-executive Directors.

The Board is responsible for the overall management and performance of the Trust. There is a formal schedule of matters that are reserved for the Board. That schedule provides a framework for the Board to oversee the Trust's affairs, and it is available to view on the Trust's website. It includes, amongst other things, (1) approval and variation of the Trust's long term objectives and strategy, operating and capital budgets, governance arrangements, systems of internal control, treasury policies, significant changes in accounting policies, standing orders and standing financial instructions, (2) changes to the Trust's capital structure, management and control structure and corporate structure, (3) the appointment and dissolution of Board committees and approval of their terms of reference, (4) oversight of the Trust's operations and review of its performance, and (5) approval of the Annual Report and Accounts.

Any matters that are not reserved to the Board are delegated to the Chief Executive, who is responsible for the day-to-day management of the Trust. The role of the Governors is set out in the Constitution, which is also available to view on the Trust website, and summarised in section 2.3.1.

The Board normally meets in formal public session six times per year, and also on an ad hoc basis when necessary. It is given accurate, timely and clear information so that it can maintain full and effective control over strategic, financial, operational, compliance and governance issues.

The Directors bring a range of skills and experience to their roles on the Board to ensure the balance, completeness and appropriateness of the Board to the requirements of the Trust. The biographical details of the Directors are as follows:

### **2.1.6 Chair and Voting Executive Directors**

#### **Dame Julie Moore, Interim Chief Executive Officer**

Julie is a graduate nurse who worked in clinical practice before moving into management. After a variety of clinical, management and director posts, she was appointed as Chief Executive of University Hospitals Birmingham (UHB) in 2006.

Julie is a member of the following bodies: The International Advisory Board of the University of Birmingham Business School, the Court of the University of Birmingham and is a Governor of Birmingham City University. She was an

independent member of the Office for Strategic Co-ordination of Health Research (OSCHR) from 2009 to 2015 and was a member the Faculty Advisory Board of the University of Warwick Medical School until 2015. In 2013 Julie visited Camp Bastion, Afghanistan to visit and present awards to clinical staff based there.

In September 2015 she was appointed as a Non-executive Director of the national Precision Medicine Catapult. She is a founder member and past Chair of the Shelford Group, 10 leading academic hospitals in England.

In April 2011 she was asked by the Government to be a member of the NHS Future Forum to lead on the proposals for education and training reform and in August 2011 was asked to lead the follow up report. In September 2013, in recognition of the high quality of clinical care at UHB, Julie was asked by Secretary of State to lead a UHB team for the turnaround of two poorly performing Trusts in special measures and since helped two further Trusts. Since October 2015 she has held the post of Interim Chief Executive at HEFT, in addition to her role at UHB.

In 2014 she chaired the HSJ Commission on Hospital Care for Frail Older People and she was a member of the expert panel for the 2014 Dalton Review into New Models of Hospital Provision. In 2015 she was asked by Lord Victor Adebowale to join the members of the NLGN Commission on Collaborative Health Economies.

#### **Andrew Foster, Chief Executive (resigned 31 October 2015)**

Andrew Foster was seconded from Wrightington, Wigan and Leigh NHS Foundation Trust (WWL) to the role of Interim Chief Executive at the Trust in February 2015.

Andrew was appointed chief Executive of WWL in January 2007. Before that he spent five years as NHS Director of Human Resources (Workforce Director General) at the Department of Health with principal responsibility for implementing the workforce expansion and HR systems modernisation set out in the NHS Plan. Previously he spent two years as part time Policy Director (HR) at the NHS Confederation.

#### **The Rt Hon Jacqui Smith, Trust Chair**

In October 2015 Jacqui Smith added to her role as Chair of University Hospitals Birmingham NHS Foundation Trust, being appointed Chair Elect of Heart of England NHS Foundation Trust. She took up this dual role from 1 December 2015.

Jacqui also chairs the Birmingham Health Partnership which coordinates the research partnership with the University of Birmingham.

Jacqui grew up in Worcestershire and, after reading Philosophy, Politics and Economics at Hertford College, Oxford University, she returned to the County. She gained a Post Graduate Certificate in Education from the University of Worcester and had a successful teaching career for 11 years in Worcestershire schools.

In 1997, Jacqui was elected as the MP for Redditch and served for 13 years. After a period on the Treasury Select Committee, she was appointed as a Minister in 1999 and became one of the longest serving Ministers in the Labour government. She served in Education, Health, Industry and Equalities portfolios and as Chief Whip. In 2007, Jacqui was appointed as the first female Home Secretary.

Jacqui is also Chair of the Precious Trust – a Birmingham based charity formed with Marcia Shakespeare to support girls at risk of gang violence and of the Advocacy Practice of Westbourne Communications.

### **Les Lawrence, Trust Chair (resigned 30 November 2015)**

Les Lawrence was Cabinet Member for Children, Young People and Family Services at Birmingham City Council, a post he held from 2004 until 2012. Before joining the Trust, he was Chair at the Royal Orthopaedic Hospital for seven years and Chair at the Alexandra Hospital in Redditch for four.

Prior to this he was a Non-executive Director and Vice Chair for South Birmingham Health Authority. He has substantial NHS and local government experience. Les joined the Board on 1 April 2012 and became chair on 1 June 2014.

### **Dr David Rosser, Interim Deputy Chief Executive Clinical Quality /Medical Director**

David qualified from University College of Medicine, Cardiff in 1987 and worked in general medicine and anaesthesia in South Wales before moving to London in 1993 to be a Research Fellow in Critical Care and subsequently Lecturer in Clinical Pharmacology in University College London Hospital.

He was appointed to a Consultant post in Critical Care at University Hospitals Birmingham in 1996. He was later appointed as Specialty Lead for Critical Care in 1998, as Group Director responsible for Critical Care, Theatres, CSSD and Anaesthesia in

1999 and as Divisional Director responsible for 10 clinical services in 2002. David was seconded two days per week to the NPfIT in 2004 and appointed as Senior Responsible Owner for e-prescribing in November 2005 – April 2007.

Appointed as Executive Medical Director of UHB in December 2006, David had responsibilities including Executive Lead for Information Technology. He led the in-house development and implementation of advanced decision support systems into clinical practice across the organisation.

David took up the role of Deputy Chief Executive with responsibility for clinical quality at HEFT in November 2015, in addition to the Medical Director role at UHB, and was appointed as Executive Medical Director of HEFT in March 2016 retaining the responsibilities of the MD at UHB and the Deputy COE at HEFT.

### **Jonathan Brotherton, Director of Operations**

Jonathan Brotherton joined the Trust in September 2014 as Director of Operations and was appointed to the Board of Directors in March 2015.

He joined the NHS in 1992 as a trainee paramedic in Worcestershire and was one of the inaugural members of the National Emergency Care Intensive Support Team (ECIST) during which time he qualified as a performance coach and management consultant. He graduated from the University of Worcester with a Master's degree in management studies in 2007 and has worked in senior operational management roles at Burton Hospitals NHS Foundation Trust and most recently at University Hospitals Coventry & Warwickshire NHS Trust as Director of Performance.

### **Julian Miller, Interim Director of Finance**

Julian Miller joined the Board as Interim Director of Finance in November 2015, on secondment from University Hospitals Birmingham NHS Foundation Trust (UHB). Julian is a Business Studies graduate and joined the NHS in 1995 before qualifying as a Chartered Management Accountant (ACMA, CGMA) in 1998. He has worked at UHB since 2000 in a variety of roles including Divisional Finance Manager, Head of Financial Management and Planning, Deputy Director of Finance and most recently Director of Finance since 2012.

### **Darren Cattell, Interim Director of Finance and Performance (resigned 21 January 2016)**

Darren Cattell joined the Trust as Interim Director of Finance and Performance in January 2015. He is a Fellow of the Association of Chartered Certified Accountants and holds an MBA from the University of Birmingham.

He has a wealth of experience in NHS finance and commercial roles most recently in his interim career at Heatherwood and Wexham Park Hospitals NHS Foundation Trust (2013 – January 2015), Cambridgeshire and Peterborough NHS Foundation Trust (2012-2013) and Mid Staffordshire NHS Foundation Trust (2010-2012).

### **Adrian Stokes, Director of Delivery and Deputy Chief Executive (resigned 13 November 2015)**

Adrian Stokes was a regional financial management trainee and qualified in 1997. He joined Heartlands Hospital upon qualification and, with the exception of two years at the Strategic Health Authority (SHA), had been at HEFT until 2015.

He was formally appointed as Finance Director in July 2008 and Director of Delivery in June 2014.

### **Andrew Catto, Medical Director, Deputy Chief Executive (resigned 29 February 2016)**

Dr Andrew Catto qualified from Leeds School of Medicine in 1989 with distinction in microbiology. Following house jobs in Leeds he was appointed to various academic posts culminating in a PhD in the genetic determinants of blood coagulation in stroke in 1999 and obtained the CCST in general and geriatric medicine in the same year.

He was appointed as an MRC Clinician Scientist and then as Consultant in stroke medicine at Airedale NHS Foundation Trust in 2005. Following a series of clinical management roles at Airedale FT, he was appointed Executive Medical Director at Heart of England and took on the role of Interim Chief Executive for several months prior to the appointment of Andrew Foster.

### **Sam Foster, Chief Nurse**

Sam Foster was appointed Chief Nurse at HEFT in September 2014 having been Acting Chief Nurse since September 2013. Prior to that she had been Deputy Chief Nurse at the Trust since 2009. In that post she delivered a key leadership role supporting the then chief nurse in professionally leading and enabling 5,500 nursing and midwifery staff to deliver a high standard of care.

Qualifying as a general nurse in 1993, Sam spent her early career working in general medicine, where she furthered her studies undertaking a BSc in professional studies before moving into critical care and undertaking a MSc in advancing critical care practice. Sam has always had an interest in the development of nurses and nurse leaders, and developed her long standing interest in the MAGNET accreditation which focuses on nurse retention. Sam has recently completed the Florence Nightingale Leadership scholarship, which included a study tour to America, and attained the Ashridge Business School Executive Programme.

### **Hazel Gunter, Director of Workforce and Organisational Development**

Hazel Gunter joined the Trust in November 2007 and was appointed to the Board of Directors in June 2011 as Acting Director of HR & OD before being appointed to the substantive role in January 2013.

She joined the NHS in 2007 having previously worked for nearly 30 years in healthcare for the public, private and charity sectors where she took her professional qualifications in HR.

Hazel has always had a keen interest in developing individuals and leaders to reach their full potential and has a key role in the delivery of performance through staff.

## **2.1.7 Voting Non-executive Directors**

### **Karen Kneller, Non-executive Director**

Karen is a practising barrister employed at the Criminal Cases Review Commission as Chief Executive. Before that she was a senior policy adviser at the Crown Prosecution Service having been a prosecutor for a number of years. Karen sits occasionally as a judge of the Social Entitlement Chamber and is a member of the General Dental Council's Fitness to Practise panel. Karen also has third sector experience and is currently a trustee of BRAP, a national equalities think tank.

She joined the Board in October 2014.

### **Andrew Edwards, Non-executive Director**

Andrew Edwards started his career with West Midlands Regional Health Authority as a trainee engineer. He went on to complete a BEng Honours degree in environmental building services and became a chartered engineer and Fellow of the Institute of Healthcare Engineering & Estate Management.

His career has spanned the public and private sectors and included time with a number of engineering design consultancies. Most recently he was a director at the Couch Perry and Wilkes Partnership with responsibility for an engineering design business unit and general management. His key area of expertise is engineering design in healthcare.

Andy joined the Board in October 2014.

### **Prof Jon Glasby, Non-executive Director**

Professor Jon Glasby is a qualified social worker by background and Head of the School of Social Policy at the University of Birmingham. Prior to this, he was Director of the University's Health Services Management Centre (HSMC) for seven years, where he specialised in joint work between health and social care and was involved in regular policy analysis and advice.

He has recently served as a Non-executive Director of the Birmingham Children's Hospital and, from 2003 to 2009, was the Secretary of State's representative on the board of the UK Social Care Institute for Excellence (SCIE). He sits on the Executive Group of Birmingham Health Partners, and is a Senior Fellow of the NIHR School for Social Care Research, and a Fellow of the Academy of Social Sciences and the Royal Society of Arts.

Jon joined the Board in October 2015.

### **Dr Jammi Rao, Non-executive Director**

Dr Jammi Rao is a public health physician with many years' experience in the NHS. He has been a director of public health for the former North Birmingham Primary Care Trust, and worked for a time in the Senior Civil Service.

He chaired the West Midlands Multi-Centre Research Ethics Committee for many years, served for a term as trustee of the British Medical Association (BMA), and of the Faculty of Public Health.

He currently holds a visiting chair in public health at Staffordshire University and is a judicial office holder as a medically qualified member of the Social Security and Child Support Tribunal.

Jammi joined the Board in July 2013.

### **David Lock QC, Non-executive Director and Senior Independent Director (resigned 29 February 2016)**

David Lock QC was called to the Birmingham Bar

in 1985 and became a QC in 2011. He was elected as a Member of Parliament and appointed to be a Minister at the Lord Chancellor's Department from 1999 to 2001.

David was a member of the Department of Health Expert Panel advising the Secretary of State on EU-based patients coming to the UK for organ transplants. He is a member of the BMA Ethics Committee. He is a recognised specialist in healthcare law. David joined the Board in July 2013 and served as the Senior Independent Director during 2014-15.

### **Alison Lord, Non-executive Director and Deputy Chair (resigned 31 January 2016)**

Alison Lord is a qualified accountant. She worked for KPMG for 12 years, latterly as a Corporate Restructuring Director, and has run her own consultancy business since 2005 providing operational and financial restructuring advice to under-performing companies.

She has held a number of non-executive and executive roles with health and social care providers, including three years as chief executive turning round a specialist provider of care and education to young people with autism, delivering both improved financial performance and 'outstanding' quality ratings. She has also worked with NHS Wales to provide strategic advice on restructuring under-performing health bodies.

Alison was a non-executive director at Birmingham and Solihull Mental Health Trust for six years prior to joining the Trust Board in May 2013.

### **Patrick Cadigan, Non-executive Director (resigned 31 October 2015)**

Dr Patrick Cadigan has practiced as a cardiologist in the West Midlands since 1981. As part of his work for the Royal College of Physicians (RCP) he chaired the medical board of the National Patient Safety Agency and was a member of the Advisory Group on National Specialised Services.

He led the RCP response to the Francis Inquiry into the poor care provided at Mid Staffs Hospital and provided clinical advice to the Trust's special administrator.

Patrick joined the Board in July 2013.

### **Laura Serrant, Non-executive Director (resigned 30 September 2015)**

Professor Serrant is a director of research and

enterprise/ professor of community & public health nursing / associate dean (research and enterprise) at the School of Wellbeing at the University of Wolverhampton. She has worked at a very senior level in both nursing and teaching with particular emphasis on marginalised and hard-to-reach populations in health and social care.

Laura has also worked for the Department of Health, most recently as a member of the Prime Minister's commission on the future of nursing and midwifery.

Last year Laura was named as one of the HSJ's Inspirational Women and she also received a Queen's Nurse Award for her work to raise the profile of community nursing.

Laura joined the Board in April 2012.

## Directors' Register of Interests

The Trust's Constitution and Standing Orders of the Board of Directors requires the Trust to maintain a Register of Interests for Directors. Directors are required to declare interests that are relevant and material to the Board. These details are kept

up-to-date by an annual review of the Register, during which any changes to interests declared during the preceding 12 months are incorporated. The Register is available to the public on request to The Company Secretary, Heart of England NHS Foundation Trust, Devon House, Bordesley Green East, Birmingham B9 5SS.

## 2.1.8 Board Committees

The principal Board committees comprise:

- Audit Committee
- Nominations Committee
- Quality Committee
- Remuneration Committee

Their terms of reference are available from the Company Secretary on request.

## 2.1.9 Directors' Attendance at Meetings

The table below shows the attendance of voting Directors at Board and key committee meetings during the year ended 31 March 2016.

Director	Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Attended	Relevant number	Attended	Relevant number	Attended	Relevant number	Attended	Relevant Number
<b>Meetings</b>	<b>13</b>		<b>7</b>		<b>2</b>		<b>2</b>	
J Brotherton	11	13	-	-	-	-	-	-
P Cadigan	5	8	1	4	1	2	-	-
D Cattell	10	12	-	-	-	-	-	-
A Catto	12	12	-	-	-	-	-	-
A Edwards	13	13	-	-	2	2	2	2
A Foster	7	8	-	-	-	-	-	-
S Foster	11	13	-	-	-	-	-	-
J Glasby	6	7	0	2	-	-	2	2
H Gunter	13	13	-	-	-	-	-	-
K Kneller	13	13	1	2	1	2	2	2
L Lawrence	9	9	-	-	2	2	-	-
D Lock	10	12	4	7	2	2	1	1
A Lord	10	11	5	6	2	2	-	-
J Miller	4	4	-	-	-	-	-	-
J Moore	4	5	-	-	-	-	0	2
J Rao	9	13	2	7	2	2	1	2
D Rosser	3	4						
L Serrant	5	6	1	4	1	2	-	-
J Smith	5	5	-	-	-	-	2	2
A Stokes	0	9	-	-	-	-	-	-

Note: The key committees are those identified in the NHS Foundation Trust Code of Governance.

## 2.1.10 Audit Committee

The work of the Audit Committee is to:

- Review the establishment and maintenance of an effective overall system of integrated governance, risk management and internal control, across the whole of the Trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives
- Ensure there is an effective internal audit function that provides appropriate independent assurance to the Audit Committee, Quality Committee, Chief Executive and Board
- Ensure there are effective counter-fraud arrangements established by management that provide appropriate independent assurance to the Audit Committee, Quality Committee, Chief Executive and Board
- Consider and make recommendations to Audit Appointments Committee of the Council of Governors in relation to the appointment, re-appointment and removal of the external auditor and to oversee the relationship with the external auditor
- Monitor the integrity of the financial statements of the Trust, reviewing significant financial reporting issues and judgements which they contain and review significant returns to regulators and any financial information contained in other official documents including the Annual Governance Statement and
- Review the Trust arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

In 2015/16 the Committee met seven times and discharged its responsibilities as set out in its terms of reference. It operates to a clearly defined annual business programme that the committee sets for itself annually in advance. It has received comprehensive reports from the Director of Finance and the Head of Corporate Risk and Compliance, as well as reports from both the internal and external auditors.

The reports from the Director of Finance have highlighted the key issues for the Trust with regards to financial reporting in the year. There were no changes required by Monitor's Annual Reporting Manual (ARM) for 2015/16 so the Committee agreed to the Trust's accounting policies remaining largely unchanged. The Committee has also been made aware of the

changes to the work that will be required by the external auditors as a result of the deteriorating financial position and the related Monitor enforcement undertakings at the Trust, and in particular the need for a thorough review of the going concern principle. The committee was made aware of the requirement for a land and building revaluation and was briefed on the key issues arising out of this exercise.

The Trust does not have its own internal audit function so appoints another organisation to provide this service. Deloitte LLP provides this service to the Trust and 2015/16 was year two of this contract. An internal audit plan of work was agreed by the Committee in July 2015, following feedback from executive and non-executive directors and senior managers, and regular updates have been provided to the committee on the progress and findings of the planned reviews.

In addition to the regulatory requirements for core internal audit reviews (including financial systems, IT controls, budgetary controls risk management and compliance arrangements), a programme of clinical reviews and business operations reviews were carried out. The clinical reviews included areas such as the RTT indicator and perioperative services review.

These reports were considered by the Quality and Risk Committee before they were presented to Audit Committee. The business operations reviews covered specific areas identified as risks by management such as workforce data, winter planning, CIP delivery, procurement, ICT strategy assessments and stakeholder perceptions. For all these reviews a report with actions to address risks is agreed with the management team for that area before being presented to Audit Committee. The Committee tracks progress against these action plans and also reviews the implementation of previously agreed actions.

The Trust has a Board Assurance Framework which is used to continually evaluate the risks the Trust is facing. The trust-wide risk register is reviewed at the Quality Committee and the Audit Committee as well as being circulated to the executive team.

The Trust's external auditors are PricewaterhouseCoopers (PwC) and 2015/16 is the fourth and final year of their contract. PwC presented its audit plan to the committee which set out its planned approach, an assessment of the risks and controls and proposed areas of focus. PwC worked with internal audit to identify areas where they could rely on work performed already as part of the internal controls work. The Trust places reliance on the external auditor's own internal processes and procedures

to ensure auditor objectivity and independence are safeguarded. As a matter of best practice, the external auditors have held discussions with the Audit Committee on the subject of auditor independence and have confirmed their independence in writing. There has been no non-audit work proposed by external audit in the 2015/16 year. However, additional fees have been agreed due to the extra risk-based work PwC will have to perform to assess the effect that the Monitor Enforcement undertakings will have on the economy, effectiveness and efficiency part of their opinion and to perform additional work on the revaluation exercise.

When the governors extended the PwC contract to include 2015/16 in autumn 2014, the expectation was that a full appointment process would follow for the 2016/17 year end onwards. In December 2015 a tender process was followed using a framework agreement to award a three year contract for the years ending 31 March 2017 to 31 March 2020. The Council of Governors Audit Appointments Committee agreed to appoint KPMG as external auditors for this period and the Council of Governors ratified this decision in March 2016.

The Trust has a duty, under the Health and Safety at Work Act 1974 and the Human Rights Act 2000, to provide a safe and secure environment for staff, patients and visitors; and the Committee regularly reviewed the activities of the counter fraud team. In April 2015 the Trust submitted a return under the self-assessment tool and monitoring regime and was graded as amber-green. There were no concerns raised around the provision of counter fraud services by the central NHS Protect assessment team.

The Committee consists solely of independent non-executive directors and at least one member has recent and relevant financial experience. Alison Lord was the Chair of the Committee until she resigned in January 2016 and Karen Kneller has taken on the role of Chair from March 2016. The attendance of committee members is shown in the table in section 2.1.9.

### 2.1.11 Nominations Committee

The work of the Nominations Committee is to:

- Review the size, structure and composition of the Board and make recommendations with regard to any changes
- Give full consideration to succession planning
- Evaluate the balance of skills, knowledge and experience in relation to the appointment of both Executive and Non-executive Directors
- Identify and recommend suitable candidates to fill Executive Director vacancies.

The Nominations Committee is chaired by the Chair and also comprises the Non-executive Directors and the Chief Executive. It has met twice during the year ended 31 March 2016.

In the case of Non-executive Director vacancies, including the Chair, the relevant information on skills, knowledge and experience is passed to the Council of Governors Appointments Committee so that it can consider the information in its deliberations. The Council of Governors Appointments Committee is then responsible for the identification and recommendation of Non-executive Directors, including the Chair, to the Council of Governors. The Council of Governors Remuneration Committee is responsible for making recommendations as to their terms and conditions of employment.

During 2015, the Council of Governors Appointments Committee, chaired by the Chair, Les Lawrence, undertook a process to recruit a further Non-executive Director with a background in higher education. The process was a continuation from that which began in 2014, when a suitable candidate had not been identified through the normal recruitment process. On this occasion, the Committee agreed that the Chair should use his network of contacts in higher education establishments to identify a suitable candidate; this resulted in Prof Jon Glasby being interviewed by the Committee and a recommendation for his appointment being put to and approved by the Council of Governors.

In the case of Executive Director vacancies, the usual process involves the Nominations Committee reviewing the job description and person specification, undertaking the recruitment process and making a recommendation to the Board. It is for the Non-executive Directors to appoint and remove the Chief Executive although the appointment of the Chief Executive also requires the approval of the Council of Governors.

On 22 October 2015 the Trust received a written instruction from Monitor requiring the appointment of Dame Julie Moore (also Chief Executive of University Hospitals Birmingham NHS Foundation Trust (UHB)) as Interim Chief Executive from 26 October 2015 and the appointment of Rt Hon Jacqui Smith (also Chair of UHB) as Interim Chair from 1 December 2015, this was not in accordance with the usual process for appointments but the appropriate resolutions were passed to give effect to the written instruction from Monitor.

In addition, and as a corollary to these appointments, the Trust entered into a services agreement with UHB regarding the provision of

director services and other support services from UHB to the Trust (the UHB services agreement). Since that time Julian Miller has been appointed Interim Director of Finance and David Rosser has been appointed Interim Medical Director effectively as secondees under the UHB services agreement; both appointments were based on recommendations from the Interim Chief Executive and were referred to and approved by the Nominations Committee, which, in turn, recommended the approval of both appointments to the Board.

### 2.1.12 Remuneration Committee

A full report from this committee is in section 2.5.

### 2.1.13 Quality Committee

The role of the Quality Committee was re-focused from January 2016, so that, rather than the Board delegating its responsibility for clinical quality to a committee, the role of the Quality Committee became one of supporting and providing continuity for the Board in relation to its responsibility for ensuring that the care provided by the Trust is of an appropriate quality. It is intended that the Quality Committee will meet bi-monthly. The members of the Committee are all of the Non-Executive Directors, including the Chair, the Chief Executive, the Medical Director, the Chief Nurse and the Director of Operations. Other officers of the Trust will be invited to attend the Committee as and when required.

The Committee's duties will include monitoring the performance of the Trust against the requirements of its clinical quality strategy, including:

- Reviewing, and monitoring action taken in relation to managing/exceptions
- Notifying the Board should any irregularities be identified
- Overseeing compliance with external and internal care standards
- Receiving quantitative and qualitative analyses reflecting all aspects of clinical governance, including complaints, claims, inquests and clinical incidents
- Ensuring that lessons are learned from complaints, litigation, adverse incident reports and trends, and service enquiries and review
- Overseeing the Trust's responses to all relevant external assessment reports and the progress of their implementation
- Assuring itself that participation in clinical audit and relevant R&D activity by individuals and multi-professional teams is encouraged

and supported as integral to the provision of high quality clinical care

- Overseeing the development of the annual Quality Report and Quality Account
- Scrutinising assurance on the performance of the Trust's divisions against the Quality Framework that includes the relevant Strategic Objectives and the priorities set out in the Quality Account
- Initiating and monitoring investigation of areas of serious concern as necessary and ensuring resulting action plans are implemented and
- Monitoring the key performance indicators relevant to areas of clinical quality.

### 2.1.14 Political Donations

The Trust made no political donations during the year ended 31 March 2016.

### 2.1.15 Enhanced Quality Governance Reporting

The Performance Analysis, which can be found in section 1.2, the Quality Account and Report, which can be found in Section 3 and the Annual Governance Statement, which can be found in Section 2.7, discuss quality governance and quality in further detail, supplementing the information on quality governance found in this report.

The Board is satisfied that, to the best of its knowledge and using its own processes and having had regard to Monitor's Quality Governance Framework (supported by Care Quality Commission information, its own information on serious incidents, patterns of complaints, and including any further metrics it chooses to adopt), it has, and will keep in place, effective arrangements for the purpose of monitoring and continually improving the quality of health care provided to its patients.

### 2.1.16 Cost Allocation and Charging Guidance

Information regarding the Trust's compliance with cost allocation and charging guidance issued by HM Treasury can be found in the Performance Analysis in section 1.2.

### 2.1.17 Better Payment Practice Code

In prior years, the Trust had adopted the Better Payment Practice Code which requires the payment of undisputed invoices by the due date or within

30 days of receipt of goods or services or a valid invoice, whichever is later for 95 percent of all invoices received by the Trust.

The Trust's standard payment terms are 30 days after receipt of a valid invoice and at the beginning of the year was paying around 70 percent of its invoices within 30 days as problems with a systems upgrade were still causing delays. Whilst these problems were resolved over the summer, the increased controls that have been placed around payment of suppliers as part of the financial recovery programme have meant that the target has not been hit in the year, with a total of 68% of invoices being paid within this target date in the full year.

## 2.2 Regulatory Ratings

### 2.2.1 Overview

Monitor measure the level of risk at the Trust using the financial and governance frameworks as set out in the Risk Assessment Framework. As part of the Annual Plan submission early in the financial year the Trust declares the levels it expects to reach. The Trust makes a submission to Monitor at the end of every quarter detailing the financial performance and governance levels at the Trust and again Monitor assesses these returns and issues risk ratings that are published on its website.

### 2.2.2 Explanation of Risk Ratings

The Risk Assessment Framework uses a combination of financial and governance measures to assess the performance of the Trust.

#### 2.2.2.1 Finance Measures

For the first quarter of the year the Trust was measured using the Continuity Of Services Risk Rating (COSRR) to determine the level of financial sustainability. The COSRR is assessed using two factors:

- i. Liquidity ratio score calculated as the number of days expenditure the Trust holds in working capital, and
- ii. Debt servicing ratio calculated as the number of times the Trust's operating surplus covers the interest it has to pay.

Both of these criteria are marked out of 4 and the average of the two scores generates the COSRR score. The best score under COSRR is 4.

From quarter 2 (September 2015) the assessment methodology was changed to the financial sustainability rating, which again ranked from 1 to 4 with 4 being the best score, which assessed against the following criteria:

- i. Capital servicing rating – interest payable as a portion of Trust surplus before interest and PDC
- ii. Liquidity – calculated as the number of days operating expenses the Trust holds in in working capital
- iii. I&E margin – the Trust surplus as a percentage of total income
- iv. I&E margin variance – the difference between actual and plan I&E margin.

#### 2.2.2.2 Governance Risk Rating

In the Risk Assessment Framework the governance rating considers whether there is a potential breach of the governance condition in the licence. This considers the performance against selected national access and outcome standards, CQC judgements in the quality of care provided, and other relevant information to determine the rating. The Trust is rated either green, where no issues have been identified, red where an enforcement action has been taken or is given a rating that is accompanied by a description of status and action being taken.

## 2.2.3 Trust Performance

The table below details the financial ratings and governance ratings for each quarter of the past two years and the expected year end position in the Annual Plan.

	Annual Plan 2015/16	Quarter 1 2015/16	Quarter 2 2015/16	Quarter 3 2015/16	Quarter 4 2015/16
Continuity of Services Rating	3	3			
Financial Sustainability Rating			2	1	1
Governance Rating	Red	Red	Red	Red	Red

### 2014/15 performance

	Annual Plan 2014/15	Quarter 1 2014/15	Quarter 2 2014/15	Quarter 3 2014/15	Quarter 4 2014/15
Continuity of Services Rating	3	4	4	4	4
Governance Rating	Red	Red	Red	Red	Red

## 2.2.4 Financial Risk Rating

When the Annual Plan was set in May 2015 it was expected that a COSRR level 3 would be achieved. Because the Trust has relatively high working capital balances and a relatively small amount of interest to pay, it scored as a 3 in Quarter 1. By Quarter 2 the assessment regime had changed and the declining cash position and deterioration in the deficit position had reduced the rating to a level 2 which further decreased to level 1 by Quarter 4 as the deficit continued to grow.

## 2.2.5 Governance Risk Rating

The Trust started the 2015/16 year developing plans to deliver the A&E four hour wait and providing information to Monitor under the Section 106 enforcement undertaking and so was rated red. When the plan was submitted to Monitor, risks to achieving required performance targets for 18 weeks and 2 week cancer wait were also declared, with cancer anticipated to return to compliance by quarter 2 and 18 weeks by Quarter 2. At this point the Trust anticipated that it would meet all other targets.

In Quarter 1 and thereafter, the Trust was rated red because the Trust had not hit the A&E target for more than three successive quarters, as well as not hitting the targets for 18 week referral to treatment (RTT), 62 days cancer and 2 weeks cancer (breast care and other cancer). These targets were not hit in Quarter 2 and Quarter 3. The Trust met the 2 week and 62 day cancer targets in Quarter 4.

It hit the 18 week target for the last two months of Quarter 4 but failed the target overall in the quarter. The Trust missed A&E target in Quarter 4.

At the beginning of the 2015/16 year, the Trust was operating under a number of section 106 enforcement undertakings and an additional licence condition imposed under section 111. During the year, a further additional licence condition under section 111 was imposed on the Trust, requiring it to make certain appointments to the posts of Chair and Chief Executive. In addition, the Trust has given further enforcement undertakings under section 106, relating to the Trust's financial position. These are without prejudice to the previous undertakings. Regular communication continues between the Trust and Monitor to review progress on these issues.

## 2.3 NHS Foundation Trust Code of Governance Disclosures

Heart of England NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance ("the Code") on a comply or explain basis. The Code, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.

The Code is issued as best practice guidance, on a comply or explain basis; however, certain disclosure requirements apply in relation to the Code.

The Board considers that throughout the year it

was fully compliant with the principles of the Code, save that:

- Alison Lord was appointed for a term of three years and two months from 1 May 2013. Non-executive Directors appointed since 1 July 2013 have all been appointed on three year terms; and
- There were times during the year when less than half of the Board, excluding the chairperson, comprised Non-executive Directors. This occurred due to timing differences in recruiting replacement Non-executive Directors but it continues to be the policy of the Board to comply with this requirement and, in that respect, a recruitment exercise for Non-executive Directors was ongoing at the date of this report.

The role of the Board is described in section 2.1.5. An outline of the role and responsibilities of the Council of Governors can be found in section 2.3.1.

The identity of the chairperson, the deputy chairperson, the senior independent director, the chief executive and members of the key committees of the Board can be found in section 2.1.5.

The identity of the members of the Council of Governors, their constituencies, details of their elections and appointments, the identity of the Lead and Deputy Lead Governor and the number of meetings and attendance are described in the Governors Report, which can be found in section 2.3.1.

The Board regards all of the Non-executive Directors as independent in character and judgement.

The Governors have not exercised their power under paragraph 10C\*\* of schedule 7 of the NHS Act 2006 to require one or more Directors to attend a Council of Governors meeting; however, both Non-executive and Executive Directors routinely attend meetings of the Council of Governors.

The performance of the Board and its committees is evaluated through the appraisal process for the Chair and the Non-executive Directors. In addition, part of the programmes of work arising from the Kennedy Review, published in December 2013, the Governance Review undertaken by Deloitte LLP in 2014 and a further Governance Review undertaken by the Good Governance Institute in 2015/16 have focused on Board and committee performance; this work is ongoing. Deloitte LLP also provides Internal Audit services to the Trust.

Les Lawrence left the Trust on 31 October 2015 and was not appraised by the Senior Independent Director and the Lead Governor during 2015/16.

The Non-executive Directors serving during the year up to 31 October 2015 were not appraised by the Chair, Les Lawrence, before he resigned. However, Director appraisals have been included in the work being carried out by the Good Governance Institute, as a part of its engagement by the new Chair, Jacqui Smith. It is intended that all Non-executive Directors who are expected to be in post throughout 2016/17 will be subjected to an appraisal by the Chair.

All Executive Directors are appraised annually by the Chief Executive (and the Chief Executive by the Chair), as part of the Trust's evaluation process and appraisal policy.

The Directors fully explain their responsibility for preparing the Annual Report and Accounts in section 2.1.

Information concerning the effectiveness of the Trust's system of internal controls can be found in the Annual Governance Statement in Section 2.7.

The Trust outsourced its Internal Audit function to Deloitte LLP for 2015/16. The Internal Audit function reports to the Audit Committee. Clinical governance matters are reviewed on behalf of the Board by the Quality Committee (previously by the Quality and Risk Committee) of the Board.

By attending meetings of the Council of Governors and its committees both Executive Directors and Non-executive Directors develop an understanding of the views of Governors and members. In addition, the Governors have direct access to the Chair and the Company Secretary, both at meetings and informally, which enables them to channel their views to and receive feedback from the Directors.

A report on Membership Strategy and Engagement can be found in section 2.3.2. This includes contact information, eligibility, membership numbers and a summary of the membership strategy.

The other significant commitments of the Chairs were:

#### **Les Lawrence**

- Trustee for the National Institute for Conductive Education
- Governor of City of Birmingham School
- Director of Lindridge Enterprises Limited
- Director (unremunerated) of Bordesley Birmingham Trust Limited

- Chairman of the Birmingham Special Educational Needs & Disability Information, Advice and Support Service

#### Jacqui Smith

- Chair – The Precious Trust
- Chair – Public Affairs Practice for Westbourne Communications
- Associate – Cumberledge Eden & Partners
- Associate - Global Partners Governance
- Chair – University Hospitals Birmingham NHS Foundation Trust

A perpetual review of Directors' and Governors' material interests in organisations where those organisations or related parties are likely to do business, or are possibly seeking to do business, with the Trust is carried out and there are no material interests to declare. To communicate with the directors or to obtain a copy of the Register of Directors' or Governors' Interests, contact: The Company Secretary, Heart of England NHS Foundation Trust, Devon House, Bordesley Green East, Birmingham B9 5SS.

### 2.3.1 Governors

The Trust's Council of Governors continues to make a significant contribution to the success of the Trust and its commitment, support and energy is greatly valued.

Following changes to the Constitution that became effective in 2013, there were 34 Governor posts available.

Governors are normally elected or appointed for a three year period and are eligible for re-election or

reappointment for a further two three-year terms.

The Governors are elected or appointed as follows:

- 22 Public Governors, by ballot of public members
- 5 Staff Governors, by ballot of staff
- 7 Stakeholder Governors, by appointment.

There were no elections held in the year ended 31 March 2016. The next Governor elections are due to be held in 2017.

The Council of Governors is responsible, amongst other things, for:

- Representing the interests of members as a whole and the public
- The appointment and, if appropriate, removal of the Chair, Non-executive Directors and the external auditor
- Determining the remuneration of the Chair and the Non-executive Directors
- Holding the Non-executive Directors individually and collectively to account for the performance of the Board as a whole.

The Council of Governors met eleven times in the year ended 31 March 2016; the table below shows attendance levels:

Meeting date	Number of Governors in attendance	Number of eligible Governors	Number of Directors in attendance
14 April 2015	20	30	6
5 May 2015	18	29	9
2 June 2015	19	28	10
8 July 2015	15	29	7
8 September 2015	15	29	13
7 October 2015	21	29	10
22 October 2015	15	29	5
4 November 2015	19	29	8
6 January 2016	21	29	9
3 February 2016	20	28	7
2 March 2016	17	28	10

During the year no Governors were removed from office for persistent failure to attend meetings. The Governors of the Trust at 31 March 2016 were:

Constituency Type	Full Name of Constituency	Name of Governor	Origin	Date appointed/ elected
Public	Erdington	Dr Olivia Craig	Elected (Contested)	12/08/2013
Public	Erdington	Mr Albert Fletcher	Elected (Contested)	12/08/2013
Public	Hall Green	Mrs Susan Hutchings	Elected (Uncontested)	12/08/2013
Public	Hall Green	Mr Andrew Lydon	Elected (Uncontested)	12/08/2013
Public	Hodge Hill	Ms Arshad Begum	Elected (Contested)	12/08/2013
Public	Hodge Hill	Ms Attiq Khan	Elected (Contested)	12/08/2013
Public	Rest of England & Wales	Mrs Kath Bell	Elected (Contested)	12/08/2013
Public	Rest of England & Wales	Mr Michael Kelly	Elected (Contested)	12/08/2013
Public	Solihull	Ms Anne McGeever	Elected (Contested)	12/08/2013
Public	Solihull	Dr Mark Pearson	Elected (Contested)	12/08/2013
Public	Solihull	Mr David Wallis	Reserve Governor (Contested)	8/09/2015
Public	Solihull	Mrs Jean Thomas	Reserve Governor (Contested)	01/09/2014
Public	South Staffordshire	Mr Barry Orriss	Elected (Contested)	12/08/2013
Public	South Staffordshire	Mr Phillip Johnson	Elected (Contested)	12/08/2013
Public	Sutton Coldfield	Mrs Elaine Coulthard	Elected (Contested)	12/08/2013
Public	Sutton Coldfield	Mr Ron Handsaker	Elected (Contested)	12/08/2013
Public	Tamworth	Mr Richard Hughes	Elected (Uncontested)	12/08/2013
Public	Yardley	Mr Marek Kibilski	Reserve Governor (Uncontested)	30/07/2015
Public	Yardley	Mr David Treadwell	Elected (Uncontested)	12/08/2013
Staff	Clinical Support	Mr Michael Hutchby	Elected (Uncontested)	12/08/2013
Staff	Medical & Dental	Mr Matthew Trotter	Elected (Uncontested)	12/08/2013
Staff	Non-Clinical Support	Mrs Emma Hale	Elected (Uncontested)	12/08/2013
Staff	Nursing & Midwifery	Mrs Veronica Morgan	Reserve Governor (Contested)	1/11/2015
Staff	Nursing & Midwifery	Mrs Margaret Meixner	Elected (Contested)	12/08/2013
Stakeholder	Birmingham City Council	CLlr Mohammed Aikhlaq	Appointed	01/08/2013
Stakeholder	Birmingham City University	Carol Doyle	Appointed	01/12/2012
Stakeholder	University of Birmingham	Dr Catherine Needham	Appointed	06/02/2014
Stakeholder	University of Warwick	Dr Nicola Burgess	Appointed	09/05/2014

Mr David O’Leary (Yardley) passed away on 14 May 2015 and was automatically replaced by Mr Marek Kibilski (Yardley), on 5 June 2015, in accordance with the Constitution. Mrs Liz Steventon (Solihull) resigned as a Public Governor with effect from 8 September 2015 and was automatically replaced by Mr David Wallis (Solihull), on that date, in accordance with the Constitution.

As a result of lack of nominations at the 2013 election and Mr Barry Clewer’s resignation on 31 January 2015, Perry Barr constituency has two vacancies and Tamworth constituency has one vacancy.

Mrs Heidi Lane (Nursing & Midwifery) resigned as a Staff Governor on 2 November 2015 and was automatically replaced by Mrs Veronica Morgan (Nursing & Midwifery), on 18 November 2015, in accordance with the Constitution.

Lichfield District Council and Tamworth Borough Council haven’t yet nominated their joint Stakeholder Governor. Following the resignation of Cllr Jim Ryan in May 2015, Solihull Metropolitan Borough Council hasn’t yet nominated its Stakeholder Governor and following the resignation of Prof Helen Griffiths in November 2015, Aston University hasn’t yet nominated its Stakeholder Governor.

Public constituencies are representative areas mainly around each of the main hospital sites. Stakeholders are organisations that the Trust works alongside in running its estate and training its workforce, etc. Staff constituencies are groups of the workforce divided into classes, dependent on the type of work performed.

The Constitution describes the duties and responsibilities of the Governors and the processes intended to ensure a successful and constructive relationship between the Council of Governors and the Board. It confirms the formal arrangements for communication, an approach to informal communications and sets out the formal arrangements for resolving conflicts between the Council of Governors and the Board. The Constitution is available on the Trust’s website. A statement of duties and responsibilities of Governors that includes the arrangements for resolving conflicts is also available on the Trust’s website. Both documents are also available on request from the Company Secretary.

Mr Richard Hughes was Lead Governor and Mr Albert Fletcher was Deputy Lead Governor throughout the year ended 31 March 2016.

The role of the Lead Governor is to provide a communication channel for Monitor in the

exceptional circumstances that Monitor finds it inappropriate to make contact with the Governors via the normal channels. Additionally, together with the Chair, the Lead Governor facilitates communications between the Governors and the Board and also contributes to the appraisal of the Chair.

## Governors’ Register of Interests

The Trust’s Constitution and Standing Orders of the Council of Governors requires the Trust to maintain a Register of Interests for Governors. Governors are required to declare interests that are relevant and material to the Board. These details are kept up-to-date by an annual review of the Register, during which any changes to interests declared during the preceding 12 months are incorporated. The Register is available to the public on request to The Company Secretary, Heart of England NHS Foundation Trust, Devon House, Bordesley Green East, Birmingham B9 5SS.

### 2.3.2 Membership

The Trust has two membership constituencies:

- Public constituency
- Staff constituency

The public constituency is divided into nine geographic areas that correspond to the Parliamentary constituencies of Birmingham and Solihull and a tenth that covers ‘the Rest of England and Wales’ (this allows individuals who live outside of the local area to become members of the public constituency).

Public members must:

- Be age 16 or over
- Live in a membership area
- Have made an application for membership
- Not be eligible to become members of the staff constituency

The staff constituency is divided into four classes:

- Medical and dental
- Nursing and midwifery
- Clinical support
- Non-clinical support

A full listing of all the constituencies is available in Annex 1 to the Constitution, which is published on the Trust website and is available on request from the Company Secretary. This listing also shows the minimum number of members required

and the number of Governors allocated for each constituency.

### Membership numbers;

Constituency	31 March 2016	31 March 2015
Public	86,264	92,694
Staff	10,637	10,364
Total membership	96,901	103,058

The last year has seen membership across the public constituency reduce by around 7 percent due to a number of members having died or 'gone away'. The staff constituency has increased by around 3 percent reflecting an increase in staff numbers at the Trust.

### Membership Profile

The Trust has updated the ACORN profiling and socio-economic grouping of its membership database and can confirm that the membership was representative of the communities it serves.

### Membership Engagement

Membership movement and engagement is reported to the Membership and Community Engagement Committee of the Council of Governors, which in turn reports on this to the full Council of Governors meetings that are attended by Executive and Non-executive Directors.

During 2015/16 the emphasis has been on member and community engagement, and achieved through:

- Publication of three issues of the Heart and Soul members' magazine
- Publication of the monthly members' newsletter to active members
- Monthly health seminars both on site and in the community
- The inclusion of members on appropriate newly formed Community Patient Panels
- Youth engagement through the Youth Forum and School Health Ambassadors
- Annual HealthySelf Youth Conference
- Further development of membership activities via social media and the Trust website.

### Membership Strategy

The strategy for 2015/16 and for a number of previous years was to maintain the combined membership at around 100,000. This was successfully achieved but, on some occasions, involved automatic enrolment of recent patients of the Trust; although they were able to opt out of membership by contacting the Trust.

During the year the Membership and Community Engagement Committee recognised that the Trust was an outlier, having a very high public membership compared to other foundation trusts and that a considerable majority of its public members were not particularly engaged, possibly because a large number of them had been automatically enrolled. The Committee formed a view that it would be better to have a smaller but more engaged public membership and, after consulting with the Chair, Chief Executive and Council of Governors, the Committee was authorised to oversee a project that anticipates the total public membership reducing to around 10,000-15,000 during 2016; this would mean that the Trust would remain in the top 10 foundation trusts by size of membership. This will be achieved by writing to automatically enrolled members and inviting them to confirm their membership if they wish to; failing which, after a reminder, they will be removed from the register of members.

The Committee recognises that it may be necessary to re-balance the profile of the membership following completion of the exercise to ensure that it remains representative. It is also anticipated that there will be a significant reduction in ongoing membership administration and communication costs as a result of the exercise.

### Community Engagement

The Trust ran community engagement events almost every weekend and some evenings throughout the year and formed partnerships with a number of organisations and businesses.

Promoting health awareness at these events is a key function in getting important health messages across to the public, particularly to those harder to reach socio-economic groups. This programme has put the Trust right into the heart of its community. Working with GP patient participation groups and their networks has played an important part in community engagement this year and will continue into 2016/17.

The community engagement programme this year included:

- Carnivals, health fairs and local community festivals
- Collaboration with the Midlands Co-operative Society and joint membership events
- Hindu, Sikh and Muslim communities - a shared health awareness programme.

## Youth Engagement

The Trust's partnership with Solihull Youth Services culminated in our third HealthySelf Youth Conference in November 2015.

The young members of the forum took over the whole conference compering and managing the event. The 2015 conference theme was Social Media. Round table discussions covered – Sexting and Grooming, CSE On-line, Addiction, Cyber-bullying, Radicalisation, Autism and the Vulnerable and Police Youth Engagement. The Trust registered the event as part of the Children's Commissioners "Youth Takeover Challenge" and national recognition was received for the work the Trust does with young people. Feedback from the schools and colleges involved was excellent. The annual youth conference forms part of the Trust's on-going youth engagement plan.

Continuing to forge and develop links with local schools has been a real success this year and the Trust plans to build on this going forward into 2016/17. Work experience, placements and mentoring will also play an integral part in the youth programme.

## Objectives 2016/17

The membership and community engagement objectives for 2016/17 are:

- To substantially reduce public membership numbers and foster a more engaged membership
- To ensure the membership remains representative
- To run Governor elections for all constituencies
- To continue the community and youth engagement programme.

## 2.4 Staff Report

The Trust recognises and values the contribution of its workforce in providing the highest quality of care to patients. There has been an emphasis on greater levels of engagement with staff this year and this is demonstrated in feedback received by the HR department and also indicated with the Trust's improved rates of appraisal alongside reduction in absence. There also continues to be an emphasis on developing workforce to ensure they have the skills to support future clinical services.

### 2.4.1 Staff Engagement

The National Staff Survey ran from October to December 2015 and included a full census of staff at the Trust. It achieved a 29 percent response rate (2,825 respondents).

The results show that across the 32 key findings, there was an improvement with the overall engagement score of 3.63 compared to 3.53 in 2014. This is a metric score out of 5, with the acute Trust average being 3.79.

The National Staff Survey ran from October to December 2015 and included a full census of staff at the Trust. It achieved a 29 percent response rate (circa 3,000), a decrease from 39 percent in 2014.

The details of the staff survey results for the Trust are:

	2014		2015		Trust improvement/ Deterioration
Response Rate	Trust	National Average	Trust	National Average	
	39%	42%	29%	41%	Decrease

	2014		2015		Trust improvement/ Deterioration
Top 4 Ranking scores	Trust	National Average	Trust	National Average	
KF28. % witnessing potentially harmful errors, near misses or incidents in last mth	31%	32%	28%	31%	Decrease (lower score the better)  Benchmark against other Trusts: Top 20% Increase
KF6. % reporting good communication between senior management and staff	23%	30%	27%	32%	Benchmark against other Trusts: Below (worse than) Average
KF18. % feeling pressure in last 3 mths to attend work when feeling unwell	66%	26%	62%	59%	Decrease (lower score the better)  Benchmark against other Trusts: Above (worse than) Average Decrease
KF17. % suffering work related stress in last 12 mths	40%	37%	37%	36%	Decrease (lower score the better)  Benchmark against other Trusts: Above (worse than) Average

	2014		2015		Trust improvement/ Deterioration
Bottom 4 Ranking scores	Trust	National Average	Trust	National Average	
KF16. % working extra hours	68%	71%	71%	72%	Increase (lower score the better)  Benchmark against other Trusts: Above (worse than) Average
KF21. % believing the organisation provides equal opportunities for career progression / promotion	83%	87%	80%	87%	Decrease  Benchmark against other Trusts: Bottom 20%
KF26. % experiencing harassment, bullying or abuse from staff in last 12 mths	25%	29%	27%	26%	Increase (lower score the better)  Benchmark against other Trusts: Above (worse than) Average
KF29. % reporting errors, near misses or incidents witnessed in the last mth	89%	94%	87%	90%	Decrease  Benchmark against other Trusts: Bottom 20%

Across the 32 Key Findings:

Nine had improved since 2014:

- Staff recommending the organisation as a place to work
- Staff motivation at work
- Staff satisfaction with the level of responsibility & involvement
- Support from immediate line managers
- % appraised in last 12 months
- Reduction in % feeling pressure in last 3 months to attend work when unwell
- % reporting good communication between senior management and staff
- Reduction in % witnessing potential harmful errors, near misses or incidents in last month
- Effective use of patient/service user feedback.

