

Medway NHS Foundation Trust Annual Report and Accounts 2011-12

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Chairman's welcome

I am pleased to introduce the 2011/12 annual report, financial accounts and quality report for Medway NHS Foundation Trust.

It has been an extremely productive year at the Trust. New services have been developed, a number of existing ones have been extended and an array of careful planning has been taking place to ensure that in future, the Trust's services are not only safeguarded, but aligned with the needs of local people. During the year, delivering excellence in clinical quality and outcomes and ensuring an excellent experience for every patient, every time have remained priorities. Details of this extensive work are given later in this report.

The end of the 2011/12 financial year marks a personal change for me as well as the Trust. After completing two full terms in post – the maximum specified in the constitution, I am standing down as Medway NHS Foundation Trust chairman.

Throughout my seven years at Medway, I have overseen many changes. These have included the Trust becoming the first foundation trust in Kent; the expansion and introduction of a range of new and innovative services, allowing local people to be treated at Medway rather than making long journeys to London to more recently, the proposed integration with Dartford which will further safeguard and develop local services for local people.

Medway Maritime Hospital has come a long way. But achievements are never without challenges and the Trust has, and continues to see, its share. Our local population has continued to grow, increasing demand for local health services. Between April 2005 and March 2006, the hospital provided care and treatment for nearly 350,000 patients. Just six years on, that figure has risen to more than 500,000 and continues to increase. The challenge of providing a continuous, uninterrupted service, alongside achieving financial savings is one which is closely managed but it will become increasingly difficult to sustain as our population continues to grow. The proposed integration with Dartford and Gravesham NHS Trust looks to resolve this. Through streamlining and reducing back office costs, budgets can be released to expand current services and offer new specialist services in line with the needs of the community. This work will be taken forward by the Trust Board over the next few years.

In terms of a new chair for the Board of Directors, I was pleased with the announcement that following a competitive appointment process, the Council of Governors approved the appointment

of Denise Harker. Denise was previously chair of NHS Sussex.

Denise is a chartered management accountant, with a career spanning over 30 years in both the private and public sector. Denise's career began at Reed International where she held a number of finance related roles. She moved to TVS Television Ltd as financial controller in 1983, before taking the post of chief financial officer of London News Network (LNN) where she was later appointed as managing director. In 2005 Denise moved into a non-executive career. She became a non-executive director at the Met Office and then at Maidstone and Tunbridge NHS Trust in 2008. In early 2010 she became chair of NHS Medway and when the regional primary care trusts came together, Denise was asked to chair NHS Sussex from February 2011.

Denise has some invaluable experience, particularly in the NHS during times of change and challenge and I am pleased that she is bringing this experience and skill to the Trust. I know Denise and the Trust Board are extremely committed to delivering a great future for Medway NHS Foundation Trust and I have every faith that this will happen.

I am very proud to have been given the opportunity to serve as chairman at Medway and to work alongside so many wonderful people who provide care and treatment day in, day out. There is a real sense of community and pulling together which shows how passionate staff are about their work. I would also like to thank the Trust's governors who have been so committed to seeing that the Trust excels whilst providing an important link between the Trust and the people who use its services.

I strongly believe that the Trust has the potential to offer a great deal more to patients and I look forward to watching plans progress to make this happen. I am confident Denise will enjoy her time at Medway as much as I have and I wish her and the Trust Board the very best in leading the Trust into a new era.

Vernon Hull
Chairman

An exciting future for Medway

I was delighted to accept chairmanship of Medway NHS Foundation Trust. Kent's largest single site hospital, Medway Maritime has come a long way over the last few years. Through investment and collaborations with partners, the hospital now offers healthcare services in line with some of the best in the country. This includes the Medway Macmillan Cancer Care Unit, Cardiac Catheter

Suite and more recently, developments like the Neuroscience Unit and The Birth Place; offering patients improved choice and access to healthcare services locally.

You will see in this report that there are many challenges facing us which we will work through during the year ahead. Despite these, I do believe the Trust has a really exciting future. I look forward to working with staff across the organisation, as well as the Trust Board, to tackle the challenges and importantly, to build on the work already done to deliver excellent hospital services for the communities the Trust serves.

Denise Harker
Chairman

Chief executive's message

Improving services

In a year where intense planning for the future took place improving services, clinical quality and patient experience for those using our services today remained the priorities. Just a few areas of work are detailed below under 'delivering excellence here and now'. The Trust was also pleased to meet all the national waiting time and treatment standards with one exception which was MRSA. Four cases of MRSA occurred in the year following an excellent record for the last couple of years including no cases throughout 2010/11. Each case that occurred during the period has been reviewed by an external panel who concluded that three of the four were unavoidable. Learning outcomes from the fourth case have been implemented through an enhanced pathway for the MRSA patient. Although this has been disappointing, it is important to remember the significant improvements made over recent years and in comparison to earlier, the Trust is still doing extremely well.

Delivering excellence here are now

Developing Hospital @ Home

In May 2011 the Trust extended its Hospital @ Home service to the Swale area. The new service, which was originally launched in November 2010 for patients in Medway, allows patients who need hospital care for certain conditions to be treated in their own home, rather than on a ward. The feedback from patients has been positive.

Patients who are stable but still need some form of treatment such as oxygen, blood monitoring or medication can receive the inpatient care they need from nurses and physiotherapists at home.

The service runs seven days a week, from 8am to 6pm. Outside of those hours patients can call and speak to a member of staff who can offer medical advice or re-admit them if necessary.

George Harwood Neuroscience Unit

The new George Harwood Neuroscience Unit opened in July 2011. The Trust has consolidated all its neuroscience services in one dedicated space after previously being located across the hospital site. The IT system is linked to King's College Hospital in London, giving patients access to London consultants without the need to travel. The new streamlined service aims to reduce waiting times for specialist diagnostics and treatments and to prevent patients from having to travel out of Medway for treatment.

The Birth Place

Offering care in a home from home environment, the Trust was pleased to open a new midwifery led birthing unit, The Birth Place, in October 2011. It is anticipated the unit will cater for around 800 to 1000 births a year, offering more choice for mothers across north and west Kent around where they give birth.

Care Quality Commission

The Trust was delighted that following a spot inspection by the Care Quality Commission (CQC) in September 2011, all previous minor concerns were removed. Various wards were inspected and all with positive outcomes.

Between Christmas and New Year, the CQC carried out a further unannounced inspection in the Trust's Emergency Department to view how the department was functioning at a traditionally busy time of year. The Trust was pleased with the positive outcome reported by the CQC and the feedback received from patients. This is testament to staff in the Emergency Department.

Focussing on efficiency

Ensuring the Trust's income and expenditure are aligned has been an ongoing challenge. At year end (30 March 2012) the Trust returned a deficit of £567k, compared with a planned surplus of £1.2m. Although the planned surplus was not reached, the deficit of £567k was a £3m improvement on the financial position at the end of the 2010/11 financial year which shows that our plans to reduce costs and improve efficiency have had an impact.

Many initiatives have been taking place across the organisation to ensure most efficient use of resources. Our biggest cost is workforce so it has been necessary to review our processes and practices, to identify where standard processes could be carried out in a more central and cost

effective way – cutting out duplication and therefore improving efficiency.

To support this, the Trust embarked on a Workforce Transformation Programme last year. The aim of the programme is to review how key staff groups work; how we can improve efficiency/turnaround times, standardise administrative processes and support better working practice with technology. This will result in a better service to the public. To implement new ways of working, regrettably, it has been necessary to place a number of posts at risk across the Trust. These are largely administrative and clerical roles. Compulsory redundancy will be kept to a minimum during this period of change and redeployment opportunities will be maximised through current vacancies, natural turnover or those created through the mutually agreeable resignation scheme which ran at the start of 2012. Close liaison is taking place with staff and staff representatives to acknowledge the challenges change presents and to provide support and understanding to the staff involved. Our priority remains to be providing high quality patient care and experience and we believe reviewing our processes will support this.

Building an excellent future for local hospital services

Alongside working towards providing the best in patient care and clinical outcomes here and now, planning for the future has been a significant area of focus during 2011/12. The focus of planning has been around safeguarding and developing services for local people in future. We share the vision that patient empowerment through choice and care closer to home is critical for the future of a sustainable NHS. As more services that were traditionally offered in hospital move to a community setting to allow that to happen, this requires the Trust to review its business and take forward opportunities to establish plans to develop the more complex healthcare services local people need in a hospital setting.

In order to respond to the increasing population and subsequent demand for more complex and specialist services, medicine itself is developing all the time and it is important that we move with these developments to implement better ways of caring for patients. To allow this to happen, hospitals increasingly need to serve a larger population in order to achieve best practice on how many patients a specialist department needs to see each year to maintain its levels of expertise. These factors have been the key influencers driving the proposal to integrate with our neighbouring hospital Dartford and Gravesham NHS Trust. By coming together we can be confident of meeting future guidelines and maintaining our existing services. Additionally, we will be able to introduce new specialised services that patients currently need to travel further afield to receive.

During the year the two trusts that run Medway Maritime and Darent Valley hospitals conducted a detailed feasibility study to explore integration. This was concluded in September 2011 when both

trust boards decided that the programme should be progressed to the next steps towards integration. Since then the transition team, which incorporates staff members of both trusts, have been devising more detailed plans on how the two organisations would come together as one.

Public engagement around these plans is extremely important and we have been keeping the Kent and Medway Overview and Scrutiny Committees informed of plans and progress. A period of public consultation has also taken place to ensure the views and concerns of the local communities are addressed and taken on board. The Cooperation and Competition Panel commenced its investigation into integration proposals in February 2012. Plans are due to be submitted to the regulator of foundation trusts Monitor, the Strategic Health Authority and Department of Health later this year for final approvals. Providing all approvals are given, the two trusts would come together from April 2013.

Looking forward to 2012/13

The theme for challenges faced this year will continue in the year ahead as the way that NHS services are delivered continues to change. As predicted the Trust's income in 2012/13 will reduce for two reasons. First, the national tariff paid for all the activity the Trust undertakes is going down by almost two percent. Given that inflation will be heading in the opposite direction that presents a financial gap by just standing still. Secondly, the commissioners (the GPs in shadow form next year) plan to commission less activity from hospitals, so we are not in a standing still position. This will present an ongoing challenge in the year ahead to find new and improved ways of working. Throughout 2012/13 we will be working closely with our staff and key stakeholders to ensure the plans we have put in place to meet these challenges are being delivered and achieved. The bottom line objective will never change – that is to deliver excellent quality of service, health outcomes and experience for the people who use this hospital.

Vernon Hull's retirement

Finally, on behalf of the Trust Board, I would like to take this opportunity to bid Vernon farewell as Trust chairman and thank him for his leadership of the Trust over the past seven years. Vernon leaves behind a legacy of achievements, including foundation trust status. The Board looks forward to working with his successor, Denise Harker, who brings a wealth of experience and local knowledge to the role.

Mark Devlin
Chief Executive

Directors' report

About us

Medway NHS Foundation Trust is one of four hospital trusts in Kent. It serves a population of over 250,000 in Medway and around 130,900 in Swale. The Medway towns incorporate the areas of Gillingham, Chatham, Rochester, Strood and Rainham and healthcare needs in the region are higher than in other parts of Kent. The Trust employs 3,848 members of staff and is supported by 700 volunteers, 26 governors and currently has nearly 11,000 public members of the foundation trust.

The Trust is committed to bringing its patients healthcare services in line with some of the best in the country. The Medway Maritime Hospital site is now home to a Macmillan Cancer Care unit, the West Kent Vascular Centre, a state-of-the-art obstetrics theatre suite, the neonatal intensive care unit, a Foetal Medicine Centre, a dedicated stroke unit and the West Kent Centre for Urology.

The vision for Medway NHS Foundation Trust is to become a centre of effective, modern healthcare delivery for the growing communities it serves. The aim is for the Trust to be recognised as a high-performing provider of core and specialist health services with a distinctive, patient centred and responsive philosophy. The communities and patients who rely upon the Trust deserve nothing less.

We really value the benefits of foundation trust status and the opportunities it offers. Over the past few years, we have built valuable relationships with our local community to improve the standards of our services further. We are proud to have a dedicated team of governors who are committed to seeing the Trust excel and our membership base is steadily increasing.

The hospital has five main clinical directorates under which individual services sit. These are:

- adult medicine and the emergency department
- surgery and anaesthetics
- children and women
- diagnostics
- facilities and clinical support services

Business performance

The Trust met the main targets and indicators in relation to patient experience during the year including the maximum waiting time of four hours in the Emergency Department from arrival to

admission/transfer/discharge (95 percent achieved). The referral to treatment waiting times should be less than 18 weeks and for non-admitted patients, the Trust achieved 97 percent against a target of 95 percent. For admitted patients, the Trust achieved 90 percent against a target of 90 percent.

The two main safety targets relate to hospital acquired infections. The Trust had a target of no more than two cases of MRSA but four occurred. Three of these cases were deemed unavoidable. The Trust did achieve the target relating to clostridium difficile as there were 39 cases against a target of 41.

Targets are in place to measure timeliness of a first outpatient appointment for patients suspected of having cancer and for subsequent treatments if cancer is diagnosed. Patients suspected of having cancer should be seen within two weeks of a referral being made. The Trust saw 96 percent of patients within two weeks against a target of 93 percent. The five targets for the timeliness of subsequent treatment have all been achieved.

Financial performance indicators

The Trust returned a deficit of £567k, compared with a planned surplus of £1.2m. The deficit of £567k was a £3m improvement on the financial position at the end of the 2010/11 financial year. The Trust faced pressure on its resources, most notably from the premium costs of delivering significant levels of activity above commissioner's plans throughout the financial year.

Plans for next year (2012/13) include the achievement of a £1m deficit due to planned restructuring costs, which would become a breakeven position if these were excluded. The Trust will be impacted by a 1.8 percent reduction in the prices it can charge for activity in 2012/13, and a further reduction in activity arising from the Trust's assessment of the impact commissioner demand management schemes.

The Trust's capital investment programme this year amounted to £8.9m and included expenditure on projects such as the provision of a new midwifery led birthing unit, a rapid assessment unit within Emergency Department, an extension of the neonatal unit and the leasing of a new MRI scanner, anaesthetic machines and IT back up systems.

In terms of external validation of its performance, Monitor assigns risk ratings of between one and five to all foundation trusts, with one being the lowest performance and five the highest. In 2011/12 the Trust scored a 'three', an improvement from a score of 'two' in 2010/11. The Trust was placed

in significant financial breach at the end of the 2010/11 financial year by Monitor. Despite the improvement in risk rating the Trust remains in significant breach at the end of the 2011/12 financial year. We are committed to maintaining a 'three' during 2012/13 to facilitate our exit from significant breach and our longer-term strategic objectives.

Highlights of the year

Care Quality Commission improves rating of Medway's services

Patients at Medway Maritime Hospital feel involved in their care and that they are treated with respect and dignity, according to a report from the Care Quality Commission. Following an unannounced four-day inspection between 21 and 24 February 2011, the healthcare regulator gave the Trust a considerably improved rating for the quality of its services.

Among the areas that the Trust was found to be fully compliant with were cleanliness and infection control, safeguarding patients from abuse and cooperating with other healthcare providers to ensure patients' receive safe, coordinated care. Patients also commented that they felt involved in their care and treatment, that doctors kept both them and their relatives informed, spoke to them in a way they could easily understand and that the hospital was kept clean and staff were helpful.

Medway named as one of Top 40 Hospitals

Medway NHS Foundation Trust was named among the CHKS 40 Top Hospitals in May 2011 and once again on 2 May 2012. The CHKS (Caspé Healthcare Knowledge Systems) Top Hospitals programme is now in its eleventh year and assesses hospitals on their performance in 21 key areas ranging from patient safety to quality of care.

Mark Devlin, Chief Executive said: "This reflects the commitment and determination of everyone at our Trust to deliver care of the highest standards. It's not just an award for our Trust but for every single person that works here."

Introducing patient-led visiting

At the discretion of the patient and with guidance from nurses and doctors, visitors can now see friends and family who are staying in hospital at times suitable to them.

Jacqueline McKenna MBE, Director of Nursing said: "We believe visitors play an important part in a patient's recovery. We also understand how difficult it can sometimes be for friends and relatives to visit their loved ones at hospital within the restrictions of visiting times. This is why we have

decided to introduce 'patient-led' visiting times; letting patients decide when they wish to have visitors."

George Harwood Neuroscience Unit officially opens

Neurology patients across North and West Kent are being spared long and uncomfortable journeys to London for diagnostics and treatment, following the opening of a new neuroscience unit at Medway Maritime Hospital.

The Trust has consolidated all its neurosciences services in one dedicated space after previously being scattered across the hospital site. The streamlined service aims to reduce waiting times for diagnostics and treatments and to prevent patients from having to travel by offering more treatment options onsite.

The George Harwood Neuroscience Unit utilises the latest advances in innovation to dramatically cut the waiting time from test to diagnosis. The computer system in the new unit is linked to King's College Hospital in London giving patients access to London consultants without the need to travel. Some tests and treatments currently undertaken in other places will also be offered locally.

One born every 90 minutes

As the world welcomed the birth of the seven billionth person on the planet last October, the Trust was marking a very special milestone of its own. A staggering 467 babies were born at Medway Maritime Hospital in October, beating the previous record of 434 set in May last year. That averages out at one baby born every 90 minutes."

Karen McIntyre, Head of Midwifery and Gynaecology at the Trust said: "September was a real record-breaker for us in maternity at Medway. We're delighted that so many mums from Medway, Swale and West Kent are making the choice to come here."

Giving birth to a new era of maternity care

The Trust's new midwifery-led unit began receiving its first patients at the beginning of October – less than four months after the builders moved in.

The Birth Place offers a comfortable, homely environment where the emphasis is on a relaxed birth experience which involves partners at every stage. It is anticipated the unit will cater for around 800 to 1,000 births a year, offering more choice for mums across North and West Kent about where they give birth.

There are five birthing rooms; four postnatal beds; two birthing pools; a low risk triage (assessment) and an education room where workshops are held to help prepare mums and dads for life as parents. It can care for five women in labour at any one time.

Lisa Price, Senior Sister on the unit explained: “The opening of The Birth Place marks a new era in maternity care for us at Medway. Women experiencing a normal pregnancy will be able to give birth in a completely new kind of environment – one that feels like they’re at home and not at hospital.”

Medway scoops two national WOW! Awards

The Trust scooped two national WOW! Awards at the annual gala ceremony which took place in November. The WOW! Awards programme, which aims to encourage and inspire excellent customer service, has delivered a huge amount of positive feedback from patients who have had an excellent experience at the hospital.

The Trust won the ‘Best Newcomer’ and ‘Best Team’ awards. Also, Kelly Norris, midwife on The Birth Place, was highly commended in the most inspirational front liner category.

Building extension completes on special care baby unit

Every month around 400 babies are born at Medway Maritime Hospital. And while some will go home to their families the same day, some will need extra care before they are ready to do so.

Since it opened, the Oliver Fisher Neonatal Intensive Care Unit has increased the number of babies it cares for, as well as the percentage that have survived to lead good quality lives. Each year, around 850 babies – and not just from Medway but from across the entire county and beyond – spend time being looked after in the unit and that number is increasing.

Dr Aung Soe, Consultant Neonatologist and Clinical Director at the Trust and Chairman of the Oliver Fisher Special Care Baby Trust charity which supports the unit said: “Due to the increase in births across the region, demand for the unit’s services has increased, particularly for special care which largely cares for premature babies. To enable us to provide special care to more babies, we have extended our eight cot special care area to allow a further four cots. The entire special care area has been refurbished to create a pleasant environment in which parents can spend time with their babies until they are strong enough to go home.”

Operation Productive Ward complete

Patients at Medway Maritime Hospital have been benefiting from an increase in the amount of time nurses have to spend on direct patient care, thanks to an innovative programme. On average, the amount of time nurses spend with patients has increased by 45 percent.

Back in 2008, the Trust took part in the 'Productive Ward' initiative. Run by the NHS Institute for Innovation and Improvement, the aim of Productive Ward is to increase the amount of time nurses spend caring for patients by improving ward processes and environments to make them safer and more efficient.

Since 2008, all 22 wards have taken part in the programme and by the end of 2011 all had successfully completed it well ahead of the 2013 target. And it's not only on the wards that patients have benefited. The programme has been adapted for outpatients' areas and the delivery suite too.

Future developments

The Trust developed its range of general and specialist services during 2010/11 and has further developments planned for 2012/13. The Trust recognises that it has to manage its hospital capacity differently in order to reduce bed occupancy levels to improve the patient experience. It will therefore be streamlining and improving patient pathways during 2012 with the involvement of the pathway review team from the Department of Health.

The West Kent Centre for Urology was introduced jointly with Dartford and Gravesham NHS Trust, and in 2012/13 there are plans to introduce a nephrectomy service. This development will improve access, patient experience and will deliver improved treatment outcomes – it will be available from October 2012. The Trust is refining its business case to be a level two trauma unit and is also seeking to appoint a second spinal surgeon in June 2012.

The specialties of maternity and paediatrics have continued to grow; Medway provides a main level three neonatal intensive care service for Kent and Medway, and in 2011, this facility expanded. It is expected that this unit will generate a financial contribution to the Trust of £0.2m in addition to offering high quality care. The Birth Place, our midwifery led unit, opened officially in October 2011, and the number of births has exceeded expectations. It is anticipated that this service will not only continue to generate income for the Trust, but will respond to the choice agenda.

Developments in paediatric surgery occurred in 2011 and will be continued in 2012 with the appointment of a paediatric consultant surgeon on a substantive basis, and with the establishment of clinics at Darent Valley Hospital.

In the areas of general and adult medicine, the Trust has continued to work closely with Darent Valley Hospital and has successfully integrated rheumatology across sites into one team. Both trusts are keen to provide infusion pump services in the community which will be more convenient for patients in local, rather than hospital, settings. In the area of cardio-respiratory medicine, there are plans to expand sleep study services where there is significant unmet need locally. Opportunities in cardiology will continue to be explored with the possibility of further repatriation of activity from London.

The Trust recognises the importance, and mutual benefits of partnership working, and wishes to provide more of its services in community settings using, where possible, capacity in the community hospitals in Sittingbourne and Sheppey as well as medical centres across Medway and Swale. The Trust has benefited from collaborative working with King's College Hospital, London, in the areas of foetal medicine and in neurology within its George Harwood Neurosciences Centre which will be continued in 2012/13.

Trends and factors

The population statistics from Medway Council are based upon sources from the Office of National Statistics. The overall population for Medway and Swale for 2010 are 256,700 and 133,400 respectively. Figures are provided in the table below:

Medway			Swale		
Total	Male (%)	Female (%)	Total	Male (%)	Female (%)
256,700	126,800 (49.4)	129,900 (50.6)	133,400	66,300 (49.7)	67,100 (50.3)

(Source: Medway Council website)

Population projections

The table below shows the estimated total populations (all ages) for Medway and Swale based upon the trend-based population series produced for local authorities by the Office of National Statistics (Source: Office of National Statistics website).

	2012	2022	Change (n)	Change (%)
Medway	264,200	286,600	22,400	+8.5
Swale	138,900	155,800	16,900	+12.2

In general terms, the population is continuing to increase. There are increases within all age ranges in Medway between 2012 and 2022 with the exception of those within the 20-29 and 40-49 age cohorts where there are estimated reductions of 5 percent and 11.4 percent respectively. A

10.4 percent increase (+3,500) has been forecast in the 0 to 9 age category. The largest increases are expected within the older population as shown in the table below:

Age cohort	Change (n)	Change (%)
70-79	6,400	38.6
80-89	2,600	33.3
90+	600	40.0

Within Swale, increases are forecast within all age cohorts except within the 20-29 and 40-49 age categories where decreases of 3-6 percent and 11.9 percent respectively are estimated. Within the 0-9 age cohort, a 14.2 percent increase has been estimated. The largest increases are expected within the older age ranges as shown in the table below:

Age cohort	Change (n)	Change (%)
70-79	4,700	47.5
80-89	2,000	40.8
90+	500	55.6

The table below also shows the increases estimated split between male and females within Medway and Swale and it is apparent that there will be significant population changes between 2012 and 2022.

	Medway		Swale	
	Males	Females	Males	Females
2012	130,900	133,200	69,200	69,700
2022	142,600	143,900	77,900	77,900
Change (n)	11,700	10,700	8,700	8,200
Change (%)	8.9	8.0	12.6	11.8

For illustrative purposes, population changes are also shown by local authority area from 2012 to 2022. With the exception of decreases within the 20 to 29, and 40 to 49 age ranges significant population change is expected across all age ranges.

