Portsmouth Hospitals NHS
NHS Trust

Annual report and accounts

2014/15

The best hospital, providing the best care, staffed by the best people.

A Patient's Story

"I can honestly say that the research trial QA Hospital has enrolled me in is having a positive impact on my asthma and could potentially be life-changing for me and for other allergic asthma sufferers."

Ashley Piper,
patient enrolled on the LASER trial.

Fareham mother-of-three, Ashley Piper, is taking part in a clinical trial at Queen Alexandra Hospital.

"I've had severe asthma for 15 years now. When I was 25 years old I had my appendix removed and when I woke up from the operation I had developed full-blown asthma – I'd never had the condition up until that point. Ever since that day my life has changed. Living with asthma is often very difficult. I have to use inhalers, steroids and nebulisers every day and I end up in hospital at least a couple of times a year as a result of a bad attack"

Ashley's asthma is so severe, inflaming her lungs, that she has been receiving treatment every month at Queen Alexandra Hospital for her condition for the last ten years. During a recent hospital visit Professor Chauhan, Director of Research, suggested she take part in the LASER trial.

Half of the participants in the trial receive a device that is working, and the other half receive a device which has been inactivated, although they will not know. Ashley said "I jumped at the chance to be involved. I especially liked the fact that it was a drug-free trial"

"I've had the air filtering device over my bed for about six months now and, whilst I don't know whether the machine I've been given is a dummy or the real deal, I can say that I've dropped my steroid strength down by 20mg and have already been feeling much better"

In 2014 we were awarded £1.2m from the National Institute for Health Research (NIHR) to investigate whether Temperature controlled Laminar Airflow (TLA) is able to reduce the frequency of asthma attacks.

The LASER (Laminar Airflow in Severe Asthma for Exacerbation Reduction) trial will see over 200 patients who have severe allergic asthma, each receiving TLA treatment using a device called Airsonett.

The device is installed beside the patient's bedside for use overnight and works by filtering the air to deliver 'clean' allergen-free air to the patient's breathing zone, allowing the lungs and airways to 'rest' in clean air overnight.

The treatment is particularly appealing to patients as it does not require any additional inhalers, tablets or injections and has an excellent safety record with no known side effects.

Ashley Piper, LASER trial patient

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1 Introduction from the Chairman and Chief Executive

We welcome you to our 2014/15 annual report. Whilst it has been a challenging year for the Trust there has also been much continued improvement in a wide range of activities. The strong sense of passion and pride in our staff, who deliver consistently high quality services, continues to shine through.

We thank Deputy Chairman Alan Cole for his valued contribution as Acting Chairman until June, and for his continued support throughout the year to the Board and the Council of Governors.

The clinical challenges we faced throughout the year continued to come from a huge demand for emergency care, with a growing number of frail elderly and very ill patients. Like many hospital Trusts up and down the country we struggled with our emergency pathway, and frustratingly missed the national benchmark.

Throughout we have continued to work well with our partners in the local health system. The clinical commissioning groups, community health partners, South Central Ambulance Service and the local authorities have all provided additional resource to help us tackle the pressures. Together we have found innovative ways of working which will help us to develop a sustainable way of providing the very best services to our patients.

We are investing heavily in Research and Innovation and as a result are offering treatments to a growing number of patients within nationally recognised clinical trials. Indeed our research work has been showcased as amongst the best in the country, and we were awarded the prestigious Health Service Journal Award for Clinical Research Impact. We will continue to build upon this success, as compelling evidence shows that patients treated within the context of clinical trials generally have improved outcomes and experiences.

We were formally inspected during the year by the Care Quality Commission (CQC), the independent regulator of health and social care in England. Around fifty inspectors spent several days in February engaging with our patients and staff across the hospital to assess if we met the key performance criteria for safe, effective, caring, responsive and well led services.

Achieving sound financial health has been a challenge for the Trust throughout the year, particularly with

the pressures on unscheduled care. The extra surge in patients attending the Emergency Department resulted in additional expenditure, the cancellation of some operations and a consequent loss of income. The overall impact of these factors on our year end position resulted in a deficit of £2.9m. This is a disappointing result, and we are developing robust plans to deliver sustainable on-going investment. We go into 2015/16 with a planned deficit of £16m and will be working with the NHS Trust Development Authority to reach a break-even position going forward.

Our staff members remain our biggest asset. Our organisation is driven by the hard work and contributions of our staff, including 1,000 facilities staff, volunteers and governors – all of whom are highly valued.

We are committed to nurturing and developing our workforce to capture their extraordinary talent to deliver world class services to local people. Our staff survey results this year were much improved, placing us among the top 20% of Trusts in key indicators. We have also further built upon our staff engagement work through Listening into Action (LiA), removing unnecessary interventions and barriers, with real benefits for both patients and colleagues.

Together we thank you all for your continued support and commitment throughout the past year.

Ursula Ward Chief Executive

Sir Ian Carruthers Chairman

2 One year, numerous achievements.

There have been many achievements and successes in 2014/15. A summary of highlights includes:

April

- We received two certificates for excellent performance from the National Institute for Health Research
- We were awarded, and praised, by the South East Stroke Research Network, for our notable contribution to the recruitment of over 13,500 stroke patients to clinical research studies between 2006 and 2014
- We invested over £1m in a state-of-the-art MRI scanner
- The number of patients being scanned within 24-hours of their consultant requesting a heart examination increased by over 15 per cent thanks to a new way of working
- Data from Public Health England evidenced a significant drop in diabetic major amputations

May

- We were approved as a national endoscopy training centre thanks to our internationally-recognised work in treating early cancers
- We were chosen as a Beacon Trust for the NHS Employers Organisational Development Culture Change Project
- We launched our new Recovery at Home service 'QA@home'

June

- NHS Choices data showed that we were fully compliant with safe staffing levels and we were awarded a green rating for the way we report and respond to patient incidents, and listed as "among the best"
- BBC Strictly Come Dancing judge Craig Revel Horwood opened our Fracture Liaison Service

July

- We became the first training centre for robotic colorectal surgery in the UK – one of only five in Europe
- We were found to be making a positive difference to the care of patients with dementia following an unannounced CQC inspection
- We were shortlisted for the prestigious HSJ Value in Healthcare Awards for a project which saved £3m and cut the length of stay for patients
- A report by NHS Blood and Transplant showed the number of life-saving kidney transplants that we carried out in the last year increased by 11%

August

- Our patients rated us as above average in the key areas of cleanliness; food and hydration; privacy and dignity and environment in the Patient-Led Assessments of the Care Environment (PLACE) report

September

- We featured in the national news as it was announced our home grown, handheld, vital sign recording device, VitalPAC, had cut hospital death rates by 15%
- We were shortlisted for three prestigious Health Service Journal (HSJ) Awards in the categories Acute Sector Innovation; Clinical Research Impact and Enhancing Care by Sharing Data and Information

October

- We celebrated the fifth anniversary of the opening of the new hospital
- Our care of diabetic patients was hailed as a glowing example in a published report by The King's Fund
- The results of the Hemochromatosis "Patient Satisfaction Audit" showed we had been rated as 'excellent'

November

- Our research team won the prestigious Health Service Journal Award for Clinical Research Impact. We were also celebrated in two other categories at the HSJ Awards. We were a finalist in the Enhancing Care by Sharing Data and Information category for our work in improving the length of stay, which has led to £3million in savings; and we won Highly Commended in the Acute Sector Innovation category for innovating diabetes within acute Trusts
- We celebrated our annual staff event, The Best People Awards
- We featured in national BBC news coverage for our contribution to a report on liver disease published in The Lancet

December

- Our patients rated us well in the national CQC survey for the treatment they received in the Emergency Department (A&E)
- ITV This Morning filmed at the hospital for a new year special health feature

January

- We were chosen as one of a few national sites to begin screening new born babies for an extra four conditions, testing for illnesses that could otherwise lead to infant mortality or cot death
- We ran a successful Perfect Week initiative focusing on best practice in patient flow and discharge from hospital, resulting in long lasting benefits for our patients

February

- We welcomed 65 Occupational Therapy staff members including therapists, assistants, technicians and administrative staff who transferred to the Trust from Solent NHS Trust

March

- We formally re-launched Portsmouth Hospitals Charity which aims to provide additional facilities and equipment and support research programmes and innovation

3 Best Hospital, Best People, Best Care

Queen Alexandra Hospital started life more than a century ago as a military hospital. Today it is one of the largest, most modern hospitals on the south coast, with 1,200 beds housed in light, bright, infection resistant en-suite wards.

The current hospital was first opened by Princess Alexandra in 1980 and more recently went through a major redevelopment to create a modern and 'fit for purpose' hospital, which was completed in 2009. The Trust awarded the £256m contract to The Hospital Company, a 50:50 joint venture between Carillion and the Royal Bank of Scotland, under the Private Finance Initiative (PFI).

As well as being responsible for the building works, The Hospital Company also entered into a long term agreement to provide Facilities Management services to the hospital. Portsmouth Hospitals NHS Trust makes annual payments for the PFI facility to cover loan and interest payments as well as payments for the provision of the Trust's facilities and services including estates, portering, cleaning, security, catering and car parking.

All these services, apart from estates, are subject to value testing via benchmarking and/or market testing every 5 years during the operational concession, which ends in 2040.

Included within the modern buildings are:

- 28 theatres - with four dedicated endoscopy theatres
- Four state of the art linear accelerators
- Two purpose built interventional radiology suites, three MRI scanners, three CT scanners and a PET scanner
- State of the art pathology laboratory
- Neonatal Unit, Level 3
- Hyper acute Stroke Unit
- Superb critical care facilities

Our Emergency Department is one of the busiest in the country treating in excess of 132,000 patients each year. We also see over 400,000 Outpatients and carry out over 45,000 day case operations.

Our maternity services deliver around 6,000 babies per year, making it one of the largest maternity services on the south coast. We are also home to the Wessex Renal and Transplant Unit and hold prestigious Cancer Beacon Status for Head and Neck Cancer Services.

Although not a University Hospital allied to a medical school, we are a major provider of under-graduate and post-graduate education working with three universities (Southampton, Portsmouth and Bournemouth). We have a significant reputation in relation to research and innovation and are actively involved in the national agenda in these fields.

Our hospital also hosts the largest of five Ministry of Defence Hospital Units in England.

Providing the best care across South East Hampshire

We are organised into 10 Clinical Service Centres (CSC's) - Clinical Support; Emergency Medicine; Head & Neck; Medicine; Medicine for Older People, Rehabilitation & Stroke; Renal & Transplantation; Cancer & Surgery; Theatres, Anaesthetics & Critical Care; Trauma, Orthopaedics, Rheumatology & Pain; Women & Children. These centres are very much clinically led and managed.

We provide comprehensive secondary care and specialist services to a local population of 675,000 people across South East Hampshire. We also offer some tertiary services to a wider catchment in excess of two million people.

Our population is characterised by its diversity – the rural and the urban, areas of wealth juxtaposed with real pockets of deprivation, and variation in life expectancy. Stroke, heart attacks, diabetes and liver disease have a high prevalence within our local community, and we work strategically with public health and local commissioners to provide high quality services.

Most of our services are provided at Queen Alexandra Hospital, in Cosham, but we also offer a range of outpatient and diagnostic facilities closer to patients' homes in community hospital sites and at local treatment centres throughout South East Hampshire:

St Mary's - midwifery, dermatology and disablement services

Gosport War Memorial Hospital - a range of services including the Blake Maternity Unit, Minor Injuries Unit, rehabilitation services and diagnostics

Petersfield Community Hospital - we manage the Cedar Rehabilitation Ward and run the Grange Maternity Unit

Fareham Community Hospital – rehabilitation services and outpatient clinics

Havant Community Services – diagnostics and outpatient clinics

We run a Private Patient Unit, **Harbour Private Patient Services**, within Queen Alexandra Hospital for patients with private medical insurance, or who pay for themselves. Income generated by private patient services goes back into our general finances to help support improvements in services which benefit our NHS patients.

Our five year plan to strengthen private patient services commenced in 2014. This includes dedicated inpatient beds on G level, now named the **Harbour Suite**, and links across the Trust. The service offers increased choice to patients and enables insured, or self-funded, patients to receive private care that is supported by the comprehensive infrastructure of the Trust.

Treating an older population with multiple health problems

Over the next five years our local population is forecast to grow in line with the England average, to approximately 695,000. However the age profile of this community is atypical. We currently serve a population with an age profile which reflects the expected average cross-section in England in 2032.

We will be in the first cohort of hospitals facing the challenges of an ageing population:

- By 2032 28% of our catchment population will be over 65 years of age, significantly higher than the England average of 22%
- The trend for over 75s suggests that by 2032 this group will account for 16% of the local population compared to the England average of 11%

This sub segment of the catchment population already puts great pressure on our local health economy. Our ageing demographic brings with it the added challenge of multiple clinical needs. There is also a lower life expectancy and higher prevalence of disease and poor health compared to other areas within our region.

In addition to this some of the Portsmouth, Gosport, and Havant wards within our local catchment area face severe deprivation, this places an additional demand on our acute service provision, particularly emergency care.

- Approximately 85% of our current bed occupancy is related to patients arriving as emergencies.

Challenges within our operating environment

Whilst it has been a challenging year for the NHS and the NHS Trust, improvements have been achieved in a wide range of services. Demand for our health services has been significant, in the last year we saw:

- 24,090 planned admissions to hospital
- 136,336 Emergency Department attendances
- 463,111 outpatient appointments
- 52,802 emergency admissions
- 5,925 births in our maternity units

High quality care has been delivered in most specialties in the last 12 months, with notable exceptional performance in our Critical Care, Maternity, Paediatrics and Neonatology.

The Trust has a proven track record in safety, as evidenced by zero 'Never Events'. Also, the SMR (Standardised Mortality Ratio) of 100.3 and SHMI (Summary Hospital-level Mortality Indicator) of 107.9 are within the expected ranges for the Trust, when benchmarked nationally.

Clinical outcomes are generally very good across all specialties when compared nationally, with some amongst the best in the country including:

- Colorectal
- Critical Care
- Neonatology
- Hip Fractures, and
- Glaucoma complication rates

We have worked hard throughout the year to reduce avoidable harm to patients, for example pressure ulcers, falls and C.diff. Whilst we are above target on C.diff, a significant number of these were contracted in the community and have not been included in the Trust numbers. Indeed we compare well when you look at the national C.diff position.

Improvements have been made in meeting national standards for Referral to Treatment more consistently. We have met both our cancer waiting times and diagnostic imaging waiting times. We had significantly reduced the number of cancelled operations, but pressures in emergency care in the latter part of the year has challenged this. Similarly, the standards for Coronary Heart Disease are improving.

A safe hospital – measuring our performance

The overwhelming message received by the Trust is that it is greatly valued by all as it provides safe, high quality care in all of it services, even though there are challenges relating to emergency care.

We continue to work hard to deliver high quality care that meets the National Standards as outlined in the Everyone Counts Planning Guidance. These standards include the eight National Cancer Standards. All have been achieved in three out of four quarters, with just the 62 day first definitive treatment not being achieved in quarter four.

Infection prevention

We have continued to make excellent progress in reducing Healthcare Associated infections, gained as a result of healthcare interventions. Our levels of MRSA bloodstream infections continued to fall and we have had zero avoidable MRSA blood stream infections. We have unfortunately had 2 unavoidable cases where patients developed MRSA blood stream infections.

We have completed our fifth consecutive year without any ward closures due to the winter vomiting bug Norovirus. The significant reduction of these infections is due to the hard work and commitment of all of our members of staff. We take great pride in having a clean and safe environment for our patients. Cleanliness across the Trust is audited on a daily basis and we continue to receive many patient plaudits for our clean hospital.

Our financial responsibility

The current economic climate necessitates significant savings within the NHS both locally and nationally. This is at a time when everyone in the NHS is seeking an improvement in standards of care across the board.

We face the dual challenge of delivering high quality care whilst offering value for money and creating year on year surpluses that will be reinvested into patient care for our local communities.

We are committed to taking a leading role, working with all of our stakeholders across the local health economy, to ensure the financial stability of the healthcare system so that we become less reactive to financial pressures and more able to control investment decisions.

In the last financial year we have taken steps to ensure financial sustainability in support of our aspiration to become a Foundation Trust. We:

- Built on our existing areas of specialist expertise - including minimally invasive and robotic surgery and sub-specialist care in cardiology, diabetes, neonatal expertise, aspects of orthopaedics and stroke – some of these services are already provided to a population of approximately one million across Hampshire and West Sussex
- Grew our business in areas where we excel - further developing our existing tertiary referral units in renal medicine, kidney transplantation and cancer services
- Further developed our Private Patient Unit
- Improved reporting to improve financial management

Our strategic report

Our mission is to be the best hospital, providing the best care, staffed by the best people and we set ourselves five strategic goals to ensure that we deliver our vision. These are:

1. Deliver safe, high quality patient centred care:

- Year on year improvement in national, local and quality account metrics
- Achieve top 20% position across acute Trusts
- Year on year reduction in avoidable harm
- Maintain compliance against Care Quality Commission outcomes
- Deliver good patient experience as measured by the Friends and Family Test
- Consistently achieve all access standards in line with commissioning and regulatory requirements
- Partner with other organisations to deliver joined up emergency care
- Safeguard vulnerable groups through robust safeguarding procedures

2. Develop a reputation for excellence in innovation, research and development and education in the top 20% of our peers:

- Year on year increase in patient recruitment to clinical trials
- Establishment of academic/innovation centre within PHT
- Work in collaboration with Academic Health Science Networks to develop innovation and research projects
- Become a hospital of choice within Wessex for trainees

3. Become the hospital of choice for general, specialist and selected services:

- Maintain and grow referrals from General Practitioner surgeries in the local catchment area and beyond
- Maintain and grow specialist services with local national and international reputation
- Maintain and grow the Renal and Transplantation service to remain a centre of excellence in the UK

4. Be a hospital whose staff recommend the Trust as a place to work and a place to receive treatment:

- Ensure the best people are employed with the best skills in the right place at the right time
- Make the Trust a great place to work and learn

- Develop individual and collective responsibility and accountability for delivering performance improvements
- Nurture a culture of compassion and care for patients

5. Develop sufficient financial strengths to adapt to change and invest in the future:

- Develop financial capability across the Trust and ensure a year on year cash surplus which is re-invested into services
- Develop a full five-year Integrated Business Plan underpinned by robust supporting strategies
- Be in a position to make a credible application to Monitor to become a Foundation Trust in 2015/16
- Develop Clinical Service Centres as fully functioning developed business units with full responsibility
- Re-align corporate services to support all of the above

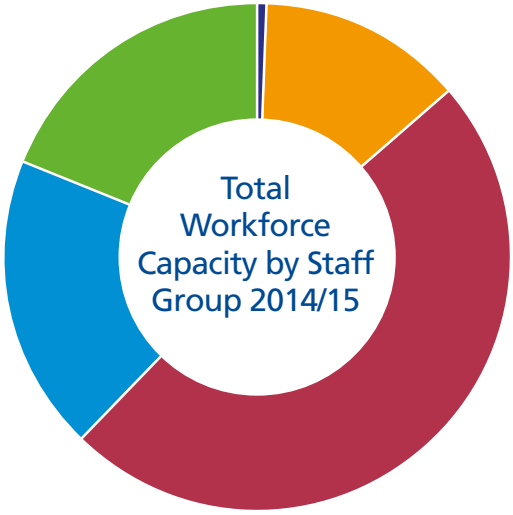
We believe that this focus will help us ensure we become a thriving Foundation Trust (FT).