Two were worse than 2014:

- % working extra hours
- % experiencing harassment, bullying or abuse from staff in last 12 months.

10 saw no change in the scoring.

There were also 10 new findings that did not allow for a comparison to take place.

## Staff Engagement- Next Steps

Although there were improvements indicated from 2014 to 2015, on the whole the feedback generated from the Staff Survey highlights that further work is required to improve the perception and feeling of staff. There is an opportunity to build on the improvements and directly support those areas that have worsened, such as staff experiencing bullying.

Divisions are developing action plans to address the main issues presented by staff and work in partnership with HR representatives to highlight positive changes.

Staff satisfaction will be monitored through the new divisional structures going forward and the results of the 2015/16 NSS will feed into those new Divisions.

In addition to the national staff survey the Trust has also established a "Pulse" indicator of staff engagement, whereby a quarter of staff are surveyed each quarter.

In order to measure engagement, the following question was used as a Recommender Index: "How likely are you to recommend this organisation as a

place to work to your friends and family?"

There was a slight decline in quarter 3, during a period of instability with it dipping to 48 percent, though it had improved significantly by quarter 4 back to 55 percent.

The new Trust Values and behaviours (based on feedback from the previous year's Staff FFT), have been used to create a Culture Metric which has been included in the survey over the last 2 quarters. The aim being to give a bench mark of how staff are "living" the Trust's Values.

## 2.4.2 Partnership Working

The Trust prides itself on having developed excellent partnership arrangements with its staff and staff side representatives. This is formally supported within the Joint Negotiating and Consultative Committee (JNCC) and the Joint Local Negotiating Committee (JLNC) that specifically deals with matters associated to medical staff. The Trust has recently developed a new Policy Group to ensure that it continues to develop partnership arrangements when renewing policies that affect the workforce to ensure fairness and equality.

## 2.4.3 Equality and Diversity

Work continues alongside the staff engagement group on issues related to discrimination, bullying and harassment. This includes the development of leadership programmes to address leadership gaps and the planning and embedding of processes to establish a cohort of emerging inclusive leaders at all levels.

In addition, the Trust has prioritised particular areas of the equality and diversity agenda, including requirements relating to the Equality Delivery System 2 (EDS2) and Workforce Race Equality Standard (WRES).

Discussions are planned to redefine the structure for delivering the Equality and Diversity agenda across the Trust. This includes actions for further awareness training for managers, resulting in empowered, engaged and included staff.

All Trust policies are developed with equality and diversity as one of the main considerations. In addition, the Trust has an explicit policy supporting Equal Opportunities for staff and prospective staff. This supports and takes consideration of all protected characteristics including disability. The Trust continually reviews its effectiveness alongside the diversity agenda and in 2016 it has appointed a new lead to support equality and diversity for staff

in order to promote equal opportunities across all areas of workforce.

#### **2.4.4 Skilled and Effective Workforce Education/Leadership Development**

There have been significant changes for Leadership in the last year as the organisation has welcomed a new interim Chief Executive and revitalised executive team, with support from the Good Governance Institute. There has also been some scoping of current leadership offers within the organisation, which will inform the development of a new approach and mind-set to leadership across the organisation by building leadership capacity and capability.

This year there has been a significant amount of consolidation as well as improved assurances around currency and compliance for nursing and midwifery mentors. Pastoral support and induction programmes have played a large part in welcoming newly qualified nurses and has had a positive impact on staff retention. A number of bespoke training plans have also been delivered to support staff and students.

The Health Education England Undergraduate and Foundation medical quality assurance visit in autumn 2015 recognised some good innovative practice, but also highlighted some areas of concern. This was further evidenced through regional and national medical trainee surveys and action plans and internal quality visits are now in place to address these, including a new weekly survey for Foundation and Core medical trainees to monitor the medical education environment.

#### **Development**

The Education Department was instrumental in developing a delivering a regional e-learning package to support nurse revalidation, which was funded through Health Education England and had a significant uptake with 1,273 registrations in the first six weeks.

There has been a significantly positive response to the Easy Learning education offer, with over 7,000 staff now signed up to access the 68 multi-professional programmes currently on offer. This has been a valuable opportunity to support practice-based educators in developing programmes and staff to access the learning, with 25,855 modules having been completed to date.

The Trust remains committed to improving dementia care, with the launch of the 'About Me' booklet and carers' survey.

A new clinical skills facility opened in September 2015, supporting multi professional undergraduate and postgraduate skills courses through an additional 250 training days. This has a direct impact on patient care by allowing teams and individuals to practice in a safe environment and support the delivery of high quality care by high functioning multi-disciplinary teams.

#### **Supporting bands 1- 4 staff**

The national Care Certificate programme for healthcare assistants (HCAs) has been launched and implemented, with 156 new HCAs being successful to date. Existing HCAs were recognised for their contribution to healthcare in the first VITAL for HCAs badge ceremony.

The Trust is now a partner with the Prince's Trust, providing pre-employment training and work placement for unemployed young people.

#### **2.4.5 Workforce Planning**

The Workforce Directorate facilitates workforce plans alongside each of the Divisions within the Trust and indicate the workforce required to support services over the next five years. The plans are developed in conjunction with the Trust's operational and clinical management teams and are aligned to patient activity projections and within the financial remit of the Trust. The plans are designed to highlight areas of risk and also areas of opportunity to ensure the Trust continues to provide the relevant skills to deliver the highest quality of clinical services.

In the last year there have been developments within the role of Assistant Practitioner and also Physician Assistant in order to support some long standing recruitment matters.

#### **Recruitment**

The Trust continues to select all new Consultant staff based upon their technical competency as well as their behavioural suitability via a dual interview process which includes behavioural based selection. Any applicant applying for a Consultant position within the Trust will have a technical interview and a behavioural interview and a decision to appoint (or not) will be a joint decision made by the technical interview panel and behavioural interview panel. This makes the selection process robust and fair and means only those Consultants who are aligned to the Trust's desired behaviours are appointed. To date, over 100 Consultants have been interviewed via this process and over 60 Consultants have been appointed.

## Values Based Recruitment

The Trust intends to roll-out Values Based Recruitment (VBR) for all staff joining the Trust over 2016/2017. Currently plans are being developed to roll-out VBR. Areas have been identified which are to be included in the first phase of the roll-out. The Trust values will be incorporated throughout the whole recruitment process, for example in adverts, job descriptions and during the screening process.

It is the intention of the Trust to ensure all new staff are appointed based upon their technical competency as well as their behavioural suitability. This involves incorporating Values Based questions into the interview process to ensure only those staff who are aligned with the Trust's values are appointed. Evidence shows that by appointing staff who are aligned with the Trust values the result will be a more motivated and engaged workforce.

### 2.4.6 Staffing Breakdown

Average number of employees (WTE Basis)	2015/16	2015/16	2015/16	2014/15	2014/15	2014/15
	Total	Permanent	Other (bank staff)	Total	Permanent	Other (bank staff)
Medical and dental	1,050	1,050		1,022		
Ambulance staff	0			0		
Administration and estates	2,211	2,066	145	2,187	2,064	122
Healthcare assistants and other support staff	1,993	1,1516	478	1,688	1,467	220
Nursing, midwifery and health visiting staff	3,412	2,974	438	3,178	2,962	216
Nursing, midwifery and health visiting learners	0			0		
Scientific, therapeutic and technical staff	1,065	995	70	1,032	994	38
Healthcare science staff	484	453	32	459	443	16
Social care staff	0			0		
Bank and agency staff	0			0		
Other	0			0		
<b>TOTAL</b>	<b>10,215</b>	<b>9,052</b>	<b>1,162</b>	<b>9,566</b>	<b>8,953</b>	<b>613</b>

### 2.4.7 Headcount by Gender

Senior managers are defined as per the Remuneration Report in section 2.5.2 and, at 31 March 2016, are provided by the UHB Service Contract.

Workforce Groups	Female	Male	Grand Total
Directors	2	1	3
Senior Managers	0	0	0
Other staff	8,513	2121	10,634
Grand Total	8,515	2,122	10,637

### 2.4.8 Workforce Performance

The Trust closely monitors workforce key performance indicators as this provides an indication of the overall performance of the Trust through the resource of its staff. The following highlight some of the main workforce indicators that are captured:

#### Absence

The Trust has seen a consistent downward trend in sickness rates from the beginning of the year. There have been initiatives that support staff well-being that has contributed to attendance rates and overall well-being for staff.

	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
<b>Monthly Sickness</b>	4.32%	4.20%	4.24%	4.04%	3.96%	4.03%	4.13%	4.22%	4.23%	4.68%	4.79%	4.37%
<b>MAA %</b>	4.71%	4.71%	4.71%	4.66%	4.63%	4.56%	4.48%	4.42%	4.33%	4.32%	4.34%	4.35%

Sickness absence data provided by Health and Social Information Centre (based on the last calendar year) show that 88,390 days were lost to sickness for 9,100 full-time equivalent staff.

## Appraisal

The Trust has had renewed emphasis on staff appraisal in order to provide relevant support to staff alongside clear objectives that are aligned with supporting the highest quality of care to patients. Following a fall in performance in the middle of last year all areas have improved their appraisal rate which, in March 2016, was just below 80% with a trajectory to reach 90%.

## Turnover

The voluntary turnover rate has fallen from the beginning of the year and is now below the threshold of 9%. This alongside reductions in absence rates indicates improved morale and therefore retention in the Trust.

## Mandatory Training

Mandatory training and appraisal compliance was variable across the organisation during the year, but is now starting to improve despite pressures during the winter period. A range of learning

options continue to be offered around mandatory training to meet different staff group needs whilst ensuring relevance and application to practice. The subject matter experts for each mandatory training topic continue to meet regularly to review content. Education targets for the Dementia CQUIN have been surpassed.

## Ambitions for 2016/17

In the next 12 months the Trust will continue to make positive changes that will concentrate on making the Trust more efficient taking consideration of the financial challenges. At the same time this will provide exciting opportunities for different ways of working in order to enhance the Trust's clinical services and improved the patient experience.

### 2.4.9 Payments for Loss of Office

In 2015/16 the Trust made one payment for loss of office. This payment was submitted and approved by both Monitor and the Treasury and equated to £84,272 as a gross payment.

Exit Package Cost Band	Number of Compulsory Redundancies	Number of other Departures agreed	Total Number of exit packages by cost band
<£10,000	0	0	0
£10,000-£25,000	0	0	0
£25,001-£50,000	2	0	2
£50,001-£100,000	0	1	1
£100,000-£150,000	0	0	0
£150,001-£200,000	0	0	0
Total number of Exit Packages by type	2	1	3
<b>Total Resource Cost</b>	<b>£59,965.53</b>	<b>£84,272.00</b>	<b>£144,237.53</b>

## 2.4.10 Exit Packages: Non-compulsory Departure Payments

	Agreements Number	Total Value of Agreements
Voluntary redundancies including early retirement contractual costs	0	0
Mutually Agreed resignations (MARS) contractual costs	0	0
Early Retirement in the efficiency of the service contractual costs	0	0
Contractual payments in lieu of notice	35	£305,708.50
Exit payments following Employment Tribunals or court orders	0	0
Non-Contractual payments requiring HMT approval	1	£84,272.00
<b>Total</b>	<b>36</b>	<b>£389,980.50</b>

## 2.4.11 Off payroll arrangements

These are detailed in the Remuneration Report in section 2.5.4.

## 2.4.12 Expenditure on consultancy

During 2015/16 the Trust spent £5.6m on consultancy.

## 2.4.13 Health and Safety

Maintaining the health and safety of Trust staff, patients and visitors is of paramount importance and is considered everyone's responsibility. A large proportion of accidents are preventable so teams are continually advised to familiarise themselves with Trust policies and procedures and to remain vigilant. Any health and safety issues are reported to the health and safety team who provide advice, support and assistance.

In line with the Management of Violence and Aggression policy, the current sanctions and exclusions in place at the Trust are as follows:

- Seven yellow cards
- Two exclusions are in place - one is a continual exclusion for a patient and one is for a relative that has been excluded.

The Trust operates a zero tolerance policy with

regards to staff being verbally, physically, racially or sexually assaulted whilst they are carrying out their work duties.

The Health and Safety team continues to offer a wide range of training across the main sites including:

- Conflict Resolution Training and a refresher course
- CoSHH Awareness Sessions
- Display Screen Equipment Workshops
- Managers Health and Safety Roles and Responsibilities
- Risk Assessment Workshops
- Safety Champion Workshops
- Online Moodle courses.

## 2.4.14 Modern Slavery

The Board has approved and published its first annual statement on Modern Slavery, which can be found on the Trust website at [www.heartofengland.nhs.uk](http://www.heartofengland.nhs.uk)

## 2.5 Remuneration Report

### 2.5.1 Annual statement on remuneration from the chair of the Remuneration Committee of the Board:

No major decisions on senior managers' remuneration were made during the year ended 31 March 2016; therefore there were no substantial changes relating to senior managers' remuneration during the year.



Rt Hon Jacqui Smith,  
Interim Chair

Date: 25 May 2016

### Voting and Non-voting Executive Directors

### 2.5.2 Senior Managers' Remuneration Policy

For the purposes of this report, the Chief Executive has determined that 'senior managers' comprise the voting Executive and Non-executive Directors and four non-voting Interim Executive Directors (Fiona Alexander – Interim Director of Communications, Kevin Bolger – Interim Deputy Chief Executive – Improvement, David Burbridge – Interim Director of Corporate Affairs and Rachel Cashman – Interim Director of Projects), who are providing services to the Trust under the UHB services agreement.

Components of Senior Managers' Remuneration	Commentary
Basic salary	<p>The Committee normally determines senior managers' basic salaries with the aim of attracting, motivating and retaining high calibre employees who will deliver success for the Trust and high levels of patient care and customer service.</p> <p>Basic salaries are not performance related, except to the extent that increases are dependent on satisfactory annual appraisals. They support the strategic objectives of the Trust by encouraging long term stability of employees. They do this by keeping pace with general increases in NHS salaries.</p> <p>There are no provisions for recovery or withholding of basic salaries for senior managers or directors.</p> <p>The Executive Directors providing services to the Trust under the UHB services agreement are remunerated by UHB and, as such, the Committee does not determine their basic salaries; rather the Trust is re-charged for their services by UHB on a time and cost basis.</p>
Pension contributions	<p>These relate to pension benefits accrued under the NHS Pension Scheme. Contributions are made by both the employer and employees in accordance with the rules of the scheme which apply to all NHS staff in the scheme. Further details are disclosed in Notes 1.13 and 5.8 to the Financial Statements.</p> <p>Pension contributions are not performance related and therefore only support the strategic objectives of the Trust to the extent that they encourage long term stability of senior managers.</p> <p>There are no provisions for recovery or withholding of pension contributions for senior managers or directors.</p> <p>The Executive Directors providing services to the Trust under the UHB services agreement are remunerated by UHB and, as such, the Committee does not determine their pension arrangements.</p>

The Committee has adopted a policy of providing six months' notice in senior managers' service contracts. The principle applied to determination of payments for loss of office is to honour contractual entitlements only, which typically include pay in lieu of notice and pro rata pay for accrued but not taken holiday entitlement, if applicable.

Given the contractual nature of these elements, the circumstances of the loss of office are generally unlikely to be relevant to the exercise of any discretion. This does not apply to Executive Directors providing their services under the UHB services agreement.

In considering remuneration policy for senior managers', the Committee is cognisant of director pay levels in the NHS generally and in pay levels of other NHS staff, including its own employees. Given that no major decisions on senior managers' remuneration were made during the year end 31 March 2016, the Trust didn't consult with employees, nor were comparisons used, when considering remuneration policy during the year.

As of 31 March 2016 no executive employed by, or working for, the Trust was paid more than £142,500 for their services during the reporting year.

## Non-executive Directors

Non-executive Directors' fees are determined by the Council of Governors having received recommendations from the Council of Governors Remuneration Committee which is chaired by the Lead Governor, Mr Richard Hughes.

Components of Non-executive Directors' fees	Commentary
Basic fee	<p>The Trust pays a standard basic fee of £14,123 p.a. to all of its Non-executive Directors ("NEDs"), except the Chair, who is paid a basic fee of £50,000 p.a.</p> <p>Basic fees are not performance related. They support the strategic objectives of the Trust by encouraging long term stability of the NEDs. They do this by keeping pace with NEDs' fees in the NHS.</p> <p>There are no provisions for recovery or withholding of basic fees for NEDs.</p>
Additional fee	<p>The Trust has historically paid some NEDs a standard additional fee of £3,000 p.a. reflecting additional responsibilities over and above standard NEDs' duties; no NEDs remaining in post at 31 March 2016 were receiving such additional fees.</p> <p>Additional fees are not performance related. They support the strategic objectives of the Trust by encouraging long term stability of the NEDs. They do this by keeping pace with NEDs fees in the NHS.</p> <p>There are no provisions for recovery or withholding of additional fees for NEDs.</p>

## 2.5.3 Annual Report on Remuneration

The Board's Remuneration Committee, which is chaired by the Chair and comprises the Non-executive Directors, determines the remuneration, allowances and other terms and conditions of the Executive Directors.

Details of the membership of the Committee, the number of meetings held in the year and attendance of individual members is given in section 2.1.9.

Remuneration packages for Executive Directors, who are voting members of the Board, consist of basic salary and pension contributions. Salaries are reviewed with reference to director pay levels in the NHS and in the context of pay awards to other NHS staff. There are no performance related elements to their remuneration. This does not apply to the Executive Directors providing services under the UHB services agreement.

The Committee has access to the advice and views of the Chief Executive, the Director of Workforce and Organisational Development and the Company Secretary. No director or employee is involved in the determination of, or votes on, any matter relating to their own remuneration. Performance is judged and reviewed as part of the annual appraisal and personal development review process in line with Trust policies. The appraisal of all Executive Directors is carried out by the Chief Executive. Details of remuneration, including the salaries and pension entitlements of the Executive Directors, are published in Note 4.4 to the Financial Statements.

All of the employed Executive Directors have a rolling six month termination notice period included in their contracts. This does not apply to Executive Directors providing services to under the UHB services agreement.

Except for the Executive Directors providing services under the UHB services agreement, Andrew Foster and Darren Cattell, there were no other amounts payable to third parties for the services of the Executive Directors and they received no benefits in kind (2014/15 £nil).

The Trust contracted with Warrington, Wigan and Leigh NHS Foundation Trust for the services of Andrew Foster as Interim Chief Executive four days a week for the period commencing 16 February and expiring 31 October 2015.

The Trust contracted with Mill Street Consultancy Limited for the services of Darren Cattell as Interim Director of Finance and Performance for the period

commencing 19 January 2015 and expiring 21 January 2016.

The only non-cash element of the remuneration of Executive Directors is a pension-related benefit accrued under the NHS Pension Scheme. Contributions are made by both the employer and employee in accordance with the rules of the scheme which apply to all NHS staff in the scheme.

The accounting policies for pensions and other retirement benefits are set out in Notes 1.13 and 5.8 to the Financial Statements.

The service contract details of the Executive Directors (except for the Executive Directors providing services under the UHB services agreement) in service at the end of the year are shown in the table below:

Director	Date of contract	Notice period
Sam Foster	01.09.2014	6 months
Jonathan Brotherton	02.07.2014	6 months
Hazel Gunter	01.03.2013	6 months

During the year ended 31 March 2016 the following senior manager received payments on loss of office as follows:

Senior Manager	A Stokes
Contractual pay in lieu of 6 months' notice (bands of £5,000) (£000)	£75-80
Redundancy pay (bands of £5,000) (£000)	-
Pro-rated pay in lieu of accrued holiday (bands of £5,000) (£000)	£10-15*
Compensation for loss of employment or office (bands of £5,000) (£000)	£80-85**
Total amount payable (bands of £5,000) (£000)	£170-175

\* Relating to 24 days

\*\* Non-contractual payment requiring HMT approval

Non-executive Directors, including the Chair, do not hold service contracts and are appointed for three years. Their appointment is terminable with one month's notice on either side. Non-executive Directors are appointed following interview by the Appointments Committee of the Council of Governors (save for Rt Hon Jacqui Smith, who was appointed in accordance with the written

instruction of Monitor dated 22 October 2015).

The table below shows those Non-executive Directors in service at the end of the year and the date of their first appointment:

Name	First Appointment Date	Notice Period	Unexpired term of Contract as at 31 March 2015
Andrew Edwards	1 October 2014	1 month	1 year 6 months
Jon Glasby	1 October 2015	1 month	2 years 6 months
Karen Kneller	1 October 2014	1 month	1 year 6 months
Jammi Rao	1 July 2013	1 month	3 months
Jacqui Smith	1 December 2015	1 month	2 years 8 months

Details of the remuneration of the Non-executive Directors are published in Note 4.4 to the Financial Statements. The Non-executive Directors do not receive pensionable remuneration. There were no amounts payable to third parties for the services of the Non-executive Directors and they received no benefits in kind (2014/15 £nil).

As per the table below, there are 80 companies where these arrangements existed at 31 March 2016:

The Non-executive Directors were not awarded a general increase in remuneration during the year.

Expenses properly incurred in the course of the Trust's business by Directors and Governors are reimbursed in accordance with the Trust's policy on business expenses for employees and are published in Note 4.4 to the Financial Statements.

Duration of existence of arrangement	Number
Less than 1 year	19
1-2 years	28
2-3 years	17
3-4 years	6
Over 4 years	3
<b>Total</b>	<b>73</b>

## 2.5.4 Off Payroll Arrangements

Whilst the majority of the Trust's directors and employees are paid via the payroll there are occasionally situations where these arrangements are not suitable and the Trust pays for these services via an invoice. Following the guidance issued by Monitor in August 2013 relating to off payroll arrangements, all new suppliers that are anticipated to be paid more than £220 per day for more than six months are reviewed to ensure they have the appropriate arrangements in place and that the company is registered with HMRC for corporation tax purposes.

There are two main staff groups where these arrangements have been used. Firstly, the Trust employs a number of individuals on an ad hoc basis to deliver training when Solihull Approach training courses have been booked. These arrangements have existed for several years and seven of these suppliers have been used for more than six months and have been paid more than £220 per day when the courses are delivered.

Secondly, the Trust use a system for sourcing of locum and agency doctors using a third party IT system and agency suppliers to find a suitable resource to fill the placement in the most cost effective way. There are 60 of these suppliers in use as at 31 March 2016.

The remaining suppliers are where individual engagements have been agreed between the Trust and the supplier to provide services to the Trust which includes project support for specialist projects such as the urgent care centre and financial recovery programme.

As shown in the table below, in 2015/16 there have been 38 off payroll arrangements which are new or have reached 6 months duration in the year.

	Number
New engagements, or those that reached six months in duration between 01 Apr 2015 and 31 Mar 2016	21
Number of the above which include contractual clauses giving the trust the right to request assurance in relation to income tax and national insurance obligations	21
<b>Number for whom assurance has been requested</b>	<b>0</b>
<b>Of which:</b>	
Number for whom assurance has been received	0
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received	0

Of this total, 15 non-agency limited companies have been paid for the services of locums where they have been used for longer than a six month period and they have been paid more than £220 per day.

In addition there are five other suppliers where their services have been procured to be paid via off-payroll arrangements. There have been a number of interim specialist appointments that have been made in the last quarter of the year to address the issues raised by the regulators and the skills and experience required are not available through the normal payroll routes.

Off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, between 01 Apr 2015 and 31 Mar 2016	Number
Board members	2
Number of individuals that have been deemed "board members and/or senior officials with significant financial responsibility". This figure should include both off-payroll and on-payroll engagements.	23

Included in the table above is the appointment to the post of Interim Director of Finance and Performance and the post of Interim Chief Executive who were in post at 1 April 2015 and left the Trust in October 2015 and January 2016 respectively. At 31 March 2016, there are 23 Board members or senior officials with significant financial responsibility.

In the 2015/16 year the Trust has not sought evidence for these off payroll suppliers as required by the Monitor guidance. It is intended that a review process will take place in 2016/17.

## 2.5.5 Expenses

In addition, the Trust's governors and directors incur non-taxable expenses in association with activities that they undertake that support the objectives of the Trust. Listed below are expenses paid directly to the individual via payroll. Any travel expenses, accommodation etc are paid centrally by the Trust.

	Year Ended 31 March 2016		
	Number in Office	Number receiving expenses	Total £00
Directors	10	4	29.0
Governors	28	14	40.0

	Year Ended 31 March 2015		
	Number in Office	Number receiving expenses	Total £00
Directors	13	7	70.00
Governors	30	19	50.0

## 2.5.6 Fair pay multiple

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

	Year Ended 31 March 2016	Year Ended 31 March 2015
Band of Highest Paid Director's Total Remuneration (£'000)	297.5	192.5
Median Total Remuneration (£'000)	26.0	26.0
Ratio	0.09	0.14

Total remuneration includes salary, performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions, the cash equivalent transfer value of pensions nor any other accrued pension benefits not yet taken.

## 2.5.6 Senior managers' pensions

Name and current title	Real increase in pension at age 60	Real increase in lump sum at age 60	Total accrued pension at age 60 at 31 March 2016	Lump sum at age 60 related to accrued pension at 31 March 2016	Cash Equivalent Transfer Value at 31 March 2016	Cash Equivalent Transfer Value at 31 March 2015	Real Increase in Cash Equivalent Transfer Value	Employers Contribution to Stakeholder Pension
	(bands of £2500) £000	(bands of £2500) £000	(bands of £5,000) £000	(bands of £5000) £000	£000	£000	£000	To nearest £100
Andrew Foster (Interim Chief Executive to 31.10.15)	#1	#1	20-25	70-75	#1	(228)	#1	0
Andrew Catto (Executive Medical Director & Deputy Chief Executive to 29 Feb 2016)	2.5-5	7.5-10	45-50	140-145	944	885	31	0
Sam Foster (Chief Nurse)	0-2.5	5-7.5	30-35	95-100	470	434	22	0
Adrian Stokes (Director of Finance & Performance & Deputy Chief Executive 10 13.11.15)	0-2.5	5-7.5	35-40	115-120	589	560	16	0
Julian Miller (Interim Director of Finance from 03 Feb 2016)	#2	#2	30-35	90-95	444	#2	#2	0
David Rosser (Interim Medical Director from 01 March 2016)	0-2.5	0-2.5	70-75	210-215	1,287	#2	8	0
Jonathan Brotherton (Director of Operations)	2.5-5	7.5-10	25-30	85-90	389	343	29	0
Hazel Gunter (Director of Workforce & OD)	0-2.5	2.5-5	10-15	35-40	252	220	21	0

#1 As Andrew Foster is over Pensionable age, there are no CETV or Real increase figures available.

#2 Figures from University Hospitals Birmingham Foundation Trust were unavailable.

## 2.5.7 Senior managers' salaries and entitlements

Name and Title	2015/16							2014/15						
	Salary	Bonus payments	Other Re-mereration	Increase in Pension-related benefits	Taxable benefits	Director's Expenses	Total	Salary	Bonus payments	Other Re-mereration	Increase in Pension-related benefits	Taxable benefits	Director's Expenses	Total
	(bands of £5000) £000	(bands of £5000) £000	(bands of £5000) £000	(bands of £2500) £000	Rounded to the nearest £1000	Rounded to the nearest £1000	(bands of £5000) £000	(bands of £2500) £000	Rounded to the nearest £1000	Rounded to the nearest £1000	(bands of £5000) £000			
Mark Newbold (Chief Executive up to 30 Nov 2014)	0	0	0	0	0	0.0	0	125-130	0	95-100	(12.5)-(10.0)	0	1.5	210-215
Andrew Foster (Interim Chief Executive from 16 Feb 2015 to 31 Oct 2015)	280-285	0	0	0	0	0.0	280-285	65-70	0	0	0	0	0.0	65-70
Dame Julie Moore (Interim Chief Executive from 26 Oct 2015)	120-125	0	0	0	0	0.0	120-125	0	0	0	0	0	0.0	0
Andrew Catto (Medical Director to 14 Nov 2014 and Interim Chief Executive from 14 Nov 2014 to 16 Feb 2015, Executive Medical Director & Deputy Chief Executive w.e.f 16 Feb 2015 to 29 Feb 2016)	160-165	0	0	32.5-35	0	0.0	200-205	195-200	0	0	177.5-180.0	0	1.4	375-380
Sam Foster (Acting Chief Nurse to 31 Aug 2014 and Chief Nurse from 01 Sept 2014)	120-125	0	0	32.5-35	0	0.2	155-160	110-115	0	0	152.5-155.0	0	0.0	265-270
Adrian Stokes (Director of Delivery & Deputy Chief Executive to 13 Nov 2015)	95-100	0	170-175	15-17.5	0	0.0	295-300	155-160	0	0	42.5-45.0	0	0.1	195-200
Sarah Woolley (Director of Safety and OD up to 31 Aug 2014)	0	0	0	0	0	0.0	0	65-70	0	90-95	(2.5)-0.0	0	0.0	155-160
Lisa Thomson (Director of Patient Experience & External Affairs)	0	0	0	0	0	0.0	0	125-130	0	0	22.5-25.0	0	0.9	150-155
Aidan Quinn (Acting Director of Finance & Resources from 01 Jun 2014 to 16 Jan 2015)	0	0	0	0	0	0.0	0	70-75	0	0	62.5-65	0	0.1	135-140
Darren Cattell (Interim Director of Finance & Performance from 19 Jan 2015 to 21 Jan 2016)	230-235	0	0	0	0	0.0	230-235	55-60	0	0	0	0	0.0	55-60
Julian Miller (Interim Director of Finance from 03 Feb 2016)	30-35	0	0	#	0	0.0	30-35	0	0	0	0	0	0.0	0
Clive Ryder (Interim Medical Director from 14 Nov 2014 to 16 Feb 2015)	0	0	0	0	0	0.0	0	35-40	0	0	2.5-5	0	0.0	40-45
David Rosser (Interim Medical Director from 01 March 2016)	10-15	0	0	10-15	0	0.0	20-25	35-40	0	0	2.5-5	0	0.0	40-45
Simon Hackwell (Commercial Director up to 31 May 2014)	0	0	0	0	0	0.0	0	25-30	0	0	(5.0)-(2.5)	0	0.0	20-25

Name and Title	2015/16							2014/15						
	Salary	Bonus payments	Other Re-muneration	Increase in Pension-related benefits	Taxable benefits	Director's Expenses	Total	Salary	Bonus payments	Other Re-muneration	Increase in Pension-related benefits	Taxable benefits	Director's Expenses	Total
	(bands of £5000) £000	(bands of £5000) £000	(bands of £5000) £000	(bands of £2500) £000	Rounded to the nearest £1000	Rounded to the nearest £1000	(bands of £5000) £000	(bands of £2500) £000	Rounded to the nearest £1000	Rounded to the nearest £1000	(bands of £5000) £000			
Jonathan Brotherton (Director of Operations from 04 Mar 2015)	120-125	0	0	60-62.5	0	0.0	180-185	5-10	0	0	10-12.5	0	0.2	20-25
Hazel Gunter (Director of Workforce & OD from 04 Mar 2015)	120-125	0	0	27.5-30	0	0.0	145-150	5-10	0	0	0-2.5	0	0.1	10-15
Phillip Hunt (Chairman up to 31 May 2014)	0	0	0	0	0	0.0	0	5-10	0	0	0	0	0.0	5-10
Leslie Lawrence (Non Executive Director to 31 May 2014 and Chair from 01 Jun 2014 to 30 Nov 2015)	30-35	0	0	0	0	0.9	30-35	40-45	0	0	0	0	0.6	45-50
Rt Hon Jacqui Smith (Chairman From 01 Dec 2015)	15-20	0	0	0	0	0.0	15-20	0	0	0	0	0	0.0	0
Alison Lord (Non Executive Director to 31 Jan 2016)	10-15	0	0	0	0	1.5	10-15	15-20	0	0	0	0	0.5	15-20
Jammi Rao (Non Executive Director)	10-15	0	0	0	0	0.0	10-15	10-15	0	0	0	0	0.8	10-15
David Lock (Non Executive Director to 29 Feb 2016)	10-15	0	0	0	0	0.3	10-15	10-15	0	0	0	0	0.3	10-15
Patrick Cadigan (Non Executive Director to 31 Oct 2015)	5-10	0	0	0	0	0.0	5-10	10-15	0	0	0	0	0.0	10-15
Laura Serrant-Green (Non Executive Director to 30 Sept 2015)	5-10	0	0	0	0	0.0	5-10	10-15	0	0	0	0	0.0	10-15
Karen Kneller (Non Executive Director from 01 Oct 2014)	10-15	0	0	0	0	0.0	10-15	5-10	0	0	0	0	0.0	5-10
Andrew Edwards (Non Executive Director from 01 Oct 2014)	10-15	0	0	0	0	0.0	10-15	5-10	0	0	0	0	0.2	5-10
Edward Peck (Non Executive Director up to 31 Jul 2014)	0	0	0	0	0	0.0	0	0-5	0	0	0	0	0.3	0-5
Jon Glasby (Non Executive Director From 01 Oct 2015)	5-10	0	0	0	0	0.0	5-10	0	0	0	0	0	0.0	0

## Subject to Audit

The elements of the Remuneration Report designated as subject to audit are:

- Single total figure table of remuneration for each senior manager
- Pension entitlement table and other pension disclosures for each senior manager
- Fair pay disclosures
- Payments to past senior managers, if relevant
- Payments for loss of office, if relevant (see Staff Report).



Dame Julie Moore,  
Interim Chief Executive Officer  
Date: 25 May 2016

## 2.6 Statement of Accounting Officer's Responsibilities

### Statement of the Chief Executive's responsibilities as the accounting officer of Heart of England 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 Heart of England 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 Heart of England 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 him/her to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for

the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the 168 responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.



Dame Julie Moore,  
Interim Chief Executive Officer

Date: 25 May 2016

## 2.7 Annual Governance Statement 2015/16

### 2.7.1 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.

### 2.7.2 The purpose of the system of internal control:

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Heart of England 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 Heart of England NHS Foundation Trust for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts.

### 2.7.3 Capacity to handle risk:

Heart of England NHS Foundation Trust has a Board approved Risk Management Policy & Procedure that provides explicit guidance for all staff concerning:

- Leadership and accountability
- Roles and responsibilities for managing risk
- Processes for risk management
- Risk management education and training.

The risk management policy sets out the Trust's approach to risk, defining the structures for the reporting, ownership, management and escalation

of risk at all levels within the organisation. It includes everybody's responsibility for handling risk.

The risk management policy clearly details that it is the Chief Executive who has overall responsibility for the Trust's risk management programme. Operational responsibility was delegated to the Chief Nurse (up until February 2016, when it was transferred to the Interim Director of Corporate Affairs) Each Executive Director is responsible for overseeing risk management activities in their respective directorates.

The Board is responsible for overseeing the delivery of the risk management strategy and is supported by the work of its sub-committees. The Board previously delegated its oversight of operational risk management activities to the Quality and Risk Committee, but assumed direct responsibility for these activities in November 2015 when that Committee was stood down, and gains independent assurance on the effectiveness of its risk management processes through the work of internal audit programme, which is reported to the Audit Committee.

The risk management policy provides further detailed guidance for staff regarding their role in the whole risk management lifecycle. Staff training for the identification and management of risk is available from the Safety and Governance Directorate. This training is also supported by a corporate induction and mandatory training programme for all staff which provides training in the management of specific clinical and non-clinical risks.

### 2.7.4 The risk and control framework:

The Board of Directors is responsible for the strategic direction of the Trust in relation to Risk Management. The Trust has a risk management strategy which includes details of the key frameworks that the Trust uses to assess overall risk within the organisation. This includes Care Quality Commission (CQC) compliance; the Board Assurance Framework (BAF); external reviews and assessments; incidents, complaints, claims and lessons learned. The strategy aims to triangulate information from each of these sources to provide a detailed picture of its key risks and how they should be managed. The strategy documentation is currently being revised to reflect the changes made to committee structures referred to above.

Since January 2016, the Trust Executive and Non-executive Directors carry out unannounced Board of Directors' Governance visits. These are reported

to the Clinical Quality Committee by the Executive Medical Director.

The risk management policy focuses on the risk management lifecycle and how risks are identified through risk assessments, are recorded through risk registers and how they are controlled and managed – through the Board and relevant Committees. There is a standard risk matrix used across the Trust to ensure a standard scoring system is applied to all risks. The Trust has a Trust-wide electronic system for recording risks (Datix) allowing more transparency regarding what risk there is and also improvements to managing risk trends and themes. This policy forms the key control for defining the Trust’s appetite for risk and it is used to manage and escalate risks. The policy contains clear processes for risk escalation.

The escalation of risks is from Directorate through the division quality and safety committee structure and ultimately to the Board Quality and Risk Committee (until November 2015 then through Quality Committee and Chief Executive Group). Non-clinical risks (excluding financial risks) are escalated through similar structures, though this is through corporate departmental meetings rather than site and division meetings.

The Trust has an internal compliance framework in respect of the Health and Social Care Act regulations – which are monitored by the Care Quality Commission (CQC). The prompts for each regulation are reviewed quarterly. These quarterly self- assessments include consideration of the contents of the CQC Intelligent Monitoring Report. A recent internal audit on this process concluded moderate assurance.

The Trust has arrangements in place for recording and managing risks associated with data security.

There is an Information Governance risk register. Information Governance issues and risks are managed by the Information Governance Committee, which is chaired by the Trust’s Senior Information Risk Officer, who reports to the Board and the Audit Committee.

The BAF identifies key risks to the Trust’s corporate aims and objectives and is reviewed on a quarterly basis by Executive Directors and the Board of Directors. A recent internal audit review of the BAF and risk management systems gave limited assurance as the BAF was not aligned to the corporate strategy and there was a lack of ownership of the BAF at Trust Board level. Action plans were inadequate for some significant risks and there was a lack of pace in the management and escalation of operational risks. Plans have been developed to address the issues raised by internal audit during 2016/17. This will include an annual Board workshop to review strategic risks in line with examples of best practice from other organisations.

In the absence of an agreed strategy, the Board has identified the current strategic risks facing the Trust. These risks are formally reviewed on a quarterly basis, first by the Executive Management Board (to November 2015, then by Chief Executive’s Group) - then the Board. There are currently 8 risks identified on the Board Assurance Framework and appropriate risk management and mitigation plans are in place for each. The strategic risk register for 2016/17 will be presented quarterly to the Chief Executive’s Group and the Board of Directors.

The Trust’s key risks, which are considered to be both in-year and future, are as follows:

RISK	Controls – for management/ mitigation	Assessment of outcomes
<b>CLINICAL QUALITY</b>		
Failure to have in place a sustainable, embedded organisational governance infrastructure for all divisions set against the Trust’s quality and safety strategy and assurance frameworks	Good Governance Institute review Key roles and responsibilities at divisional and directorate level triumvirates Divisional committee structure Monthly performance framework reporting through divisional review Trust Board reporting	CQC Action Plan Board reports Minutes of groups and committees aligned to divisions and corporate accountability

Inability of estates infrastructure and equipment to facilitate the provision of safe and effective care, due to deterioration of condition, poor space utilisation and functional suitability.	Strategic Review of Estate Estates Strategy and Capital Plan	Board reports
Failure to deliver access standards owing to rising volume of routine secondary care work, delayed Transfers of Care, rising Emergency Department attendances, gaps in community provision and lack of impact from better care fund	Capacity demand modelling to be undertaken to ensure right size capacity. Demand and capacity group involving all divisions and corporate services. Forecast activity for 2015/16. Identified bed and theatre requirements overseen by business case review group. Activity, income and performance reviews	Performance against national target and waiting list size through performance reports to divisional meetings, exec meeting and Board of Directors
<b>WORKFORCE</b>		
Failure to have appropriate leadership skills and capacity at all levels to deliver new ways of working and appropriate ways of leading	Managed through the new executive team meetings and Trust Board Structures including accountability. Good Governance Institute governance evaluation and development programme.	Monitoring of Board Development Programme Minutes of and reports to the Board
Failure to retain staff and the inability to recruit sufficient numbers of appropriately skilled, trained and competent staff	Extensive recruitment activity. Pastoral support to support and improve attraction and retention. Medical Efficiency Programme incorporating medical vacancies and job planning	Weekly and monthly monitoring of recruitment trajectories. Weekly monitoring via Finance Recovery Board and Board of Directors.
<b>AFFORDABILITY</b>		
Significant deterioration of the Trust's underlying financial position resulting in the inability to deliver the Financial Recovery Plan	Controls reviewed and updated Financial Recovery Programme established Financial Recovery Framework agreed and issued internally External support with plan (Ernst & Young) now in place Short term Financial Recovery Plan agreed by Board and NHSi Longer term Financial Recovery	Directorate accountability through divisional monitoring Financial Recovery Tracking Framework Financial Recovery Programme Board Divisional recovery meetings Weekly Ernst & Young Report Monthly finance report to the Board of Directors
Lack of a robust infrastructure: IT systems; Metrics; Workforce information systems; financial modelling and payment methods to allow the Board and management teams to deliver the required programme of change	Solihull Vanguard project to address the issues relating to the infrastructure Additional resource provided to support the programme	Monitoring by ICASS systems resilience group Reports to Board of Directors

Until December 2015, the Trust had five assurance committees: 1. Quality and Risk Committee; 2. Finance & Performance Committee; 3. Audit Committee; 4. Workforce Development & Welfare Committee and 5. Information Management and Technology Committee. As part of a governance evaluation and development programme, a new committee structure was implemented from January 2016, consisting of a Quality Committee and an Audit Committee.

As the Trust is based across multiple sites, during the reporting year, each site had its own site board and an underpinning quality and safety committee structure. A new operational structure is being implemented from 1 April 2016, consisting of five operational divisions, each of which will be led by a management team, which will be held accountable by the Executive team at regular performance meetings.

In addition there is a Chief Executive's Group where operational issues can be escalated to the Executive Directors and the Chief Executive.

Information is regularly submitted to these boards and committees covering a range of operational issues for example, Trust risk and issues, the financial position of the Trust, performance against key local and national targets, clinical governance indicators, compliance with external regulators, transformation programmes, business planning, lessons learned and patient experience.

The requirements of the Monitor condition FT4 (Foundation Trust governance) and the corporate governance statement were monitored through the committee structure outlined above, with the aim that the Trust is assured that the required elements are monitored appropriately. The Trust has completed a baseline assessment which was presented to the Audit Committee and Board. Regular compliance reviews will be completed and reported to the Board.

This Annual Governance Statement provides an outline of the structures and mechanisms that the Trust has in place to maintain a sound system of governance and internal control, amongst other things, to meet the requirement of the Monitor FT4 (Governance) requirement. It takes assurance from these structures and its various committees, as well as feedback from internal and external audit and other internal and external stakeholders regarding the robustness of these governance structures. These same mechanisms are used by the Board to ensure that the content of its Corporate Governance Statement is valid.

The Trust uses an online incident reporting system (Datix) for all clinical and non-clinical incidents.

The Trust actively encourages the reporting of incidents and is one of the highest reporters of clinical incidents. There is a supporting policy and procedure in place for incident reporting and the Trust's commitment to having an open culture ensures that the reporting of incidents is actively encouraged by all staff. This policy also supports a range of ongoing initiatives to encourage learning and feedback from incidents. The Trust provides regular uploads of incident data to the National Patient Safety Agency (NPSA). There is a separate Trust policy for the management and investigation of serious incidents (SIs). The Trust policy framework mandates the completion of an equality impact assessment for all Trust policies and procedures.

Performance data is reported through the Divisional structure and for assurance to the Chief Executive's group and the Board. For quality governance purposes this is triangulated with patient experience information, nursing metrics and the quality dashboard and is reviewed at the Quality Committee.

The Trust informs and, where appropriate consults with, relevant stakeholders, including staff, on the management of risks faced by the organisation, including the following: The Trust engages its stakeholders through the following forums:

- Council of Governors
- Overview and scrutiny committees
- Commissioners
- NHSi.

The Trust is not fully compliant with the registration requirements of the Care Quality Commission. The Trust received an unannounced responsive inspection in December 2014 by the Care Quality Commission (CQC). The CQC's report, issued in June 2015, made an overall finding of "Requires Improvement". An action plan is being implemented to ensure future compliance.

The Trust has not been subject to any CQC inspection during 2015/16.

The CQC has not taken enforcement action against Heart of England NHS Foundation Trust during 2015/16.

As an employer with staff entitled to membership of the NHS pension scheme, control measures are in place to ensure that 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 organisations 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.

### **2.7.5 Review of economy, efficiency and effectiveness of the use of resources:**

The Finance & Performance Committee (F&PC) met monthly between April and November 2015 to review how the Trust has performed against its financial and performance targets and the targets set in the Annual Plan that was submitted to Monitor in May 2015. The Committee's primary function was to ensure that any risks to the financial performance or operational performance of the Trust were identified and discussed so that actions were assigned to the relevant senior managers within the Trust. The HR Director attended the committee so any financial and operational issues relating to the recruitment and use of staff were discussed. The Interim Finance Director presented regular updates on finance and performance issues to each public Board and Council of Governors meeting.

At the end of 2015 this Committee was disbanded as part of the Committee structure review and from January 2016 all finance issues have been reported directly to the Board with operational performance discussed at the Chief Executive's Group and reported to the Board.

The revised reporting arrangements are intended to ensure that all executives and non-executives are fully informed about the financial position of the Trust. This is especially important as the Trust strives to address the increase in expenditure that has occurred over the last twelve months, resulting in a deficit position being reported for 2015/16 and a planned deficit being forecast for 2016/17. The impact of this deficit has been an erosion of the Trust's cash balances and enhanced cash management procedures have been put in place to preserve the Trust's cash balances for as long as possible into the 2016/17 year whilst distressed funding support is agreed with Monitor.

The Audit Committee, which includes representatives from the Trust's internal and external auditors, meets bi-monthly. It ensures that the recommendations contained in the reports from the annual internal and external audit programmes are being implemented. This committee provides additional scrutiny on behalf of the Board regarding the governance processes within the Trust. It is also responsible for reviewing the Board Assurance Framework. Internal Audit have performed audits on the core financial systems and gave a significant assurance rating except for in the area of budgetary control where a limited assurance rating was reported, following a number of detailed reviews into three areas of significant overspend. The senior management team have put a wide ranging management action plan into place to address the concerns raised, much of which has involved agreeing new policies, which enhance controls over expenditure, and ensuring that these are adhered to.

After the first quarter of 2015/16, the Trust moved to monthly reporting to Monitor whereby it provides a monthly financial and operational summary update, with more in depth analysis being provided each quarter as well as an update on governance related items such as SIs and coroners findings. There is a monthly review meeting where Directors of the Trust discuss performance with Monitor, and in the 2015/16 year the focus has also included finance as well as operational performance.

Because of the serious deterioration in the financial position, Monitor has placed the Trust under an enforcement notice for financial performance. This has resulted in a six month financial recovery process with support being provided by Ernst and Young, which has culminated in the production of a Financial Recovery Plan and a long term financial model which will form the basis of financial trajectories for the Trust in the future. This work has identified both costs that can be removed quickly and longer term initiatives to improve productivity and efficiency at the Trust using a combination of benchmarking and analytical tools and root cause analysis.

The environment surrounding the commissioning contracts has changed for 2015/16 as the Trust moved back onto the Payment By Results mechanism which has increased the number of challenges the commissioning organisations have raised to the Trust and resulted in delays in payments. Monthly meetings are held where senior members of the Trust and commissioning organisations discuss and agree actions in relation to meeting performance targets.

The external auditors have considered the Trust's

arrangements for securing economy, efficiency and effectiveness in its use of resources. They have modified their conclusion on these arrangements because of the level of Monitor intervention and the findings of the CQC report issued in June 2015, the financial position of the Trust and because the Trust has not hit a number of performance targets throughout the year. The Trust has also had to perform a detailed going concern review to confirm that this is an appropriate basis on which to prepare the accounts.

## 2.7.6 Information Governance:

The Trust's Information Governance Assessment Report score overall score for 2015/16 was 71 percent and was graded Green.

The following table includes details of information governance level 2 incidents:

SUMMARY OF SERIOUS INCIDENT REQUIRING INVESTIGATIONS INVOLVING PERSONAL DATA AS REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2015/16				
Date of incident (month)	Nature of incident	Nature of data involved	Number of data subjects potentially affected	Notification steps
April 2015	Letter intended for staff member sent in error to complainant	Staff information	1	Member of staff informed
Further action on information risk		Additional information governance training undertaken by member of staff and change to local process.		
April 2015	Patient identifiable data emailed externally	Patient information including Name, NHS number, appointment date, clinical information	2,380	No notification as data sent to another NHS Trust and destroyed
Further action on information risk		Following the incident, information governance training was delivered to department		
April 2015	Patient identifiable data emailed externally	Patient information including Name and diagnosis	127	No notification as data sent to another NHS Trust and destroyed.
Further action on information risk		Information governance training was delivered to department.		
May 2015	Unauthorised access to patient records	Electronic patient record	5	Patients were informed of unauthorised access.
Further action on information risk		Member of staff was dismissed		
July 2015	Ex-member of staff was able to view a Trust system from another organisation	Electronic patient record	1	Patient was aware of access
Further action on information risk		Change in procedures for staff leaving the Trust, data protection included as part of training on this system.		
July 2015	Ex member of staff left Trust documents at another hospital	Handover documents including patient name, date of birth, diagnosis and treatment plan.	67	Patients were not notified as information was within NHS premises and destroyed.
Further action on information risk		All staff reminded of importance of not removing documents from Trust premises.		

Incidents classified at lower severity level (Level 1):

SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS IN 2015/16		
Category	Breach Type	Total
A	Corruption or inability to recover electronic data	
B	Disclosed in Error	9
C	Lost in Transit	
D	Lost or stolen hardware	
E	Lost or stolen paperwork	1
F	Non-secure Disposal – hardware	
G	Non-secure Disposal – paperwork	2
H	Uploaded to website in error	
I	Technical security failing (including hacking)	
J	Unauthorised access/disclosure	11
K	Other	3

### 2.6.7 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.

Operational responsibility for the development of the Quality Account & Report lies with the Chief Nurse (to February 2016, then with the Interim Director of Corporate Affairs). The process of development is managed through an Annual Report project group that meets monthly, in the run up to publication, to review progress with the three main elements of the Annual Report: the Annual Report; Quality Account & Report and Financial Statements. This provides assurance that the quality account and report is being prepared in accordance with applicable national guidance and also that it provides a balanced account of the activities of the previous year. Future priorities are agreed by the Executive Directors who ratify the final list of priorities for the coming year.