	2012		2022		Difference			
Medway	Male	Female	Male	Female	Male	%	Female	%
Age cohort								
0 to 9	17,100	16,400	19,000	18,000	1,900	11.1	1,600	9.8
10 to 19	16,800	15,700	17,200	16,600	400	2.4	900	5.7
20 to 29	19,500	18,400	18,400	17,600	-1,100	-5.6	-800	-4.3
30 to 39	17,100	17,100	21,400	20,000	4,300	25.1	2,900	17.0
40 to 49	19,500	20,100	17,500	17,600	-2,000	-10.3	-2,500	-12.4
50 to 59	16,400	16,500	18,700	19,400	2,300	14.0	2,900	17.6
60 to 69	13,500	14,200	14,500	15,100	1,000	7.4	900	6.3
70 to 79	7,700	8,900	10,700	12,300	3,000	39.0	3,400	38.2
80 to 89	3,000	4,800	4,500	5,900	1,500	50.0	1,100	22.9
90+	400	1,100	700	1,400	300	75.0	300	27.3

	2012		2022		Difference			
Swale	Male	Female	Male	Female	Male	%	Female	%
Age cohort								
0 to 9	9,100	8,400	10,400	9,700	1,300	14.3	1,300	15.5
10 to 19	8,800	8,300	9,900	9,000	1,100	13.5	700	8.4
20 to 29	8,700	8,200	8,100	8,200	-600	-6.9	0	0
30 to 39	8,100	8,300	10,100	10,000	2,000	24.7	1,700	20.5
40 to 49	10,600	10,400	9,300	9,200	-1,300	-12.3	-1,200	-11.5
50 to 59	8,800	8,700	11,200	10,900	2,400	27.3	2,200	25.3
60 to 69	8,200	8,600	8,700	8,800	500	6.1	200	2.3
70 to 79	4,800	5,100	7,000	7,600	2,200	45.8	2,500	49.0
80 to 89	1,900	3,000	2,900	4,000	1,000	52.6	1,000	33.3
90+	200	700	400	1,000	200	100	300	42.9

The Trust will use population statistics to inform its strategy and service development programme and will work alongside other stakeholders within the local health economy to manage and tailor services to meet the expected population increases.

Arrangements to govern service quality

Quality and governance are covered in more detail in the Annual Governance Statement and Quality Report, however, this section provides a brief overview.

The director of nursing, medical director and director of governance and risk formally assessed the Trust against the ten criteria contained within the Quality Governance Framework (QGF) in July 2011. Minor gaps in assurance were identified and actions taken to resolve them. The minor gaps in assurance, all of which are being actioned, were:

- The Trust did not have risks to quality specifically included in its business case template.
- More focussed training to be carried out with the Board on quality (the Trust had a quality master class as part of the Board development session following the August Board meeting).
- Lack of electronic systems (the Trust is developing an IT strategy to address this).

The Trust's self assessment and quality infrastructure was externally assessed by Southampton Hospitals NHS Foundation Trust in April 2012. This identified that the Trust's processes were good and that there were opportunities to further develop aspects of the QGF. A sub-group of the Quality Committee is considering which recommendations from Southampton Hospital NHS Foundation Trust should be implemented and will recommend these for Board level approval.

Risks to the achievement of strategic objectives and how these are mitigated are monitored via the Board Assurance Framework (BAF) which is scrutinised every two months by the Trust Board. The BAF underpins the Trust's internal governance arrangements and controls and is itself subject to annual audit. The most recent audit returned an opinion of significant assurance.

Principle risks and uncertainties

The controls and assurances for managing risk are contained in the Board Assurance Framework (BAF) and the corporate risk register which supports this.

At the start of 2011/12, the Trust's BAF was comprehensively revised in order to identify the principal risks to the achievement of the Trust's strategic objectives for the year and set out mitigation plans. The BAF has been re-visited and updated throughout the year to ensure that the Board is kept apprised of threats to its strategic success and assured in respect of the measures in place to address those risks.

The BAF is reviewed and updated monthly by the head of governance and risk and the lead executive for each of the annual corporate objectives that he or she 'owns'. At the same time, progress against each of the strategic objectives is considered and the Board receives a bi-monthly report on both the risk and progress updates.

The Trust's BAF and associated processes were audited during 2011/12 by the Trust's internal auditors, South Coast Audit. The results of the audit were that the BAF provides the Board with 'significant assurance' about the risks to achievement of its strategic objectives and their management.

The corporate risk register also continued to play a significant part in enabling effective management of the Trust. The corporate risk register is scrutinised each month by the Clinical Executive Group (CEG) and thereafter recommended to the Board. Two directorate risk registers are also reviewed each month by the CEG and this ensures that each directorate's risk register is reviewed by the CEG three times a year.

In summary, the main risks identified by the Trust during the year, and the key controls in place to mitigate those risks are as follows:

Adult inpatient bed capacity

Poor patient experience and outcomes arising from adult inpatient bed capacity has again been the most frequently cited top risk on the risk register. The Trust has put in place further measures to address capacity issues, including the re-opening of closed wards, the expansion of the Hospital @ Home service and the introduction of nurse-led discharge. The Trust continues to review its resources and their use to ensure efficiency and has planned to increase flexibility in capacity in 2012/13 to help address these risks.

Meeting savings targets

National and local demand for savings has been cited throughout the year as a risk to the development of new services. However, innovative approaches to efficiency have meant that the Trust has been able to introduce many of the new services contemplated, despite these concerns. The Trust has had to make significant savings throughout the year and achievement of these targets has at times seemed unlikely, which put the Trust at risk of further intervention from its regulators. The impact of all savings plans has been monitored throughout the year to ensure that the drive for efficiency has not compromised patient safety or other quality indicators.

Changes to local maternity services

Changes made during 2011/12 to maternity facilities in neighbouring trusts were identified as a potential source of risk to the quality of patient care provided at Medway Maritime Hospital. The challenges of matching resource to the needs of service users were recorded on the corporate risk register because of the difficulty in anticipating demand for the Trust's services. The Trust responded by reviewing its staff establishment and skill mix in the maternity department and ensuring maximum flexibility. 'The Birth Place', the Trust's midwifery led unit opened during 2011/12 and this contributed to the effective management of this risk by providing additional capacity for low-risk deliveries.

Statement as to disclosure to auditors

For each individual who is a director at the time that the report is approved:

- so far as the director is aware, there is no relevant audit information of which the NHS Foundation Trust's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the NHS Foundation Trust's auditor is aware of that information.

Going concern

In March 2012 the Trust agreed a renewal of its working capital facility with Lloyds Bank Plc until the end of May 2014. This, combined with the cash balances held at the end of March 2012, and the projected cash flows under the current business plan provide the Trust directors with the reasonable expectation that Medway NHS Foundation Trust has adequate resources to continue to operate for the foreseeable future. For this reason it continues to adopt going concern basis in preparing its accounts.

Community relationships

The Trust has good relationships with its stakeholders and is committed to maintaining and developing these. We have continued to keep in touch with our local MPs, partners and authorities.

The Trust is committed to partnership working and wishes to nurture and develop relationships further in 2012/13. In particular, the Trust intends to work closely with Clinical Commissioning Groups (CCGs) and Local Authority Health and Wellbeing Boards. Through participation in joint working, the Trust intends to review how it provides services to patients and will make every effort

to re-design and enhance services in order to respond to patient choice and commissioning strategies. The creation of the North Kent System Board by the local CCGs presents an opportunity for more effective working with primary and community providers to ensure appropriate use is made of hospital capacity.

Handling complaints

The Trust aims to provide an excellent standard of care and treatment to patients. To assist this to a high standard, the Trust encourages feedback from patients, relatives and carers on their experience in the form of comments, compliments, concerns and complaints. This information helps identify areas of good practice as well as areas where improvements can be made. Over the last 12 months the complaints team have continued to review the processes and systems in place to ensure compliance with the NHS complaints procedure and the Parliamentary and Health Service Ombudsman's Principles for remedy.

A total of 484 formal complaints were received during 2011/12. This is a decrease of 12 percent from last year.

Financial year	Total number of complaints received
2009-2010	569
2010-2011	552
2011/2012	484

Of the 484 complaints received, 429 were responded to within the Trust's target of 25 working days, giving an overall performance of 89%. This compares favourably with the overall performance in 2010/11 of 83 percent

During 2011/12, the Trust is aware of nine complaints being referred to the Parliamentary and Health Service Ombudsman for assessment. To date there have been no complaints upheld although it is anticipated that one case will be upheld from this year in the near future.

This compares with 15 complaints referred to the Parliamentary and Health Service Ombudsman in 2010/11 (one upheld) – a decrease of 40 percent.

Sustainability and climate change

The Trust recognises that due to the scale and diversity of its operations it has the potential to significantly affect the environment, on both a local and global scale. In order to better manage our impact, we drafted a Sustainable Development Management Plan. This became a Board approved

document at the end of 2011 and led to the formation of a sustainability group, chaired by the deputy chief executive.

Although there was an increase in gas consumption during the last 12 months, there was a drop in our combined electricity and gas consumption overall, from a total of 49542 MWh in 2010/11 to 46953 MWh in 2011/12. The increase in consumption of gas in that period is attributable to our CHP (combined heat and power unit) which uses mains gas in order to generate electricity. This means the average cost per MWh used and the carbon emissions per MWh both reduced. In fact, the Trust has reduced its carbon emissions from its gas and electricity consumption by nine percent since 2009/10. We have also seen a consistent drop in our water consumption during the past two years, from 135640 m³ in 2009/10 to 119763 m³ in 2011/12.

As in previous years the Trust has continued to implement energy saving projects, particularly involving lighting. We have installed LED lighting externally around the site and are trialling LED tubes in some office environments. We are also re-examining our BMS (Building Management System) controls in order to ensure our heating and ventilation systems are running as efficiently as possible.

During the next financial year the sustainability group is committed to setting objectives and targets affecting the whole range of Trust activities in accordance with the Sustainable Development Management Plan. Areas to be tackled include procurement, IT and staff behavioural change. This plan will allow the Trust to demonstrate its commitment to sustainability by having measurable improvements in its performance during the next twelve months. These improvements will also provide us with financial savings and help us to meet legislative requirements.

Valuing our staff

Workforce statistics

We are one of Kent's largest employers with around 3,848 staff from a variety of backgrounds. Sixty-seven percent are clinical staff comprising 31 percent qualified nursing, 12 percent medical and dental, three percent allied health professionals and 21 percent other clinical. Thirty-three percent are non-clinical staff groups incorporating 12 percent maintenance and 21 percent administrative and clerical staff.

2011/12 data

Ethnicity		
White	2,978	77.39%
Asian	409	10.63%
Black or black British	158	4.11%
Mixed	56	1.46%
Other	247	6.41%
Total	3,848.00	100%

Age		
16 - 20	7	0.18%
21 - 25	316	8.21%
26 - 30	400	10.40%
31 - 35	452	11.75%
36 - 40	471	12.24%
41 - 45	528	13.72%
46 - 49	473	12.29%
50 - 55	628	16.32%
56 - 60	400	10.40%
61 - 64	147	3.82%
65+	26	0.67%
Total	3,848	100%

Gender		
Female	3,131	81.37%
Male	717	18.63%
Total	3,848	100%

Staff survey

The Trust has sought to improve staff engagement in 2011/12 and will continue to do so in 2012/13. Staff engagement is encouraged through a range of means, from chief executive open door sessions and monthly briefings, to a Leadership Forum and formal engagement with local trade unions.

Staff feedback is also gathered through the annual staff survey, patient safety visits and staff appraisal. In 2011 the Trust introduced internal and external confidential support services for staff concerned about their working experience at the Trust – these focussed on bullying and harassment.

A range of staff were engaged in the development of workforce transformation plans in autumn/winter 2011, proposing how changes to medical and dental, nursing and midwifery and administrative and clerical staff could be achieved.

The Trust took part in the ninth national staff survey in October to December 2011. This survey ranks the Trust compared to other acute trusts on 38 factors. The top four and bottom four ranked scores are presented below.

Breakdown of top four staff survey results

Staff survey results	2011	
	Trust	National average
Response rate	45%	52%
Top four ranked scores		
Percentage of staff experiencing physical violence from patients, relatives of the public in the last 12 months	5%	8%
Effective team working	3.77	3.72
Percentage of staff receiving job relevant training, learning or development in last 12 months	80%	78%
Percentage of staff having equality and diversity training in the last 12 months	58%	48%

Bottom four ranking scores		
Percentage of staff suffering work-related stress in last 12 months	36%	29%
Percentage of staff experiencing harassment, bullying or abuse from staff in last 12 months	22%	16%
Percentage of staff experiencing physical violence from staff in last 12 months	3%	1%
Percentage of staff working extra hours	72%	65%

We are developing our plans in response to the staff survey results within the Trust and have established a sub-group of the Board including the interim director of human resources and non-executive directors to oversee the development of the plan. The Board has discussed a staff survey action plan to focus on four themes:

- Leadership
- Improving appraisal
- Anti-bullying
- Communication

The Trust is undertaking a wide-ranging listening exercise with staff between April and June to develop plans in relation to measures staff believe will improve their working lives and organisational culture. Plans will be monitored by the Board.

Improving working lives

The Improving Working Lives (IWL) standard is a commitment by the Trust to create a well managed flexible working environment which supports staff, and respects the need to develop a healthy work/life balance. We believe that every member of staff has a right to work in an organisation that commits to caring for and developing its staff. The Trust's staff are its greatest asset and we realise that improving work/life balance contributes to enhanced patient care.

The Trust has continued to reward the commitment and hard work of staff who go that extra mile to improve the experience patients have when they use our services through the team and employee

of the month awards. These awards are presented by the chief executive, chairman and IWL group members in the workplace.

The IWL group have recently held the annual awards night where a number of individuals and teams were presented with awards to highlight the amazing work undertaken and also to celebrate long service commitments to the Trust. A staff member commented that “the awards night demonstrates a key commitment the Trust has to rewarding its staff”. The agenda for the coming year includes:

- continuing to highlight and reward the excellent work undertaken by our staff teams
- working with the Trust Board to develop an action plan and implement any findings to improve the results of the staff survey
- develop an effective work plan to improve the working lives of our staff
- continue to review the action plans of the Boorman Report and the staff pledges of the ‘NHS Constitution’. The Boorman Review published its interim report on 19 August 2009, setting out emerging findings and initial recommendations on NHS staff health and wellbeing.

The Trust will provide support and opportunities for staff to maintain their health, wellbeing and safety, and is keen to engage staff in decisions that affect them and the services they provide, individually, and through local partnership working. All staff will be empowered to put forward ways to deliver better and safer services for patients and their families.

Equality, diversity and human rights

The Trust is committed to continuously improving the patient experience and treatment outcomes of the diverse community it serves. We will achieve this partly through developing and harnessing the skills of a diverse workforce to improve understanding of what is important to people who use the Trust’s services, based on their needs and preferences.

The Trust recognises that this requires giving due regard to race, sex, disability, age, religion or belief, sexual orientation, gender reassignment, pregnancy and maternity and marriage and civil partnership, collectively known under the Equality Act 2010 as the protected characteristics, in relation to care, treatment and support.

The Trust has responded positively to the changing legislative and regulatory framework, notably the Equality Act 2010, within which it needs to operate. This requires a more proactive and systemic approach to how we deliver equitable outcomes and promote human rights.

The Trust published a revised Single Equality Scheme for 2011/2014 in March 2011. The scheme sets out the Trust's commitment to taking equality, diversity and human rights into account in everything we do and supports the Trust's strategic objectives, legislative responsibilities and the requirements of its regulators. It also delivers a coherent plan for embedding equality, diversity and human rights into the work of the Trust and ensuring that we have in place the systems needed to monitor progress and report on our outcomes and achievements. The equality and fairness steering group monitors progress against the Single Equality Scheme action plan. This group is the overarching committee that ensures the Trust meets its legal duties and healthcare regulations. The main aim of the group, which reports into the Trust's clinical executive group, is to make a positive contribution to the equality, diversity and human rights agenda.

The Trust equality, diversity and human rights training needs analysis is being reviewed to ensure that the training is aimed at and covers the required elements of information for staff.

The above activities demonstrate the Trust's commitment to delivering equality of opportunity for all service users, carers, staff and the wider communities, ensuring this commitment is at the heart of the Trust.

Regulatory ratings

As a foundation trust, we are required to provide Monitor, the foundation trusts' regulatory body, with quarterly reports on our performance. In 2011/12 the Trust's declarations to Monitor were as follows:

	Q1	Q2	Q3	Q4
Financial risk rating	2	2	2	3
Governance risk rating	Red	Red	Red	Red

For 2010/11 these were:

	Q1	Q2	Q3	Q4
Financial risk rating	2	2	2	2
Governance risk rating	Amber-green	Amber-green	Amber-green	Amber-green

Finance risk ratings (FRR)

The Trust achieved an FRR two throughout the first three quarters of the financial year, rising to a FRR three in quarter four.

There has been pressure throughout the year on the earnings before interest, tax, depreciation and amortisation (EBITDA), and the net surplus / deficit as a result, due to underperformance against plan. This was caused by the Trust incurring premium costs to deliver activity above contract, which in turn meant that the percentage EBITDA achieved metric was also under plan throughout the financial year.

The year-end income position has improved compared to the previous year due to the agreement and payment of outstanding balances for performance above contract, reducing the risk to the Trust of non-payment and improving its cash flow.

The improvement in the FRR rating in quarter four was driven by planned cost reductions and the achievement of 97 percent of the planned £13.8m savings target.

The Trust started the year with low levels of liquidity and extended creditor and debtor days. These have improved over the course of the financial year, as has the Trusts liquidity; however the position still remains relatively low.

The Trust's annual plan for 2011/12, which it submitted at the end of May 2011, was to achieve a financial risk rating (FRR) of two in quarter one, two in quarter two, rising to a three in quarter three and quarter four, with a planned overall risk rating of three for the financial year. The Trust was in significant breach of its terms of authorisation throughout 2011/12.

Governance risk ratings

The Trust's consistent 'red' governance risk rating throughout 2011/12 arose from Monitor's finding in April 2011 that the Trust is in significant breach of its authorisation as a foundation trust. This finding was based on an assessment that the Trust had failed in its general duty to maintain a system of good financial governance and its duty to exercise its functions effectively, efficiently and economically. Monitor advised the Trust that this assessment arose from its dissatisfaction with Board level scrutiny and assurance processes concerning financial planning, and the Trust's consequentially poor financial outturn at the end of 2010/11.

The Trust has worked with Monitor throughout 2011/12 to help to address Monitor's concerns. A range of actions have been implemented to improve financial governance and these actions have resulted in demonstrable benefits to the Trust's position. Work to assure Monitor that these improvements are embedded and sustainable continues and while it is anticipated that the Trust will begin 2012/13 in a state of significant breach, that position is expected to change by the mid-year point.

But for the automatic 'red' override applied to the Trust's governance risk rating because of the finding of significant breach of its authorisation, the Trust's governance risk ratings would have been as follows:

Q1	Q2	Q3	Q4
Green	Green	Amber-red	Amber-red

In Q3 and Q4 the issues which prevented the Trust from reaching a green governance risk rating were performance in the quarter against the clostridium difficile (c.diff) target and the four hour access target in the Emergency Department. However, the Trust achieved the full year targets in both areas.

The Trust has engaged effectively with the Care Quality Commission (CQC) throughout 2011/12, and was inspected by the CQC on a number of occasions both to assess progress against areas of concern previously identified and as part of national themed inspections. As a result of work to address previous areas of concern, the CQC had removed all conditions and concerns imposed on the Trust's CQC registration by September 2011.

Quality report

Part 1 – Statement on quality from the chief executive

During 2011/12 Medway NHS Foundation Trust has made significant progress to becoming an organisation which consistently delivers high quality care.

The Quality Report provides transparency on our quality commitments and allows our patients, staff, commissioners and regulatory bodies, as well as our local community, to understand how we perform and continually monitor and review safe healthcare practices.

As another year passes, I am pleased to bring you our second Quality Report which demonstrates how we continue to build on quality improvements across the Trust and also highlights the areas which we will focus on for improvement in 2012/13.

The provision of safe effective and timely care has remained the top priority for the Trust Board.

During 2011, the director of nursing established a patient experience committee with a remit to focus on patient and visitor experience. This included the introduction of a Patient Pledge, improvements to signage and a culture shift in improving staff attitude through a 'Hearts and Minds' programme, which is all part of providing a better patient experience.

The successful launch of the WOW Awards has been a strong influence in motivating staff, with over 400 nominations from patients. This gives our patients a voice and an opportunity to recognise and thank the staff who care for them.

The Trust was delighted that nuclear medicine won the national 'What a Team' category and the Trust won the 'Best Newcomer' in the national WOW Awards scheme for 2011. One of our midwives was also highly commended in the 'Most Inspiring Front Liner' category.

Two important quality measures of patient safety are venous thrombo-embolism risk assessment and clostridium difficile infection rates. In both these areas, our performance has significantly improved on previous years and exceed the standards set.

The Commissioning for Quality and Innovation (CQUIN) payment framework enables commissioners to reward excellence by linking part of the Trust's income to the achievement of

local quality improvement goals. I am proud to say that we have achieved 90 percent of these goals.

Making a positive difference to people's lives is what good quality care is all about. Listening and responding to your feedback, we have the opportunity to focus on improvements and offer a more unique tailor-made service fit for the future.

I recommend the Quality Report and confirm that to the best of my knowledge the information in the Quality Report is accurate.

Signed: M Devlin, Chief Executive

Date: 29 May 2012

Part 2 – Priorities for improvement and statements of assurance from the Board

Part two of the Quality Report looks forward over the next financial year 2012/13 and explains clearly what areas have been identified as priorities for improvement, why these priorities have been chosen, how improvement will be achieved and how it will be measured. There are also Board statements relating to the quality of the services the Trust provide.

Looking forward: Priorities for improvement 2012/13

It is essential that as many people as possible are involved in developing the priorities for next year.

The consultation for the priorities for 2012/13 started with a review of last year's performance on the chosen priorities. These nine priorities (Table 1) were classified as recommended to continue or not, depending on whether practice required further improvement or not. The medical director and director of nursing presented these to the Council of Governors and a members' meeting and agreement was sought on the recommendations to continue, plus other recommended new priorities for improvement.

New priorities were chosen to reflect new national programmes of concern for example: Increase the percentage of patients who have 'harm free' care within four areas including; falls, pressure ulcers, blood clots and infection with an in-dwelling urinary catheter and 'Improve the diagnosis / referral for patients with dementia'", were both a particular area of interest at the members' workshop. 'Reduce the number of omitted medication doses' has become a national concern within

patient safety forums and 'Improve the number of patients who say they receive enough help with their meals' resonated as a concern for the governors.

The final priorities were chosen due to local concerns which were derived from differing facets of organisational concern, for example; improving the discharge process, which will have a number of measures including reducing the number of 'transfer of care concerns' received from community colleagues and ensuring there is an improvement in patients' views of discharge from the national patient survey.

Achieving our priorities

Each priority will have a lead in each directorate and an executive lead who will implement appropriate actions to achieve better results.

A key change to the quality governance systems in the Trust implemented during 2011/12 was the Quality Performance Monitoring Committee. The role of this committee is to monitor closely the Trust's performance in relation to all quality indicators (CQUIN, priorities in the Quality Account and indicators in the contract), and to take prompt action to improve performance. The meeting is chaired by the director of nursing with a representative from each directorate management team. It is intended this committee will continue as it has proven to be a successful route in monitoring performance of the priorities cited in the Quality Account and the CQUIN targets.