Becoming a Foundation Trust is the right thing for both the Trust and for the people we serve. We aim to operate within the values that we have established as lying at the heart of our work, to help us achieve both our vision and our aspiration to become a Foundation Trust:

- Respect & dignity
- Quality of care
- Working together
- Efficiency

Investing in our workforce

We employ about 7,500 people and we are the second largest employer in Portsmouth.



Recruiting and maintaining a structured workforce is a major priority. This includes the workforce associated with the Ministry of Defence Hospital Unit and Carillion. This has been essential to maintain safe services, with recruitment overseas playing its part.

The Trust has been highly successful in the apprenticeship scheme and has achieved national recognition for this. This is proving to be a great source for future recruitment and the vast majority of apprentices that have been trained, have gone onto full time employment.

Investments have been made in 2014/15 to increase staffing levels. Increased non-elective activity has resulted in a further increase in nursing and medical staff working in the organisation, specifically within the Emergency Department and medical specialties.

We also work in partnership with NHS Professionals who provide additional temporary staffing to meet the requirements placed on us during times of increased demand.

Progress has been made in delivering appraisals (86%) and essential skills training (87%). Much work has taken place to improve staff satisfaction and this has been reflected in survey results. There has been a significant increase in staff recommending the Trust as both a place to work and receive treatment. Work will continue to secure further improvements in this area

A number of exit packages were agreed in the year as detailed in Note 10.4 on page 68 of the Annual Accounts.

Equality, diversity and human rights

We are fully committed to employee equal opportunities and our equality and diversity policy is published on our website. The gender breakdown of our workforce includes:

Female	81%
Male	19%
Disability	3%
BME (Black and Minority Ethnicity)	16%

A gender breakdown of senior managers (Directors and all managers over band 8a) employed by the Trust shows that just over half are female.

Female	54%
Male	46%
Disability	5%
BME (Black and Minority Ethnicity)	3%

The Equality Act 2010 and Public Sector Equality Duty require that we provide services that are personal, fair and diverse. We want to be recognised as a leader in this, ensuring positive outcomes for everyone who comes into contact with us. This is not just about responding to our legal and regulatory requirements; we are also using this as a driver for change.

We have a sustainable, and evidence based equality and diversity strategy called 'Everyone Counts' helping us to integrate equality and diversity into our mainstream business. Progress is monitored and reviewed by the Equality Impact Group.

We have also launched our Equality Standard, a toolkit that aims to improve health outcomes for all; improve patient access and experience and empower, engage and support our staff through inclusive leadership.

Staff engagement and consultation

Effective two-way communication between the Trust, our staff, patients and the wider community is crucial. We have a variety of methods to achieve this, which include a weekly message from the Chief Executive, a monthly staff magazine, staff surveys and various social media platforms. We also continue with our Listening into Action programme which involves staff from all levels and groups.

Working alongside our military personnel

The professional and highly regarded relationship between military doctors, nurses and allied health care professionals from the Ministry of Defence Hospital Unit Portsmouth and the Trust has continued to flourish.

Personnel from all three Armed Services are fully integrated within the Trust, working alongside their civilian counterparts, helping to treat and care for patients from the local and surrounding communities.

The Commanding Officer, Commander Lisa Taylor, Royal Navy, acts as the pivotal point of contact between the two organisations; she promotes cohesion and ensures that the relationship is mutually beneficial for all involved. Military personnel work within the Trust in preparation to provide defence forces with highly capable clinically trained healthcare professionals that are able to deliver high quality clinical care in support of current and future operations.

In 2014 the focus for military personnel switched from supporting operations in the Middle East to planning for future operations. This draw down of troops in Afghanistan has meant that military personnel are undertaking training for future deployments around the rest of the world, including providing support to humanitarian missions. A number of personnel were deployed to support the on-going Ebola crisis in Africa.

Military personnel pride themselves on supporting local and national charities, and have continued to raise funds for the Rocky Appeal, The Royal British Legion and Single Service Benevolent Funds to name but a few.

Working with our partners

Our Trust strategy has not been developed in isolation. We have an important role to play within the local health economy and we have assessed local priorities and developed an external facing strategy that complements our plans for internal clinical provision.

Our three Clinical Commissioning Groups (Portsmouth, Fareham and Gosport, and South Eastern Hampshire) commission 80% of current activity within the Trust and we work in partnership to deliver three clear priorities for the region:

- Improving care for the frail and elderly by implementing an integrated approach
- Reviewing pathways and models for care for a range of elective services
- Financial stability for all partners across the health care system

We can best serve our local population by working collaboratively with our partners across the local health and social care system, including Portsmouth City Council, Hampshire County Council, and South Central Ambulance Service, to respond to the growing pressures and mitigate the impact of an increasingly ageing population.

Together we aim to drive a decline in emergency admissions and average length of stay through:

- Developing care pathways to reduce multiple handovers and offer a streamlined and targeted service – for example our diabetes service
- Reducing the need for hospital admissions for the frail and elderly, and those with long term conditions
- Supporting self-management and long term prevention of ill-health working closely with Public Health

Engaging with our stakeholders

Receiving feedback from patients has been achieved in a number of ways including complaints, the Friends and Family test, hosting events, surveys exhibitions, community events, newsletters, publications and social media.

During the course of the year we held a range of stakeholder events including our annual Open Day where we were able to showcase our work, staff and facilities. We also attended different stakeholder events and forums to promote our work, engage on our priorities and respond to questions. These included Healthwatch, patient forums, carers' groups and the voluntary sector.

These have provided a wealth of information that has been used to improve our services. Our Shadow Governors have played a major role in this area and feedback has led to changes in our activity and priorities

A caring and charitable hospital

Our official hospital charity re-launched under the new name Portsmouth Hospitals Charity in March. Its aim is to serve the patients of Portsmouth Hospitals NHS Trust by providing additional facilities and equipment, supporting research and innovation in the development of services and the education of both patients and staff.

The charity supports all wards and departments throughout the Trust and people can choose to support and fundraise for an area of the hospital that is close to their heart.

The charity is grateful for the support it has received from patients, their friends and family, staff, businesses, Trusts and a number of associated charities including Ickle Pickles, League of Friends, Macmillan, Hospital Radio and Sam's Haven over the last year.

Many of the wards and departments have benefited from generous donations too, including:

Renal Charitable Fund

- A portable device called a transonic monitor, worth £37,274. This monitors vascular access, allowing patients to be assessed at satellite units without needing to come to the hospital
- 30 new dialysis chairs for renal patients which improve patient comfort, to the total of £48,930

NICU Charitable Fund

- A Neonatal ventilator, worth £23,462. The expansion of ventilators in the department enables a fuller range of support to babies

Eye Department Charitable Fund

- SVOP visual field analyser, worth £10,000. This equipment enables the department to perform visual field tests on young/ non-compliant children

Fundraising for the Rocky Appeal, also comes under the umbrella of Portsmouth Hospitals Charity, raising funds for our state of the art Da Vinci Surgical Robot. This has continued to receive fantastic community support in the last year.

The League of Friends is a volunteer group which helps to raise money for the hospital. There are over 400 valued members of the team with 100 active volunteers who help run the League of Friends shop and take trollies with refreshments to the wards, theatre and outpatient areas. In the last financial year they raised £129,000 towards equipment and patient comfort and have committed to raise a further £100,000 in 2015.

4 Research and Innovation

Research and Innovation thrives within the Trust. There are 150 research staff across clinical specialties, increased participation in clinical trials and we receive £8million in major grants for our research activity.

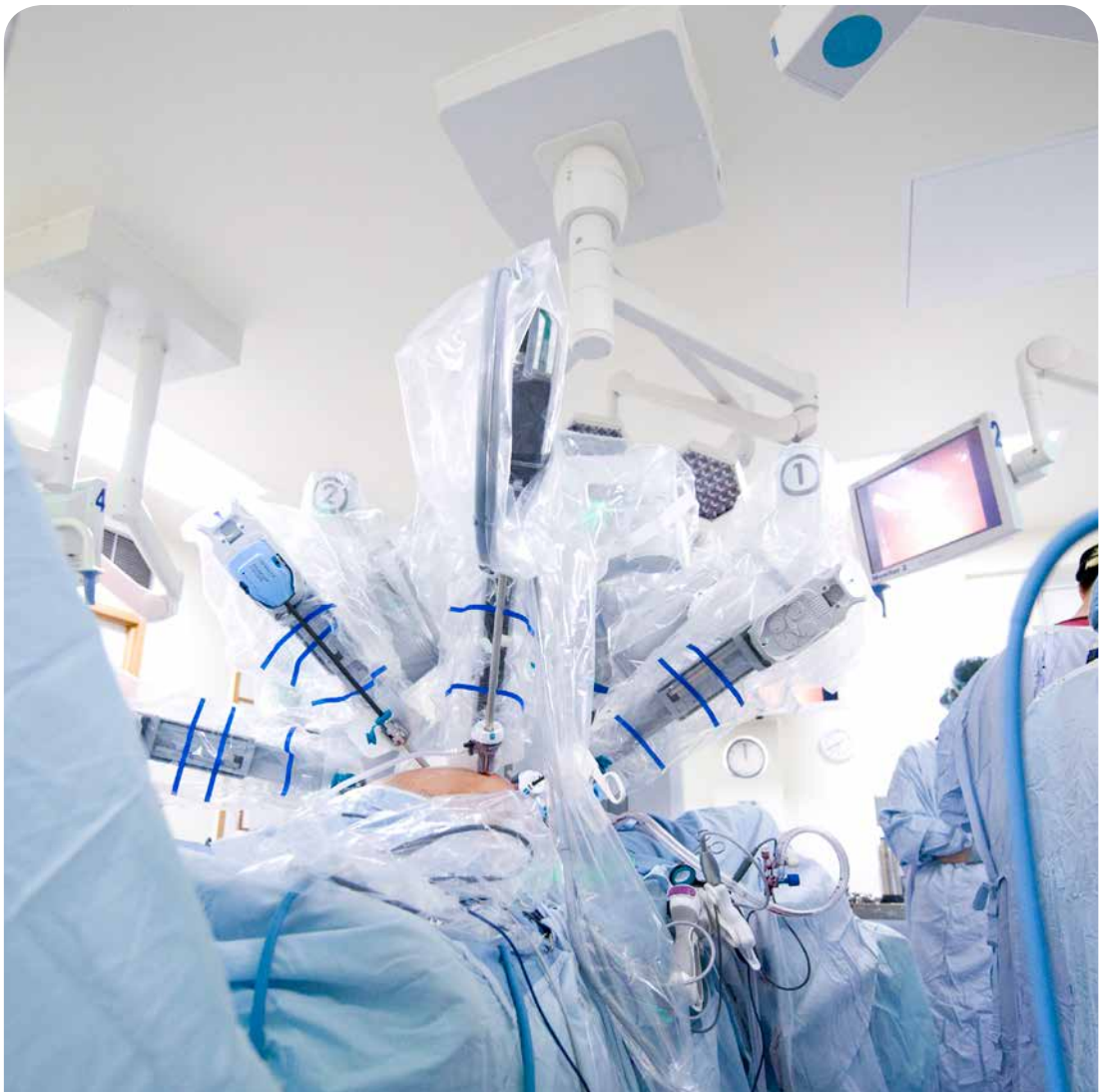
The last twelve months have been a busy, exciting and creative time for Research and Innovation within the Trust, including winning a prestigious national award - Best NHS organisation demonstrating clinical research impact.

We challenged all of our health professionals to make research part of their core business, involving more clinical staff and specialties in research since last year, including five Wessex-wide specialty group leads. We also made research easier to do in Portsmouth by developing training pathways for nurses, junior doctors through to senior researchers who are trained in the design and delivery of high quality research.

Headlines for our research and innovation, throughout the last 12 months, include:

- The Portsmouth Clinical Outcomes Research Group, established in 2013, created a centre of research excellence in the use of clinical outcome data to improve patient care using "VitalPAC", track and trigger software. The Group now collaborates with the Fundamental Care in Hospital Research Group, CLAHRC Wessex, to research and publish aspects of patient safety. The Group was also shortlisted for a BMJ Patient Safety Award.
- Recognising the lack of treatment options for well phenotyped asthma patients, we wrote a successful bid for randomised controlled trial (RCT) research grant funding for the LASER-Trial. This trial tests a new allergen reduction device for asthma patients. The successes of this research team continue, this time with SBRI Phase 3 grant funding was awarded for the SENSOR study, a study for the treatment of another lung disease, bronchiectasis.
- Members of the Clinical Outcomes Research Group, in collaboration with the University of Oxford, were awarded a multi-million pound research grant. Their research will develop a hospital wide electronic noticeboard that identifies the clinical status risk assessment of all patients continuously.

- We created a new service model called MISSION-Severe Asthma. Patients underwent rapid research assessments and we recruited 130 patients. Also 1,300 patients were screened over the summer, with 367 identified as having potentially severe asthma; 100 were invited to rapid clinics, 25 to the severe clinics and 10 entered a clinical trial. The model is now being adopted and diffused in two other hospitals. This joint working through research has now led to the development of the Wessex Severe Asthma Network. It has been integral for recognition of the networks success as it moves towards specialist commissioning for asthma.
- We launched our new "Research Prescription Service" to overcome patient waiting times and streamline the clinical trial prescription process.
- Our Clinical Outcomes Research Group published a paper in the British Medical Journal to show the impact of introducing an electronic physiological surveillance system on the reduction of hospital mortality rates. We created VitalPAC, a track and trigger system and have now shown we have saved 800 lives through increased patient monitoring using this system.
- The RCN Nurse of the Year Award celebrated our shortlisted Respiratory Research Nurse Team.
- Two of our research team won the Chief Executive's Innovator's Cup for their idea to increase our staff health and wellbeing. The project 'Walk to Victory' will be launched in early 2015/16.
- We were the largest recruiter in a 10,000 patient "Hepatitis C UK" study. Over the whole year hepatitis C studies have allowed our patients to access over £1.5 million worth of new drugs and we now see 100% clearance of the virus in this treated patient group.
- One of our cardiologists was awarded a multi-million pound research grant. His study IRONMAN will begin to recruit patients with heart failure across England in September 2015, and some patients in this study will receive treatment with iron infusions.



5 Sustaining high quality services

Our vision is to be recognised as a world-class hospital, leading the field through innovative healthcare solutions focused on the best outcomes for our patients delivered in a safe, caring and inspiring environment with quality at the heart of everything we do.

We are also looking to the future and aspire by 2020 to:

- Provide outstanding quality hospital services for the local population, with as much of the pathway as possible based out of hospital
- Work with primary care, social care and the third sector to deliver integrated services for those with long-term conditions, older people and children
- Be the hospital in South East Hampshire with the widest range of specialist services on one site, allowing us to look after patients with complex clinical needs from both our core catchment area, and from surrounding areas
- Have a UK-wide reputation for being a centre of innovation, research, and education
- Have continued to invest in training and education of our staff in order to improve the care they give their patients
- Have transformed the way in which we work, constantly looking to innovate and find new ways to support service delivery

To ensure that our vision and values are at the forefront of everything we do - openness, transparency and dealing with any issues that may arise in a confidential, timely, consistent, fair and appropriate manner is fundamental.

Principles for Remedy

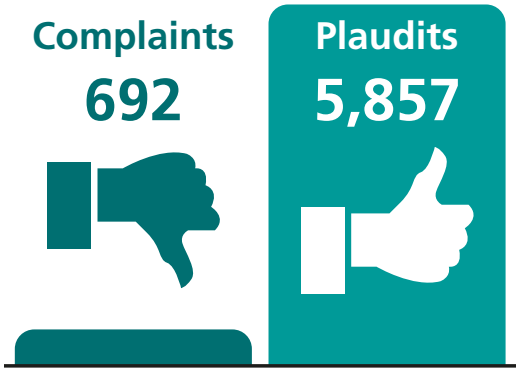
It is a right of employees at Portsmouth Hospitals NHS Trust, should they have any concerns about wrong doing at work, to be able to raise these concerns via the Trust's Whistle Blowing Policy. Any disclosure or 'whistle-blow' is handled in a confidential manner, taken seriously and investigated appropriately.

This year four issues were raised. Three were investigated and appropriately resolved with no impact to patient care; one allegation remains outstanding, subject to investigation.

We have policies in place for handling complaints and a claims management process that adheres to the six principles of good practice outlined in the HM Treasury Guidance on Managing Public Money (October 2007) as well as Health Service Parliamentary Ombudsman and NHS Litigation Authority guidelines.

This ensures that an effective and timely investigation can be instigated and a response given to any claim, including allegations of clinical negligence, public liability or personal injury. This also helps to reduce the occurrence of incidents and events, which may give rise to future claims.

All of our services are focused on improving care and the patient experience. Whilst our services continue to win many plaudits, we fully recognise the need to respond quickly and effectively to feedback. Our ten Clinical Service Centres (CSCs) aim to resolve concerns through close involvement with the Patient Advice and Liaison Service (PALS).



Engagement within the Trust

Effective communication is crucial. Throughout the past year this has been achieved through a range of staff events and briefings; re-structuring of the staff induction programme; staff surveys; the use of social media including a corporate Facebook site, and our annual awards ceremony to celebrate the success and hard work of staff.

We also continued on our Listening into Action (LiA) journey – a staff engagement initiative launched in April 2013. The LiA methodology puts staff at the centre of change by using their knowledge, ideas and enthusiasm to make changes which have a big impact.

Examples of some of the outcomes which have been achieved in the last year as a result of LiA include:

- A greater emphasis on support for staff who have been the victims of, or for those who are accused of, bullying and harassment including confidential, impartial drop in sessions

- Support for staff with weight related health issues
- The implementation of 'theatre waste champions' in each specialty and a traffic light system to identify cost effective surgical items and to ensure packs of sutures are only opened when specifically asked for
- The re-launch of the #hellomynameis campaign to encourage and remind healthcare staff about the importance of introductions in the delivery of care. Name badges have been introduced within the Paediatric team following conversations with children, young people and families
- Research performance is now reported at Clinical Service Centre monthly performance reviews
- Using make up to simulate injuries on manikins to add realism to clinical education, engage staff with realistic scenarios to enhance knowledge and education about treating major haemorrhage

Throughout next year we will be exploring how staff can further make a difference to the experiences of patients, their relatives and carers through the consideration of what our patient and staff surveys tell us.