The Trust has a number of policies in place that are regularly reviewed to ensure that quality care is provided to patients, including infection control, safeguarding, complaints and falls, for example. Information regarding the effectiveness of these

policies is reflected in the Quality Account and Report and is used to develop plans to drive further improvement.

The Trust uses the same systems and processes to collect, validate, analyse and report on data for the annual Quality Reports as it does for other clinical quality and performance information. Information is subject to regular review and challenge. The Quality Account & Report is subject to extensive internal and external scrutiny to ensure that it provides a balanced view of the organisation's progress during the year. The scrutiny process includes the Trust members and Governors, commissioners, Healthwatch and the relevant Overview and Scrutiny Committees who are all invited to provide comments on the Report. These commentaries are included in the final document.

The Quality Account & Report is subject to audit by the Trust's external auditors. This includes data testing on specific indicators, as well as an audit of the content of the Report itself – in line with the requirements of Monitor's Annual Reporting Manual. Further detail on the data quality processes are outlined in the Quality Account & Report itself.

The performance data and reporting contained in the Quality Account & Report is scrutinised in year by Trust committees, external stakeholders and the Trust's internal auditors. This is to ensure that metrics are being recorded accurately and that the integrity of the data quality is maintained.

### 2.7.8 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 the responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the Quality Report in the 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, the Quality & Risk committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

My review is informed in a number of ways. The head of internal audit provides an overall opinion of the arrangements for gaining assurance through the Board Assurance Framework and on the controls reviewed as part of the internal audit work. My review is also informed by:

- Monitor quarterly reporting
- Monitor monthly performance review meetings
- CQC essential standards of quality and safety
- Health and Safety Executive
- NHSLA
- Patient experience metrics
- Nursing metrics
- Dr Foster Intelligence information
- Staff surveys
- Internal Audit
- External Audit and
- Peer reviews.

Each level of management, including the Board, review the risks and controls for which it is responsible. This is monitored through a robust reporting structure, defined by the risk management strategy and Board Assurance Framework.

### 2.7.9 Control weaknesses:

During the year, a number of control weaknesses have been identified, including:

- failures to achieve operational targets, including A&E, 18 weeks and cancer targets
- failures in financial controls, leading to the serious deterioration in the Trust's financial position and the subsequent enforcement action taken by Monitor and
- failure to make necessary improvements in governance.

The following internal audits have concluded an opinion of limited assurance:

- Budgetary Control
- Quality Indicators
- Consultant job planning
- Asset Maintenance (medical devices)
- Third party capacity
- Waiting list initiatives and
- Temporary staffing.

Action plans to address the recommendations of the internal auditors have been developed and are being implemented.

With regard to operational targets:

A&E 4 hour target - the Trust has not been able to meet the A&E 4 hour target throughout 2015/16,

having seen a continued increase in the number of attendances at A&E. A revised stretch trajectory has been developed as part of the Sustainability and Transformation Funding plan, with the objective of achieving performance of 92% by March 2017.

18 weeks – The Trust did not achieve this target over the whole of the reporting year, although performance for the last two months of the year (February and March 2016) was above the 92% threshold. A revised stretch trajectory has been developed as part of the Sustainability and Transformation Funding plan, with the objective of achieving sustained performance at or above threshold by the end of September 2016.

Cancer targets - The Trust did not achieve the 62 day cancer target for 2015/16. A revised stretch trajectory has been developed as part of the Sustainability and Transformation Funding plan, with the objective of achieving sustained performance against this target from the end of June 2016.

With regard to financial controls three specific internal audit reviews were commissioned to report on the three largest areas of overspend being third party capacity, waiting list initiatives and temporary staffing. These reports highlighted where policies and procedures could be improved and where controls could be tightened and the recommendations have been operated on by an executive led multi-disciplinary team. At the same time improved financial controls have been implemented in the areas of contracting and procurement, authorisation of expenditure, and financial reporting. An increased level of scrutiny has been placed on cost reduction planning and implementation and overall budgetary positions at a more granular level than was previously in place. In addition, the trust has developed a Financial Recovery Plan which is a three year plan that sets out the steps the Trust needs to take over the next three years to return to a balanced financial position.

With regards to governance controls, in summer 2014, the Trust commissioned a Governance Review which was completed by the internal auditors (Deloitte LLP). This review identified a number of concerns regarding the Trust's governance and assurance arrangements. A quality improvement plan was developed to address the concerns identified. However, despite this plan, the Trust's situation deteriorated both financially and in terms of governance, leading to the Monitor enforcement action set out in section 2.6.10 below. In November 2015, the incoming interim Chair and I commissioned The Good Governance Institute to deliver a governance evaluation and development programme. This programme identified that,

prior to then, little progress had been made in addressing the concerns identified in the Deloitte report.

A programme of board development has been commenced and will continue, to address the concerns identified in both the Deloitte report and as a result of the GGI programme. This has included a restructuring of the Board's committees and changes to the risk and control framework. This has already resulted in tangible progress, although there is further work to be done.

A new operational structure is being implemented from 1 April 2016, consisting of five operational divisions, each of which will be led by a management team with clear accountability for governance within its division. Divisional management teams will be held accountable by the Executive Team at regular performance meetings.

Additionally, an Interim Director of Corporate Affairs has been appointed to lead a restructuring of the Trust's governance and assurance framework. This work will include a review of the compliance framework for the Trust and the effectiveness of associated controls, a restructuring of the governance support teams and a clear chain of assurance from ward to Board.

## 2.7.10 Monitor Undertaking

At the beginning of the 2015/16 year, the Trust was operating under a number of section 106 enforcement undertakings and an additional licence condition imposed under section 111, as set out below.

The Trust signed the first Section 106 undertaking in December 2013 and at the beginning of the 2014/15 year was implementing the agreed plans to deliver against the A&E four hour target and was rated red in relation to governance. At this point the Trust anticipated that it would meet all other targets.

At the end quarter 1 of 2014 the Trust remained red rated because it had not achieved the A&E target for more than three successive quarters, as well as not achieving the Referral to Treatment (RTT) (admitted) target, 2-week wait (all cancers) target, the 2-week wait (breast) target and the 62 day wait target. For the remainder of the year, the Trust also failed to achieve these targets with the exception of the 62 day standard which has been achieved since quarter 2 2014/15. These persistent target breaches are viewed by Monitor as a failure of governance arrangements.

As a result, in October 2014, the December 2013 section 106 undertaking was updated to reflect the latest plans to improve performance against the A&E four hour target. A new section 106 undertaking was agreed that recorded, amongst other things, the actions intended to address the RTT, and all cancer wait time targets. Earlier in the year the Trust had commissioned Deloitte LLP to carry out a governance review and as part of the new undertaking, it was agreed that the Trust would share with Monitor the findings of this review and the resulting actions plans. In January 2015, the Trust's license was varied pursuant to section 111, placing a requirement on the Trust to ensure it has in place stronger leadership capacity and capability and governance systems and processes to enable it to comply with the conditions of its license.

During the year, Monitor was satisfied that the Trust was in breach of the additional licence condition imposed in January 2015 and a further additional licence condition under section 111 was imposed on the Trust, requiring it to make certain appointments to the posts of Chair and Chief Executive. In addition, the Trust has given further enforcement undertakings under section 106, relating to the Trust's financial position. These are without prejudice to the previous undertakings. Regular communication continues between the Trust and Monitor to review progress on these issues.

## 2.7.11 Conclusion

With the exception of the internal control issues that have been outlined above, no further significant internal control issues have been identified. Steps are being taken to address those internal control issues, with the intent of driving rapid and effective improvement.



Dame Julie Moore,  
Interim Chief Executive Officer

Date: 25 May 2016

## Section 3 Quality Account



This Annual Report covers the period 1 April 2015 to 31 March 2016



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## Section 2

# Quality Account

### Introduction

All providers of NHS Services in England are required to produce an Annual Quality Account. The purpose of a Quality Account is to inform the public about the quality of services delivered by the Trust. Quality Accounts enable NHS Trusts to demonstrate commitment to continuous, evidence based quality improvement and to explain progress to the public.

### Part 1: Chief Executive's Statement on Quality

Heart of England NHS Foundation Trust (HEFT) has undergone a particularly difficult year, both in terms of finances and performance. In line with national trends, the Trust has seen unprecedented demand for its services with large increases in Emergency Department attendances and admissions which has put significant pressure on our ability to deliver planned treatments.

In October 2015, Monitor found that the Trust was in breach of its licence to provide NHS services and agreed to direct the Trust Board of Directors and Council of Governors to appoint a new interim leadership team.

I was appointed as Interim Chief Executive and Rt Hon Jacqui Smith took up the role of Chair in December. This is a dual role across HEFT and University Hospitals Birmingham NHS Foundation Trust.

In the six months since we have joined the organisation our priorities have been to bring financial and operational stability to the organisation to ensure we are delivering the best quality care to patients as possible.

We have implemented a new operational structure to ensure clear roles, responsibilities and accountabilities across the organisation. Monthly CEO-led Root Cause Analysis meetings have also been established to clearly focus the organisation on clinical quality.

An independent estates review has been undertaken and draft strategy produced identifying £160m for investment needed in the first phase, and a preliminary review of ICT has been undertaken in a bid to understand how the use of intelligent informatics can help drive improvements in clinical outcomes.

The most important task of all faced by the new executive team is to reinvigorate the clinical and support staff to engage with addressing the challenges, to move from passive to active in resolving performance issues. This is a significant cultural change and will take time to deliver.

Prior to Monitor's intervention, HEFT has been concentrating on improving the basics. Work focused on improving:

- Governance
- Urgent care
- Scheduled care
- Information management and technology
- Mortality
- Culture and engagement
- Financial stability

With regard to quality, there have been many improvements against the priorities detailed in the 2014/15 quality account. The Trust has made excellent progress with the stroke pathway since the reconfiguration in quarter 3 of 2014/15 and is now performing above the national average in all of the indicators measured in this report.

There has also been a reduction in the number of hospital acquired grade 2 pressure ulcers, with the Trust narrowly missing the 10% reduction trajectory set by the Clinical Commissioning Group (190 grade 2 pressure ulcers against a trajectory of 187).

A key safety priority is to reduce the number of falls in the Trust, and several work streams have enabled this to happen.

The final priority was to improve the response rate and overall score in the Friends and Family Test in the Emergency Department. Unfortunately, despite a number of initiatives, the Trust has not improved as much as planned, and therefore this

priority will be continued into 2016/17 Quality Account.

The national Sign up to Safety campaign was launched in 2014 and aims to make the NHS the safest healthcare system in the world. The ambition is to halve avoidable harm in the NHS over the next three years. Organisations across the NHS have been invited to join the Sign up to Safety campaign and make five key pledges to improve safety and reduce avoidable harm. HEFT joined the Sign up to Safety campaign in 2015 and made the following four Sign up to Safety pledges:

- Reducing harm from deterioration including sepsis
- Reducing medication related harm
- Reducing harm from pressure ulcers
- Reducing harm in maternity services.

2016/17 will be particularly challenging for HEFT as we focus on building healthier lives for our patients and achieving outcome/access targets alongside rising demand for our services and bringing financial stability and sustainability to the Trust.

The Trust will continue working with commissioners, healthcare providers and other organisations to influence future models of care delivery and to deliver further improvements to quality during 2016/17.

On the basis of the processes the Trust has in place for the production of the Quality Report, I can confirm that to the best of my knowledge the information contained within this report is accurate.



Dame Julie Moore,  
Interim Chief Executive Officer

## Part 2: Priorities for Improvement

### Statements of Assurance from the Board of Directors

#### Priorities for improvement:

This part of the report sets out progress made against the four priorities identified for improvement during 2015/16, which were:

##### Priority 1:

Reduce avoidable grade 2 hospital acquired pressure ulcers;

##### Priority 2:

Reduce the number of patients experiencing multiple falls whilst in hospital;

##### Priority 3:

Improve the Friends and Family Test response rate and overall score within the Emergency Department; and

##### Priority 4:

Improve the response time/rate to manage the acute stroke patient.

The Trust has made significant progress against three of the four priorities:

No	Priorities for improvement	2015/16	2016/17	Comments
1	Reduce avoidable grade 2 pressure ulcers	Yes	No	Consistent reduction and established monitoring systems
2	Reduce multiple falls whilst in hospital	Yes	No	Consistent reduction and established monitoring systems
3	Improve Friends and Family Test responses within the Emergency Department	Yes	Yes	To remain for 2016/17 in response to the poor response rate
4	Improve the response time / rate to manage the acute stroke patient	Yes	No	Consistent reduction

Based on these improvements the Trust has chosen to continue with only 1 of the 4 priorities from 2015/16 (Improve Friends and family Test responses within the Emergency Department) for 2016/17.

A further three local priorities, aligned to the Sign up to Safety initiative, have been agreed for 2016/17:

##### Priority 1:

Reduce avoidable harm to patients from omission and delay in receiving Parkinson's disease medication.

##### Priority 2:

Improve early recognition and management of sepsis and reduce hospital acquired sepsis.

##### Priority 3:

Reduce maternal harm through the category Caesarean section 1 Quality Improvement Programme (QIP) pathway.

These three priorities will be measured via quarterly reports to the Clinical Quality Monitoring Group, using Trust established systems and processes.

## Progress against 2015/16 priorities:

### Priority 1: Reduce avoidable grade 2 hospital acquired pressure ulcers

#### Aim and Rationale:

All patients within the care of the Trust are potentially at risk of developing a pressure ulcer. However, people with impaired mobility and nutrition are more at risk of developing pressure ulcers. The Trust has been committed to reducing the incidence of avoidable grade 2 pressure ulcers throughout 2015/16. Detailed work has been carried out to review the assessments and interventions to reduce the incidence of avoidable hospital acquired grade 2 pressure ulcers by 10%.

#### Process for monitoring progress:

The incidence of pressure ulcers is monitored daily by a 'harm alert', which provides all clinical areas with an overview of all pressure ulcers reported within the preceding 24 hour period. Monthly

pressure ulcer compliance is recorded within nursing care indicators for all adult inpatient areas and monitored using a performance scorecard.

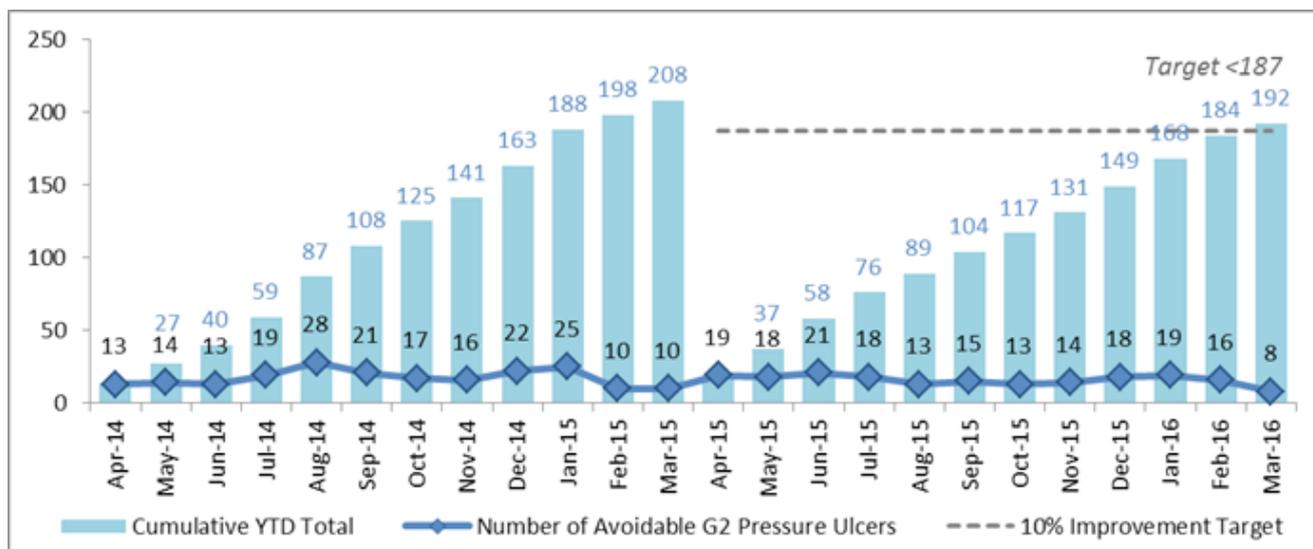
Improvement is measured against three indicators:

- Compliance with documentation for the frequency of repositioning. At the end of Quarter 4 the Trust has achieved 95%
- Compliance with the frequency of actual repositioning. At the end of quarter 4 the Trust has achieved 83%
- Compliance with daily skin inspections. At the end of quarter 4 the Trust has achieved 92%.

The monthly Divisional Tissue Viability Steering Groups are responsible for monitoring and identifying areas of non-compliance and facilitate the sharing of good practice, providing updates to all clinical areas. The Divisional Tissue Viability leads report to the monthly Trust Tissue Viability Steering Group which is chaired and led by the Deputy Chief Nurse. At this forum each division is responsible for the submission of divisional performance against the overall trajectory.

#### Current performance:

**Table 1:** Number of avoidable hospital acquired grade 2 pressure ulcers set against the 10% trajectory



At the end of quarter 4, the Trust performance against avoidable hospital acquired grade 2 pressure ulcers equates to 192 against a target of 187, narrowly missing the trajectory. This number is however likely to increase as there are 14 pressure ulcers with their RCAs still being completed which determines the avoidability of each pressure ulcer.

## What has the Trust done to improve/ progress against 2015/16 initiatives:

- A 12-month tissue viability re-energising communications campaign commenced in September 2015 with a different focus of pressure ulcer prevention each month;
- Changes to the performance framework commenced in November 2015. All clinical areas that have areas of concern formally present avoidable pressure ulcer incidents to share the learning and undergo peer confirm and challenge;
- Introduced a programme of bespoke ward and speciality based training focussing on the learning from trends and themes and the management of complex patient devices;
- Mandated daily skin checks undertaken before midday to aid contemporaneous documentation.
- Introduction of repositioning clocks above each patient's bed to support wards in achieving a structured approach to patient repositioning;
- 'Safety huddles' undertaken on wards where compliance falls below 90%.

## Initiatives to be implemented in 2016/17:

- The Tissue Viability campaign will continue throughout 2016/17, particularly focussing on areas identified for improvement. The campaign will expand to include non-ward based areas such as the emergency departments, adult theatres and out patients;
- There will be a focus on developing the Tissue Viability steering groups within each division. This approach will strengthen the delivery of patient centred care, encourage innovation and enhance the role of the Tissue Viability link nurses;
- The Trust will target grade 2 pressure ulcers which have a potential to deteriorate to grade 3 pressure ulcers within high risk areas and where devices have the ability to cause harm e.g. naso-gastric tubes;
- The Trust will implement a series of high level actions in response to the themed review undertaken in December 2015 in partnership with the CCG.

## Priority 2: Reduction of incidence for patients who have multiple falls in hospital

### Aim and Rationale:

Whilst patients of all ages fall, the occurrence

is greater in older people: one in three people over the age of 65, and half of those over 80 will fall each year. For hospital inpatients the risk is compounded by factors such as delirium and cognitive impairment; medical diagnosis/condition which can be multi-factorial; disabilities for example, poor eyesight, hearing and mobility; and other problems associated with continence. Slips, trips and falls are collectively the most reported patient safety related incident, which is consistent across England.

### Process for monitoring progress:

All falls are reported via the Trust's incident reporting system. The data is disseminated to all clinical areas via the Daily Harm Alert. The Daily Harm Alert indicates if a fall has been reported causing any potential injury.

- All significant falls resulting in harm are investigated by the supervisory ward sister/matron. Each fall is evaluated and reviewed by the clinical nurse specialist for falls and a site head nurse. Lessons learned are agreed and feedback is given to staff.
- A weekly retrospective look back at all falls where patient safety has been compromised with resulting harm is undertaken.
- All three hospital sites have an appointed falls lead responsible for facilitating the monthly local falls group. This group reports into the Trust Steering Group. Trends and themes, areas for improvement and agreement against improvement plans are discussed.
- The Trust continues to complete the National Safety Thermometer Audit; this is a monthly point prevalence audit aimed at capturing any fall that has taken place within the preceding 72-hour period.
- The falls nursing care indicator has, since October 2015, presented a compliance score of 95% and above.

### Current performance:

A key Trust safety priority is to reduce significant harm arising from such falls for example, fractured neck of femur. The local trajectory is to achieve a 10% reduction against 2014/15 out turn and a trajectory of 6.36/1000 bed days.

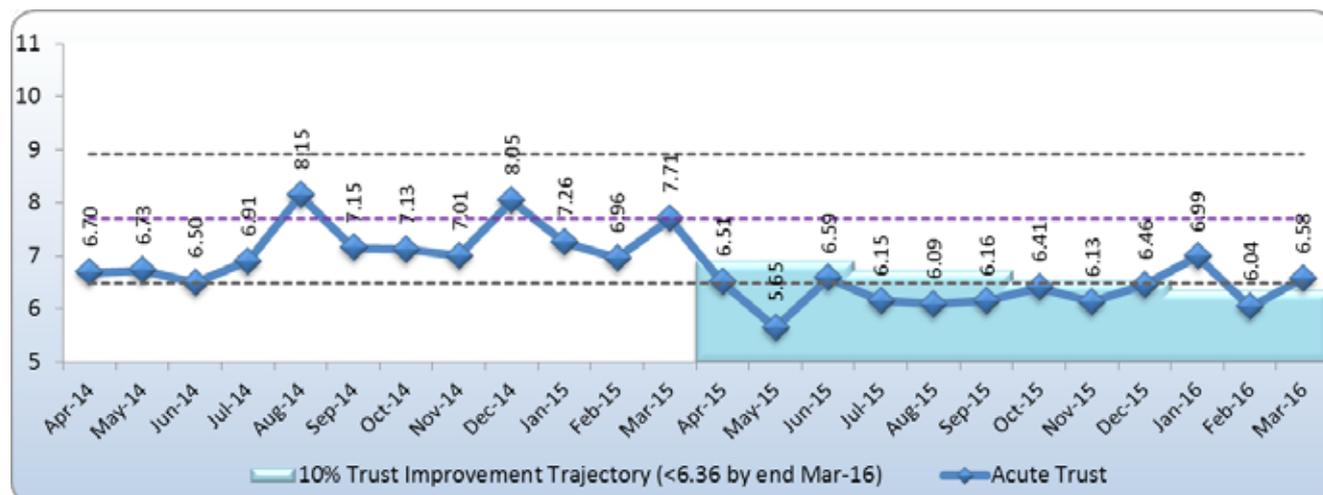
Quarter 3 data demonstrates a reduction of 75 recorded falls (788 in Quarter 3 2015/16) from the same period in 2014/15 (863 falls) meaning a reduction in falls rate from 7.40 falls per 1,000 occupied bed days in Quarter 3 2014/15 to 6.34 in Quarter 3 2015/16.

Quarter 4 data shows a reduction in the number of

recorded falls from 851 reported during Quarter 4 2014/15 compared to 849 falls reported during the same period of 2015/16. This means a reduction in falls rate from 7.32 falls per 1,000 occupied bed days in Quarter 4 2014/15 to 6.55 in Quarter 4 2015/16.

Overall, 2015/16 data demonstrates a reduction of 234 recorded falls (3,094), compared to 2014/15 (3,328), meaning a reduction in falls rate from 7.19 falls per 1,000 occupied bed days to 6.32 for 2015/16.

**Table 2:** Trust falls rate per 1,000 occupied bed days



### What has the Trust done to improve/ progress against 2015/16 initiatives:

- Each ward uses a visual safety cross which clearly identifies to staff those patients at risk and indicates when and where they have fallen;
- In March 2015 the Trust introduced open visiting across all in-patient areas and whilst there is no clear explanation, this appears to have positively impacted on falls reduction;
- Two falls practitioners were appointed for a 12-month period to support the clinical lead nurse to embed practice;
- Birmingham Cross City Commissioners undertook a themed review in November 2015; all three hospital sites were reviewed, receiving positive feedback. All recommendations have been adopted by the Trust Falls Steering group;
- Implementation of the Enhanced Observation Tool to assess patients requirement for '1 to 1' observation;
- All wards that report an increase in falls are reviewed by the clinical nurse specialist with an agreed action plan;
- The falls VITAL module remains in use as part of falls prevention education for both

- registered nurses and healthcare assistants;
- The falls web page is now operational.

### Initiatives to be implemented in 2016/17:

The Trust's commitment to reduce the overall falls rate will focus on existing work and include the following going forward:

- Inclusion of operational managers at steering group meetings – this is a recommendation of the National Audit of Inpatient Falls 2015.
- Working with site capacity teams to stop at risk patients from being transferred between wards.
- Fully implement an electronic root cause analysis (RCA) tool to investigate multiple falls and those falls resulting in significant harm.
- Review of the falls risk assessment to ensure it remains fit for purpose.

### Priority 3: Improvement in both response rates and overall scores of Friend and Family Test in the Emergency Department

#### Aim and Rationale:

The Friends and Family Test (FFT) is seen as an important feedback tool that supports the fundamental principle that people who use NHS services should have the opportunity to provide feedback on their experience.

It asks people if they would recommend the services they have used and offers a range of responses. When combined with supplementary follow-up questions, the FFT provides a mechanism to highlight both good and poor patient experience.

The national average for positive recommender score in Emergency Services is 88%. The Trust uses this figure to assess the response rate.

#### Process for monitoring:

Progress is monitored via the patient experience dashboard and is accessible at ward, division and Trust level. The results are monitored by the patient experience team, ward managers, matrons and site leads. The data is discussed at the divisional quality and performance meetings and is presented to the Trust Board of Directors. The newly formed Patient Community Panels also review and monitor patient experience.

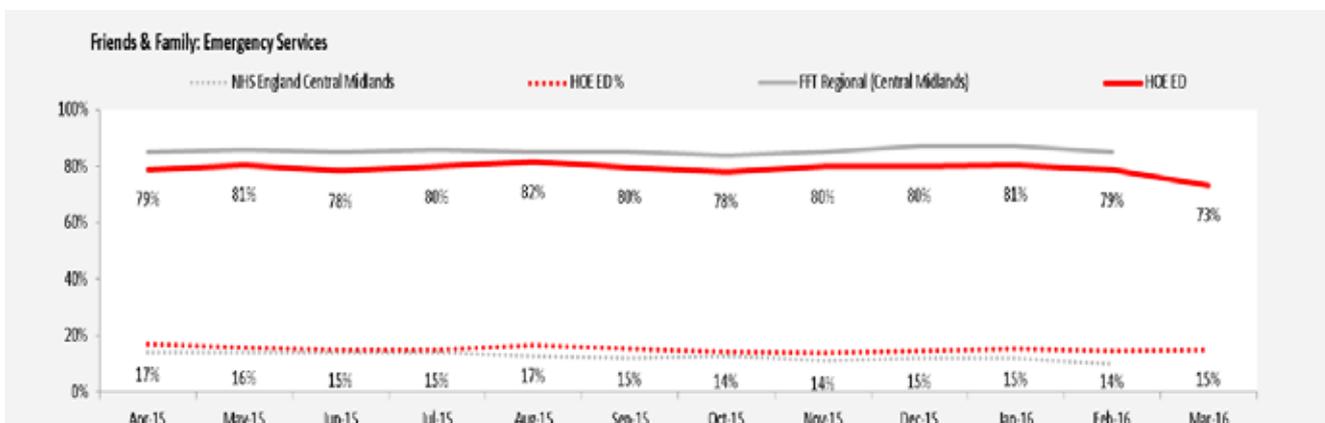
#### Current performance:

The average positive recommendation for the period April 2015 – April 2016 was 79%. This compares to the previous 12 months, April 2014 to March 2015 of 74%, an increase of 6%.

**Table 3: ED FFT Positive Responder Rate April 2015 – March 2016**

Emergency FFT Metric	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
NHS England	88%	88%	88%	88%	88%	88%	87%	87%	87%	86%	85%	
FFT Regional (Central Midlands)	85%	86%	85%	86%	85%	85%	84%	85%	87%	87%	85%	
Good Hope	79%	82%	81%	81%	83%	81%	80%	79%	82%	83%	80%	79%
Heartlands	76%	76%	72%	76%	76%	77%	71%	78%	75%	74%	72%	63%
Solihull	83%	85%	82%	84%	88%	83%	86%	86%	85%	89%	87%	85%
HOE ED	79%	81%	78%	80%	82%	80%	78%	80%	80%	81%	79%	73%

**Table 4: Trust FFT Emergency Department (ED) response rate and positive recommender score compared with the region**



The Trust's FFT captures approximately 30,000 comments a year for ED and received 6,881 comments for ED for Quarter 4. This data is predominantly captured via text message.

**Table 5: ED FFT %response rate April 2015 – March 2016**

Emergency FFT %	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
NHS England %	15%	14%	15%	15%	14%	14%	14%	13%	13%	13%	13%	
NHS England Central Midlands	14%	14%	14%	14%	13%	12%	13%	11%	12%	12%	10%	
Good Hope %	20%	19%	19%	18%	20%	18%	17%	17%	18%	18%	17%	18%
Heartlands %	12%	12%	11%	12%	13%	12%	11%	10%	11%	12%	12%	13%
Solihull %	19%	20%	17%	17%	19%	18%	18%	16%	19%	19%	18%	17%
HOE ED %	17%	16%	15%	15%	17%	15%	14%	14%	15%	15%	14%	15%
Target	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
HOE Completed Surveys	2172	2058	2426	2346	2536	2361	2323	2203	2292	2443	2277	2692

### What has the Trust done to improve/ progress against 2015/16 initiatives:

- Refurbishment of the Acute Medical Unit (AMU) at Good Hope Hospital (GHH) operational from 5th November 2015.
- Redesign of the ED at Birmingham Heartlands Hospital (BHH) - doubled the size of the major injury area and introduced a new minor injuries area.
- A quality dashboard has been devised which provides information per area / department relating to patient care and includes patient experience results.
- Access to dementia boxes within ED at GHH.
- Development of a learning disability toolkit in association with Keele University. This includes picture cards to facilitate communication and has been successfully used with other patient groups, for example patients whose first language is not English and patients with a hearing disability.
- Employed housekeepers within the ED at GHH and BHH.
- GHH has initiated a system to ensure that all patients are seen, spoken to and cared for wherever they are in the department.
- There is a quarterly thematic analysis of complaints undertaken to evaluate what people are saying and what areas need to be improved upon.
- BHH and GHH ED departments have a designated quiet room for patients requiring a calming environment.
- GHH has recently appointed a senior sister for patient experience in ED. They have created a display board for patients and carers which displays waiting times and an explanation of why there are delays, for example speciality related or procedure related.
- GHH has also created a display board specifically for staff which presents patient and carer feedback.

### Initiatives to be implemented in 2016/17:

- Explore the possibility of volunteers in ED and AMU to provide compassionate care for vulnerable patients, for example elderly patients on their own, patients with dementia, delirium and patients with learning disabilities.
- Key ED staff from BHH and GHH will be undertaking a site visit to one of the top ten performing EDs for FFT in the country to look and their good practice and what can be done differently.
- A leaflet has been developed for GP's to give to people referred to AMU which explains the process for people attending AMU. This will be rolled out in the coming year.
- Patient Community Panels have been asked to assist with surveys and observational visits in ED to gain specific information and offer solutions from a patient/carer perspective.
- NHS Elect is working with the Trust and will be providing workshops on customer care training for staff.

### Priority 4: Improving stroke care

#### Aim and Rationale:

Evidence from large-scale clinical trials have shown that certain interventions are associated with improved stroke outcomes. HEFT is a major provider of stroke care treating over 1,000 patients annually with suspected acute stroke. Four high-impact quality improvement interventions reported here are making a difference to clinical outcomes.

## Process for monitoring progress:

### Intervention #1: Increasing the percentage of patients receiving thrombolytic therapy within 1 hour of arrival in the BHH Emergency Department (ED)

The evidence is straightforward, namely “time is brain” and in general the earlier a thrombolytic drug is administered the better the clinical outcome and the lower the risk of intracranial haemorrhage.

At BHH, thrombolysis is administered to all patients that meet the criteria; however this new measure is extremely important for the reasons outlined above.

### Current performance:

All key stroke indicators are collected locally by the hyper acute stroke service and reported nationally in the Sentinel Stroke National Audit Programme (SSNAP). This indicator is monitored monthly through internal performance reports and discussed at the Trust Stroke Governance meeting.

**Table 6:** Percentage of patients thrombolysed within 1 hour of arrival at ED, BHH

	Q1 14/15	Q2 14/15	Q3 14/15	Q4 14/15	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16
BHH	20.0%	16.7%	63.2%	86.4%	83.3%	68.8%	73.9%	Not available
GHH	0.0%	0.0%	50.0%	N/A	N/A	N/A	N/A	N/A
SH	0.0%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A
National	55.2%	56.4%	57.0%	56.4%	57.7%	59.8%	57.9%	Not available

As part of the Trust reconfiguration of stroke services, the thrombolysis service transferred to BHH from SH in Quarter 3 2014/2015 and from GHH in Quarter 4 2014/2015. BHH is currently performing at level A for this indicator which means that it achieves the target of  $\geq$  to 55%.

The reconfiguration has led to a significant increase in the number and concentration of specialist staff at BHH. As the new pathway has been embedded, individual parts of the process have rapidly become more effective and efficient:

- A Stroke Nurse Practitioner (SNP) and medical bleep holder will attend within 5 minutes of a fast +ve patient being identified 24/7. Work has also been done to analyse any door to needle (DTN) time greater than 1 hour to clarify and resolve the delays in the thrombolysis pathway.
- Earlier call to expert decision makers (the stroke consultant) with clear separation of ED and SNP roles.
- Telemedicine is now available which allows the SNP and consultant on-call to interact with each other more efficiently and effectively. This has proved valuable out of hours aiding a reduction in call to needle time.
- The stroke service engages in collaborative meetings with ED and WMAS to improve the clinical interfaces including review of pre-hospital communication: WMAS now has open access to the stroke mobile phone held by the SNP for pre-alert discussions; this has made

the alert pathway more efficient and reduced inappropriate patients travelling to BHH. This new process facilitates CT scans to be requested and agreed prior to registration in ED. This has the potential to save approximately 5-10 minutes for each patient which can make a material difference to the patient.

### Initiatives to be implemented in 2016/17:

The Trust is planning to extend the data analysis to review instances where DTN time is greater than 45 minutes which will highlight areas for further improvement.

There are plans to further develop the current stroke telemedicine service at BHH to improve the management of patients out of hours when the specialist consultant is not on site. The use of this facility will support the decision making process and can further reduce the time taken to reach a decision regarding administering thrombolysis which in turn will improve patient outcomes.

### Intervention #2: Percentage of patients directly admitted to stroke unit within 4 hours of arrival in ED

Early admission to a stroke unit generally means early assessment by specialists and less variation in treatment and care.

**Table 7:** Percentage of patients directly admitted to a stroke unit within 4 hours of arrival in ED

	Q1 14/15	Q2 14/15	Q3 14/15	Q4 14/15	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16
BHH	37.8%	38.3%	53.9%	66.0%	77.7%	80.9%	75.9%	Not available
GHH	40.5%	37.9%	34.9%	15.8%*	11.8%*	4.3%*	4.3%*	N/A
SH	8.1%	14.6%	N/A	N/A	N/A	N/A	N/A	N/A
National	58.0%	59.8%	56.9%	53.6%	58.7%	61.8%	59.8%	Not available

The Trust is currently performing at level B for this indicator which means it is achieving the standard between 75-89%.

### What has the Trust done to improve / progress against 2015/16 initiatives:

Work to analyse times greater than 4 hours to clarify and resolve the delays in the admission pathway. Many delays have been resolved by collaborative working between the stroke service, the site capacity management team and ED.

In the early phase of the reconfigured service, the stroke repatriation process of patients back to SHH and GHH proved challenging to implement consistently; however the process is now working

much more effectively. This has helped to maintain bed capacity and flow in the BHH HASU and therefore prompt admission from ED.

### Initiatives to be implemented in 2016/17:

The Trust plans to extend the data analysis to review times greater than 2 hours and ultimately 1 hour with the aim of an average time from arrival in ED to admission into HASU of 1 hour.

#### Intervention #3: The proportion of applicable patients given a swallow screen within 4 hours of arrival in ED

This intervention is a marker for the level and speed of initial specialist assessment. Swallow screens are a taught competency.

**Table 8:** Proportion of applicable patients who were given a swallow screen within 4 hours of arrival In ED

	Q1 14/15	Q2 14/15	Q3 14/15	Q4 14/15	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16
BHH	80.8%	81.6%	90.9%	90.3%	91.9%	92.5%	91.8%	Not available
GHH	68.9%	77.9%	67.9%	43.1%*	18.2%*	13.6%	4.3%*	N/A
SH	44.1%	14.6%	N/A	N/A	N/A	N/A	N/A	N/A
National	67.3%	69.2%	68.7%	68.0%	71.1%	72.8%	72.0%	Not available

### What has the Trust done to improve / progress against 2015/16 initiatives:

Following service reconfiguration, virtually all acute swallowing screens are required at BHH where the 24/7 SNP is appropriately trained. BHH is currently performing well consistently achieving above 90% for this indicator which is well above the national average.

Over the last year, the care of patients suffering a stroke whilst an inpatient has improved: with more timely access to specialist care, which includes a swallow screen.

### Initiatives to be implemented in 2016/17:

Plans are in place to further engagement with ED on all three sites and staff education.

#### Intervention #4: The percentage of patients who spent at least 90% of their stay on a stroke unit

This relates to the direct admission measure (2) above and site capacity issues. Any patient who spends a prolonged amount of time in ED and has a short length of stay, or any patient who is not initially admitted to a stroke unit, is likely to be denied access to stroke unit care.

**Table 9:** Percentage of patients who spent at least 90% of their stay on a stroke unit

	Q1 14/15	Q2 14/15	Q3 14/15	Q4 14/15	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16
BHH	80.7%	75.4%	78.2%	87.7%	92.3%	93.4%	89.8%	Not available
GHH	74.7%	75.0%	72.7%	75.6%	72.3%	66.1%	76.6%	Not available
SH	68.8%	62.9%	75.6%	100.0%	95.8%	81.0%	78%	Not available
Nationally	83.5%	84.3%	83.4%	82.1%	84.0%	86.1%	85.6%	Not available

BHH and SHH have both improved since the reconfiguration.

GHH is underperforming. The reasons for this include: patients presenting to ED with non-typical stroke symptoms, admitted to a non-stroke bed, only to be diagnosed with stroke later. Many of these patients will also have 'milder' symptoms and tend to have a shorter Length of Stay and therefore less opportunity to access a stroke specialist bed 90% of the time.

This cohort of patients is likely to fail many of the performance indicators and the team at SSNAP recognise this issue. SSNAP will reclassify hospitals that directly admit fewer patients than get transferred into non-routine admitting hospitals and only publish the relevant indicators. GHH was not reclassified by SSNAP as a non-routine admitting hospital until Q2 15/16 because they were still directly admitting slightly more patients than were repatriated from BHH. Therefore the figures for Q4 and Q1 are particularly low due to the small numbers and the specific cohort of patients directly admitted to GHH in this time period. It is expected that GHH will be reclassified like SH to non-routine admitting in the near future.

### What has the Trust done to improve/ progress against 2015/16 initiatives:

The reconfiguration of stroke services at the Trust has improved the performance in admitting patients directly to a stroke bed within 4 hours. The stroke repatriation policy is working well to ensure patients are consistently repatriated to stroke beds at SH and GHH in a timely fashion and HASU maintain patient flow through the unit.

New initiatives continue within the Trust to improve patient flow and facilitate the discharge process for all patients. Engagement with both social services and community health services in

addition to a strengthened enhanced supportive discharge team continues to reduce the length of stay across the Trust for stroke patients.

### Initiatives to be implemented in 2016/17:

To improve performance at GHH it is necessary to reduce the number of patients with non-typical stroke symptoms. As described earlier, this will be done through engagement with ED and staff education.

For BHH and SH, the challenge is to maintain the level of performance. This is regularly monitored via the monthly internal performance reports so the stroke team can react to any deterioration in the quality of care.

\* Since the reconfiguration GHH and SH still directly admit a small number of patients who are not initially thought to have a stroke diagnosis and then the diagnosis of stroke is confirmed later.

### SSNAP data caveats

i) SSNAP data is collected by admission date. There is a deadline for submitting the data that is approximately one month after the quarter ends. SSNAP analyse the data and release their report approximately two months after the quarter ends. The data for Q4 2015/2016 is not officially validated and released by SSNAP until the beginning of June 2016. Unfortunately the Trust is unable to obtain this data sooner.

ii) In the last year, HEFT reported figures from the data submitted for both Sentinel Stroke National Audit Programme (SSNAP) and Best Practice Tariff (BPT). These figures vary slightly as SSNAP data is clinically validated to confirm the diagnosis of stroke and BPT data is from clinical coding on a stroke diagnosis. Patients can only be coded to one diagnosis; whereas HEFT can submit patients to SSNAP where the patient has more than one

diagnosis and the diagnosis of stroke is significant.

iii) This year, the Trust has reported data from SSNAP which is a nationally recognised, validated and comprehensive measure based on clinical data collection and clinical validation. SSNAP is currently the single recognised source of national stroke data and has 100% participation of acute hospitals in England and Wales. SSNAP is considered reliable and is directly comparable with other acute hospitals.

## Part 2:

### Review of Services/Statements of Assurance from the Board

The Trust is required to include statements of assurances from the Trust Board. These statements are common across all NHS Quality Accounts.

### Service Income

During 2015-16, Heart of England NHS Foundation Trust provided and/or sub-contracted 101 relevant health services.

Heart of England NHS Foundation Trust has reviewed all the data available to them on the quality of care in all of these relevant health services.

The income generated by the relevant health services reviewed in 2015-16 represents 100% per cent of the total income generated from the provision of relevant health services by the Heart of England NHS Foundation Trust for the financial year 2015-16.

### Clinical Audit

During 2015/16, 34 national clinical audits and 2 national confidential enquiries covered relevant services that Heart of England NHS Foundation Trust provides.

During that period, Heart of England NHS Foundation Trust participated in 97% national clinical audits and 100% 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 Heart of England NHS Foundation Trust was eligible to participate in during 2015/16 can be found at Appendix 1.

The national clinical audits and national confidential enquiries that Heart of England NHS Foundation Trust participated in during 2015/16 are shown in the second column in Appendix 1.

The national clinical audits and national confidential enquiries that Heart of England NHS Foundation Trust participated in, and for which data collection was completed during 2015/16, are listed in the third column in Appendix 1 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.

### Participation in Clinical Audits and National Confidential Enquiries 2015/16

#### Reviewing Reports of National and Local Clinical Audits

The reports of 15 national clinical audits were reviewed by the provider in 2015/16 and Heart of England NHS Foundation Trust intends to take the following actions to improve the quality of healthcare provided.

- **Epilepsy 12 National Audit: Round 2** – The Trust has continued to fulfil best practice tariff requirements to deliver high quality care by developing dedicated epilepsy clinics across sites with a consultant expert in paediatric epilepsy. Also the Trust is holding a joint epilepsy clinic with a visiting tertiary neurologist every month and holding transition clinics on alternating sites quarterly. In addition, the team has appointed a 0.7 whole time equivalent epilepsy specialist nurse at Good Hope Hospital to improve ECG results.
- **Trauma Audit and Research Network (TARN): Orthopaedic Injuries** – The service continues to meet NICE guidelines ensuring that head injury positive patients receive a CT head scan within 60 minutes and have successfully reduced this time to 30 minutes. We have established a Trauma Quality Improvement Forum to promote wider engagement of other specialities and to find multidisciplinary solutions to trauma care.
- **National Audit of Cardiac Rhythm Management Devices** – Following data input and coding concerns within the previous audit, the team has improved its infrastructure to support real time data analysis by acquiring a bespoke database. This enables data to be collected at the time of the implant or directly after and then uploaded to the National Institute for Cardiovascular Outcomes Research (NICOR) database.

- **National Comparative Audit of the Use of Anti-D** – The service has restructured its clinics to include weekends to facilitate post natal prophylaxis. Anti-D can now be requested electronically thereby minimising errors. The Trust has arranged for a designated team to ensure the pathway process is recorded, completed and audited. Any errors in requesting and administration will continue to be reported via SHOT, the haemovigilance scheme.
  - **Emergency Use of Oxygen Audit** – The team is working towards ensuring that the ward pharmacy teams provide prompts to staff regarding appropriate oxygen prescription and validating these in the same way as other medications. Educational programmes emphasizing the importance of oxygen prescription and charting is being delivered to junior doctors and nursing staff as part of their induction training.
  - **National Diabetes Inpatient Audit** – A Trust wide educational campaign was launched in June 2015 to improve clinical knowledge and awareness around errors in medication, prescription and appropriate management of patients. A Delivering Excellent Care in Diabetes and Education (DECIDE) group has been set-up to meet bimonthly to identify risks and develop strategies to improve patient safety.
  - **National Neonatal Audit Programme (NNAP)** – The Trust is working towards improving the documentation of consultations with parents within 24 hours and recording health outcomes at 2 years by developing an improvement plan and reviewing progress.
  - **Sentinel Stroke National Audit Programme (SSNAP)** – Following stroke reconfiguration, The Trust has improved our performance significantly with whole scale improvements being seen throughout the stroke pathway, particularly at Birmingham Heartlands Hospital which is now managing all emergency stroke admissions and performing at the highest standard.
  - **National Oesophago-Gastric Cancer (NOGCA)** – The team will work to improve the service so that all patients considered for palliative chemotherapy are discussed at regular multidisciplinary team meetings with surgeons, oncologists and clinical nurse specialists present to generate key learning points and actions. Also, an improved data recording system has been adopted to enhance data submission for palliative endoscopic treatments, providing a key information link between the Endoscopy service and the wider multidisciplinary team.
  - **National Comparative Audit of Blood Transfusion Programme: Blood sample collection and labelling** – A phlebotomist in ED has been appointed and the team is working towards using addressograph labels on all samples (except those tested in blood bank) to minimise the risk of error and to improve efficiency.
- The reports of 86 local clinical audits were reviewed by the provider in 2015/16 and Heart of England NHS Foundation Trust intends to take the following actions to improve the quality of healthcare provided:
- The Acute Medicine team at Good Hope Hospital has highlighted the need to improve the overall uptake of the sepsis screening tool and sepsis 6 at the point of triage within the acute medical unit and emergency department. To raise awareness, the sepsis pathway and its management has been included in the junior doctor induction training programme.
  - The Acute Medicine team is developing a new process to ensure that patients' regular medications are documented correctly in the clerking sheet when admitted to the acute medical unit by inserting a universal coloured form with tick boxes in all patients' notes.
  - The Birmingham Heartlands Hospital Elderly Care team has streamlined its process for admitting fractured neck of femur patients to an orthopaedic ward within four hours of admission, by ensuring that senior clinicians within trauma and orthopaedics are contacted directly by the on-call doctor regarding confirmation of a hip fracture x-ray in A&E rather than waiting for the ward round or review by a registrar.
  - Following a partnership audit undertaken between the Trust's gastroenterology team and Rapid Assessment Interface and Discharge (RAID) team at Birmingham & Solihull Mental Health NHS Foundation Trust, the electronic prescribing system has been amended to reduce variation and establish just one standardised IV vitamin B and C regime for alcohol.
  - The trauma and orthopaedic service at Good Hope Hospital will continue to use collagenase injection and manipulation treatment for Dupuytren's contracture following a successful pilot which has demonstrated that the procedure is minimally less invasive resulting in fewer complications, with early recovery by 1-2 weeks and overall increased patient satisfaction.
  - The radiology team are working towards developing a new pathway for shoulder pain imaging with the orthopaedic team and General Practice (GP's) to reduce patients' exposure to unnecessary imaging and to reach diagnosis using the most efficient pathway and provide a better service.
  - The Neonatal Unit is working towards

establishing a formal neurodevelopmental service consisting of neonatal consultants, physiotherapists and speech and language therapist to ensure that high risk preterm infants at two years are appropriately followed up.

- The obstetrics and gynaecology team at Good Hope Hospital has introduced copies of the massive obstetric haemorrhage proforma to the major haemorrhage trolley to reinforce its use and have educated staff around the proforma and pathway so that consultants are informed of all cases.
- The community dental services have amended the new dental therapist proforma to ensure it meets 100% documentation standards for date and signature of dentist, along with fluoride dose and justification of x-ray. This has been made available to all clinics and mobile areas.
- The community paediatrics service has revised its process around documenting advanced care plans so that scanned copies are uploaded to TPP, a shared IT system.

## Research

There are over 500 research projects being undertaken across the Trust in various stages of activity, from actively recruiting patients into new studies to long-term follow-up. In 2015/16, over 100 new studies have been given Trust approval to commence. There are 28 departments across the Trust currently taking part in research with between one and six research active consultants in each of these areas.

The number of patients receiving relevant health

services provided or sub-contracted by Heart of England NHS Foundation Trust in 2015/16 that were recruited during that period to participate in research approved by a research ethics committee was 6,086. Clinical trials remain the largest research activity performed at the Trust, in terms of project numbers. The Trust has a mixed portfolio of commercial and academic studies, the majority of which are adopted on to the National Institute for Health Research (NIHR) portfolio. Non-portfolio work is also undertaken and this comprises of commercial clinical trials, student based research or pilot studies for future grant proposals.