The table below gives more details about what will be measured. Each priority has been given a target for improvement which will be monitored through the Quality Performance Monitoring Committee. The list of priorities and how they will be measured with targets is tabled below:

Table 1

Category	Priority	What we will monitor	Where we are now	Target improvement
Patient safety	Improve the care of patients at risk of developing blood clots	<ul style="list-style-type: none"> ▪ Percentage of patients who are assessed on admission. ▪ Percentage of patients prescribed the appropriate prophylaxis 	<ul style="list-style-type: none"> ▪ 92% for assessment on admission (84% in 2010) ▪ Prescriptions not measured 	<ul style="list-style-type: none"> ▪ 95%. ▪ Take baseline in Quarter (Qtr) 1 and increase by 10%
	Reduce the number of omitted medication doses	<ul style="list-style-type: none"> ▪ Actual number of omitted doses on a monthly spot check audit 	<ul style="list-style-type: none"> ▪ 5.32 mean number per ward. 	<ul style="list-style-type: none"> ▪ Reduction of 10%
	Increase percentage of patients who have 'harm free' care within 4 areas: falls, pressures ulcers, blood clots and infection with an in-dwelling urinary catheter	<ul style="list-style-type: none"> ▪ Monthly spot check of every in-patient on one day 	<ul style="list-style-type: none"> ▪ 89% 	<ul style="list-style-type: none"> ▪ Increase to and sustain at >90%
Patient experience	Improve the outpatient experience	<ul style="list-style-type: none"> ▪ Contacts with PALS. ▪ Number of cancelled and changed appointments ▪ Waiting time more than 15 minutes 	<ul style="list-style-type: none"> ▪ 50 ▪ 3.8% ▪ 40% 	<ul style="list-style-type: none"> ▪ Reduce by 10% ▪ Reduce by 25% ▪ Reduce to 30%
	Increase the number of patients that say they had the opportunity for them or their family to speak to a doctor when needed	<ul style="list-style-type: none"> ▪ National survey ▪ Local survey 	<ul style="list-style-type: none"> ▪ 5.4 (red) (5.8 in 2010) ▪ Not measured 	<ul style="list-style-type: none"> ▪ Increase to amber ▪ Take baseline in Qtr 1 and agree target
	Increase number of patients who say that they receive enough help with their meals and rate the quality of food as good	<ul style="list-style-type: none"> ▪ National survey ▪ Local survey 	<ul style="list-style-type: none"> ▪ 6.5 and 4.2 (6.5 and 4.4 in 2010) ▪ Qtr. 4 -56 and 85 	<ul style="list-style-type: none"> ▪ Increase to amber rating ▪ 7.0 and 5.0 in the national survey. ▪ Increase to 60 and 88
Clinical effectiveness	Increase health promotion regarding alcohol misuse	<ul style="list-style-type: none"> ▪ Increase number of referrals to community service ▪ Look for promotional literature when under going the '15 step challenge' 	<ul style="list-style-type: none"> ▪ Not currently measured. ▪ Not currently measured. 	<ul style="list-style-type: none"> ▪ Assess baseline numbers in Qtr 1. ▪ All areas to have alcohol misuse education material
	Improve the diagnosis and referral for patients with dementia	<ul style="list-style-type: none"> ▪ Number of patients screened on admission 	<ul style="list-style-type: none"> ▪ Not currently measured 	<ul style="list-style-type: none"> ▪ 90% in each category

		<ul style="list-style-type: none"> ▪ Number of patients assessed ▪ Number of patients referred 		
	Improve the discharge process for patients	<ul style="list-style-type: none"> ▪ Transfer of care concerns ▪ Discharge at night ▪ Delays to discharge from National survey ▪ Told how to take medications on discharge ▪ Readmissions 	<ul style="list-style-type: none"> ▪ 153 past seven months (21.8 per month) ▪ 0.6% of total ▪ 6.6 (6.7 in 2010) on National survey ▪ National Survey 7.6 (8.0 in 2010) ▪ Admission within 30 days following elective surgery = 3.48% and following emergency = 10.65% 	<ul style="list-style-type: none"> ▪ Reduce by 10% ▪ All discharges out of hours to be appropriate and <1% of total ▪ To be amber rated in National Survey ▪ To be amber rated in National Survey. ▪ Reduce to peer levels

Statement of assurance from the Board

Review of services

During 2011/12 the Trust provided and or subcontracted 42 NHS services. The Trust has reviewed all the data available to them on the quality of care provided in all of these NHS services. The income generated by the NHS services reviewed in 2011/12 represents 100 percent of the total income generated from the provision of NHS Services by the Trust for 2011/12.

Participation in clinical audits 2011/12

During 2011/12, 42 national clinical audits and four national confidential enquiries covered NHS services that the Trust provides (*source: NCAs for inclusion in Quality Accounts 2011/12, Department of Health, 2011*).

During 2011/12 the Trust participated in 86 percent (36/42) national clinical audits and 100 percent (4/4) national confidential enquiries of the national clinical audits and national confidential enquiries in which it was eligible to participate in.

The national clinical audits and national confidential enquiries in which the Trust was eligible to participate during 2011/12, together with the number of cases submitted to each audit or enquiry as a percentage of the number of registered cases required by the terms of that audit or enquiry, are shown below:

Table 2 – Participation in national clinical audits and national confidential enquiries in 2011/12

National clinical audits	Service provided by the Trust	% cases submitted
Peri and neonatal		
Perinatal mortality (<i>Maternal and Perinatal Mortalities Notification</i>)	✓	100%
Neonatal intensive and special care (<i>National Neonatal Audit Programme</i>)	✓	100%
Children		
Paediatric pneumonia (<i>British Thoracic Society</i>)	✓	–
Paediatric asthma (<i>British Thoracic Society</i>)	✓	100%
Pain management (<i>College of Emergency Medicine</i>)	✓	100%
Childhood epilepsy (<i>Epilepsy12 Audit</i>)	✓	100%
Paediatric intensive care (<i>PICANet</i>)	-	N/A
Paediatric cardiac surgery (<i>Congenital Heart Disease Audit</i>)	-	N/A
Diabetes (<i>National Paediatric Diabetes Audit</i>)	✓	100%

Acute care		
Emergency use of oxygen (<i>British Thoracic Society</i>)	✓	100%
Adult community-acquired pneumonia (<i>British Thoracic Society</i>)	✓	100%
Non-invasive ventilation - adults (<i>British Thoracic Society</i>)	✓	77%
Pleural procedures (<i>British Thoracic Society</i>)	✓	100%
Cardiac arrest (<i>National Cardiac Arrest Audit</i>)	✓	See notes
Severe sepsis and septic shock (<i>College of Emergency Medicine</i>)	✓	–
Adult critical care (<i>Intensive Care National Audit and Research Centre</i>)	✓	100%
Potential donor audit (<i>NHS Blood and Transplant</i>)	✓	100%
Seizure management (<i>National Audit of Seizure Management</i>)	✓	–
Long-term conditions		
Diabetes (<i>National Diabetes Audit</i>)	✓	–
Heavy menstrual bleeding (<i>National Audit of Heavy Menstrual Bleeding</i>)	✓	60%
Chronic pain (<i>National Pain Audit</i>)	✓	100%
Ulcerative colitis and Crohn's disease (<i>UK Inflammatory Bowel Disease Audit</i>)	✓	100%
Parkinson's disease (<i>National Parkinson's Audit</i>)	✓	100%
Adult asthma (<i>British Thoracic Society</i>)	✓	90%
Bronchiectasis (<i>British Thoracic Society</i>)	✓	–
Elective procedures		
Hip replacement (<i>National Joint Registry</i>)	✓	86%
Knee replacement (<i>National Joint Registry</i>)	✓	82%
Ankle replacement (<i>National Joint Registry</i>)	✓	–
Elective surgery – Hip replacement (<i>National PROMs Programme</i>)	✓	73%
Elective surgery – Knee replacement (<i>National PROMs Programme</i>)	✓	53%
Elective surgery – Varicose vein surgery (<i>National PROMs Programme</i>)	✓	44%
Elective surgery – Hernia surgery (<i>National PROMs Programme</i>)	✓	34%
Intra-thoracic transplantation (<i>NHSBT UK Transplant Registry</i>)	-	N/A
Liver transplantation (<i>NHSBT UK Transplant Registry</i>)	-	N/A
Coronary angioplasty (<i>NICOR Adult Cardiac Interventions Audit</i>)	✓	93%
Aortic aneurysm repair (<i>National Vascular Database</i>)	✓	83%
Infra-inguinal bypass surgery (<i>National Vascular Database</i>)	✓	56%
Amputation surgery (<i>National Vascular Database</i>)	✓	30%
Carotid interventions (<i>National Carotid Interventions Audit</i>)	✓	93%
CABG and valvular surgery (<i>Adult Cardiac Surgery Audit</i>)	-	N/A
Cardiovascular disease		
Acute myocardial infarction and other acute coronary syndromes (<i>MINAP</i>)	✓	100%

Heart failure (<i>Heart Failure Audit</i>)	✓	–
Acute stroke (<i>SINAP</i>)	✓	78%
Cardiac arrhythmia (<i>Cardiac Rhythm Management Audit</i>)	✓	97%
Renal disease		
Renal replacement therapy (<i>Renal Registry</i>)	-	N/A
Renal transplantation(<i>NHSBT UK Transplant Registry</i>)	-	N/A
Cancer		
Lung cancer (<i>National Lung Cancer Audit</i>)	✓	100%
Bowel cancer (<i>National Bowel Cancer Audit Programme</i>)	✓	100%
Head and neck cancer (<i>DAHNO</i>)	✓	32%
Oesophago-gastric cancer (<i>National Oesophago-gastric Cancer Audit</i>)	✓	N/A
Trauma		
Hip fracture (<i>National Hip Fracture Database</i>)	✓	88%
Severe trauma (<i>Trauma Audit and Research Network</i>)	✓	52%
Psychological conditions		
Prescribing in mental health services (<i>POMH</i>)	-	N/A
Schizophrenia (<i>National Schizophrenia Audit</i>)	-	N/A
Blood transfusion		
Bedside transfusion (<i>National Comparative Audit of Blood Transfusion</i>)	✓	100%
Medical use of blood (<i>National Comparative Audit of Blood Transfusion</i>)	✓	97%
Health promotion		
Risk factors (<i>National Health Promotion in Hospitals Audit</i>)	✓	100%
End of life		
Care of dying in hospital (<i>National Audit of Care of the Dying - Hospitals</i>)	✓	100%

Key to abbreviations:

N/A: not applicable

DAHNO: Data for Head and Neck Oncology; MINAP: Myocardial Infarction National Audit Programme; NHSBT: NHS Blood and Transplant; NICOR, National Institute for Cardiovascular Outcomes Research; POMH, Prescribing Observatory for Mental Health; PROMs: Patient-Reported Outcome Measures; SINAP: Stroke Improvement National Audit Programme

Notes:

Heavy Menstrual Bleeding Audit: Participation rate shows the percentage of patients recruited into the patient survey phase of the project. Patient participation is voluntary.

National Cardiac Arrest Audit: Trust participation commenced January 2012; submission for the quarter January to March 2012 will be completed in April 2012.

Oesophago-gastric Cancer Audit: No national upload of data required within this period

PROMs: Participation rates show the percentage of patients completing a PROMs questionnaire.

Figures given are the most recent (published February 2012) available on the national website. Patient participation is voluntary.

Table 3

National confidential enquiries	Service provided by the Trust	% cases submitted
Cardiac arrest procedures (<i>NCEPOD</i>)	✓	100%
Bariatric surgery (<i>NCEPOD</i>)	-	Survey ✓
Alcohol-related liver disease (<i>NCEPOD</i>)	✓	100%
Subarachnoid haemorrhage (<i>NCEPOD</i>)	✓	100%

Key to abbreviations:

NCEPOD, National Confidential Enquiry into Patient Outcome and Death.

Notes:

Bariatric surgery (weight-loss surgery, such as gastric banding) is *not* performed by the Trust however, all hospitals offering an emergency service were required to complete an organisational questionnaire.

The reports of 21 national clinical audits and confidential enquiries were reviewed by the Board of the provider in 2011/12 and the actions that the Trust has taken, or intends to take, to improve the quality of healthcare provided, are detailed below:

Table 4 – National clinical audits: Actions to improve quality

National audit reported in 2011	Actions – taken or planned
Peri and neonatal	
National Neonatal Audit Programme (NNAP)	<ul style="list-style-type: none"> • The Oliver Fisher Neonatal Unit is continually placed amongst the top performing level three units nationally • We will continue to provide NNAP database training for doctors and nursing staff to maintain data quality standards • New systems for screening for retinopathy of prematurity were put in place and a local re-audit demonstrated good results • We plan to highlight breastfeeding support strategies in patient information leaflets and to consider the role of a BLISS nurse • Design and implementation of a package for developmental follow-ups is also planned
Children	
Paediatric asthma	<ul style="list-style-type: none"> • Outcomes were comparable to those nationally. Three-quarters of children stayed in hospital for less than a day and none needed intensive care or intravenous therapy • Presentation and discussion of the findings was used to raise awareness amongst clinical staff that: <ul style="list-style-type: none"> – the decision to perform a chest x-ray in a child with asthma should always be for a specific clinical reason, rather than as a ‘routine’ – nursing and medical staff must record inhaler technique checks, discharge medication plans, and advice given to parents/carers

Acute care	
Emergency use of oxygen	<ul style="list-style-type: none"> • We have introduced oxygen alert cards • The oxygen prescribing section of the prescription chart is to be further simplified when the new national inpatient medication chart becomes available • Education and awareness raising continues by formal and informal medical education and audit presentation
Adult community-acquired pneumonia	<ul style="list-style-type: none"> • The essential requirements for high-quality management of pneumonia have been the focus of education and awareness raising by the lead clinician • Pneumonia management is monitored on a continuous basis as part of the Enhancing Quality (EQ) programme • The EQ specialist nurse has worked closely with the smoking cessation team this year to encourage patients and staff to stop smoking, as smoking is a known risk factor for pneumonia
Non-invasive ventilation	<ul style="list-style-type: none"> • Intolerance of therapy by patients was identified by the audit, but is a problem of which we are well aware • Masks have been changed to try and reduce pressure area damage and improve patient comfort • Our respiratory nurses have put in place monthly training sessions for staff to be taught/update their skills • Following discussions with Medway Community Healthcare, a domiciliary ventilation service has been commissioned; this will allow patients to be treated at home without having to travel to London
Pleural procedures	<ul style="list-style-type: none"> • Our service was significantly better than the national average on a number of criteria: <ul style="list-style-type: none"> – use of a designated ‘clean room’ for carrying out procedures – high levels of senior supervision – nursing care on a specialist ward, by a specialist chest team • 100 percent ratings were achieved for all measures for thoracoscopy • To improve taking of written consent, we have put a supply of consent forms in the procedure room and given guidance to junior doctors • Sterile gowns and drapes are now available in the procedures room too, and we encourage their use • Special attention to good regional anaesthesia and consideration of pre-medication is given in drain insertion training for junior doctors
Intensive Care National Audit and Research Centre (ICNARC) Case Mix Programme	<ul style="list-style-type: none"> • Our standards remain good, with short lengths of stay on intensive care, considering illness severity, and short duration on artificial ventilation compared with our peers • We continue to review our service both internally and nationally, and monitor any indicators where performance is at variance with national or network trends

Potential donor audit	<ul style="list-style-type: none"> • The intensive care unit now has a 100 percent 'ask' rate and a 100 percent brainstem testing rate for all potential donors • Our Organ Donation Committee continues to increase awareness and acceptance of organ donation as a normal part of end of life care, through, e.g.: <ul style="list-style-type: none"> – Press releases and articles for staff and the public – Signing people up onto the donor register during Transplant Week – Remembrance ceremonies and picnics under our organ donation remembrance tree • Staff training and education is ongoing • Flow charts have been prepared to guide critical care staff through the donation process and help answer any questions or concerns that they may have
Long-term conditions	
National Audit of Heavy Menstrual Bleeding (<i>organisational audit phase</i>)	<ul style="list-style-type: none"> • Medway Maritime Hospital is proud to be one of only 39 percent of hospitals with a dedicated menstrual bleeding clinic • Our services meet all recommended standards of provision • We are currently supporting the patient survey phase of the project
UK Inflammatory Bowel Disease (IBD) Audit (<i>organisational audit phase</i>)	<ul style="list-style-type: none"> • Our IBD service meets many essential criteria, with a named clinical lead, parallel gastroenterology and colorectal surgical clinics, a designated gastroenterology ward, timely review of patients by specialists, and support of a dietician and hospital nutrition team • To strengthen provision for our patients, we hope to: <ul style="list-style-type: none"> – Create the role of a specialist IBD nurse – Appoint an additional consultant with expertise in IBD – Develop our links with Darent Valley Hospital for care of IBD patients – Develop a shared service with GPs for outpatients
Elective procedures	
National Joint Registry (NJR)	<ul style="list-style-type: none"> • Our score for gaining patients' consent for their personal data to be entered onto the NJR is high and equals the national rate. This is essential to enable the NJR to follow up patient outcomes • Following a review and rationalisation last year, we continue to monitor and minimise the number of types of joint replacement implant used within the department • We will continue to submit our data to the NJR and review relevance of any future reports to our service
National Mastectomy and Breast Reconstruction Audit (<i>patient survey</i>)	<ul style="list-style-type: none"> • We have reviewed our patient information, particularly with respect to breast reconstruction options • Multidisciplinary team members have received advanced communication skills training • It is planned to repeat the patient survey locally, with a larger sample of patients

Cardiovascular disease	
Myocardial Ischaemia National Audit Project (MINAP)	<ul style="list-style-type: none"> • Performance on MINAP indicators either equalled national provision or, as in the following, was 100 percent: <ul style="list-style-type: none"> – Primary percutaneous coronary intervention (pPCI) treatment within target time – Secondary prevention medication • The Trust will continue to monitor its services using MINAP
National Sentinel Stroke Audit and Stroke Improvement National Audit Programme (SINAP) <i>Joint service: Trust/ Medway Community Healthcare</i>	<ul style="list-style-type: none"> • The two audits provided overall scores for performance on key indicators – Medway performed better than the national average on both • Actions taken to date include: <ul style="list-style-type: none"> – Patient assessment by stroke team bleep-holders and fast-tracking of those meeting criteria for acute stroke – Direct admission to the acute stroke unit (ASU) of diagnosed stroke patients – Daily check for stroke patients outside the ASU and transfer into the unit where possible • We are reviewing our protocols to ensure patients with swallowing problems receive prompt nutrition support and fluids • We are exploring different ways of working to see if the guideline of 45 minutes daily of both physiotherapy and occupational therapy is achievable within current resources
Trauma	
National Hip Fracture Database (NHFD)	<ul style="list-style-type: none"> • Substantial improvements were seen in bone and health assessment and treatment at discharge, and in specialist falls assessment compared with last year's audit • We continue to place emphasis on the involvement of an elderly care physician in pre- and post-operative assessment and management of older patients with hip fractures • We aim to improve implementation of the rapid transfer pathway from the Emergency Department to the ward through regular education and dialogue • We will maintain high-quality interventions and continue to monitor these using the NHFD
National Audit of Falls and Bone Health in Older People	<ul style="list-style-type: none"> • The audit showed that the Trust is one of only 29 percent of acute trusts to have a fracture liaison service • Acute hospital staff and the community team have worked together through the 'whole system falls project group' to design an integrated service • An ambulatory falls care pathway has been developed • Older people attending the Emergency Department because of a fall will be: <ul style="list-style-type: none"> – Routinely screened for future risk – Triaged appropriately – Seen in a Trust high-risk clinic or by the community falls team • The falls care plan for inpatients has been revised for ease of use • Leaflets have been produced for relatives and carers

Psychological	
National Audit of Dementia (NAD)	<ul style="list-style-type: none"> • A dementia strategy group has been set-up to coordinate provision for patients with dementia. We are working closely with local partners and Dementia UK • We have introduced staff training in dementia in care of the elderly wards, orthopaedics, the medical assessment unit and the Emergency Department (ED) in partnership with Dementia UK • We are developing a care pathway from admission to discharge for patients with dementia • We are taking measures to reduce use of antipsychotic medication by monthly audit • We have introduced butterfly stickers for the medical records of patients with dementia on care of the elderly wards, to alert staff • We are participating in the Enhancing Quality (EQ) programme for dementia • From April, a clinical nurse specialist post for dementia is to be introduced to support the EQ programme, national CQUIN targets and ward staff
Blood transfusion	
Use of group O RhD negative red cells	<ul style="list-style-type: none"> • The Trust has the necessary policies and review processes in place to meet national standards, and is amongst the lowest users of O RhD negative red cells in the region • Stock levels have been reviewed and are in line with guidance from NHS Blood and Transplant (NHSBT)
Bedside transfusion practice	<ul style="list-style-type: none"> • Levels of compliance were good. This was due to the hard work already carried out to achieve staff competency and compliance with national requirements for patient identification and transfusion monitoring • A leaflet has been developed containing information for patients who have received a transfusion detailing signs, symptoms and actions to be taken should concerns arise after discharge • The blood transfusion practitioner and patient safety manager are to seek to address the problem of out of hours printing of identification wristbands
Platelet transfusions in haematology	<ul style="list-style-type: none"> • The audit showed that the Trust needed a policy to guide staff on the use of cellular blood components other than red cells • <i>Guidelines on the Indications for Transfusion of Blood Components</i> have been drawn up by our Blood Transfusion Practitioner (BTP) and made available Trust-wide • The BTP is a member of the South East Coast Regional Transfusion Committee platelet working party, which will seek to redress the poor compliance with published guidelines found both regionally and nationally

End of life	
National Care of the Dying Audit - Hospitals	<ul style="list-style-type: none"> • Our particular strengths lay in ongoing assessment of patients and in promotion of privacy, dignity and respect • A multidisciplinary 'end of life care' steering group is to coordinate our audit action plan in line with the national end of life strategy • We have a new end of life care matron, with PCT funding secured until July 2013, and link nurses on our wards • End of life care education of clinical staff is ongoing, and includes a bimonthly study day and Liverpool Care Pathway (LCP) sessions. Advanced communication skills training begins in June • Local audits have been carried out based on the LCP, looking at quality of documentation of care and at timely and appropriate intervention at the end of life • Bereavement support services are being developed through stronger links with GPs, the Wisdom Hospice and Cruse Bereavement services. Cruse has started a weekly clinic in Medway; take-up will be monitored • We have secured funding and a suitable location for an LCP family rest room – work starts shortly

The reports of 74 local clinical audits were reviewed by the Board of the provider in 2011/12 and the actions that the Trust has taken or intends to take to improve the quality of healthcare provided are detailed below for a sample of these:

Table 5 – Local clinical audits: Actions to improve quality

Some examples of local clinical audits are given below.