The National NHS Staff Survey 2014

Between September and December 2014, 3,728 staff took part in the National Staff Survey. This is a response rate of 54% which places us among the highest 20% of acute Trusts in England.

Overall we have shown a significant improvement from last year's results with 15 key findings showing improvement, 12 remaining unchanged and none deteriorating. We have also performed well in comparison to all other acute Trusts with 10 of our key findings placing us in the best 20%; 7 above average; 9 average and only 3 below average.

Overall our staff engagement has improved. We still have some areas to focus our attention on, but the effort put into our Listening into Action engagement work through our staff and teams has made a positive difference.

Managing staff sickness

We are committed to the health and wellbeing of our staff and we have HR policies and procedures in place to support staff and managers within the Trust.

The average staff sickness level for the year was 3.5% - lower than the national average of 3.73%. We have several measures in place to ensure that absence is managed appropriately and to ensure the fair and sensitive management of employees who are unable to fulfil their contractual duties due to ill health or disability.

Health and safety at work

This year has seen a slight increase in the number of staff incidents, up by 5.5% to a total of 667. This is due to a rise in reported abuse against our staff, both physical and verbal, which has seen an increase of 38%

There are still some very positive points to note about this year's figures. There has been a reduction in common reported incidents, including those that are more likely to lead to absence from work or a major injury, such as: slips, trips and falls, handling incidents and incidents caused by some form of stretching or bending. This has led to a 50% reduction in the number of reportable incidents in the last financial year.

Being prepared

We are prepared for emergencies which might occur either in the hospital or in the community. We need to be able to plan for, and respond to, a wide range of incidents that could impact on health or patient care including prolonged periods of severe pressure on our services; extreme weather; an outbreak of an infectious disease, or a major transport incident.

Throughout the year we have continued to keep staff up-to-date and aware of their role in the event of a major incident:

- Clinical Service Centres have been involved in table top exercises which helped to review their departmental plans and roles in the event of a major incident;
- Emergency Department staff attended external training provided by South Central Ambulance Service in preparation for chemical, biological, radiation and nuclear incidents;
- We tested our major incident response by carrying out the Emergo exercise run by Public Health England in September 2014.

Ensuring a sustainable future

We continue to drive improvements in our environmental performance. We use energy and water, buy supplies, produce waste and have associated transport needs including staff commuting, business travel and patient and visitor transport. The Government has set a target of a 20% reduction in our carbon footprint by 2020. We fully support this strategy and are working hard to achieve it.

Full details of our performance and plans are available on our website www.porthosp.nhs.uk.

6 Directors' report

The confidentiality and security of information regarding our patients, and staff, is maintained through our governance and controls policies. Personal information is increasingly held electronically within secure IT systems.

It is inevitable that in complex NHS organisations a level of data security incidents can occur which are subject to a full investigation. Any incident involving loss or damage to personal data is graded and the more serious must be reported to the Department of Health and the Information Commissioner's Office.

We experienced one externally-reportable serious incident in 2014/15.

Externally Reportable Incident

Date of incident (month)	Nature of incident	Nature of data involved	Number of data subjects potentially affected	Notification steps
September 2014	Patient handover sheet left unattended in an unlocked room in the hospital – found by a member of the public	Name; clinical information; patient identifier	31	All patients notified by the specialty consultant / patients also provided with details of the outcome of the Trust investigation
Full investigation undertaken. Reviewed the management of the room the handover sheets were left in. The room had been used for clinical handover meetings. Key pad lock fitted to secure the room. Review responsibilities and usage regarding the room – poster for 'rules of usage' developed and displayed. The Information Commissioner's Office (the data protection regulator) assessed the incident, was satisfied with the Trust's response and management and concluded that no further action was necessary.				

Lower Severity Incidents

Category	Breach Type	Total
A	Corruption or inability to recover electronic data	
B	Disclosed in error	12
C	Lost in transit	1
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	1
I	Technical security failing (including hacking)	
J	Unauthorised access/disclosure	1
K	Other	

Further information can be found at www.porthosp.nhs.uk

Information Governance Toolkit

The Toolkit is an online system which allows NHS organisations and partners to assess themselves against Department of Health Information Governance policies and standards.

Our Information Governance Toolkit submission for 2014/15 was 85% compared to our 2013/14 score of 86%. Importantly, our submission is graded as 'Satisfactory' as the minimum expected level of compliance was achieved against all 45 Toolkit standards.

We have identified the following key areas to work on in 2015/16:

- Proactive publication of more corporate documents and Freedom of Information responses on our website;
- Increase in routine data quality checks, including undertaking an annual service user data audit programme, to improve the quality of data held on the Trust's information systems.

Freedom of Information

We received 539 Freedom of Information requests in 2014/15, an increase of 5% on 2013/14.

We embrace our duty of openness and have made full or partial disclosure of information in approximately 94% of requests. The remainder includes non-disclosure due to legal exemption, the request for information being cancelled, information not held or the information already being published.

Council of Governors

Our Council of Governors continues to operate in 'shadow' form, which means that it performs the majority of the duties and functions of the Council of Governors at a Foundation Trust but without formal legal status. It comprises elected posts representing Portsmouth City, Havant and East Hampshire, Fareham and Gosport, patient groups, carer groups and staff. A further ten appointed posts cover strategic partners.

The Council has two advisory groups which meet throughout the year to review different aspects of the Trust and make recommendations for improvement.

The Council also meets with the Board periodically to challenge and comment on Trust plans. It co-organises Trust Open Days and holds public constituency meetings throughout the year where Trust members can ask questions, give feedback and hear about new initiatives. These meetings give local people a chance to comment on the running of their hospital and for the Governors to follow up on this information.

Fareham and Gosport constituency

- Richard Mackay
- Lucy Docherty
- Mary Sheppard
- David Gattrell

Havant and East Hampshire constituency

- Roland Howes
- Jocelyn Booth
- Kate Bowskill
- Ernie Wells (co-opted from May 2014)
- Frances Bates (co-opted from May 2014)

Portsmouth City constituency

- Sarah Edmonds
- Lez Ward (co-opted from May 2014)
- Robin Lander-Brinkley (co-opted from May 2014)
- Tom Hart (co-opted from May 2014)

Parent/Carer constituency

- Pepe Chisenga
- Dr Robin Marsh

Staff Governors

- Les Jones
- Jayne Jempson
- Mr Anthony Evans

Appointed Governors

- Cllr Peter Edgar, Hampshire County Council
- Stephen Arkle, University of Portsmouth
- Norman Robson, West Sussex
- Surgeon Commodore Robin McNeill-Love, Ministry of Defence (from August 2013 to October 2014)
- Commodore Peter Buxton (from October 2014)
- Cllr Gwen Blackett, Havant Borough Council
- Cllr Will Purvis - Portsmouth City Council (until June 2014)
- Cllr Hannah Hockaday – Portsmouth City Council (from July 2014)
- Dr Tim Wilkinson - Portsmouth CCG (until January 2015)
- Julia Barton - Fareham and Gosport CCG
- Adel Resouly - South East Hants CCG

Our Trust Board

The Board comprises a Chairman, Non-Executive Directors and Executive Directors.

Portsmouth Hospitals' Trust Board is accountable for setting strategic direction, monitoring performance against local and nationally set objectives; ensuring high standards of performance are maintained and promoting links between Portsmouth Hospitals and the local community.

The Board has two mandatory committees whose membership is formed by Non-Executive Directors:

- The Audit Committee provides an independent and objective review of our internal controls. Membership is currently held by Alan Cole, Steve Erskine and Mike Attenborough-Cox
- The Remuneration and Nominations Committee approves substantive appointments of Executive Directors and approves their remuneration, including any bonuses

Non-Executive Directors

Sir Ian Carruthers – Chairman from June 2014
In his 43 year NHS career, Sir Ian has overseen many major service changes and is a champion of change to deliver better outcomes for patients, staff and communities. He received a Knighthood in the 2003 New Year's Honours List, for services to the NHS. In March 2006, Sir Ian took over as Interim Chief Executive of the NHS and was responsible for running one of the largest organisations in the world, having 1.3 million employees and a budget in excess of £100 billion.

Sir Ian is currently Chancellor of the University of the West of England; Chair of the Healthcare UK Governance Board; Chair of the IHW Implementation Board; Co-Chair of the Prime Minister's Challenge on Dementia; Chair of 2020 Delivery Board; Chair of NHS Supply Chain Customer Board; Non-Executive Director of Bioquell plc.; Non-Executive Director of OR International and acts as an independent advisor to NHS Chief Executives and NHS organisations.

Alan Cole – Deputy Chairman and Interim Chairman from January 2013 until June 2014 joined the Board in 2006. He is a management accountant who has worked for the past six years as Financial Director of an IT Software start-up company until it was acquired in 2012 by a global IT company. Prior to this he held a number of senior financial positions at the multinational information services firm, IBM. He has wide experience of leading professional, multi-disciplinary, client-focused teams.

Michael Attenborough-Cox joined the Trust Board in March 2015. A qualified accountant and internal auditor, Mike was a partner at Mazars LLP for 13 years. He has extensive experience of working within public sector organisations with previous roles including 12 years as an independent member of Hampshire Police Authority and three years as Chair and Non-Executive Director of the Royal National Hospital for Rheumatic Diseases NHS Foundation Trust. He is Chair of the Joint Audit Committee of the Police and Crime Commissioner and Chief Constable for Hampshire, and a member of the Audit and Risk Committee of the Foreign and Commonwealth Office Services Department and the Royal Institute of Chartered Surveyors.

Elizabeth Conway joined the Trust Board in October 2009 following 20 successful years as a marketing specialist in the pharmaceutical and health care industry. During this time she was responsible for leading and implementing communication strategies and marketing campaigns for companies such as Glaxo Smith Kline and Astra Zeneca plus charities including Cancer Research UK.

Steve Erskine joined the Trust Board in May 2011. His background is in information technology, logistics and service management and he currently works for L-3 ASA, a division of a large US technology provider to military, law enforcement and commercial markets. Steve was previously a Deputy Director in the Home Office, responsible for the delivery of a range of operational services, and a main Board Director at Ordnance Survey.

Professor Timothy Higenbottam (until June 2014) joined the Trust Board in May 2011 and had worked in medical science for 30 years in Cambridge and Sheffield. For the last decade he has worked in the pharmaceutical industry in clinical development of new therapies. He is Senior Partner in Transcrip-Partners LLP a specialist CRO and chairman of the Professional Standards Committee of the Faculty of Pharmaceutical Medicine Royal College of Physicians.

Mark Nellthorp is a Deputy Director at HM Revenue and Customs and a Fellow of the Chartered Management Institute. He joined the Trust Board in December 2007 and is the Senior Independent Director.

Mr John Smith joined the Trust Board in March 2015. He was a Consultant Surgeon in Sheffield for 29 years but spent the last three in Edinburgh as President of the Royal College of Surgeons. At various times he chaired the Joint Committee on Higher Surgical Training; the Senate of Surgery and the Joint Committee on Inter-Collegiate Exams. He was a member of the Post-graduate Medical Education and Training Board.

Executive Directors

Ursula Ward - Chief Executive
The Chief Executive is responsible for leading the Trust and developing and delivering the organisation's strategy and objectives. Ursula has a clinical background, primarily in cardiology and cancer care. She spent five years in academia before pursuing a career in general management. She was appointed to the Trust in 1999 as Director of Nursing and Midwifery, progressing to Deputy Chief Executive in 2002. She was appointed as Acting Chief Executive in March 2004 and appointed substantively to the role in June 2004.

Simon Holmes - Medical Director
Simon has been a Consultant Urologist with the Trust since 1995 holding the position of Clinical Director for Urology from 2001 to 2005. He was appointed Honorary Senior Lecturer in the Academic Department of Surgery of Portsmouth University in 2002 and was also appointed as Medical Director for Central South Coast Cancer Network in 2007. Simon became Medical Director in August 2010.

Cathy Stone – Director of Nursing (From January 2015)
Before joining the Trust Cathy had been Director of Nursing at Western Sussex Hospitals Foundation Trust since 2009. A registered nurse and midwife, Cathy has a special interest in neonatology and participated in the national steering group which developed the first Advanced Neonatal Nurse Practitioner role in the country. In support of her clinical background, Cathy has an MSc in Healthcare Management and has previously held senior general manager positions in other Trusts.

Ben Lloyd – Director of Finance and Investment and Deputy Chief Executive (until March 2015.)
Ben joined the Trust in April 2013. He has over 20 years of experience in senior finance roles within the health sector. Prior to joining the Trust, he spent two and half years with Circle after a series of roles within the NHS, including Director of Finance and Performance with a Strategic Health Authority and Director of Finance at a large provincial teaching hospital.

Tim Powell - Director of Workforce and Organisational Development
Tim joined the Trust in November 2011 with a wide range of public sector experience. He was previously Director for Human Resources and Organisational Development at the London Development Agency, delivering economic development and regeneration priorities for the capital, including preparations for the London 2012 Olympics. Before this he spent five years as HR Director at Transport for London following 17 years at Royal Mail Plc.

Simon Jupp – Chief Operating Officer (from November 2014 until March 2015) now Director of Strategy.
Simon brings 20 years of NHS experience, 11 of which have been at Board Level. He spent five years as Chief Operating Officer at University Hospitals Southampton, then six as Director of Commissioning for NHS England (Wessex), formerly Hampshire PCT, focusing on Specialised Commissioning, Primary Care and Public Health.

Ed Donald - joined the Trust in March 2015 as Interim Chief Operating Officer.
Ed was previously Chief Executive at Royal Berkshire NHS Foundation Trust. Other roles include Chief Operations Officer at Imperial College Healthcare NHS Trust, where he played a key part in the creation of the first Academic Health Science Centre in the NHS.

Cherry West - Chief Operating Officer (Until July 2014)
Cherry joined the Trust in January 2011 as Chief Operating Officer, following 14 years in various operational delivery and performance roles. Cherry has a clinical background. She holds a postgraduate diploma in Health Planning and Management from University of London (LSE), an MSc in Physiology from University College London, and an MBA from Henley Management College.

Nicky Lucey – Acting Director of Nursing (from April 2014 until December 2014)
Nicky joined the Trust in July 2010 as Deputy Director of Nursing, having worked in a variety of clinical and management roles in the past. She joined the NHS in 1986 as a non-registered nurse, registering in 1990. Her professional background includes cardiothoracic and critical care. In addition to her clinical studies Nicky has an MBA from Solent University.

Directors reports statements and disclosures

Each individual who is a Trust Director, at the time the Directors' Report is approved, confirms:

- So far as the Director is aware, that there is no relevant audit information of which the Trust's external auditor is unaware; and
- That the Director has taken all the steps that they ought to have taken as a Director in order to make them self-aware of any relevant audit information and to establish that the Trust's auditor is aware of that information.

Surname	First Name	Job title	Interests (Y/N)	Details
Donald	Ed	Interim Chief Operating Officer	Yes	Ed Donald Consulting Ltd
Holmes	Simon	Medical Director	No	
Jupp	Simon	Director	Yes	Spouse, Natalie Jupp, is Assistant Director of Finance at University Hospital Southampton NHS Foundation Trust.
Lloyd	Ben	Director of Finance & Investment	Yes	Holder of Circle Partnership shares
Powell	Tim	Director of Workforce and Organisational Development	No	
Stone	Cathy	Director of Nursing	No	
Ward	Ursula	Chief Executive	No	
Attenborough-Cox	Michael	Non Executive Director	Yes	Director of the Institute of Group Analysis
Carruthers	Ian	Chairman	Yes	NED - Bioquell NED OR International Chair - 2020 Delivery Chair - Healthcare UK Chair - NHS Supply Chain Customer Board Co-Chair - Prime Ministers Dementia Challenge Director - IJC Healthcare Chancellor - University of West of England
Cole	Alan	Non Executive Director	No	
Conway	Elizabeth	Non Executive Director	No	
Erskine	Steve	Non Executive Director	No	
Nellthorp	Mark	Non Executive Director	No	
Smith	John	Non Executive Director	Yes	Trustee of Charity 'Diverse Abilities Plus' in Dorset. Voluntary role.

Disclosure of Interests

- Tim Higenbottam a Non-Executive Director, is a Partner, and one of the owners, of the TranScrip Partners LLP and also a director and joint owner of HMAE Ltd. a commercial and residential property company. Neither organisation has any business dealings with Portsmouth Hospitals NHS Trust.
- Elizabeth Conway a Non-Executive Director, is a Director of Brand Marketing Works and Northlands House (Management) Ltd. Neither organisation has any business dealings with Portsmouth Hospitals NHS Trust.
- Alan Cole a Non-Executive Director and Interim Chair, is Owner of Simply Green Garden Designs Ltd. The company has no business dealings with Portsmouth Hospitals NHS Trust.

In addition to the disclosures above, two Medical Consultants employed by the Trust are shareholders in The Learning Clinic Ltd, the company that provides VitalPAC (a clinical information system used by the Trust to gather inpatients' vital signs data). The total expenditure with the Learning Company Ltd in 2014/15 was £476k.

Countering fraud

We adopt best practice procedures to tackle fraud, as recommended by NHS Protect. All fraud concerns are investigated by our Local Counter Fraud Specialist or NHS Protect as appropriate, and the Local Counter Fraud Specialist provides the Audit Committee with a regular update on any current investigations.

We publicise our policies and procedures on counter fraud on our website, www.porthosp.nhs.uk, and counter fraud awareness training is mandatory for all staff as part of their Trust induction.

Cost allocation/setting of charges for information

We certify that the Trust has complied with HM Treasury's guidance on cost allocation and the setting of charges for information.

Prompt Payment Code

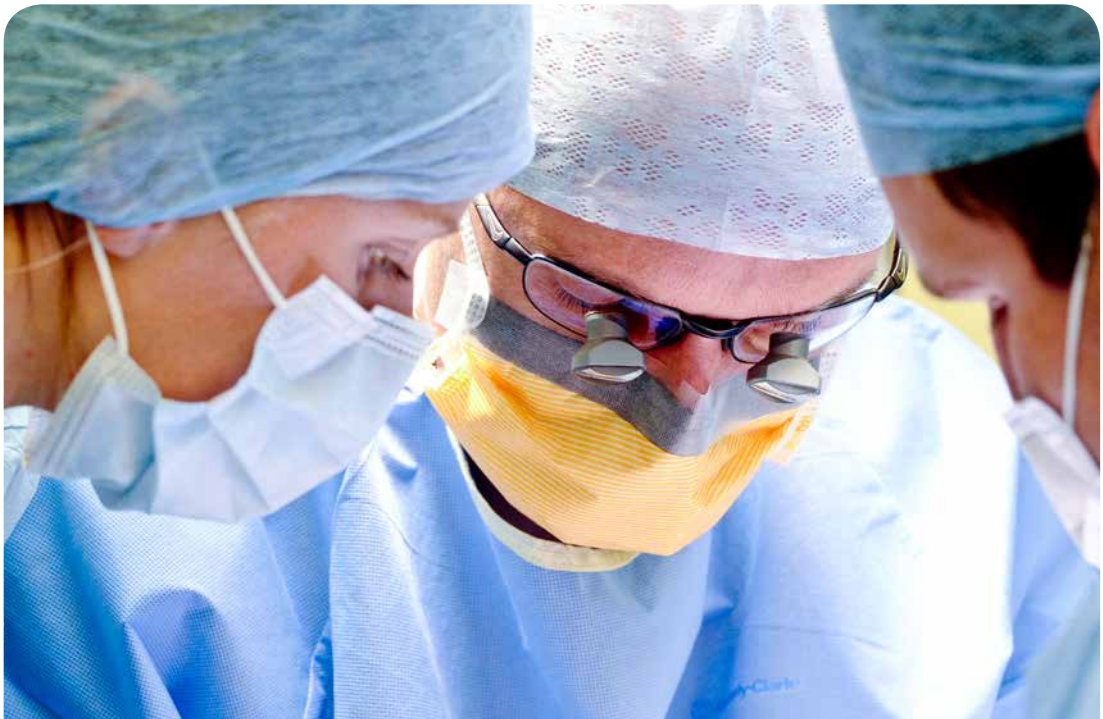
We are a signatory to the Prompt Payment Code, administered by the Institute of Credit Management. This means we are committed to paying all suppliers within agreed payment terms and ensuring there are processes in place to deal with issues which may delay payment.