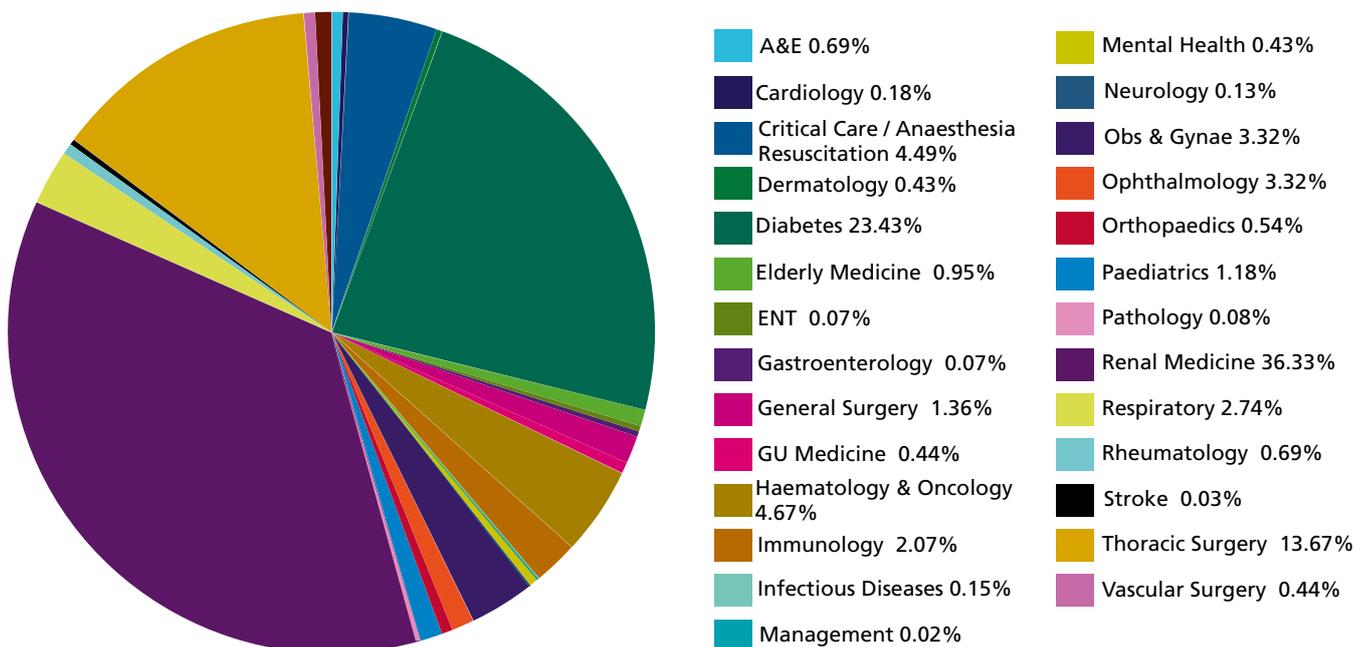
During 2015/16, patient recruitment was highest in renal medicine, diabetes and thoracic surgery. Renal medicine has been particularly successful this year due to a Trust investigator led study; which has been supported by the critical care, anaesthetic and resuscitation research team. This is an on-going study looking at the identification and management of acute kidney injury, the results of which may have national impact.

Areas to highlight research growth in 2015/16 are:

- Mental Health: 0.43% in 2015/16 compared to 0.08% in the previous year
- General surgery: 1.36% in 2015/16 compared to 0.06% in the previous year
- Vascular surgery: 0.44% in 2015/16 compared to 0.16% in the previous year.

The Guardian Research table published annually, ranks Trusts based on patient recruitment into trials. For an acute trust, the Trust ranked 20th out of 161 in 2014/15, being the current table published.

**Table 10:** The Trust's Research Portfolio by Directorate



2015/16 has seen the continuation of new research lead grant applications and research collaborations both within the Trust and with external partners. Academic appointments have also strengthened these partnerships, particularly in new research areas for example public health and patient safety. Applications for funding, either led by the Trust or with Trust co-applicants, continues to be made predominantly to the NIHR funding streams, and for the year 2015/16 totalled in excess of £13 million. To date much of this still awaits an outcome against the application; with many NIHR funding streams taking in excess of 8 months to conclude. There has been a continued increase in support and advice particularly relating to local projects as part of further degrees, for example junior doctors, nurses, midwives and allied health professionals.

Professor Debbie Carrick-Sen, Florence Nightingale Chair of Nursing, has started the Clinical Research Internship Programme and has eight nurses and midwives undertaking a Research for Masters at the University of Birmingham. Professor Carrick-Sen is helping develop these students into future researchers, all of whom have expressed a desire to continue to a PhD. In addition to this, the Research and Development Department has developed a Research Fellows Forum, led by Professor Fang Gao, which aims to provide an introduction to research in the NHS. This forum provides an opportunity for the research fellows to be informed of the practicalities of research from experienced researchers within the Trust as well as an opportunity to discuss their own research with their peers. The continued commitment to the support and nurturing of the junior doctors, nurses, midwives and allied health professional in developing their research skills and knowledge. This is essential to encourage and develop the researchers of the future, for changing practice and also in the potential of findings being used for further, larger research projects.

- Dr Mark Thomas (Renal Medicine) has successfully led his Acute Kidney Outreach to Reduce Deterioration and Death (AKORDD) study, recruiting over 1,700 patients. This aims to improve patient care and patient outcomes in the management of acute kidney injury patients.
- Dr Indy Dasgupta (Renal Medicine) has led as principal investigator on several new studies within renal medicine, including being the first UK site to use an American device in the treatment of persistent hypertension.
- Dr Ed Nash (Respiratory Medicine) has introduced home monitoring for cystic fibrosis patients.

- Professor George Tadros (Mental Health) as well as expanding the mental health research portfolio within the Trust, this has expanded to include further research in the area of dementia. Professor Tadros has been working with Dr Dasgupta on several joint research projects in the areas of cognitive function in dialysis patients and helping patients manage their hypertension.

This year has also seen the publication of a research newsletter focusing specifically on 'our patients', and highlights the impact of being involved in clinical research.

## Commissioning for Quality and Improvement (CQUINs)

A proportion of the Heart of England NHS Foundation Trust income in 2015/16 was conditional upon achieving quality improvement and innovation goals agreed between the Heart of England 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 framework.

Further details of the agreed goals for 2015/16 and for the following 12 month period are available by contacting the Deputy Director of Finance at the Trust. The CQUIN value within the contract was £12,664,928 of the Trust's income in 2015/16. CQUINs encompass the Acute, Specialised services, Community Services and Public Health contracts and include the following CQUINs detailed below.

**Table 11: QUARTER 3 (October to December) 2015-16**

Provider	Ref	Title	Achievements as at end Quarter 3 2015-16
Acute	1	<b>Acute Kidney Injury (AKI)</b>	Achieved
Acute	2a	<b>Sepsis: Screening</b>	Achieved
Acute	2b	<b>Sepsis: Antibiotic Administration</b>	Not Achieved The Trust did not achieve the Q3 target of 70% - current performance is at 59% (BHH 45%, GHH 87%, SH 41%), however the Commissioners awarded the Trust half of the funding agreed for Q3 in light of the improvements that were made.
Acute	3a	<b>Dementia: Find, Assess and Refer</b>	Not Achieved The Trust did not achieve the Q3 target of 90%. The lowest score (FIND) being 87.4%. Therefore a partial achievement of 70% of the Q3 value has been achieved.
Acute	3b	<b>Dementia: Staff Training</b>	Achieved
Acute	3c	<b>Dementia: Supporting Carers</b>	Achieved
Acute	4a	<b>COPD: Implementation of the COPD Discharge Bundle</b>	Achieved
Acute	4b	<b>COPD: Compliance with Specialist Respiratory Review</b>	Achieved
Acute	4c	<b>COPD: Staff Education and Training</b>	Achieved
Acute	5	<b>Maternity Safety Thermometer</b>	Achieved
Acute	6	Cancer Survivorship Framework: Well-Being Clinics (Gynaecological Speciality)	Achieved
Acute	7a	<b>Reducing the Proportion of Avoidable Emergency Admissions to Hospital (AEC)</b>	Milestone not due until end Q4
Acute	7c	<b>Safer Care Bundle: Improving Patient Experience by Reducing Number who are in Hospital for Over 14 Days</b>	Milestone not due until end Q4

Provider	Ref	Title	Achievements as at end Quarter 3 2015-16
Community	3a	<b>Dementia: Find, Assess and Refer</b>	Achieved
Community	3b	<b>Dementia: Staff Training</b>	Achieved

Community	3c	Dementia: Supporting Carers	Achieved
Specialised	B2	HIV: Reducing Unnecessary CD4 Monitoring	Milestone not due until end Q4
Specialised	C6	NICE DG10: Eligible Patients Receiving a Compliant Test with Provision of Monitoring Data (Cancer)	Milestone not due until end Q4
Specialised	TBC	Right Care, Right Place: HIV Medicine	Achieved
Specialised	CUR1	Clinical Utilisation Review: Installation and Implementation	Milestone not due until end Q4
Public Health	(3)	Integrated Working: Maternity and Child Health	Achieved

## CQUIN Update: Quarter 4 Delivery

Table 12: Acute Contract

CQUIN Name		Quarter 4 Risks
1	<b>Acute Kidney Injury (AKI)</b>	Issues with the IT system that has been developed in order to populate the discharge summaries with required key information in relation to AKI. This issue has been escalated to IT Services for investigation and rectification.
2a	<b>Sepsis: Screening</b>	Trust is not on track to achieve the Q4 target of 90%. Good Hope is currently lowest performing site (53% for Q3). Current performance indicates that the Trust is only likely to achieve 5% of the total CQUIN value for Q4.
2b	<b>Sepsis: Antibiotic Administration</b>	Trust is not on track to achieve the Q4 target of 90%. Solihull is currently lowest performing site (41% for Q3). Current performance indicates that the Trust is only likely to achieve 5% of the total CQUIN value for Q4.
3a	<b>Dementia: Find, Assess &amp; Refer</b>	Based on current performance, the Trust is only likely to achieve 70% of the Q4 CQUIN value. Concerns have been escalated continually and a list of Patient Identification Numbers (PIDs) for patients requiring screening is emailed daily to all relevant consultants.
4a	<b>COPD: Discharge Bundle</b>	Heartlands and Good Hope sites not on track to achieve the Q4 target of 80%. Current performance indicates a partial achievement of 90% of the Q4 value for BHH site and 0% for GHH. Solihull site is on track to achieve their Q4 target.
4b	<b>COPD: Specialist Respiratory Review</b>	Heartlands and Good Hope sites not on track to achieve the Q4 target of 90%. Current performance indicates a partial achievement of 70% of the Q4 value for both BHH and GHH sites. Solihull site is on track to achieve their Q4 target.

**Table 13: Community Contract**

CQUIN Name		Quarter 4 Risks
3c	<b>Dementia: Supporting Carers</b>	Figures have yet to be received from Community Services to demonstrate the number of completed 'About Me' booklets, therefore this CQUIN remains at risk as there is a 90% target associated with Quarter 4 performance.

**Table 14: Specialised Services Contract**

CQUIN Name		Quarter 4 Risks
B2	<b>HIV: Reducing unnecessary CD4 monitoring</b>	The Trust is unlikely to achieve the target of 90% by year end. The Trust wrote to commissioners on 28 <sup>th</sup> January 2016 proposing an interim target of 65% of clinically appropriate caseload having annual CD4 counts by the end March 2016.

## Care Quality Commission

Heart of England NHS Foundation Trust is required to register with the Care Quality Commission and its current registration status is registered with requirement notices (see table below). Heart of England NHS Foundation Trust does not have any conditions on registration.

Regulation 10	There was a lack of robust incident reporting feedback which could result in learning opportunities being lost; management of patient handover and timely assessments in ED; service delivery and improvement in outpatients with the use of management reporting data.
Regulation 12	Within ED cleaning practices needed to improve. Within the Trust, staff were not adhering to Trust policy.
Regulation 13	Where emergency medications were required within maternity they were not readily available, staff were unaware of its whereabouts and they had not been checked regularly to ensure that they were still in date and safe to use.
Regulation 16	Lack of equipment and faulty equipment not being replaced in a timely fashion.
Regulation 23	The appraisal rate for staff within the Trust was 38%. This rate had the potential to impact on the level of care patients received. Managers also lost the opportunity to support staff and identify areas where additional support was required. In addition the visibility of the head of midwifery continues to be an issue as identified during the previous inspection in November 2013.
Regulation 11	Safeguarding processes were not in place for people wearing mittens in the Trust.
Regulation 22	Nursing staffing was insufficient in places having a direct impact on patients. For instance not being able to staff the second obstetrics theatre in maternity.

These actions were identified during the December 2014 inspection (table of ratings is shown below). Following the inspection, a comprehensive action plan was developed which has been monitored and reviewed by the executive team on a regular basis. The majority of actions identified have been completed and the Trust awaits confirmation from the CQC that compliance has been achieved.

The Care Quality Commission has not taken enforcement action against Heart of England NHS Foundation Trust during 2015/16.

Heart of England NHS Foundation Trust has not participated in special reviews or investigations by the Care Quality Commission during 2015/16.

## Birmingham Heartlands

	Safe	Responsive	Well-led
Emergency Care	Requires Improvement	Inadequate	Inadequate
Medicine	Requires Improvement	Requires Improvement	Requires Improvement
Surgery	Not rated	Not rated	Not rated
Maternity	Requires Improvement	Requires Improvement	Requires Improvement
Outpatients	Requires Improvement	Requires Improvement	Requires Improvement
Overall	Requires Improvement	Requires Improvement	Requires Improvement

## Good Hope

	Safe	Responsive	Well-led
Emergency Care	Requires Improvement	Requires Improvement	Requires Improvement
Medicine	Requires Improvement	Requires Improvement	Requires Improvement
Surgery	Not rated	Not rated	Not rated
Maternity	Requires Improvement	Good	Requires Improvement
Outpatients	Requires Improvement	Requires Improvement	Requires Improvement
Overall	Requires Improvement	Requires Improvement	Requires Improvement

## Solihull

	Safe	Responsive	Well-led
Emergency Care	Requires Improvement	Requires Improvement	Requires Improvement
Medicine	Requires Improvement	Requires Improvement	Requires Improvement
Surgery	Not rated	Not rated	Not rated
Maternity	Requires Improvement	Good	Requires Improvement
Outpatients	Good	Good	Requires Improvement
Overall	Requires Improvement	Requires Improvement	Requires Improvement

## Data Quality

Heart of England NHS Foundation Trust submitted records during 2015/2016 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:

Valid NHS Number	%
Admitted patient Care	99.69
Outpatient Care	99.85
A&E	98.43

The percentage of records in the published data which included the patient's valid General Medical Practice code was:

Valid GP Practice	%
Admitted Patient Care	100%
Outpatient Care	100%
A&E	99.95

## Information Governance Toolkit

Heart of England NHS Foundation Trust's Information Governance Assessment Report score overall score for 2015/16 was 71% and was graded Green.

## Clinical Coding Error Rate

Heart of England NHS Foundation Trust will not be subject to the Payment by Results clinical coding audit for the reporting period. This is due to there no longer being a national PbR assurance framework.

## Improvement of Data Quality

The Trust is taking the following actions to improve data quality:

- A suite of data quality indicators form part of monthly directorate reports and are a standing

agenda item on the Data Quality Steering Group Committee with action plans in place to improve on performance.

- Reports monitoring the timeliness against the new target of within 2 hours for admissions, discharges and transfers (ADT) have been set up with links on the data quality SharePoint site for use by all operational inpatient areas. A monthly Data Quality ADT matrix report detailing the top 3 areas of concern across all divisions is reported monthly to Matrons and Lead Nurses.
- A Data Quality Strategy and Data Quality Steering Committee are in place, this committee focuses on areas of concern requiring improvement in data quality.
- The Trust employs a team of data quality staff within the Finance Performance Directorate who raise the importance of good data quality and also participates in the training of staff as it relates to data quality for the use of the Trust's main systems.

## National Quality Indicators

A national core set of quality indicators has been jointly proposed by the Department of Health and Monitor for inclusion in Trust Quality Reports from 2012/13. The data source for all the indicators is the Health and Social Care Information Centre (HSCIC) which has only published data for part of 2015/16 for some of the indicators. The Trust's performance for the applicable quality indicators is shown in Appendix 3 for the latest time periods available.

Further information about these indicators can be found on the HSCIC website: [www.hscic.gov.uk](http://www.hscic.gov.uk)

## Part 3: Further Information

The selected indicators below relate to patient safety, clinical effectiveness and patient experience and present the Trust's latest performance for 2015/16. Where applicable, these are governed by standard national definitions.

Two of the patient safety initiatives for medication safety and deteriorating patients are now part of the Sign up to Safety campaign. There is further information regarding this national programme further on in this report.

### Patient safety:

Medication safety  
Deteriorating patients (sepsis)  
Infection control

### Clinical effectiveness:

Incident reporting  
Serious incidents and never events  
Morbidity and mortality

### Patient experience:

Inpatient satisfaction  
Friends and family test  
Complaints

## Patient Safety

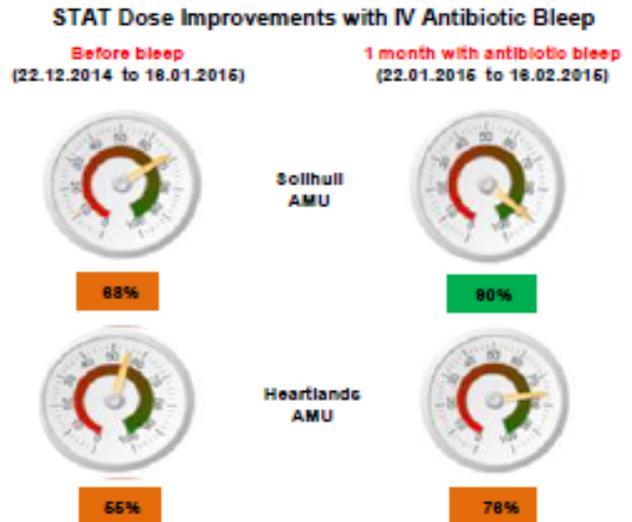
### Medication Safety

Medication safety is a long-standing priority for Heart of England NHS Foundation Trust. The Trust started its improvement work in 2013 to reduce omissions and delays with antibiotic STAT doses. This development was progressed by a multi-disciplinary team through the development of a 'live' antibiotic dashboard, available to wards to support the reduction in delays of STAT antibiotic dose administration.

Following the dashboards, a bleep system has been implemented to alert staff when a STAT dose has been prescribed. The introduction of the bleep has driven further improvements and is proving to be an effective IT based solution. As a result, the following improvements have been seen:

- Antibiotic stat doses – from 2013-2015 - from 58% to 73% given within the hour. This has had a major impact on the management of patients with sepsis
- Stop-dates have improved year-on-year by 17%
- Compliance to antibiotics against guidelines within ward audits improved to 90%
- Improved documentation of indications for antibiotics are over 80% in clinical notes.

Plans are underway to roll out the medication bleep model across all wards on all three hospital sites. Antibiotic STAT doses are now part of the Quality Dashboard metrics. The project has received local and national recognition and is well on its way to achieving the 80% target for STAT doses administered.



The next patient safety initiative will be to focus on reducing omitted and delayed medication in Parkinson's Disease (PD). This is one of the projects in the Medication Safety work stream aligned to Sign up to Safety.

If PD medication is missed or delayed, patients can deteriorate quickly in terms of their ability to move, speak and swallow. In some cases, this can occur within minutes of delayed medication. The problem is recognised nationally; and is the reason why Parkinson's UK promotes their 'GET IT ON TIME' campaign.

The Trust has developed the following resources for staff:

- Parkinson's educational video: sharing patient experiences of living with Parkinson's Disease
- A lesson of the month has been launched reminding staff of the importance of timely administration of PD medication. The lesson outlines responsibilities for doctors, nurses, therapists and pharmacists
- Parkinson's Intranet Webpage: An intranet page has been developed which provides supportive information and resources for clinicians caring for Parkinson's patients in hospital.

## Deteriorating patients (Sepsis)

One of the key drivers for patient care has always been early recognition of the deteriorating patient. Once identified the focus is to appropriately monitor and manage those patients at risk via the MEWS scoring system (Modified Early Warning Score).

The Trust's aim for 2015/16 was to improve the early recognition and management of patients with sepsis in all assessment areas on all sites. These included:

- Emergency Department
- Acute Medical Unit
- Surgical Assessment Unit.

Improvement targets were set to improve:

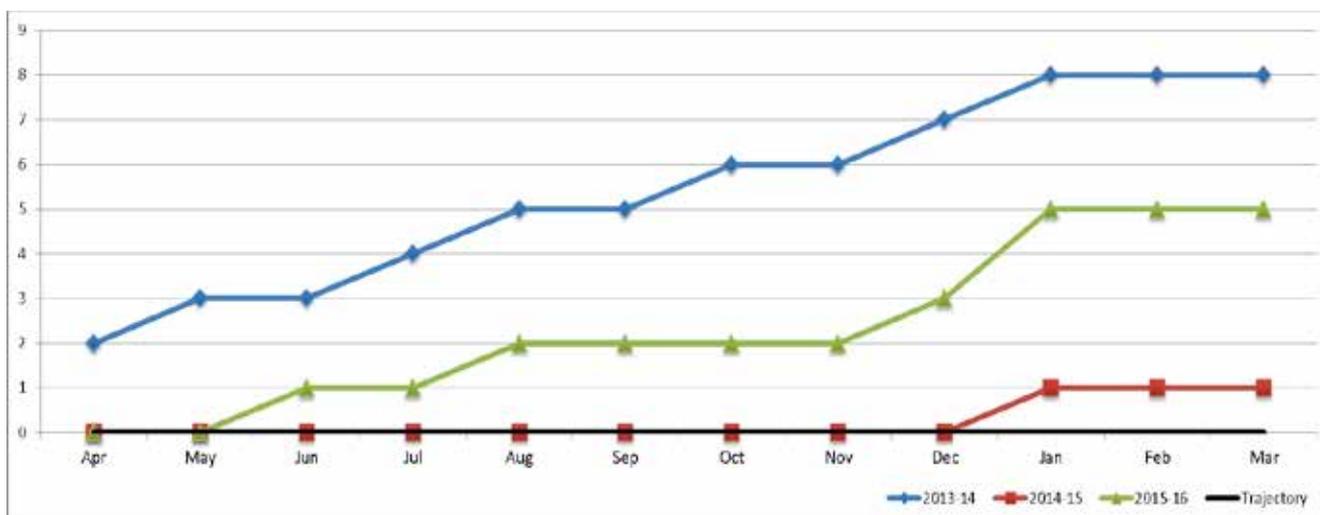
- Sepsis screening
- One-hour antibiotic administration in acute admission areas
- Paediatric sepsis screening and treatment
- Antibiotic stewardship programme to reduce antibiotic resistance.

The Trust has now evaluated the improvements set against the key indicators, which indicate a positive impact on staff engagement and improved recognition in the management of sepsis.

## Infection control

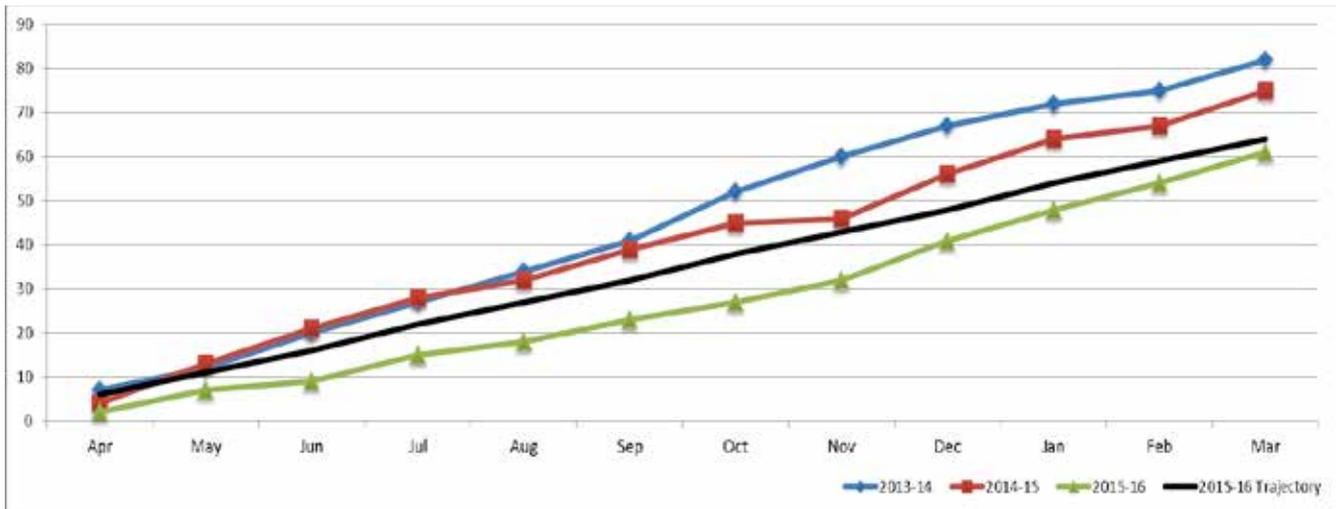
This year a trajectory of zero post 48-hour MRSA bacteraemias was set. Four (YTD) post 48-hour MRSA bacteraemia have been reported for 2015/16 and with one community acquired MRSA bacteraemia. This was deemed to be attributable to the Trust. This leaves the Trust with a total of five MRSA bacteraemia for 2015/16. There have been nil reported MRSA bacteraemias for the past four years at Solihull Hospital and nil at Good Hope Hospital for over two years. The Trust acknowledges that improvements can still be made.

**Table 15:** MRSA bacteraemia cases for April 2015 to March 2016, with the annual threshold shown



A very challenging trajectory of 64 post 48 hour Clostridium difficile cases was set this year. The Trust has remained within this with a total of 61 cases. It is likely that an irreducible minimum has now been achieved and the trajectory for 2016-17 remains at 64 cases.

**Table 16:** C. difficile toxin-positive post-48 hour cases from April 2015 to March 2016 with the annual threshold shown



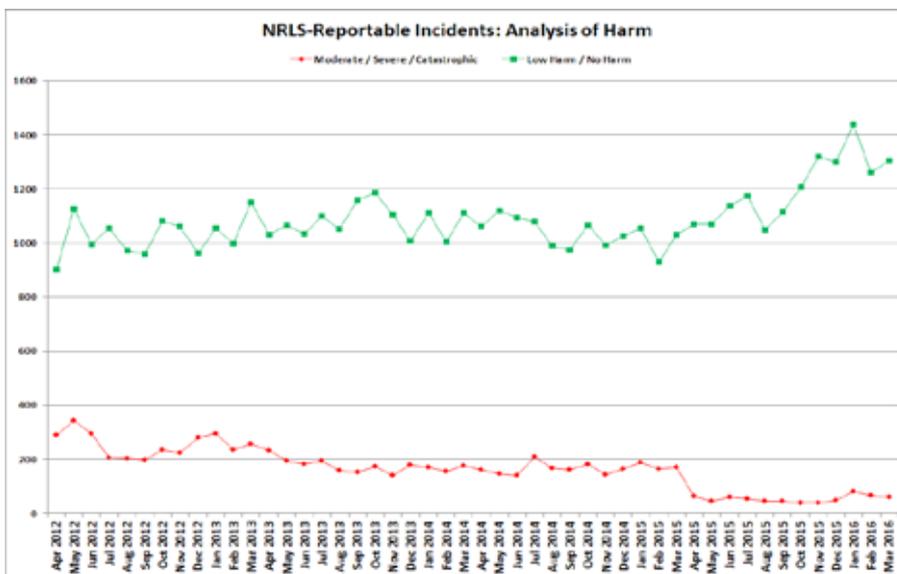
## Clinical Effectiveness

### Incident Reporting

The Trust actively encourages the reporting of all types of incidents<sup>1</sup> to ensure that lessons can be learnt from such occurrences. A high level of incident reporting is considered, by the Trust, as an indication of a good safety culture.

Patient Safety Incidents (PSI's) are broadly defined as any incident causing or having the potential to cause harm to a patient in receipt of care or accessing Trust services. These incidents are reported to the National Reporting and Learning System (NRLS) in support of national data analysis, comparison and learning.

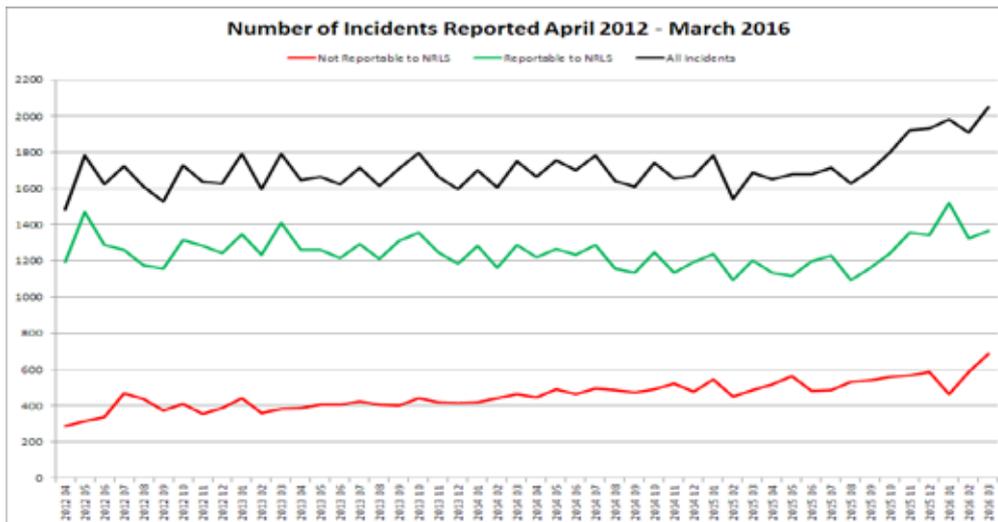
**Table 17:** Number of incidents reported April 2012-March 2016



<sup>1</sup>The definition of an incident is very broad and can be considered as any event which causes or has the potential to cause any of the following:

- Harm to an individual
- Financial loss to an individual or the Trust
- Damage to the property of an individual or the Trust
- Disruption to services provided by the Trust
- Damage to the reputation of the Trust.

**Table 18:** Number of NRLS reportable incidents



The incident reporting profile indicates that for 2015/16 there has been an overall increase in the number of incidents reported particularly no harm and low harm with a reduction in moderate/severe or catastrophic. This is an indication of a mature safety culture within an organisation.

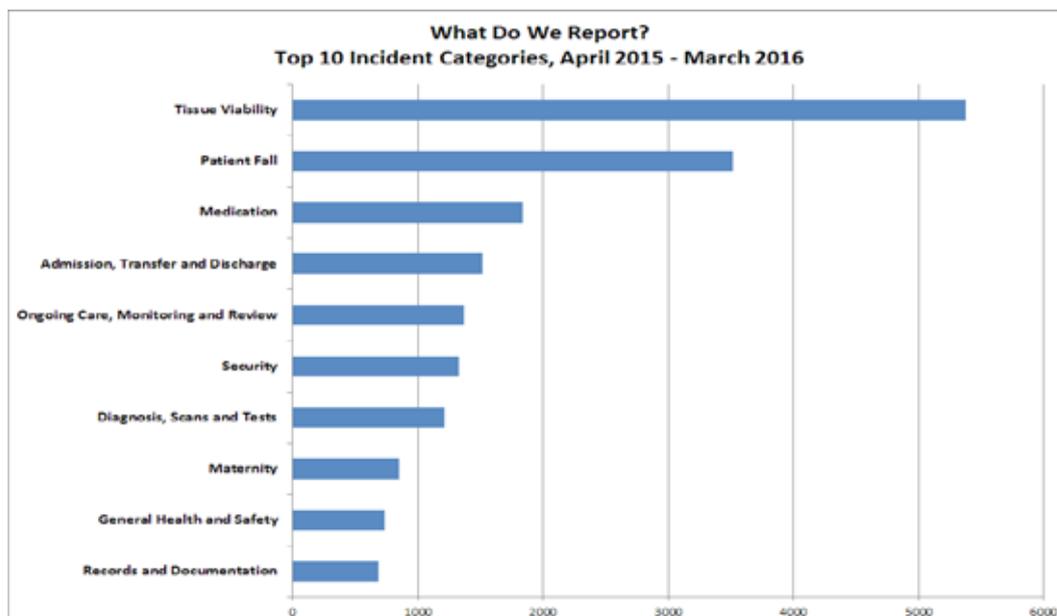
To date the Trust has reported 21,645 incidents for this financial year. Of those over 15,000 are PSIs reportable to the NRLS.

Incidents are reported from all the locations where Trust services are provided including primary

care settings and from the patient’s own homes. The profile of where incidents are reported from remains broadly similar to last year, with the majority of incidents reported from Heartlands Hospital, Good Hope Hospital and Solihull Hospital, which is a reflection of where the Trust provides the majority of its services.

The top 10 categories of reported incidents present little change in reporting patterns over this fiscal year.

**Table 19:** Top 10 Trust Incident categories



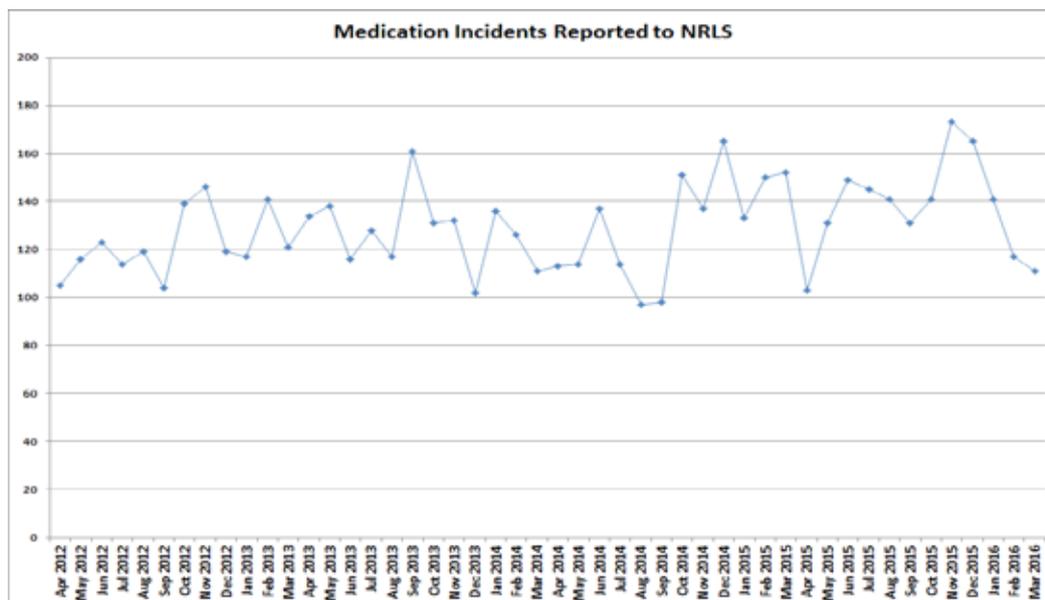
Much work, described elsewhere in this document continues to ensure reporting and learning from tissue viability and patient falls.

This year the Trust has developed a framework to support the reporting, investigation and learning from medication incidents, which included a bespoke root cause analysis tool.

- All medication incidents graded as severe or catastrophic harm are fully investigated. This financial year we have 'scoped'<sup>2</sup> 20 medication incidents and followed 6 of these with RCA investigations.

- Focus has been placed on the number of medication related incidents. The number of incidents reported to the NRLS has remained consistent. This will be a focus for improvement over the next reporting year.

**Table 20: Medication incidents**



### Serious Incidents and Never Events<sup>2</sup>

The Trust uses incident risk rating as one way to identify the most serious of incidents and decide how an incident should be investigated.

In 2015/16 over 198 reported severe harm incidents have been 'scoped', leading to:

- 28 investigations in line with the Trust's Serious Incident Policy (SI). See table 21 below for details
- 52 local level RCAs with oversight / review from investigation team.

<sup>2</sup>'Never Events' are defined as 'serious, largely preventable patient safety incidents that should not occur if the available preventative measures have been implemented by healthcare providers'. Each year the Department of Health updates the list of Never Events and the associated guidance to prevent or minimise the risk of such an event.

To be a Never Event, an incident must fulfil the following criteria:

- The incident has clear potential for or has caused severe harm/death
- There is evidence of occurrence in the past (i.e. it is a known source of risk)
- There is existing national guidance and/or national safety recommendations on how the event can be prevented and support for implementation
- The event is largely preventable if the guidance is implemented
- Occurrence can be easily defined, identified and continually measured.

**Table 21:** Trust serious incidents scoped from 2010/11 – 2015/16

Site	10/11	11/12	12/13	13/14	14/15	15/16
BHH	8	11	7(2xN)	7 (1xN)	17 (1xPN)	19 (5xN)
GHH	5	1	3 (1xN)	4 (2xN, 1xPN)	6	5
SH	-	5	1	3 (2xN)	2 (1xN)	4 (1xN)
Other	-	-	-	1	-	-
Total	14	17	11	15	25	28

This year the Trust has had six Never Events:

- Retained foreign object (thoracic surgery)
- Wrong route medication (maternity)
- Wrong site anaesthetic block (anaesthetics)
- Wrong site hip aspiration (trauma and orthopaedics)
- Wrong site nerve block (anaesthetics)
- Retained foreign object (surgery).

The Trust has continued to actively share and disseminate learning from SIs with 'Safety Lessons of the Month', doctors' 'Risky Business Forum' and 'SI: At a glance' reports. It is also continuing to work with the commissioners to share learning from incidents and best practice in incident management across the local healthcare economy.

### Duty of Candour

As of November 2014, NHS England required a contractual duty of openness to be included in all commissioning contracts, called 'duty of candour' (DOC). This meant that NHS organisations were contractually required to tell patients about adverse events where moderate, severe or catastrophic harm has occurred, and ensure that lessons are learned to prevent them from being repeated. The essence of 'being open' is that patients, relatives and carers should receive the information required to understand what has happened, receive an apology, details of the investigation and assurance that lessons will be learned to help prevent the incident reoccurring.

These principles are not new, and are outlined in the Trust's 'Being Open' policy. This year the Trust has taken the opportunity to review the process, by which DOC is implemented,

Compliance within the Trust is monitored monthly. An audit of compliance was undertaken in March 2016, this showed the Trust to be fully compliant.

### Morbidity and Mortality

The Trust monitors mortality rates weekly using crude number of deaths, monthly using the Hospital Standardised Mortality Rate (HSMR), and quarterly using the Summary Hospital Level Mortality Indicator (SHMI). It also monitors monthly surgical mortality and complications outcomes using the CRAB tool. (Copeland Risk Adjusted Barometer).

The outcomes of the National Audits and surgeon specific data are also reviewed. A regular report on mortality indicators and review of alerts is reported to Trust Board and Quality Committee.

### Care Quality Commission Mortality Outlier Reports

Patients admitted with an initial diagnosis of upper gastrointestinal haemorrhage was identified as a mortality outlier by the CQC requiring further investigation last year. This related to a run of higher than expected mortality from December 2014 to April 2015.

The review reveals a cohort of elderly patients, most with extensive comorbidities. There were no clearly preventable deaths and management was done well in most cases. There are no recurrent themes of poor practice. It was not possible to determine why there had been a change in mortality.

However as with any case note review, opportunities to improve care were identified and are being actioned. A review of the Trust's position against the recent NCEPOD recommendations in relation to gastrointestinal haemorrhage has also been completed.

## Dr Foster HSMR, April 2008 – December 2015

Table 22: HSMR

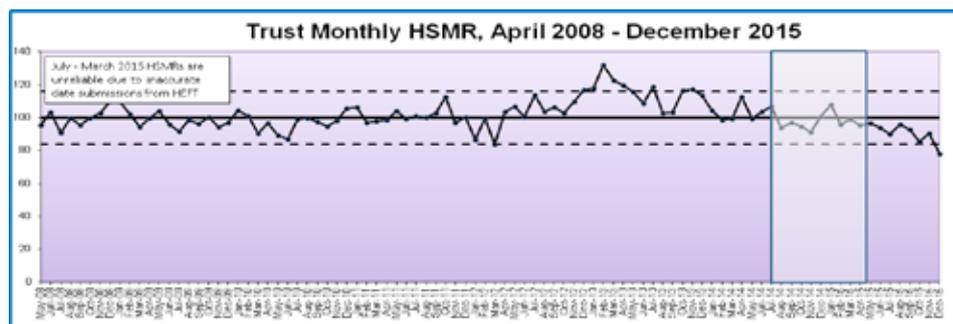


Table 23: Yearly Dr Foster HSMR by Hospital and Trust April 2010 – December 2015

Site	2010/11	2011/12	2012/13	2013/14	Unreliable HSMR	Partly rebased
					2014/15	2015/16
<b>Trust Wide</b>	97.3	97.9	<b>108.4</b>	<b>108.6</b>	100.3	91.9
<b>Heartlands Hospital</b>	97.0	101.2	<b>110.3</b>	<b>114.2</b>	<b>109.8</b>	101.5
<b>Good Hope Hospital</b>	100.8	97.4	<b>108.2</b>	<b>106.6</b>	99.0	86.1
<b>Solihull Hospital</b>	92.2	92.6	104.9	100.4	82.9	79.7

As can be seen from the graph and table above, the Trust has seen a steady decline in its monthly HSMR over the last two years since a peak during 2013. It should be noted that following the move to a new patient administration system in July 2014 it was identified that there was a period of inaccurate inputting of the type of admission with more patients being coded as emergency rather than elective admissions. As a result the HSMR and SHMI may be affected for the periods covering data July 2014-end of March 2015 and was not reliable for mortality measurement.

Current figures are based on reliable figures and show the lowest sustained HSMR for a number of years.

### SHMI

The latest published SHMI is 97 for Oct 2014 – Sept 2015 representing an HSCIC 'as expected' banding. This is slightly higher than the previous quarter's

figure but below the national average of 1. The influence of data quality concerns lessens with each iteration of the SHMI as shown below.

Below is a summary of the impact of data quality (DQ) issues on SHMI:

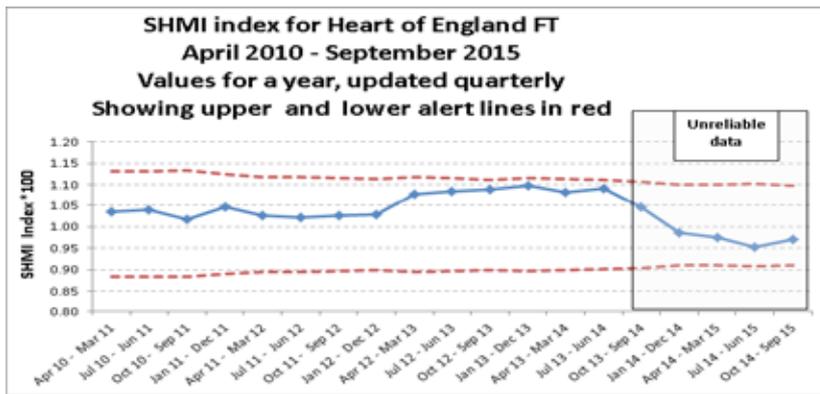
Jan 14 – Dec 14	6 months DQ problems
Apr 14 – Mar 15	9 months DQ problems
Jul 14 – Jun 15	9 months DQ problems
Oct 14 – Sep 15	6 months DQ problems

Future:

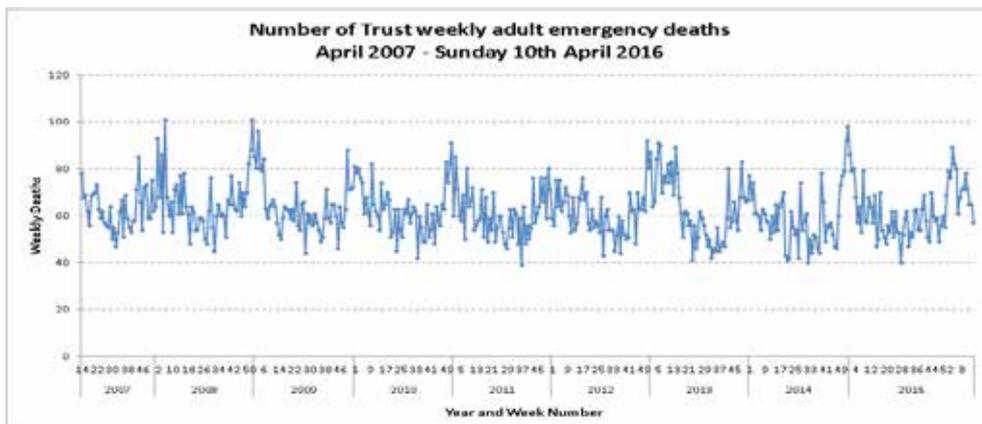
Jan – Dec 15                      3 months DQ problems  
(due to be published Jul 2016)

Apr15 – Mar 16                      Data Quality will be fine  
(due to be published Oct 2016)

**Table 24: Yearly SHMI**



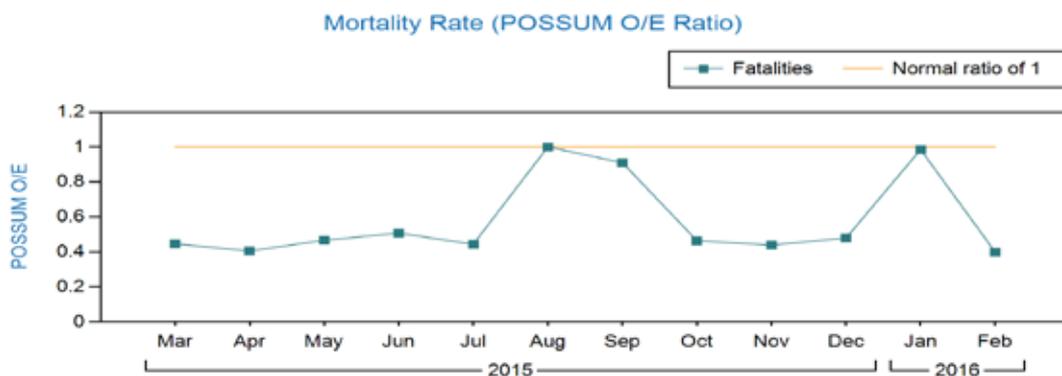
**Table 25: Number of Trust weekly adult emergency deaths**



### CRAB Surgical Mortality

The CRAB 30 day surgical mortality observed/expected (O/E) ratio continues to show a level at or significantly below the average of 1.

**Table 26: 30 day surgical mortality**



## What is the Trust doing to reduce mortality and morbidity further?

The Trust has been reviewing and improving the mortality framework and processes over the last year.

The list below includes some of the initiatives that are currently being undertaken:

- Improving coding and data quality within the clinical record to help capture data along with local quality improvement projects
- Trust wide quality improvement projects
- Improving timeliness of administration of STAT dose antibiotics
- Reinstatement of the deteriorating patient recognition group to focus on sepsis, MEWS escalation, electronic observation systems, cardiac arrest and Do Not Attempt Resuscitation (DNAR)
- CQUIN for the screening for sepsis patients and administration of antibiotics for severe red flag sepsis within one hour of attendance. This is in addition to ongoing work from last year's sepsis quality improvement work
- Focus on diabetes management.

## Patient Experience

The Trust measures patient experience feedback in a variety of ways, including local and national patient surveys, the NHS Friends and Family Test, complaints and compliments and online sources (e.g. NHS Choices, Patient Opinion). This vital feedback is used to make improvements to services.

### Inpatient Satisfaction

Between April and November 2015 patients were asked to give their feedback in relation to Eight different aspects of their stay and this data is shown on the next page.

Following review, the Trust sought to understand how patients felt about the overall experience of care. Between December and March this score has remained constant each month for the Trust as a whole at 86% satisfaction with care overall.

This information is available Trust wide and disseminated down to divisional, and ward level. This ensures that all Trust staff are able to view and respond easily to individual patient comments and experience.

Information is also available about how patients felt about their care experience during the day, at night time and over a weekend.

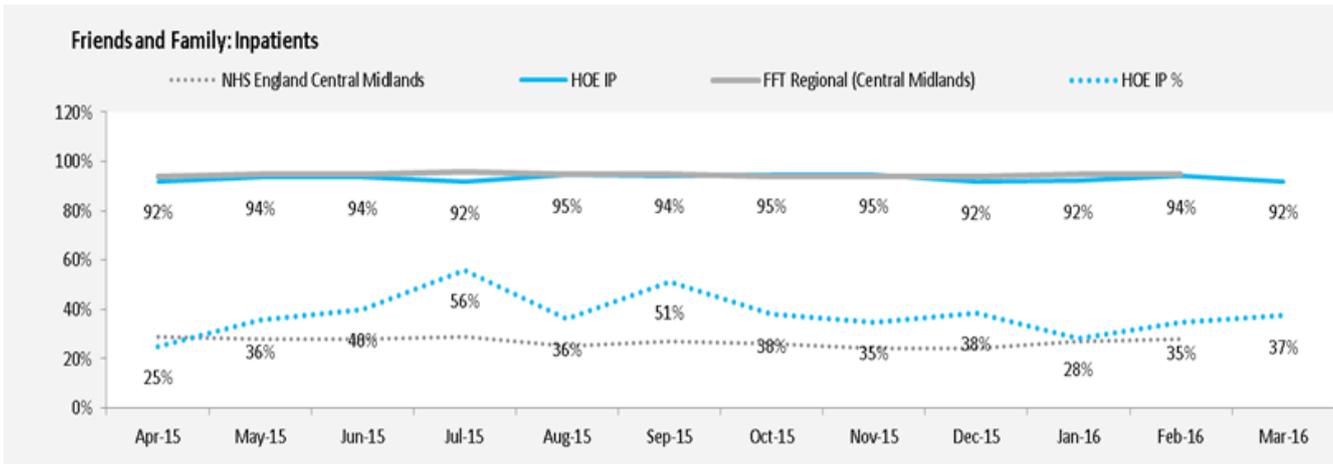
## Friends and Family Test

The Friends and Family Test (FFT) is a single question survey which asks patients whether they would recommend the NHS service they have received to friends and family if they were in need of similar treatment or care. The Trust undertakes this feedback work across inpatient care, emergency department, maternity services, outpatients, day case surgery and community services. Response to this measure has seen an increase in the number of patients who gave feedback from 64,616 in 2014/15 to 205,822 in 2015/16.

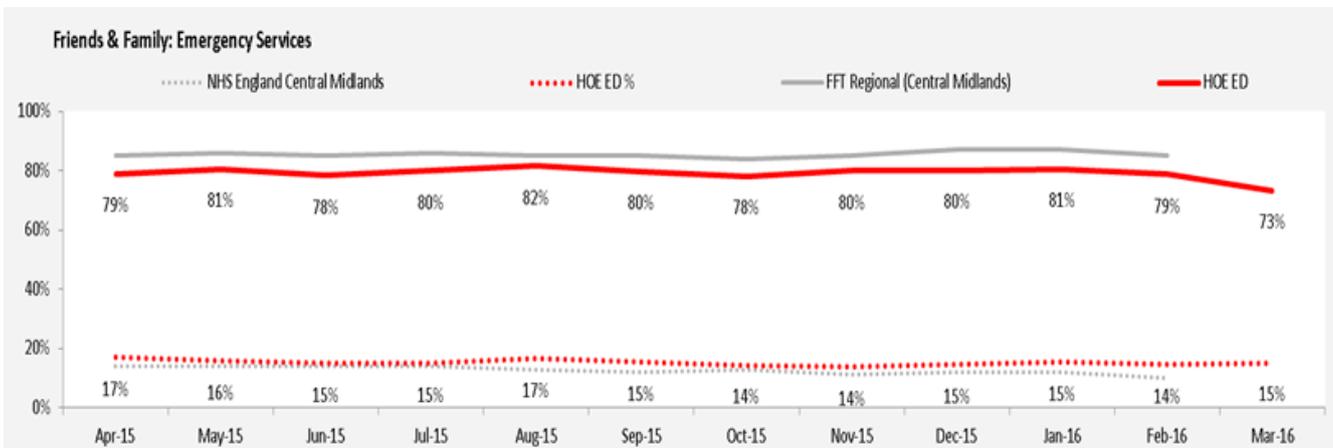
In line with national practice driven by NHS England, the Trust presents results as a percentage of respondents who would recommend the service to their friends and family, or our proportion of positive responders.