Directorate	Actions – taken or planned
Trust-wide	
Quality of physiological observations	<div data-bbox="443 477 1418 678" style="border: 1px solid black; padding: 5px;"> <p><i>Every month the critical care outreach team assesses observation charts on every adult ward to ensure that temperature, blood pressure, pulse rate, respiratory rate, etc. have been recorded regularly. Levels of observations are now excellent. The audit also looks at triggering of the Trust alert system if a patient starts to deteriorate</i></p> </div> <ul style="list-style-type: none"> • We continue to audit and feed back our findings to staff on a monthly basis • We continue to raise awareness and educate staff on their role in the care of deteriorating patients, both at induction and as part of ongoing nursing and medical education • The national early warning system will be adopted when it goes live
Sepsis: Acute management	<div data-bbox="443 965 1418 1140" style="border: 1px solid black; padding: 5px;"> <p><i>This study re-audited care of patients diagnosed with sepsis, looking at timeliness of administration of antibiotics. Significant improvements were made in numbers receiving antibiotics within the first hour, with both prescribing and dispensing being carried out more quickly</i></p> </div> <ul style="list-style-type: none"> • Education and training on sepsis continues to be a priority for the Trust • A high-profile Grand Round lecture was presented on recognition and management of sepsis • A sepsis poster has been widely distributed in the hospital • Sepsis ‘care initiative cards’ are given to new doctors, who receive a lecture on criteria for diagnosis and acute management of patients with sepsis • All junior doctors who join the Trust undertake an ALERT (Acute Life-threatening Events: Recognition and Treatment) course • Further teaching and simulation training is given to junior doctors in their medical education programme • A Trust-wide re-audit is planned for 2012/13

<p>Clinical record keeping</p>	<div data-bbox="427 259 1401 472" style="border: 1px solid black; padding: 5px;"> <p><i>We use audit regularly to monitor standards of record-keeping by our doctors, nurses and therapists. Areas of significant improvement in this cycle included prompt taking and recording of observations on admission and assessment and documentation of patients' risk of falling</i></p> </div> <ul style="list-style-type: none"> • Clinical directors and heads of nursing for each directorate were given the results for their particular areas and are working with wards and specialties to draw up tailored action plans • In future, the health records work group will act as 'gate-keeper' for approving new, and controlling all, health record documents in use at the Trust – the aim is to ensure all forms and checklists are high-quality, and to avoid duplication or introduction of unnecessary documents
<p>Adult medicine</p>	
<p>Assessment and management of acute kidney injury (AKI) in hospitalised patients</p>	<div data-bbox="443 871 1417 1169" style="border: 1px solid black; padding: 5px;"> <p><i>'Acute kidney injury' (AKI) has now replaced the term 'acute renal failure'. The Trust audit was prompted by the National Confidential Enquiry into Patient Outcome and Death report Adding Insult to Injury, which found that only 50 percent of AKI patients nationally receive good care. Our patients received a senior clinician review, and compliance was good for monitoring of biochemical and physiological measures, and correction of hypovolaemia (low blood plasma volume with low salt levels)</i></p> </div> <ul style="list-style-type: none"> • Monthly audit of fluid balance charts has been put in place and quality of documentation has improved • Recognition and early management of sepsis continues to be given a high profile in the Trust (<i>see sepsis audit for details</i>) • An AKI re-audit is already under way and a Grand Round planned for presentation of the topic in 2012 • Management of AKI is to become part of the Kent-wide Enhancing Quality (EQ) programme and a Trust clinical lead has been appointed • An EQ AKI forum is meeting regularly to establish key measures for AKI care, which will be monitored continuously

Children's Services	
Paediatric insulin pump therapy	<div data-bbox="443 331 1414 562" style="border: 1px solid black; padding: 5px;"> <p><i>Local practice was compared against NICE guidelines and a patient/parent survey also carried out. Optimal management was demonstrated and all patients reported positive impacts on social and emotional life. 100 percent wished to continue on insulin pump therapy</i></p> </div> <ul style="list-style-type: none"> • Our paediatric diabetes team will continue to manage these patients and provide ongoing support and advice • Prospective audit will continue
Pulmonary air leak (pneumothorax) in the neonatal setting	<div data-bbox="443 723 1414 909" style="border: 1px solid black; padding: 5px;"> <p><i>A pulmonary air leak occurs when the tiny air sacs in a baby's lung burst, leaking air into the space between the lung and chest wall. The most common cause is respiratory distress syndrome in premature babies. The audit found 100 percent compliance with use of chest x-rays and consideration of morphine for sedation</i></p> </div> <ul style="list-style-type: none"> • Education and part task training have been used to improve adherence to local protocols and use of local anaesthetic, and to standardise ways of securing chest drains and monitoring them • Awareness of importance of documentation after chest drain insertion has been raised • We undertook a review of evidence-based practice involving a new type of chest drain catheter, the pigtail catheter, together with a telephone survey of the experience of other neonatal units, such as King's, University College London and Addenbrooke's Hospital, in using them. As a result, pigtail catheters have now been introduced for use on the Oliver Fisher Neonatal Unit

Imaging	
Radiologists peer review audit: quality assurance of radiologists' reports	<div data-bbox="432 344 1407 607" style="border: 1px solid black; padding: 5px;"> <p><i>Every three months, reports on a sample of x-ray, CT and MRI scans are duplicated by a second radiologist and checked for agreement against the original report. A local target rate has been set for moderate and major discrepancies. The most recent audit identified no major discrepancies and the moderate discrepancy rate was well within target</i></p> </div> <ul style="list-style-type: none"> • The moderate discrepancies identified will be discussed at the errors and discrepancy meeting • Quarterly audits will continue
Surgery, Anaesthetics and Critical Care	
Pre-operative fasting (planned operations)	<div data-bbox="440 931 1415 1162" style="border: 1px solid black; padding: 5px;"> <p><i>Preoperative fasting reduces the risk of aspiration pneumonitis, but can be stressful for patients. This audit found 100% compliance with Trust fasting policy for both preoperative clear fluid drinks and solid food, but some patients went without clear fluids for more than two hours before induction of anaesthesia</i></p> </div> <ul style="list-style-type: none"> • Hospital fasting policy is to be updated in line with the new <i>Guidelines on Intravenous Fluid Therapy for Adult Surgical Patients</i> • A clear fluid management plan tailored to individual patients will be discussed at the preoperative briefing session with the surgeon • Our aim is to avoid withholding clear, non-particulate oral fluids for more than two hours before anaesthesia – if there is prolonged waiting, we will consider intravenous fluids • To improve patient wellbeing and boost recovery from surgery, preoperative high-energy drinks are now given wherever possible

<p>Therapeutic hypothermia post cardiac arrest</p>	<div style="border: 1px solid black; padding: 10px; margin-bottom: 10px;"> <p><i>Cooling has been found to protect the nervous system following a heart attack. This re-audit looked at whether practice is in line with current protocols. Results showed that all eligible patients received treatment, without delay and for the right length of time with outcomes that either match or exceed published data</i></p> </div> <ul style="list-style-type: none"> • We will continue our current practice, which meets or exceeds published standards
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<p>Women's Health</p>	
<p>Cervical smears: compliance with routine smears in recently pregnant women</p>	<div style="border: 1px solid black; padding: 10px; margin-bottom: 10px;"> <p><i>This audit showed that a significant proportion of women passing through the labour ward had never had a smear or were significantly out of date for routine smearing. Women who had been delivered and were late for a routine smear frequently did not attend for a catch-up smear before their next pregnancy. This represents a missed opportunity for healthcare professionals to make contact with a group of young sexually active women whose compliance with the NHS cervical screening programme (NHSCSP) is less than perfect</i></p> </div> <ul style="list-style-type: none"> • Our Clinical Lead for Colposcopy has written an article for the GPs' webpage on the PCT website: www.medwaypct.nhs.uk/for-practitioners/news-for-practitioners/smears-in-pregnancy • This summarises the NHSCSP guidelines for cervical smears in pregnancy and clarifies what actions should be taken by GPs in the different scenarios that may arise in pregnancy, e.g. missed routine smears, previous abnormal test results, etc
<p>Diabetes in pregnancy</p>	<div style="border: 1px solid black; padding: 10px; margin-bottom: 10px;"> <p><i>This audit showed a good outcome for diabetic mothers and their babies managed at Medway Maritime Hospital</i></p> </div> <ul style="list-style-type: none"> • Diabetes documentation has been revised to ensure our records are complete • Preconceptual counselling is being undertaken on a one-to-one basis supplemented by information leaflets provided in clinic waiting areas • Staff of the hospital diabetes team have met with practice and diabetic community nurses to ensure guidance can be given wherever it is sought • Individualised care plans have been developed for gestational, type 1 and type two diabetics, which are discussed on discharge from the obstetric/diabetic clinic • Flow diagrams are currently being developed for care in labour, use of sliding scale, and insulin needs when administering steroids for fetal lung maturation • A prospective audit began in January 2012 and is ongoing

Commitment to research as a driver for improving the quality of care and patient experience

The number of patients receiving NHS services provided or sub-contracted by the Trust between 2011/12 that were recruited during that period to participate in research approved by a research ethics committee, was 4204.

The Commissioning for Quality and Innovation (CQUIN)

A proportion of the Trust's income in 2011/12 was conditional on achieving quality and innovation goals agreed between the Trust and any person or body they entered into a contract, agreement or arrangement with, for the provision of NHS services through the Commissioning for Quality and Innovation payment framework. Details of the agreed goals for 2011/12, and for the next 12 month period, are available electronically at:

http://www.monitor-nhsft.gov.uk/sites/all/modules/fckeditor/plugins/ktbrowser/_openTKFile.php?id=3275

The CQUIN framework has been the foundation of discussions about quality of service between the Trust and the two main commissioners. The framework has enabled a dialogue to develop between the organisations about what is important to the local population. 1.5 percent (2,891k) of the Trust's projected income is dependent on the Trust achieving the CQUIN targets, which are composed of national, regional and local targets. Performance against the CQUINs is in Table 6.

Table 6 – 2011/12 CQUIN performance

Description	Achievement
Percentage of all adult inpatients who have had a VTE risk assessment on admission to hospital	Partially Achieved
Patient survey results relating to 'responsiveness to personal needs'	Achieved
Undertake an agreed number of patient surveys to include, as a minimum, certain questions	Achieved
Over-arching Trust action plan to be developed as a consequence of patient surveys	Achieved
Achievement of targets in selected patient survey questions	Partially Achieved
Achievement of UNICEF baby friendly initiatives	Achieved
Percentage of mothers breastfeeding at time of discharge from midwife	Partially Achieved
Percentage of patients experiencing harm-free care	Achieved
Number of patients offered referral to the stop smoking services	Achieved
Adherence to 'Think Glucose' overall benchmark score averaged across all inpatient wards	Achieved
Percentage of eligible nursing staff trained about dementia care.	Achieved
Percentage of patients receiving pathway measures based upon improvement in specific pathways as part of the Enhancing Quality programme	Mostly Achieved

Care Quality Commission (CQC)

The Trust is required to register with the Care Quality Commission (CQC), and its current registration status is registered without conditions.

The CQC has not taken enforcement action against the Trust during 2011/12. The Trust has participated in special reviews or investigations by the CQC relating to the following areas during 2011/12. The special reviews that the Trust participated in were:

1. The CQC carried out a planned compliance review of all four of the Trust's registered locations in February 2011. The CQC reported that three of the Trust's locations were compliant with the CQC essential standards of quality and safety. In relation to the fourth location, a children's respite facility, CQC had two moderate concerns that two standards were not fully compliant. These related to outcome 9: Management of medicines and outcome 21: Records.

The improvements that the Trust has implemented are:

- ensuring suitable systems for clear and up to date information to be available on the prescribed drugs and dosages to be given and, that this has been communicated, in writing, to the nursing staff and, that this is filed within each child's healthcare record. Actions to ensure compliance with this recommendation have been put in place

- ensuring that suitable systems are in place for obtaining parents' consent for registered nurses to administer medicines. Actions to ensure compliance with this recommendation have been put in place
- ensuring that an oxygen hazard warning is visible in the area where the oxygen cylinder is stored. This has now been completed
- ensuring that the personalised needs assessments for each child must be thoroughly completed at each review. Actions to ensure compliance with this recommendation have been put in place

On the basis of the evidence supplied by the Trust that demonstrated these actions had been completed, the CQC found that the Trust was compliant against these outcomes within the required timeframe.

2. The CQC/Ofsted – Integrated Inspection of Safeguarding and Looked after Children for Medway took place between 3 October 2011 and 14 October 2011. The recommendations were:

- NHS Kent and Medway and the Trust to ensure adequate security at Medway Maritime Hospital Emergency Department, so that only legitimate individuals have access to patients' areas, especially where children and young people are located, to maintain their safety, privacy and dignity. (OFSTED and CQC, 2011)
- NHS Kent and Medway and the Trust to ensure that the plan for a dedicated and upgraded children and young people Emergency Department is not impeded and in the meantime children and young people are seen in separate areas from adults at all times of day and night, to maintain their safety, dignity and privacy (OFSTED and CQC, 2011)
- The Trust must ensure that there is sufficient staffing capacity to deliver the strategic priorities relating to the common assessment framework (CQC, 2011)
- The Trust must ensure that all staff as defined by 'Working Together to Safeguard Children' who require safeguarding training receive this at the appropriate level for their role in line with this statutory guidance (CQC, 2011)

The Trust has made the following progress by 31 March 2012 in taking such action:

- The Trust has improved signage to reduce inappropriate entry/exit from the Emergency Department and increased policing of the area to reinforce this. Plans are in place to provide door entry systems from outside into the department, although the method used will need to be in negotiation with ambulance services. Security at the Emergency Department met the CQC standards on a site visit in December 2011

- Work is now completed on creating a separate children's area within the Emergency Department. The area is open, fully functional and access is via a swipe card system. Children and young people wait and are now seen in the secure children's area and therefore any access to them is significantly reduced
 - A joint Common Assessment Framework (CAF) Pilot commenced in September involving midwives and health visitors. This was fully reviewed in February 2012 on completion of the pilot. To date this has shown an increase in the number of appropriate CAFs initiated by Trust staff
 - The training strategy for the Trust has been updated in line with this guidance. A training needs analysis has been completed on all staff identifying the level of training required for each role. The strategy has been approved by the Trust's policies committee and is in the process of being signed off
3. The CQC carried out an unannounced inspection on the 29 December 2011 to check how the Emergency Department was functioning at a traditionally busy time of year. The CQC assessed the Emergency Department at this visit against compliance with Outcome 04: People should get safe and appropriate care that meets their needs and supports their rights and outcome 13: There should be enough members of staff to keep people safe and meet their health and welfare needs. The CQC found that the Trust was meeting these essential standards.
4. The CQC carried out an unannounced inspection on the 22 March 2012 to check the Trust's degree of compliance with the Abortion Act (1967). The report from the CQC has not yet been received at the time of writing this report.

Data quality

The Trust has a well established information governance steering group which is chaired by the executive director of governance and risk. Secondary Uses Service (SUS) data quality is discussed at these meetings, where a SUS data quality dashboard has been developed to indicate any areas of concern.

During 2010/11, the Trust developed a data quality policy, which formally sets responsibilities for data quality throughout the Trust. The executive director responsible for ensuring that the policy is adhered to is the deputy chief executive/director of operations.

The data quality group has continued to meet on a quarterly basis throughout 2011/12 and has an agreed work plan.

The Trust will be taking the following actions to improve data quality:

- Clinical coding
- Data checks
- Other data quality checks

- **Clinical coding**

Comprehensive audits are carried out at bi-monthly intervals. Audits are undertaken using the latest audit methodology as recommended by Connecting for Health (CfH). All internal audits are carried out by the clinical coding service manager, who is an accredited clinical coder, CfH registered clinical coding auditor and experienced clinical coding trainer. Audits undertaken in 2011/12 are given in Table 7.

Table 7 – Clinical coding audits

Month	Specialty
June 2011	General surgery
July 2011	EDN – Electronic Discharge Notification
October 2011	Orthopaedics
December 2011	Gynaecology
January 2012	Haematology and oncology
February 2012	EDN – Electronic Discharge Notification

In addition to the above audits, the Trust is required to carry out a coding audit to satisfy the Information Governance Toolkit requirements (IG505). This audit was carried out in September 2011 and concentrated on the quality of coding for paediatric patients.

During 2011/12, as well as continuing with a clinical coding audit programme, a clinical coding training programme continued to further develop the clinical coders in their roles. Training that has been provided throughout 2011/12 is shown in Table 8.

Table 8

Course/workshop	Month	No of coders
Foundation course (18 days)	Apr – June 2011	1
Refresher workshop (4 days)	July 2011	4
Obstetric workshop (3 days)	April and October 2011	5
Revision workshop (3 days)	September 2011 and February 2012	4
Neoplasm workshop (1 day)	November 2011	10
ICD10 4 th edition workshop (1 day)	March 2012	12
Study group – ACC candidates	February 2012	2

A 100 percent record was maintained with three further clinical coders attaining the accredited clinical coding qualification, all with distinction, bringing the total number of

qualified clinical coders to eight.

The system of 'peer review' of data will be reviewed in spring 2012 to ascertain the value of continuing the process beyond 2011/12.

Other areas to be reviewed, will be internal communications concerning the importance of data quality and ensuring that data quality becomes an integral part of staff appraisal and training needs assessment.

- **Data checks**

- **Coding reviews and peer reviews**

- Although no formal Internal Audits (IA) were undertaken by the Trust in 2011/2012, the amount of time and resource that they offer is limited by other priorities in the annual audit plan. Therefore, alongside the more formal reviews carried out by IA in the past, a process of 'peer review' has been introduced, to provide assurance that data is robust. The work of IA and the peer reviews will be complimentary, as IA will carry out a full audit of the data, whilst the peer review process will be a 'lighter touch' and will include spot checks of data. If any problems are found as a result of the review, these will then be escalated via a process of 'data alerts' to the deputy chief executive/director of operations.

Areas reviewed in 2011/12 were:

- cancelled operations
- 4 hour target in the Emergency Department
- single sex breaches
- access to genito-urinary medicine clinics

The peer review process involves an audit of the data included in the Trust's performance scorecard and the definition and methodology for constructing the target. The reviewer will work back (reverse engineer) from the published score to the raw data. If necessary, spot checks are undertaken at patient level.

Peer reviews are carried out by selected trust staff who have a background in data accreditation, information governance or information management. A work plan for the reviewers has been drawn up which prioritises key targets or those which will attract a financial penalty if not achieved during the year. The plan has been shared with internal audit.

Areas to be reviewed include:

- Emergency Department quality indicators
- Healthcare acquired infections (C.difficile and MRSA)
- Tissue viability
- Discharge letter – quality and timeliness
- Cardiac access
- 18 week admitted
- 18 week non-admitted
- Breast cancer
- Dermatology cancer
- Stroke

Reports on the findings of all the reviews are made to the data quality group and to the Integrated Audit Committee. Where appropriate, reports are also to be made to the Patient Safety Committee.

- **Other data quality checks**

Hospital Standardised Mortality Rate (HSMR). The Trust reviews a monthly HSMR report. This includes an analysis of areas of potential clinical concern and a full coding review of patient case notes where appropriate. The review is undertaken by the mortality group, chaired by the chief executive and the results are reported regularly to the Trust Board. The variations in the HSMR do not represent underlying changes in the quality of care the patients receive. The crude, unadjusted mortality rate has been stable or even fallen slightly over a long period of time. Regular inspection of case notes selected by Dr Foster for review has not shown any shortcomings in care but has demonstrated issues with coding.

There has been a Grand Round, to explain to the medical staff the importance of clear and full medical records, to facilitate accurate coding both in terms of the Trust's HSMR and remuneration. Coders have now been allocated to specific clinical teams with regular meetings to discuss any coding issues.

Among the patients dying in the Trust, were a significant number of patients whose 'end of life' care could more appropriately have been delivered outside hospital. The Trust is working with partner organisations to review 'end of life' care pathways. In addition, the Trust has recently appointed an end of life care matron.

The HSMR has been within 'normal' parameters during the last six months of the year and it is intended that, in future, the mortality review group will report to the Trust Board via the Patient Safety Committee and the Quality Committee, rather than reporting directly to the Board as at present.

GP codes – reports on the accuracy of GP codes are produced monthly and circulated to clinical directorates. The report shows performance in aggregate and also by ward, so that areas of non-compliance can be investigated.

Ethnic reports – reports on the ethnicity of admitted patients are produced monthly and circulated to all clinical directorates for checking, prior to being included on the main Trust performance scorecard, which is discussed at the Performance and Investment Committee.

'Un-cashed outpatient clinics – each month a report is sent to clinical directorates and the outpatients team to indicate the number of outpatient clinics where the outcome of patients who attended remains unrecorded. This helps the Trust to maximise income and also to ensure that each patient's treatment details are properly recorded on the Patient Administration System (PAS).

Inpatients data – reports on 18 week referral to treatment targets are sent to clinical directorates monthly for validation, to ensure that access targets are met, and that no patients are unrecorded on PAS thereby delaying their admission.

CHKS data quality dashboard – the Trust accesses a monthly data quality dashboard from its CHKS benchmarking system to share with commissioners. This compares the Trust's performance with a wide peer group. The latest results show that in many areas, the Trust is performing to a higher level than our peers.

Table 9: CHKS benchmarking data

DATA QUALITY INDICATOR	Apr 2011 to Feb 2012	
	TRUST RATE	PEER RATE
Data Quality Index	93.3	91.6
Data Quality Index (HRG v4 based)	93.5	90.9
Blank primary diagnosis	0.42%	1.57%
Unacceptable primary diagnosis	0.38%	0.12%
Diagnosis non-specific	15.66%	14.64%
Procedure non-specific	1.96%	2.55%
Sign and symptom as a primary diagnosis	11.23%	13.00%
Admitting diagnosis emergency for elective admission	0.49%	0.44%
Volume of coded Finished Consultant Episodes (FCEs) with palliative care code Z515	0.65%	0.60%
Volume of deaths with palliative care code Z515	12.53%	12.53%
Volume of coded FCEs with end of life care code Z518	0.57%	0.37%
Volume of deaths with end of life care code Z518	35.28%	20.85%
Date conflicts	0.01%	0.05%
HRG U groups	0.21%	0.16%
HRG U groups (HRG v4)	0.02%	0.86%
Average diagnosis per coded episode	4.0	3.8

Source- CHKS

- **NHS Number**

The Trust submitted records during April to November 2011 to the Secondary Uses Service (SUS) for inclusion in the Hospital Episode Statistics which are included in the latest published data. The percentage of records in the published data which included the patient's valid NHS number was:

- 98.8% for admitted patient care
- 99.3% for outpatient care
- 95.6% for accident and emergency care

- **General medical practice code validation**

The percentage of records in the published data which included the patient's valid NHS general medical practice code was:

- 99.9% for admitted patient care

- 100% for outpatient care
- 99.8% for accident and emergency care

Information Governance Toolkit (IGT)

The Trust's information governance assessment report overall score for April 2011 to March 2012 was 79 percent and was graded 'satisfactory'.

The score and progress towards completion of the IG Toolkit is monitored at each meeting of the Information Governance Committee, which reports in to the clinical and executive group.

The score of 79 percent compares favorably with other trusts in the Strategic Health Authority (SHA), coming second out of the 18 trusts which also submitted a toolkit declaration. The Trust declared a score of level two or above in all the standards, meaning that it falls into the category of "satisfactory" performance (satisfactory performance is represented by a score of two or above in all standards).

Coding error

The Trust was subject to the Payment by Results clinical coding audit during the reporting period by the Audit Commission and the error rates reported in the latest published audit for that period for diagnoses and treatment coding (clinical coding) were:

	2011/12	2010/11
• Primary diagnoses incorrect	15.5%	(8.7%)
• Secondary diagnoses incorrect	15.0%	(15.9%)
• Primary procedures incorrect	5.3%	(20.9%)
• Secondary procedures incorrect	2.9%	(27.6%)

The services reviewed within the sample included:

- Obstetrics – 100 sets of notes
- Random selection of 100 FCEs from all specialities

One of the main reasons for the coding errors in primary diagnosis position was the limited information available to coders for the antenatal admissions and insufficient comorbidity coding for secondary diagnoses for the random selection. This is also dependent on the information made available to the coder at the time of coding.

Part 3 – Other information

This part looks back on this year's information and priorities regarding quality of services, explaining both what has been achieved and where improvements are needed. It will also 'showcase' areas of good practice in relation to patient safety, patient experience and clinical effectiveness and give an explanation of other areas of service that are specific to this organisation and have been a local focus over the past year.

Looking back at our priorities in 2011/12

Why these priorities were chosen:

• Increase the number of patients who have VTE assessment

It is recognised that this is very important clinical practice. Almost all patients in hospital have an increased risk of developing blood clots in the legs which can then travel to the lungs. These are known as venous thrombo-embolism (VTE). All inpatients should be assessed for their risk of developing such clots so that the appropriate preventative treatment or prophylaxis can be implemented which should result in fewer complications. The Trust had made good progress in the previous year and plans were in place to ensure that progress continued to be made in all specialties.

• Reduce the number of patients who fall

The Trust recognised that the number of falls was above the Strategic Health Authority's average number of falls per 10,000 admissions. A falls coordinator was appointed and this led to improvements through education and monitoring practice. An action plan had already been put in place to reduce falls progressively.

• Improve compliance with CTG NICE guidelines

There had been a number of incidents which demonstrated that not all our staff were fully trained in foetal heart monitoring (CTG) interpretation during 2010/11 in the labour suite which had led to this being a priority for improvement. An action plan including a re-launch of the policy, education and monitoring practice had been implemented.

• Increase the number of patients who report the nurse in charge has discussed their care with them daily

The nurse/patient relationship is vital to ensure the patient understands what is happening to them and also for the nurse to be able to allay fears and concerns for the patient. During 2011, all senior sisters focused on ensuring that the nurse in charge of the ward spoke to

each patient daily, and managed any concerns they had. This had been well received by patients but needed to be further embedded in practice.

- **Decrease the number of PALS contacts about appointments**

During the previous year a trend has been identified in a rising number of patients not having enough information about appointments or not being able to talk to someone to rearrange appointments. This was therefore the right time to make this a priority for improvement, and this was monitored across all specialties.

- **Increase the number of patients who report they were told about the side effects of their medication on discharge**

A senior nurse for patient discharge had recently been appointed, who had made a number of immediate changes to the process which resulted in fewer delayed discharges. There was, however a need to review the discharge process across the Trust to ensure that all patients received appropriate discharge information including details of the possible side-effects of their medication. This was also a national priority.