Details of performance against the Better Payment Practice Code can be found at Note 11 in the Annual Accounts (Page 71)

Pension liabilities

We are an employer with staff entitled to membership of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales.

The scheme is accounted for as if it were a defined contribution scheme; further details can be found in the Trust's accounting policy at note 10.6 in the Trust's Annual Accounts.



Statutory Accounts

Annual Report 2014/15

The accounts of Portsmouth Hospitals NHS Trust for the year ended 31st March 2015 have been prepared in accordance with the financial records maintained by the Trust and the accounting standards and policies for the NHS laid down by the Secretary of State with the approval of the Treasury.

The accounts were approved by the Audit Committee, with delegated authority from the Board, at a meeting on the 2nd June and have been audited. The auditor's certificate is unqualified and is incorporated in the annual report.

External Auditor

The Trust's external auditor is Helen Thompson, Ernst & Young LLP and she is based at Wessex House, 19 Threefield Lane, Southampton, Hampshire, SO14 3QB.

The audit fee for the 2014/15 annual accounts for statutory work carried out by external audit is £108,000 exclusive of non-recoverable V.A.T. Of this sum, £81,000 has been charged to 2014/15 and the balance, £27,000, will be charged in 2015/16.

Financial Summary

The following financial information is a summary taken from the Trust's Annual Accounts shown on pages 49 to 90 of this report. The accounts are also available at www.porthosp.nhs.uk or the Director of Finance and Investment on 023 9228 6000.

Financial Performance in 2014/15

The Trust's performance against its statutory duties was as follows:

- The Trust made a revenue deficit of £2,912k including a number of technical adjustments; which are explained below.
- The Trust is obliged to reflect the public dividend capital dividend within its accounts necessary to achieve a 3.5% return on average net relevant assets and for 2014/15 this was £1,850k.
- The Trust's cash flow was contained within its External Financing Limit.
- The Trust's capital expenditure was contained within its Capital Resource Limit.

Technical Adjustments to revenue position

Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009/10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Government Departmental expenditure. This requires Trust's to consider the technical adjustments in relation to PFI accounting and accounting policy changes, as summarised below:

- PFI Accounting (IFRIC12) Adjustment - the incremental revenue expenditure resulting from the application of International Financial Reporting Standards (IFRS) to PFI schemes, which has no cash impact and is not chargeable for overall budgetary purposes, is excluded when measuring Breakeven performance.
- Other Accounting Policy Changes – These consist of accounting policy changes relating to impairments and the removal of the donated asset and government grant reserves.

Finance Director's Report

The Trust has ended the 2014/15 financial year with a reported deficit of £2,912k. This position consists of both the 'retained' deficit of £8,229k and the 'technical' adjustments (see above) as summarised below:

	£'000	£'000
Retained deficit for the year		(8,229)
IFRIC 12 adjustments (UK GAAP to IFRS)	4,649	
Impairments (Asset Revaluations)	(102)	
Adjustment in respect of donated asset reserve	770	(5,317)
Adjusted Retained Deficit		**(2,912)**

The Trust set a challenging savings target of £17.5m as part of the nationally required cost improvement programme for NHS acute trusts and as part of its plan to deliver a £1.2m surplus. Whilst there has been some in-year substitution of savings schemes, the Trust fully achieved this savings target for the financial year. Pressures on the unscheduled care and the resulting cancellation of programmed elective activity put significant pressure on the financial outturn.

In order to meet access targets (maximum waiting times) for patients, after taking into account the impact of demand management schemes in conjunction with our commissioners (Clinical Commissioning Groups), aimed at reducing the volumes of people treated in hospital, the Trust has provided for significant increases in patient volumes above that originally planned by commissioners in 2014/15 contracted activity.

Our final plan for 2015/16 shows a planned deficit of £16m. We will be working with the TDA to develop long term plans to reach a break-even position going forward. The TDA has confirmed that it is reasonable for the Directors of Portsmouth Hospitals NHS Trust to assume that the TDA will make sufficient cash financing available to the organisation over the next 12 month period such that the organisation is able to meet its current liabilities and therefore the Board can confirm that the Trust remains a going concern.

Audit Committee

The Trust has an Audit Committee comprising three Non-Executive Directors and the committee membership during 2014/15 was:

- Steve Erskine - Non-executive Director and Committee Chairman
- Alan Cole – Non-executive Director and Interim Trust Chairman (Until June 2014)
- Tim Higenbottam - Non-executive Director (Until June 2014)
- Mike Attenborough-Cox – Non-executive Director (From March 2015)

Representatives from External Audit and Internal Audit attend the Audit Committee along with the Director of Finance, Company Secretary, Head of Financial Accounting, Head of Governance and Head of Risk Management. Where it is determined by the Chairman that the Committee should meet purely as an Audit Committee then the executive directors and other Trust officers are excluded.

The Audit Committee gives specific consideration to matters of probity, the propriety, regularity of public finances and value for money, which arise from the work of the external auditors and the Trust's "local counter fraud specialist" and internal audit service.

The Committee also reviews the adequacy of structures, processes and responsibilities for managing key risks facing the organisation.

Remuneration Committee

Terms of Reference and Membership

NHS Trust constitutions statutorily require that a Remuneration Committee is established as a sub-committee of the Trust Board to consider the employment terms of the Chief Executive Officer and Executive Directors.

The Trust has an established Remuneration Committee whose main functions are to:-

- Make recommendations to the Board on remuneration and terms of service for each executive director, including performance pay.
- Make recommendations to the Board on the overall remuneration in terms of service for senior managers not on National contracts.
- Make recommendations to the Board on any termination arrangements for executive directors.
- Monitor the performance of executive directors.
- Make recommendations to the Board on

Special/Exceptional payments covering any individual member of staff or staff group.

The Committee membership in 2014/15 comprised;

- Alan Cole - Non-executive Director & Interim Trust Chairman (Until June 2014)
- Mark Nellthorp - Non-executive Director & Senior Independent Director
- Elizabeth Conway - Non-executive Director
- Steve Erskine - Non-executive Director
- Tim Higenbottam - Non-executive Director (Until June 2014)

The Chief Executive and other executive directors may be invited to attend meetings of the Committee but must withdraw for any issue that relates to them personally.

Statement of Policy

The Committee has absolute discretion over the terms, conditions and remuneration of the Chief Executive and executive directors. This discretion is exercised through the following guiding principles:-

- That all decisions are made within the legally constituted powers of the Trust.
- Ensuring that all executive directors' remuneration represents value for money.
- The need to attract, retain and motivate, high quality executive directors.

The Committee makes satisfactory arrangements to ensure it receives adequate independent advice on remuneration arrangements elsewhere in the NHS and other similar organisations, as well as trends and developments in the area of employment benefits, and terms and conditions of employment for directors.

Directors' remuneration reviews take account of the size, scope, complexity and impact of the individual job, considering any appropriate market rates and/or special circumstances, as well as national guidance and with regard to other pay settlements in the NHS and the public sector.

To ensure the Trust meets its strategic and key performance targets the chief executive officer and executive directors have annual performance objectives set which are reviewed annually by the Remuneration Committee. Subject to affordability up to an additional 3% of base pay can be used as non-recurrent performance payment, as an incentive to the achievement of these objectives.

All other senior managers have been offered or have transferred onto national terms and conditions that include a pay band range and an annual pre-set incremental recurrent increase subject to satisfactory performance.

Appointments and Termination

The Chair and non-executives are lay people drawn from the community served by the Trust. They are accountable to the Secretary of State. They hold the executive directors to account and use their skills and experience to help the Board as it develops health strategies, and ensures the delivery of high quality services to patients. These lay people are also expected to draw from their experience in the local communities to make sure that the interest of the patient remains paramount.

The executive directors of the Board were appointed through an open and transparent competitive process following National Good Practise Guidelines from the Department of Health. All executive directors have been appointed on an open-ended contract subject to standard periods of notice. Their employment is subject to Codes of Conduct and Accountability for NHS Boards, a Code of Conduct for NHS managers and the Trust's Disciplinary Policy Procedures.

In the event that a director's contract of employment is terminated without notice for any reason other than gross misconduct or repudiatory breach, the Remuneration Committee can exercise its discretion for compensation for the financial loss relating to the loss of office. There have been no awards of this nature.

Salaries and Allowances/ Pension Benefits 2014/15

On pages 92-95 of this report are tables relating to the details of salary, allowances and pension benefits of the executive directors of the Trust.

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

The banded remuneration of the highest paid director in the Trust in the financial year 2014/15 was £185k-£190k, which was the Chief Executive and her salary was comparable with 2013/2014. The Chief Executive's salary was 6.9 times (2013/14, 6.6 times) the median remuneration of the workforce which was £26,822 (2013/14, £28,082).

In 2014/15, no employees received remuneration in excess of the highest-paid director (2013/14, none).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Treasury Management

The Trust is restricted in its external investment to a maximum of £50k. Surplus balances above this level are held within the Government Banking Service or, if the interest rate and timing is favourable, the National Loans Fund temporary deposit facility.

'Off-Payroll' Engagements

The tables below set out information on the number of 'off-payroll' engagements at a cost of over £220 per day that were in place as of 31 March 2015 and new 'off-payroll' engagements between 1 April 2014 and 31 March 2015 at a cost of over £220 per day and lasted more than six months.

'Off-payroll' engagements in place > £220 per day as at 31 March 2015

	Number
Number of existing engagements as of 31 March 2015	1
Of which, the number that have existed:	
for less than one year at the time of reporting	1
for between one and two years at the time of reporting	0
for between 2 and 3 years at the time of reporting	0
for between 3 and 4 years at the time of reporting	0
for 4 or more years at the time of reporting	0

Existing 'off-payroll' engagements have been assessed as to whether assurance is required that the individual is paying the correct amount of tax. This assurance has been sought.

Engagements between 1 April 2014 and 31 March 2015 > £220 per day and over 6 months

	Number
Number of new engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015	0
Number of new engagements which include contractual clauses giving the Trust the right to request assurance in relation to income tax and National Insurance obligations	0
Number for whom assurance has been requested	0
Of which:	
assurance has been received	0
assurance has not been received	0
engagements terminated as a result of assurance not being received	0

Trust Certificates

Statement of the Chief Executive's responsibilities as the accountable officer of the Trust

The Chief Executive of the NHS Trust Development Authority has designated that the Chief Executive should be the Accountable Officer to the trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Chief Executive of the NHS Trust Development Authority. These include ensuring that:

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

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

Date: 2 June 2015 Chief Executive

Statement of directors' responsibilities in respect of the accounts

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

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

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

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

By order of the Board

Date: 2 June 2015 Chief Executive

Date: 2 June 2015 Finance Director

Independent auditor's report to the directors of Portsmouth Hospitals NHS Trust

We have audited the financial statements of Portsmouth Hospitals NHS Trust for the year ended 31 March 2015 under the Audit Commission Act 1998 (as saved transitionally for the purposes of the 2014/15 audit of accounts). The financial statements comprise the Trust's Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes 1 to 44. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes;
- the table of pension benefits of senior managers and related narrative notes; and
- the table of pay multiples and related narrative notes.

This report is made solely to the Board of Directors of Portsmouth Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2014. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities in respect of the Accounts, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 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.

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.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Portsmouth Hospitals NHS Trust as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the governance statement does not comply with the NHS Trust Development Authority's Guidance;
- we refer a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998

On 3 June 2015 we referred a matter to the Secretary of State under section 19b of the Audit Commission Act 1998, as we believe the Trust is unlikely to achieve its statutory duty to breakeven over a three year period.

Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Trust and auditors

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Trust has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements

for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for adverse conclusion

In considering the Trust's arrangements for securing financial resilience, and for challenging how it secures economy, efficiency and effectiveness we identified the following:

- The Trust set a target surplus of £1.2 million, but reported a deficit for the year ended 31 March 2015 of £2.9 million.
- The Trust has set a £16 million deficit budget for 2015/16. Meeting this deficit target hinges on delivering a £13.5 million cost improvement programme as well as managing a significant level of cost pressures within budgets.
- The cumulative impact of the above is that the Trust faces a significant challenge to achieve its statutory duty to breakeven over a three year period.

In our view, the Trust has made progress during the year to understand and address its underlying financial position, and tackle the infrastructure challenges it faces. However, we cannot conclude proper arrangements to secure economy, efficiency and effectiveness in its use of resources were in place throughout 2014/15.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, the matters reported in the 'basis for adverse conclusion' paragraph above prevent us from being satisfied that in all significant respects, Portsmouth Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of Portsmouth Hospitals NHS Trust in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Helen Thompson
for and on behalf of Ernst & Young LLP
Southampton
3 June 2015

Governance Statement

Scope of responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this organisation, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets, as set out in the Accountable Officer Memorandum.

I recognise the importance of working constructively with partner organisations, not only to develop services which meet the health and social needs of the population, but also to manage the risks associated with the achievement of our strategic objectives. To this end, the Trust has met regularly throughout the year with local Clinical Commissioning Groups and the Trust Development Authority to ensure that there is a system of accountability from the Trust to its partners and the public.

This partnership working is essential, and a key element, in supporting our vision of enabling our local population to achieve the best possible health outcomes, live healthy lives and have access to a choice of high quality services when and where needed.

The governance framework of the organisation

The Trust has developed its governance structures to deliver an integrated governance agenda. Integrated governance is the combination of systems, processes and behaviours which the Trust uses to lead, direct and control its functions in order to achieve its organisational objectives. The Trust recognises the importance of responsible, accountable, open and effective governance. With this in mind, the Board meets in public as a minimum ten times per year.

To underpin an effective governance framework, the Board was supported during 2014/15 by a robust committee structure. This included the following subcommittees:

- Audit Committee (mandatory).
- Appointments and Remuneration Committee (mandatory).
- Governance and Quality Committee, which is supported by the Risk Assurance Committee, both of which are chaired by non executive directors.
- Finance Committee which is chaired by a non executive director.

In addition, the Senior Management Team (Executive Directors and Clinical Service Centres) is responsible for the general management of business on behalf of the Trust Board. There are monthly performance reviews with the Executive Team and each Clinical Service Centre to monitor the delivery of all standards in line with the Trust Business Plan. Moving forward for 2015/16 these arrangements have been revised and will ensure even greater transparency and accountability for the delivery of the Business Plan.

Attendance records are maintained for all the above committees and reviewed on a regular basis. The Trust proposes to take this robust structure forward into 2015/16.

There are clear reporting lines to the Trust Board from these sub board committees and a copy of their minutes are included in the Board reports. This allows Trust Board members to raise any issues regarding the work of these committees and provides the committee chairs with an opportunity to bring any issues they wish to the attention of the Trust Board. In addition, the Audit Committee produces a report to the Board highlighting key issues discussed at each meeting to ensure that the Board is aware of them and to ask for Board opinion/guidance as necessary.

The Trust Board has also received, and considered in detail each month, the Integrated Performance Report, which consists of a detailed report on quality, operations, finance and workforce throughout the year. This enables the Board to monitor the Trust's performance against national priorities as set out in the NHS Trust Development Authority 'Delivering for Patients: Accountability Framework' 2014/15, NHS Constitution, and 'Everyone Counts, Planning for Patients' 2014/15. The Trust has continued to work

towards delivering sustainable performance against these national priorities including Referral to Treatment, with 2 of the 3 standards delivered in every month with planned fails of the admitted standard to enable target reduction of backlog patients. In addition, diagnostics performance significantly improved and was delivered in every month since September and all cancer standards were achieved for quarters 1, 2 and 3. The Emergency Department four hour standard has not been achieved and there have been breaches of the zero tolerance 12 hours trolley wait standard. The C Difficile target of 31 has not been achieved. Both of these issues are reflected within the Board Assurance Framework and Risk Register and there are comprehensive work plans in place to further mitigate the risk as we move into 2015/16. There have been breaches of the zero tolerance 28 day rebook standard for non-clinical cancellations of procedures. During 2014/15 emerging risks were recognised around the referral to treatment times within some specialties for elective and cancer waits; robust mitigating actions and controls ensured that performance was improved for the year. The Trust had zero Never Events in 2014/15.

The Board Assurance Framework is considered by the Trust Board at each meeting and any adjustments to key risks are assessed. Other reports are also received as part of the Trust Board reporting schedule or on an exception basis. The Trust proposes to continue with this programme of reporting during 2015/16.

The Trust Board continually seeks to improve its effectiveness and regularly reviews its work streams and meeting agendas to ensure that it is strategically focussed. The Trust Board and the Council of Governors have jointly reviewed progress against the strategic objectives of the organisation to ensure that they remain relevant and specific, measurable, achievable, realistic and timely (SMART). There has been a particular focus in 2014/15 on the wider development of the organisation with specific emphasis on how we engage with our staff in a way that supports continuous improvement of services. We will build on this work in 2015/16.

To ensure the Trust Board continues to undertake its duties appropriately, the Chairman conducts annual assessments of the Non-Executive Directors and the Chief Executive. The Chief Executive has a mechanism in place that reviews the performance of Executive Directors. This latter review takes account of the Non-Executive Directors views of the effectiveness of the Executive team. Following the Chairman's review of the Non-Executive Directors, two additional appointments have been made (1 replacement and 1 designate). Also an additional Executive Director, who will take the lead for strategy has been appointed. A comprehensive record of attendance at meetings of the Trust Board is maintained.

The Trust Board fully subscribes to the principles within the September 2014 Corporate Governance Code. Arrangements in place for the discharge of statutory functions have been checked for any irregularities, and they are legally compliant. Each Director of the Trust has passed the 'fit & proper person' test.

Risk assessment

The organisation's risk management function is based on an on-going process designed to:

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives; and
- Evaluate the likelihood of those risks being realised and the impact should they be realised; and how to manage them most appropriately.