In tables 27 and 28 the solid lines represent the proportion of patients which responded positively about their care. The dotted lines represent the proportion of patients who participated. The grey lines represent the regional picture, the coloured lines represent the Trust.

**Table 27: FFT Inpatients**



**Table 28: FFT Emergency Services**



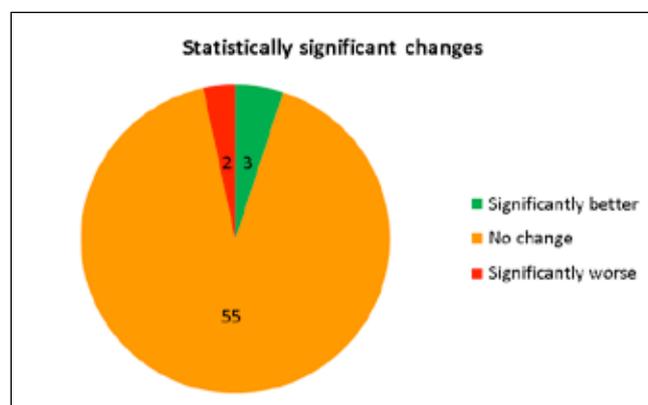
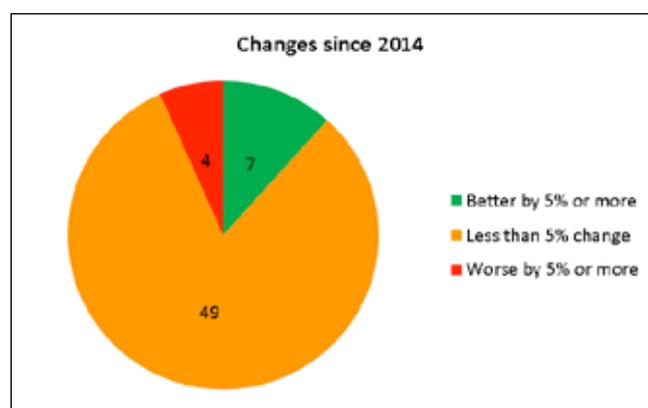
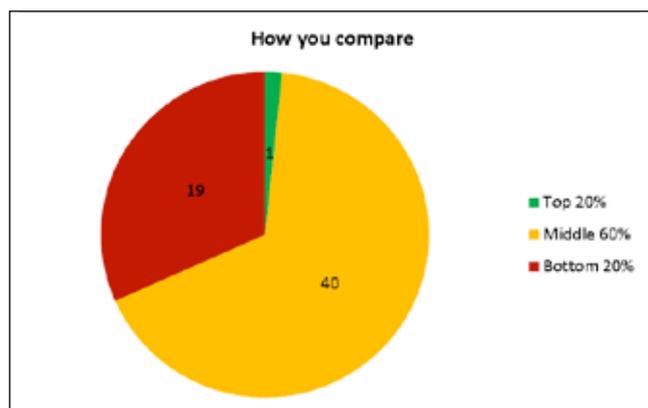
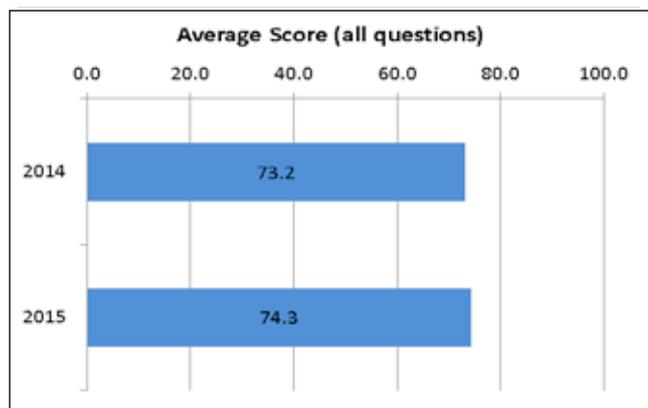
The average inpatient FFT score for 2014/15 was 90.7%. During 2015/16 this average score was 93.4%. The average emergency department FFT score for 2014/15 was 74.2%. During 2015/16 this average score was 79%.

This indicates that patients are reporting improved experiences of care in these areas.

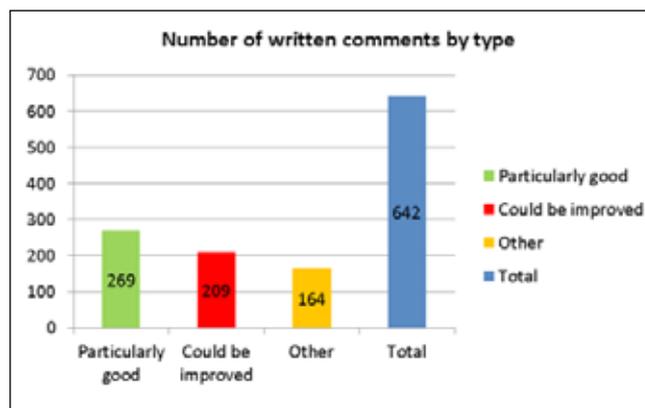
### National Survey Programme

The Trust participated in the national inpatient patient experience survey during 2015-16 on behalf of the Care Quality Commission (CQC). Key findings from this survey are shown on the next page.

## National Inpatient Survey



## Patient Comments



The Trust improved significantly compared with 2014 regarding:

- Waiting to be provided with a bed on a ward
- Mixed-sex bathroom or shower areas
- Delayed discharge.

The Trust declined significantly compared with 2014 regarding provision of:

- Written or printed discharge information
- Information explaining how to complain about care received.

The Trust was in the top 20% of Trusts regarding one issue, mixed sex accommodation after moving ward and was in the bottom 20% of Trusts regarding 19 issues. These are grouped below into themes.

### Staff behaviour

- Staff, noise at night
- Doctors speaking about patients as if they were not there
- Nurses speaking about patients as if they were not there.

### Care/ward issues

- Feeling threatened by other patients/visitors
- Help with eating
- Emotional support provided by staff.

### Explanations

- Information passed to the specialist by the person referring
- Explanations of risks and benefits before operations
- Before operations, the anaesthetist's explanations of how they will control pain.

### Discharge

- Provision of written or printed discharge information
- Explanations of the side effects of medication to watch out for at home
- Danger signals to watch out for at home

- Staff taking account family/home situation when planning discharge
- Doctors and nurses providing all information needed to family/friends to help care
- Staff advising who to contact if worried about condition/treatment once home
- Staff discussing whether patients would need further health/social care services after leaving
- Staff discussing whether patients would need any equipment/adaptations in their home.

**Feedback**

- Patients being asked their views on the quality of care
- Availability of information explaining how to complain.

There are actions completed, in progress and to scope in order to address the issues highlighted by

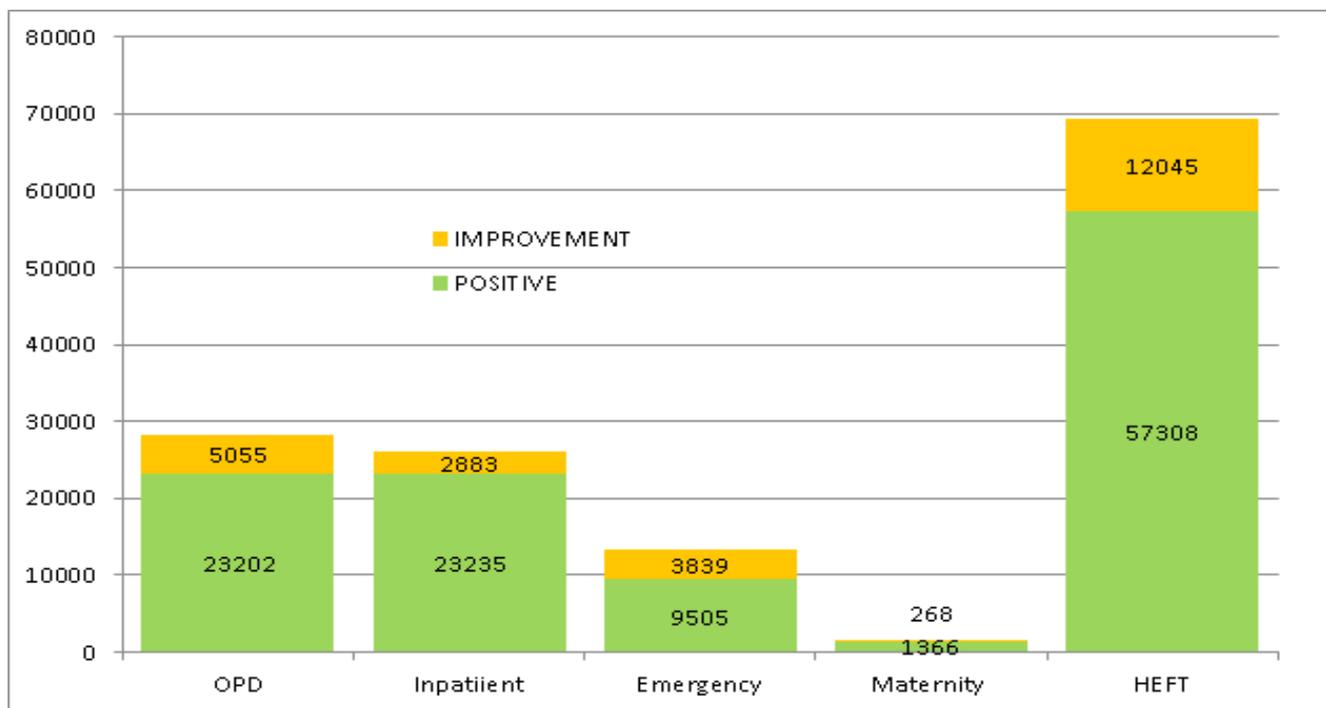
the findings of the HEFT 2015 National Inpatient Survey.

Through its FFT work, the Trust has received almost 70,000 written or text message comments from patients, carers and relatives about their experiences of care during 2015/16.

The vast majority of these comments, over 83%, were positive reflections of care and treatment and are used at service level to reinforce the positive messages when feeding back to staff. Further training is on-going with staff on how to access and use the feedback provided.

The following chart demonstrates the proportion of positive versus requires improvement comments received and by location.

**Table 29:** Proportion of positive versus requires improvement comments



The key themes for improvement identified through the less positive comments are shown below:

**Table 30:** Top improvement themes

Service	Top 3 Improvement Themes
Outpatient	Staff attitude
	Environment
	Waiting time
Emergency	Staff attitude
	Environment
	Waiting time
Inpatient	Staff attitude
	Implementation of care
	Environment
*Maternity	Staff attitude
	Environment
	Implementation of care

## Positive Feedback

Whilst compliments are not consistently collated across the Trust (compliments come in a vast array of forms from a verbal thank you on the ward, a formal thank you card / letter, calls to the chief executive), the Trust is able to gain a sound understanding of what patients appreciate from the FFT narratives. Specific examples include:

- BHH Ward 10 - 'kindness and friendliness of staff, conscientious and eager to help and make me comfortable'
- GHH Ward 17 - 'Staff were extremely personable, professional and caring. Always happy to help and whenever needed came with help and support'
- SHH Ward 14 - 'Everything was excellent, they understand my needs and provided high quality service to meet my needs and made me comfortable'
- BHH Maple (Maternity) - 'The staff are very helpful and caring. I observed them working as a team, very diligent and responded quickly to patients'
- GHH Ward 2 - 'Staff are friendly, helpful, kind hearted, supportive caring, and bubbly'
- SH Ward 8 - 'All staff were polite, helpful and

kept us informed, answered questions we had and generally cared, making me comfortable'

- BHH ward 22 - 'The care and consideration given at all times was second to none. Thank you.'

The nursing quality dashboard now allows wards to look at their individual patient experience data per ward so the many patient comments can be viewed directly at service level.

## How the Trust is responding

Feedback tells us that a large proportion of patient experience improvements centre around how well staff communicate with patients, relatives and carers and how systems are built with the patient in mind. Previously, user-led patient groups existed with varying levels of involvement and function. In response, the Trust now has three Community Patient Panels (CPPs) aligned to each main hospital site with a Youth Council and a Carers' Forum.

Since the CPP terms of reference were finalised in September 2015, members have contributed to the work streams described overleaf:

Date	Task	Details
October 2015	Website Task & Finish Group	Members were requested to assist with helping improve the section on the Trust website where patients can leave feedback (positive or negative). Feedback was given and the website has been updated to incorporate the comments made
On-going	Quality Review	The Compliance team has invited panel members to participate in Trust-wide quality reviews and inspections
October 2015	Oncology letter	Members were asked for their feedback on a letter that is sent to patients whose GP has referred them to hospital due to suspected cancer
October 2015	Delirium Leaflet	A leaflet has been produced at Solihull Hospital giving patients and visitors information on delirium. Panel members were asked to share their feedback about the leaflet
October 2015	Exercise Dark Star	One member from each site panel was requested to assist with Exercise Dark Star. This was a large Department of Health funded regional exercise. Members were asked to attend to observe and listen to some of the discussions being held about the complexities of major incidents both for planning and responding to
November 2015	Patient Pathways	The Planned Care Directorate requested members assistance who had previously been a patient in ENT, Cataract Surgery, T&O and Diabetes to assist with reviewing patient pathways in those areas
December 2015	Good Governance Institute (GGI) Focus Groups	Panel members were invited to attend one of two focus groups arranged by Good Governance Institute to share their views on the Trust's governance arrangements
January 2016	AMU Leaflet	Members were asked for their feedback on an information leaflet that will be given to GPs to share with patients who they are referring to AMU
January to June 2016	PLACE (Patient Led Assessments of the Care Environments)	Members, as in the previous two years were asked to assist with PLACE inspections on all three sites in the role as patient inspectors.

## Complaints

A significant amount of work has been undertaken during 2015/16 to improve the Trust's complaint handling process. This work will continue into 2016/17.

An independent external peer review of complaints was undertaken and a number of recommendations have been implemented including a review of all associated policies and procedures. The key changes to Trust policy were:

- Replacement of the 25 working day standard with a 30 working day timescale for each complaint
- Provision for initial resolution meetings to be a

- default option to complaint resolution
- All complaint responses to be signed by the Chief Executive
- Guidance and assistance in the management of complainants that may be termed vexatious
- Incorporation of PHSO standards for good complaint handling
- Incorporation of consideration of Duty of Candour
- Confirmation of routes of assurance reporting (Quality Committee as a sub-committee of Trust Board).

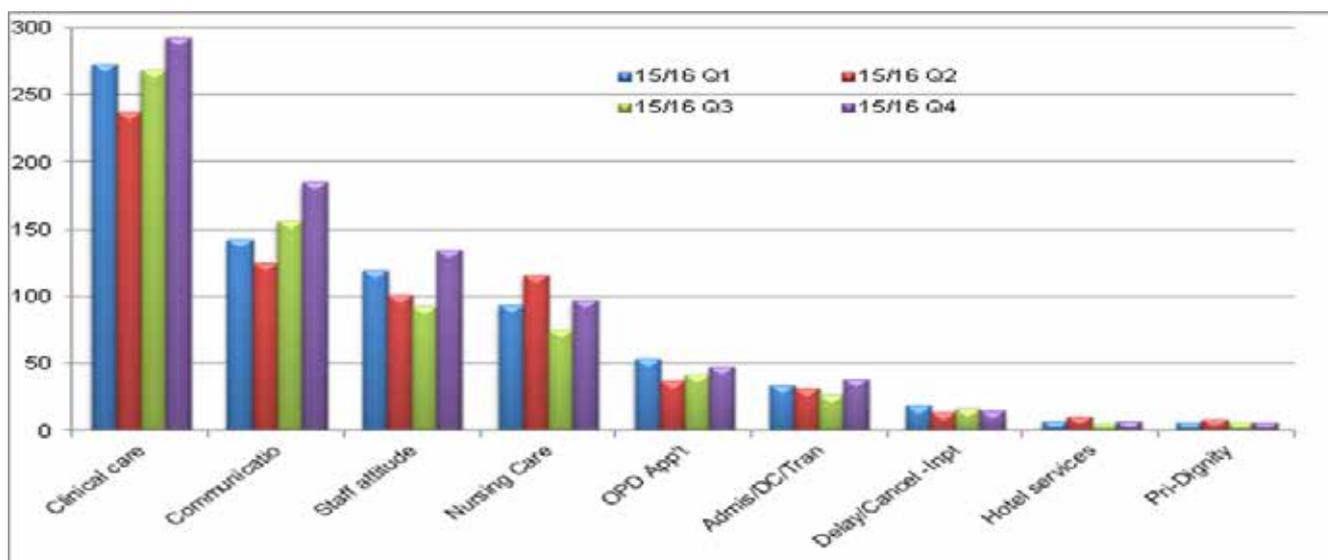
## Ratio of complaints received

The table below shows the rate of formal complainants by quarter per 1,000 patients seen and treated by the Trust. Over the year this ratio was 0.84 formal complaints for every 1000 patients.

HEFT Complaints Against Activity												
Site	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
	Number of individual complaints	Site Activity/No patients	Ratio of complaints per 1000 patients	Number of individual complaints	Site Activity/No patients	Ratio of complaints per 1000 patients	Number of individual complaints	Site Activity/No patients	Ratio of complaints per 1000 patients	Number of individual complaints	Site Activity/No patients	Ratio of complaints per 1000 patients
BHH	123	133589	0.92	121	132972	0.91	133	133352	1.00	164	132506	1.24
GHH	84	107001	0.79	72	109503	0.66	83	56278	1.47	95	108337	0.88
SH	39	77976	0.50	53	77440	0.68	38	51282	0.74	43	78476	0.55
Community	2	17648	0.11	7	16522	0.42	4	22271	0.18	1	17913	0.06
Other areas	2	NA	NA	2	NA	NA	3	NA	NA	4	NA	NA
HEFT Total	250	336214	0.74	255	336437	0.76	261	263183	0.99	307	337232	0.91

The graph below illustrates the number of issues identified by category (top 10 themes) not the number of individuals contacting the service. For example, one complainant may raise several issues of concern within one complaint. It shows the most prevalent of the themes across all staff types and areas.

**Table 31:** Number of issues identified by complaint category



## Parliamentary Health Service Ombudsman (PHSO)

The PHSO provides a service to the public by undertaking independent investigations into complaints that government department, other public bodies in the UK, and NHS in England that have not acted properly or fairly or have provided a poor service. The aim of the PHSO is to provide an independent high quality complaint handling service that rights individual wrongs, drives improvement in public services and informs public policy.

During 2015/16 the PHSO requested information regarding 25 complaints, a year on year decrease of 10. The decrease is attributed to an increased focus on the quality of complaint responses and attempts to resolve concerns in person initially.

Three of these cases had elements which the PHSO partially upheld. The remainder were either not upheld, not investigated or are in the process of being scoped by the PHSO. The Trust either has action plans in place to address these issues or have acted in accordance with PHSO advice.

## In Other News...

### Sign up to Safety

The Sign up to Safety Campaign is a national campaign which was launched in 2014. It is a three year long Campaign that supports the NHS to reduce avoidable harm by 50% and save 6,000 lives.

Heart of England Foundation Trust joined the Sign up to Safety Campaign in 2015 and has the following four safety priorities:

- Reducing harm from deterioration including sepsis
- Reducing medication related harm
- Reducing harm from pressure ulcers
- Reducing harm in maternity services.

### Solihull Approach

A modern version of a memory box for parents and a new online antenatal course are the latest innovations available from The Solihull Approach, a well-established parenting model that has been used all over the world to help support parent and child relationships.

The Solihull Approach team, part of Heart of England NHS Foundation Trust, has developed

'Ourplace', a new online service for every parent offering a secure online space for parents, grandparents, friends and relatives to connect, learn, record and share treasured information about their children as they grow and develop.

Dr Douglas explained: "Ourplace' is a modern version of a memory box – a special interactive archive that parent and child will treasure as they get older, and that you can share with family and close friends. It is a completely free, secure, advert and mailing list free place to record important milestones along a child's journey through childhood.

The latest online course to be developed by the Solihull Approach is an online antenatal course called 'Understanding Pregnancy, Birth and Your Baby'. It is the second online course to be developed by the team following the popular online course about 0-18 year olds 'Understanding Your Child', which can also be accessed on 'Ourplace.'

The Solihull Approach was founded in 2000 by Dr Hazel Douglas, together with practitioners and parents. Since then it has been adopted by local authorities across the UK, as well being recommended by the government departments for health and education.

In recent years the Solihull Approach has also found its way into countries around the world, including the USA, Australia, Pakistan and even Ghana, Barbados and St Lucia.

Solihull Community Services, part of Heart of England NHS Foundation Trust, has earned international recognition for its efforts to make the borough a place where babies get the best start in life.

UNICEF has re-accredited the Solihull community health visiting and infant feeding services as "baby friendly" following a rigorous assessment. The UK Baby Friendly Initiative is based on a global accreditation programme of UNICEF and the World Health Organization. It is designed to support breastfeeding and parent-infant relationships by working with public services to improve standards of care and is a proven way of increasing breastfeeding rates. Re-accreditation by UNICEF Baby Friendly is a prestigious award and confirmation that Solihull Health Visiting and Infant Feeding Teams are providing a high quality service to families, who can be assured they are receiving the best possible care.

## Part 4: Statements from Stakeholders

### Birmingham Cross City CCG

As coordinating commissioner, Birmingham CrossCity Clinical Commissioning Group (BCC CCG) has welcomed the opportunity to provide this statement for the Heart of England NHS Foundation Trust's (HEFT) Quality Account for 2015/16. The review of this Quality Account has been undertaken in accordance with the Department of Health guidance and Monitor's requirements, and the statement of assurance has been developed in consultation with neighbouring CCGs, NHS England (West Midlands) and the Birmingham CrossCity CCG People's Health Panel.

In the version of the Quality Account we viewed there were some gaps in data which we have not been able to validate. We assume, however, that the Trust will populate these gaps in the final published edition of this document.

The review of progress made against the 2015/16 is clearly presented providing information on the work undertaken to achieve targets, current performance and work being carried forward. The data suggests that additional time and focus is required to further embed and make sufficient progress on the targets of 'reduce avoidable grade 2 hospital acquired pressure ulcers' and 'reduction of incidence for patients who have multiple falls in hospital' and that these could remain an improvement priority for 2016/17.

The CCG is aware that the Trust has made improvements in documentation of pressure ulcers; however, we note that ensuring the accurate recording of the repositioning of patients to reduce risks still appears to be a problem.

Information is not included within the account of the poor performance, in terms of the planned trajectory, for reduction of grade 3 avoidable pressure ulcers, or how the Trust intends to tackle this in 2016/17. This is an omission and needs to be included within the account.

It is good to see a reduction in the overall number of falls; however, the specific outcome was to look at reducing patients having multiple falls and there is no data to support this level of detail. There is also significant variation during the year.

The Trust needs to provide further detail in respect to 2016/17 priorities for improvement. For example, it is unclear why the priority around Parkinson's disease medication was chosen, how

it aligns to strategic priorities, what the current or target performance is.

It is pleasing to see that the Trust is focusing on improving emergency department (ED) Friends and Family Test (FFT) scores and considering supporting carers in ED, but there is a lack of detail about the other FFT areas such as Maternity, which we are aware, has been a focus due to the lack of information collected.

The CCG is aware that the Trust has agreed to focus on the theme of 'staff attitude' (in relation to complaints) and will be working on improving this over the coming year and yet this has not been included within the account. Narrative is missing on what action is being taken to address the top three complaint themes.

The Trust refers to a Duty of Candour compliance audit undertaken in March 2015, but it is unclear who completed this audit; the CCG undertook an audit in March 2016 which showed the Trust to be compliant against the sample reviewed.

It is pleasing to note that the Trust has identified the need to "reinvigorate the clinical and support staff to engage with addressing the challenges, to move from passive to active in resolving performance issues" and that it sees this as key to improving quality of care. The CCG looks forward to hearing about the Trust's plans to put this into action.

There is no reference to safeguarding in the account. Safeguarding arrangements are integral to the wider quality, patient safety and experience agendas and are a statutory responsibility for the Trust in relation to adults and children. We are aware that over the past year the Trust has expanded its safeguarding resource and has been active in developing its safeguarding arrangements.

Given that the Trust is the largest provider of maternity services in Europe the account lacks information on the quality and improvement activities related to the services provided.

As a commissioner we recognise the considerable challenge around infection, prevention and control and would like to see reference made to how the Trust is implementing national guidance and recommendations. The account does not contain information on the outbreaks of infections which have occurred (i.e. Carbapenemase-producing Enterobacteriaceae).

Whilst the Trust states that it has completed the 'majority of actions' relating to their action plan compiled in response to the Care Quality

Commission inspection in December 2014, it would have been helpful if more information had been provided on the actions, progress made and outstanding areas to address. Inclusion of such information would improve public confidence in the Trust.

There are CQUINS that the Trust has not achieved as at Quarter 3 (Sepsis and Dementia) and the report sets out a number of real risks on the delivery of Quarter 4, yet there is little assurance given on how the Trust intends to address these risks.

It is encouraging to see that the Trust has signed up to the national 'sign up to safety' campaign; the Trust's pledges show a keen focus on reduction of harm. It is noted, however, that the pledges do not address all five pledge areas of the campaign. The quality account would have been enhanced if brief information on the delivery plan had been included.

Readers of the quality account might find it useful to have a glossary explaining technical terms, abbreviations and any terms specific to the Trust such as the 'safety cross'.

The lack of quality information regarding Community Services was disappointing. There was a missed opportunity to celebrate the considerable work undertaken over the past year to provide a rapid response service to reduce hospital admissions.

**Barbara King**  
**Accountable Officer**  
**Birmingham CrossCity Clinical Commissioning Group**

**Response:** The Trust has taken into consideration all the points raised above. The section on community services, which includes UNICEF accreditation, has been expanded.

## Healthwatch Birmingham

Thank you for sending us a draft copy of Heart of England NHS Foundation Trust Quality Account 2015/16.

At Healthwatch Birmingham we are passionate about putting patients, public, service users and carers (PPSuC) at the heart of service improvement in health and social care in the City of Birmingham. In line with our new strategy, we are focused on helping drive continuous improvement in patient and public involvement (PPI) and patient experience. We also seek to champion health equity so that PPSuC consistently receive care which meets their individual and collective needs. We have therefore focused our comments on aspects of the Quality Account which are particularly relevant to these issues.

### Patient Experience

It is disappointing to see that the Trust has not attained its goal with regards to improving the response rate and overall score in the Friends and Family Test (FFT) in the Emergency Department (ED) (priority 3). The draft shared with us shows the overall ED response rate at the Trust decreased from 17 per cent in April 2015 to 15 per cent in March 2016. The ED FFT positive responder rate also remains below the national and regional average in February 2016 (the latest national and regional data given in the draft we have received). However, it is encouraging that the overall 2015/16 average positive recommendation for ED is higher than in 2014/15.

We note that the Trust has carried priority 3 over to 2016/17, and that it has identified several actions to help improve performance. However, there is currently little information provided in the Quality Account on what is causing the FFT positive recommender score to remain relatively low. We therefore support the decision to carry out surveys and observational studies in ED, as this should help ensure the Trust fully understands the patient perspective on this issue. We look forward to learning about the results of this work in next year's Quality Account.

Unfortunately much of the patient experience section of the draft we have been provided is not currently populated. Therefore, whilst we are happy to see the Trust is gathering data on inpatient satisfaction and participating in two national patient experience surveys (inpatient and emergency services), it is not possible for us to comment on the results. The draft also does not give final year figures for the FFT Trust wide scores, or comments from positive feedback. In the

future we would appreciate more information to be provided in the draft we are sent so that we can give feedback.

As mentioned previously, one of Healthwatch Birmingham's focuses is on promoting health equity in the City. With this in mind, it is good to see that the Trust has developed a learning disability toolkit over the last year to better facilitate communication. In next year's Quality Account we would value any similar examples of how the Trust has monitored and improved the experience of 'hard to reach groups' (e.g. people with learning disabilities, people with mental health problems, minority ethnic groups etc.).

### **Other 2015/16 quality priorities**

It is positive that the Trust has made improvements with regards to the remaining three 2015/16 quality priorities. We note the Trust has reduced the number of avoidable grade two pressure ulcers (priority 1), reduced incidence for patients who have multiple falls in hospital (priority 2), and made improvements with regards to stroke care (priority 4). It is also good to see that, even though these will not be carried over as quality priorities, the Trust has identified a number of actions to continue to make improvements in these areas.

### **Patient and public Involvement**

We would value more information on the process by which the 2016/17 priorities have been decided, particularly on whether engagement has been carried out with PPSuC to help shape these priorities. If patient feedback/ engagement has not been used to shape these priorities, we would advise the Trust introduce this next year.

It is excellent to see that the Trust has now established three Community Patient Panels (CPPs) aligned to each main hospital site. It is also useful to see examples of how CPPs have been involved with work around the Trust. We look forward to seeing more examples of how CPPs have been involved with service developments in next year's Quality Account.

### **Complaints and feedback**

It is positive to see the Trust is thematically analysing its complaints, and we would be interested to see how the main themes identified this year compare with last year (if this data is available). We would advise the Trust gives examples of changes it has made as a result of complaints over 2015/16. We would also appreciate data on the Trust's performance with regards to collecting and responding to complaints.

It is good to see the Trust has undertaken an independent external peer review during 2015/16 to improve its complaint handling process. We would be interested to learn whether PPSuC have also been consulted as part of these changes. If not, we recommend the Trust explores doing this in the coming year. Complaints systems can be hard to navigate for some PPSuC, so engaging with patients when making changes to complaints systems can help ensure they are made more accessible. We look forward to seeing evidence of the impact of changes made to the complaints system in next year's Quality Account.

We note that one of the major themes from this year's 'requires improvement' comments and complaints is patients reporting issues with the attitude of staff. We see in the Priority 3 section (improvement in ED FFT) that NHS Elect will be working with the Trust and will be providing workshops on customer care training for staff in 2016/17. We would appreciate clarity on whether this will be for all staff, or just those working in ED. We would also value information on any other initiatives taking place to address this issue.

Thank you again for giving us the opportunity to review the Trust's Quality Account.

**Jane Upton PhD**  
**Head of Evidence**

## Directors Statement of Responsibilities

The Directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations to prepare Quality Accounts for each financial year.

Monitor has issued guidance to NHS foundation Trust Boards on the form and content of annual quality reports (which incorporate the above legal requirements) and on the arrangements that NHS foundation trust boards should put in place to support the data quality for the preparation of the Quality Report.

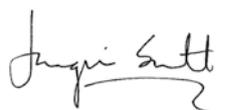
In preparing the Quality Report, Directors are required to take steps to satisfy themselves that:

- The content of the Quality Report meets the requirements set out in the NHS Foundation Trust Annual Reporting Manual 2015/16 and supporting guidance
- The content of the Quality Report is not inconsistent with internal and external sources of information including:
  - Board minutes for the period April 2015 and up to the date of signing this limited assurance report (the period)
  - Papers relating to the Quality Report reported to the Board over the period April 2015 to the date of signing this limited assurance report
  - Feedback from the Commissioners Birmingham Cross City Clinical Commissioning Group dated 17 May 2016;
  - Feedback from Local Healthwatch organisation, Healthwatch Birmingham, dated 17 May 2016
  - The Trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009 – KO41A dated May 2016
  - The 'Care Quality Commission – Patient survey report 2015 - Survey of adult inpatients 2015 Heart of England NHS Foundation Trust' latest national and local patient survey dated 2015
  - The '2015 National NHS staff survey – Brief summary of results from Heart of England NHS Foundation Trust' latest national staff survey dated 2015
  - The Head of Internal Audit's annual opinion over the Trust's control environment dated 27 April 2016.
- The Quality Report presents a balanced picture of the NHS foundation trust's performance over the period covered
- The performance information reported in the Quality Report is reliable and accurate

- There are proper internal controls over the collection and reporting of the measures of performance included in the Quality Report, and these controls are subject to review to confirm that they are working effectively in practice
- The data underpinning the measures of performance reported in the Quality Report is robust and reliable, conforms to specified data quality standards and prescribed definitions, is subject to appropriate scrutiny and review
- The Quality Report has been prepared in accordance with Monitor's annual reporting guidance (which incorporates the Quality Accounts regulations) (published at [www.monitor.gov.uk/annualreportingmanual](http://www.monitor.gov.uk/annualreportingmanual)) as well as the standards to support data quality for the preparation of the Quality Report (available at [www.monitor.gov.uk/annualreportingmanual](http://www.monitor.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



Rt Hon Jacqui Smith,  
Interim Chair

Date: 25 May 2016



Dame Julie Moore,  
Interim Chief Executive Officer

Date: 25 May 2016

Table 1: Heart of England NHS Foundation Trust National Clinical Audit Participation:

Ref	Audit Title	Participation in 2015-2016	% of cases submitted
1	Acute Coronary Syndrome or Acute Myocardial Infarction (MINAP)	✓	100%
2	Adult Asthma	Audit did not proceed	
3	Adult Cardiac Surgery	Not Applicable	
4	Bowel Cancer (NBOCAP)	✓	100%
5	Cardiac Rhythm Management (CRM)	✓	100%
6	Case Mix Programme (CMP)	✓	100%
7	Chronic Kidney Disease in primary care	Not Applicable	
8	Congenital Heart Disease (CHD) - Paediatric	Not Applicable	
9	Congenital Heart Disease (CHD) - Adult	Not Applicable	
10	Coronary Angioplasty/National Audit of Percutaneous Coronary Interventions (PCI)	✓	100%
11	Diabetes (Paediatric) (NPDA)	✓	100%
12	Elective Surgery (National PROMs Programme)	✓	100% patients receive surveys.  Pre-operation survey return rate = 82% of patients  Post operation survey return rate: Hip = 76.41% Knee = 71.96% Groin = 56.95% Varicose Veins = 18.72%
13	Emergency Use of Oxygen	✓	100%
14	Falls and Fragility Fractures Audit programme (FFFAP) - Fracture Liaison Service Database	Not Applicable	
15	Falls and Fragility Fractures Audit programme (FFFAP) -Inpatient Falls	✓	100%
16	Falls and Fragility Fractures Audit programme (FFFAP) - National Hip Fracture Database	✓	100%
17	Inflammatory Bowel Disease (IBD) programme	✓	45%
18	Major Trauma Audit	✓	25.4% - 30.6%
19	National Audit of Intermediate Care	✓	50%

20	National Cardiac Arrest Audit (NCAA)	✓	100%
21	National Chronic Obstructive Pulmonary Disease (COPD) Audit programme – Pulmonary Rehabilitation	✓	72%
22	National Chronic Obstructive Pulmonary Disease (COPD) Audit programme - Secondary Care	Audit did not proceed	
23	National Chronic Obstructive Pulmonary Disease (COPD) Audit programme - Primary Care (Data collection limited to Wales)	Not Applicable	
24	National Comparative Audit of Blood Transfusion programme - Use of blood in Haematology	✓	100%
25	National Comparative Audit of Blood Transfusion programme - Audit of Patient Blood Management in Scheduled Surgery	✓	100%
26	National Complicated Diverticulitis Audit (CAD) - Acute surgical services	Audit did not proceed	
27	National Diabetes Audit – Adults - National Footcare Audit	✓	12%
28	National Diabetes Audit – Adults - National Inpatient Audit	✓	BHH and SH – 100% patients included. 66% of these patients returned patient experience forms  GHH – 100% patients included. 52% of these patients returned patient experience forms.
29	National Diabetes Audit – Adults - National Pregnancy in Diabetes Audit	✓	GHH - 100% BHH – 0%
30	National Diabetes Audit – Adults - National Diabetes Transition	Audit did not proceed	
31	National Diabetes Audit – Adults - National Core	X	Did not participate
32	National Emergency Laparotomy Audit (NELA)	✓	BHH - 67.4% GHH – 1.1%
33	National Heart Failure Audit	✓	52%
34	National Joint Registry (NJR) - Knee replacement	✓	83%
35	National Joint Registry (NJR) - Hip replacement	✓	73%
36	National Lung Cancer Audit (NLCA)	✓	100%
37	National Ophthalmology Audit - Adult Cataract surgery	X	Did not participate
38	National Prostate Cancer Audit	✓	100%
39	National Vascular Registry	✓	100% (Data not captured for Interventions for the treatment of peripheral arterial disease (PAD))
40	Neonatal Intensive and Special Care (NNAP)	✓	100%

41	Non-Invasive Ventilation - Adults	Audit did not proceed	
42	Oesophago-gastric Cancer (NAOGC)	✓	100%
43	Paediatric Asthma	✓	100%
44	Paediatric Intensive Care (PICANet)	Not Applicable	
45	Paediatric Pneumonia	Audit did not proceed	
46	Prescribing Observatory for Mental Health (POMH-UK) - Prescribing for substance misuse - alcohol detoxification	Not Applicable	
47	Prescribing Observatory for Mental Health (POMH-UK) - Prescribing for bipolar disorder (use of sodium valproate)	Not Applicable	
48	Prescribing Observatory for Mental Health (POMH-UK) - Prescribing for ADHD in children, adults and adolescents	Not Applicable	
49	Procedural Sedation in Adults (care in emergency departments)	✓	100%
50	Pulmonary Hypertension Audit	Not Applicable	
51	Renal Replacement Therapy (Renal Registry)	✓	100%
52	Rheumatoid and Early Inflammatory Arthritis - Clinician/Patient Follow-up	✓	100%
53	Rheumatoid and Early Inflammatory Arthritis - Clinician/Patient Baseline	✓	100%
54	Sentinel Stroke National Audit programme (SSNAP)	✓	100%
55	UK Cystic Fibrosis Registry - Paediatric	✓	100%
56	UK Cystic Fibrosis Registry - Adult	✓	100%
57	UK Parkinson's Audit - Occupational Therapy	X	Did not participate
58	UK Parkinson's Audit - Speech and Language Therapy	X	Did not participate
59	UK Parkinson's Audit - Physiotherapy	X	Did not participate
60	UK Parkinson's Audit - Patient Management, elderly care and neurology	✓	100% (neurology data not captured)
61	Vital signs in children (care in emergency departments)	✓	100%
62	VTE risk in lower limb immobilisation (care in emergency departments)	✓	100%

Clarification for variation from 100 percent submission rate:

Ref 12: PROMs data relies on timely return of patient questionnaires by patients, completion of questionnaires is down to patient choice.

Ref 17, 18, 27, 29, 32, 33, 34, 35: Participation limited, under review by the organisation. Reference 33, reported figures in the 2013/2014 Quality Account were incorrect, accurate participation figure was 39%.

Ref 19: Participation limited due to service transformation improvements.

Ref 21: Participation figure is estimated by the audit providers based on anticipated patient referrals from the organisational audit. Only patients who consented could be submitted.

Ref 28: Participation dependant on patient choice to complete the questionnaire.

Ref 31: No participation due to insufficient resource, under review by the organisation.

Ref 37: No participation due to other departmental priorities.

Ref 57, 58, 59: No participation as therapies data was captured as part of the 2015 Parkinson's Patient Management audit.

**Table 2: Heart of England NHS Foundation Trust Clinical Outcome Review Programme Participation:**

Ref	Clinical Outcome Review Programme Participation Title	Participation in 2015-2016	% of cases submitted
1	Child Health Clinical Outcome Review Programme - Chronic Neurodisability	CORP did not proceed	
2	Child Health Clinical Outcome Review Programme - Young People's Mental Health	CORP did not proceed	
3	Maternal, Newborn and Infant Clinical Outcome Review Programme - Perinatal Mortality Surveillance	✓	100%
4	Maternal, Newborn and Infant Clinical Outcome Review Programme - Perinatal mortality and morbidity confidential enquiries (term intrapartum related neonatal deaths)	✓	100%
5	Maternal, Newborn and Infant Clinical Outcome Review Programme - Maternal morbidity and mortality confidential enquiries (cardiac (plus cardiac morbidity) early pregnancy deaths and pre-eclampsia, plus psychiatric morbidity)	✓	100%
6	Maternal, Newborn and Infant Clinical Outcome Review Programme - Maternal mortality surveillance	✓	100%
7	Medical and Surgical Clinical Outcome Review Programme (NCEPOD) - Acute Pancreatitis	✓	100%
8	Medical and Surgical Clinical Outcome Review Programme (NCEPOD) - Physical and mental health care of mental health patients in acute hospitals	✓	100%
9	Medical and Surgical Clinical Outcome Review Programme (NCEPOD) - Non-invasive ventilation	CORP did not proceed	
10	Mental Health Clinical Outcome Review Programme (NCISH) - Suicide in children and young people (CYP)	Not Applicable	
11	Mental Health Clinical Outcome Review Programme (NCISH) - Suicide, Homicide & Sudden Unexplained Death	Not Applicable	
12	Mental Health Clinical Outcome Review Programme (NCISH) - The management and risk of patients with personality disorder prior to suicide and homicide	Not Applicable	

## LOCAL AND NATIONAL PRIORITIES

## Appendix 2

Description of Target	Target 2015/16	2012/13	2013/14	2014/15	2015/16	2015/16 Month Period
Reduction of incidence of Clostridium (post 48 hours)	≤64	86	82	75	61	April 2015 - March 2016
Reduction of incidence of MRSA bacteraemia (attributable cases)	0	7	8	1	5	
Patients receiving subsequent treatment (surgery and drug treatment only) within 1 month (31 days) of a decision to treat - Surgery modality	≥ 94%	97.42%	98.44%	98.79%	98.20%	April 2015 – March 2016
Patients receiving subsequent treatment (surgery and drug treatment only) within 1 month (31 days) of a decision to treat - Anti cancer drug modality	≥ 98%	99.72%	100.00%	100.00%	99.0%	
Patients receiving subsequent treatment (surgery and drug treatment only) within 1 month (31 days) of a decision to treat – Radiotherapy	≥ 94%	N/A	N/A	N/A	N/A	N/A
Patients receiving their first definitive treatment for cancer within 2 months (62 days) of GP or dentist urgent referral for suspected cancer.	≥ 85%	86.35%	86.33%	85.12%	82.91%	April 2015 – March 2016
Patients receiving their first definitive treatment for cancer within 2 months (62 days) of urgent referral from the National Screening Service.	≥ 90%	99.13%	97.00%	90.65%	95.93%	
Admitted Patients Treated within 18 Weeks of Referral	≥ 90%	92.03%	89.39%	81.21%	81.47%	April 2015 - March 2016
Non-Admitted Patients Treated within 18 Weeks of Referral	≥ 95%	86.85%	96.29%	92.54%	90.53%	
18 week incomplete pathways 	≥ 92%	95.57%	94.21%	93.12%	90.28%	

Description of Target	Target 2015/16	2012/13	2013/14	2014/15	2015/16	2015/16 Month Period
Reduction of incidence of Clostridium (post 48 hours)	≤64	86	82	75	61	April 2015 - March 2016
Reduction of incidence of MRSA bacteraemia (attributable cases)	0	7	8	1	5	
Patients receiving subsequent treatment (surgery and drug treatment only) within 1 month (31 days) of a decision to treat - Surgery modality	≥ 94%	97.42%	98.44%	98.79%	98.20%	April 2015 – March 2016
Patients receiving subsequent treatment (surgery and drug treatment only) within 1 month (31 days) of a decision to treat - Anti cancer drug modality	≥ 98%	99.72%	100.00%	100.00%	99.0%	
Patients receiving subsequent treatment (surgery and drug treatment only) within 1 month (31 days) of a decision to treat – Radiotherapy	≥ 94%	N/A	N/A	N/A	N/A	N/A
Patients receiving their first definitive treatment for cancer within 2 months (62 days) of GP or dentist urgent referral for suspected cancer.	≥ 85%	86.35%	86.33%	85.12%	82.91%	April 2015 – March 2016
Patients receiving their first definitive treatment for cancer within 2 months (62 days) of urgent referral from the National Screening Service.	≥ 90%	99.13%	97.00%	90.65%	95.93%	
Admitted Patients Treated within 18 Weeks of Referral	≥ 90%	92.03%	89.39%	81.21%	81.47%	April 2015 - March 2016
Non-Admitted Patients Treated within 18 Weeks of Referral	≥ 95%	86.85%	96.29%	92.54%	90.53%	
18 week incomplete pathways 	≥ 92%	95.57%	94.21%	93.12%	90.28%	

Patients receiving their first definitive treatment within 1 month (31 days) of a decision to treat (as a proxy for diagnosis) for cancer.	≥ 96%	96.92%	97.92%	97.99%	98.75%	April 2015 – March 2016
Patients first seen by a specialist within 2 weeks when urgently referred by their GP or dentist with suspected cancer.	≥ 93%	93.66%	92.86%	84.42%	91.44%	
Patients first seen by a specialist within 2 weeks when urgently referred by their GP with any breast symptom except suspected cancer.	≥ 93%	94.64%	93.20%	79.18%	91.28%	
Maximum waiting time of 4 hours in A&E from arrival, to admission, transfer or discharge 	≥ 95%	93.13%	93.02%	90.38%	88.13%	

Description of Target	Target 2015/16	2015/16				2015/16 Month Period
		Q1	Q2	Q3	Q4	
Community Services Data completeness: Referral to treatment	50%	100.00%	100.00%	100.00%	100%	April 2015 – March 2016
Community Services Data completeness: Referral information	50%	97.27%	98.12%	97.77%	97.25%	
Community Services Data completeness: Treatment Activity	50%	99.91%	99.81%	99.79%	99.73%	
Self certification against compliance with requirements regarding access to healthcare for people with a learning disability	out of 6 criteria	6	6	6	6	

## 18 week incomplete pathways <sup>(A)</sup>

The reported indicator performance has been calculated based on all patients recorded as having been referred to the FT for consultant led services and who are on incomplete pathways at the end of the period. Completeness of this information is therefore dependent on the complete and accurate entry of data at source (referrals received for consultant led services) and the complete recording of all those on incomplete pathways at period end; it is not possible to check completeness to source because referrals may be received through different routes, for example, by letter, fax or via the live 'Choose and Book' system or may have been received in a prior period. Patients who have not been identified within the population will therefore not be included in the indicator calculation. To the best of the knowledge of the Trust, the information is complete.

## Maximum waiting time of 4 hours in A&E from arrival, to admission, transfer or discharge <sup>(A)</sup>

The reported indicator performance has been calculated based on all patients recorded as having attended A&E. Completeness of this information is therefore dependent on the complete and accurate entry of data at source by the clinician who carries out initial assessment or by A&E reception. Patients who have not been correctly registered in A&E will therefore not be included in the indicator calculation. To the best of the knowledge of the Trust, it is complete.

Target	Definition	Criteria
Maximum waiting time of 4 hours in A&E from arrival, to admission, transfer or discharge <sup>(A)</sup>	Percentage of patients with a total time in A&E of four hours or less from arrival to admission, transfer or discharge.	The indicator is defined within the technical definitions that accompany Everyone counts: planning for patients 2014/15 - 2018/19 and can be found at <a href="http://www.england.nhs.uk/wp-content/uploads/2014/01/ec-tech-def-1415-1819.pdf">www.england.nhs.uk/wp-content/uploads/2014/01/ec-tech-def-1415-1819.pdf</a> Detailed rules and guidance for measuring A&E attendances and emergency admissions can be found at <a href="https://www.england.nhs.uk/statistics/wp-content/uploads/sites/2/2013/03/AE-Attendances-Emergency-Definitions-v2.0-Final.pdf">https://www.england.nhs.uk/statistics/wp-content/uploads/sites/2/2013/03/AE-Attendances-Emergency-Definitions-v2.0-Final.pdf</a>
18 week complete pathways <sup>(A)</sup>	Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period	The indicator is expressed as a percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the period; The indicator is calculated as the arithmetic average for the monthly reported performance indicators for April 2015 to March 2016; The clock start date is defined as the date that the referral is received by the Foundation Trust, meeting the criteria set out by the Department of Health guidance; and The indicator includes only referrals for consultant-led service, and meeting the definition of the service whereby a consultant retains overall clinical responsibility for the service, team or treatment.

**SHMI & Palliative Care – data correct as of 18/04/2016**

**SHMI:**

The value and banding of the summary hospital-level mortality indicator (“SHMI”) for the Trust for the reporting period.

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons:

Indicator	Apr 2014 - Mar 2015	Jul 2013 - Jun 2014	Trust performance Latest Oct 2014 - Sep 2015	National Average	Lowest reported Trust	Highest Reported Trust
The value and banding of the summary hospital-level mortality indicator (“SHMI”) for the trust for the reporting period	0.975 (Band 2)	0.954 (Band 2)	0.970 (Band 2)	1.004	0.652 (RKE)	1.177 (RVW)
The percentage of patient deaths with palliative care coded at either diagnosis or specialty level for the trust for the reporting period	24.2%	24.3%	25.8%	26.6%	0.2% (RKE)	53.5% (RYJ)

The SHMI is provided by the Health and Social Care Information Centre. During July 2014 – April 2015, following the implementation of a new patient administration system PMS2, there were some issues with data quality. There were issues with the recording of the type of admission (emergency rather than elective) which will have had an effect on the risk adjustment for our indicator. This will potentially lower our SHMI level.

The latest SHMI is 95 for July 2014 – June 2015 representing an HSCIC ‘as expected’ banding. This is the lowest it has ever been. However, the trend is consistently downwards and the influence of the period of data quality concerns lessens with each iteration of the SHMI.

**Palliative Care:**

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons:

An internal process flaw which resulted in a significantly lower number of Trust palliative care episodes being recorded. This was discovered in April 2013 and addressed.

The Heart of England NHS Foundation Trust has taken the following actions to improve this score, and so the quality of its services, by:

This data is now reviewed and validated on a regular basis.