- **Increase the number of heart failure patients who receive discharge advice**

This was one of the criteria from the Enhancing Quality programme which was implemented during 2010. The programme had been implemented very successfully with a lot of commitment from clinical staff. This criterion was a particular priority for improvement as it had been clear patients were not always given all the information that they needed and without effective discharge advice, patients were more likely to be readmitted.

- **Improve compliance with Think Glucose guidelines**

The Trust implemented the National Think Glucose (diabetic) guidelines during 2009. These guidelines are best practice for the care and treatment of diabetic patients. Further information can be found at:

www.institute.nhs.uk/quality_and_value/think_glucose/welcome_to_the_website_for_thinkglucose.html

During 2010 there were a number of incidents due to patients' glucose levels not being monitored correctly resulting in the blood sugar becoming low. This was therefore made a priority for improvement in 2011/12.

- **Increase number of women who breastfeed at discharge.**

This important public health issue continued to be a priority for improvement as it leads to healthier babies. Following the improvement made during the last year, it was thought that further improvement could be made by March 2012.

Table 10: Priorities for improvement 2011/12 and progress made

	Priority	Progress made in 2011/12
Patient safety	<ul style="list-style-type: none"> • Increase the number of patients who have VTE (blood clot) assessment. • Reduce the number of patients who fall. • Improve the compliance with CTG reading (foetal heart monitoring) in line with NICE guidance. 	<ul style="list-style-type: none"> • Reached and sustained >90% since June 2011 • Reduction of 13% to make 4.7 per 1,000 admissions at year end • Increased from 61% in April 2011 to 72% in March 2012.
Patient experience	<ul style="list-style-type: none"> • Increase the number of patients who report nurse in charge asked them about their care every day. • Improve the appointment system resulting in fewer complaints to PALS. • Increase the number of patients who report they were told about their medication prior to discharge 	<ul style="list-style-type: none"> • Increase in Q1 from 81 to 84 in Q4. • Decreased from 205 in Q1 to 167 in Q4 (19% decrease). • Increase from 75 in Q1 to 78 in Q4.
Clinical effectiveness	<ul style="list-style-type: none"> • Increase the number of heart failure patients who receive discharge information. • Improve the compliance with Think Glucose (Diabetes) guidelines. • Increase the number of postnatal women who breastfeed at discharge from community midwife. 	<ul style="list-style-type: none"> • Increase from 51% in Q1. To 70% in Q4. • Increased from 55% April 2011 to 88% March 2012. • Increase of 16% to 51% at the end of 2011/12 from baseline of 34%.

National inpatient survey 2011

The Trust participates in all the adult national surveys including inpatients, outpatients, accident and emergency, maternity and cancer.

It also conducts its own local surveys on a quarterly basis to glean patient feedback and a more comprehensive and individualised view of patient satisfaction.

The 2011 national inpatient survey results were published by the Care Quality Commission on April 24 2012, using the new style benchmarking report. Red (worse than other trusts), Amber (same as other trusts) and Green (better than other trusts).

The seven areas highlighted for improvement were:

- Being given enough privacy when being examined or treated in the Emergency Department
- Not having anywhere to keep personal belongings

- Quality of hospital food
- Being told to take your medication in a way you could understand
- Having enough opportunities to speak to a doctor
- Being involved as much as you wanted to be in decisions about your care and treatment
- Delayed discharge

The results show real improvement from the 2010 survey where over 25 areas were highlighted as requiring improvement. Although not complacent with the results, we do still have to focus on continually improving the quality of services. Particular areas of improvement include:

- Hand gels available for patients and visitors to use
- Having confidence and trust in the nurses treating you
- Nurses not talking in front of patients as if they were not there
- Patients receiving copies of letters sent between hospital doctors and their GP
- Patients able to give their views on the quality of their care

All results are shared with the directorates to provide ongoing feedback about the patient experience. Perceptions and experiences patients and their families have of Medway NHS Foundation Trust are heavily influenced by the quality of their experience, so we need to continually measure and review feedback and ensure we exceed expectations.

MONITOR WEIGHTED TARGETS

KEY OBSERVATIONS	FORECAST	KEY ACTIONS
<ul style="list-style-type: none"> There were 7 C.diff cases against a plan of 3 in March. This will incur a weighted score of 1.0 for the month. We also had 16 cases against a plan of 10 in quarter 4. It should be noted, however, that we have achieved the C diff reduction target in the year. The Trust achieved 95.10% against the 95% A&E 4-hour access target in the month. However, we only achieved 94.64% in quarter 4. The overall weighted score for March has decreased to 1.0 (Amber-Green). The weighted score for quarter 4 remains at 2.0 (Amber-Red). 	<ul style="list-style-type: none"> The Trust failed the MRSA target in 2011/12. However, we are still within Monitor's 'de minimis' level and therefore this will not apply for the purposes of Monitor's Compliance Framework. 	<ul style="list-style-type: none"> All key targets will continue to be closely monitored.

PERFORMANCE INDICATOR	MONITOR WEIGHT	2011/12 TARGET	YTD PLAN	YTD ACTUAL	2010-11 YTD ACTUAL	QTR 1	QTR 2	QTR 3	QTR 4	TREND
INFECTION CONTROL										
C Difficile reduction	1.0	41	41	39	49	6	5	12	16	▼▲
MRSA reduction	1.0	2	2	4	0	2	0	1	1	▼►
CANCER ACCESS (note: reported one month in arrears)										
2 week wait - all cancers (* provisional)	0.5 (failure of any = 0.5)	93%	93%	95.7%	94.4%	94.4%	94.8%	96.5%	N/A	▲▼
2 week wait - symptomatic breast (* provisional)		93%	93%	95.7%	95.7%	99.0%	95.0%	95.8%	N/A	▼▲
31-day wait from diagnosis to treatment	0.5	96%	96%	97.2%	98.3%	98.1%	97.0%	96.8%	N/A	▲▲
31-day wait for subsequent treatment - surgery	1.0 (failure of any = 1.0)	94%	94%	96.5%	97.0%	100.0%	97.1%	94.9%	N/A	▲▼
31-day wait for subsequent treatment - anti cancer drug treatment		98%	98%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	►►
62-day wait for subsequent treatment - from urgent GP referral	1.0 (failure of any = 1.0)	85%	85%	94.7%	93.0%	95.1%	97.6%	91.4%	N/A	▼▼
62-day wait for subsequent treatment - from consultant screening service		90%	90%	97.7%	98.6%	97.0%	100.0%	95.7%	N/A	▲►
18 WEEKS REFERRAL TO TREATMENT										
18-week RTT admitted patients (95th percentile)	1.0	23 wks	23 wks	22.74 wks		22.68 wks	22.74 wks	22.75 wks	22.73	▼▼
18 week RTT non-admitted patients (95th percentile)	1.0	18.3 wks	18.3 wks	15.57 wks		15.03 wks	15.71 wks	15.86 wks	15.78	▼▲
ACCIDENT & EMERGENCY ACCESS										
Total time in A&E (percentage) - Trust only	1.0	95%	4 hrs	95.04%	96.65%	97.33%	95.98%	92.10%	94.64%	▼▲
Total time in A&E (95th percentile)	These no longer attract a Monitor weighted score from Qtr 2	4 hrs	4 hrs	4h 0m		3h 59m	4h 0m	5h 18m	4h 30m	▲▼
Time to initial assessment (95th percentile) - measured from Qtr 2		15 mins	15 mins	13m		20m	13m	11m	10m	►▲
Time to treatment decision (median) - measured from Qtr 2		60 mins	60 mins	1h 26m		1h 30m	1h 32m	1h 27m	1h 14m	▼▲
Unplanned re-attendance within 7 days - measured from Qtr 2		5%	5%	2.57%		2.35%	3.15%	2.85%	1.96%	▼▼
Left without being seen - measured from Qtr 2		5%	5%	4.44%		4.75%	4.71%	4.74%	3.56%	▼▲
SERVICE PERFORMANCE RATING							0.0	0.0	2.0	2.0

TREND RAG RATING: GREEN = achieved, RED = failed

▲▲ = increasing trend in the last 3 months

▼▼ = decreasing trend in the last 3 months

►► = no changes in the last 3 months

▲▼ or ▼▲ = fluctuating trend in the last 3 months

OTHER CONTRACTUAL TARGETS

KEY OBSERVATIONS	FORECAST	KEY ACTIONS
<ul style="list-style-type: none"> The Trust cancelled 1.67% of patients on the day of or after admission against a target of 0.8%. 22 out of the 48 patients were cancelled due to lack of beds. The performance in the year for cancelled operations is 1.21% 	<ul style="list-style-type: none"> The cancelled operation target was not met at year-end. 	<ul style="list-style-type: none"> The director of operations will continue to work closely with the directorates to improve that the cancelled operations performance each month.

PERFORMANCE INDICATOR		GREEN	AMBER	RED	2011/12 TARGET	YTD PLAN	YTD ACTUAL	2010-11 YTD ACTUAL	QTR 1	QTR 2	QTR 3	QTR 4	TREND
18-Week RTT	18-week RTT incomplete pathway (95th percentile)	<= 28 wks		> 28 wks	28 wks	28 wks	19.47 wks		18.10 wks	19.40 wks	20.81 wks	18.73 Wks	▼▼
	Admitted patients treated within 18 weeks	>= 90%		< 90%	90%	90%	90.4%	91.1%	90.8%	90.3%	90.1%	90.2%	▲▼
	Non-admitted patients treated within 18 weeks	>= 95%		< 95%	95%	95%	97.4%	98.7%	97.7%	97.3%	97.3%	97.1%	▲▼
	Direct access audiology patients within 18 weeks	>= 95%		< 95%	95%	95%	99.1%	100.0%	98.4%	98.9%	99.5%	99.8%	►▼
Cancer	62-day wait for subsequent treatment - from consultant screening service						88.6%	96.7%	100.0%	88.9%	78.6%	N/A	▲▲
Cardiac	Seen within 2 weeks of referral for RACPC	>= 98%	95-97%	< 95%	98%	98%	100%	100%	100%	100%	100%	100%	►►
GUM	Access to GUM clinic within 48 hours	>= 98%	95-97%	< 95%	98%	98%	100%	100%	100%	100%	100%	100%	►►
Cancelled Ops	% Cancelled operations (no. of patients)	<= 0.8%	0.9 - 1.5%	> 1.5%	0.8%	0.8%	1.21%	0.88%	0.84%	0.77%	1.29%	1.86%	▲▼
	% Not rescheduled in 28 days (no. of patients)	<= 5%	6 - 15%	> 15%	5%	5%	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	►►
DTOC	Delayed discharges	<= 3.5%	3.6-5.4%	>= 5.5%	4%	4%	2.4%	3.8%	2.1%	2.9%	2.8%	1.8%	▼▲
Access Wait Times	Outpatients waiting >13 weeks	0		>= 1	0	0	4	7	2	2	0	0	►►
	Inpatients waiting >26 weeks	0		>= 1	0	0	0	1	0	0	0	0	►►
Stroke	Patients spending 90% of time in Stroke Unit	>= 60%	50-59%	< 50%	60%	60%	76.6%	80%	79.3%	71.2%	82.4%	72.4%	
Diagnostic Waits	MRI waiting <6 weeks (no. of patients)	100%	96 - 99%	<= 95%	100%	100%	100.0%	100.0%	100% (1,437)	100% (1,453)	100% (2,263)	100% (2,827)	►►
	CT waiting <6 weeks (no. of patients)	100%	96 - 99%	<= 95%	100%	100%	100.0%	100.0%	100% (559)	100% (780)	100% (656)	100% (1,089)	►►

TREND RAG RATING: mirrors the RAG rating above

▲▲ = increasing trend in the last 3 months

▼▼ = decreasing trend in the last 3 months

►► = no changes in the last 3 months

▲▼ or ▼▲ = fluctuating trend in the last 3 months

Statement from NHS Kent and Medway

In response to the MFT Quality Account submitted to NHS Kent & Medway, please find attached the statutory statement from which takes into account comments received from our CCGs and the NHS Kent & Medway Quality Committee.

NHS Kent & Medway look forward to continuing to work closely with the Nursing and Medical Directors and colleagues at all levels within the Trust to assure the quality of local services and ensure continuous improvement at Medway Foundation Trust.

NHS Kent & Medway welcomed the 2011/12 Quality Account from Medway NHS Foundation Trust.

NHS Kent & Medway is able to verify the data presented in this Quality Account and it provides helpful coverage of strong progress made in many aspects of service improvement. There has been a culture of proactive engagement and openness in the management of the quality agenda.

MFT have been successful in reducing their numbers of clostridium difficile infections by 60 percent from 2007, and significantly reduced the numbers of pressure ulcers their patients acquire by rigorously investigating incidents and understanding what could have been done differently to avoid this happening. MFT have also reduced the percentage of patients who return to hospital within 28 days of being discharged by half from 8.5 percent to 4.43 percent.

Patients falling whilst they are in hospital continues to be a concern. MFT is working with Commissioners to provide further assurance and is actively working to identify themes and trends.

MFT have supported a significant increase in the number of clinical pharmacists allocated to the hospital wards and the PCT would like to see evidence of the impact this has during 2012/13.

Problems with transfers of care continue to be an issue of concern to patients in Medway. The PCT recognises that MFT are working closely with other partners such as social services and community services to look at whole patient pathway working to make transfers as safe and seamless as possible. Part of this includes a focus on reducing medication related errors.

NHS Kent & Medway and Medway Foundation Trust continue to work very closely to assure the quality of our local health services and ensure the culture of continuous improvement is present in all areas of the Trust.

Sally Allum

Assistant Director – Nursing and Quality (West) and Lead for Clinical Performance

Statement from LINKs

The Medway LINK response to Medway NHS Foundation Trust Quality Account – 2011 / 2012

Introduction

This commentary was compiled using comments from 148 respondents on their experiences, the Trust's performance against last year's priorities and how appropriate this year's priorities are.

Responses were gathered through:

- Online and paper surveys
- Interviews with service users and visitors at the hospital

Is the Quality Account clearly presented for patients and public?

The introductory statement gives a concise explanation of the purpose of the Quality Account, giving the lay reader an understanding of the context in which to read the document.

The document is well structured and the style is consistent, which helps make the document accessible. This is helped by spelling out of acronyms and inclusion of a glossary.

The introduction asserts that the document "provides transparency on our quality commitments". The Trust is to be commended for the inclusion of detailed data. However, there is a need for some further explanation. For example clarification of phrases like 'Clinical Coding' and 'Hospital Standardised Mortality Rate' would inform the readers' understanding. Similarly, explanation of the data quality indicators (p16) would enable the reader to make their own judgements on the Trust's performance.

Priorities for 2010 / 11

The form used to gather responses listed the Trust's priorities for 2010/2011 and asked how well the respondent felt the Trust had met their priorities and asked for comments on their response.

42 made no response, 77 felt that the Trust had met the priorities well, 30 felt the Trust had partly met its priorities and only 2 felt the Trust had met them 'badly'. Of all respondents, 66 made no further comment to justify their response and a further 20 gave statements unrelated to the priorities (such as 'very well', 'I have always been well treated').

There were a number of comments saying that the respondent "had no personal experience" of the priorities or "did not understand priorities".

Priorities for 2011 / 12

Respondents were asked to suggest what they thought the Trust's priorities should be. Around 50 responses directly addressed priorities, with the key issues being reduction in waiting times, car parking and reviewing the appointment booking system.

Safety, communications and experiences with staff, dignity and respect

Respondents were asked to rate their experiences of the above from 1 to 4 (with 1 being poor and 4 being very good) and to justify their ratings with comments.

Safety – 112 respondents rated their safety as 4, 22 as 3, 2 as 3 and 3 as 1 (the remainder made no response). Positive comments included that the respondents felt "well cared for", there were "good safety measures", "the "atmosphere was peaceful" and the staff "are good and caring". Negatives mentioned issues around care, "my cast had been set in the wrong position", waiting times, use of hand gel, the car park being "dimly lit" and signage in the hospital.

Communications with hospital staff – 96 respondents rated their experience as 4, 25 as 3, 6 as 2 and 5 as 1. The majority of comments were positive: "I was fully informed" and "information was given clearly". However a few experiences were at odds with this: "No communication, not very friendly".

Experiences with staff - 102 respondents rated their experience as 4, 25 as 3, 3 as 2 and 5 as 1. Positive comments noted that staff were "accommodating", "helpful" and "courteous", despite being "busy" and "overworked". There were concerns about booking appointments by phone and waiting times. A small minority commented around language: "some need to speak English more clearly".

Dignity and respect - 111 respondents rated their experience as 4, 15 as 3, 3 as 2 and 7 as 1. The majority of positive comments were that people felt “very well treated”; some specific comments like “the curtains were always drawn when care was provided” and “treated with respect, not spoken down to”. The few negative comments focussed around waiting times and the booking in systems; however these were balanced with comments praising the receptionists.

Summary

In summary the Medway LINK feel the Trust should be commended on the excellent feedback received regarding patient experience. The vast majority of respondents were extremely positive about their experiences. However, even those that responded positively expressed concerns about the system for booking appointments, car parking and waiting times.

There are concerns about public understanding of the Trust's priorities and how they are chosen, which suggests a need for patient involvement in the priority setting process.

For and on behalf of Medway LINK

David Harris – Chairman, Medway LINK Governors Group

Statement from Overview and Scrutiny

Quality Account

I am writing to thank you for inviting the Health and Adult Social Care Overview and Scrutiny Committee to comment on your Quality Accounts.

I am just letting you know officially that on this occasion the Committee does not wish to put forward any specific comments to be included in the Quality Accounts.

Kind regards

Rosie Gunstone

Democratic Services Officer

Health and Adult Social Care Overview and Scrutiny Committee

Statement of directors' responsibilities in respect of the quality report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS foundation trust boards on the form and content of annual Quality Reports (which incorporate the above legal requirements) and on the arrangements that foundation trust boards should put in place to support the data quality for the preparation of the Quality Report.

In preparing the quality report, directors are required to take steps to satisfy themselves that:

- The content of the quality report meets the requirements set out in the NHS Foundation Trust Annual Reporting Manual 2011/12.

- The content of the Quality Report is not inconsistent with internal and external sources of information including:
 - Board minutes and papers for the period April 2011 – June 2012
 - Papers relating to quality reported to the Board over the period April 2011 to June 2012
 - Feedback from the commissioners dated 25 May 2012
 - Feedback from governors dated 5 April 2012
 - Feedback from LINKs dated 28 May 2012
 - The Trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, dated 31 May 2012
 - The latest national patient survey 24 April 2012
 - The latest national staff survey which was in March 2012
 - The head of internal audit's annual opinion over the Trust's control environment dated 11/05/2012
 - CQC quality and risk profiles dated 6 December 2011

- The Quality Report presents a balanced picture of the NHS foundation trust's performance over the period covered.

- The performance information reported in the Quality Report is reliable and accurate.

- There are proper internal controls over the collection and reporting of the measures of performance included in the Quality Report, and these controls are subject to review to confirm that they are working effectively in practice.

- The data underpinning the measures of performance reported in the Quality Report is robust and reliable, conforms to specified data quality standards and prescribed definitions, is subject to appropriate scrutiny and review and, the Quality Report has been prepared in accordance with Monitor's annual reporting guidance (which incorporates the Quality Accounts regulations) (published at www.monitor-nhsft.gov.uk/annualreportingmanual as well as the standards to support data quality for the preparation of the Quality Report (available at www.monitor-nhsft.gov.uk/annualreportingmanual

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

By order of the Board.

Signed: D Harker, Chairman

Date: 29 May 2012

Signed: M Devlin, Chief Executive

Date: 29 May 2012

Independent Auditor's Report to the Board of Governors of Medway NHS Foundation Trust on the Annual Quality Report

We have been engaged by the Board of Governors of Medway NHS Foundation Trust to perform an independent assurance engagement in respect of Medway NHS Foundation Trust's Quality Report for the year ended 31 March 2012 (the 'Quality Report') and certain performance indicators contained therein.

Scope and subject matter

The indicators for the year ended 31 March 2012 subject to limited assurance consist of the national priority indicators as mandated by Monitor:

1. MRSA
2. Maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers

We refer to these national priority indicators collectively as the 'indicators'.

Respective responsibilities of the directors and auditors

The directors are responsible for the content and the preparation of the Quality Report in accordance with the criteria set out in the NHS Foundation Trust Annual Reporting Manual issued by the independent regulator of NHS foundation trusts, Monitor.

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that:

- the Quality Report is not prepared in all material respects in line with the criteria set out in the NHS Foundation Trust Annual Reporting Manual;
- the Quality Report is not consistent in all material respects with the sources specified in list below and;
- the indicators in the Quality Report identified as having been the subject of limited assurance in the Quality Report are not reasonably stated in all material respects in accordance with the NHS Foundation Trust Annual Reporting Manual and the six dimensions of data quality set out in the Detailed Guidance for External Assurance on Quality Reports.

We read the Quality Report and considered whether it addresses the content requirements of the NHS Foundation Trust Annual Reporting Manual, and considered the implications for our report if we became aware of any material omissions.

We read the other information contained in the Quality Report and considered whether it is materially inconsistent with the list of documents below:

- Board minutes for the period April 2011 to June 2012;
- papers relating to Quality reported to the Board over the period April 2011 to June 2012;
- feedback from the Commissioners dated 25/05/2012;
- feedback from LINKs dated 28/05/2012;
- the trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, dated 31/05/2012;
- the latest national patient survey dated February 2012 for outpatients and April 2012 for inpatients;
- the latest national staff survey dated March 2012;
- Care Quality Commission quality and risk profiles dated 06/12/2012;
- the Head of Internal Audit's annual opinion over the trust's control environment dated 11/05/2012; and
- any other information included in our review.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with those documents (collectively the 'documents'). Our responsibilities do not extend to any other information.

We are in compliance with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared solely for the Board of Governors of Medway NHS Foundation Trust as a body, to assist the Board of Governors in reporting Medway NHS Foundation Trust's quality agenda, performance and activities. We permit the disclosure of this report within the Annual Report for the year ended 31 March 2012, to enable the Board of Governors to demonstrate that it has discharged its governance responsibilities by commissioning an independent assurance report in connection with the indicators. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors as a body and Medway NHS Foundation Trust for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board ("ISAE 3000"). Our limited assurance procedures included:

- evaluating the design and implementation of the key processes and controls for managing and reporting the indicators;
- making enquiries of management;
- testing key management controls;
- analytical procedures;
- limited testing, on a selective basis, of the data used to calculate the indicator back to supporting documentation;
- comparing the content requirements of the NHS Foundation Trust Annual Reporting Manual to the categories reported in the Quality Report; and
- reading the documents.

A limited assurance engagement is less in scope than a reasonable assurance engagement. The nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Quality Report in the context of the criteria set out in the NHS Foundation Trust Annual Reporting Manual.

The nature, form and content required of Quality Reports are determined by Monitor. This may result in the omission of information relevant to other users, for example for the purpose of comparing the results of different entities.

In addition, the scope of our assurance work has not included governance over quality or non-mandated indicators which have been determined locally by Medway NHS Foundation Trust.

Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2012:

- the Quality Report is not prepared in all material respects in line with the criteria set out in the NHS Foundation Trust Annual Reporting Manual;
- the Quality Report is not consistent in all material respects with the sources specified in the list above; and
- the indicators in the Quality Report subject to limited assurance have not been reasonably stated in all material respects in accordance with the NHS Foundation Trust Annual Reporting Manual and the six dimensions of data quality set out in the Detailed Guidance for External Assurance on Quality Reports.

Leigh Lloyd-Thomas (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK

30 May 2012

Board of Directors

As a foundation trust, the Trust is run by a Board of Directors, comprising of a non-executive chairman and up to six other non-executive directors and up to six executive directors.

The Board meets monthly and its role is to determine the overall corporate and strategic direction of the Trust and ensure the delivery of the Trust's goals.

The Board of Directors is responsible for the day to day running of the hospital and delivering its key objectives and longer term strategic aims.

The Board of Directors has reserved powers to itself covering:

- regulation and control
- appointments and dismissals, of committees and members of committees that are directly accountable to the Board, executive directors, company secretary
- strategy, plans and budgets
- policy determination
- audit
- annual report and accounts
- monitoring.

The Board delegates some of its powers to its committees. The arrangements for delegation are set out in the Trust's standing orders. The constitution and terms of reference of these committees and their specific powers are approved by the Board of Directors. The committees are all advisory and some have decision making powers. The Board also approves the appointments to each of the committees which it has formally constituted.