Risks continued to be identified throughout 2014/15, from a variety of sources, including:

- Internal and external reviews and inspections
- Internal and External Audit
- Risk assessments
- Care Quality Commission Essential Standards of Quality and Safety
- Complaints, incidents and claims
- Alerts received from the Central Alert System
- Consultation with staff and patients
- Mandatory/statutory targets
- Service reviews

All risks across the Trust are evaluated according to a standard scoring matrix, which maps the likelihood of the risk occurring against the impact/consequence of its occurrence. The outcome is then recorded on a standardised risk assessment form. This standardised approach ensures consistency of appraisal across the Trust and permits the

prioritisation of risks on an on-going basis. This process is clearly outlined in the Trust's Risk Assessment Policy. The risk profile covers wide ranging themes emerging from financial, operational, clinical and reputational issues. New and emerging risks identified during 2014/15 have included the challenges in relation to stroke service pathways, mental health service provision and recruitment challenges of staff in some areas.

The risk and control framework

Risk Management is a corporate responsibility and, therefore, the Trust Board has the ultimate responsibility for ensuring that effective processes are in place. The Board is committed to the continuous development of a framework that manages risks in a structured and focused way, in order to protect the Trust from losses, damage to its reputation or harm to its patients, staff and the public. To support the Trust's capacity to manage these risks, a clear Board approved Risk Management Strategy remains in place.

Whilst I retain overall accountability for the management of risk, I have delegated various aspects of that management to designated Directors. However, elements of responsibility also lie with our employees and the structure of the organisation ensures there is adequate capacity to fulfil these responsibilities. To ensure that our employees are supported in their responsibilities for risk management, the Trust has in place an education and training programme for all staff. The Local Counter Fraud Specialist also has a programme of work which includes raising staff awareness of fraud and how to report it.

There are a number of high level Committees in place which support the management of risk. These include the:

- **Audit Committee** provides the Trust Board with an independent and objective review of internal control.
- **Governance and Quality Committee** ensures that there is continuous and measurable improvement in the quality of the services provided, and that the Trust Board receives assurances that the risks associated with its activities are managed appropriately. The Committee also monitors the implementation of the Trust's Quality Improvement Strategy, in addition to the monitoring of compliance with national standards and local requirements.
- **Risk Assurance Committee** promotes effective risk management and maintains and monitors the Board Assurance Framework and the Risk Register. The Committee also promotes local level responsibility and accountability and challenges risk assessment, mitigation, risk assurance arrangements, and outcomes in any area of the Trust activity where robust controls are not evident, in order to raise standards and ensure continuous improvement.
- **Finance Committee** scrutinises the financial performance on a monthly basis.

These committees are chaired by a non executive director.

There are other Committees and Groups with specific responsibility for various aspects of quality and risk management. These include the:

- **Clinical Effectiveness Steering Group:** provides direction and formally reports on progress against the key work-streams relating to clinical effectiveness across the Trust, taking into account national best practice guidance. The Group considers the clinical effectiveness implications from national reports, national/local clinical audit reports, and enquiries, making recommendations for changes to practice where required. The Group monitors both the Trust's national audit programme and the local clinical audit plan which is based on the Trust priorities. The Group reports into the Governance and Quality Committee. The clinical audit programme is scrutinised by the Audit Committee.
- **Patient Safety Steering Group:** provides direction and reports on progress against key work-streams relating to patient safety across the Trust, which builds on our good clinical reputation and differentiates us not only in terms of quality but also influences Patient Choice and Commissioning. The Group reports into the Governance and Quality Committee.
- **Patient Experience Steering Group:** provides direction and formally reports on progress against the key work-streams relating to patient experience across the Trust, taking into account national best practice guidelines and patient feedback. The Group reports into the Governance and Quality Committee.

- **Health and Safety Committee:** effectively identifies and reviews health and safety risks within the organisation. This committee reports to the Governance and Quality Committee.
- I**nformation Governance Steering Group:** promotes effective information governance and establishes and maintains a framework which ensures that all information is dealt with legally, securely, efficiently and effectively. This committee reports to the Governance and Quality Committee.
- **Serious Incident Review Group:** oversees and monitors the effective reporting and review of internal serious incidents requiring investigation (SIRIs). It receives details of external enquiry reports and associated recommendations in relation to incidents of relevance to the Trust, as and when appropriate. All SIRI recommendations are monitored until actions have been completed and wider dissemination of learning is built into the process. The Group reports into the Patient Safety Steering Group and Governance and Quality Committee.

Governance committees continued to be developed and strengthened within Specialties and Clinical Service Centres. The Clinical Service Centre structure has been purposely designed so that their management teams and clinical staff can better influence the care of their patients.

Risk Registers

All identified risks that cannot be addressed immediately are placed on a risk register and held and managed at the appropriate level within the Trust: Specialty, Clinical Service Centre (CSC) or Corporate Department. All risk registers are maintained in the same format and reviewed at least quarterly, to aid monitoring of the implementation of action plans necessary for mitigation. All CSC risk registers are now stored centrally on the intranet to improve transparency and awareness of risks across the organisation.

Any risk that cannot be managed at Specialty/Department level, or has the potential to affect the whole of the CSC, is escalated to the relevant CSC Governance Committee for consideration and potential inclusion on the CSC Risk Register. Similarly, it is the responsibility of the CSC Governance Committees to escalate any risk that cannot be managed at CSC level or may have a Trust-wide impact to the Risk Assurance Committee (RAC) for consideration and possible escalation to the Trust Risk Register.

The Trust Risk Register contains all of the Trust's identified corporate risks. This includes either those that threaten the achievement of our strategic objectives, or those which cannot be managed by the CSCs and/or have the potential to impair or affect the operational or financial ability of the Trust to deliver core services, affect the quality of service provision or which may adversely affect the Trust's profile or reputation. Risks contained within the Trust Risk Register are cross referenced to the strategic risks within the Board Assurance Framework if not directly replicated. Each risk has a responsible lead and monitoring committee.

The Trust Risk Register and Board Assurance Framework are reviewed monthly by the Risk Assurance Committee to ensure that both remain dynamic and interlinked processes that provide risk information and assurance to the Board. The Board review the Trust Risk Register on a bi-annual basis.

Assurance Framework

The Assurance Framework contains those risks that specifically threaten the achievement of our strategic aims. The risks are cross referenced to the Care Quality Commission's Essential Standards for Quality and Safety, with each risk being allocated a senior responsible lead and a monitoring committee. The responsibility for monitoring the Framework is included within the Terms of Reference for the relevant Committees.

The Trust Board and the Risk Assurance Committee review the Assurance Framework each month and the Audit Committee reviews it at each of its bi-monthly meetings. This ensures close scrutiny and assists in informing the Board's areas of focus, with the Audit Committee providing a degree of independent inspection.

During the year 2014/15 the Trust has identified, a number of risks rated 16 and above; that is, risks which pose a serious threat to achievement of the corporate objectives. The action plans to mitigate these risks through addressing gaps in control and/

or assurance were reported and reviewed as part of the on-going scrutiny as described above. At the close of the year the highest scoring risks remain concentrated around meeting the demand for unscheduled care. This has been the subject of detailed internal and external scrutiny with extensive action plans in place to mitigate the risks to the Trust.

An Internal Audit, designed to ensure that adequate and effective controls over the Risk Management and Assurance Framework process are in place commenced in March 2015 with the report expected in early June.

Care Quality Commission

The Trust remains registered with the CQC to provide services.

The Trust was subject to a planned inspection in 2015 and we anticipate the draft report early in May 2015. Verbal feedback provided at the time of inspection centered on the Unscheduled Care Pathway and was followed up with the issuing of warning notices regarding compliance with Regulations 9 and 10. In accordance with CQC procedure, the Trust has made various representations in response to the notices and is now able to confirm full compliance.

The peer review challenge sessions and ward visits continued throughout 2014/15 using the enhanced methodology established in 2013/14. Compliance with the CQC standards continues to be reported quarterly to the Trust Board within the quarterly Quality reports.

In 2014/15 the CQC published 2 intelligent Monitoring reports. The first, published in July 2014 placed the Trust in Band 6 the same as that for March 2014. The second, published in December 2014, placed the Trust one Band lower in Band 5. The Trust was identified as having 2 elevated risks and 2 risks compared to 1 elevated risk and 2 risks in July. The newly identified elevated risk related to diagnostic waiting time: patients waiting over 6 weeks for a diagnostic test.

Quality Account

The Trust published its fifth Quality Account in June 2014, which set out the priorities for 2014/15 and reflected on its achievements in 2013. Consultation with internal and external stakeholders is currently underway to inform the Quality Account which will be published in June 2015 and will be available on the Trust website. This will set out the priorities for the coming year and will include patient safety, patient experience and clinical effectiveness indicators. To provide assurance on the accuracy and data quality of the Quality Account, data submissions must be accompanied by a data validation form signed by both the data owner and their line manager. All of the quality metrics are reported to the Board on either a monthly or quarterly basis to ensure regular sight of progress and assurance of actions being taken to address any shortfalls. An external review of the Quality Account was undertaken in June 2014 by external auditors – Ernst & Young. The Account was found to be consistent with the requirements set out in the regulations and guidance.

Information Governance

The Trust has an Information Governance Steering Group, chaired by the Information Governance Manager with representation from across the Trust, including the Senior Information Risk Owner and all CSCs. The Group takes responsibility for overseeing compliance with Information Governance requirements, including: reviewing all relevant serious incidents and risks and gathering evidence and assurance across the six broad initiatives within the Information Governance Toolkit.

Risks to information security are managed via the Trust's incident reporting mechanisms and Risk Registers and during 2014/15 there was one incident which required reporting to the Information Commissioner. This related to copies of handover sheets left in an unsecured Relatives' Room in Medicine for Older People, Rehabilitation and Stroke. The Information Commissioner has acknowledged receipt of the report (October 2014) but no further contact or request for investigation has yet been received.

The Trust's Information Governance Toolkit submission for 2014/15 demonstrated 85% compliance, and attained "Satisfactory" by achieving the minimum level of expected compliance against all 45 standards.

Foundation Trust

The Trust remains committed to becoming an NHS Foundation Trust and continues to work with the Trust Development Authority to be in the position where it is able to submit a credible FT application.

For such an application to be successful, the Trust will need to demonstrate that it is able to consistently comply with a series of demanding metrics – financial, operational, quality - and is making significant progress towards doing so.

Carbon Reduction Strategy

Carbon reduction measures have been identified, for example, energy usage and waste minimisation. Our Procurement Service ensures that tenders for goods and services demonstrate their commitment to sustainability.

The Sustainable Development Unit (SDU) has published new guidance and we have updated our performance reports in line with their new template. We are compliant with our obligations under the CRC Energy Efficiency Scheme, the European Union Emissions Trading Scheme and the Energy Efficiency of Buildings Directive.

The PFI contract is providing opportunities to improve the energy efficiency of the facilities during Life Cycle refurbishment works. Working with our PFI Partners, a series of potential schemes have been identified to reduce our energy consumption by a combination of "invest to save" and operational improvements. Some of these have already been implemented. Others require investment and we are exploring funding options to enable them to proceed.

We propose to commit further resources to promoting awareness among our staff on how they can reduce their carbon footprint due to energy, procurement, transport and waste disposal.

Improved waste segregation has resulted in significant carbon saving. Recycling has been rolled out to many non-clinical areas with clinical areas planned for 2015.

We have signed up as a participant in NHS Sustainability Day 2015 and with the support of our partners will use it as an opportunity to promote carbon reduction to our staff, visitors and the general public.

Pension Scheme Assurance

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring deductions from salary, employers 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. The Trust provides the NHS Pensions Agency with an annual assurance statement.

Stakeholders

The Trust engages with internal and external stakeholders in a number of different ways, to support service improvements and minimise risk. These include:

- Council of Governors
- Participation in the annual staff survey
- Participation in the annual patient survey
- Participation in the National Cancer Patient survey
- Our Listening into Action Programme which has resulted in a number of Big Conversations with staff from across the organisation
- Use of real time patient feedback
- Open meetings with the Chief Executive
- Chief Executive's weekly message
- Chief Executive's monthly team brief
- Review of the Trust's voluntary services workforce
- Trust open days
- Specialty open days
- Public sector partnership board
- Joint board meetings with Commissioners

Review of effectiveness of risk management and internal control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance

through the Assurance Framework and the Head of Internal Audit's opinion is one of significant assurance (as per the draft HoIA opinion). Those Executive Directors and senior managers within the organisation who have responsibility for the development and maintenance of the system of internal control also provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls to manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by:

- Internal Audit, which carries out a continuous review of the system of internal control and reports the results of audits and any associated recommendations for improvement to the Audit Committee and to the relevant senior managers.
- The review of all Internal Audit reports by the Risk Assurance Committee. This process provides assurance that any risks identified by Internal Audit are discussed for potential inclusion on the Trust Risk Register.
- External Audit.
- The work of the Local Counter Fraud Specialist (LCFS), which is regularly reported to the Audit Committee.
- Care Quality Commission (CQC) Essential Standards of Quality and Safety self-assessment.
- Publication of the Quality Accounts, following consultation with stakeholders.
- Announced and unannounced visits by the Care Quality Commission.
- Monthly reports of Serious Incidents.
- Monthly Quality Exception reports.
- Quarterly Quality Account reports: which provide amongst other matters aggregated information on complaints, claims and incidents, patient experience, patient safety and clinical effectiveness.
- Health and Safety reports.
- Monthly review of the Board Assurance Framework.
- Six monthly review of the high level risks (15+) from the Trust risk register.
- Monthly Business Intelligence reports.
- Monthly reports from key directors, including Finance, Nursing and the Chief Operating Officer.

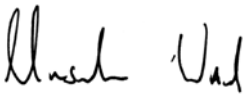
Significant issues

The Trust continues to operate with a requirement to deliver a challenging cost improvement programme. Throughout the year it became apparent that the achievement of the planned £1.2m forecast surplus would be difficult to achieve. The issue of budgetary control has been raised on the Risk Register and Board Assurance Framework throughout the year and will continue to be a high profile risk for the organisation into 2015/16. Mitigating actions have been overseen by the Finance Committee to ensure that robust controls are in place, and have been underpinned by the further embedding of a quality impact assessment process to ensure that whilst cost improvements are delivered, any adverse impact on the quality or safety of services is mitigated against. The Trust received an adverse value for money conclusion from External Audit and a referral to the Secretary of State under Section 19 of the Audit Commission Act 1998. The Trust achieved the year end position of £2,912k deficit, which included the identification of recurrent and non-recurrent savings.

The Trust continues to manage significant challenges in meeting the demand for unscheduled care, with relentless pressure placed on the in-patient bed capacity. This issue stands out within the Trust Risk Register and Board Assurance Framework throughout the year and remains one of our key risks going into 2015/16. The Trust has continued to see an increase in unscheduled care demand and, as a result, has not met the Emergency Department performance target in 2014/15. There is a system wide programme which has been refreshed and pace of change accelerated to mitigate this risk, with involvement of partners from across the health economy. The Trust continues to focus on patient flow throughout the hospital to ensure that all services are running as efficiently and effectively as possible. The Trust is working hard with primary and social care partners to manage the unscheduled care demand across the whole health economy and this work continues into 2015/16.

Accountable Officer: Ursula Ward

Organisation: Portsmouth Hospitals NHS Trust

Signature: 

Date: 2 June 2015

Annual Accounts

Statement of Comprehensive Income for year ended 31 March 2015

	NOTE	**2014-15**	2013-14
		£000s	£000s
Gross employee benefits	10.1	**(270,339)**	(254,196)
Other operating costs	8	**(203,809)**	(194,529)
Revenue from patient care activities	5	**431,389**	415,891
Other operating revenue	6	**53,074**	53,203
Operating surplus/(deficit)		**10,315**	20,369
Investment revenue	12	**48**	53
Other gains and (losses)	13	**34**	(96)
Finance costs	14	**(16,776)**	(16,544)
Surplus/(deficit) for the financial year		**(6,379)**	3,782
Public dividend capital dividends payable		**(1,850)**	(980)
Retained surplus/(deficit) for the year		**(8,229)**	2,802

Other Comprehensive Income

	2014-15	2013-14
	£000s	£000s
Impairments and reversals taken to the revaluation reserve	**(102)**	(5,079)
Net gain/(loss) on revaluation of property, plant & equipment	**31,311**	14,899
Total comprehensive income for the year*	**22,980**	12,622

Financial performance for the year

Retained surplus/(deficit) for the year	**(8,229)**	2,802
IFRIC 12 adjustment (including IFRIC 12 impairments) *	**4,649**	2,830
Impairments (excluding IFRIC 12 impairments) **	**(102)**	(5,079)
Adjustments in respect of donated gov't grant asset reserve elimination***	**770**	277
Adjusted retained surplus/(deficit)	**(2,912)**	830

The adjustments to financial performance identified above relate to the following:

* As a result of a change in accounting standards (UKGAAP to IFRS) NHS bodies were obliged to bring PFI schemes onto the, "Statement of Financial Position" which generally had an impact on an organisation's reported Revenue position. This adjustment identifies and removes any negative revenue impact (see note 43.1 on page 88 for more details).

** Where the Trust suffers a downward valuation in assets held (generally buildings or land) this may in certain circumstances be classified as an impairment and shown as a charge to the Trust's Revenue account. As asset valuations recover then the increase in value of assets is shown as a credit to the Revenue account to the extent of the previous impairment. The impact of impairments distorts the Trust's financial performance and are removed (see note 17 on page 77 for more details).

*** The Treasury has changed the accounting treatment for funding donated capital assets and the impact on the Revenue account is removed at this line (see note 1.13 on page 57 for more details).

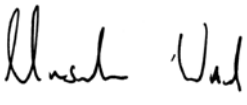
The notes on pages 53 to 90 form part of this account.

Statement of Financial Position as at 31 March 2015

	NOTE	31 March 2015 £000s	31 March 2014 £000s
Non-current assets:			
Property, plant and equipment	15	**338,406**	312,336
Intangible assets	16	**2,541**	2,084
Trade and other receivables	22.1	**3,925**	2,444
Total non-current assets		**344,872**	316,864
Current assets:			
Inventories	21	**12,257**	11,963
Trade and other receivables	22.1	**37,176**	29,221
Cash and cash equivalents	26	**1,239**	7,169
Sub-total current assets		**50,672**	48,353
Non-current assets held for sale	27	**0**	0
Total current assets		**50,672**	48,353
Total assets		**395,544**	365,217
Current liabilities			
Trade and other payables	28	**(51,142)**	(44,201)
Provisions	35	**(519)**	(743)
Borrowings	30	**(5,193)**	(5,568)
DH revenue support loan	30	**(260)**	0
DH capital loan	30	**(1,892)**	(1,332)
Total current liabilities		**(59,006)**	(51,844)
Net current assets/(liabilities)		**(8,334)**	(3,491)
Total assets less current liablilities		**336,538**	313,373
Non-current liabilities			
Provisions	35	**(1,764)**	(1,797)
Borrowings	30	**(239,627)**	(244,820)
DH revenue support loan	30	**(1,040)**	0
DH capital loan	30	**(6,382)**	(2,674)
Total non-current liabilities		**(248,813)**	(249,291)
Total assets employed:		**87,725**	64,082
FINANCED BY:			
Public Dividend Capital		**50,880**	50,217
Retained earnings		**(47,633)**	(40,423)
Revaluation reserve		**84,478**	54,288
Other reserves		**0**	0
Total Taxpayers' Equity:		**87,725**	64,082

The notes on pages 53 to 90 form part of this account.