## PROMs

Patient Reported Outcome Measures Scores (PROMS)	Trust Performance Latest			National Average	Lowest reported Trust	Highest Reported Trust
	Apr 13 - Mar 14	Apr 14 - Mar 15	Apr 15 - Dec 15			
(i) groin hernia surgery	0.113	0.094	0.084	0.087	0.024	0.156
(ii) varicose vein surgery	0.11	0.12	0.135	0.1	0.036	0.147
(iii) hip replacement surgery	0.406	0.397	0.425	0.425	0.27	0.543
(iv) knee replacement surgery	0.318	0.299	0.288	0.331	0.215	0.4

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons.

- The Trust has focused on Trauma & Orthopaedic (T&O) PROMS as they continue to be an outlier in the CQC Intelligent Monitoring Report.

The Heart of England NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by:

- All activity is now undertaken within the Trust and work is now focussed on the Solihull site to reduce length for elective hip surgery. The work within T&O also feeds into the Trust overall LOS programme which is one of the four key work streams 2016/17

- Continue work on the enhanced scheme piloted at Solihull Hospital
- The enhanced recovery scheme and the focus on the knee pathways are now starting to show improvement and this approach will now be applied to the hip pathway
- Improving the understanding of the data and undertake a detailed piece of work on capacity and demand across the T&O Directorate.
- Continuing our work on improving both Groin Hernia Surgery and Varicose Vein Surgery which have both shown consistent improvement month on month.

## Readmissions

Percentage of patients readmitted to a hospital which forms part of the trust within 28 days of being discharged from a hospital which forms part of the trust during the reporting period.	2009/10	2010/11	Trust performance Latest 2011/12	National Average	Lowest reported Trust*	Highest Reported Trust*
(i) 0 to 15	10.87%	11.39%	10.85%	10.26%	0.00%	14.94%
(ii) 16 or over	13.18%	14.06%	12.81%	11.45%	0.00%	17.15%

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons.

- The data is produced by the health and social care information centre but it should be noted that it is 4 years old.

The Heart of England NHS Foundation Trust intends to take the following actions to improve

this score and, so the quality of its services, by:

- Learning from recent multi-disciplinary audits across the health and social economy in relation to readmission rates, variance and causative factors. This will also incorporate any data quality improvement issues
- Further improving discharge practice via a locally agreed CQUIN in line with best practice guidance from NICE National Guidance 27

and the West Midlands Quality Review Service Quality Standards on Transfer of Care from Acute and Intermediate Care

- Evaluating results from the Solihull Discharge Surveillance Pilot aimed at reducing Readmissions and agreeing next steps through the Trust Workstream on reducing Occupied Bed Days
- Benchmarking specialties or care providers that appear to be outliers to address any clinical

concerns or process factors and agreeing plans with partners where necessary i.e. GPs, care homes, community services, mental health and social care.

All these actions will be done in conjunction with the Trust's partners.

## Patient Experience

Indicator	2012/13	2013/14	Trust performance Latest 2014/15	National Average	Lowest reported Trust	Highest Reported Trust
Trust's responsiveness to the personal needs of its patients during the reporting period	65.2	63.6	66.1	68.9	59.1	86.1

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons:

The data reflects that the organisation has worked to make improvements to inpatient experience. Whilst the decrease in the ED FFT score is not a large one, this reflects that increasing demand and the challenges associated with being one of the largest and most diverse providers of acute healthcare in the country means that ED patient experience remains a priority for the Trust.

The Heart of England NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by:

- Using the expertise and experience of Community Patient Panel members to support

monthly ward quality reviews

- Dedicated action plan and work to support patient experience improvements in the ED, including volunteers to support vulnerable people receiving treatment in the department
- The increased use at ward level patient comments made via the FFT. A quality dashboard has been developed to facilitate the use of these comments by supervisory ward sisters
- Undertaking thematic analysis of patient comments in conjunction with complaints feedback
- Providing training for Trust staff in managing and prevention of complaints
- Patient experience monitoring to understand the differences in experience across weekdays, weekends and during the night.

Indicator	2013/14	2014/15	Trust performance Latest 2015/16	National Average	Lowest reported Trust	Highest Reported Trust
Friends and Family Test – Patient having a positive experience of care after being discharged from A&E	88.71%	85.96%	79.50%	84.39%%	46.33%	100.00%

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons:

- This is the same as detailed above under the Trust's responsiveness to the personal needs of its patients during the reporting period.

The Heart of England NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by

- This is the same as detailed above under the Trust's responsiveness to the personal needs of its patients during the reporting period.

## Staff Experience

Indicator	2013	2014	Trust performance Latest 2015	National Average	Lowest reported Trust	Highest Reported Trust
Percentage of staff employed by, or under contract to, the Trust during the reporting period who would recommend the Trust as a provider of care to their family or friends	56%	48%	55%	70%	46%	85%

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons:

This data reflects that the organisation has dealt with increasing demand and challenges associated with being one of the largest and most diverse providers of acute healthcare in the county.

- Current finance concerns, along with significant change in the management of the Trust may have an impact on the score in 2015. However, there has been a significant improvement from the previous year
- The Trust has held numerous Staff Listening Events, giving 2,000 staff the opportunity to give feedback on the way the Trust works, and the management team time to listen
- The Trust has implemented a steering committee for staff engagement, to review staff comments and to identify actions to take forward
- The Trust has used staff feedback to help the re-design of ED, majors and minors at BHH which has in turn improved patient flow
- There has been the development of Trust-wide Culture and Engagement Plan based on staff feedback focused on staff engagement and values led culture
- Recruitment initiatives continue to be delivered with short, medium and long term strategies being implemented.

The Heart of England NHS Foundation Trust intends to take the following actions to improve this percentage, and so the quality of its services, by:

- Continuation of the values led culture in 2016, with staff led values and behaviours to be launched in April 2016 and to be incorporated into: our appraisals; recruitment; induction; policies and procedures
- Continued approach to increasing responsiveness to Staff FFT and full census of NSS, thus allowing regular updates and adapt action planning
- The Trust's culture metric to be included within Staff FFT giving a bench mark of how staff "live our values"
- Continuation of the Staff Engagement Steering Group (staff led group) to analyse Staff FFT, and to develop ideas and solutions to key engagement issues
- Schwartz rounds will continue to be held, giving staff time to reflect and to share experience across staff groups.

## Venous thromboembolism (VTE)

Indicator	Apr-15	May-15	Trust performance Latest Jun-15	National Average	Lowest reported Trust	Highest Reported Trust
percentage of patients who were admitted to hospital and who were risk assessed for venous thromboembolism during the reporting period	95.00%	93.24%	93.30%	96.01%	74.08% (RWA)	100.00% (Several trusts)

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons:

Total 2015/16 VTE assessment was 94.75% against a target 95%. The current system is highly dependent on forced completion of Venous Thromboembolism Risk Assessment (VTE RA) via the Trusts electronic prescribing (EP) system.

Recurrent problem areas identified as follows:

- Areas where EP is not routinely used such as day surgical wards, acute medical and surgical assessment units areas and short stay surgical wards, usually coinciding with a short inpatient episode, have the lowest completion rates, in particular patients with a 4 to 12 hour stay
- Determining those patients mainly with short admissions undergoing low risk procedures, the 'cohort listed' patients, who do not have to undergo VTE RA is complex and requires accurate recording of the IP event. Errors in this step may explain some of the failures experienced
- Recent application of a revised 'Cohort' exclusion a pre-agreed procedures from VTE RA (mainly low risk day case surgery, endoscopy and chemotherapy) increased the Trusts performance from 94.75% to 98.24%.

The Heart of England NHS Foundation Trust intends to take the following actions to improve this score and, so the quality of its services, by:

- Identify patients who are admitted for less than 12 hours, usually to the various assessments units and day case units within the trust and exclude them from requiring a VTE risk assessment as per our policy. Intensive Care unit and Post-operative surgical patients on elective thromboprophylaxis will also be excluded from this assessment
- Raise awareness of the need to perform a

VTE RA in those areas who admit patients for greater than 12 hours but do not routinely use the trusts electronic prescribing system

- Feedback to poorly performing areas on a more frequent (monthly) basis
- Request to the Trust Board for the extension of use of the Trusts EP system to all clinical inpatient areas
- Work with IT department to automated e-mail reminders that VTE RA's have not been performed on specific inpatients. Specific consultant based performance are now being released on a monthly basis to improve compliance with this screening programme
- Remind all clinical staff to complete the VTE RA in those areas reliant on paper prescribing (ED, AMU, SAU, ITU, Ward 19).

### Further actions planned:

- IT to close down workaround routes into Electronic Prescribing thereby bypassing the need to complete the VTE RA
- Revise the Trust's Cohort list, aligning it to those used by other trusts locally
- This appears to impact on many cases in short stay areas within the Trust
- Interconnect VTE RA algorithm to promote better thromboprophylactic decision making
- Extend use of EP for short stay units such as Surgical Assessment Unit and Day Case Surgery Unit.

All the actions should improve VTE RA completed numbers as well as quality of thromboprophylaxis prescribed. Theoretical improvement when using revised cohort list should also improve the Trust's performance comfortably greater than 95%.

## C. Difficile

Indicator	2012/13	2013/14	Trust performance Latest 2014/15	National Average	Lowest reported Trust	Highest Reported Trust
Rate per 100,000 bed days of cases of C.difficile infection reported within the trust amongst patients aged 2 or over during the reporting period	17.1	16.7	16.9	15.1	0.0	62.2

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons.

This data represents a drop from a rate of 32.6 in the 2010-2011 year. This is due to a comprehensive Clostridium Difficile (C Difficile) control and management program which includes:

- Post infection review of all post-48-hour toxin positive cases of C. Difficile carried out jointly with CCG. Feed-back given to clinical and ward teams and an improvement action plan implemented
- Detailed Period of Increased Incidence (PII) reviews with feedback for wards with two or more cases of post 48 hours C. Difficile in any 28-day period. This includes an audit programme to monitor practice and the clinical environment to provide assurance of sustained improvement
- Typing of individual strains of C. Difficile to identify transmission incidents and outbreaks thus facilitating timely and effective management.

The Heart of England NHS Foundation Trust has taken the following actions to improve this rate, and so the quality of its services, by:

- Implementation of a RAG rated monitoring system for inpatients with C.Difficile to ensure timely and effective management. This includes twice weekly review of patients by the infection prevention and control and microbiology teams
- The use of Fidaxomylin in the treatment of C. Difficile
- Faecal transplants for patients with protracted/relapsing C. Difficile infection
- Daily review of patients with diarrhoea in admissions departments at three hospital sites to ensure early detection of C.Difficile
- Identification and monitoring of inpatients previously positive for C.Difficile thus facilitating early detection of any C. Difficile relapse.

## Patient Safety

Indicator	Oct 13 - Mar 14	Apr 14 – Sep 15	Trust performance Latest Oct 14 - Sep 15	National Average	Lowest reported Trust	Highest Reported Trust
Number of patient safety incidents reported within the trust during the reporting period	7,610	7,383	7,182	4,539	443	12,784
Rate of patient safety incidents reported within the trust during the reporting period	6.9	34.0	31.8	-	3.6	82.2
The number of such patient safety incidents that resulted in severe harm or death.	87	95	77	-	2	128
Percentage of such patient safety incidents that resulted in severe harm or death.	1.14%	1.29%	1.07%	0.51%	-	-

The Heart of England NHS Foundation Trust considers that this data is as described for the following reasons:

Whilst there are some discrepancies, due to the way that the information is collected and updated, analysis of our local incident reporting database provides similar data, with the number of patient safety incidents reported within the Trust during the reporting period as 7,296 and the number of such patient safety incidents that resulted in severe harm or death as 77 (1.06%).

The Trust considers a high level of incident reporting as a sign of a good safety culture and actively encourages staff to report both clinical and non-clinical incidents. There has been a relatively stable incident reporting profile for the last two years with approximately 20,000 incidents reported in 2015. These incidents include patient safety incidents, which are subsequently uploaded to the National Reporting and Learning System (NRLS) as previously reported. The remaining incidents are those that affect staff or property, or where the patients involved were not in the care of the Trust at the time of the incident occurring, for example non-hospital acquired pressure ulcers.

As part of the Trust's incident reporting process patient safety incidents are identified and regularly uploaded on to the NRLS system. The NRLS publish some of this data as national statistics as

well as providing bi-annual reports for individual organisations.

This year the Trust has continued to capture the duty of candour information required by our commissioners. The training that is provided is continually reviewed to keep it responsive and accessible to those users.

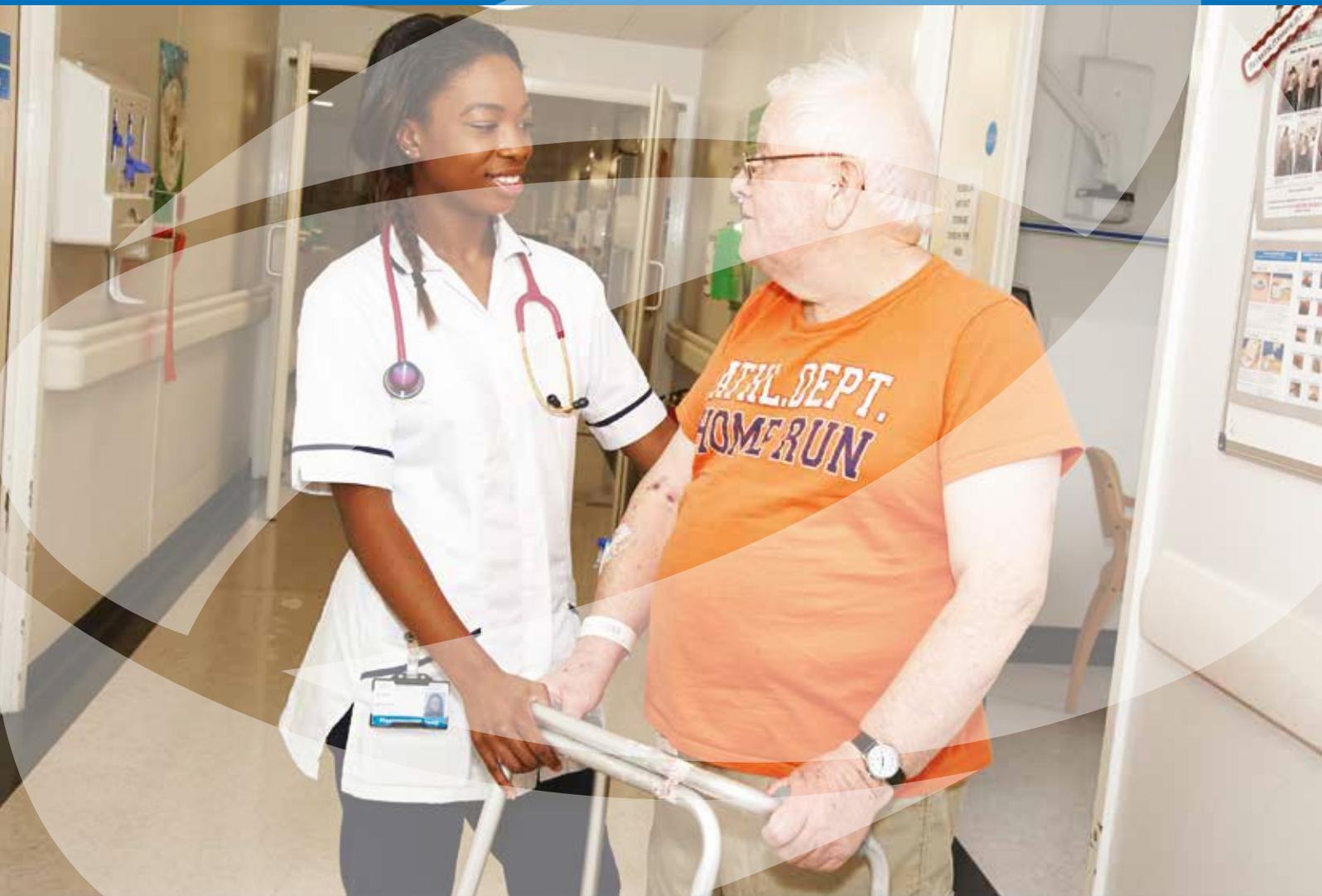
The Heart of England NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by

The Heart of England NHS Foundation Trust intends to take the following actions to increase the total rate of patient safety incidents reported within the Trust and so the quality of its services, by implementing a full review of the incident reporting and management systems and procedures including:

- Review of Datix incident reporting forms and codes
- Review of listed incident handlers and investigators and their roles and responsibilities
- Training needs analysis and production of full training program for staff
- Review and development of reporting and dashboard facilities in Datix
- Review of incident reporting and management policies.



## Section 4 **Auditors' Opinion**



This Annual Report covers the period 1 April 2015 to 31 March 2016

## Independent Auditors' Limited Assurance Report to the Council of Governors of Heart of England NHS Foundation Trust on the Annual Quality Report

We have been engaged by the Council of Governors of Heart of England NHS Foundation Trust to perform an independent assurance engagement in respect of Heart of England NHS Foundation Trust's Quality Report for the year ended 31 March 2016 (the 'Quality Report') and specified performance indicators contained therein.

### Scope and subject matter

The indicators for the year ended 31 March 2016 subject to limited assurance (the "specified indicators") marked with the symbol **A** in the Quality Report, consist of the following national priority indicators as mandated by Monitor:

<b>Specified Indicators</b>	<b>Specified indicators criteria</b>
Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period.	<p>The indicator is expressed as a percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the period;</p> <p>The indicator is calculated as the arithmetic average for the monthly reported performance indicators for April 2015 to March 2016;</p> <p>The clock start date is defined as the date that the referral is received by the Foundation Trust, meeting the criteria set out by the Department of Health guidance; and</p> <p>The indicator includes only referrals for consultant-led service, and meeting the definition of the service whereby a consultant retains overall clinical responsibility for the service, team or treatment.</p>
Percentage of patients with a total time in A&E of four hours or less from arrival to admission, transfer or discharge.	<p>The indicator is defined within the technical definitions that accompany <i>Everyone counts: planning for patients 2014/15 - 2018/19</i> and can be found at <a href="http://www.england.nhs.uk/wp-content/uploads/2014/01/ec-tech-def-1415-1819.pdf">www.england.nhs.uk/wp-content/uploads/2014/01/ec-tech-def-1415-1819.pdf</a></p> <p>Detailed rules and guidance for measuring A&amp;E attendances and emergency admissions can be found at <a href="https://www.england.nhs.uk/statistics/wp-content/uploads/sites/2/2013/03/AE-Attendances-Emergency-Definitions-v2.0-Final.pdf">https://www.england.nhs.uk/statistics/wp-content/uploads/sites/2/2013/03/AE-Attendances-Emergency-Definitions-v2.0-Final.pdf</a></p>

### 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 specified indicators criteria referred to on pages of the Quality Report as listed above (the "Criteria"). The Directors are also responsible for the conformity of their Criteria with the assessment criteria set out in the NHS Foundation Trust Annual Reporting Manual ("FT ARM") and the "Detailed requirements for quality reports 2015/16" issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

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 2015/16";
- 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 set out in the NHS Foundation Trust Annual Reporting Manual ("FT ARM") and the "2015/16 Detailed guidance for external assurance on quality reports".

We read the Quality Report and consider whether it addresses the content requirements of the FT ARM and the "Detailed requirements for quality reports 2015/16; and consider the implications for our report if we become aware of any material omissions.

We read the other information contained in the Quality Report and consider whether it is materially inconsistent with the following documents:

- Board minutes for the period April 2015 to the date of signing the limited assurance report (the period);
- Papers relating to Quality reported to the Board over the period April 2015 to the date of signing the limited assurance report;
- Feedback from the Commissioners Birmingham Cross City Clinical Commissioning Group dated 17/05/2016;
- Feedback from local Healthwatch organisation, Healthwatch Birmingham dated 17/05/2016;
- The trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009 – KO41A dated May 2016;
- The Care Quality Commission – Patient Survey report 2015 – Survey of adult inpatients 2015 Heart of England NHS Foundation Trust latest national and local patient survey dated 2015;
- The 2015 National NHS staff survey – Brief Summary of Results from Heart of England NHS Foundation Trust latest national staff survey dated May 2015;
- The Head of Internal Audit's annual opinion over the Trust's control environment dated 27/04/2016.

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.

### **Our Independence and Quality Control**

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK & Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Use and distribution of the report**

This report, including the conclusion, has been prepared solely for the Council of Governors of Heart of England NHS Foundation Trust as a body, to assist the Council of Governors in reporting Heart of England 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 2016, to enable the Council 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 Council of Governors as a body and Heart of England 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 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('ISAE 3000 (Revised)'). 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 2015/16”;
- 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, including controls over third party information (if applicable) 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 2015/16 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 non-mandated indicators in the Quality Report, which have been determined locally by Heart of England NHS Foundation Trust.

### **Basis for Qualified Conclusion**

#### **18 week incomplete pathways**

The NHS Foundation Trust Annual Reporting Manual (“FT ARM”) and the “Detailed guidance for external assurance on quality reports 2015/16” states that the Foundation Trust is required to report the percentage of patients on incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period. The guidance specifies that the Referral to Treatment (RTT) clock start date is defined as the date that the provider receives notice of the referral.

During our testing of this indicator, we identified a number of cases where the Foundation Trust did not have evidence of the date of receipt of the referral as the referral had been received by a satellite service that did not stamp, scan and keep the referral letters received. We have been able to isolate this issue to the satellite services which make up around 7.5% of all referrals received at any given time.

#### **Maximum waiting time of 4 hours in A&E from arrival, to admission, transfer or discharge**

The NHS Foundation Trust Annual Reporting Manual (“FT ARM”) and the “Detailed guidance for external assurance on quality reports 2015/16” also states that the Foundation Trust is required to report the percentage of patients with a total time in A&E of four hours or less from arrival to admission, transfer or discharge. The guidance specifies that for ambulance cases, arrival time is when hand over occurs or 15 minutes after the ambulance arrives at A&E, whichever is earlier.

During our testing of this indicator, we identified that the Foundation Trust does not capture the data in order to assess the appropriate start of clock for ambulance arrivals. There is no record of either hand over or arrival times and instead the clock is calculated to start on registration, which occurs as close to the patient’s time of entry to the hospital as possible. We have isolated this issue to affecting only those patients arriving by ambulance which represents 25.8% of patients seen in A&E, (67,332 out of 261,158).

Another finding concerned the inclusion of patients who arrive at A&E in error when they have an appointment elsewhere at the hospital. Guidance specifies this indicator concerns unplanned attendance at A&E only. These patients were incorrectly registered and then discharged almost immediately, contributing to very quick turnaround times. The Foundation Trust sought to quantify this and if all patients with A&E waits between 0-10 minutes (1,474)

were removed, this would decrease reported performance by 0.06%. However, the impact of this cannot be determined with certainty.

Finally, we noted that the Trust adjusts the recorded times to round them under four hours. Guidance specifies that any patient waiting longer than four hours should be counted as a breach. When testing, we established that the Trust's systems are currently configured not to notify them of breaches between four hours and four hours one minute. We have been able to quantify that there were only 505 patients (excluding those arriving by ambulance) who have four hour stop clocks. If all of these had been incorrectly adjusted, this would result in a decrease in reported performance of 0.2%.

### **Qualified Conclusion**

Based on the results of our procedures, except for the matters described in the basis for qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2016:

- 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 2015/16";
- The Quality Report is not consistent in all material respects with the documents specified above; and
- the specified indicators have not been prepared in all material respects in accordance with the Criteria set out in the NHS Foundation Trust Annual Reporting Manual ("FT ARM") and the "Detailed guidance for external assurance on quality reports 2015/16".

PricewaterhouseCoopers LLP

### **PricewaterhouseCoopers LLP**

Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

Date: 2 June 2016

The maintenance and integrity of the Heart of England 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.



## Section 5 Annual Accounts



This Annual Report covers the period 1 April 2015 to 31 March 2016



## Section 5

# Annual Accounts 31 March 2016

These Accounts for the year ended 31 March 2016 have been prepared by the Heart of England NHS Foundation Trust (the Trust), to be presented to Parliament pursuant to Schedule 7, paragraph 25(4) (a) of the National Health Service Act 2006.



Dame Julie Moore  
Interim Chief Executive

Date: 25 May 2016

# ***Independent auditors' report to the Council of Governors of Heart of England NHS Foundation Trust***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Heart of England NHS Group Foundation Trust's Group and Parent Trust 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 2016 and of the Group's and of the Parent Trust's income and expenditure and of the Group's and of the 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 2015/16.

### **Emphasis of Matter – Going Concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Annual Governance Statement and Note 26 of the financial statements concerning the material uncertainty as to the continuation of the entity and the financial risks facing the Trust in the foreseeable future. The Trust is subject to enforcement action with Monitor surrounding its financial stability as a result of the deficit recorded in 2015/16. The Trust is forecasting a financial deficit for 2016/17. The Trust will be reliant on external cash support from the Department of Health and forecasts that significant financial support will be required for the foreseeable future. These matters, along with the other matters described in the Annual Governance Statement and Note 26 of the financial statements, indicate the existence of a material uncertainty which 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 financial statements comprise:

- the Consolidated and Parent Trust's Statements of Financial Position as at 31 March 2016;
- the Consolidated and Parent Trust's Statement of Comprehensive Income for the year then ended;
- the Consolidated and Parent Trust's Statements of Cashflows for the year then ended;
- the Consolidated and Parent Trust's Statements of Changes in Taxpayer's Equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (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 2015/16 issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

## Our audit approach

### Context

Heart of England NHS Foundation Trust (HEFT) is one of the largest acute hospital Trusts in the country, serving Birmingham East and North, Solihull, Sutton Coldfield and South Staffordshire. Comprising three acute hospital sites (Heartlands, Good Hope and Solihull), a range of community services and the Birmingham Chest Clinic, the Trust also runs a number of smaller 'satellite' units ensuring patients can be treated closer to home. Funding for services comes mainly from local Clinical Commissioning Groups (CCGs) and NHS England. The Trust's income in 2015-16 was £683 million.

At the beginning of the year the Trust had cash of £88m. The Trust has experienced significant operational and financial challenges during the year and has reported a deficit in its financial statements of £46m (2014/15: deficit of £6m), compared with a budgeted deficit for the year of £10m. This deficit is after additional one-off income from the Department of Health of £18.6m for delivery of healthcare services. Its cash position at 31 March 2016 is £31m.

Monitor currently rates the Trust as red for governance and as having a financial sustainability risk rating of 1 out of 4, 1 being the highest risk and 4 being the lowest risk. The Trust is currently subject to Monitor enforcement action.

### Overview



- Overall materiality: £6.8 million which represents 1 % of total revenue.
- The consolidated financial statements comprise the parent, The Heart of England NHS Foundation Trust, and its subsidiary, Heart of England NHS Foundation Trust General Charitable Fund.
- All work was performed by a single audit team who assessed the risks of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement and determined the extent of testing we needed to do over each balance in the financial statements.
- Risk of fraud in revenue and expenditure recognition and management override of controls;
- Valuation of Property, Plant and Equipment;
- Going concern.

### The scope of our audit and our areas of focus

We conducted our audit in accordance with the National Health Service Act 2006, the Code of Audit Practice and relevant guidance issued by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code") and 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
<p><b>Risk of fraud in revenue and expenditure recognition and management override of controls</b></p> <p>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.</p>	<p><b>Revenue</b></p> <p>We tested whether the accounting policy for revenue and expenditure recognition was consistent with the Annual Reporting Manual and we noted no issues.</p> <p>For a sample of transactions recognised during the year and around the year-end (both before and after), we confirmed</p>

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## Area of focus

We focused on this area because there is a heightened audit risk due to:

- The Trust being under increasing financial pressure. Although management is addressing this, there is an incentive to recognise as much revenue as possible in 2015/16 to meet the Trust's plans;
- The operating position of the Trust means that there is a further risk that recognition of expenditure is deferred (by under-accruing for expenses that have been incurred during the period but which were not paid until after the date of transfer), not recording expenses accurately or under-estimating judgemental provisions in order to improve the financial results in the current period; and
- Service Level Agreements (SLAs) with the CCGs that account for the majority of the Trust's income, which are renegotiated annually, and are settled in equal monthly instalments with a 'true up' negotiated as at the end of financial year. The value and recoverability of the true up is subject to management judgement as the negotiations were not completed as at the date of completion of our audit.

We consider the key areas of focus are:

- Revenue and expenditure recognition;
- Manipulation of journal postings to the general ledger; and
- Recognition and measurement of estimates, in particular provisions for asbestos and clinical remediation, and accruals.

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## How our audit addressed the area of focus

that income and expenditure had been recognised in the correct accounting period by agreeing transactions to the supporting invoice, third party correspondence and cash receipts/payments where appropriate.

For a sample of CCG income, we obtained the signed contract and agreed its value to the income recognised during the year. For a sample of income from over and under performance against the contract we agreed the income to supporting evidence. This included inspecting information from the year-end intra-NHS balance agreement process to identify any significant differences between the income and debtors reported with NHS organisations.

We found no issues from this work.

### Expenditure

We performed the following testing to identify whether there were any unrecorded liabilities.

We:

- traced a sample of large payments made and invoices received after 31 March 2016 to supporting documentation, to check that where they related to the 2015/16 financial year an accrual was recognised appropriately; and
- compared accrued expenses recognised as at 31 March 2016 with that recognised in the prior year to identify potential material differences in the accruals recognised year on year. We found no such movements.

We also inspected the information from the year-end intra-NHS balance agreement process to identify any significant differences between the expenditure and creditors reported with NHS organisations.

We found no issues from this work.

### Recognition and measurement of estimates

We evaluated and tested management's accounting estimates focusing on:

- provisions, in particular for asbestos and clinical remediation provisions; and
- the accruals recognised at year end.

We validated the assumptions made by management using invoices, third party reports and budget costings, and noted no issues.

Where provision balances reduced significantly from the prior year, particular the clinical remediation provisions, we checked, that the factors which originally justified the provision no longer applied. We read Board papers and minutes, correspondence with legal advisors to validate the movements in the provision. No issues were found.

We validated the asbestos provision by checking back to costing reports and confirmed management's commitment to its identified asbestos remediation programme. No issues were found.

## Area of focus

### Valuation of property, plant and equipment

See note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates relating to the valuation of property, plant and equipment and note 10 for further information.

We focussed on this area because property, plant and equipment ("PPE") represents the largest balance in the Trust's Statement of Financial Position. PPE amounts to £256 million of which £218 million is land and buildings that have been revalued.

All PPE is measured initially at cost, with land and buildings subsequently measured at fair value. A professionally accredited expert prepares valuations following Royal Institution of Chartered Surveyors (RICS) requirements. Valuations have to be prepared sufficiently regularly so that carrying values are not materially different from fair value at the reporting date.

A full valuation of land and buildings was undertaken during 2015/16 by the Trust's valuation experts, resulting in an overall increase in fair value.

We considered the main areas of focus to be:

- the key inputs to the valuation, in particular the floor areas on which the valuation is based; and
- the methodology, assumptions and underlying data used by the valuation expert.

### Going concern

See note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates relating to the going concern assumption and note 26 for further information.

The financial performance of the Trust during 2015/16, with a deficit position and enforcement actions in place, the most recent of which includes references to the financial management of the Trust and its cash position, requires us to consider whether there are material uncertainties that should be disclosed in the accounts.

The 2016/17 cash flow forecast shows that the Trust is expecting to require significant external cash funding in order to be able to meet its obligations as they fall due.

## How our audit addressed the area of focus

We obtained the valuation and assessed the competence and objectivity of the Trust's valuation expert. We used the work of our specialist in the valuation of PPE to help us assess their work.

We assessed the methodology, assumptions and estimates used in the valuation including the consistency of these with our own expectations based on our experience of similar valuations and wider industry trends.

We tested a sample of the material assets, checking that the input data used by the valuation expert as the basis for the valuation was consistent with the underlying estates information.

We checked that the valuation information had been correctly input into the Fixed Asset Register and the accounting treatment recorded in the Trust's financial statements was appropriate.

Our work did not identify any material issues. We found:

- the valuation to have been based on appropriate input data, including floor area information; and
- the assumptions and methodology applied to be consistent with the requirements.

The Trust has produced an operational plan for 2016/17, which includes a financial plan, and is currently working with advisors to produce a financial recovery plan which aims to achieve financial sustainability over the next three years, from 1 April 2016 to 31 March 2019.

In considering whether it is appropriate for the accounts to be prepared on a going concern basis we:

- obtained the Trust's operational plan for 2016/17, and understood the uncertainties within the plan and the risks in delivering the plan; and
- considered the Trust's cashflow forecasts for the period to 30 June 2017, including the downside risks.

We noted the Trust's performance in delivering cost improvements over the past three years, which at 1.86% weighted average is significantly less than the forecast CIP requirement in the 2016/17 plan.

The financial plan for 2016/17 indicates that the Trust will require external financial support in order to meet its liabilities and provide ongoing services. The nature of any financial support is not yet confirmed, and so it is not clear at present how the continuity of the Trust's services will be achieved. As a result there is a material uncertainty, which may cast significant doubt over the Trust's ability to continue as a going concern.

### 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.

The Trust is the Corporate Trustee of Heart of England NHS Foundation Trust General Charitable Fund. The charity is consolidated into the Group financial statements. We conducted the audit on the Consolidated Group financial statements at the Trust's headquarters at its Heartlands Hospital site, which is where the Trust's finance function is based.

### 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, we determined materiality for the financial statements as a whole as follows:

<i>Overall Group materiality</i>	£6.8 million (2015: £6.4 million).
<i>How we determined it</i>	1% of revenue (2015: 1% of revenue), which we believe is appropriate for a financially significant trust.
<i>Rationale for benchmark applied</i>	Consistent with last year, we have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £250,000 (2015: £250,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Other reporting in accordance with the Code

### Opinions on other matters prescribed by the Code

In our opinion:

- the information given in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2015/16; and
- the part of the Staff Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2015/16.

### Other matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- |  |                                  |
|--|----------------------------------|
| <ul style="list-style-type: none"><li>• information in the Annual Report is:<ul style="list-style-type: none"><li>– materially inconsistent with the information in the audited financial statements; or</li><li>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Trust acquired in the course of performing our audit; or</li><li>– otherwise misleading.</li></ul></li></ul>   | We have no exceptions to report. |
| <ul style="list-style-type: none"><li>• the statement given by the directors, 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 and Parent Trust's performance, business model and strategy is materially inconsistent with our knowledge of the trust acquired in the course of performing our audit.</li></ul> | We have no exceptions to report. |
| <ul style="list-style-type: none"><li>• the section of the Annual Report, as required by provision C.3.9 of the NHS Foundation Trust Code of Governance, describing the work of the Audit</li></ul>  | We have no exceptions to report. |

Committee does not appropriately address matters communicated by us to the Audit Committee.	
<ul style="list-style-type: none"> <li>the Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2015/16 or is misleading or inconsistent with information of which we are aware from our audit. We have not considered whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.</li> </ul>	We have no exceptions to report.
We are also required to report to you if:	
<ul style="list-style-type: none"> <li>we have referred a matter to Monitor under paragraph 6 of Schedule 10 to the NHS Act 2006 because we had reason to believe that the Trust, or a director or officer of the Trust, was about to make, or had made, a decision which involved or would involve the incurring of expenditure that was unlawful, or was about to take, or had taken a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or</li> </ul>	We have no exceptions to report.
<ul style="list-style-type: none"> <li>we have issued a report in the public interest under paragraph 3 of Schedule 10 to the NHS Act 2006.</li> </ul>	We have no exceptions to report.

### Arrangements for securing economy, efficiency and effectiveness in the use of resources

Under the Code we are required to report to you if we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

#### Enforcement Undertakings issued by Monitor

Monitor issued an Enforcement Undertaking dated 22 October 2015, noting that there had been a significant deterioration in the Trust's financial position and that no formal recovery plan was in place to return to a financially sustainable position. Monitor concluded that the Trust did not have in place sufficient and effective Board, management and leadership capacity and capability. Monitor appointed an interim Chair and an interim Chief Executive.

Subsequently, Monitor issued a further Enforcement Undertaking dated 27 October 2015, reporting that the Trust had an unmitigated forecast deficit of £63.5m in 2015/16, and that the Trust's cash position was at risk as at the time the Trust had a forecast year end position of £13m against a plan of £49m. Monitor reported that the Trust's financial systems and governance did not ensure that the Trust's deteriorating financial position was identified, or reported to the Board or Monitor, in an appropriate and timely manner. Monitor concluded that these matters demonstrated a failure of the Trust's corporate governance arrangements and financial management.

These followed previous enforcement actions, which are still in place, relating to:

- issues relating to the Board, management and leadership capacity and capability and the Trust's governance arrangements; and
- the Trust's failure to comply with the 4-hour Accident and Emergency waiting time target, the referral to treatment (RTT) targets and 62 day cancer treatment targets.

#### Inspection by the Care Quality Commission (CQC)

In June 2015 the CQC issued a report following its inspection of the Trust in December 2014. The overall conclusion was that the Trust 'Requires Improvement'. Evidence available to us indicates that the Trust has not yet addressed all of the CQC's findings.

#### Expenditure during the year

The Trust's deficit for the year was £55.5m higher than budgeted, after adjusting for the non-recurrent income of £18.6m from the Department of Health which is referred to above. This was the result of a number of factors, including:

- that the budget did not reflect the nature of the Trust's contracts with its commissioners and did not reflect its underlying performance; and
- that additional expenditure was incurred without approval.

As a result of the matters summarised above, we have been unable to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2016.

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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 2015/16.

Our responsibility is to audit and express an opinion on the financial statements in accordance with the National Health Service Act 2006, the Code, 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 Heart of England 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.

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### 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.

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## Responsibilities for securing economy, efficiency and effectiveness in the use of resources

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### Our responsibilities and those of the Trust

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required under paragraph 1(d) of Schedule 10 to the NHS Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code, having regard to the criterion determined by the Comptroller and Auditor General as to whether the Trust has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary.

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## Certificate

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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 Code.

*Richard Bacon*

Richard Bacon (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

2 June 2016

- (a) The maintenance and integrity of the Heart of England 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.

**PRIMARY STATEMENTS**  
**Statement of Comprehensive Income**  
**for the year ended 31 March 2016**

	Note	Group		Foundation Trust	
		2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Operating Income	3.2	683,246	647,573	682,877	646,824
Operating Expenses	4.1	(723,631)	(648,267)	(722,335)	(646,952)
<b>OPERATING DEFICIT</b>		<b>(40,385)</b>	<b>(694)</b>	<b>(39,458)</b>	<b>(128)</b>
<b>FINANCE COSTS</b>					
Finance income	7	425	666	188	441
Finance costs - financial liabilities	8.1	(242)	(263)	(242)	(263)
Finance costs - unwinding of discount on provisions		(3)	(3)	(3)	(3)
PDC Dividends payable		(6,593)	(5,656)	(6,593)	(5,656)
<b>NET FINANCE COSTS</b>		<b>(6,413)</b>	<b>(5,256)</b>	<b>(6,650)</b>	<b>(5,481)</b>
<b>DEFICIT FOR THE YEAR</b>		<b>(46,798)</b>	<b>(5,950)</b>	<b>(46,108)</b>	<b>(5,609)</b>
<b>Other comprehensive income/(expense)</b>					
Impairments (1)	8.2	10,496	0	10,496	0
Revaluations (1)		0	3,300	0	3,300
Fair value (losses)/gains on Available-for-sale financial investments (1)		(366)	473	0	0
Other reserve movements		0	0	0	0
<b>Total Other comprehensive income</b>		<b>10,130</b>	<b>3,773</b>	<b>10,496</b>	<b>3,300</b>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>		<b>(36,668)</b>	<b>(2,177)</b>	<b>(35,612)</b>	<b>(2,309)</b>

(1) None of these items will be subsequently reclassified to income and expenditure.

## PRIMARY STATEMENTS

### Statement of Financial Position as at 31 March 2016

	Note	Group		Foundation Trust	
		31 Mar 16 £000	31 Mar 15 £000	31 Mar 16 £000	31 Mar 15 £000
<b>Non-current assets</b>					
Intangible assets	9	10,695	10,685	10,695	10,685
Property, plant and equipment	10	256,150	242,389	256,150	242,389
Investments	12	7,660	8,096	0	0
Trade and other receivables	14	1,310	1,131	1,310	1,131
<b>Total non-current assets</b>		<b>275,815</b>	<b>262,301</b>	<b>268,155</b>	<b>254,205</b>
<b>Current assets</b>					
Inventories	13	9,144	8,491	9,144	8,491
Trade and other receivables	14	28,448	31,719	28,680	31,879
Cash and cash equivalents	22	31,622	88,241	31,473	87,671
<b>Total current assets</b>		<b>69,214</b>	<b>128,451</b>	<b>69,297</b>	<b>128,041</b>
<b>Current liabilities</b>					
Trade and other payables	15	(87,075)	(73,578)	(86,878)	(73,508)
Borrowings	17	(480)	(480)	(480)	(480)
Provisions for liabilities and charges	20	(6,007)	(8,748)	(6,007)	(8,748)
Other liabilities	16	(6,471)	(6,501)	(6,471)	(6,501)
<b>Total current liabilities</b>		<b>(100,033)</b>	<b>(89,307)</b>	<b>(99,836)</b>	<b>(89,237)</b>
<b>Total assets less current liabilities</b>		<b>244,996</b>	<b>301,445</b>	<b>237,616</b>	<b>293,009</b>
<b>Non-current liabilities</b>					
Trade and other payables	15	0	0	0	0
Borrowings	17	(3,650)	(3,986)	(3,650)	(3,986)
Provisions for liabilities and charges	20	(5,903)	(6,748)	(5,903)	(6,748)
Other liabilities	16	0	0	0	0
<b>Total non-current liabilities</b>		<b>(9,553)</b>	<b>(10,734)</b>	<b>(9,553)</b>	<b>(10,734)</b>
<b>Total assets employed</b>		<b>235,443</b>	<b>290,711</b>	<b>228,063</b>	<b>282,275</b>
<b>Financed by</b>					
<b>Taxpayers' equity</b>					
Public Dividend Capital		196,709	215,309	196,709	215,309
Revaluation reserve	21	55,957	47,707	55,957	47,707
Other reserves		(169)	(169)	(169)	(169)
Income and expenditure reserve		(24,434)	19,428	(24,434)	19,428
<b>Others' equity</b>					
Charitable Fund reserves		7,380	8,436	0	0
<b>Total taxpayers' and others' equity</b>		<b>235,443</b>	<b>290,711</b>	<b>228,063</b>	<b>282,275</b>

The annual accounts on pages 146 - 202 were approved by the Board of Directors on 25th May and signed on its behalf by:



Dame Julie Moore, Interim Chief Executive

# PRIMARY STATEMENTS

## Statement of Changes In Taxpayers' and Others' Equity for the year ended 31 March 2016

Group						
Note	Total taxpayers' and others' equity	Public Dividend Capital	Revaluation Reserve	Other Reserves	Income and Expenditure Reserve	Charitable Fund Reserves
	£000	£000	£000	£000	£000	£000
<b>2015/16</b>						
<b>Taxpayers' and Others' Equity at 1 April 2015</b>	<b>290,711</b>	<b>215,309</b>	<b>47,707</b>	<b>(169)</b>	<b>19,428</b>	<b>8,436</b>
(Deficit)/surplus for the year	(46,798)				(46,896)	98
Transfers between reserves	21 0	0	(2,246)	0	2,246	0
Impairments	21 10,496		10,496		0	0
Revaluation result	21 0		0			0
Public Dividend Capital received	0	0				
Public Dividend Capital repaid	(18,600)	(18,600)				
Fair Value losses on Available-for-sale financial investments	(366)					(366)
Other reserve movements	21 0	0	0	0	788	(788)
<b>Taxpayers' and Others' Equity at 31 March 2016</b>	<b>235,443</b>	<b>196,709</b>	<b>55,957</b>	<b>(169)</b>	<b>(24,434)</b>	<b>7,380</b>

Foundation Trust						
Note	Total taxpayers' and others' equity	Public Dividend Capital	Revaluation Reserve	Other Reserves	Income and Expenditure Reserve	Charitable Fund Reserves
	£000	£000	£000	£000	£000	£000
<b>2015/16</b>						
<b>Taxpayers' and Others' Equity at 1 April 2015</b>	<b>282,275</b>	<b>215,309</b>	<b>47,707</b>	<b>(169)</b>	<b>19,428</b>	<b>0</b>
Deficit for the year	(46,108)				(46,108)	0
Transfers between reserves	21 0	0	(2,246)	0	2,246	0
Impairments	21 10,496		10,496		0	0
Revaluation result	21 0		0			0
Public Dividend Capital received	0	0				
Public Dividend Capital repaid	(18,600)	(18,600)				
Fair Value result on Available-for-sale financial investments	0					0
Other reserve movements	21 0	0	0	0	0	0
<b>Taxpayers' and Others' Equity at 31 March 2016</b>	<b>228,063</b>	<b>196,709</b>	<b>55,957</b>	<b>(169)</b>	<b>(24,434)</b>	<b>0</b>

Group						
Note	Total taxpayers' and others' equity	Public Dividend Capital	Revaluation Reserve	Other Reserves	Income and Expenditure Reserve	Charitable Fund Reserves
	£000	£000	£000	£000	£000	£000
<b>2014/15</b>						
<b>Taxpayers' and Others' Equity at 1 April 2014</b>	<b>291,748</b>	<b>214,169</b>	<b>46,719</b>	<b>(169)</b>	<b>22,725</b>	<b>8,304</b>
(Deficit)/surplus for the year	(5,950)				(6,167)	217
Transfers between reserves	21 0	0	(2,312)	0	2,312	0
Impairments	21 0		0		0	0
Revaluation gains	21 3,300		3,300			0
Public Dividend Capital received	1,140	1,140				
Public Dividend Capital repaid	0	0				
Fair Value gains on Available-for-sale financial investments	473					473
Other reserve movements	21 0	0	0	0	558	(558)
<b>Taxpayers' and Others' Equity at 31 March 2015</b>	<b>290,711</b>	<b>215,309</b>	<b>47,707</b>	<b>(169)</b>	<b>19,428</b>	<b>8,436</b>

Foundation Trust						
Note	Total taxpayers' and others' equity	Public Dividend Capital	Revaluation Reserve	Other Reserves	Income and Expenditure Reserve	Charitable Fund Reserves
	£000	£000	£000	£000	£000	£000
<b>2014/15</b>						
<b>Taxpayers' and Others' Equity at 1 April 2014</b>	<b>283,444</b>	<b>214,169</b>	<b>46,719</b>	<b>(169)</b>	<b>22,725</b>	<b>0</b>
Deficit for the year	(5,609)				(5,609)	0
Transfers between reserves	0	0	(2,312)	0	2,312	0
Impairments	21 0		0		0	0
Revaluation gains	21 3,300		3,300			0
Public Dividend Capital received	1,140	1,140				
Public Dividend Capital repaid	0	0				
Fair Value result on Available-for-sale financial investments	0					0
Other reserve movements	21 0	0	0	0	0	0
<b>Taxpayers' and Others' Equity at 31 March 2015</b>	<b>282,275</b>	<b>215,309</b>	<b>47,707</b>	<b>(169)</b>	<b>19,428</b>	<b>0</b>

The split of Charitable Fund Reserves between Restricted and Unrestricted funds is shown in Note 2.3

**PRIMARY STATEMENTS**  
**Statement Of Cash Flows**  
**for the year ended 31 March 2016**

	Note	Group		Foundation Trust	
		2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
<b>Cash flows from operating activities</b>					
Operating deficit		(40,385)	(694)	(39,458)	(128)
Depreciation and amortisation		17,326	18,359	17,326	18,359
Impairments		9,599	0	9,599	0
Reversals of impairments		(10,466)	0	(10,466)	0
Loss on disposal		138	195	138	195
Income recognised in respect of capital donations		(682)	(501)	(682)	(501)
Amortisation of PFI credit		0	0	0	0
Increase in Trade and Other Receivables	14	2,553	(3,063)	2,481	(2,679)
Movement in Other Assets		0	0	0	0
Increase in Inventories	13	(653)	(495)	(653)	(495)
Increase in Trade and Other Payables	15	14,501	14,776	14,374	14,743
Decrease in Other Liabilities	16	(30)	(104)	(30)	(104)
Decrease in Provisions	20	(3,193)	(4,139)	(3,193)	(4,139)
Other movements in operating cash flows		0	0	0	0
<b>Net cash (used in)/generated from operating activities</b>		<b>(11,292)</b>	<b>24,334</b>	<b>(10,564)</b>	<b>25,251</b>
<b>Cash flows from investing activities</b>					
Interest received		422	779	185	554
Purchase of financial assets		(792)	(893)	0	0
Sales of financial assets		862	883	0	0
Purchase of intangible assets		(3,556)	(431)	(3,556)	(431)
Purchase of Property, Plant and Equipment		(17,951)	(21,096)	(17,951)	(21,096)
Sales of Property, Plant and Equipment		0	0	0	0
Receipt of cash donations to purchase capital assets		682	501	682	501
<b>Net cash used in investing activities</b>		<b>(20,333)</b>	<b>(20,257)</b>	<b>(20,640)</b>	<b>(20,472)</b>
<b>Cash flows from financing activities</b>					
Public dividend capital received		0	1,140	0	1,140
Public dividend capital repaid		(18,600)	0	(18,600)	0
Capital element of finance lease rental payments	18	(139)	(137)	(139)	(137)
Capital element of Private Finance Initiative Obligations	19	(197)	(197)	(197)	(197)
Interest paid		0	0	0	0
Interest element of finance lease	8	(118)	(129)	(118)	(129)
Interest element of Private Finance Initiative obligations	8	(124)	(134)	(124)	(134)
PDC Dividend paid		(5,816)	(4,851)	(5,816)	(4,851)
Cash flows from other financing activities		0	501	0	501
<b>Net cash used in financing activities</b>		<b>(24,994)</b>	<b>(3,807)</b>	<b>(24,994)</b>	<b>(3,807)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(56,619)</b>	<b>270</b>	<b>(56,198)</b>	<b>972</b>
<b>Cash and Cash equivalents at 1 April</b>		<b>88,241</b>	<b>87,971</b>	<b>87,671</b>	<b>86,699</b>
<b>Cash and Cash equivalents at 31 March</b>	22	<b>31,622</b>	<b>88,241</b>	<b>31,473</b>	<b>87,671</b>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of Preparation of Accounts

Monitor has directed that the annual report and accounts of NHS Foundation Trusts should meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual (ARM) which shall be agreed with HM Treasury. Consequently, the following annual report and accounts for Heart of England NHS Foundation Trust (the Trust) have been prepared in accordance with the 2015/16 NHS Foundation Trust ARM issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual (FRM) to the extent that they are meaningful and appropriate to the Trust. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.2 Consolidation

The Trust is the Corporate Trustee to Heart of England NHS Foundation Trust Charitable Fund (Charity Number 1052330). The Trust has assessed its relationship to the Charitable Fund and determined it to be a subsidiary because the Foundation Trust has the power to govern the financial and operating policies of the Charitable Fund, so as to obtain benefits from its activities for its patients and its staff.