Decisions delegated to the Board of Directors

An executive committee consisting of the executive directors meets weekly and is chaired by the chief executive. Its purpose is to ensure that the objectives agreed by the Board are delivered and to analyse the activity and performance of the Trust against the business plan to ensure that duties are appropriately delegated to the senior management team and actions monitored. It also ensures that the key information from external bodies is discussed, actions identified and messages disseminated appropriately across the organisation.

The Board has given careful consideration to the range of experience and skills required for running an NHS foundation trust and has a very good balance in place. However, it will continue to analyse its skills during the next financial year to ensure this remains the case.

Directors of Medway NHS Foundation Trust 2011/12

¹ Vernon Hull	Non-executive director and chairman
¹ Denise Harker	Non-executive director and chairman
Graham Clayden	Non-executive director
Adrian Horwood	Non-executive director and deputy chairman
Martin Jamieson	Non-executive director
² Chuba Ofili	Non-executive director
² Jan Stephens	Non-executive director
John Sands	Non-executive director
Colin Wilby	Non-executive director
Andy Brown	Interim director of human resources
Mark Devlin	Chief executive
Patrick Johnson	Director of operations/deputy chief executive
³ Cheryl Lee	Director of human resources (currently on secondment)
⁴ Alastair Marshall	Interim director of finance
Jacqueline McKenna	Director of nursing
³ Jeremy Moon	Director of finance (currently on secondment)
⁴ Steve Orpin	Interim director of finance
Gray Smith-Laing	Medical director

1. Vernon Hull was chairman until his retirement on 31 March 2012 and Denise Harker succeeded him on 1 April 2012.
2. Chuba Ofili was non-executive director until 31 July 2011 and replaced by Jan Stephens from 1 August 2011.
3. Cheryl Lee, substantive director of human resources and Jeremy Moon, substantive director of finance were both seconded to the transition team, who are working towards the integration of Medway NHS Foundation Trust and Dartford and Gravesham NHS Trust, on 1 April 2011
4. Steve Orpin was interim director of finance until 31 March 2012 and replaced by Alastair Marshall from 1 April 2012.

The performance of the Board is evaluated by annual appraisal and any skills gaps are reviewed by the Nominations and Remuneration Committee which also has responsibility for reviewing the size, structure and composition of the Board on an annual basis, and makes

recommendations to the Board and Council of Governors for change. Directors have individual appraisals and professional development reviews. Development sessions have also been introduced after some Board meetings. The Board also held three Board away days during the year in order to consider strategy and development issues.

Vernon Hull

(Chairman and Non-executive director)

Vernon has worked in post 16 education since 1972. His most recent post was as director of the Gateway Knowledge Alliance, which was established by all the major further and higher education institutions in Kent, as well as the local education authorities, to promote the learning and skills needs required by the Thames Gateway development in North Kent.

Vernon had a leading role on local politics in Medway for a number of years, including seven years as deputy leader of Rochester upon Medway Council and two years as deputy leader of the new Medway Council. As the chair of the Council's Economic Development Committee, he played a leading role in the regeneration of Medway following the closure of the Naval Dockyard. Vernon also stood for Parliament in Medway in 1983 and 1987. He has served on a number of educational and charity boards including Kent TEC, the Learning and Skills Council and the Rochester Bridge Trust.

In November 2004 Vernon was appointed chairman of Medway NHS Trust and played a lead role in the hospital's successful application to become a foundation trust in April 2008.

The chair has had no other significant commitments and there have been no changes during the year.

Appointment: 1 November 2004. Reappointed on 1 April 2008 for one year. Re-appointed on 1 April 2009 for three years. Vernon retired from the Trust on 31 March 2012.

Membership of committees: Nominations and Remuneration Committee.

Graham Clayden

(Non-executive director)

Graham was until recently a reader in paediatrics at King's College London (KCL) and honorary consultant paediatrician for Guy's and St Thomas' NHS Foundation Trust. He was chair of the KCL School of Medicine Board of Examiners and a Sub Dean for student admission of undergraduate medicine.

Graham is a member of numerous professional associations, including the British Medical Association, a founder of the British Paediatric Computer and Information Group, British

Education Research Association and a past member of the governing body of the Institute of Medical Ethics to name but a few.

He also has experience on the councils of the Royal College of Physicians as Censor and on the Royal College of Paediatrics and Child Health, as officer for examinations and is assessment advisor to the Institute of Directors' Board of Examiners.

Appointment: 1 April 2007

Membership of committees: Nominations and Remuneration Committee, Quality Committee, Integrated Audit Committee, Local Clinical Excellence Awards (chairman).

Adrian Horwood

(Deputy chairman and non-executive director)

Adrian retired from banking in 2004 after a career spanning 33 years. He spent the last 25 years in strategic and management roles in Kent covering all aspects from general management, HR, operational and financial, advising both personal and commercial clients.

He is currently involved with Chatham Maritime Estates (an estate management company) as a trustee and non-executive director and is also part of the leadership team of the Salvation Army in Chatham. Adrian also works with the Kent, Surrey and Sussex (KSS) Deanery and the London Deanery as a lay advisor on matters relating to recruitment to various specialities on a national and local basis and is also a Lay member on the KSS School of Surgery Board.

Appointment: 1 November 2005

Membership of committees: Nominations and Remuneration Committee, Integrated Audit Committee (chair), Performance and Investment Committee, Charitable Funds Committee.

Martin Jamieson

(Non-executive director)

Starting as a sales and marketing professional, Martin has worked within the pharmaceutical and medical device industry for the majority of his career. For the past 16 years he has held a number of managing director roles within Smiths Group (a FTSE 100 company), notably as managing director for Portex Limited and Smiths Medical International Limited, which both have their headquarters in Kent. Throughout this period Martin was responsible for the commercial activity, manufacturing operations and research and development for the business in over 100 international markets. These included Europe, USA, Japan and increasingly China and India. As a result, he has extensive experience of a large number of healthcare systems across the world, not least the NHS.

Outside Martin's daily working life he has been deputy and then chairman of the Confederation of British Industry (CBI) in the South East. For over ten years, Martin was also a director of the Smiths Industries pension fund. He then joined Country Land and Business Association as director general.

Martin was recently appointed as chief executive at Rayner Intraocular Lenses. Rayner has an unparalleled history of uninterrupted manufacture of acrylic implants for cataract surgery for over sixty years. With the help of worldwide charity organisations, Rayner's intraocular lenses have restored sight to hundreds of thousands in the developing world.

Appointment: 22 December 2010

Membership of committees: Quality Committee (until July 2011), Performance and Investment Committee (from August 2011) and Nominations and Remuneration Committee.

Chuba Ofili

(Non-executive director until July 2011)

Chu has extensive experience of the public, private, community and voluntary sectors. His roles have included business planning and development, economic policies, implementation of legislation, review and programme/project leadership, commercial advice, human resourcing and commissioning of services, works and goods.

He has served on various boards and panels including the independent monitoring board of HMP Blakenhurst, the board of East Potential (formerly Network East Foyers) and the Employer and Practitioner (organisation and employment) Advisory Panel at the London Metropolitan University Business School. He is on the NHS SEC NEDs Development Board.

Appointment: 1 August 2007 to 31 July 2011

Membership of committees: Performance and Investment Committee, Nomination and Remuneration Committee, Quality Committee, Charitable Funds Committee.

Jan Stephens

(Non-executive director)

Jan joined Kent Police in 1975 and served for around 36 years as a police cadet, police officer and then as a police manager until November 2011. She first worked in the Medway Towns in 1988 returning twice in the 90s and finally in 2006 when she was appointed as Medway's area commander (chief superintendent) before retiring in 2008. Jan has also served in Swale as chief inspector of operations and then area commander between 2001

and 2003. Her policing career was varied including senior management roles covering uniform operations, crime investigations and partnership working.

After retiring as a police officer Jan was appointed to a police staff management role as policy and governance manager which included liaison with Kent Police Authority and coordinating the force's policies.

Jan has lived in Medway since 1988 and is a Trustee of Medway Youth Trust (a charity delivering Connexions and career guidance services and other opportunities for young people) and is also a board member of Kent Crime Stoppers. She is director of a local residents' management company.

Appointment: 1 August 2011

Membership of committees: Nomination and Remuneration Committee, Quality Committee, non-executive lead for security.

John Sands

(Non-executive director)

John's business background is in social housing in the local authority and voluntary sectors. Until his retirement John was chief executive of mhs homes group, a major Medway business. His particular interest in the Trust is the development of a brilliant patient experience.

Among his other activities, John is chair of Gallions Housing Association and a member of the finance committee of the Dean and Chapter of Rochester Cathedral.

Appointment: 7 July 2009

Membership of committees: Integrated Audit Committee, Nomination and Remuneration Committee, Quality Committee (chair from January 2011), Patient Safety Committee, Patient Experience Committee.

Colin Wilby

(Non-executive director)

Colin has a varied business background in manufacturing industries, working for large companies, including Lucas, Associated British Foods and Nestle, in personnel, operations and general management roles. Most recently, Colin was managing director of a business unit within RHM plc, based in Gillingham.

Colin now holds a portfolio of roles, including non-executive appointments with Kent

Probation, the Royal Institution of Chartered Surveyors and the Office of the Independent Adjudicator for Higher Education. He is also chair of the Independent Remuneration Panel for Tonbridge and Malling Borough Council, Sevenoaks District Council and Tunbridge Wells Borough Council.

Appointment: 1 July 2007

Membership of committees: Performance and Investment Committee (chair), Integrated Audit Committee, Nomination and Remuneration Committee.

Andy Brown

(Interim director of human resources)

Originally from Bristol, Andy's human resources career in the NHS started at the Bromley Health Authority in 1995 before moving to the Royal Brompton and Harefield NHS Trust in 2000. He has since furthered his NHS career in acute and specialist hospitals. Since June 2008 he has been the director of human resources at Dartford and Gravesham NHS Trust and since June 2010 Andy has been seconded part-time from Dartford to cover the substantive director of human resources, Cheryl Lee, who is currently working within the transition team.

Mark Devlin

(Chief executive)

Mark began his management career in 1991 as a business manager in the Belfast City Hospital having joined the NHS as a graduate management trainee in Northern Ireland in 1989. He progressed through general management positions covering a wide range of clinical services and hospital settings in London. He became project director for the first ambulatory care and diagnostic centre at the Central Middlesex Hospital in 1997 and led one of the major divisions of the Royal Free Hospital from 1998 to 2001. He achieved his first board level position in 2001 as deputy chief executive of North West London Hospitals. Before joining Medway NHS Foundation Trust in 2010 he had been the chief executive of Dartford and Gravesham NHS Trust from 2005.

Lois Howell

(Director of governance and risk and non voting Board member)

Lois held a wide range of legal, governance and managerial posts in a number of local authorities before joining Medway NHS Foundation Trust in 2007. She is a qualified solicitor with special interest and expertise in governance, administrative law and community and democratic engagement.

Lois's role involves oversight of the Trust's corporate and clinical governance, risk management, regulatory relationships and legal services. Since December 2011 Lois has also been working with the transition team on regulatory, legal and governance aspects of the Trust's planned merger.

Lois is a member of the Law Society of England and Wales and the Institute of Healthcare Management.

In December 2011, Lois took on the additional role as integration director.

Patrick Johnson

(Director of operations/deputy chief executive)

Patrick is a chartered accountant and has significant experience having worked in managing director and chief operating officer roles associated with the NHS over the last four years, most recently at the Royal Berkshire NHS Foundation Trust. Prior to this, he had extensive private sector experience in a number of sectors including finance, distribution and business services for several major European companies.

Cheryl Lee

(Director of human resources)

Cheryl Lee has worked in human resources for almost all of her career, working in both the private and public sector. Cheryl joined the Trust in 2004 and she became a Board member in 2007. Cheryl was seconded to the transition team on 1 April 2011. The transition team are working towards the integration of Medway NHS Foundation Trust and Dartford and Gravesham Trust. Her role includes responsibility for the strategic workforce and organisational development agenda.

Jacqueline McKenna MBE

(Director of nursing)

Jacqueline trained as a registered nurse at King's College Hospital and had a successful clinical career in gynaecology. Jacqueline achieved a Masters in Medical Science in Clinical Nursing in 1995.

Jacqueline has been the director of nursing at Medway NHS Foundation Trust since 2000, having previously been the director of nursing at Southmead, Bristol from 1997. She implemented the first British model of shared governance which improves staff involvement in 1994 and won the HSJ award for patient safety in 2005 for the development of the Medway Nursing and Midwifery Accountability System – a performance management tool for

nursing which is now being implemented by a number of trusts in England. She is currently studying for a PhD at Greenwich University.

Jeremy Moon

(Director of finance)

Jeremy trained as a chartered accountant with Touche Ross and Co and qualified in the mid 1980s. He worked for B.E.T plc, a multinational conglomerate, until 1992 when he joined the NHS. He was appointed as director of finance of the Kent and Sussex Weald NHS Trust in 1994 and joined Medway NHS Trust in 2000.

He is a graduate of London University, having read geography at the School of Oriental and African Studies. Jeremy was seconded to the transition team on 1 April 2011. The transition team are working towards the integration of Medway NHS Foundation Trust and Dartford and Gravesham Trust.

Steve Orpin

(Interim director of finance from 1 April 2011 to 31 March 2012)

Steve started his career as a trainee accountant with the then Medway Health Authority in 1991. He moved to East Kent Hospitals Trust in 1997 and held a variety of roles across the various disciplines within finance.

In 2003, Steve joined the Kent and Medway SHA, as a deputy director of finance/head of financial performance before moving on to the role of director of financial operations at South London Healthcare NHS Trust. Steve rejoined Medway in November 2010 as deputy director of finance and was interim director of finance between 1 April 2011 and 31 March 2012.

Gray Smith-Laing

(Medical director)

Gray qualified with honours at The Royal Free Hospital, London in 1973 and has undertaken training in all aspects of general medicine and gastroenterology.

He joined the Medway NHS Trust in 1984 and specialises in all types of gastrointestinal and liver disease. He remains a true 'general physician', with a major interest in endoscopic retrograde cholangio pancreatography (ERCP) and other therapeutic endoscopic procedures. In addition, he has previously undertaken management roles; he was clinical director of medicine for over ten years up to 2005 and deputy medical director of the Trust in 2006. He was appointed as interim medical director from 8 October 2009 and appointed as medical director on a permanent basis in May 2010.

Board of Directors' interests

Under the terms of the Trust's constitution, the Board of Directors are individually required to declare any interest, as soon as they become aware of it, which may under the terms of the constitution, conflict with their appointment as a director of Medway NHS Foundation Trust. During the year, none of the directors have disclosed details of company directorships or other material interests that would conflict with their appointment as a director, or with their management responsibilities.

A register of the directors' interests is available to the public via the Trust's website www.medway.nhs.uk or on request from the company secretary.

In compliance with paragraph c.1.11 of the 'Monitor Code of Governance for NHS Foundation Trusts', no executive director holds more than one non-executive directorship of an NHS foundation trust or other organisation of comparable size and complexity.

Arrangements for the termination of appointment of a non-executive director are set out in the Trust's constitution. All non-executive directors are considered to be independent by the Board of Directors.

Since becoming a foundation trust, non-executive directors have been appointed for a period of three years.

Attendance at Board of Directors' meetings in 2011/12

Member	Total
Andy Brown	11/12
Graham Clayden	12/12
Mark Devlin	12/12
Adrian Horwood	11/12
Lois Howell	12/12
Vernon Hull	11/12
Martin Jamieson	12/12
Patrick Johnson	10/12
Jacqueline McKenna	12/12
Chuba Ofili	4/4
Steve Orpin	11/12
John Sands	12/12
Gray Smith-Laing	11/12
Jan Stephens	7/8
Colin Wilby	10/12

Committees of the Board

Integrated Audit Committee

Members	Committee role	Attendance
Adrian Horwood (Non-executive director)	Chairman	7 out of 7
Graham Clayden (Non-executive director)	Member	6 out of 7
John Sands (Non-executive director)	Member	7 out of 7
Colin Wilby (Non-executive director)	Member	7 out of 7

The Integrated Audit Committee (IAC), which consists of not less than three non-executive directors of the Trust is required to meet at least three times a year and provides the Board with an independent and objective view on its financial and non-financial systems, financial and non-financial information and compliance with laws, guidance and regulations governing the NHS. Seven meetings were scheduled in order to provide adequate assurance to the Board.

Its main responsibility is to provide the Board with assurances in respect of governance, risk management and internal control and that effective systems across the whole of the organisation's activities (both clinical and non-clinical) support the achievement of the organisation's objectives.

At the commencement of each IAC meeting, a private session is held between the non-executive directors, the internal and external auditors and the counter fraud specialists.

Internal auditors report to every meeting of the IAC to provide relevant assurances regarding the adequacy and effectiveness of internal controls. The IAC carries out an annual review of the adequacy of internal audit. External auditors attend every meeting of the IAC to provide progress reports and actions taken as part of the annual audit plan. They also contribute to discussions on systems and processes.

Counter fraud specialists report to every meeting of the IAC to provide an update on current or new fraud cases and actions taken as a result of those cases.

The IAC sets itself a rolling work plan, which it has continued to meet. It also carries out an annual self-assessment.

The IAC has produced an annual report which has been presented to the Board and to the Council of Governors.

During the year the IAC was able to satisfy the Board and Council of Governors that they could be assured that the information they received in the following areas was robust and reliable:

- the work of the internal auditors, South Coast Audit
- the work of the local counter fraud specialist
- the work of the external auditors, PKF
- the work of the Board's Performance and Investment Committee
- the compilation of the Trust's annual accounts
- the preparation of the Trust's annual report
- the preparation of the annual governance statement
- the work of the internal clinical audit.

In addition to these assurances, the committee was proactive in other areas and has worked closely with the Quality Committee to ensure that the work was complementary. In 2010, the IAC advised the Board that the strategy for the identification and management of risk across the Trust be highlighted as a concern. This has subsequently been improved through development of the Board Assurance Framework and links to the risk register. It also advised the Board and the Council of Governors on the issues with the completion of the Board Assurance Framework.

The IAC provides a report to the Board of Directors after every meeting.

Quality Committee

Members	Committee role	Attendance
John Sands (Non-executive director)	Chairman	11 out of 12
Graham Clayden (Non-executive director)	Member	12 out of 12
Martin Jamieson (Non-executive director) <i>Until 31 July 2011</i>	Member	1 out of 4
Chuba Ofili (Non-executive director) <i>Until 31 July 2011</i>	Member	2 out of 4
Jan Stephens (Non-executive director) <i>From 1 August 2011</i>	Member	6 out of 8
Mark Devlin (Executive director)	Member	10 out of 12
Patrick Johnson (Executive director)	Member	8 out of 12
Jacqueline McKenna (Executive director)	Member	10 out of 12
Gray Smith-Laing (Executive director)	Member	9 out of 12

The Quality Committee, which consists of no less than three non-executive directors of the Trust and four executive directors, meets on a monthly basis. It is also regularly attended by the head of governance and risk, director of infection, prevention and control and the chairman of the Patient Safety Committee.

The Quality Committee ensures an integrated and co-ordinated approach to the management and development of the quality metrics (patient safety, patient experience and clinical effectiveness) at a corporate level, it leads on the development and monitoring of quality systems within the Trust to ensure that quality is a key component of all activities within the Trust and assures compliance with regulatory requirements and best practice with patient safety, patient experience and clinical effectiveness. The Committee regularly receives and gives guidance or actions on:

- reports on serious incidents
- infection control report

The Quality Committee provides a report to the Board of Directors after every meeting on its activities which includes reports on infection control.

Performance and Investment Committee

Members	Committee role	Attendance
Colin Wilby (Non-executive director)	Chairman	12 out of 12
Adrian Horwood (Non-executive director)	Member	10 out of 12
Martin Jamieson (Non-executive director) <i>From 1 August 2011</i>	Member	6 out of 9
Chuba Ofili (Non-executive director) <i>Until 31 July 2011</i>	Member	4 out of 4
Mark Devlin (Chief executive)	Member	10 out of 12
Patrick Johnson (Director of operations/deputy chief executive)	Member	11 out of 12
Steve Orpin (Interim director of Finance)	Member	11 out of 12

The Performance and Investment Committee, consisting of three non-executive directors and three executive directors, meets on a monthly basis and provides the Trust Board with a detailed and objective view on the resource utilisation and planning performed by the Trust including income and expenditure, cash flow and balance sheet management, business development and service improvement plans in the form of business cases. It scrutinises

performance management in detail each month and reports to the Board on an exception basis.

During the year, the Performance and Investment Committee fully reviewed its terms of reference to more accurately reflect its role. It has regularly received and challenged the financial summaries, trends in service line reporting, the Transforming Performance programme, Performance Report, aged debts and has been fully involved in the budget setting process. It was also provided with an update on the progress of the patient level information costing systems. The Committee has also continued and challenge both support services and specialities on their strategic activities and forecasting, e.g. obstetrics, vascular and procurement services.

Remuneration report

The Nominations and Remuneration Committee reviews and makes recommendations to the Board of Directors on the composition, balance, skill mix and succession planning of the Board and recommends the appointment of executive directors. It comprises all non-executive directors of the Trust and is chaired by the chairman. The chief executive and interim director of human resources will normally attend the meeting to provide an update to the Committee. The Committee has delegated authority for setting the overall remuneration and benefits, including pensions as well as arrangements for the termination of employment, for the chief executive and the executive directors.

The Trust did not appoint any new substantive executive directors in 2011/12. With the exception of one director who received a performance bonus, all directors are paid a basic annual salary only. The Nominations and Remuneration Committee reviews salaries each year. In 2011/12 the committee decided that no inflationary pay award was appropriate. This is in line with overall increases in the NHS and that director salaries were within benchmarked salary ranges.

When new appointments are made the salary is determined by reference to Foundation Trust Network (FTN) benchmarking of chief executive and executive director salaries, current market rates and internal relativities with executive directors/senior managers. This may involve consideration of advice from external advisors, including executive search and selection consultants.

Performance is reviewed annually at appraisal against objectives. Objectives are agreed at the appraisal and progress is reviewed at monthly one to one meetings.

The Trust is actively pursuing integration with Dartford and Gravesham NHS Trust, and will consider the implications for substantive appointments. This includes the advertisement of posts as designate director for the integrated organisation where appropriate.

Executive directors hold substantive contracts with six month notice periods. This does not affect the right of the Trust to terminate the contract without notice by reason of the conduct of the executive director. Depending on the circumstances of the early termination the Trust would, if the termination were due to redundancy, apply redundancy terms under Section 16 of the Agenda for Change terms and conditions of service or consider severance settlements in accordance with current Department of Health and Monitor requirements and guidance. Any compensation would need to be approved by the Trust's Nominations and

11 Salary and pension entitlements of senior managers – audited part

a) Remuneration

Name and title	2011/12			2010/11		
	Salary	Other Remuneration	Benefits in kind	Salary	Other Remuneration	Benefits in kind
	(bands of £5000) £000	(bands of £5000) £000	Rounded to the nearest £100	(bands of £5000) £000	(bands of £5000) £000	Rounded to the nearest £100
Mr V Hull, Chairman	40-45	-	-	40-45	-	-
Mr G Clayden, Non-executive Director	10-15	-	-	10-15	-	-
Mr A Horwood, Non-executive Director	10-15	-	-	10-15	-	-
Mr C Wilby, Non-executive Director	10-15	-	-	10-15	-	-
Mr C Ofili, Non-executive Director	0-5	-	-	10-15	-	-
Mr J Sands, Non-executive Director	10-15	-	-	10-15	-	-
Mr M Jamieson, Non-executive Director	10-15	-	-	0-5	-	-
Ms J Stephens, Non-executive Director	5-10	-	-	-	-	-
Mr M Devlin, Chief Executive	150-155	-	-	150-155	-	-
Mr P Johnson, Director of Operations and Deputy CEO	130-135	-	-	125-130	-	-
Mr S Orpin, Interim Director of Finance	95-100	-	-	-	-	-
Dr G Smith-Laing, Medical Director	25-30	150-155	-	25-30	170-175	-
Ms J McKenna, Director of Nursing	100-105	-	-	100-105	-	-
Band of highest paid director's total Remuneration (£'000)	150-155			150-155		
Median total Remuneration (£'000)	22,676			21,798		
Ratio	6.8			7.1		

Notes:

For the purposes of the remuneration report, senior managers are defined as those with voting rights at a Trust Board meeting.