The financial statements on pages 49 to 52 were approved by the Audit Committee, with delegated authority from the Board, on 2nd June, 2015 and signed on its behalf by

Chief Executive:  Date: 2 June 2015

Statement of Changes in Taxpayers' Equity For the year ending 31 March 2015

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2014	**50,217**	**(40,423)**	**54,288**	**0**	**64,082**
Changes in taxpayers' equity for 2014-15					
Retained surplus/(deficit) for the year		(8,229)			**(8,229)**
Net gain / (loss) on revaluation of property, plant, equipment			31,311		**31,311**
Impairments and reversals			(102)		**(102)**
Transfers between reserves		1,019	(1,019)	0	**0**
New temporary and permanent PDC received - cash	7,163				**7,163**
New temporary and termanent PDC repaid in year	(6,500)				**(6,500)**
Net recognised revenue/(expense) for the year	**663**	**(7,210)**	**30,190**	**0**	**23,643**
Balance at 31 March 2015	**50,880**	**(47,633)**	**84,478**	**0**	**87,725**
Balance at 1 April 2013	**42,798**	**(43,312)**	**44,555**	**0**	**44,041**
Changes in taxpayers' equity for the year ended 31 March 2014					
Retained surplus/(deficit) for the year		2,802			2,802
Net gain / (loss) on revaluation of property, plant, equipment			14,899		14,899
Impairments and reversals			(5,079)		(5,079)
Transfers between reserves		87	(87)	0	0
New temporary and permanent PDC received - cash	13,619				13,619
New temporary and permanent PDC repaid in year	(6,200)				(6,200)
Net recognised revenue/(expense) for the year	**7,419**	**2,889**	**9,733**	**0**	**20,041**
Balance at 31 March 2014	**50,217**	**(40,423)**	**54,288**	**0**	**64,082**

Statement of Cash Flows for the Year ended 31 March 2015

	2014-15 £000s	2013-14 £000s
Cash Flows from Operating Activities		
Operating surplus/(deficit)	**10,315**	20,369
Depreciation and amortisation	**15,084**	15,830
Impairments and reversals	**(102)**	(5,079)
Donated Assets received credited to revenue but non-cash	**(175)**	(875)
Interest paid	**(16,766)**	(16,397)
Dividend (paid)/refunded	**(1,808)**	(987)
(Increase)/Decrease in Inventories	**(294)**	10
(Increase)/Decrease in Trade and Other Receivables	**(9,434)**	(7,460)
Increase/(Decrease) in Trade and Other Payables	**8,760**	10,224
Provisions utilised	**(321)**	(2,432)
Increase/(Decrease) in movement in non cash provisions	**54**	(100)
Net Cash Inflow/(Outflow) from Operating Activities	**5,313**	13,103
Cash Flows from Investing Activities		
Interest Received	**48**	53
(Payments) for Property, Plant and Equipment	**(11,126)**	(6,625)
(Payments) for Intangible Assets	**(1,016)**	(942)
Proceeds of disposal of assets held for sale (PPE)	**89**	14
Net Cash Inflow/(Outflow) from Investing Activities	**(12,005)**	(7,500)
Net Cash Inform / (outflow) before Financing	**(6,692)**	5,603
Cash Flows from Financing Activities		
Gross Temporary and Permanent PDC Received	**7,163**	13,619
Gross Temporary and Permanent PDC Repaid	**(6,500)**	(6,200)
Loans received from DH - New Capital Investment Loans	**5,600**	0
Loans received from DH - New Revenue Support Loans (previously known as Working Capital Loans)	**1,300**	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal	**(1,332)**	(1,332)
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	**(5,644)**	(5,075)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)	**175**	0
Net Cash Inflow/(Outflow) from Financing Activities	**762**	1,012
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,930)**	6,615
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	**7,169**	554
Cash and Cash Equivalents (and Bank Overdraft) at year end	**1,239**	7,169

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2014-15 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another. The Trust has had no acquisitions or discontinued operations in the year.

1.3 Movement of assets within the DH Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated.

The Trust has not had any movement of assets within the DH Group in the year.

1.4 Charitable Funds

The Trust has determined that consolidation is not beneficial to the users of the accounts, as detailed in Note 1.32 - Subsidiaries.

1.5 Pooled Budgets

The Trust has no pooled budgets.

1.6 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.

1.6.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) 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 financial statements.

Classification of Leases. Under IAS 17 a finance lease is one that transfers to the lessee 'substantially all the risks and rewards incidental to ownership of an asset'. This requires the consideration of a number of factors for each lease. The Trust considers that where the net present value of lease payments amount to more than 85% of the fair value of the asset and the lease term is more than 80% of the economic life of the asset there is a strong presumption that a lease is a finance lease unless there is other evidence to the contrary.

For leases entered into prior to 2009/10 the Trust has applied a "deminimis" value of £25,000 before recognising finance leases

for photocopiers and lease arrangements under IFRIC 4. From 2009/10 the Trust has assessed all leases and lease arrangements with a value of more than £5,000 against the finance lease criteria contained within IAS17 and IFRIC 4.

Asset Lives and Residual Values. Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

PFI Life Cycle Costs. An element of the PFI contract payment relates to the replacement of asset components by the Operator. The Operator has provided a schedule of asset replacements and the Trust capitalise life cycle replacements where appropriate. Life cycle replacements are capitalised when the Operator's invoices are received (approximately one quarter in arrears) with depreciation commencing in the following quarter.

Land & Property Valuation. The Trust is required to show its land and property at fair value in its statement of financial position (see notes 1.10 and 1.12).

Impairment of Assets. At each statement of financial position date, the Trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is any indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Recoverability of Receivables. Provision for non-payment is made against non-NHS receivables that are greater than 360 days old unless recoverability is certain. Provision is made against more recent receivables where there is some doubt concerning recoverability.

Provisions. The Trust regularly monitors the position regarding provisions, including legal claims and restructuring, to ensure that it accurately reflects at each balance sheet date the current position in providing for potential future costs from past events, including board resolutions.

1.6.2 Key sources of estimation uncertainty

There are no key assumptions concerning the future, or other key sources of estimation uncertainty, at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.7 Revenue

Revenue 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 revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

The Trust sells some goods, such as drugs, to other NHS Trusts and outside bodies. Revenue is recognised on delivery of the goods to the customer.

1.8 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, except for bonuses earned but not yet awarded.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Trust of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.9 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.10 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to the Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any impairment.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses

immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The Trust now uses the GDP deflator to calculate indexation on equipment assets with a life of more than 5 years (medium and long term assets) and values short term assets (with a life of less than 5 years) at historic cost.

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

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.11 Intangible assets

Recognition

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

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.12 Depreciation, amortisation and impairments

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

Otherwise, depreciation and amortisation are

charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the NHS trust expects to obtain economic benefits or service potential from the asset. This is specific to the NHS trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives

At each reporting period end, the Trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1.13 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.14 Government grants

The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.15 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.16 Leases

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

The Trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's surplus/deficit.

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

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

The Trust as lessor

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

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

1.17 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

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. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

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

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

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

An element of the annual unitary payment increase due to cumulative indexation is

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

Lifecycle replacement

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

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

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

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

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

Other assets contributed by the NHS trust to the operator

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

1.18 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.19 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the NHS trust's cash management.

1.20 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates of 1.3% for pensions and -1.5% (short term), -1.05% (medium term) and +2.2% (long term) for inujury benefits.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its

main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.21 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. The contribution is charged to expenditure. 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 35.

1.22 Non-clinical risk pooling

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

1.23 Carbon Reduction Commitment Scheme (CRC)

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

1.24 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.25 Financial assets

The Trust holds Financial Assets in the form of trade receivables which are recognised when the goods or services have been delivered.

1.26 Financial liabilities

The Trust holds Financial Liabilities in the form of trade payables, loans from the Department of Health and PFI and Finance Lease obligations. Financial liabilities are recognised when the Trust becomes party to the contractual provisions or, in the case of trade payables, when the goods or services have been received.

Loans from the Department of Health are recognised at historical cost. Otherwise financial liabilities are initially recognised at fair value.

1.27 Value Added Tax

Most of the activities of the trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.31 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories,

which govern the way that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.32 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust or where the subsidiary's accounting date is not co-terminus.

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

Following HM Treasury's agreement to apply IAS27 to NHS Charities from 1 April 2013, the Trust has established that as the corporate trustee of the linked NHS Charity 'Portsmouth Hospitals NHS Trust General Charitable Fund', it effectively has the power to exercise control so as to obtain economic benefits. However the transactions are immaterial in the context of the group and transactions have not been consolidated.

Due to the materiality of the transactions the Trust concluded that consolidation would not add to the quality of the accounts. The Trustees Annual Report and Annual Accounts are published on the Charity Commission website.

1.33 Associates

Material entities over which the Trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the Trust's accounts using the equity method. The Trust does not have any associates.

1.34 Joint arrangements

Material entities over which the Trust has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures. The Trust is not part of any joint ventures.

1.35 Research and Development

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

1.36 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2014-15. The application of the Standards as revised would not have a material impact on the accounts for 2014-15, were they applied in that year:

IFRS 9 Financial Instruments - subject to consultation

IFRS 13 Fair Value Measurement - subject to consultation

IFRS 15 Revenue from Contracts with Customers

2. Pooled budget

The Trust does not have any pooled budget arrangements.

3. Operating segments

The Trust has identified two operating segments relating to the provision of healthcare and pharmacy trading. The vast majority of the Trust's income (£473.7m 97.8%) is derived from 'non-trading' healthcare. Of the total income, 2.2% (£10.7m) is generated from the sale of drugs externally to the NHS and private sector. In addition to selling drugs externally, Pharmacy Trading sell drugs internally on a full cost basis.

	Healthcare		Pharmacy Trading		Total	
	2014-15	2013-14	**2014-15**	2013-14	**2014-15**	2013-14
Income	**£000s**	£000s	**£000s**	£000s	**£000s**	£000s
External	**473,724**	455,459	**10,739**	13,635	**484,463**	469,094
Internal	**0**	0	**39,951**	38,685	**39,951**	38,685
Total Income	**473,724**	455,459	**50,690**	52,320	**524,414**	507,779
Surplus/(Deficit)						
Segment Costs	**443,023**	414,822	**49,424**	51,226	**492,447**	466,048
Common Costs	**39,951**	38,685	**245**	244	**40,196**	38,929
Surplus/(deficit) before interest	**(9,250)**	1,952	**1,021**	850	**(8,229)**	2,802

4. Income generation activities

The main Trust income generation activities relate to Pharmacy Trading and drug manufacturing where the Trust purchases in bulk, manufactures and sells drugs, mainly to other NHS Organisations.

Pharmacy Trading has been shown as a separate operating segment at Note 3.

5. Revenue from patient care activities

	2014-15	2013-14
	£000s	£000s
NHS Trusts	**5**	81
NHS England	**98,116**	94,144
Clinical Commissioning Groups	**328,926**	316,703
Foundation Trusts	**0**	250
Department of Health	**0**	0
NHS Other (including Public Health England and Prop Co)	**26**	0
Additional income for delivery of healthcare services	**0**	
Non-NHS:		
Local Authorities	**0**	0
Private patients	**2,395**	2,344
Overseas patients (non-reciprocal)	**363**	133
Injury costs recovery	**932**	1,506
Other	**626**	730
Total Revenue from patient care activities	**431,389**	415,891

6. Other operating revenue

	2014-15	2013-14
	£000s	£000s
Recoveries in respect of employee benefits	**0**	0
Patient transport services	**0**	0
Education, training and research	**17,672**	16,833
Charitable and other contributions to revenue expenditure - NHS	**0**	0
Charitable and other contributions to revenue expenditure -non- NHS	**243**	204
Receipt of donations for capital acquisitions - Charity	**175**	875
Support from DH for mergers	**0**	
Receipt of Government grants for capital acquisitions	**0**	0
Non-patient care services to other bodies	**13,738**	14,252
Income generation	**16,722**	17,333
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**1,668**	1,712
Other revenue	**2,856**	1,994
Total Other Operating Revenue	**53,074**	53,203
Total operating revenue	**484,463**	469,094

7. Overseas Visitors Disclosure

	2014-15	2013-14
	£000	£000s
Income recognised during 2014-15 (invoiced amounts and accruals)	**363**	133
Cash payments received in-year (re receivables at 31 March 2014)	**16**	12
Cash payments received in-year (iro invoices issued 2014-15)	**151**	71
Amounts added to provision for impairment of receivables (re receivables at 31 March 2014)	**36**	17
Amounts added to provision for impairment of receivables (iro invoices issued 2014-15)	**0**	0
Amounts written off in-year (irrespective of year of recognition)	**208**	41

8. Operating expenses

	2014-15	2013-14***	2013-14
	£000s	£000s	£000s
Services from other NHS Trusts	**2,863**	4,752	4,752
Services from CCGs/NHS England	**60**	42	42
Services from other NHS bodies	**0**	11	11
Services from NHS Foundation Trusts	**7,479**	5,955	5,955
Total Services from NHS bodies*	**10,402**	10,760	10,760
Purchase of healthcare from non-NHS bodies	**8,294**	7,476	7,476
Trust Chair and Non-executive Directors	**52**	50	50
Supplies and services - clinical	**104,971**	97,763	97,763
Supplies and services - general	**2,436**	2,252	16,696
Consultancy services	**1,809**	2,381	2,381
Establishment	**4,266**	3,717	3,909
Transport	**2,922**	5,387	5,387
Service charges - ON-SOFP PFIs and other service concession arrangements ***	**25,339**	28,282	
Service charges - On-SOFP LIFT contracts	**0**	0	
Total charges - Off-SOFP PFIs and other service concession arrangements	**0**	0	
Total charges - Off-SOFP LIFT contracts	**0**	0	
Business rates paid to local authorities	**2,585**	0	
Premises	**8,509**	11,456	25,102
Hospitality	**19**	97	97
Insurance	**382**	401	401
Legal Fees	**362**	404	404
Impairments and Reversals of Receivables	**399**	232	232
Inventories write down	**71**	67	67
Depreciation	**14,525**	15,401	15,401
Amortisation	**559**	429	429
Impairments and reversals of property, plant and equipment	**(102)**	(5,079)	(5,079)
Impairments and reversals of intangible assets	**0**	0	0
Impairments and reversals of financial assets [by class]	**0**	0	0
Impairments and reversals of non current assets held for sale	**0**	0	0
Audit fees	**133**	144	144
Other auditor's remuneration [detail]	**0**	0	0
Clinical negligence	**11,660**	9,328	9,328
Research and development (excluding staff costs)	**0**	0	0
Education and Training	**1,470**	1,394	1,394
Change in Discount Rate	**8**	(118)	(118)
Other **	**2,738**	2,305	2,305
Total Operating expenses (excluding employee benefits)	**203,809**	194,529	194,529
Employee Benefits			
Employee benefits excluding Board members	**269,325**	253,017	253,017
Board members	**1,014**	1,179	1,179
Total Employee Benefits	**270,339**	254,196	254,196
Total Operating Expenses	**474,148**	448,725	448,725

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

** Includes £804k for NHS SBS Ltd for financial services (£764k 2013/14)

*** From 2014/15 Service Charges for PFI Schemes are required to be disclosed separately. For comparison purposes, the 2013/14 figures have been restated as if this requirement was in place in 2013/14.

9 Operating leases

Operating leases mostly relate to property and the most significant are:

- Railway Triangle lease - used for Pharmacy Manufacture, the lease period is for 30 years (expires 2036) and has an annual lease value of £98,000.
- Solent Industrial Estate - used for Pharmacy and Procurement, the lease period is for 15 years (expires 2020) and has an annual value of £147,000.
- Fort Southwick office buildings and car parks - used for off site car parking and administration, the lease period is for 10 years (expires 2019) and has an annual value of £841,000.

9.1 The Trust as lessee

	Land	Buildings	Other	2014-15 Total	2013-14
	£000s	£000s	£000s	£000s	£000s
Payments recognised as an expense					
Minimum lease payments				**1,606**	1,722
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**1,606**	1,722
Payable:					
No later than one year	491	590	297	**1,378**	1,531
Between one and five years	1,369	2,080	264	**3,713**	4,303
After five years	0	2,809	0	**2,809**	2,138
Total	**1,860**	**5,479**	**561**	**7,900**	7,972
Total future sublease payments expected to be received:				**2,944**	572

9.2 The Trust as lessor

This mainly relates to the sub-leases of the Rehab Building to Solent NHS Trust and Southern Health NHS Foundation Trust, the Quad Building to University Hospitals Southampton NHS Foundation Trust, the Gym Building to NHS Property Services Ltd and the PET Scanner to InHealth.