From 2013/14, the Trust has consolidated the Charitable Fund as required by the FT ARM.

The main annual report and accounts disclose the Trust's financial position alongside that of the Group (which represents the NHS Trust and the NHS Charity). The Charity's Accounts which have been prepared in accordance with the Charities SORP, can be found on the Charity's website, the Charity Commission website and are summarised in Note 2 to these accounts.

The key accounting policies of the Charity are;

Income is categorised into restricted funds and unrestricted funds. Restricted funds are where there is a legal restriction on where the funds must be spent, whereas unrestricted funds are where a donor can make their wishes known (earmarked funds) or where the Charity has discretion on what to spend it on.

All incoming resources except for legacies are accounted for on an accruals basis. Legacies are accounted for on the earlier of receipt of the monies or when reasonable certainly of the receipt

of the legacy has been obtained. Legacies notified but not accounted for are separately disclosed.

Costs are accounted for on an accruals basis.

Fixed asset investments are stated at the market value on the balance sheet date.

#### 1.3 Income

Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of healthcare services. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

The Trust makes an accrual in the statement of financial position at the year end to account for the value of partially completed patient spells. The year on year movement in the value of this accrual is recorded within income from activities.

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.

#### 1.4 Expenditure on 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.

#### 1.5 Intangible assets

##### Recognition

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

Internally generated intangible assets

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

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

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

#### Software

Software which is integral to the operation of hardware 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.

#### Measurement

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

Subsequently intangible assets are measured at fair value. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

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

#### Amortisation

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. The amortisation periods for intangible assets are, in general, 5-10 years for software licences.

## 1.6 Property, Plant and Equipment Recognition

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust;
- it is expected to be used for more than one financial year; and
- the cost of the item can be measured reliably. The cost must be where;
  - individually items have a cost of at least £5,000; or
  - collectively they 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
  - form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

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

#### Measurement

##### Valuation

All property and plant assets are measured initially at cost, representing the costs 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.

For freehold and leasehold properties fair value is based on periodic, but at least quinquennial, rolling valuations performed by external independent valuers less subsequent depreciation and impairment losses. The valuations are performed with sufficient regularity to ensure that the carrying value does not differ significantly from fair value at the reporting date.

Short life equipment is valued at Depreciated Historic Cost due to the individually short life and low value of each asset. Non Short life equipment is assessed for fair value using depreciated replacement cost as a proxy. The Trust has concluded that there is no material difference between depreciated replacement cost and fair value for this class of assets.

An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

#### 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.

#### Revaluation and impairment

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'. Impairments relating to a loss of economic benefits or a loss of service potential are recognised in operating expenses.

On an annual basis the Trust will transfer an amount from the revaluation reserve to the Income and Expenditure reserve to transfer the excess of current cost depreciation over historical cost depreciation to the Income and Expenditure Reserve.

#### Depreciation

Items of Property, Plant and Equipment are depreciated on a straight line basis over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Depreciation is applied in the quarter after the asset is brought into use.

Assets in the course of construction and residual interests in off-statement of financial position sheet Private Finance Initiative contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively. Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the lease term.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the Trust's valuer, currently GVA. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated evenly over the estimated life of the asset.

In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are, in general, as follows:

plant & machinery	5-15 years
transport equipment	7 years
information technology	5-8 years
furniture & fittings	5-10 years
dwellings	up to 60 years
other buildings	up to 60 years

#### De-recognition of Property, Plant & Equipment

Assets planned to be scrapped or demolished are held as operational assets with revised lives to reflect the period over which the assets economic life has been shortened. Once the asset has been disposed of it ceases to be recognised and is removed from the Trust's Fixed Asset Register.

Assets planned for sale on disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- there is documented management intent and approval in line with the Trust's Standing Financial Instructions to sell the asset;
- an active programme has begun to find a buyer and complete the sale;
- the asset is being actively marketed at a reasonable price;
- the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
- it is highly unlikely that the plan to sell the asset will be cancelled or materially changed so as to delay or impair the process such that the sale will take longer than 12 months or cease completely.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

## Donated assets

Donated non-current assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met. The donated assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

## Private Finance Initiative (PFI) transactions

PFI transactions which meet the International Financial Reporting Interpretations Committee 12 (IFRIC 12 - Service Concession Arrangements) definition of a service concession, as interpreted in HM Treasury's Financial Reporting Manual, are accounted for as 'on-Statement of Financial Position' by the Trust. The underlying assets are recognised as Property, Plant and Equipment at their fair value which is periodically assessed in line with the Trust's valuation policy. An equivalent financial liability is recognised in accordance

with International Accounting Standard 17 (IAS 17 - Leases). The annual contract payments are split into the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the effective interest rate for the scheme. The service charge is recognised in operating expenses and the finance cost is charged to Finance Costs in the Statement of Comprehensive Income.

For PFI transactions which do not meet the IFRIC12 definition of a service concession, as interpreted in HM Treasury's Financial Reporting Manual, the PFI payments are recorded as an operating expense. Where the Trust has contributed to land and buildings, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Statement of Comprehensive Income. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as property, plant and equipment.

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'.

## Services received

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

## PFI Asset

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

## PFI liability

The PFI liability is measured initially at the same amount as the fair value of the PFI asset and is subsequently measured as a finance lease liability in accordance with IAS 17 (Leases).

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.

#### Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their cost and depreciated over the shorter of either remaining life of the contract or the life of the individual asset.

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 Trust's Statement of Financial Position.

### **1.7 Transfers of functions (to /from) other NHS bodies/Local government bodies**

For functions that have been transferred to the Trust from another NHS/Local government body, the assets and liabilities transferred are recognised in the accounts as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain/loss corresponding to the net assets/liabilities transferred is recognised within income/expenses but not within operating activities.

For property plant and equipment assets and intangible assets, the Cost and Accumulated Depreciation/Amortisation balances from the transferring entity's accounts are preserved on recognition in the Trust's accounts.

For functions that the Trust has transferred to another NHS / Local government body, the assets and liabilities transferred are de-recognised from the accounts as at the date of transfer. The net loss / gain corresponding to the net assets/liabilities transferred is recognised within expenses / income, but not within operating activities. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve. Adjustments to align the acquired function to the Foundation Trust's accounting policies are applied after initial

recognition and are adjusted directly in taxpayers' equity.

### **1.8 Inventories**

Inventories are valued at the lower of cost and net realisable value, on a first in first out basis. Each year end stock is assessed for slow moving, obsolete and defective stock and a provision made for this.

### **1.9 Research and Development**

Expenditure on research is not capitalised, it is charged as an expense through the Statement of Comprehensive Income. Expenditure on development is capitalised only where all of the following can be demonstrated:

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

### **1.10 Cash and Cash Equivalents**

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

### **1.11 Provisions**

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

## Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at Note 20 but is not recognised in the Trust's accounts.

## Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution to 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 when the liability arises.

## 1.12 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in Note 25 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are instead disclosed in Note 25. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

## 1.13 Expenditure on Employee Benefits Short-term Employee Benefits

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

## 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 Secretary of State, in England and Wales. It is not possible for the Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme. All eligible Trust employees are automatically registered to this qualifying workplace pension scheme without them needing to make an active decision to join.

### NEST scheme

NEST (National Employment Savings Trust) is an automatic enrolment pension scheme available for Trust employees not eligible to join the NHS Pension scheme. They automatically become a member of this qualifying workplace pension scheme without them needing to make an active decision to join. It is a defined contribution pension scheme which enables the Trust to comply with its legal duties from the Pensions Act 2008 regarding all staff having access to a workplace pension scheme.

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

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

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

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

## 1.15 Critical judgements in applying accounting policies

The Trust is required under IAS1 (Presentation of Financial Statements) to disclose the critical judgements, apart from those involving estimations (see note 1.14) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the annual report and accounts. The following areas are where the application of the Trust's accounting policies involved significant judgements;

- a. The assumption within the Research and Development business unit is that it breaks even in any financial year. The head of the business unit regularly reviews the income and costs and flexes resource and obtains sources of income depending on the activity of the department.
- b. The Trust's policy on stock valuation is based on a first in first out basis. Some of the stock is valued manually and in some cases it has been necessary to value this stock on an average cost basis of stock purchased during the year. This has no material impact on the year end stock valuation.

## 1.16 Key sources of estimation uncertainty

The Trust is required under IAS1 (Presentation of Financial Statements), to disclose key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Trust has reviewed the areas where there are sources of estimation uncertainty, including provision balances, PFI transactions, NHS injury scheme income and balances, income and debtor balances relating to contracted NHS income, debtor balances and asset valuations.

Within Provisions is an estimate of the value of the Kennedy review costs, the costs of putting right an environmental issue and the costs of putting right a clinical issue. The Kennedy review costs and the clinical issue costs are the estimated costs associated with the corrective action required as a result of the review, which included both clinical and non-clinical costs. The environmental provision is based on a specialist report and an assessment of the areas where the issue is required to be rectified over the next five years. In all of these cases, the actual cost could be different to the estimated values.

With the exception of the point above, the Trust has not made any further estimations or judgements that could have a significant risk of

materially adjusting the carrying values of any other assets or liabilities within the next financial year.

## 1.17 Value Added Tax

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

## 1.18 Foreign exchange

The functional and presentational currencies of the Trust are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. There are minimal foreign currency transactions.

## 1.19 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts (Note 22.2) in accordance with the requirements of HM Treasury's Financial Reporting Manual.

## 1.20 Leases

### Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires.

The annual rental is split between the repayment of the liability and a finance cost. 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.

## Operating leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received (e.g. reduced rentals or rent free periods) are added to the actual lease rentals invoiced and charged to operating expenses over the life of the lease to give a similar rental charge per year across each year of the lease.

## Leases of land and buildings

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

## Lessor

Where the Trust acts as the lessor, the income due to the Trust is accounted for on an accruals basis.

## 1.21 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32 (Financial Instruments: Presentation). A charge, reflecting the forecast cost of capital utilised by the Trust, is paid over as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the actual average relevant net assets of the Trust during the financial year as set out in the "pre-audit" version of the annual accounts.

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) and National Loans Fund (NLF) deposits with the exception of cash balances held in GBS accounts that relate to a short-term working capital facility;
- net assets and liabilities transferred from bodies which ceased to exist on 1 April 2015; and
- any PDC dividend balance receivable or payable.

The calculated dividend is not revised if any adjustments to net relevant assets are identified during the final audit process.

## 1.22 Other reserves

Other reserves were created to account for any differences between the value of fixed assets taken over by the Trust at inception and the corresponding figure in the opening capital debt.

## 1.23 Losses and Special Payments

Losses and special payments are incurred when there is an excess to pay on claims made through the NHS Litigation Authority for non-clinical claims or where the amount is below the excess in which case it is paid directly to the individual or organisation. This would be the case for small monetary value items such as spectacles, cash and clothing.

Losses and special payments are reported on an accruals basis, but exclude provisions for future losses.

## 1.24 Corporation Tax

NHS Foundation Trusts are potentially liable to corporation tax in certain circumstances. A review of other operating income is performed annually to assess any potential liability in conjunction with guidance on the HMRC website. As a result of this review it is concluded that the Trust did not have a corporation tax liability in 2014/15 or 2015/16.

## 1.25 Financial instruments and financial liabilities

### Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs 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 described above. All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

### De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Trust has transferred substantially

all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

#### Classification and Measurement

Financial assets are categorised as 'Fair Value through Income and Expenditure', 'Loans and receivables', 'Available-for-sale' assets or assets 'Held to maturity'. Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial liabilities'.

#### Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities. These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the Statement of Comprehensive Income.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets. The Trust's loans and receivables comprise: current investments, cash and cash equivalents, NHS debtors, accrued income and 'other debtors'. Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

#### Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

#### Available-for-sale financial assets

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

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the Statement of Comprehensive income as an item of 'Other comprehensive income'. When items classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised in Finance Costs in the Statement of Comprehensive Income.

#### Other financial liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities. Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

#### Impairment of financial assets

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised

if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset. For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced directly.

## **1.26 Going concern**

The financial statements have been prepared on a going concern basis (see Note 26).

## 1.27 Accounting standards that have been issued but have not yet been adopted

### IASB standard and IFRIC interpretations

The accounting standards listed below have been issued by the International Accounting Standards Board (IASB) but have not yet been adopted in the NHS in 2015/16. NHS bodies cannot adopt new standards unless they have been adopted in the HM Treasury FReM. The HM Treasury FReM generally does not adopt an international standard until it has been endorsed by the European Union for use by listed companies.

In some cases, the standards may be interpreted in the HM Treasury FReM and therefore may not be adopted in their original form. The following table lists changes issued by the IASB which have not yet been adopted:

Change published	Published by IASB	Financial year in which the change first applies
IFRS 9 Financial Instruments	July 2014	Not yet EU adopted. Expected to be effective from 2018/19.
IFRS 11 (amendment) – acquisition of an interest in a joint operation	May 2014	Not yet EU adopted. Expected to be effective from 2016/17.
IAS 16 (amendment) and IAS 38 (amendment) – depreciation and amortisation	May 2014	Not yet EU adopted. Expected to be effective from 2016/17.
IAS 16 (amendment) and IAS 41 (amendment) – bearer plants	June 2014	Not yet EU adopted. Expected to be effective from 2016/17.
IAS 27 (amendment) – equity method in separate financial statements	August 2014	Not yet EU adopted. Expected to be effective from 2016/17.
IFRS 10 (amendment) and IAS 28 (amendment) – sale or contribution of assets	September 2014	Not yet EU adopted. Expected to be effective from 2016/17.
IFRS 10 (amendment) and IAS 28 (amendment) – investment entities applying the consolidation exception	December 2014	Not yet EU adopted. Expected to be effective from 2016/17.
IAS 1 (amendment) – disclosure initiative	December 2014	Not yet EU adopted. Expected to be effective from 2016/17.
IFRS 15 Revenue from contracts with customers	May 2014	Not yet EU adopted. Expected to be effective from 2017/18.
Annual improvements to IFRS: 2012-15 cycle	September 2014	Not yet EU adopted. Expected to be effective from 2017/18.

The Trust has not adopted any of these policies early

## Note 2 Charity-Consolidated Summary Annual Report and Accounts

The following statements represent the summarised annual accounts of the consolidated Charity presented under an IFRS format.

### Note 2.1 Charity-Statement of Comprehensive Income

	Charity	
	2015/16	2014/15
	£000	£000
Operating Income	1,157	1,307
Operating Expenses	(2,084)	(1,873)
<b>OPERATING DEFICIT</b>	<b>(927)</b>	<b>(566)</b>
<b>FINANCE COSTS</b>		
Finance income	237	225
Finance costs	0	0
<b>NET FINANCE INCOME</b>	<b>237</b>	<b>225</b>
<b>DEFICIT FOR THE YEAR</b>	<b>(690)</b>	<b>(341)</b>

#### Reconciliation to Consolidated 'Group' Deficit for the year:

	Charity		Foundation Trust		Group	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000	£000	£000
<b>DEFICIT FOR THE YEAR</b>	<b>(690)</b>	<b>(341)</b>	<b>(46,108)</b>	<b>(5,609)</b>	<b>(46,798)</b>	<b>(5,950)</b>
Operating Income-Eliminations	0	0	(788)	(558)	(788)	(558)
Operating Expenses-Eliminations	788	558	0	0	788	558
<b>CONSOLIDATED SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>98</b>	<b>217</b>	<b>(46,896)</b>	<b>(6,167)</b>	<b>(46,798)</b>	<b>(5,950)</b>

## Note 2 Charity-Consolidated Summary Annual Report and Accounts

### Note 2.2 Charity-Statement of Financial Position

	Charity	
	2015/16	2014/15
	£000	£000
<b>Non-current assets</b>		
Investments	7,660	8,096
<b>Total non-current assets</b>	<b>7,660</b>	<b>8,096</b>
<b>Current assets</b>		
Inventories	0	0
Trade and other receivables	89	37
Other financial assets	0	0
Cash and cash equivalents	149	570
<b>Total current assets</b>	<b>238</b>	<b>607</b>
<b>Current liabilities</b>		
Trade and other payables	(518)	(267)
Other liabilities	0	0
<b>Total current liabilities</b>	<b>(518)</b>	<b>(267)</b>
<b>Total assets less current liabilities</b>	<b>7,380</b>	<b>8,436</b>
<b>Total assets employed</b>	<b>7,380</b>	<b>8,436</b>
<b>Financed by Equity</b>		
Charitable Fund reserves	7,380	8,436
<b>Total Equity</b>	<b>7,380</b>	<b>8,436</b>
<b>The Charitable Fund Reserves can be analysed as follows:</b>		
Restricted funds	1,698	1,698
Unrestricted funds	5,682	6,738
<b>Total Charitable Funds</b>	<b>7,380</b>	<b>8,436</b>

The Charity's funds are split into two categories. The restricted funds exist where there is a very specific purpose and legally the funds must be spent for the purpose set out in the donation. The unrestricted funds are a combination of earmarked funds where the intended area of spend is set out in the donation, or general funds where no particular preference has been expressed.

The largest restricted fund is £1,681k and is for a Post Graduate Medical Centre development. There are 2 other restricted funds.

#### Reconciliation to figures included in Consolidated 'Group' Statement of Financial Position:

	Charity		Foundation Trust		Group	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000	£000	£000
<b>Non-current assets</b>	<b>7,660</b>	<b>8,096</b>	<b>268,155</b>	<b>254,205</b>	<b>275,815</b>	<b>262,301</b>
<b>Current assets</b>	<b>238</b>	<b>607</b>	<b>69,297</b>	<b>128,041</b>	<b>69,535</b>	<b>128,648</b>
Trade and other receivables-Eliminations	(321)	(197)	0	0	(321)	(197)
<b>Current liabilities</b>	<b>(518)</b>	<b>(267)</b>	<b>(99,836)</b>	<b>(89,237)</b>	<b>(100,354)</b>	<b>(89,504)</b>
Trade and other payables-Eliminations	0	0	321	197	321	197
<b>Non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>(9,553)</b>	<b>(10,734)</b>	<b>(9,553)</b>	<b>(10,734)</b>
<b>Total assets employed (Consolidated)</b>	<b>7,059</b>	<b>8,239</b>	<b>228,384</b>	<b>282,472</b>	<b>235,443</b>	<b>290,711</b>
<b>Financed by</b>						
<b>Taxpayers' equity</b>			<b>228,063</b>	<b>282,275</b>	<b>228,063</b>	<b>282,275</b>
<b>Others' equity</b>	<b>7,380</b>	<b>8,436</b>			<b>7,380</b>	<b>8,436</b>
<b>Total Equity (Consolidated)</b>	<b>7,380</b>	<b>8,436</b>	<b>228,063</b>	<b>282,275</b>	<b>235,443</b>	<b>290,711</b>

## Note 3.1 Operating Segments

### Trust wide summary of segments

	2015/16				2014/15			
	Operational Healthcare	Research and Development	Charity	Total Segments	Operational Healthcare	Research and Development	Charity	Total Segments
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	667,414	4,612	1,394	673,420	627,329	2,709	1,532	631,570
Costs	(634,770)	(4,774)	(2,084)	(641,628)	(556,001)	(2,709)	(1,873)	(560,583)
Net (surplus)/deficit	32,644	(162)	(690)	31,792	71,328	0	(341)	70,987

Operational Healthcare refers to the core activities of the Trust that fall under the remit of the Clinical Sites and Divisions ('Divisions'). This activity is primarily the provision of NHS healthcare, either to patients and charged to the Clinical Commissioning Groups (CCGs) via the local delivery plan (LDP), or where healthcare related services are provided to other Trusts, Foundations Trusts, NHS England, CCGs and Local Councils and charged at service level agreement (SLA) prices.

The Operational Healthcare segment comprises the five clinical Divisions (Good Hope, Solihull, Heartlands, Clinical Support Services and Women's and Children's Services). These Divisions have been aggregated into a single operating segment because they have similar economic characteristics, the nature of the services they offer are the same (free NHS care), they have similar customers (the general public from the surrounding geographical areas) and have the same regulators (Monitor, Care Quality Commission and the Department of Health). The overlapping activities and interrelation between the Divisions also suggests that aggregation is applicable. The Divisions are managed by the Chief Nurse and Operations Director who works closely with the Medical Director. This group of individuals make decisions alongside the Finance Director and Chief Executive about the allocations of budgets, capital funding and other financial decisions. The income the Trust earns for the Operational Healthcare activity is not allocated out to the Divisions on a monthly basis.

The costs associated with the activities of the Divisions are the costs of providing these healthcare services, including running the wards, theatres and clinics where these services are provided and mostly comprise staffing costs, drugs and medical consumables and supplies. In addition, the capital costs of the Trust are included in this segment as the majority of the value of the estate and equipment relates to the assets required to provide healthcare services.

The CCGs and NHS England account for almost 90% of the income of Operational Healthcare and the majority of the income is from the West Midlands.

The Research and Development segment refers to the activities of the Trust that focus specifically on pioneering developments and researching innovations and advancements in healthcare provision. The R&D directorate is funded by grants and income from commercial bodies, such as pharmaceutical companies, research organisations, medical charities and the Department of Health. The activities it conducts include medical trials, data analysis and writing medical journals and papers. The costs of the segment are mostly staffing costs and medical supplies costs and are distinctly identifiable from other Trust costs. Indirect overheads of Trust corporate departments are not included within these numbers.

The Charity segment refers to the results of the Heart of England NHS Foundation Trust Charity, which have been consolidated into the Trust's Accounts. The full results of the Charity are shown in note 2.

Because the Trust's assets are only reported at a consolidated level to the Trust Board it is not possible to separate them by segment.

## Note 3.1 Operating Segments

### Reconciliation between segments and Trust wide results

<b>Income</b>	2015/16 £'000	2014/15 £'000
Segmental income	673,420	631,570
less Eliminations on consolidation	(788)	(558)
less Charity Finance income	(237)	(225)
add Corporate and facilities income	10,851	16,786
<b>Trust wide income</b>	<b>683,246</b>	<b>647,573</b>
<b>Surplus</b>	2015/16 £'000	2014/15 £'000
Segmental surplus	31,792	70,987
Corporate and facilities deficits	(79,456)	(76,937)
Net Impairments	866	0
<b>Trust wide deficit</b>	<b>(46,798)</b>	<b>(5,950)</b>

The corporate and facilities departments are those that provide support services to the Operational Healthcare segment.

The facilities departments include catering (provisions to patients, staff and visitors), car parking (patients, staff and visitors), portering, cleaning services, post, and estates management. The corporate departments include the Board of Directors, Corporate Nursing, Finance, Human Resources and Organisational Development, Information Communications and Technology (ICT) and the costs of the corporate departments are primarily staffing costs, insurance costs and legal and consultancy costs.

Although the corporate and facilities departments earn some income, this is ancillary to the main purpose of the department and is small relative to the size of the Trust, so is not deemed to be a segment of its own.

All of the Trust's activities are based in the UK and its principal activity is healthcare. The Trust's registered address is Devon House, Heartlands Hospital, Bordesley Green East, Birmingham, B9 5SS

## Note 3.2 Operating Income

	Group		Foundation Trust	
	2015/16	2014/15	2015/16	2014/15
	Total	Total	Total	Total
	£000	£000	£000	£000
Income from activities (See Note 3.2.1 below)	613,818	580,582	613,818	580,582
Other operating income (See Note 3.6)	69,428	66,991	69,059	66,242
<b>TOTAL</b>	<b>683,246</b>	<b>647,573</b>	<b>682,877</b>	<b>646,824</b>

### Note 3.2.1 Income from activities

	Group		Foundation Trust	
	2015/16	2014/15	2015/16	2014/15
	Total	Total	Total	Total
	£000	£000	£000	£000
NHS Foundation Trusts	0	0	0	0
NHS Trusts	0	0	0	0
CCGs and NHS England	586,141	567,820	586,141	567,820
Local Authorities	5,449	9,675	5,449	9,675
Additional income for delivery of healthcare services	18,600	0	18,600	0
Non NHS: Private patients	676	589	676	589
Non-NHS: Overseas patients (non-reciprocal)	251	161	251	161
NHS injury scheme (was RTA)	2,701	2,337	2,701	2,337
<b>TOTAL</b>	<b>613,818</b>	<b>580,582</b>	<b>613,818</b>	<b>580,582</b>

In 2015/16 the Trust received £18.6m from the Department of Health as one-off additional funding for delivery of healthcare services. The value was calculated as the difference between the Trust's planned capital expenditure for the year and the forecast as at month 7.

NHS Injury Scheme income is subject to a provision for doubtful debts of 21.99% (18.9% in 2014/15) to reflect expected rates of collection.

## Note 3.3 Split of income from activities between Commissioner and Non-Commissioner Services

Of the total income from activities, £591,590k (2014/15 £577,495k) is commissioner services income and £22,228k (2014/15 £3,087k) is non-commissioner services income. Commissioner services income is defined as NHS clinical income from CCGs, other NHS organisations and Local Authorities.

## Note 3.4 - Overseas Visitor's Patient's Income

	Group/Foundation Trust	
	2015/16	2014/15
	Total	Total
	£000	£000
Income recognised this year	251	161
Cash payments received in-year (relating to invoices raised in current and previous years)	261	124
Amounts added to provision for impairment of receivables (relating to invoices raised in current and prior years)	363	330
Amounts written off in-year (relating to invoices raised in current and previous years)	0	55

This income £251k (2014/15 £161k) is charged by the Trust directly to patients who are not entitled to free NHS care under the Department of Health 'Guidance on implementing overseas visitor hospital charging regulations 2015'.

## Note 3.5 Operating Lease Income

	Group		Foundation Trust	
	2015/16 Total £000	2014/15 Total £000	2015/16 Total £000	2014/15 Total £000
<b>Operating Lease Income</b>				
Rents recognised as income in the year	62	62	62	62
Contingent rents recognised as income in the year	0	0	0	0
<b>TOTAL</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>
<b>Future minimum lease receipts due</b>				
not later than one year;	0	0	0	0
later than one year and not later than five years;	0	0	0	0
later than five years.	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Trust leases the Clinical Waste Facility based at the Yardley Green Road site to Tradebe Healthcare Limited (formerly Britcare Limited).

## Note 3.6 Other Operating Income

	Group		Foundation Trust	
	2015/16 Total £000	2014/15 Total £000	2015/16 Total £000	2014/15 Total £000
Research and development	4,611	4,176	4,611	4,176
Education and training	21,523	22,128	21,535	22,142
Charitable and other contributions to expenditure	1,157	1,307	682	501
Non-patient care services to other bodies	8,613	12,534	8,613	12,534
Support from Dept of Health for mergers	0	0	0	0
Car parking income	4,814	4,780	4,814	4,780
Staff accommodation rentals	257	278	257	278
Clinical excellence awards	720	960	720	960
Catering income	1,206	1,014	1,206	1,014
Property rentals	922	916	922	916
Rental revenue from operating leases	62	62	62	62
Amortisation of PFI deferred credits	0	0	0	0
Reversal of impairments of property, plant and equipment	10,466	0	10,466	0
Other	15,077	18,836	15,171	18,879
<b>TOTAL</b>	<b>69,428</b>	<b>66,991</b>	<b>69,059</b>	<b>66,242</b>

Car Parking includes £1,352k (2014/15 £1,367k) of income from charging staff who park on Trust Premises. Car parking income covers the cost of the car park and security staff, ground maintenance, services and utility and capital charges.

Other income for 2015/16 of £15.1m (2014/15 £18.8m) includes £1.3m (2014/15 £2.1m) of Community Services income. Maternity pathways income is £3.9m (2014/15 £3.4m).

Property rentals of £922k (2014/15 £916k) comprises a number of agreements with third party organisations of both a formal and informal nature for the rental of Trust space. This can be broken down as follows:

	Group		Foundation Trust	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Sterilisation Services	105	104	105	104
Clinical waste services (Tradebe Healthcare)	63	62	63	62
CCG - community service ward	245	468	245	468
Badger Clinics	140	141	140	141
WH Smith	62	62	62	62
BHE Heartlands (Assura)	96	38	96	38
Birmingham Community Healthcare NHS Trust (Child Development Centre)	137	81	137	81
Other	74	(40)	74	(40)
	<b>922</b>	<b>916</b>	<b>922</b>	<b>916</b>

## Note 4.1 Operating Expenses

	Group		Foundation Trust	
	2015/16 Total £000	2014/15 Total £000	2015/16 Total £000	2014/15 Total £000
Employee Expenses (1)	437,001	411,969	436,848	411,791
Drug costs	68,307	58,544	68,307	58,544
Supplies and services - clinical (excluding drug costs)	77,873	70,027	77,341	69,713
Supplies and services - general	18,885	16,626	18,860	16,604
Establishment	5,819	5,246	5,742	5,144
Research and development (2)	3,281	2,675	3,281	2,675
Transport (Business travel only)	1,223	1,418	1,223	1,418
Transport (Other)	1,235	1,300	1,235	1,300
Premises	27,000	24,319	26,810	24,113
Increase/(decrease) in bad debt provision	10,148	(29)	10,148	(29)
Rentals under operating leases	1,337	1,009	1,337	1,009
Change in provisions discount rate	(2)	19	(2)	19
Inventories written down (net, including inventory drugs)	155	103	155	103
Inventories consumed (excluding drugs)	1,887	4,228	1,887	4,228
Depreciation on property, plant and equipment	16,254	17,404	16,254	17,404
Amortisation on intangible assets	1,072	955	1,072	955
Impairments of property, plant and equipment (3)	9,599	0	9,599	0
Audit fees (4)				
audit services - statutory audit	101	84	101	84
audit services - regulatory reporting	39	32	39	32
audit services - charity accounts	15	15	0	0
Clinical negligence	15,353	12,795	15,353	12,795
Loss on disposal of investments	0	0	0	0
Loss on disposal of intangible fixed assets	0	0	0	0
Loss on disposal of land and buildings	0	0	0	0
Loss on disposal of other property, plant and equipment	138	195	138	195
Legal fees	(5)	1,178	(5)	1,178
Consultancy costs (5)	5,673	1,872	5,673	1,872
Internal audit costs (6)	1,215	514	1,215	514
Training, courses and conferences	2,702	2,642	2,529	2,530
Patient travel	3,090	2,698	3,089	2,696
Car parking and Security	1,404	1,286	1,404	1,286
Restructuring	365	(2,456)	365	(2,456)
Early retirements	43	34	43	34
Hospitality	94	121	83	99
Publishing	79	165	79	162
Insurance	805	897	805	897
Other services	9,805	9,551	9,805	9,551
Losses, ex gratia and special payments	61	(243)	61	(243)
Other	1,580	1,074	1,461	735
<b>TOTAL</b>	<b>723,631</b>	<b>648,267</b>	<b>722,335</b>	<b>646,952</b>

(1) Employee Expenses is broken down as follows:

	£000	£000	£000	£000
Executive Directors	1,619	1,386	1,619	1,386
Non Executive Directors	161	160	161	160
Staff	435,221	410,423	435,068	410,245
	<b>437,001</b>	<b>411,969</b>	<b>436,848</b>	<b>411,791</b>

(2) All of the research and development expenditure is current year expenditure.

(3) Relates to the revaluation of assets. Further details can be found in note 10.5.

(4) The audit fee of £101k (2014/15 £84k) relates to statutory audit work, including the fees for additional work on revaluation. Regulatory reporting fees are for Quality Accounts and for additional work on the enforcement undertakings at the Trust. There has been £0k (2014/15 £0k) of Other Audit work. The Trust's contract with its auditors provides for a limitation on the auditors' liability of £5m (2014/15 £5m).

(5) Ernst and Young were paid £1.2m to provide support to the financial recovery programme, appointed by the Trust with support from Monitor.

(6) In 2015/16 Deloitte were paid £778k to provide part of the governance improvement programme that started in December 2015.

## Note 4.2 Operating lease expenditure

	Group		Foundation Trust	
	2015/16	2014/15	2015/16	2014/15
	Total	Total	Total	Total
	£000	£000	£000	£000
Hire of plant and machinery	770	501	770	501
Expenditure on other operating leases	567	508	567	508
<b>TOTAL</b>	<b>1,337</b>	<b>1,009</b>	<b>1,337</b>	<b>1,009</b>

### Note 4.3 Analysis of Operating leases

## Note 4.3 Analysis of Operating leases

	Group		Foundation Trust	
	2015/16	2014/15	2015/16	2014/15
	Total	Total	Total	Total
	£000	£000	£000	£000
Minimum lease payments	1,337	1,009	1,337	1,009
Contingent rents	0	0	0	0
Less sublease payments received	0	0	0	0
<b>TOTAL</b>	<b>1,337</b>	<b>1,009</b>	<b>1,337</b>	<b>1,009</b>

	Group		Foundation Trust	
	31 Mar 16	31 Mar 15	31 Mar 16	31 Mar 15
	£000	£000	£000	£000
Future minimum lease payments due:				
not later than one year;	934	827	934	827
later than one year and not later than five years;	1,551	1,815	1,551	1,815
later than five years.	0	103	0	103
<b>TOTAL</b>	<b>2,485</b>	<b>2,745</b>	<b>2,485</b>	<b>2,745</b>

The Trust holds various non-cancellable operating lease agreements within a lease portfolio which covers assets including medical equipment, vehicles, several short term leasehold buildings and land .

At the end of the 2015/16 year there were 18 (2014/15 17) lease agreements in place for various items of medical equipment (ranging from mattresses to CT scanners). The length of these leases ranges between five to fifteen years. There are 4 leases for motor vehicles for Community health workers. In addition, there are 6 operating

contracts in place for the lease of land and buildings which includes Renal dialysis units. The lease agreements range from five to twenty years in duration.

The Trust utilises Leaseguard to support the renewal of the majority of the lease portfolio. The Trust does not have pre-determined purchase options written into the current lease agreements, but the right to purchase the leased assets is assessed at the decision point within each lease.



## Note 4.4 Salary And Pension Entitlements Of Senior Managers B) Pension Benefits

Name and current title	Real increase in pension at age 60 (bands of £2500) £000	Real increase in lump sum at age 60 (bands of £2500) £000	Total accrued pension at age 60 at 31 March 2016 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2016 (bands of £5000) £000	Cash Equivalent Transfer Value at 31 March 2016 £000	Cash Equivalent Transfer Value at 31 March 2015 £000	Real Increase in Cash Equivalent Transfer Value £000	Employers Contribution to Stakeholder Pension To nearest £100
Andrew Foster (Interim Chief Executive to 31.10.15)	#1	#1	20-25	70-75	(228)		#1	0
Andrew Catto (Executive Medical Director & Deputy Chief Executive to 29 Feb 2016)	2.5-5	7.5-10	45-50	140-145	885		31	0
Sam Foster (Chief Nurse)	0-2.5	5-7.5	30-35	95-100	434		22	0
Adrian Stokes (Director of Finance & Performance & Deputy Chief Executive 10 13.11.15)	0-2.5	5-7.5	35-40	115-120	560		16	0
Julian Miller (Interim Director of Finance from 03 Feb 2016)	#2	#2	30-35	90-95	#2		#2	0
David Rosser (Interim Medical Director from 01 March 2016)	0-2.5	0-2.5	70-75	210-215	#2		8	0
Jonathan Brotherton (Director of Operations)	2.5-5	7.5-10	25-30	85-90	389		29	0
Hazel Gunter (Director of Workforce & OD)	0-2.5	2.5-5	10-15	35-40	220		21	0

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

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 the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation and uses common market valuation factors for the start and end of the year.

NHS Pensions are using the most recent set of actuarial factors produced by the Government Actuaries Department with effect from 9 September 2010. These were updated at that time to reflect the change in the indexation measure. The Government announced in July 2010 that from 2011 the Consumer Price Index (CPI) will replace the Retail Price Index (RPI) for indexation in deferment and in payment. The new factors assume that benefits are indexed in line with CPI which is expected to be lower than RPI and hence will produce lower transfer values (CETV). As such reductions in CETV in 2011 compared to 2010 have often resulted.

On 16 March 2016, the Chancellor of the Exchequer announced a change in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate from 3.0% to 2.8%. This rate affects the calculation of CETV figures in this report.

Due to the lead time required to perform calculations and prepare annual reports, the CETV figures quoted in this report for members of the NHS Pension scheme are based on the previous discount rate and have not been recalculated.

#1 As Andrew Foster is over Pensionable age, there are no CETV or Real increase figures available.

#2 Figures from University Hospitals Birmingham Foundation Trust were unavailable.

## Note 5.1 Employee Expenses

	Group				Foundation Trust			
	2015/16 Total £000	2015/16 Permanent £000	2015/16 Other £000	2014/15 Total £000	2015/16 Total £000	2015/16 Permanent £000	2015/16 Other £000	2014/15 Total £000
Wages and salaries	341,175	340,820	355	330,163	341,022	340,667	355	329,985
Social security costs	25,667	25,667	0	25,399	25,667	25,667	0	25,399
Pension costs - defined contribution plans								
Employers contributions to NHS Pensions	38,641	38,641	0	37,313	38,641	38,641	0	37,313
Pension Cost - other contributions	0	0	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0	0	0
Agency/contract staff	31,357	0	31,357	18,934	31,357	0	31,357	18,934
<b>TOTAL</b>	<b>436,840</b>	<b>405,128</b>	<b>31,712</b>	<b>411,809</b>	<b>436,687</b>	<b>404,975</b>	<b>31,712</b>	<b>411,631</b>

In addition to the costs above, the Trust has incurred Capitalised staff costs of £698k (£646k, 2014/15).

Total employee expenses do not include non executive director costs but include restructuring and early retirement costs as disclosed in Note 4.1.

Employee Expenses from the Charity of £153k (£178k, 2014/15) are included in the Group figures above.

## Note 5.2 Staff sickness absence

	Group/Foundation Trust	
	2015/16 Number	2014/15 Number
Days lost (long term)	90,466	89,161
Days lost (short term)	38,896	47,558
<b>Total days lost</b>	<b>129,362</b>	<b>136,719</b>
<b>Total staff years</b>	<b>9,261</b>	<b>8,956</b>
Average working days lost	14.0	15.3
Total staff employed in the year (headcount)	10,637	10,358
Total staff employed in the year with no absence (headcount)	4,039	3,614
<b>Percentage staff with no sick leave</b>	<b>38.0%</b>	<b>34.9%</b>

## Note 5.3 Monthly average number of employees (whole time equivalent)

	Group/Foundation Trust	
	2015/16 Total Number	2014/15 Total Number
Medical and dental	1,050	1,022
Ambulance staff	0	0
Administration and estates	2,066	2,064
Healthcare assistants and other support staff	1,515	1,467
Nursing, midwifery and health visiting staff	2,973	2,962
Nursing, midwifery and health visiting learners	0	0
Scientific, therapeutic and technical staff	995	995
Healthcare science staff	453	443
Social care staff	0	0
Bank and agency staff	1,163	613
Other	0	0
<b>TOTAL</b>	<b>10,215</b>	<b>9,566</b>

Included in the above, there were 12 employees engaged on capital projects (9, 2014/15) and 2 staff engaged on the administration of the Charity (2, 2014/15).

## Note 5.4 Employee Benefits in kind

Other than Trust contributions to the NHS Pension Scheme, there were no employee benefits in kind in 2015/16 or 2014/15.

## Note 5.5 Early retirements due to ill health

	Group/Foundation Trust	
	2015/16 Total	2014/15 Total
Number of early retirements on the grounds of ill-health	9	12
Value of early retirements on the grounds of ill-health (£000)	493	500

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

## Note 5.6 Pension costs

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

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

### a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

### b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

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

## Note 6 Better Payment Practice Code

Better Payment Practice code-measure of compliance

	Group/Foundation Trust			
	Number		Value	
	2015/16	2014/15	2015/16	2014/15
				£000
Total bills paid in the year	180,282	171,616	259,894	224,559
Total bills paid within target	123,211	142,780	169,390	194,003
Percentage of bills paid within target	68%	83%	65%	86%

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

## Note 7 Finance income

	Group		Foundation Trust	
	2015/16	2014/15	2015/16	2014/15
				£000
Interest on bank accounts	196	449	188	441
Interest on loans and receivables	0	0	0	0
Interest on available for sale financial assets	229	217	0	0
Interest on held-to-maturity financial assets	0	0	0	0
<b>TOTAL</b>	<b>425</b>	<b>666</b>	<b>188</b>	<b>441</b>

Interest of £211k (£217k, 2014/15) included in the Group figure was earned from investments held by the Charity (See Note 12).

## Note 8.1 Finance costs- financial liabilities

	Group		Foundation Trust	
	2015/16	2014/15	2015/16	2014/15
				£000
Finance leases	118	129	118	129
Finance Costs in PFI obligations:				
Main Finance Costs	124	134	124	134
Contingent Finance Costs	0	0	0	0
Other	0	0	0	0
<b>TOTAL</b>	<b>242</b>	<b>263</b>	<b>242</b>	<b>263</b>

The Trust holds three Finance lease contracts all of which relate to building assets and in duration range from 25 years to 99 years. The buildings held under finance lease are the Birmingham Chest Clinic, The Glaxo Renal Unit and the Heartlands Education Centre Limited. Within these agreements the Trust does not have a contingent rent liability and does not have any outstanding sublease payments to be received.

The finance lease contracts held by the Trust do not contain any potential for the Trust to be exposed to contingent rent liabilities. The Birmingham Chest Clinic lease does not contain an option to purchase the building due to the part occupancy nature of the tenancy. Heartlands Education Centre Limited reverts to Trust ownership at the end of the lease term.

The finance leases held by the Trust do not restrict the Trust in any way due to relatively small size and structure of the borrowing.

There were no Finance costs on behalf of the Charity.

## Note 8.2 Impairment of Property, Plant and Equipment Assets

	Group/Foundation Trust	
	2015/16	2014/15
		£000
Reversal of impairments	(30,855)	0
Changes in market price	19,492	0
<b>TOTAL</b>	<b>(11,363)</b>	<b>0</b>

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Impairments of property, plant and equipment assets (See Note 2).

The Trust's valuers performed an interim valuation on the Trust's land and buildings at 31 March 2016, as is required by the Trust's accounting policies. The reversal of impairments mostly related to assets that had decreased in value in 2012/13, see note 10.5 for more information.

## Note 9 Intangible assets

### Note 9.1 Intangible assets 2015/16

	Group/Foundation Trust				
	Total	Software licences (purchased)	Licences & trademarks (purchased)	Other (purchased)	Intangible Assets Under Construction
	£000	£000	£000	£000	£000
<b>Gross cost at 1 April 2015</b>	<b>20,186</b>	12,939	0	0	7,247
Additions - purchased	1,067	328	0	0	739
Additions - donated	15	15	0	0	0
Transfers by Normal absorption	0	0	0	0	0
Revaluations	0	0	0	0	0
Reclassifications	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Gross cost at 31 March 2016</b>	<b>21,268</b>	13,282	0	0	7,986
<b>Accumulated Amortisation at 1 April 2015</b>	<b>9,501</b>	9,501	0	0	0
Provided during the year	1,072	1,072	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Revaluation surpluses	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated Amortisation at 31 March 2016</b>	<b>10,573</b>	10,573	0	0	0
<b>Net book value</b>					
NBV - Purchased at 1 April 2015	10,674	3,427	0	0	7,247
NBV - Donated at 1 April 2015	11	11	0	0	0
<b>NBV total at 1 April 2015</b>	<b>10,685</b>	3,438	0	0	7,247
<b>Net book value</b>					
NBV - Purchased at 31 March 2016	10,674	2,688	0	0	7,986
NBV - Donated at 31 March 2016	21	21	0	0	0
<b>NBV total at 31 March 2016</b>	<b>10,695</b>	2,709	0	0	7,986

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Intangible assets (See Note 2).

The intangible asset base held by the Trust is currently valued using a depreciated cost model due to the individually low value of the assets and also due to the lack of evidence to suggest a fall in value. An active market does not exist and, as the Trust's intangibles are not income generating, the depreciated replacement cost model has been applied. The asset under construction relates to the electronic scanning of medical records which will be an asset that is internally generated.

The Trust's intangible asset base has a finite life ranging from five to ten years and each asset is being amortised over this period. The Trust does not hold intangible assets funded by government grants.

## Note 9 Intangible assets

### Note 9.2 Intangible assets 2014/15

	Group/Foundation Trust				
	Total	Software licences (purchased)	Licences & trademarks (purchased)	Other (purchased)	Intangible Assets Under Construction
	£000	£000	£000	£000	£000
<b>Gross cost at 1 April 2014</b>	<b>17,576</b>	11,377	0	0	6,199
Additions - purchased	2,207	1,232	0	0	975
Additions - donated	0	0	0	0	0
Transfers by Normal absorption	0	0	0	0	0
Revaluations	0	0	0	0	0
Reclassifications	403	330	0	0	73
Disposals	0	0	0	0	0
<b>Gross cost at 31 March 2015</b>	<b>20,186</b>	12,939	0	0	7,247
<b>Accumulated Amortisation at 1 April 2014</b>	<b>8,536</b>	8,536	0	0	0
Provided during the year	955	955	0	0	0
Impairments	0	0	0	0	0
Reclassifications	10	10	0	0	0
Revaluation surpluses	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated Amortisation at 31 March 2015</b>	<b>9,501</b>	9,501	0	0	0
<b>Net book value</b>					
NBV - Purchased at 1 April 2014	9,023	2,824	0	0	6,199
NBV - Donated at 1 April 2014	17	17	0	0	0
<b>NBV total at 1 April 2014</b>	<b>9,040</b>	2,841	0	0	6,199
<b>Net book value</b>					
NBV - Purchased at 31 March 2015	10,674	3,427	0	0	7,247
NBV - Donated at 31 March 2015	11	11	0	0	0
<b>NBV total at 31 March 2015</b>	<b>10,685</b>	3,438	0	0	7,247

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Intangible assets (See Note 2).

## Note 10 Property, plant and equipment Note 10.1 Property, plant and equipment 2015/16

Note 10.1 Property, plant and equipment 2015/16

	Group/Foundation Trust								
	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2015</b>	<b>338,815</b>	<b>26,447</b>	<b>194,929</b>	<b>1,366</b>	<b>9,915</b>	<b>73,973</b>	<b>704</b>	<b>24,748</b>	<b>6,733</b>
Additions - purchased	18,123	680	4,595	0	4,796	5,413	0	2,506	133
Additions - leased	0	0	0	0	0	0	0	0	0
Additions - donated	667	0	0	0	0	667	0	0	0
Transfers by Modified absorption	0	0	0	0	0	0	0	0	0
Impairments charged to operating expenses	(9,599)	0	(7,059)	0	(2,540)	0	0	0	0
Impairments charged to revaluation reserve	(9,893)	(5,773)	(4,120)	0	0	0	0	0	0
Reversal of impairments	30,855	0	30,855	0	0	0	0	0	0
Reclassifications	0	3,300	5,969	0	(8,102)	266	0	(1,425)	(6)
Revaluation surpluses	0	0	0	0	0	0	0	0	0
Disposals	(882)	0	0	0	0	(853)	(17)	0	0
<b>Cost or valuation at 31 March 2016</b>	<b>368,086</b>	<b>24,654</b>	<b>225,169</b>	<b>1,366</b>	<b>4,069</b>	<b>79,466</b>	<b>687</b>	<b>25,829</b>	<b>6,846</b>
<b>Accumulated depreciation at 1 April 2015</b>	<b>96,426</b>		<b>21,809</b>	<b>266</b>		<b>47,453</b>	<b>675</b>	<b>19,874</b>	<b>6,349</b>
Provided during the year	16,254	58	9,604	0	0	4,801	10	1,660	121
Impairments recognised in operating expenses	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluation surpluses	0	0	0	0	0	0	0	0	0
Disposals	(744)	0	0	0	0	(715)	(17)	0	(12)
<b>Accumulated depreciation at 31 March 2016</b>	<b>111,936</b>	<b>0</b>	<b>31,413</b>	<b>324</b>	<b>0</b>	<b>51,539</b>	<b>668</b>	<b>21,534</b>	<b>6,458</b>
<b>Net book value</b>	<b>227,146</b>	<b>26,447</b>	<b>157,877</b>	<b>1,100</b>	<b>9,915</b>	<b>26,520</b>	<b>29</b>	<b>4,874</b>	<b>384</b>
NBV - Owned at 1 April 2015	14,098	0	14,098	0	0	0	0	0	0
NBV - Finance lease & PFI Assets at 1 April 2015	1,145	0	1,145	0	0	0	0	0	0
NBV - Donated at 1 April 2015	242,389	26,447	173,120	1,100	9,915	26,520	29	4,874	384
<b>Net book value</b>	<b>239,267</b>	<b>24,654</b>	<b>176,737</b>	<b>1,042</b>	<b>4,069</b>	<b>26,093</b>	<b>19</b>	<b>4,291</b>	<b>362</b>
NBV - Owned at 31 March 2016	11,024	0	11,024	0	0	0	0	0	0
NBV - Finance lease & PFI Assets at 31 March 2016	5,859	0	3,995	0	0	1,834	0	4	26
NBV - Donated at 31 March 2016	256,150	24,654	193,756	1,042	4,069	27,927	19	4,295	388

## Note 10.2 Additional Analysis of asset ownership

Note 10.2 Additional Analysis of asset ownership

	Group/Foundation Trust								
	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 March 2016</b>	<b>242,382</b>	<b>24,654</b>	<b>179,988</b>	<b>1,042</b>	<b>4,069</b>	<b>27,927</b>	<b>19</b>	<b>4,295</b>	<b>388</b>
Freehold	3,843	0	3,843	0	0	0	0	0	0
Long Leasehold	9,925	0	9,925	0	0	0	0	0	0
Short Leasehold	256,150	24,654	193,756	1,042	4,069	27,927	19	4,295	388
<b>NBV total at 31 March 2016</b>	<b>256,150</b>	<b>24,654</b>	<b>193,756</b>	<b>1,042</b>	<b>4,069</b>	<b>27,927</b>	<b>19</b>	<b>4,295</b>	<b>388</b>

## Note 10.3 Property, plant and equipment 2014/15

	Group/Foundation Trust								
	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2014</b>	318,731	26,447	186,074	1,366	4,647	69,458	704	23,280	6,755
Additions - purchased	18,329	0	2,901	0	7,740	5,775	0	1,889	24
Additions - leased	0	0	0	0	0	0	0	0	0
Additions - donated	501	0	55	0	0	446	0	0	0
Transfers by Modified absorption	0	0	0	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0	0	0	0
Impairments charged to revaluation reserve	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassifications	(403)	0	2,599	0	(2,472)	(69)	0	(421)	(40)
Revaluation surpluses	3,300	0	3,300	0	0	0	0	0	0
Disposals	(1,643)	0	0	0	0	(1,637)	0	0	(6)
<b>Cost or valuation at 31 March 2015</b>	338,815	26,447	194,929	1,366	9,915	73,973	704	24,748	6,733
<b>Accumulated depreciation at 1 April 2014</b>	80,480		10,814	209		44,377	640	18,165	6,275
Provided during the year	17,404		10,995	57		4,478	35	1,719	120
Impairments recognised in operating expenses	0		0	0		0	0	0	0
Reversal of impairments	0		0	0		0	0	0	0
Reclassifications	(10)		0	0		40	0	(10)	(40)
Revaluation surpluses	0		0	0		0	0	0	0
Disposals	(1,448)		0	0		(1,442)	0	0	(6)
<b>Accumulated depreciation at 31 March 2015</b>	96,426	0	21,809	266	0	47,453	675	19,874	6,349
<b>Net book value</b>	221,665	26,447	158,674	1,157	4,647	25,081	64	5,115	480
NBV - Owned at 1 April 2014	14,144	0	14,144	0	0	0	0	0	0
NBV - Finance lease & PFI Assets at 1 April 2014	2,442	0	2,442	0	0	0	0	0	0
NBV - Donated at 1 April 2014	238,251	26,447	175,260	1,157	4,647	25,081	64	5,115	480
<b>Net book value</b>	227,146	26,447	157,877	1,100	9,915	26,520	29	4,874	384
NBV - Owned at 31 March 2015	14,098	0	14,098	0	0	0	0	0	0
NBV - Finance lease & PFI Assets at 31 March 2015	1,145	0	1,145	0	0	0	0	0	0
NBV - Donated at 31 March 2015	242,389	26,447	173,120	1,100	9,915	26,520	29	4,874	384

## Note 10.4 Additional Analysis of asset ownership

	Group/Foundation Trust								
	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 March 2015</b>	228,237	26,447	158,968	1,100	9,915	26,520	29	4,874	384
Freehold	4,144	0	4,144	0	0	0	0	0	0
Long Leasehold	10,008	0	10,008	0	0	0	0	0	0
Short Leasehold	242,389	26,447	173,120	1,100	9,915	26,520	29	4,874	384

All of the figures in Note 10 represent the position of the Group and the Foundation Trust as the Charity has no Tangible fixed assets (See Note 2).