Mr C Ofili retired on 31 July 2011

Ms J Stephens commenced on 1 August 2011

Mr S Orpin filled the role of interim director of finance between 1 April 2011 and 31 March 2012, and returned to the role of deputy director of finance on 1 April 2012

Mr A Brown provided services as an Interim director of human resources throughout the financial year which employed by Dartford and Gravesham NHS Trust. Salary costs of £71,490 for this period (including pension and employers' costs) were recharged to the Trust by Dartford and Gravesham NHS Trust (2010/11 £59,381).

Changes after 31 March

Mrs D Harker was appointed Chairman on 1 April 2012

Mr A Marshall was appointed interim director of finance on 1 April 2012

b) Pension benefits – audited part

Name and title	Real increase in pension and related lump sum at age 60 (bands of £2500) £000	Total accrued pension and related lump sum at age 60 at 31 March 2012 (bands of £2500) £000	Cash Equivalent Transfer Value at 31 March 2012 £000	Cash Equivalent Transfer Value at 31 March 2011 £000	Real Increase in Cash Equivalent Transfer £000
Mr M Devlin, Chief Executive	7.5-10	150-152.5	595	464	72
Mr P Johnson, Director of Operations and Deputy CEO	0-2.5	7.5-10	101	63	22
Mr S Orpin, Interim Director of Finance	2.5-5	102.5-105	343	-	51
Ms J McKenna, Director of Nursing	0-2.5	120-122.5	532	452	41

- a) The information in the above table has been provided by the NHS Pensions Agency.
- b) Dr G Smith-Laing, medical director has taken his pension and as such no benefit is recorded above.

Signed: M Devlin, Chief Executive

Date: 29 May 2012

Council of Governors

The Council is made up of elected and appointed governors who provide an important link between the Trust, local people and key stakeholder organisations. They share information and views that can influence and shape the way hospital services are provided by the Trust. They also work together with the Trust's Board of Directors to ensure that the foundation trust delivers high quality healthcare within a strict framework of governance, whilst achieving financial balance and planning for the future.

There are 26 governors on the Council of Governors, 19 of whom are elected public and staff member representatives and seven are nominated by the partner organisations.

Constituencies

There are three public constituencies that make up the catchment area for the Trust. Medway and Swale are the main two constituencies, with the third covering the rest of England and Wales. The third constituency is specifically designed for the catchment population that use the specialist services which are provided to anyone in England and Wales.

Governors serve on the Trust's Council of Governors, working as a team with governor colleagues but specifically representing one particular class in their own membership community. The public governors each represent a constituency. Medway's constituency has nine public governors, the Swale constituency has four public governors and the rest of England and Wales has one public governor.

The staff governors are elected to represent staff in each directorate of which there are five. Stakeholder governors are nominated by their organisation to sit on the Council and link back to their organisation.

Role of governor

Governors are required to attend regular meetings of the Council of Governors – normally seven a year which includes the Members' Annual Meeting.

The governors have some specific statutory requirements to fulfil on an annual basis as well as some generic responsibilities. These include to:

- appoint or remove the chairman and non-executive directors
- approve the appointment of the chief executive
- decide on remuneration for non-executive directors

- consider the patient experience
- receive the annual accounts
- appoint and remove the foundation trust's auditor
- hold the Board to account
- represent constituent members
- consider the Foundation Trust's forward plans and advise the Board of Directors on these.

Governors are also expected to actively seek the views of the community they represent – this has typically been through members' events but the Trust is looking at other ways of involving the membership.

Structure of Council of Governors

The Council meets seven times a year and in order to assist in its work and meet the Council's statutory requirements, the Council has established three working groups and one committee. These are listed below with a brief overview of each group's responsibilities:

Member and public engagement working group: To develop, implement and review the Trust's membership strategy as well as being accountable on behalf of the governors for ensuring that the elections are fair and true, review any issues brought to the working group's attention that relate to members and membership. This includes complaints from members about membership and adjudicating on any application for disqualification from membership.

Finance and performance working group: To make recommendations to the Council of Governors with respect to the appointment of the Trust's external auditor and to report to the Council of Governors with respect to the auditor's Annual Report, the Trust's forward plan, Quality Accounts and to hold the Board's Performance and Investment Committee and the Integrated Audit Committee to account.

Non-executive director Nominations and Remuneration Committee: To carry out an annual appraisal of the chairman, review the remuneration of the non-executive directors on an annual basis, to be involved in the nomination process for all non-executive directors and to be involved in overseeing the arrangements of the Trust's Annual Members' Meeting.

Quality working group: To receive quarterly reports from the Board's Quality Committee on the work around patient safety, patient experience and other aspects of quality including the Trust's Quality Accounts; to scrutinise the decisions made, or actions taken, in connection

with the Quality Committee and make recommendations to the Council of Governors arising from the outcome of the scrutiny process.

Governor terms of office

Public and staff governors

All public and staff governors are elected for a term of three years.

In order to avoid an election process every three years that would see the replacement of 19 public governors, it was agreed by the Trust to initially separate the terms of office for each governor in order to ensure business continuity and establishment of the Council. This has resulted in a third of governors being appointed for a term of one year, another third for two years and the remaining third for three years.

Partner governors

Partner governors are nominated by their organisation and serve a term of office of three years. These governors can be replaced by their organisation during this time.

Governor election activity

All governors were appointed in June 2007, one third were given a term of one year, one third were given a term of two years, and the last third were given a term of three years. During 2011/2012, the Council of Governors was made up as follows:

Elected representatives for Medway (nine):

- Syed Ahamed (elected in June 2011)
- Vivien Bouttell
- Nigel Cartlidge
- Renee Coussens (re-elected in June 2011)
- Pamela Gibbon
- Margaret Ratcliffe (re-elected in June 2011)
- Ann Richmond (re-elected in June 2011)
- Sheila Shepherd
- Lee Tribe

Elected representatives for Swale (four):

- Sarah Drury
- Christine Kite
- Ruth Jenner
- John Mount (resigned in July 2011)

- John Skelton (appointed in October 2011 from the previous Swale Governor elections)

Elected representative for rest of England and Wales (one):

- Richard Tripp

Elected staff representatives (five):

- Stephen Funnel (non clinical)
- Trish Marchant (management class)
- Rosemary Toyne (medical and dental class)
- Nancy Sayer (nursing and midwifery)
- John McLaughlin (allied health professionals)

Nominated representatives from partner organisations (seven):

- Margaret Andrews, Christ Church University (retired April 2011)
- Peter Milburn, Christ Church University (appointed April 2011)
- Natalie Davies, NHS Medway (retired September 2011)
- Alison Burchell, NHS Medway (appointed September 2011)
- Adrian Crowther, Kent County Council
- Councillor Jane Etheridge, Medway Council
- Andrew Scott-Clark, NHS Eastern and Coastal Kent
- John Spence, League of Friends
- VACANT - Chamber of Commerce (seat has been vacant since January 2011 following the liquidation of the organisation)

Appointed / nominated	Name	Constituency	Term of office
Appointed 2007			
June 2007	Michael Burch	Medway	3 years
June 2007	Lee Tribe	Medway	3 years
June 2007	Victoria Allison	Swale	3 years
June 2007	Serena Gilbert	Rest of England and Wales	3 years
June 2007	Rosemary Toye	Staff: Medical and dental class	3 years
June 2007	Geraldine Mott	Staff: Management class (resigned 2009)	3 years
Appointed 2008			
June 2008	Ann Richmond	Medway	3 years
June 2008	Angela Jenkins	Medway (resigned 2011)	3 years
June 2008	Renee Coussens	Medway	3 years
June 2008	Margaret Ratcliffe	Medway	3 years
November 2008	Eric Ambrose	Staff: Non clinical (resigned 2010)	3 years
Appointed 2009			
June 2009	Nigel Cartlidge	Medway	3 years
June 2009	Ruth Jenner	Swale	3 years
June 2009	John Mount	Swale (resigned 2011)	3 years
June 2009	Sheila Shepherd	Medway (re-elected)	3 years
June 2009	Pamela Gibbon	Medway (re-elected)	3 years
June 2009	Lena Wareham	Staff: Allied health professionals (resigned 2010)	3 years
June 2009	Nancy Sayer	Nursing and Midwifery	3 years
Appointed 2010			
June 2010	Vivien Bouttell	Medway	3 years
June 2010	Ronald Clayton	Swale (resigned Sept 2010)	3 years
June 2010	Stephen Funnell	Staff: Non clinical	3 years
June 2010	Trish Marchant	Staff: Management	3 years
June 2010	Rosemary Toye	Staff: Medical and dental (re-elected)	3 years
June 2010	Richard Tripp	Rest of England and Wales	3 years
June 2010	Lee Tribe	Medway (re-elected)	3 years
December 2010	Sarah Drury	Swale	2 ½ years
December 2010	Christine Kite	Swale	2 ½ years
December 2010	John McLaughlin	Staff: Allied health professionals	2 ½ years
Appointed 2011			
June 2011	Syed Ahamed	Medway	3 years
June 2011	Renee Coussens	Medway (re-elected)	3 years
June 2011	Margaret Ratcliffe	Medway (re-elected)	3 years
June 2011	Ann Richmond	Medway (re-elected)	3 years
September 2011	John Skelton	Swale (appointed from previous Swale governor election results)	9 months
Nominated			
June 2007 June 2010	John Spence	League of Friends (re-appointed)	3 years
June 2007 June 2010	Adrian Crowther	Kent County Council	3 years
June 2009	Cllr Jane Etheridge	Medway Council	3 years
June 2008 June 2011	Andrew Scott-Clark	NHS Eastern and Coastal Kent (re-appointed)	3 years
Jan 2011	Vacant	Chamber of Commerce	3 years
April 2011	Peter Milburn	Universities	3 years
September 2011	Alison Burchell	NHS Medway	3 years

Attendance at Council of Governors meetings in 2011/12

Attendee	Attendance
Vernon Hull (Chairman)	8 out of 9
Syed Ahamed	4 out of 6
Vivien Bouttell	7 out of 9
Alison Burchell	2 out of 4
Nigel Cartlidge	9 out of 9
Renee Coussens	8 out of 9
Adrian Crowther	9 out of 9
Natalie Davies	1 out of 4
Sarah Drury	4 out of 9
Councillor Jane Etheridge	4 out of 8
Stephen Funnell	3 out of 9
Pamela Gibbon	7 out of 9
Angela Jenkins	1 out of 3
Ruth Jenner	6 out of 9
Christine Kite	6 out of 9
Trish Marchant	9 out of 9
John McLaughlin	5 out of 9
John Mount	2 out of 3
Margaret Ratcliffe	9 out of 9
Ann Richmond	8 out of 9
Nancy Sayer	8 out of 9
Andrew Scott Clark	6 out of 9
Sheila Shepherd	8 out of 9
John Skelton	3 out of 3
John Spence	7 out of 9
Lee Tribe	8 out of 9
Rosemary Toye	9 out of 9
Richard Tripp	9 out of 9
Peter Milburn	5 out of 7

A register of interests of Governors' interests is held at the Trust's offices. Information regarding governors' interests and whether they have undertaken any material transactions with Medway NHS Foundation Trust can be obtained by contacting the governor and membership lead, Medway NHS Foundation Trust, Windmill Road, Gillingham, Kent, ME7 5NY.

Membership

Anyone aged 16 and over and is not employed by the Trust can become a public member. Every member of staff automatically becomes a member unless they choose to opt out. At 31 March 2012 we had 10,943 members and 3,848 staff members.

Membership strategy

The membership strategy outlines what the Trust's vision in terms of recruiting, engaging and involving its members. The strategy provides a framework on how we aim to achieve this. The Trust wants to review how it can best serve its members and also how members can become involved with communicating the needs of the community to the Trust.

Monitor require the membership base to be representative of the local community. This means the Trust needs to work hard at ensuring that its members reflect the socio-economic breakdown of its population to present a voice from that community.

Membership recruitment

During 2011/12, the membership and communications working group planned several opportunities for recruiting new members.

The governors adopted a simple and cost effective method of face to face recruitment, using a team of governors who worked with the governor and membership lead. Methods included participation at university freshers' and refreshers' fairs and a two week recruitment campaign in the Swale area. An advertisement on the Trust's website encouraging visitors to become members has also proved to be a successful exercise producing on average, eight new members per week. Each month staff who leave the Trust are also encouraged to remain members, with most opting to continue their support.

In the last 12 months a total of 1,633 public members were recruited, which has resulted in the Trust exceeding its target of 10,500 public members by 1 April 2012 by 443. Governors are very keen to ensure we have members that can represent the hard to reach groups, including ethnic minorities and so the Trust is continuing to concentrate on targeting these areas. The recruitment of these groups is monitored by the member and public engagement working group.

Engagement between members and governors

The governors are always looking for ways to engage with their members and a programme of eight members' events has been scheduled for 2012.

The members' quarterly newsletter is the Trust's biggest form of communication and allows the opportunity to include surveys or questionnaires to collect the views of the community on specific topics, such as transport to the hospital.

Monthly e-bulletins are also sent to members who have registered an email address with the membership office and provide an excellent link for communicating upcoming events and latest news.

The Trust's website continues to be developed to allow communication to flow from members to their governors. Currently, the Trust provides a 'contact your governor' facility which sends member comments to the membership office to be forwarded to the relevant governor.

The Trust's new intranet site, launched in March 2011, enables staff and governors access to the site away from the Trust's premises and thus provides them with much more information.

Engagement between governors and members is an evolving and ongoing feature for the Trust and governors are continually looking at improving ways of meeting members and ensuring that their views are taken into consideration.

Members' events have been held on specific subjects that have been requested by our members and are also an opportunity for members to meet their governors and raise any concerns or suggestions with them. The Trust has been successful in gaining press coverage for members' events and attendance has been steadily increasing. Four of the members' events are dedicated 'meet your governors' events and these have been held throughout the year.

The Trust also held its third Annual Members Meeting as a foundation trust in September 2011. This was an extremely successful event held again at the St George's Centre, Chatham Maritime and governors were fully involved in the success of this event.

Membership base

The breakdown of our membership base per constituency is listed below.

Constituency	Total
Medway	6,996
Swale	2,059
Rest of England and Wales	1,888
Membership Total	10,943

Statement setting out the steps that the members of the Board, in particular the non-executive directors, have taken to understand the views of the governors and members.

During the year the Trust has used a number of methods to ensure directors understand and are aware of views expressed by governors and members.

The Council of Governors is chaired by the Trust chairman and meetings are also attended by the chief executive who presents a report on performance and current issues. The chief executive is also available during the meeting to answer questions, which provides the opportunity for governors to express their views and raise any other concerns. Other executive directors also attend Council of Governors meetings and working groups on a regular basis to provide updates as and when requested by the governors.

The non-executive directors have an open invitation to attend the Council of Governor meetings and have attended regularly. The non-executives which chair the Performance and Investment Committee, the Integrated Audit Committee and the Quality Committee regularly attend the finance and performance and quality working group meetings to answer questions on the performance of the committees. A non-executive director also chairs the governors' non-executive director Nominations and Remuneration Committee.

Governors are also invited to take part in various Trust groups and committees to communicate the views and concerns of their members.

Regular departmental visits take place at least four times a month and one governor accompanies one executive director and one non-executive director. The purpose of these visits is to develop a picture of a department or ward in terms of patient experience, staff experience and patient safety.

Regular PEAT (Patient Environment Assessment Team) walkabouts take place and one governor accompanies the team to various areas within the Trust.

The Council of Governors has nominated a senior governor who meets with the senior independent director to discuss key issues which involve the non-executive directors and governors, such as the chairman's appraisal. The senior governor also has an open invitation to attend Board meetings and reports back to the governors on these meetings.

The Trust Board continues to look at developing a stronger relationship with its governors to better understand their views and the views of their members.

Members may contact governors through the membership office. They may contact the office by telephone **01634 825292**, in writing, by email to **members@medway.nhs.uk** or via our website **www.medway.nhs.uk**

Code of governance compliance

The Trust's Board of Directors supports and agrees with the principles set out in the 'NHS Foundation Trust Code of Governance', first published by Monitor in 2006 and updated in March 2010.

The way in which the Board applies the principles and provisions is described within the various sections of the report and the directors consider that, for the 2011/12 year, the Trust has been compliant with the code with the exception of the following:

D.2 – Performance evaluation

The Trust Board has commenced a formal and rigorous annual evaluation of its performance in the last financial year, however, more work is required on this.

Annual Governance Statement

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Medway NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Medway NHS Foundation Trust for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

Leadership

The overall responsibility for the management of risk lies with the chief executive as accounting officer. The Board of Directors, collectively and individually, ensures that robust systems of internal control and management are in place. Responsibility for leading the management of risk throughout the Trust has been delegated to the director of finance (for financial risk), to the medical director (for clinical risk) and the director of governance and risk (for corporate risks) at Board level.

The new governance and risk infrastructure introduced in 2010 has continued to strengthen and support the work of the Board.

The director of governance and risk has also been identified as the senior information risk owner (SIRO) to fulfil the requirements to have an executive director responsible for managing information governance (IG) and associated risks at Board level.

The Trust Board seeks assurance from the bi-monthly scrutiny of the Board Assurance Framework and the receipt of reports to the Board from its sub-committees, particularly the Integrated Audit Committee and Quality Committees which are chaired by a non-executive director and the clinical and executive group chaired by the chief executive. These committees also receive assurance by way of reports or minutes from internal and external auditors, executives and a number of sub-committees including; infection prevention and control, health and safety, information governance, patient safety and patient experience.

How staff are trained or equipped to manage risk

The head of governance and risk receives a monthly report from the directorate governance leads (who are senior nurses and doctors), on their performance against the Care Quality Commission's 'Essential Standards of Quality' and also receives a signed compliance declaration. On a quarterly basis, this information is reviewed and signed off by the governance lead and the directorate's management team. A governance panel, consisting of the executive director leads for each of the standards, supported by the head of governance and risk meets on a quarterly basis and challenges each directorate team on the evidence supporting their declaration.

Risks to data security are managed by providing annual information governance training and regular global emails to remind staff of the dangers of not securing information. Policies are also in place outlining appropriate use of email, internet and equipment and these are regularly reviewed and updated. All known incidents are logged and reported to the Information Governance Committee. A quarterly briefing is provided to the Board outlining recent incidents, work undertaken by the committee and progress against the Information Governance Toolkit.

Risk awareness training on the use of the risk register has been refreshed to all members of the Board and senior managers throughout the Trust. Additional training has also been cascaded throughout the Trust.

The risk and control framework

Governance structure and risk management

The Trust's risk management strategy, which is available to all staff on the Trust's intranet site, outlines the Trust's overall processes for managing risk, corporate and directorate responsibilities for risk, the risk management process and the Trust's risk identification, evaluation and control system. This was approved by the Board in October 2009 and reviewed in January 2011.

All risk registers for the Trust are centralised electronically. This is supported by monthly risk reviews led by the clinical and executive group.

The Integrated Audit Committee performs the key role of reviewing and monitoring the systems of internal control. It also receives regular reports on the work and findings of the external and internal auditors. A chair's report and minutes following each meeting, together with an annual report, are provided to the Board of Directors.

The Trust is fully compliant with the registration requirements of the Care Quality Commission.

Annual quality report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS foundations trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the *NHS Foundation Trust Annual Reporting Manual*.

In July, the Trust carried out a baseline self-assessment against the Quality Governance Framework. Minor gaps in assurance were identified and actions taken to resolve them. The minor gaps in assurance, all of which are being actioned, were:

- The Trust did not have risks to quality specifically included in its business case template
- More focussed training to be carried out with the Board on quality (the Trust had a quality master class as part of the Board development session following the August Board meeting)
- Lack of electronic systems (the Trust is developing an IT strategy to address this).

In accordance with Monitor's request for this work to be reviewed externally, the Trust commissioned the University Hospitals Southampton NHS Foundation Trust to conduct a peer review. This was completed in early April and, although some development issues were identified, the feedback confirmed that the Trust's Quality Governance Framework was adequate.

Incident reporting

The Trust's e-based reporting system, Datixweb, has been rolled out to all clinical and non-clinical areas during the year so that incidents can be reported and input at source and data

can be interrogated through ward, team and locality processes. This encourages local ownership and accountability for incident management.

The Trust works closely with the National Patient Safety Agency (NPSA) and uses root cause analysis as a tool for undertaking structured investigations into serious incidents.

The Trust has a 'being open' policy which ensures that patients, carers and visitors are involved in discussion following an incident.

The chief executive also holds open door sessions on a monthly basis which allows staff free access to report concerns.

How risks are identified

Risks are identified from a number of sources including directorate meetings, performance reports, serious incidents, claims and reports from external organisations, internal management reviews, complaints and external and internal auditors' reports.

The Trust's corporate risk register incorporates finance and clinical risks. The highest scoring major risks are discussed at monthly meetings of the clinical and executive group. Recommendations are then made to the Board meeting. The significant clinical risks on the risk register are patient falls, infection control (MRSA and *C. difficile*) and capacity issues. During the year these have been managed and mitigated. Patient falls have reduced during the year and the Trust had its lowest ever number of *C. difficile* cases. MRSA bacteraemia, although higher than the target set for the year by the commissioners (four against a target of two), remained below the minimum standard set by Monitor (six). Three of the four MRSA bacteraemia were compliant with policy. A root cause analysis of every case of *C. difficile* and MRSA bacteraemia is carried out and actions initiated.

Risks are rated according to their severity using a risk rating matrix based on a combination of the probability score of risk occurrence and the impact score, by use of a formula that provides an overall score for each risk, which can then be colour coded to reflect the corporate risks to the organisation.

The Trust achieved, at its first attempt, 'level two' compliance with 'NHS Litigation Authority Risk Management Standards for Acute Trusts' following its assessment in September 2011; this in addition to level two maternity 'Clinical Negligence Scheme' for Trusts achieved in September 2010. Level two is described as having adequate policies and processes for managing risk and put into practice.

Management of data security risks

There were no serious incidents related to loss of data in 2011/2012.

The IG committee oversees and monitors data security risks and information governance risks are included in the corporate risk register. Minutes of the Information Governance Committee are provided to the clinical and executive group on a regular basis.

This year the Trust achieved an overall score of 79 percent, and achievement of at least level two on all standards in the Department for Health's Information Governance Toolkit; the best score for all acute trusts in the South East Coast region. The Trust was one of only two trusts in the region which managed to reach level two in all standards.

An information governance survey benchmarking exercise was carried out by the Trust's internal auditors in February 2012 for the Integrated Audit Committee and out of the seven acute trusts who took part in the survey; Medway NHS Foundation Trust achieved the highest scores in all areas.

Attainment of the standards set out in the Information Governance Toolkit issued by 'Connecting for Health' is monitored by the Information Governance Committee. The Board approved the 2011/2012 Toolkit declaration at its March meeting and no departure from these standards is anticipated.

Data protection incidents have reduced and 94 incidents have been reported within the Trust during 2011/2012. None recorded as a serious untoward incident. This is an improvement on 2010/2011, when the Trust recorded 147 incidents.

Risk appetite

The Trust recognises that it is impossible to deliver its services and achieve positive outcomes for its stakeholders without taking risks. Indeed, only by taking risks can the organisation realise its aims. It must, however, take these risks in a controlled manner, thus reducing its exposure to a level deemed acceptable from time to time by the Board and, by extension, external inspectors, regulators and relevant legislation.

Stakeholder involvement

The Trust's governors and non-executive directors participate in departmental visits throughout the hospital. Part of this role is to ensure that identified risks are being managed and to report any unidentified risks. The Trust has continued with the comments system in outpatients and maternity to give patients the opportunity to provide suggestions on how the Trust can improve. The Trust's patient experience manager attends LINKs patient experience working groups for Medway and Swale and listens to stakeholder feedback and

responds to questions. The Trust's complaints system has also identified areas and actions have been taken as a result of these.

Equality impact assessments

The Trust also published a 'Corporate Equality Impact Assessment Programme' for 2010/2011. The annual programme identifies priority impact assessments for the year and is designed to improve both the quality and scope of impact assessments undertaken. Impact assessments from the programme are quality assured by the equality impact assessment sub-group that was established during 2010. This group reports into the equality and fairness steering group.

The equality and fairness steering group also scrutinises annual diversity monitoring reports and takes remedial action where necessary. The Trust has recently enhanced its workforce reports and developed patient reports covering access to services, how patients experience services and complaints against protected characteristics to comply with the single equality duty.

Equality impact assessments and diversity monitoring reports show how the Trust's policies, processes and practices affect both staff and service users and are published on the Trust website.