	2014-15	2013-14
	£000	£000s
Recognised as revenue		
Rental revenue	**1,668**	1,712
Contingent rents	**0**	0
Total	**1,668**	1,712
Receivable:		
No later than one year	**662**	1,637
Between one and five years	**1,836**	2,061
After five years	**446**	932
Total	**2,944**	4,630

10 Employee benefits and staff numbers

10.1 Employee benefits

	2014-15		
	Total	Permanently employed	Other
	£000s	£000s	£000s
Employee Benefits - Gross Expenditure			
Salaries and wages	**229,958**	203,064	26,894
Social security costs	**15,958**	15,958	0
Employer Contributions to NHS BSA - Pensions Division	**24,743**	24,743	0
Total employee benefits	**270,659**	**243,765**	**26,894**
Employee costs capitalised	**320**	320	0
Gross Employee Benefits excluding capitalised costs	**270,339**	**243,445**	**26,894**

	2013-14		
Employee Benefits - Gross Expenditure	Total	Permanently employed	Other
	£000s	£000s	£000s
Salaries and wages	215,268	196,653	18,615
Social security costs	15,140	15,140	0
Employer Contributions to NHS BSA - Pensions Division	23,973	23,973	0
TOTAL - including capitalised costs	254,381	235,766	18,615
Employee costs capitalised	185	185	0
Gross Employee Benefits excluding capitalised costs	254,196	235,581	18,615

10.2 Staff Numbers

	2014-15			2013-14
	Total	**Permanently employed**	**Other**	Total
	Number	**Number**	**Number**	Number
Average Staff Numbers				
Medical and dental	**905**	840	65	877
Administration and estates	**1,193**	1,142	51	1,045
Healthcare assistants and other support staff	**17**	15	2	12
Nursing, midwifery and health visiting staff	**3,120**	2,790	330	2,931
Scientific, therapeutic and technical staff	**1,283**	1,239	44	1,176
TOTAL	**6,518**	**6,026**	**492**	6,041
Of the above - staff engaged on capital projects	**21**	9	12	12

10.3 Staff Sickness absence and ill health retirements

	2014-15 Number	2013-14 Number
Total Days Lost	**45,605**	41,554
Total Staff Years	**5,614**	5,327
Average working Days Lost	**8.12**	7.80

	2014-15 Number	2013-14 Number
Number of persons retired early on ill health grounds	**8**	3

	£000s	£000s
Total additional pensions liabilities accrued in the year	**349**	133

10.4 Exit Packages agreed in 2014-15

	2014-15					
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages
	Number	£	Number	£	Number	£
Less than £10,000	5	0	18	54,070	23	54,070
£10,000-£25,000	2	35,539	1	19,529	3	55,068
£25,001-£50,000	2	91,225	0	0	2	91,225
£50,001-£100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages by type (total cost)	**9**	**126,764**	**19**	**73,599**	**28**	**200,363**

	2013-14					
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages
	Number	£	Number	£	Number	£
Less than £10,000	0	0	16	51,841	16	51,841
£10,000-£25,000	6	116,552	1	15,880	7	132,432
£25,001-£50,000	6	235,612	1	33,389	7	269,001
£50,001-£100,000	10	688,505	0	0	10	688,505
£100,001 - £150,000	6	687,314	0	0	6	687,314
£150,001 - £200,000	2	361,106	0	0	2	361,106
>£200,000	0	0	0	0	0	0
Total number of exit packages by type (total cost)	30	2,089,090	18	101,110	48	2,190,200

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Pension Scheme. Exit costs in this note are accounted for in full in the year of departure. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

This disclosure reports the number and value of exit packages agreed in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

10.5 Exit packages - Other Departures analysis

	2014-15		2013-14	
	Agreements	**Total value of agreements**	Agreements	Total value of agreements
	Number	**£000s**	Number	£000s
Contractual payments in lieu of notice	**19**	**74**	15	52
Exit payments following Employment Tribunals or court orders	**0**	**0**	1	33
Non-contractual payments requiring HMT approval*	**0**	**0**	2	16
Total	**19**	**74**	18	101

This disclosure reports the number and value of exit packages agreed in the year. Note: the expense associated with these departures may have been recognised in part or in full in a previous period.

As a single exit package can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in Note 10.4 which will be the number of individuals.

*includes any non-contractual severance payment made following judicial mediation, and 0 relating to non-contractual payments in lieu of notice.

No non-contractual payments were made to individuals where the payment value was more than 12 months' of their annual salary.

The Remuneration Report includes disclosure of exit payments payable to individuals named in that Report.

10.6 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Trust 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 follows:

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. 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 2015, is based on valuation data as 31 March 2014, updated to 31 March 2015 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations,

and the discount rate prescribed by HM Treasury have 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 the contribution rates.

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 set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

11 Better Payment Practice Code

11.1 Measure of compliance

	2014-15 Number	2014-15 £000s	2013-14 Number	2013-14 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**90,895**	**236,909**	87,402	210,944
Total Non-NHS Trade Invoices Paid Within Target	**84,336**	**221,157**	81,090	196,441
Percentage of NHS Trade Invoices Paid Within Target	**92.78%**	**93.35%**	92.78%	93.12%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**2,525**	**20,095**	2,088	35,436
Total NHS Trade Invoices Paid Within Target	**1,995**	**17,087**	1,583	25,531
Percentage of NHS Trade Invoices Paid Within Target	**79.01%**	**85.03%**	75.81%	72.05%

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

11.2 The Late Payment of Commercial Debts (Interest) Act 1998

No payments were made under the Late Payment of Commercial Debts (Interest) Act 1998.

12 Investment Revenue

	2014-15 £000s	2013-14 £000s
Bank interest	**48**	53
Total investment revenue	**48**	53

13 Other Gains and Losses

	2014-15 £000s	2013-14 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	**34**	(96)
Total	**34**	(96)

14 Finance Costs

	2014-15 £000s	2013-14 £000s
Interest		
Interest on loans and overdrafts	**91**	123
Interest on obligations under finance leases	**0**	4
Interest on obligations under PFI contracts:		
- main finance cost	**12,998**	13,233
- contingent finance cost	**3,677**	3,037
Interest on obligations under LIFT contracts:		
Total interest expense	**16,766**	16,397
Provisions - unwinding of discount	**10**	147
Total	**16,776**	16,544

15.1 Property, plant and equipment

2014-15	Land	Buildings excluding dwellings	Dwellings
	£000's	£000's	£000's
Cost or valuation:			
At 1 April 2014	**23,865**	**249,753**	**2,752**
Additions of Assets Under Construction			
Additions Purchased	0	1,985	143
Additions - Non Cash Donations (i.e. physical assets)	0	0	0
Disposals other than for sale	0	0	0
Upward revaluation/positive indexation	85	30,370	287
Impairments/negative indexation	0	(102)	0
At 31 March 2015	**23,950**	**282,006**	**3,182**
Depreciation			
At 1 April 2014	**0**	**0**	**0**
Disposals other than for sale	0	0	0
Upward revaluation/positive indexation	0	0	0
Reversal of Impairments	0	(102)	0
Charged During the Year	0	7,476	132
At 31 March 2015	**0**	**7,374**	**132**
Net Book Value at 31 March 2015	**23,950**	**274,632**	**3,050**
Asset financing:			
Owned - Purchased	23,950	4,711	0
Owned - Donated	0	3,982	0
Held on finance lease	0	0	0
On-SOFP PFI contracts	0	265,939	3,050
Total at 31 March 2015	**23,950**	**274,632**	**3,050**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings
	£000's	£000's	£000's
At 1 April 2014	16,346	30,060	2,133
Movements (specify)	85	30,267	287
At 31 March 2015	**16,431**	**60,327**	**2,420**

Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
£000's	£000's	£000's	£000's	£000's	£000's
0	**76,320**	**124**	**18,202**	**3,102**	**374,118**
0					**0**
	3,503	0	3,533	0	**9,164**
0	175	0	0	0	**175**
0	(10,727)	(32)	(186)	0	**(10,945)**
0	1,212	1	0	65	**32,020**
0	0	0	0	0	**(102)**
0	**70,483**	**93**	**21,549**	**3,167**	**404,430**
0	**48,150**	**121**	**12,512**	**999**	**61,782**
	(10,672)	(32)	(186)	0	**(10,890)**
	687	1	0	21	**709**
0	0	0	0	0	**(102)**
	5,379	1	1,310	227	**14,525**
0	**43,544**	**91**	**13,636**	**1,247**	**66,024**
0	**26,939**	**2**	**7,913**	**1,920**	**338,406**
0	23,331	2	7,883	1,920	**61,797**
0	2,271	0	30	0	**6,283**
0	1,337	0	0	0	**1,337**
0	0	0	0	0	**268,989**
0	**26,939**	**2**	**7,913**	**1,920**	**338,406**

Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
£000's	£000's	£000's	£000's	£000's	£000's
0	5,457	11	16	265	**54,288**
0	(493)	0	0	44	**30,190**
0	**4,964**	**11**	**16**	**309**	**84,478**

15.2 Property, plant and equipment prior-year

2013-14	Land	Buildings excluding dwellings	Dwellings
	£000s	£000s	£000s
Cost or valuation:			
At 1 April 2013	23,865	239,683	2,695
Additions Purchased	0	2,634	1
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0
Additions - Purchases from Cash Donations & Government Grants	0	0	0
Additions Leased	0	0	0
Reclassifications	0	0	0
Reclassifications as Held for Sale and Reversals	0	0	0
Disposals other than for sale	0	0	0
Revaluation	0	14,898	169
Impairments/negative indexation charged to reserves	0	(5,079)	0
Reversal of Impairments charged to reserves	0	0	0
At 31 March 2014	**23,865**	**252,136**	**2,865**
Depreciation			
At 1 April 2013	0	0	0
Reclassifications	0	0	0
Reclassifications as Held for Sale and Reversals	0	0	0
Disposals other than for sale	0	0	0
Revaluation	0	809	13
Impairments/negative indexation charged to operating expenses	0	0	0
Reversal of Impairments charged to operating expenses	0	(5,079)	0
Charged During the Year	0	6,653	100
Transfers to Foundation Trust	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0
At 31 March 2014	**0**	**2,383**	**113**
Net Book Value at 31 March 2014	23,865	249,753	2,752
Asset financing:			
Owned - Purchased	23,865	80,544	2,752
Owned - Donated	0	3,396	0
Owned - Government Granted	0	0	0
Held on finance lease	0	0	0
On-SOFP PFI contracts	0	165,813	0
PFI residual: interests	0	0	0
Total at 31 March 2014	**23,865**	**249,753**	**2,752**

Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
£000s	£000s	£000s	£000s	£000s	£000s
0	70,327	128	16,909	3,032	**356,639**
	4,920	0	2,357	0	**9,912**
0	875	0	0	0	**875**
0	0	0	0	0	**0**
	0	0	0	0	**0**
0	0	0	0	0	**0**
0	0	0	0	0	**0**
0	(990)	(6)	(1,064)	0	**(2,060)**
0	1,264	2	0	70	**16,403**
0	0	0	0	0	**(5,079)**
0	0	0	0	0	**0**
0	**76,396**	**124**	**18,202**	**3,102**	**376,690**
0	42,218	124	11,299	760	**54,401**
	0	0	0	0	**0**
	0	0	0	0	**0**
	(879)	(6)	(1,064)	0	**(1,949)**
	663	2	0	17	**1,504**
0	0	0	0	0	**0**
0	0	0	0	0	**(5,079)**
	6,148	1	2,277	222	**15,401**
0	0	0	0	0	**0**
	0	0	0	0	**0**
0	**48,150**	**121**	**12,512**	**999**	**64,278**
0	28,246	3	5,690	2,103	**312,412**
0	23,961	3	5,649	2,103	**138,877**
0	2,465	0	41	0	**5,902**
0	0	0	0	0	**0**
0	1,820	0	0	0	**1,820**
0	0	0	0	0	**165,813**
0	0	0	0	0	**0**
0	**28,246**	**3**	**5,690**	**2,103**	**312,412**

15.3. Property, plant and equipment

The donated assets were received from the Portsmouth Hospitals NHS Trust Charity.

All land and buildings have been restated to modern equivalent asset value based on a valuation carried out in March 2015 by the District Valuer from the Revenue and Customs Government Department.

Equipment is valued at historic cost where the estimated life is less than 5 years (short term) and equipment with an estimated life of more than 5 years (medium and long term) has been valued using the GDP deflator.

Assets are depreciated using the following asset lives:

- Software and Licences: 3 to 5 years
- Information Technology: between 5 and 10 years
- Plant & Machinery: between 5 and 15 years
- Transport Equipment: 7 years
- Buildings excluding Dwellings: between 1 and 44 years
- Dwellings: between 4 and 33 years
- Furniture and Fittings: between 10 and 15 years

Gross carrying amount of fully depreciated assets still in use is £23.6m

16.1 Intangible non-current assets

2014-15	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2014	**0**	**5,125**	**0**	**0**	**0**	**5,125**
Additions Purchased	0	1,016	0	0	0	**1,016**
Disposals other than by sale	0	(112)	0	0	0	**(112)**
At 31 March 2015	**0**	**6,029**	**0**	**0**	**0**	**6,029**
Amortisation						
At 1 April 2014	**0**	**3,041**	**0**	**0**	**0**	**3,041**
Disposals other than by sale	0	(112)	0	0	0	**(112)**
Charged during the year	0	559	0	0	0	**559**
At 31 March 2015	**0**	**3,488**	**0**	**0**	**0**	**3,488**
Net Book Value at 31 March 2015	**0**	**2,541**	**0**	**0**	**0**	**2,541**
Asset Financing: Net book value at 31 March 2015 comprises:						
Purchased	0	2,529	0	0	0	**2,529**
Donated	0	12	0	0	0	**12**
Total at 31 March 2015	**0**	**2,541**	**0**	**0**	**0**	**2,541**

16.2 Intangible non-current assets prior year

2013-14	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:						
At 1 April 2013	0	4,197	0	0	0	4,197
Additions - purchased	0	942	0	0	0	942
Disposals other than by sale	0	(14)	0	0	0	(14)
At 31 March 2014	0	5,125	0	0	0	5,125
Amortisation						
At 1 April 2013	0	2,626	0	0	0	2,626
Disposals other than by sale	0	(14)	0	0	0	(14)
Charged during the year	0	429	0	0	0	429
At 31 March 2014	0	3,041	0	0	0	3,041
Net book value at 31 March 2014	0	2,084	0	0	0	2,084
Net book value at 31 March 2014 comprises:						
Purchased	0	2,064	0	0	0	2,064
Donated	0	20	0	0	0	20
Total at 31 March 2014	0	2,084	0	0	0	2,084

16.3 Intangible non-current assets

Intangible assets are not revalued and are amortised over 3-5 years.

There are currently no internally generated intangible assets.

None of the intangible assets have been assessed as having indefinite useful lives.

There are a number of fully amortised licenses still in use.

17 Analysis of impairments and reversals recognised in 2014-15

	2014-15 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Changes in market price *	**(102)**
Total charged to SOCI (Annually managed expenditure)	**(102)**

* The impairment reversal relates to a general upward District Valuer's valuation of the Trust's land and property which reverses impairments shown in previous years.

18 Investment property

The Trust has no investment property.

19 Commitments

19.1 Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 March 2015	31 March 2014
	£000s	£000s
Property, plant and equipment	**0**	1,336
Intangible assets	**0**	0
Total	**0**	1,336

19.2 Other financial commitments

The Trust has not entered into any non-cancellable contracts other than the PFI contract.

20 Intra-Government and other balances

	Current receivables	**Non-current receivables**	**Current payables**	**Non-current payables**
	£000s	**£000s**	**£000s**	**£000s**
Balances with Other Central Government Bodies	4,686	0	2,880	0
Balances with Local Authorities	149	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	333	0
Balances with NHS bodies inside the Departmental Group	15,479	0	7,951	7,422
Balances with Public Corporations and Trading Funds	0	0	3,092	0
Balances with Bodies External to Government	16,862	3,925	44,231	239,627
At 31 March 2015	**37,176**	**3,925**	**58,487**	**247,049**
prior period:				
Balances with Other Central Government Bodies	11,240	0	4,049	0
Balances with Local Authorities	98	0	0	0
Balances with NHS bodies outside the Departmental Group	1	0	73	0
Balances with NHS Trusts and FTs	6,590	0	3,037	0
Balances with Public Corporations and Trading Funds	1	0	560	0
Balances with Bodies External to Government	11,291	2,444	36,482	0
At 31 March 2014	**29,221**	**2,444**	**44,201**	**0**

21 Inventories

	Drugs £000s	Consumables £000s	Total £000s
Balance at 1 April 2014	**5,067**	**6,896**	**11,963**
Additions	54,765	45,821	**100,586**
Inventories recognised as an expense in the period	(54,141)	(46,080)	**(100,221)**
Write-down of inventories (including losses)	(67)	(4)	**(71)**
Balance at 31 March 2015	**5,624**	**6,633**	**12,257**

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2015 £000s	31 March 2014 £000s	**31 March 2015 £000s**	31 March 2014 £000s
NHS receivables - revenue	**15,321**	15,839	**0**	0
Non-NHS receivables - revenue	**3,038**	2,311	**0**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**5,867**	2,882	**2,651**	980
Provision for the impairment of receivables	**(880)**	(809)	**0**	0
VAT	**4,680**	2,964	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**4,084**	2,604	**0**	0
Interest receivables	**2**	3	**0**	0
Other receivables	**5,064**	3,427	**1,274**	1,464
Total	**37,176**	29,221	**3,925**	2,444
Total current and non current	**41,101**	31,665		

The great majority of trade is with NHS England and Clinical Commissioning Groups. As these bodies are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

22.2 Receivables past their due date but not impaired

	31 March 2015 £000s	31 March 2014 £000s
By up to three months	**4,842**	5,455
By three to six months	**1,115**	1,145
By more than six months	**517**	675
Total	**6,474**	7,275

22.3 Provision for impairment of receivables

	2014-15 £000s	2013-14 £000s
Balance at 1 April 2014	**(809)**	(642)
Amount written off during the year	**328**	65
Amount recovered during the year	**93**	89
(Increase)/decrease in receivables impaired	**(492)**	(321)
Balance at 31 March 2015	**(880)**	(809)

Non-NHS debts greater than one year old and Non-NHS debts less than one year old but assessed as doubtful have been provided for.

23 NHS LIFT investments

The Trust has no LIFT investments.

24 Other Financial Assets

The Trust has no other financial assets.

25 Other Current Assets

The Trust has no other current assets.

26 Cash and Cash Equivalents

	31 March 2015 £000s	31 March 2014 £000s
Opening balance	**7,169**	554
Net change in year	**(5,930)**	6,615
Closing balance	**1,239**	7,169
Made up of		
Cash with Government Banking Service	**1,171**	7,107
Commercial banks	**39**	44
Cash in hand	**29**	18
Cash and cash equivalents as in statement of financial position	**1,239**	7,169
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**1,239**	7,169

27 Non-current assets held for sale

The Trust does not have any non-current assets held for sale (£0 as at 31st March 2014).

28 Trade and other payables

	Current	
	31 March 2015	31 March 2014
	£000s	£000s
NHS payables - revenue	**5,118**	5,897
Non-NHS payables - revenue	**4,278**	2,795
Non-NHS payables - capital	**1,562**	3,349
Non-NHS accruals and deferred income	**5,456**	6,984
Social security costs	**2,519**	948
PDC Dividend payable to DH	**200**	0
Tax	**361**	163
Other	**31,648**	24,065
Total	**51,142**	44,201
Total payables (current and non-current)	**51,142**	44,201

The Trust has no non-current payables.

29 Other liabilities

The Trust has no other liabilities.

30 Borrowings

	Current		Non-current	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000s	£000s	**£000s**	£000s
Loans from Department of Health*	**2,152**	1,332	**7,422**	2,674
Loans from other entities	**0**	0	**0**	0
PFI liabilities:				
Main liability	**4,747**	5,162	**238,736**	243,483
Finance lease liabilities	**446**	406	**891**	1,337
Total	**7,345**	**6,900**	**247,049**	**247,494**
Total other liabilities (current and non-current)	**254,394**	**254,394**		

* This includes revenue support loan of £1.3m and capital support loan of £5.6m received in 2014/15

Borrowings / Loans - repayment of principal falling due in:

	31 March 2015		
	DH	**Other**	**Total**
	£000s	**£000s**	**£000s**
0-1 Years	2,152	5,193	**7,345**
1 - 2 Years	2,162	5,274	**7,436**
2 - 5 Years	2,460	19,748	**22,208**
Over 5 Years	2,800	214,605	**217,405**
TOTAL	**9,574**	**244,820**	**254,394**

31 Other financial liabilities

The Trust has no 'Other Financial Liabilities'.