## **Note 10.5 Property Plant Equipment Revaluations in 2015/16**

The Trust's revaluation policy requires a full revaluation every five years with an interim valuation required in-between. The last full valuation was completed as at 31 March 2013 and an interim valuation has been completed at 31 March 2016. The Trust's valuers GVA, carried out this work in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation - Professional Standards, incorporating the International Valuation Standards (March 2012), the requirements of HM Treasury Financial Reporting Manual Guidelines and IAS 16 (Property Plant and Equipment). Public sector bodies, including the NHS, are required to apply the Revaluation Model set out in IAS 16 and value their capital assets to fair value.

Fair value is defined in IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

The assessment of fair value has been made on the assumption that the property is sold as part of the continuing enterprise in occupation (Existing Use Value).

### **Non-Specialised Operational Assets**

The basis used for the valuation of non-specialised operational Trust-occupied property for accounting purposes under IAS 16 is fair value, which is the market value, subject to the assumption that the property is sold as part of the continuing enterprise in occupation.

### **Specialised Operational Property**

Depreciated Replacement Cost (DRC) is the valuation approach adopted for reporting the value of specialised operational property for financial accounting purposes. The Royal Institute Of Chartered Surveyors Standards at Appendix 4.1, restating International Valuation Application (IVA 1) defines this as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation".

### **Revaluation Gains In 2015/16**

The revaluation that took place as at 31 March 2016 showed an increase of £11,362k. Of this a net increase to the revaluation reserve of £10,496k is shown in the other comprehensive income

section of the statement of comprehensive income. There is also a net release to the statement of comprehensive income, split between a reversal of impairments of £10,466k shown in note 3.6 other operating income and impairment charge of £9,599k shown in note 4.1 Operating expenses. Note 8.2 shows the net impairment movement.

### **Revaluation Gains In 2014/15**

In 2014/15 the Trust used available indices and information about ongoing build projects to make an assessment in the year that there had been an increase in value of £3,300k and this was all shown in the revaluation reserve.

### **Note 10.6 Leased Assets to Other Organisations**

The carrying amount of the assets leased to other organisations as at 31 March 2016 is £170k (£158k for 2014/15). The depreciation charged during 2015/16 was £10k (2014/15, £10k).

**Note 11 Assets held under finance leases and PFI arrangements**  
**Note 11.1 Assets held under finance leases and PFI arrangements 2015/16**

	Group/Foundation Trust		
	Total Finance Lease and PFI Assets	Buildings excluding dwellings held under Finance Lease	Buildings PFI arrangements
		£000	
	£000	£000	£000
<b>Cost or valuation at 1 April 2015</b>	<b>14,529</b>	<b>9,945</b>	<b>4,584</b>
Additions - purchased	0	0	0
Reclassifications	0	0	0
Impairments charged to revaluation reserve	(114)	0	(114)
Impairments charged to SOCI	0	0	0
Revaluation surpluses	2	0	2
Disposals	0	0	0
<b>Cost or valuation at 31 March 2016</b>	<b>14,417</b>	<b>9,945</b>	<b>4,472</b>
<b>Accumulated depreciation at 1 April 2015</b>	<b>431</b>	<b>12</b>	<b>419</b>
Provided during the year	218	8	210
Impairments recognised in operating expenses	0	0	0
Reversal of impairments	0	0	0
Revaluation surpluses	0	0	0
Disposals	0	0	0
<b>Accumulated depreciation at 31 March 2016</b>	<b>649</b>	<b>20</b>	<b>629</b>
<b>Net book value</b>			
NBV - Purchased at 1 April 2015	14,098	9,933	4,165
NBV - Donated at 1 April 2015	0	0	0
<b>NBV total at 1 April 2015</b>	<b>14,098</b>	<b>9,933</b>	<b>4,165</b>
<b>Net book value</b>			
NBV - Purchased at 31 March 2016	13,768	9,925	3,843
NBV - Donated at 31 March 2016	0	0	0
<b>NBV total at 31 March 2016</b>	<b>13,768</b>	<b>9,925</b>	<b>3,843</b>

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Finance leases or PFI schemes (See Note 2).

The Trust has two PFI Contracts that are accounted for in the Statement of Financial Position:-

(1) BHE Heartlands Limited is a contract to provide a new main entrance and retail facility at Heartlands Hospital. The net book value as at 31 March 2016 is £3,548k (31 March 2015 £3,856k).

(2) Ener-G Combined Power Limited is a contract for the provision of energy management services at Heartlands Hospital. The net book value at 31 March 2016 is £295k (31 March 2015 £309k).

Note 19.4 provides more detail on these contracts.

## Note 11.2 Assets held under finance leases and PFI arrangements 2014/15

	Group/Foundation Trust		
	Total Finance Lease and PFI Assets	Buildings excluding dwellings held under Finance Lease	Buildings PFI arrangements
	£000	£000	£000
<b>Cost or valuation at 1 April 2014</b>	<b>14,360</b>	<b>9,776</b>	<b>4,584</b>
Additions - purchased	0	0	0
Reclassifications	169	169	0
Impairments charged to revaluation reserve	0	0	0
Impairments charged to SOCI	0	0	0
Revaluation surpluses	0	0	0
Disposals	0	0	0
<b>Cost or valuation at 31 March 2015</b>	<b>14,529</b>	<b>9,945</b>	<b>4,584</b>
<b>Accumulated depreciation at 1 April 2014</b>	<b>216</b>	<b>6</b>	<b>210</b>
Provided during the year	215	6	209
Impairments recognised in operating expenses	0	0	0
Reversal of impairments	0	0	0
Revaluation surpluses	0	0	0
Disposals	0	0	0
<b>Accumulated depreciation at 31 March 2015</b>	<b>431</b>	<b>12</b>	<b>419</b>
<b>Net book value</b>			
NBV - Purchased at 1 April 2014	14,144	9,770	4,374
NBV - Donated at 1 April 2014	0	0	0
<b>NBV total at 1 April 2014</b>	<b>14,144</b>	<b>9,770</b>	<b>4,374</b>
<b>Net book value</b>			
NBV - Purchased at 31 March 2015	14,098	9,933	4,165
NBV - Donated at 31 March 2015	0	0	0
<b>NBV total at 31 March 2015</b>	<b>14,098</b>	<b>9,933</b>	<b>4,165</b>

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Finance leases or PFI schemes (See Note 2).

## Note 12 Investments

### Note 12.1 Investments 2015/16

	Group			Foundation Trust		
	Investment Property	Investments in associates (and joined controlled operations)	Other Investments	Investment Property	Investments in associates (and joined controlled operations)	Other Investments
	2015/16 £000	2015/16 £000	2015/16 £000	2015/16 £000	2015/16 £000	2015/16 £000
<b>Carrying value at 01 April 2015</b>	0	0	8,096	0	0	0
Acquisitions in year - subsequent expenditure	0		0	0		0
Acquisitions in year - other	0	0	0	0	0	0
Share of profit/(loss)		0			0	
Fair value gains [taken to I&E]	0	0	0	0	0	0
Fair value losses (impairment) [taken to I&E]	0	0	0	0	0	0
Movement in fair value of Available-for-sale financial assets recognised in Other Comprehensive Income			(366)			0
Impairments		0			0	
Reversal of impairment		0			0	
Disposals	0	0	(70)	0	0	0
Other equity movements		0			0	
<b>Carrying value at 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>7,660</b>	<b>0</b>	<b>0</b>	<b>0</b>

These are investments made by the appointed investment manager on behalf of the Charity to meet the target criteria set out in their appointment letter whilst applying the rules set out in the Investment Policy.

### Note 12.2 Investments 2014/15

## Note 12.2 Investments 2014/15

	Group			Foundation Trust		
	Investment Property	Investments in associates (and joined controlled operations)	Other Investments	Investment Property	Investments in associates (and joined controlled operations)	Other Investments
	2014/15 £000	2014/15 £000	2014/15 £000	2014/15 £000	2014/15 £000	2014/15 £000
<b>Carrying value at 01 April 2014</b>	0	0	7,613	0	0	0
Acquisitions in year - subsequent expenditure	0		0	0		0
Acquisitions in year - other	0	0	10	0	0	0
Share of profit/(loss)		0			0	
Fair value gains [taken to I&E]	0	0	0	0	0	0
Fair value losses (impairment) [taken to I&E]	0	0	0	0	0	0
Movement in fair value of Available-for-sale financial assets recognised in Other Comprehensive Income			473			0
Impairments		0			0	
Reversal of impairment		0			0	
Disposals	0	0	0	0	0	0
Other equity movements		0			0	
<b>Carrying value at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>8,096</b>	<b>0</b>	<b>0</b>	<b>0</b>

The investments in this Note relate to the Charity only. The Trust has no investments.

**Note 13 Inventories**  
**Note 13.1 Inventories (by type)**

	Group/Foundation Trust	
	31 Mar 16	31 Mar 15
	£000	£000
Drugs	2,850	2,878
Work in progress	62	54
Consumables	6,120	5,387
Energy	112	172
Other	0	0
<b>TOTAL</b>	<b>9,144</b>	<b>8,491</b>

**Note 13.2 Analysis of inventories**

	Group/Foundation Trust	
	31 Mar 16	31 Mar 15
	£000	£000
Opening carrying value	8,491	7,997
Add: Additions	136,284	123,277
Less: Inventories recognised in expenses	(135,476)	(122,680)
Less: Write-down of inventories recognised as an expense	(237)	(103)
Add: Reversal of any write down of inventories resulting in a reduction of recognised expenses	82	0
Other	0	0
<b>Carrying value at 31 March</b>	<b>9,144</b>	<b>8,491</b>

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Inventories (See Note 2).

## Note 14 Trade and other receivables

### Note 14.1 Trade and other receivables (by type)

	Group		Foundation Trust	
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	£000	£000	£000	£000
<b>Current</b>				
NHS Receivables -Revenue	30,340	23,657	30,340	23,657
NHS Receivables -Capital	0	0	0	0
Receivables due from NHS charities -Revenue	0	0	0	0
Other receivables with related parties -Revenue	1,886	1,594	1,886	1,594
Other receivables with related parties -Capital	0	0	0	0
Provision for impaired receivables	(16,509)	(8,396)	(16,509)	(8,396)
Prepayments	5,542	5,826	5,542	5,826
Accrued income	749	871	749	871
Interest receivable	27	24	9	6
PDC dividend receivable	0	244	0	244
VAT receivable	630	1,664	630	1,664
Other receivables -Revenue	5,783	5,937	6,033	6,115
Other receivables -Capital	0	298	0	298
<b>TOTAL</b>	<b>28,448</b>	<b>31,719</b>	<b>28,680</b>	<b>31,879</b>
<b>Non-Current</b>				
NHS Receivables -Revenue	0	0	0	0
NHS Receivables -Capital	0	0	0	0
Other receivables with related parties -Revenue	2,675	2,592	2,675	2,592
Provision for impaired receivables	(1,365)	(1,461)	(1,365)	(1,461)
Prepayments	0	0	0	0
Accrued income	0	0	0	0
Other receivables -Revenue	0	0	0	0
<b>TOTAL</b>	<b>1,310</b>	<b>1,131</b>	<b>1,310</b>	<b>1,131</b>

### Note 14.2 Provision for impairment of receivables

	Group		Foundation Trust	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
As at 1 April	9,857	11,513	9,857	11,513
Increase in provision	10,148	(29)	10,148	(29)
Amounts utilised	(2,131)	(1,627)	(2,131)	(1,627)
Unused amounts reversed	0	0	0	0
<b>At 31 March</b>	<b>17,874</b>	<b>9,857</b>	<b>17,874</b>	<b>9,857</b>

There is no provision for impairment of receivables within the Charity's Accounts.

### Note 14.3 Analysis of impaired receivables

	Group		Foundation Trust	
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	£000	£000	£000	£000
<b>Ageing of impaired receivables</b>				
0-30 days	10,382	2,217	10,382	2,217
30-60 Days	261	345	261	345
60-90 days	239	374	239	374
90-180 days	755	853	755	853
Over 180 days	6,237	6,068	6,237	6,068
<b>TOTAL</b>	<b>17,874</b>	<b>9,857</b>	<b>17,874</b>	<b>9,857</b>
<b>Ageing of non-impaired receivables past their due date</b>				
0-30 days	0	0	0	0
30-60 Days	875	587	875	587
60-90 days	564	983	564	983
90-180 days	1,215	2,059	1,215	2,059
Over 180 days	2,267	2,982	2,267	2,982
<b>TOTAL</b>	<b>4,921</b>	<b>6,611</b>	<b>4,921</b>	<b>6,611</b>

## Note 15 Trade and other payables

	Group		Foundation Trust	
	31 Mar 2016 £000	31 Mar 2015 £000	31 Mar 2016 £000	31 Mar 2015 £000
<b>Current</b>				
Receipts in advance	0	0	0	0
NHS payables -Revenue	2,091	576	2,091	576
NHS payables -Capital	0	0	0	0
Amounts due to other related parties -Revenue	0	0	0	0
Amounts due to other related parties -Capital	0	0	0	0
Trade payables -Revenue	15,059	6,058	14,862	5,988
Trade payables -Capital	4,547	5,684	4,547	5,684
Social Security costs	4,058	3,866	4,058	3,866
PDC dividend payable	533	0	533	0
Other taxes payable	4,133	4,069	4,133	4,069
Other payables	7,176	6,567	7,176	6,567
Accruals	49,478	46,758	49,478	46,758
<b>TOTAL</b>	<b>87,075</b>	<b>73,578</b>	<b>86,878</b>	<b>73,508</b>

## Note 16 Other liabilities

	Group		Foundation Trust	
	31 Mar 2016 £000	31 Mar 2015 £000	31 Mar 2016 £000	31 Mar 2015 £000
<b>Current</b>				
Deferred Income	6,471	6,501	6,471	6,501
Deferred PFI credits	0	0	0	0
<b>TOTAL</b>	<b>6,471</b>	<b>6,501</b>	<b>6,471</b>	<b>6,501</b>

There are no non-current other liabilities in 2015/16 (or 2014/15).

There are no other liabilities in the Charity's Accounts.

## Note 17 Borrowings

	<b>Group/Foundation Trust</b>	
	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>
	<b>£000</b>	<b>£000</b>
<b>Current</b>		
Bank overdrafts	0	0
Drawdown in committed facility	0	0
Loans from Foundation Trust Financing Facility	0	0
Other Loans	0	0
Obligations under finance leases	256	256
Obligations under Private Finance Initiative contracts	224	224
<b>TOTAL</b>	<b>480</b>	<b>480</b>
<b>Non-current</b>		
Bank overdrafts	0	0
Drawdown in committed facility	0	0
Loans from Foundation Trust Financing Facility	0	0
Other Loans	0	0
Obligations under finance leases	1,470	1,609
Obligations under Private Finance Initiative contracts	2,180	2,377
<b>TOTAL</b>	<b>3,650</b>	<b>3,986</b>

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Borrowings (See Note 2).

## Note 18 Finance lease obligations

	Group/Foundation Trust	
	Minimum Lease Payments	Minimum Lease Payments
	31 Mar 2016	31 Mar 2015
	£000	£000
<b>Gross lease liabilities</b>	<b>2,275</b>	<b>2,532</b>
<b>of which liabilities are due</b>		
not later than one year;	256	257
later than one year and not later than five years;	919	971
later than five years.	1,100	1,304
Finance charges allocated to future periods	(549)	(667)
<b>Net lease liabilities</b>	<b>1,726</b>	<b>1,865</b>
not later than one year;	256	256
later than one year and not later than five years;	628	628
later than five years.	842	981
	<b>1,726</b>	<b>1,865</b>
	Present Value of Minimum Lease Payments	Present Value of Minimum Lease Payments
	31 Mar 2016	31 Mar 2015
	£000	£000
<b>Gross lease liabilities</b>	<b>1,903</b>	<b>1,670</b>
<b>of which liabilities are due</b>		
not later than one year;	255	226
later than one year and not later than five years;	846	731
later than five years.	802	713
Finance charges allocated to future periods	(489)	(551)
<b>Net lease liabilities</b>	<b>1,414</b>	<b>1,119</b>
not later than one year;	150	117
later than one year and not later than five years;	573	448
later than five years.	691	554
	<b>1,414</b>	<b>1,119</b>

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Finance Leases (See Note 2).

## Note 19.1 PFI obligations (on SoFP)

	Group/Foundation Trust	
	31 Mar 2016	31 Mar 2015
	£000	£000
<b>Gross PFI liabilities</b>	<b>2,689</b>	<b>3,659</b>
<b>of which liabilities are due</b>		
not later than one year;	224	224
later than one year and not later than five years;	896	896
later than five years.	1,569	2,539
Finance charges allocated to future periods	(285)	(1,058)
<b>Net PFI liabilities</b>	<b>2,404</b>	<b>2,601</b>
not later than one year;	224	224
later than one year and not later than five years;	425	425
later than five years.	1,755	1,952
	<b>2,404</b>	<b>2,601</b>

The figures above represent the position of the Group and the Foundation Trust as the Charity has no PFI obligations (See Note 2).

## Note 19.2 On-SoFP PFI Commitments

The Trust is committed to make the following payments for on-SoFP PFIs obligations during the next year in which the commitment expires:

	Group/Foundation Trust			
	31 Mar 2016	31 Mar 2016	31 Mar 2016	31 Mar 2015
	Total	PFI 1	PFI 2	Total
	£000	£000	£000	£000
Within one year	0	0	0	0
2nd to 5th years (inclusive)	0	0	0	0
6th to 10th years (inclusive)	904	0	904	904
11th to 15th years (inclusive)	63	63	0	63
16th to 20th years (inclusive)	0	0	0	0
21st to 25th years (inclusive)	0	0	0	0
26th to 30th years (inclusive)	0	0	0	0
31st to 35th years (inclusive)	0	0	0	0
36th year and beyond	0	0	0	0

## Note 19.3 On-SoFP PFI Service Charge Commitments

	Group/Foundation Trust			
	31 Mar 2016	31 Mar 2016	31 Mar 2016	31 Mar 2015
	Total	PFI 1	PFI 2	Total
	£000	£000	£000	£000
Within one year	967	63	904	967
2nd to 5th years (inclusive)	3,868	252	3,616	3,868
Later than five years	1,856	651	1,205	2,838
<b>Total</b>	<b>6,691</b>	<b>966</b>	<b>5,725</b>	<b>7,673</b>

## Note 19.4 PFI Contract Details

The Trust has entered into two PFI contracts:

### PFI 1 - Main Entrance and Retail Facility at Heartlands Hospital

This is 25 year contract with BHE (Heartlands) Limited which commenced in August 2005. This contract has been treated as being on-statement of financial position by the Trust following a review of the contracts based on Treasury Taskforce Technical Note 1 "How to account for PFI transactions" which interprets IAS 16 (Property, Plant and Equipment) and IFRIC 12 (Service Concession Arrangements).

The contract states that the service provision must be made available for users of the Heartlands Hospital including patients, visitors and staff. The contract contains a range of measures upon which deficiency points are allocated if pre-agreed levels are not achieved. The deficiency points are valued and deducted retrospectively from the Trust unitary payment at the end of the following quarter. At the end of the contract, ownership of the Main Entrance structure transfers to the Trust, at this point the Trust is not liable to provide any compensation payment and the contract is deemed to have reached its natural termination. The Trust is entitled to terminate the contract voluntarily with 12 months written notice and there are specific circumstances such as hospital closure or significant reconfiguration.

### PFI 2 - Provision of Energy Management Services at Heartlands Hospital

This is 15 year contract with Ener-G Combined Power Limited which commenced in August 2007. This contract has been treated as being on-statement of financial position by the Trust following a review of the contracts based on Treasury Taskforce Technical Note 1 (How to account for PFI transaction) which interprets IAS 16 (Property, Plant and Equipment) and IFRIC 12 (Service Concession Arrangements).

The contract is for the provision of combined heat and power facilities at the Heartlands Hospital. If either party terminates the contract before the end of the agreement, there is provision for either party to be liable to pay compensation as detailed within the contract. The assets are transferred at the end of the agreement and become assets of the Trust. The service provision is implicitly for the patients, visitors and staff of Heartlands Hospital. The annual unitary payments of £63k (PFI1) and £904k (PFI2) made by the operator are included in the Statement of Comprehensive income on an

accruals basis. There is a payment mechanism that allows for deductions to be made to the unitary payment where the quality standards set out in the contract are not met. The total charge made in 2015/16 was £967k (2014/15 £967k).

## Note 20 Provisions for liabilities and charges

	Group/Foundation Trust		Group/Foundation Trust	
	Current		Non-current	
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	£000	£000	£000	£000
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	197	200	2,521	2,646
Other legal claims	348	448	0	0
Agenda for Change	0	236	0	0
Redundancy	0	229	0	0
Kennedy Review	2,114	3,287	0	0
Other	3,348	4,348	3,382	4,102
<b>TOTAL</b>	<b>6,007</b>	<b>8,748</b>	<b>5,903</b>	<b>6,748</b>

	Group/Foundation Trust						
	Total	Pensions - other staff	Other legal claims	Agenda for Change	Kennedy Review	Redundancy	Other
	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2015</b>	<b>15,496</b>	2,846	448	236	3,287	229	8,450
Change in the discount rate	(2)	(2)	0	0	0	0	0
Arising during the year	1,708	142	212	0	541	0	813
Utilised during the year	(2,189)	(196)	(194)	0	(858)	(199)	(742)
Reversed unused	(3,106)	(75)	(118)	(236)	(856)	(30)	(1,791)
Unwinding of discount	3	3	0	0	0	0	0
<b>At 31 March 2016</b>	<b>11,910</b>	<b>2,718</b>	<b>348</b>	<b>0</b>	<b>2,114</b>	<b>0</b>	<b>6,730</b>
<b>Expected timing of cash flows:</b>							
not later than one year;	6,007	197	348	0	2,114	0	3,348
later than one year and not later than five years;	4,196	814	0	0	0	0	3,382
later than five years.	1,707	1,707	0	0	0	0	0
<b>TOTAL</b>	<b>11,910</b>	<b>2,718</b>	<b>348</b>	<b>0</b>	<b>2,114</b>	<b>0</b>	<b>6,730</b>

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Provisions for liabilities and charges (See Note 2).

## Note 20 Provisions for liabilities and charges (continued)

The 'Pensions- other staff' provision is made up of permanent injury and early retirement provisions. The calculations for these provisions are based on agreed annual payments, age, gender and estimated life expectancy. The final amount of payment that will be made is not known as this will depend on actual life expectancy which may differ from the estimated number of years. The estimated life expectancy is provided from Interim Life Tables provided by the Office for National Statistics. To the extent that some of these liabilities will not be settled for several years the provision is discounted using a nominal discount rate of 1.37% (2014/15 1.3%).

'Other legal claims' relate to personal legal claims that have been lodged against the Trust with the NHS Litigation Authority (NHSLA) but not yet agreed. The exact timing or amount of any payment will only be known once the case is heard, although it is expected that all cases will be resolved within the 2016/17 year.

Included in 'Other' is a provision for environmental corrections required in some sections of the Trust, provision for legal claims costs for cases being bought by members of staff, and provision for costs being pursued by commercial organisations.

No reimbursement is anticipated from any of these provisions, other than in some 'Other legal claims' when the Trust receives reimbursement for any sums paid out which exceed the Trust's excess level with the NHSLA.

The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is £263,234k (£148,412k, 2014/15). This figure is not recognised in the Trust's accounts.

## Note 21 Revaluation reserve

	Group/Foundation Trust
	<b>Revaluation Reserve -property, plant and equipment</b>
	<b>£000</b>
<b>Revaluation reserve at 1 April 2015</b>	<b>47,707</b>
Impairments	10,496
Revaluations	0
Transfers to other reserves	(2,246)
Other recognised gains and losses	0
Other reserve movements	0
<b>Revaluation reserve at 31 March 2016</b>	<b>55,957</b>
<b>Revaluation reserve at 1 April 2014</b>	<b>46,719</b>
Impairments	0
Revaluations	3,300
Transfers to other reserves	(2,312)
Other recognised gains and losses	0
Other reserve movements	0
<b>Revaluation reserve at 31 March 2015</b>	<b>47,707</b>

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Revaluation Reserve (See Note 2).

All revaluation reserve movements relate to property, plant and equipment.

The transfers to other reserves is the amortisation of the revaluation reserve over the life the asset it relates to and is transferred to the I&E reserve.

In 2015/16 the Trust performed an interim revaluation exercise as required by the accounting policies. This resulted in an overall increase in the asset value of £11,362k. Of this a gain of £20,389k increased the revaluation reserve and impairments of £9,893k were charged to the revaluation reserve.

For the 2014/15 year the Trust has used the most recently available indices and information about on-going build projects to make a revaluation assessment in the year which resulted in a revaluation gain of £3,300k.

## Note 22 Cash and cash equivalents

	Group		Foundation Trust	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
<b>At 1 April (as previously stated)</b>	88,241	87,971	87,671	86,699
Net change in year	(56,619)	270	(56,198)	972
<b>At 31 March</b>	<b>31,622</b>	<b>88,241</b>	<b>31,473</b>	<b>87,671</b>
Broken down into:				
Cash at commercial banks and in hand	551	604	402	34
Cash with the Government Banking Service	31,071	87,637	31,071	87,637
Other current investments	0	0	0	0
<b>Cash and cash equivalents as in SoFP</b>	<b>31,622</b>	<b>88,241</b>	<b>31,473</b>	<b>87,671</b>
Bank overdrafts	0	0	0	0
<b>Cash and cash equivalents as in SoCF</b>	<b>31,622</b>	<b>88,241</b>	<b>31,473</b>	<b>87,671</b>

The Charity's cash is held in an RBS current account.

### Note 22.1 Third party assets held by the NHS Foundation Trust

The Trust held £4k (£20k 31 March 2015) of cash at bank and in hand at 31 March 2016 which relates to monies held by the Trust on behalf of patients. This has been excluded from the cash at bank and in hand figure reported in the accounts. No third party assets were held by the Charity at 31 March 2016 or at 31 March 2015.

## Note 23 Contractual Capital Commitments

Commitments under contracts at the Statement of Financial Position date were:

	Group/Foundation Trust	
	31 March 2016	31 March 2015
	£000	£000
Property, Plant and Equipment	1,445	12,448
Intangible assets	59	937
<b>TOTAL</b>	<b>1,504</b>	<b>13,385</b>

The majority of these commitments at 31 March 2016 relate to ICT asset schemes. The Charity has no Contractual Capital Commitments.

## Note 24 Events after the reporting year

There have been no events after the reporting year.

## Note 25 Contingent Assets/Liabilities

	Group/Foundation Trust	
	31 March 2016	31 March 2015
	£000	£000
Gross value of contingent liabilities	(161)	(227)
Amounts recoverable against liabilities	0	0
<b>Net value of contingent liabilities</b>	<b>(161)</b>	<b>(227)</b>
Net value of contingent assets	0	0

The contingent liabilities in 2015/16 (and 2014/15) were identified by the NHS Litigation Authority. It relates to non-clinical Liabilities to Third Parties (LTPS) claims, which are public and employer liability legal claims.

These liabilities are expected to be settled within a year, and no reimbursement is expected.

The figures above represent the position of the Group and the Foundation Trust as the Charity has no Contingent assets or liabilities.

## Note 26 Going Concern

IAS 1 requires management to assess, as part of the accounts preparation process, the NHS foundation trust's ability to continue as a going concern. The financial statements should be prepared on a going concern basis unless management either intends to apply to the Secretary of State for the dissolution of the NHS foundation trust without the transfer of the services to another entity, or has no realistic alternative but to do so.

Table 6.2 of the FReM states that:

"The anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern."

Assessment of the Trusts position under the Financial Reporting Guidelines (FReM), issued for the Interpretation of paragraphs 25 to 46 of IAS 1, for the public sector context has been undertaken. In particular, paragraphs 25 and 26 of this guidance which refer to the assessment of the Going Concern basis. It is the Trust's view under this guidance that these accounts can be prepared on a going concern basis.

The Directors have performed their own internal review of the situation and all of the pertinent factors that need to be considered and have concluded that preparing the accounts on a going concern basis is reasonable.

The Trust has prepared its financial plans and cash flow forecasts on the continuing assumption that adequate funding will be received through the Department of Health and Monitor through the distressed funding facility and public dividend capital (PDC) support funding, which has been discussed with the Monitor team reviewing the financial position at the Trust, although this funding has not yet been finalised.

These funds are expected to be sufficient to prevent the Trust from failing to meet its obligations as they fall due and to continue until adequate plans are in place to achieve financial sustainability for the Trust.

The current economic environment for all NHS and NHS Foundation Trusts is challenging with ongoing internal efficiency gains necessary due to annual tariff (price) reductions; cost pressures in respect of national pay structures; non-pay and drug cost inflation; as well as nationally set contract penalties for contract performance deviations, combined with commissioner (CCG) expectations

to reduce activity through ensuring care can be better provided within the community, i.e. managed outside the Hospital. These challenges create a material financial uncertainty, which may cast significant doubt about the Trust's ability to continue as a going concern. As a consequence the Trust will require external funding to ensure the levels of its services are maintained in 2016/17. The Trust anticipates that support may be required over the next three years while the financial recovery plan is completed.

The Trust is still awaiting formal confirmation of the amount of additional funding support and is working with the Monitor teams to ensure it does not run out of cash to meet short term financial liabilities, although this funding has not yet been finalised.

## Note 27.1 Related Party Transactions

During the year none of the Board members or parties related to them have undertaken any material transactions with the Trust.

Note 32 gives an analysis of the relationship with Heartlands Education Centre Limited (HECL).

All significant related party transactions are in relation to the primary activities of the Trust i.e. Provision of Healthcare.

The Trust has entered into a significant number of material transactions with the following organisations for which there are no guarantees given or received:

	Group/Foundation Trust	
	Income 31 March 2016 >£0.1m £000	Income 31 March 2015 >£0.1m £000
NHS Birmingham Crosscity CCG	230,789	234,130
NHS Solihull CCG	139,699	136,091
NHS England	127,687	0
NHS South East Staffs And Seisdon Peninsular CCG	39,596	38,505
Health Education England	22,333	22,805
NHS Birmingham South And Central CCG	20,116	14,082
Department of Health	19,677	843
NHS Sandwell And West Birmingham CCG	8,571	8,047
NHS Warwickshire North CCG	6,880	6,498
NHS Walsall CCG	6,086	5,919
Solihull Metropolitan Borough Council	3,300	3,532
Birmingham City Council	2,364	6,610
Burton Hospitals NHS Foundation Trust	2,127	1,839
NHS South Warwickshire CCG	2,041	1,934
The Royal Wolverhampton NHS Trust	2,013	1,683
NHS Redditch and Bromsgrove CCG	1,623	1,611
Sandwell and West Birmingham Hospitals NHS Trust	1,425	1,547
Public Health England (PHE)	1,309	1,384
NHS Coventry and Rugby CCG	1,166	882
NHS Cannock Chase CCG	985	886
Birmingham Children's Hospital NHS Foundation Trust	881	910
University Hospitals Birmingham NHS Foundation Trust	846	685
Birmingham Women's NHS Foundation Trust	804	794
Birmingham and Solihull Mental Health NHS Foundation Trust	634	694
Birmingham Community Healthcare NHS Trust	534	660
NHS Dudley CCG	483	421
NHS Wolverhampton CCG	475	265
NHS South Worcestershire CCG	401	435
NHS East Staffordshire CCG	349	396
University Hospitals Coventry and Warwickshire NHS Trust	307	184
Walsall Healthcare NHS Trust	304	313
Worcestershire Acute Hospitals NHS Trust	297	234
Staffordshire and Stoke on Trent Partnership NHS trust	279	343
NHS West Leicestershire CCG	276	212
NHS Stafford and Surrounds CCG	243	212
George Eliot Hospital NHS Trust	221	196
NHS Shropshire CCG	213	294
NHS Southern Derbyshire CCG	185	161
NHS Wyre Forest CCG	175	187
NHS Telford and Wrekin CCG	169	149
NHS Herefordshire CCG	132	103
NHS Nene CCG	125	159
NHS Gloucestershire CCG	120	132
Birmingham and the Black Country Area Team	0	120,385
<b>TOTAL</b>	<b>648,240</b>	<b>617,352</b>

## Note 27.1 Related Party Transactions continued

	Group/Foundation Trust	
	Expenditure	Expenditure
	31 March 2016	31 March 2015
	>£0.1m	>£0.1m
	£000	£000
HM Revenue & Customs	25,667	25,399
NHS Litigation Authority	15,782	13,220
NHS Pension Scheme	38,641	37,313
Public Health England	4,315	5,921
NHS Blood and Transplant	3,862	3,554
West Midlands Ambulance Service NHS Foundation Trust	2,648	2,540
Birmingham Women's NHS Foundation Trust	2,049	2,033
Sandwell and West Birmingham Hospitals NHS Trust	1,948	1,661
University Hospitals Birmingham NHS Foundation Trust (1)	1,698	1,099
NHS Property Services	652	1,817
Community Health Partnerships	554	(408)
Birmingham City Council	503	2,072
Birmingham Community Healthcare NHS Trust	400	517
Birmingham and Solihull Mental Health NHS Foundation Trust	330	1,705
Birmingham Children's Hospital NHS Foundation Trust	262	385
The Royal Wolverhampton NHS Trust	250	267
Solihull Metropolitan Borough Council	246	592
Oxford Health NHS Foundation Trust	240	289
Wrightington, Wigan and Leigh NHS Foundation Trust (2)	229	70
NHS England	176	447
Care Quality Commission	128	118
<b>TOTAL</b>	<b>100,580</b>	<b>100,611</b>

(1) In 2015/16 the Trust entered an agreement with University Hospitals Birmingham NHS Foundation Trust for management support. There is a charge for the Chief Executive and other salaries are recharged on a pro-rated cost basis.

(2) In 2014/15 and 2015/16 Wrightington, Wigan and Leigh NHS Foundation Trust recharged the Trust for the cost of the Chief Executive.

## Note 27.2 Related Party Balances

All significant related party balances are in relation to the primary activities of the Trust i.e. Provision of Healthcare

The Trust has entered into a significant number of material transactions with the following organisations for which there are no guarantees given or received:

	<b>Group/Foundation Trust</b>	
	<b>Receivables</b>	<b>Receivables</b>
	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>&gt;£0.1m</b>	<b>&gt;£0.1m</b>
	<b>£000</b>	<b>£000</b>
NHS England	4,167	0
Birmingham and the Black Country Area Team	0	5,289
Birmingham Women's NHS Foundation Trust	294	672
Burton Hospitals NHS Foundation Trust	2,586	2,074
Sandwell and West Birmingham Hospitals NHS Trust	639	763
Public Health England	287	527
Department of Works & Pensions	2,248	1,565
HM Revenue & Customs	630	1,664
Leicestershire and Lincolnshire Area Team	0	864
NHS Birmingham Crosscity CCG	8,017	4,094
NHS Solihull CCG	5,764	3,609
NHS South East Staffs And Seisdon Peninsular CCG	2,125	573
University Hospital Birmingham NHS FT	1,454	834
Birmingham Community Healthcare NHS Trust	507	468
NHS Walsall CCG	500	72
Solihull Metropolitan Borough Council	488	172
NHS Birmingham South and Central CCG	384	89
Birmingham and Solihull Mental Health NHS Foundation Trust	305	298
George Eliot Hospital NHS Trust	295	238
The Royal Wolverhampton NHS Trust	287	55
NHS Wolverhampton CCG	226	0
NHS South Warwickshire CCG	222	103
Walsall Healthcare NHS Trust	163	248
Birmingham Children's Hospital NHS Foundation Trust	156	270
Walsall Metropolitan Borough Council	134	197
NHS Coventry and Rugby CCG	119	7
Health Education England	104	485
University Hospitals Coventry and Warwickshire NHS Trust	101	69
<b>TOTAL</b>	<b>32,202</b>	<b>25,299</b>

## Note 27.2 Related Party Balances continued

	Group/Foundation Trust	
	Payables	Payables
	31 March 2016	31 March 2015
	>£0.1m	>£0.1m
	£000	£000
HM Revenue & Customs	8,191	7,935
NHS Pension Scheme	5,407	5,152
NHS England	1,406	0
Sandwell and West Birmingham Hospitals NHS Trust	1,348	703
Public Health England	1,184	1,595
University Hospitals Birmingham NHS Foundation Trust	1,153	522
Birmingham Women's NHS Foundation Trust	802	1,192
Birmingham City Council	316	0
Northumbria Healthcare NHS Foundation Trust	299	541
Solihull Metropolitan Borough Council	237	0
Birmingham Community Healthcare NHS Trust	208	354
Birmingham Children's Hospital NHS Foundation Trust	166	134
NHS Solihull CCG	166	158
The Royal Wolverhampton NHS Trust	145	44
Birmingham and Solihull Mental Health NHS Foundation Trust	119	642
NHS Blood & Transplant	106	633
NHS Property Services	8	550
West Midlands Ambulance Service NHS Foundation Trust	531	636
<b>TOTAL</b>	<b>21,792</b>	<b>20,791</b>

## Note 27.3 Key management personnel compensation

Under IAS 24 (Related Party Disclosures) there are additional disclosure requirements in respect key management personnel compensation. Note 4.4 discloses directors' remuneration as required under the Companies Act 2006. This note discloses compensation as defined under IAS 24.

Key management includes voting directors, both executive and non-executive. It also includes the compensation to Executive Directors who are not Board members. The compensation paid or payable in aggregate to key management for employment services is shown below:

	Group/Foundation Trust	
	2015/16	2014/15
	£'000	£'000
Short term employee benefits	2,122	2,646
Pension contributions	111	181
Other long term benefits	0	0
Post employment benefits	0	0
Termination benefits	84	0
Total	<b>2,317</b>	<b>2,827</b>

There were no amounts owing to Key Management Personnel at the beginning or end of the financial year.

## Note 28 For PFI schemes deemed to be off-SoFP

### PFI 3 - Provision of Energy Management Services at Solihull Hospital

The Trust holds a third PFI agreement with EnerG Combined Power Limited for the provision of energy services at Solihull Hospital. The scheme commenced in April 2010 and a unitary payment of £801k was paid in 2015/16. This is a 15 year agreement.

The Trust is accounting for this scheme as an off Statement of Financial Position PFI contract using the NHS Finance, Performance and Operations Guidance on "Accounting for PFI under IFRS" and also has been classified as a non finance lease under IAS 17.

In accordance with SIC 29 (Service Concession Arrangements), the Trust is committed to make the following payments for the service charge element of off-SoFP service concessions:

An estimated increase of 3% per annum has been added to reflect higher RPI and Inflation. Previous annual reports have not included this increase. The increase is in line with real amendments to prior years.

	Group/Foundation Trust	
	31 Mar 2016	31 Mar 2015
	Total	Total
	£000	£000
Within one year	825	801
2nd to 5th years (inclusive)	3,553	3,450
Later than five years	3,999	4,927
Total	<b>8,377</b>	<b>9,178</b>

## Note 29.1 Financial Risk Management

IFRS7 (Financial Instruments: Disclosures) requires disclosure of the role that financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities.

The Trust is not exposed to significant financial risk factors arising from financial instruments. The continuing service provider relationship that the Trust has with local Clinical Commissioning (CCG) and the way those CCGs are financed, means that the Trust is not exposed to the degree of financial risk faced by business entities. In the current financial environment where affordability by CCG's has re-emerged as a theme, the Trust regularly reviews the level of actual and contracted activity with the CCG's to ensure that any income at risk is discussed and resolved at a high level at the earliest opportunity available. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The financial risks faced by the Charity are assessed by the Donated Funds Committee (DFC) as part of its duty of care. It must be satisfied that the main risks associated with investments and the ways they are managed are kept to a minimum.

### Market Risk

Market risk is the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements. The vast majority of the Trust's transactions are undertaken in sterling and so it is not exposed to foreign exchange risk and the Trust does not have any direct dealings with the stock market. Other than cash balances, the Trust's financial assets and liabilities carry nil or fixed rates of interest and the Trust's income and operating cash flows are substantially independent of changes in market interest rates. When the Trust placed cash on deposit, it reviewed future expected changes in interest rates, and this determined the period over which the deposit was placed. Cash was not deposited for longer than a year. In the current financial position the Trust is not placing funds on deposit.

With the investments made by the Charity there is the risk that investments may decrease in value. The DFC assesses market risk in association with its investment managers.

### Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Trust. Credit risk arises from deposits with banks and financial institutions as well as credit exposures to the Trust's commissioners and other debtors. The Trust did not invest with banks and financial institutions in 2015/16. In the first half of 2015/16 the Trust placed money on the HM Treasury National Loans Fund and these investments were reported to the monthly Finance and Performance Committee but no investments have been made since September 2015. The Trust's net operating costs are incurred largely under annual service agreements with local CCGs, who are financed from resources voted annually by Parliament.

A regular review of large, old or problematic debt is performed and any issues escalated up to director level.

### Liquidity risk

Liquidity risk is the possibility that the Trust might not have funds available to meet its commitments to make payments. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Trust also seeks to minimise risk relating to prepayments made to suppliers, by keeping them to a minimum. Material prepayments are only made under contractual arrangements for periods not exceeding 12 months. The Trust has adopted tighter liquidity management policies in the year.

For investments held by the Charity consideration has to be given to the time frame and characteristics of different types of investments.

### Capital risk

For investments held by the Charity there is the risk that all or part of the value of the investment is lost. The DFC attempts to diversify the portfolio of assets so if the investment value of one class of assets fails it may be offset by increases in a different class of assets. The investment portfolio is managed on the Charity's behalf by an investment company.

## Note 29.2 Financial assets by category

	Group			Foundation Trust		
	Total	Loans and receivables	Available-for-sale	Total	Loans and receivables	Available-for-sale
	£000	£000	£000	£000	£000	£000
<b>Assets as per SoFP</b>						
Trade and other receivables excluding non financial assets	23,545	23,545	0	23,456	23,456	0
Other Investments	7,660	0	7,660	0	0	0
Other Financial Assets	0	0	0	0	0	0
Cash and cash equivalents (at bank and in hand)	31,622	31,622	0	31,473	31,473	0
<b>Total at 31 March 2016</b>	<b>62,827</b>	<b>55,167</b>	<b>7,660</b>	<b>54,929</b>	<b>54,929</b>	<b>0</b>
Trade and other receivables excluding non financial assets	25,045	25,045	0	25,008	25,008	0
Other Investments	8,096	0	8,096	0	0	0
Other Financial Assets	0	0	0	0	0	0
Cash and cash equivalents (at bank and in hand)	88,241	88,241	0	87,671	87,671	0
<b>Total at 31 March 2015</b>	<b>121,382</b>	<b>113,286</b>	<b>8,096</b>	<b>112,679</b>	<b>112,679</b>	<b>0</b>

The Financial Assets included above do not include Prepayments, PDC Receivable, amounts owing in respect of VAT from HMRC or amounts owing from the NHS Injury scheme. These are all included in Note 14.1 Trade receivables and other receivables. The Available for Sale Financial Assets are investments for the Charity (See Note 12 for details).

## Note 29.3 Financial liabilities by category

	Group			Foundation Trust		
	Total	Other financial liabilities	Liabilities at fair value through I&E	Total	Other financial liabilities	Liabilities at fair value through I&E
	£000	£000	£000	£000	£000	£000
<b>Liabilities as per SoFP</b>						
Borrowings excluding Finance lease and PFI liabilities	0	0	0	0	0	0
Obligations under finance leases	1,726	1,726	0	1,726	1,726	0
Obligations under Private Finance Initiative contracts	2,404	2,404	0	2,404	2,404	0
Trade and other payables excluding non financial assets	86,542	86,542	0	86,345	86,345	0
Other financial liabilities	0	0	0	0	0	0
Provisions under contract	9,191	9,191	0	9,191	9,191	0
<b>Total at 31 March 2016</b>	<b>99,863</b>	<b>99,863</b>	<b>0</b>	<b>99,666</b>	<b>99,666</b>	<b>0</b>
Borrowings excluding Finance lease and PFI liabilities	0	0	0	0	0	0
Obligations under finance leases	1,865	1,865	0	1,865	1,865	0
Obligations under Private Finance Initiative contracts	2,601	2,601	0	2,601	2,601	0
Trade and other payables excluding non financial assets	73,576	73,576	0	73,506	73,506	0
Other financial liabilities	0	0	0	0	0	0
Provisions under contract	12,649	12,649	0	12,649	12,649	0
<b>Total at 31 March 2015</b>	<b>90,691</b>	<b>90,691</b>	<b>0</b>	<b>90,621</b>	<b>90,621</b>	<b>0</b>

## Note 29.4 Fair values of financial assets

There is no difference between the book value and fair value of the financial assets at 31 March 2016.

## Note 29.5 Fair values of financial liabilities

There is no difference between the book value and fair value of the financial liabilities at 31 March 2016.

## Note 29.6 Foreign Currency Risk

The Trust has no foreign currency income and negligible foreign currency expenditure.

## Note 30 Losses and Special Payments

	2015/16 Total number of cases Number	2015/16 Total value of cases Value £000's	2014/15 Total number of cases Number	2014/15 Total value of cases Value £000's
<b>LOSSES:</b>				
1. Losses of cash due to:				
a. theft, fraud etc	5	1	6	0
b. overpayment of salaries etc.	2	7	0	0
c. other causes	0	0	0	0
2. Fruitless payments and constructive losses	0	0	0	0
3. Bad debts and claims abandoned in relation to:				
a. private patients	0	0	10	2
b. overseas visitors	0	0	9	55
c. other	0	0	1	41
4. Damage to buildings, property etc. (including stores losses) due to:				
a. theft, fraud etc	0	0	0	0
b. stores losses	3	180	46	129
c. other	0	0	0	0
<b>TOTAL LOSSES</b>	<b>10</b>	<b>188</b>	<b>72</b>	<b>227</b>
<b>SPECIAL PAYMENTS:</b>				
5. Compensation under legal obligation	0	0	0	0
6. Extra contractual to contractors	0	0	0	0
7. Ex gratia payments in respect of:				
a. loss of personal effects	57	25	41	8
b. clinical negligence with advice	0	0	0	0
c. personal injury with advice	45	194	59	206
d. other employment payments (excluding include special severance payments which are disclosed below)	0	0	1	0
e. other	0	0	0	0
8. Special severance payments	0	0	0	0
9. Extra statutory and regulatory	0	0	0	0
<b>TOTAL SPECIAL PAYMENTS</b>	<b>102</b>	<b>219</b>	<b>101</b>	<b>214</b>
<b>TOTAL LOSSES AND SPECIAL PAYMENTS</b>	<b>112</b>	<b>407</b>	<b>173</b>	<b>441</b>

These losses (which are for approved cases only) are reported on an accruals basis excluding provision for future losses.

Legal claims totalling £194k (£206k, 2014/15) are included within these figures, but they are classified under 'Legal fees' rather than 'Losses, ex gratia and special payments' in Note 4.1 Operating Expenses.

There were no losses or claims exceeding £300,000 in 2015/16 or 2014/15.

## Note 31 Prior Year Adjustments

No prior year adjustments were applicable in 2015/16 or 2014/15.

## Note 32 Subsidiary relationships

### Heartlands Education Centre Limited (HECL)

In applying the principles of IAS 27 (Consolidated and Separate Financial Statements) the Trust has a subsidiary relationship with Heartlands Education Centre Limited (HECL). The net assets of HECL are not deemed material to the Trust's position, and therefore are not consolidated into group accounts and group accounts are not prepared. The following table sets out the net assets of the HECL in relation to the Trust's surplus and the HECL's net profit results.

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
HECL net assets	25	(16)
HEFT net assets	235,443	290,711
%	<u>0.01%</u>	<u>-0.01%</u>
HECL net profit	41	10
HEFT net profit	(36,668)	(2,177)
%	<u>-0.11%</u>	<u>-0.46%</u>

The company was incorporated in the United Kingdom on 25 October 1994 as a company limited by guarantee and does not therefore have any share capital. As such the Trust does not hold a financial investment in HECL.