32 Deferred revenue

	Current		Non-current	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000s	£000s	**£000s**	£000s
Opening balance at 1 April 2014	**1,491**	1,228	**0**	0
Deferred revenue addition	**303**	1,491	**0**	0
Transfer of deferred revenue	**(1,491)**	(1,228)	**0**	0
Current deferred Income at 31 March 2015	**303**	1,491	**0**	0
Total deferred income (current and non-current)	**303**	1,491		

33 Finance lease obligations as lessee

The finance lease obligations relate mainly to the da Vinci Surgical Robot. The lease started in April 2013 and is a 5 year lease. The finance lease payments in 2013/14 were assessed as £446,000

Amounts payable under finance leases (Other)	**Minimum lease payments**		**Present value of minimum lease payments**	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000s	£000s	**£000s**	£000s
Within one year	**446**	483	**446**	482
Between one and five years	**891**	1,337	**891**	1,337
After five years	**0**	0	**0**	0
Less future finance charges	**0**	(1)		
Minimum Lease Payments / Present value of minimum lease payments	**1,337**	1,819	**1,337**	1,819
Included in:				
Current borrowings			**446**	482
Non-current borrowings			**891**	1,337
			1,337	1,819

34 Finance lease receivables as lessor

The Trust has no finance leases as lessor.

35 Provisions

		Comprising:			
	Total	**Early Departure Costs ***	**Legal Claims ****	**Other*****	**Redundancy**
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2014	**2,540**	1,918	282	208	132
Arising during the year	**360**	0	70	290	0
Utilised during the year	**(321)**	(30)	(15)	(208)	(68)
Reversed unused	**(314)**	(24)	(226)	0	(64)
Unwinding of discount	**10**	10	0	0	0
Change in discount rate	**8**	8	0	0	0
Balance at 31 March 2015	**2,283**	**1,882**	**111**	**290**	**0**
Expected Timing of Cash Flows:					
No Later than One Year	**519**	118	111	290	0
Later than One Year and not later than Five Years	**445**	445	0	0	0
Later than Five Years	**1,319**	1,319	0	0	0

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:

As at 31 March 2015	165,780
As at 31 March 2014	115,669

* Relate to those staff who retired for the benefit of the service before their normal retirement age, the calculation is based on life expectancies as published by the Governement Actuaries Department and to injury benefits paid to staff injured during the course of their duties discounted over the recipients estimated life.

** Covers the cost to the Trust of claims from staff and third parties - costs shown are based on an assessed probability of payment.

*** Relates to Carbon Reduction

36 Contingencies

	31 March 2015	31 March 2014
	£000s	£000s
Contingent liabilities		
Legal Claims	**(61)**	(282)
Net value of contingent liabilities	**(61)**	(282)

* The Trust has contingent liabilities relating to employer and public liability claims. A provision has been established where the likelihood of a payment is more certain (see Note 35)

Contingent assets

The Trust has no contingent assets.

37 PFI and LIFT - additional information

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

	2014-15	2013-14
Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI	**£000s**	£000s
Service element of on SOFP PFI charged to operating expenses in year	**25,339**	28,282
Total	**25,339**	28,282

Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	**29,188**	27,279
Later than One Year, No Later than Five Years	**116,752**	109,116
Later than Five Years	**605,651**	593,318
Total	**751,591**	729,713

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2014-15**	2013-14
	£000s	£000s
No Later than One Year	**17,475**	18,160
Later than One Year, No Later than Five Years	**72,396**	71,233
Later than Five Years	**350,895**	369,533
Subtotal	**440,766**	458,926
Less: Interest Element	**(197,283)**	(210,281)
Total	**243,483**	248,645

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due	**2014-15**	2013-14
Analysed by when PFI payments are due	**£000s**	£000s
No Later than One Year	**4,747**	5,162
Later than One Year, No Later than Five Years	**24,131**	21,828
Later than Five Years	**214,605**	221,655
Total	**243,483**	248,645

Number of on SOFP PFI Contracts	
Total Number of on PFI contracts	**1**
Number of on PFI contracts which individually have a total commitments value in excess of £500m	**0**

38 Impact of IFRS treatment - current year

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

	2014-15 £000s	2013-14 £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)		
Depreciation charges	**7,369**	6,547
Interest Expense	**16,675**	16,270
Other Expenditure	**25,338**	28,283
Impact on PDC dividend payable	**460**	(353)
Total IFRS Expenditure (IFRIC12)	**49,842**	50,747
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)	**(45,193)**	(47,917)
Net IFRS change (IFRIC12)	**4,649**	2,830
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12		
Capital expenditure 2014-15	**1,206**	2,282
UK GAAP capital expenditure 2014-15 (Reversionary Interest)	**6,281**	6,065

39 Financial Instruments

39.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2015 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

39.2 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Receivables - NHS		15,321		**15,321**
Receivables - non-NHS		5,404		**5,404**
Cash at bank and in hand		1,239		**1,239**
Total at 31 March 2015	**0**	**21,964**	**0**	**21,964**
Receivables - NHS		13,475		13,475
Receivables - non-NHS		5,911		5,911
Cash at bank and in hand		7,169		7,169
Total at 31 March 2014	0	26,555	0	26,555

39.3 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
NHS payables		5,118	**5,118**
Non-NHS payables		42,552	**42,552**
Other borrowings		9,574	**9,574**
PFI & finance lease obligations		244,820	**244,820**
Total at 31 March 2015	**0**	**302,064**	**302,064**
NHS payables		3,533	3,533
Non-NHS payables		38,126	38,126
Other borrowings		4,006	4,006
PFI & finance lease obligations		250,464	250,464
Total at 31 March 2014	0	296,129	296,129

40 Events after the end of the reporting period

There are no material events to report.

41 Related party transactions

Portsmouth Hospitals NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Portsmouth Hospitals NHS Trust.

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

which the Department is regarded as parent Department. Entities are listed below where the cumulative value of transactions exceed £5 million. Total Expenditure and Income for the year is shown, together with amounts payable to and amounts receivable from the related party as at 31st March 2015.

	Expenditure £000	Income £000	Payables £000	Receivables £000
NHS Coastal West Sussex CCG	0	8,325	0	1,268
NHS England (Wessex Area Team)	0	96,665	0	3,184
NHS Fareham and Gosport CCG	0	99,704	0	533
NHS Litigation Authority	11,660	0	0	0
NHS Portsmouth CCG	33	110,490	8	475
NHS South Eastern Hampshire CCG	23	91,241	23	1,225
NHS West Hampshire CCG	0	9,061	0	49
University Hospitals Southampton NHS Foundation Trust	880	7,164	601	1,895

The Trust has also received revenue and capital payments from a number of charitable funds, including Portsmouth Hospitals NHS Trust General Charitable Fund and the League of Friends. Portsmouth Hospitals NHS Trust is the corporate trustee of Portsmouth Hospitals NHS Trust General Charitable Fund.

42 Losses and special payments

The total number of losses cases in 2014-15 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	402,771	363
Special payments	109,376	109
Total losses and special payments	**512,147**	**472**

The total number of losses cases in 2013-14 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	168,720	418
Special payments	85,077	127
Total losses and special payments	253,797	545

Details of cases individually over £250,000

There were no individual cases over £250,000

43. Financial performance targets

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

43.1 Breakeven performance

	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s
Turnover	357,591	372,407	409,985	422,836
Retained surplus/(deficit) for the year	1,096	857	7,299	159
Adjustment for:				
Timing/non-cash impacting distortions:				
Pre FDL(97)24 agreements	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0			
2007/08 PPA (relating to 1997/98 to 2006/07)	(323)	(533)		
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0	
Adjustments for impairments				111
Adjustments for impact of policy change re donated/government grants assets				
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				
Absorption accounting adjustment				
Other agreed adjustments	0	0	0	0
Break-even in-year position	773	324	7,299	270
Break-even cumulative position	1,586	1,910	9,209	9,479

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

** The year of recovery of the cumulative breakeven position is uncertain and has not yet been formally agreed with the TDA and work is underway with the TDA to confirm this.

	2005-06	2006-07	2007-08	2008-09
Materiality test (I.e. is it equal to or less than 0.5%):	%	%	%	%
Break-even in-year position as a percentage of turnover	0.22	0.09	1.78	0.06
Break-even cumulative position as a percentage of turnover	0.44	0.51	2.25	2.24

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

2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	
432,167	446,161	440,231	451,906	469,094	**484,463**	
(77,052)	6,254	1,779	4,025	2,802	**(8,229)**	
0	0	0	0	0	**0**	
60,097	(6,095)	(3,097)	0	(5,079)	**(102)**	
		22	268	277	**770**	
2,078	0	1,444	0	2,830	**4,649**	
			0	0	**0**	
0	0	0	0	0	**0**	
(14,877)	159	148	4,293	830	**(2,912)**	
(5,398)	(5,239)	(5,091)	(798)	32	**(2,880)**	**

2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	**2014-15 %**
-3.44	0.04	0.03	0.95	0.18	**-0.60**
-1.25	-1.17	-1.16	-0.18	0.01	**-0.59**

43.2 Capital cost absorption rate

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

43.3 External financing

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

	2014-15	2013-14
	£000s	£000s
External financing limit (EFL)	**6,830**	(2,967)
Cash flow financing	**6,692**	(5,603)
Unwinding of Discount Adjustment		147
Finance leases taken out in the year	**0**	2,228
Other capital receipts	**(175)**	0
External financing requirement	**6,517**	(3,228)
Under/(over) spend against EFL	**313**	261

43.4 Capital resource limit

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

	2014-15	2013-14
	£000s	£000s
Gross capital expenditure	**10,355**	11,730
Less: book value of assets disposed of	**(55)**	(96)
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(175)**	(875)
Charge against the capital resource limit	**10,125**	10,759
Capital resource limit	**12,269**	15,392
(Over)/underspend against the capital resource limit	**2,144**	4,633

44 Third party assets

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

	31 March 2015	31 March 2014
	£000s	£000s
Third party assets held by the Trust	**0**	1

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Remuneration Report

Salary and Pension entitlements of senior managers 2014/15

Name	Title	Start date/leaving date (where not in post for full year)	2014/15 Salary (bands of £5,000) £000	Expenses Payments (Taxable) (total to nearest £100)	Performance Pay and Bonuses (bands of £5,000)
Executive Directors in post at 31st March 2015					
Ursula Ward	Chief Executive		£185-£190	£5,000	
Simon Holmes	Medical Director		£145-£150		
Simon Jupp	Chief Operating Officer	From 01/10/2014	£65-£70		
Cathy Stone	Director Oof Nursing	From 01/01/2015	£30-£35		
Tim Powell (non voting)	Director of Workforce & Organisational Development		£115-£120		
Executive Directors who left during the year					
Ben Lloyd	Director of Finance and Investment	Until 16/03/2015	£150-£155		
Nicola Lucey	Acting Director of Nursing	Until 31/12/2014	£75-£80		
Cherry West	Chief Operating Officer	Until 31/07/2014	£40-£45		
Julie Dawes	Director of Nursing	Until 31/03/2014	£125-£130		
Richard Eley	Director of Finance and Investment	From 10/09/2012 to 05/04/13	0		
Non- Executive Directors in post at 31st March 2015					
Sir Ian Carruthers	Chairman	From 11/06/2014	£15-£20	£3,300	
Cole Alan	Non- Executive Director (Interim Chair January 2013 to June 2014)		£5-£10	£700	
Nellthorp Mark	Non- Executive Director		£5-£10		
Conway Elizabeth	Non- Executive Director		£5-£10		
Erskine Steve	Non- Executive Director		£5-£10	£1,200	
Michael Attenborough-Cox	Non- Executive Director	From 01/03/2015	£0-£5		
Non- Executive Directors who left during the year					
Higenbottam Tim	Non- Executive Director	Until 30/06/2014	£0-£5		

Salary and Pension entitlements of senior managers

B) Pension Benefits

Name	Title	Real increase in pension at age 60 (bands of £2500) £000	Real increase in pension lump sum at age 60 (bands of £2500) £000
Ursula Ward	Chief Executive	0-2.5	2.5-5
Simon Holmes	Medical Director	0-2.5	2.5-5
Simon Jupp	Chief Operating Officer	0-2.5	2.5-5
Cathy Stone	Director of Nursing	0-2.5	0-2.5
Tim Powell (non voting)	Director of Workforce & Organisational Development	0-2.5	N/A**
Ben Lloyd	Director of Finance and Investment	0-2.5	5-7.5
Cherry West	Chief Operating Officer	0-2.5	0-2.5
Nicola Lucey	Acting Director of Nursing	7.5-10	27.5-30

* The Trust has not made contributions to stakeholder pensions

** No lump sum is shown for employees who only have membership in the 2008 Section of the NHS Pension Scheme.

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

			2013/14					
Long Term Performance Pay and Bonuses (bands of £5,000)	All Pension Related Benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of £5,000) £000	Expenses Payments (Taxable) (total to nearest £100)	Performance Pay and Bonuses (bands of £5,000)	Long Term Performance Pay and Bonuses (bands of £5,000)	All Pension Related Benefits (bands of £2,500)	TOTAL (bands of £5,000)
	0-2.5		£185-£190	£5,000			0-2.5	
	0-2.5		£145-£150				0-2.5	
	0-2.5							
	0-2.5							
	0-2.5		£115-£120				0-2.5	
	0-2.5		£160-£165				0-2.5	
	7.5-10							
	0-2.5		£120-£125				0-2.5	
			£125-£130				0-2.5	
			£0-£5					
			£20-£25	£400				
			£5-£10					
			£5-£10					
			£5-£10					
			£5-£10					

Total accrued pension at age 60 at 31 March 2015 (bands of £5000) £000	Lump sum at age 60 related to accrued pension 31 March 2015 (bands of £5000) £000	Cash equivalent transfer value 31/03/2015 £000	Cash equivalent transfer value 31/03/2014 £000	Real increase in cash equivalent transfer value (bands of £5000) £000	Employers Contribution to Stakeholder Pension* To nearest £100
60-65	185-190	1,234	1,154	50-55	0.0
70-75	220-225	1,536	1,428	75-80	0.0
30-35	100-105	558	481	30-35	0.0
45-50	145-150	941	895	6-10	0.0
5-10	N/A**	100	77	20-25	0.0
30-35	100-105	649	570	60-65	0.0
40-45	120-125	802	750	35-40	0.0
40-45	120-125	649	413	170-175	0.0

Cash Equivalent Transfer Values
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital va;ue of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members accrued benefits and any contingent spouse's pension payable from the scheme. CETV's are calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 2008.

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, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A Patient's Story

"He is such a chilled, happy baby and he is always laughing, but I have never heard his laugh."

Jacob Light, NICU patient

A 'Miracle baby' who was born with an incredibly rare condition which has left him unable to make a sound, has gone through more in his short life than many of us will ever have to face. But despite regular chemotherapy every two weeks to reduce the size of a tumour which is pushing on his vocal cords, baby Jacob Light always has a smile on his face.

Jacob was born at Queen Alexandra Hospital, and spent the first six weeks of his life on the Neonatal Intensive Care Unit (NICU). After a few weeks he was diagnosed with infantile-myofibromatosis, an incredibly rare condition. Those with the condition will develop benign fibrous tumours, which are not cancerous, but the location and size of the tumour can cause problems.

His mum Laura says "Jacob's dad and I knew something was wrong as he wasn't breathing properly and he wasn't able to swallow. It was terrifying when we were first told that our baby has a tumour in his neck and five in his body and although it was a massive relief when we found out it was benign, the tumour in his throat has caused him a lot of problems. Because it's so big, it's pushing on his vocal cords, which is stopping him swallowing and he can't make a noise. He is such a chilled, happy baby and he is always laughing. But I have never heard his laugh."

"All of the information that I have had about this condition I have had from my consultants, but I have found it very hard to get in contact with other parents of children who have infantile-myofibromatosis. Because it is so rare, there is very little support or information available outside of hospital, and I want to raise awareness and help let others, who might be going through a similar thing, know that they are not alone. I'm really grateful for the care we have had at QA, and I'm especially grateful to Dr Louise-Marie Millard. She has been fantastic and has a really good relationship with Jacob. If I could go to anyone for help, it would be to her."

Jacob is currently receiving chemotherapy, which is slowly shrinking the size of the tumour, and he will undergo this treatment over the course of six months. It is hoped that it will be shrunk to an extent that Jacob can get his voice- to learn to speak as normal and to live a normal life.

Laura said: "I just can't wait to hear him laugh and cry. He has been through so much and he really is my little miracle."

Jacob with mum Laura and Dr Louise Millard

A Patient's Story

"I want to share my story so that people my age learn the symptoms of a stroke, because if I was with my friends when my stroke happened they may not have noticed the symptoms and raised the alarm"

Ben Gray, stroke patient

Ben Gray, aged 18 from Locks Heath, had the shock of his life after what he thought was a hangover from his birthday celebrations was actually a stroke, leaving him paralysed and unable to speak. However, thanks to quick-thinking hospital clinicians his life was saved and just one year later Ben is now able to walk and talk, and is slowly returning to work where he is training to be a mechanic.

"It was all very bizarre," says Ben "the last thing I could remember I was walking around the ward trying to sort out my TV after they said I had a blood clot on my heart, so to be told I'd had a stroke! I wasn't even sure what it was, I just thought it was something that old people have".

Ben remained in hospital for six weeks where he had to gradually learn to mobilise himself again. "Standing up the first time was the hardest," he says. "It took me about seven days of attempting it before I finally cracked it. You would never have thought standing would be so difficult!"

Ben is easing himself back into work and learning to live without the use of one of his hands. "I can't thank the doctors enough – especially the ones that came in on their day off for my surgery! If they hadn't have done that then I wouldn't be here now"

"It's important that everyone learns the warning signs so they can prevent anyone – at any stage – from being left profoundly disabled by leaving the person too long before receiving treatment."

A blood clot can block a blood vessel which in turn starves parts of the brain of oxygen and can cause symptoms such as paralysis and loss of speech. The main stroke symptoms can be remembered with the word FAST: Face-Arms-Speech-Time.

- Face – the face may have dropped on one side, the person may not be able to smile or their mouth or eye may have drooped.
- Arms – the person with suspected stroke may not be able to lift both arms and keep them there because of arm weakness or numbness in one arm.
- Speech – their speech may be slurred or garbled, or the person may not be able to talk at all despite appearing to be awake.
- Time – it is time to dial 999 immediately if you notice any of these signs or symptoms.

Ben Gray, stroke patient

Thank you to the patients and staff who gave permission to be featured in the report.

This annual report is available to view at **www.porthosp.nhs.uk**

If you require this document in another language, large print or another format, i.e. audiotape, please contact the Patient Advice and Liaison Service on Freephone 0800 917 6039.

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