NHS Pension Scheme

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

Equality, diversity and human rights

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

Carbon reduction delivery plans

The Trust has undertaken risk assessments and carbon reduction delivery plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and adaptation reporting requirements are complied with.

Review of economy, efficiency and effectiveness of the use of resources

The Trust achieves economy, efficient and effectiveness by internally employing a range of accountability and control mechanisms and also obtains independent, external assurances. To ensure that resources are used economically, efficiently and effectively across clinical services the Trust carries out regular directorate performance reviews and regular monitoring of clinical indicators on quality and safety.

The Integrated Audit Committee, chaired by a non-executive director and reporting directly to the Board, receives independent assurance from internal and external audit, and counter fraud specialists who support and provide regular reports. This committee also receives other external reports and investigations undertaken during the year.

The Integrated Audit Committee agrees the work plan and monitors the work undertaken by the external and internal auditors, the counter fraud specialist and clinical audit and sets aside time with the internal and external auditors and the counter fraud specialist in private so that any confidential items can be discussed if necessary. The committee continued with its programme of presentations during 2011/2012 on areas in which it was seeking assurances or further information on particular areas. These included data quality, serious incidents, pharmacy and the management of overseas visitors.

A non-executive director also chairs the Performance and Investment Committee which provides independent and objective assurance to the Board that there are robust and integrated mechanisms in place on all areas of finance, performance and investment and to ensure that the Trust is compliant with its statutory and regulatory requirements.

The Board of Directors receives both performance and finance reports at each meeting, along with reports from each of its sub-committees.

Annual quality report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS foundation trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the *NHS Foundation Trust Annual Reporting Manual*.

The formulation of the Quality Accounts has been led by the director of nursing with the full support of the Board and the Council of Governors. This work has involved discussion and consultation with the Board, staff, patients, and governors.

To support this work, and to assure the Board that appropriate controls are in place to ensure accuracy of data, the Quality Account is reviewed throughout the year to monitor progress being made on the Trust's priorities for improvement.

The Trust established a Clinical Quality Performance Committee, chaired by the director of nursing, which reviews on a monthly basis the clinical quality indicators, including the metrics in the Quality Account, and reports to the Quality Committee, a sub-committee of the Board on an exception basis, with a full report at the end of the financial year.

A quality performance indicator dashboard has been produced so that quality measures are seen together rather than dispersed in the operational performance dashboard.

The Quality Account, which is coordinated by the director of nursing, has input from professionals who lead on different issues, for example, clinical audit and paediatrics. This allows directors to take an objective view of the data being submitted. The Quality Account will have been subject to review throughout the year via the Quality Committee.

The Quality Account 2011/2012 is a comprehensive document and focussed on identifying and promoting quality issues. This is seen as the central document for the priorities for improvement in the quality of the Trust's services.

Comments and advice have been sought from clinicians, the Board, governors, members of the public, NHS Medway, Medway LINKs and Medway Council's Overview and Scrutiny Committee on the Quality Account. This has ensured that the Quality Account provides a balanced view of quality performance.

Review of effectiveness

As accounting officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the Quality Report included in this Annual Report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Integrated Audit Committee, the Performance and Investment Committee and the Quality Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

The main operational elements of the systems of internal control and governance to ensure that the Trust optimises the use of all resources are the Board assurance framework, the Integrated Audit Committee and the reporting and assurance work of both internal and external audit functions, the Performance and Investment Committee and the comprehensive system of budgetary control. The clinical and executive directors meet monthly to review operational performance and control.

The Board Assurance Framework sets out the principal risks to the delivery of the Trust's strategic objectives and key priorities. This is updated regularly to ensure it covers all areas on which the Board should be seeking assurance.

The executive director with responsibility for a strategic objective is also responsible for managing and monitoring the risks. The Board Assurance Framework, which is presented to the Board every two months, alternating with the corporate risk register, identifies the key controls and assurances available in relation to the achievement of the Trust's objectives.

A non-executive director chairs the Quality Committee, which ensures an integrated and coordinated approach to the management and development of quality, patient experience and patient safety at a corporate level in the Trust. As part of this role, the Quality Committee receives the results of the national clinical audits and these are presented by the relevant directorate clinical audit lead.

The Trust also has an Audit Leads Committee (which reports to the Quality Committee) which has been established to coordinate clinical audit within the Trust and to oversee progress towards the annual clinical audit plan and is chaired by the Trust clinical audit lead.

The Trust appointed a full-time director of governance and risk in 2011 who is responsible for governance and compliance matters and this has improved the Trust's overall performance in all areas of compliance; for example the Trust became fully compliant with Care Quality Commission's standards and at its first attempt achieved NHSLA level two. The Trust has continued to strengthen the monitoring and scrutiny arrangements of compliance issues at executive director and Board level.

My review is also informed by the following mechanisms.

- review and challenge from non-executive directors within committees and at the Board and the improvements in the risk management process and Board Assurance Framework

- the challenge of the corporate risk register and individual directorate risk registers at the monthly Clinical and Executive Group which consists of all clinical directors and executive directors
- review and challenge at the governance panel on the Care Quality Commission's 'Essential Standards of Quality and Safety'
- review of Trust's performance against the Quality Governance Framework
- external review bodies, e.g. Care Quality Commission
- discussions with Monitor and responses to Monitor to the quarterly Board declaration process
- the clinical audit plan, which is regularly reviewed at the Integrated Audit Committee and national audits which are presented to the Quality Committee for discussion
- the Quality Committee's regular review of the Quality Accounts
- Medway Council's and Kent County Council's Overview and Scrutiny committees
- staff and patient surveys (both external and internal)
- liaison with key stakeholders, including primary care trusts, Council of Governors, partner trusts and representatives from patient groups and members
- complaints and claims reports
- internal and external audit reports
- NHS Litigation Authority and CNST assessments

As outlined in the Trust's risk management strategy, each directorate has a governance lead responsible for coordinating risk management processes within the directorate, including management of the directorate risk register and maintaining the directorate's prioritised risk management plan. The governance lead reports to directorate meetings, which are attended by the head of governance and risk who reports to the Clinical and Executive Group.

The review and maintenance of the effectiveness of the system of internal control is undertaken as follows:

- two yearly review of the risk management strategy by the Board
- ongoing review of the corporate risk register by the Board via the clinical and executive group
- ongoing challenge and review of the Board Assurance Framework by the Board
- all managers have the responsibility for developing and implementing the risk management strategy within the line management of individual directorates
- the Trust's internal auditors, South Coast Audit, verify that a system of risk management is in place.

As reported in last year's Annual Accounts, the Trust was notified by Monitor on 27 April 2011 that as a result of a negative variance from forecast surplus for the year ending 31 March 2011, the Trust was placed in significant breach of its terms of authorisation and this still remains the case.

As a result of this, Monitor decided that the Trust was in significant breach of two terms of its authorisation, namely – the general duty to exercise its functions effectively, efficiently and economically and its governance duty. The Trust has therefore remained red rated for governance risk and will do so until Monitor is assured that the Trust is returning to full and sustainable compliance with its authorisation.

As a result of actions taken during this year, the Trust has significantly improved its financial position and achieved a deficit of £567k for the 2011/12 year against a prior year (2010/11) deficit of £3; thereby achieved a Monitor financial risk rating of three for 2011/12.

Like many other trusts in the country, we had previously forecast that the primary care trust's 2011/12 demand management schemes would succeed to a much greater extent than they did leading to lower levels of activity and lower levels of required staffing. As a result of the actual higher than planned activity levels, the Trust needed to utilise additional staff at premium costs (e.g. agency staff) to maintain patient quality at acceptable levels, in order to deliver the actual activity levels. This impacted financially such that we incurred an adverse variance to our expected surplus and was the main reason for the deficit this year.

The Trust remains committed to returning to a sustainable financial footing such that a Monitor financial risk rating of three is delivered in financial year 2012/2013.

Conclusion

The Trust has not identified any additional internal control issues; however, the Trust has put in place plans which are addressing the issues identified as a result of the Monitor breach. The Trust has commissioned external advisors who are providing further assurance over the Trust's financial plans and have reviewed the Trust's financial governance. The Trust Board continues to report to Monitor on a monthly basis; this monitoring will continue until Monitor is assured that improvements have been made and Trust is de-escalated.

Signed: M Devlin, Chief Executive

Date: 29 May 2012

Annual accounts 2011/12

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING OFFICER OF MEDWAY NHS FOUNDATION TRUST

The NHS Act 2006 states that the chief executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the *NHS Foundation Trust Accounting Officers' Memorandum* issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Under the NHS Act 2006, Monitor has directed Medway NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Medway NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *NHS Foundation Trust Annual Reporting Manual* and in particular to:

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *NHS Foundation Trust Annual Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Signed: M Devlin, Chief Executive

Date: 29th May 2012

Independent auditor's report to the Board of Governors of Medway NHS Foundation Trust

We have audited the financial statements of Medway NHS Foundation Trust for the year ended 31 March 2012 which comprise the 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. The financial reporting framework that has been applied in their preparation is applicable law and NHS Foundation Trust Annual Reporting Manual 2011/12 issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

This report is made solely to the Board of Governors of Medway NHS Foundation Trust, as a body, in accordance with paragraph 5.2 of Audit Code for NHS Foundation Trusts. Our audit work has been undertaken so that we might state to the Board of Governors of Medway NHS Foundation Trust those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the NHS Foundation Trust as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accounting Officer, the Accounting Officer is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's 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 Medway NHS Foundation Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of Medway NHS Foundation Trust's affairs as at 31 March 2012 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with NHS Foundation Trust Annual Reporting Manual 2011/12; and
- have been prepared in accordance with the National Health Service Act 2006.

Opinion on other matter prescribed by the Audit Code for NHS Foundation Trusts

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2011/12; and
- the information given in the Directors' 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

Medway NHS Foundation Trust has a general duty under paragraph 63 of Chapter 5 of the National Service Act 2006 to exercise the functions of the Trust effectively, efficiently and economically. Paragraph 1 of Schedule 10 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts requires that we satisfy ourselves that Medway NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

On 27 April 2011 Monitor issued a notice to Medway NHS Foundation Trust that it is in significant breach of two Terms of its Authorisation, namely: the general duty to exercise its functions effectively, efficiently and economically (Condition 2) and its governance duty (Condition 5).

As a result of the matters discussed in the notice issued by Monitor, we have been unable to satisfy ourselves that Medway NHS Foundation Trust made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have nothing to report in respect of the following other matters which the Audit Code for NHS Foundation Trusts requires us to report to you if we have been unable to satisfy ourselves that:

- the financial statements are prepared in accordance with directions under paragraph 25 of Schedule 7; or
- the financial statements comply with the requirements of all other provisions contained in, or having effect under, any enactment which are applicable to them; or
- proper practices have been observed in the compilation of the financial statements; or
- the annual governance statement meets the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual or is misleading or inconsistent with other information that is forthcoming from the audit; or
- the quality report has been prepared in accordance with the detailed guidance issued by Monitor.

Qualified certificate

We certify that we have completed the audit of the financial statements of Medway NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor except that, as noted above, we have been unable to satisfy ourselves that Medway NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Leigh Lloyd-Thomas (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK

30th May 2012

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 March 2012**

	NOTE	2011/12 £000	2010/11 £000 restated
Revenue			
Revenue from patient care activities	3	202,910	194,791
Other operating revenue	4	24,946	23,949
Operating expenses	5	<u>(223,456)</u>	<u>(217,361)</u>
Operating surplus		4,400	1,379
Finance costs			
Finance income	12	31	41
Finance expenses - financial liabilities	13	(128)	(77)
Finance expenses - unwinding of discount on provisions	25	(22)	(18)
PDC Dividends payable		<u>(4,848)</u>	<u>(4,821)</u>
Net finance costs		<u>(4,967)</u>	<u>(4,875)</u>
Deficit for the year		<u>(567)</u>	<u>(3,496)</u>
Other comprehensive income / (expenditure)			
Revaluation gains and (impairment losses) property, plant and equipment		<u>1,700</u>	<u>1,044</u>
Total comprehensive income / (expenditure) for the year		<u>1,133</u>	<u>(2,452)</u>

The notes on pages 111 to 150 form part of these accounts.

All operating activities are from continuing operations.

**STATEMENT OF FINANCIAL POSITION AS AT
31 March 2012**

		31 March 2012 £000	31 March 2011 £000 restated	1 April 2010 £000 restated
Non Current Assets	NOTE			
Property, plant and equipment	14.1	<u>147,906</u>	145,458	145,036
Total non current assets		147,906	145,458	145,036
Current Assets				
Inventories	15.1	5,460	4,785	5,046
Trade and other receivables	16	11,296	13,415	16,416
Other current assets	19	52	122	57
Cash and cash equivalents	26	<u>1,898</u>	<u>3,345</u>	<u>4,622</u>
Total current assets		18,706	21,667	26,141
Current liabilities				
Trade and other payables	20	(19,023)	(21,169)	(24,937)
Borrowings	22	(1,157)	(2,444)	(406)
Provisions	25	(151)	(169)	(160)
Other liabilities	21	<u>(66)</u>	<u>(111)</u>	<u>(42)</u>
Total current liabilities		(20,397)	(23,893)	(25,545)
Total assets less current liabilities		146,215	143,232	145,632
Non current liabilities				
Borrowings	22	(2,693)	(911)	(805)
Provisions	25	<u>(855)</u>	<u>(831)</u>	<u>(885)</u>
Total non current liabilities		(3,548)	(1,742)	(1,690)
Total assets employed		<u>142,667</u>	<u>141,490</u>	<u>143,942</u>
Financed by:				
Taxpayers' equity				
Public dividend capital		109,148	109,104	109,104
Revaluation reserve		32,038	31,223	31,051
Income and expenditure reserve		1,481	1,163	3,787
Total taxpayers' equity		<u>142,667</u>	<u>141,490</u>	<u>143,942</u>

The financial statements were approved and authorised for issue by the Board on 29 May 2012 and signed on its behalf by the Chief Executive and Director of Finance.

Signed: M Devlin, Chief Executive

Date: 29th May 2012

Signed: A Marshall, Director of Finance

Date: 30th May 2012

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public Dividend Capital £000	Revaluation Reserve £000	Donated Asset Reserve £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2011 as originally stated	109,104	30,986	2,089	(864)	141,315
Prior period adjustment restated as at 1 April 2011	0	237	(2,089)	2,027	175
Restated as at 1 April 2011	109,104	31,223	-	1,163	141,490
Deficit for the year	-	-	-	(567)	(567)
Revaluation gains and impairment losses property, plant and equipment	-	1,700	-	-	1,700
Public Dividend Capital received	44	-	-	0	44
Transfer of the excess of current cost depreciation over historical cost depreciation to the Income and Expenditure Reserve	-	(885)	-	885	0
At 31 March 2012	<u>109,148</u>	<u>32,038</u>	<u>0</u>	<u>1,481</u>	<u>142,667</u>
At 1 April 2010 as originally stated	109,104	30,841	1,957	1,783	143,685
Prior period adjustment	-	210	(1,957)	2,004	257
Restated as at 1 April 2010	109,104	31,051	0	3,787	143,942
Deficit for the year	-	-	-	(3,496)	(3,496)
Revaluation gains and impairment losses property, plant and equipment	-	1,044	-	-	1,044
Transfer of the excess of current cost depreciation over historical cost depreciation to the Income and Expenditure Reserve	-	(872)	-	872	0
At 31 March 2011	<u>109,104</u>	<u>31,223</u>	<u>0</u>	<u>1,163</u>	<u>141,490</u>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2012**

	NOTE	2011/12 £000	2010/11 £000
Cash flows from operating activities			
Operating surplus from continuing operations		4,400	1,379
Non-cash income and expense			
Depreciation and amortisation		8,608	8,085
Impairments		(405)	0
Decrease in Trade and Other Receivables		2,130	2,554
(Increase) / decrease in other assets		70	(65)
(Increase) / decrease in Inventories		(675)	261
(Decrease) in Trade and other Payables		(2,130)	(3,784)
Increase / (decrease) in other liabilities		(45)	83
Increase / (decrease) in Provisions		(16)	(62)
Other movements in operating cashflows		(39)	6
Net cash generated from operations		11,898	8,457
Cash flows from investing activities			
Interest received		31	41
Payments to acquire Property, Plant and Equipment		(5,885)	(6,906)
Receipts from sales of Property, Plant and Equipment		353	1
Net cash used in investing activities		(5,501)	(6,864)
Cash flows from financing activities			
Public dividend capital received		44	0
Loans received	22	232	67
Loans repaid	22	(58)	(4)
Capital element of finance lease rental payments		(1,059)	(498)
Interest paid		(27)	(13)
Interest element of finance leases		(101)	(64)
PDC Dividend paid		(4,875)	(4,358)
Net cash used in financial activities		(5,844)	(4,870)
Increase / (decrease) in cash and cash equivalents		553	(3,277)
Cash and Cash equivalents at 1 April		1,345	4,622
Cash and Cash equivalents at 31 March	26	1,898	1,345

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Monitor has directed that the financial statements of NHS foundation Trusts shall meet the accounting requirements of the *NHS Foundation Trust Annual Reporting Manual* which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the *NHS Foundation Trust Annual Reporting Manual 2011/12* issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and *HM Treasury's Financial Reporting Manual* to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies 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 at their value to the business, certain financial assets and the other financial asset relating EU Emissions Trading Scheme at market value.

1.2 Income

Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements (NHS Contracts). Income is recognised in the period in which services are provided. For patients whose treatment straddles the year end income is apportioned across the financial years on the basis of length of stay, insofar as it is in accordance with the terms of the contract. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

The basis for the calculation of the partially completed spells accrual was those patients who were occupying a Trust bed on 31st March 2012 but were not discharged until the new financial year. Average prices by speciality and by point of delivery were then applied to these spells with adjustments made to ensure that income due was appropriately distributed between the 2011/12 and 2012/13 financial years, based on the distribution of length of stay.

1.3 Expenditure on goods and services

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

1.4 Property, Plant and Equipment

Recognition

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

Staff costs have also been capitalised within specific projects where amounts are considered capital in nature.

The finance costs of bringing fixed assets into use are not capitalised.

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

Measurement

Valuation

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

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 subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows;

- Land and non-specialised buildings – 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. This basis of valuation was adopted by the Trust on 31st March 2010.

All land and buildings are restated to current value using professional valuations in accordance with IAS16 every five years. A three yearly interim valuation is also carried out. Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The last asset valuations were undertaken in 2012 as at the valuation date of 31 March 2012, and have been valued on a modern equivalent asset basis.

Properties in the course of construction for services or administration purposes are carried at cost, less any impairment loss. Costs 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 carrying value of existing assets at the date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value. For assets over £100,000 or that have a life over 15 years, these will be revalued to fair value if materially different from carrying value.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses.

Depreciation

Items of Property, Plant and Equipment are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated economic lives. Freehold land is considered to have an infinite life and is not depreciated.

Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the Trust's professional valuers. Assets held under a finance lease are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset using the following lives:

Medical equipment and engineering plant and equipment	5 to 15
Furniture	10
Mainframe information technology installations	8
Soft furnishings	7
Office and information technology equipment	5
Set-up costs in new buildings	10
Vehicles	7

Information Technology assets also include the Picture Archiving and Communications Systems (PACS) deployment costs, which is depreciated over a 10 year life.

Revaluation gains and losses

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

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

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

Impairments

In accordance with the *HM Treasury's Financial Reporting Manual*, impairments that are due to a loss of economic benefits or service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

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

Other impairments are treated as revaluation losses. Reversals of other impairments are treated as revaluation gains.

De-recognition

Assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
 - o management are committed to a plan to sell the asset;
 - o an active programme has begun to find a buyer and complete the sale;
 - o the asset is being actively marketed at a reasonable price;
 - o the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
 - o the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

1.5 Donated, government grant and other grant funded assets

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a donated asset reserve is no longer maintained. Donated and grant funded 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. Donated and grant funded income is deferred within liabilities where conditions attached to the donation preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

1.6 Revenue government and other grants

Government grants are grants from Government bodies other than income from primary care trusts or NHS trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

1.7 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using average cost of pharmacy stock and latest prices for all other stock which is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Inventories comprise goods in intermediate stages of production.

1.8 Provisions and Contingencies

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms, except for early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of 2.8% (2010/11: 2.9%) in real terms.

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed in the notes to the accounts, but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

Contingencies

Contingent liabilities are not recognised, but are disclosed in note 28, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

1.9 Expenditure on Employee Benefits

Short-term Employee Benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

Past and present employees are covered by the provision of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. 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. It is not possible for the Trust to identify its share of the underlying scheme liabilities. Therefore, the Scheme is accounted for as a defined contribution scheme. Employers pension cost contributions are charged to operating expenses as and when they become due.

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

1.10 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenses in the periods to which they relate.

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. Deposits held in seven day notice accounts are treated as cash equivalents. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.11 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.

1.12 Financial instruments and financial liabilities

Recognition

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

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

De-recognition

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

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

Classification and Measurement

Financial assets are categorised as 'Fair Value through Income and Expenditure', 'Loans and receivables' or 'available for sale financial assets'. The Trust currently has not classified any financial assets as 'Fair Value through Income and Expenditure' or 'available for sale financial assets'.

Financial liabilities are classified as 'Fair Value through Income and Expenditure' or 'Other Financial liabilities'. The Trust currently has not classified any financial liabilities as 'Fair Value through Income and Expenditure'.

Loans and receivables

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

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

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

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

Other Financial liabilities

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

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

The Trust's financial liabilities comprise: NHS and non-NHS payables, other payables, accrued expenditure, and borrowings and finance lease obligations.

Interest on financial liabilities carried at amortised cost is calculated using the effective

interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment is not capitalised as part of the cost of those assets.

Impairment of financial assets

At the Statement of Financial Position date, the Trust assesses whether any loans and receivables are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

1.13 Foreign Exchange

The functional and presentational currency of the Trust is sterling. Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Statement of Comprehensive Income.

1.14 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of the *HM Treasury Financial Reporting Manual*.

1.15 Leases

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant period rate of interest of the outstanding liability.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability is de-recognised when the liability is discharged, cancelled or expires.

Operating leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

Leases of land and buildings

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

1.16 Public Dividend Capital (PDC) and PDC Dividend

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

A charge, reflecting the cost of capital utilised by the Trust, is paid over as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets, (ii) cash held with the Government Banking Service (GBS) excluding cash balances held in GBS that relate to a short term working capital facility, and (iii) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the pre-audit version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

1.17 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 each individual case is handled.

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

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

1.18 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as government granted other current assets and as deferred income in liabilities, valued at fair value. As the Trust makes emissions a provision is recognised. The provision is settled on surrender of the allowances. The other financial asset, provision and deferred income amount is valued at fair value at the Statement of Financial Position date.

1.19 Charitable Funds

The Trust is the corporate Trustee of Medway NHS Foundation Trust Charitable Fund – Registered Charity number 1051748. Under the control criteria in IAS 27 this could require consolidation. However, Monitor has obtained a dispensation from HM Treasury to the application of IAS 27 by NHS Foundation Trusts in relation to NHS charitable funds for the period ending 31 March 2012.

1.20 Accounting standards and amendments issued but not yet adopted

The following standards and interpretations issued by the IASB which have not yet been adopted. None of them are expected to impact upon the Trust's financial statements.

IFRS 7 Financial Instruments: Disclosures – amendment
IFRS 9 Financial Instruments
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 12 Income Taxes amendment
IAS 1 Presentation of financial statements, on other comprehensive income (OCI)
IAS 27 Separate Financial Statements
IAS 28 Associates and joint ventures

1.21 Restructuring costs

In accordance with IAS 37 the Trust has disclosed an element of the redundancy costs as restructuring. These amounts relates to the cessation of the activities of an entire department or the removal of a management function.

2 Operating segments

The Trust reports to the Board on a monthly basis the performance on a directorate level. In considering segments with a total income of 10% or more the Trust has identified three reportable segments. The main source of income for the Trust is from commissioners in respect of healthcare services from PCT's who are under common control and classified as a single customer. Net assets are not reported to the Board so therefore have been excluded for the purposes of this note.

The level of income received from PCTs shown below amounted to £201,367,000. The Trust report to the Board by directorate down to an Operating Contribution. All further costs and income are shown on a corporate level so have been excluded in the analysis.

Operating segments 2011/12

	A&E and Adult Medicine 2011/12 £000	Children and Women's Services 2011/12 £000	Surgery and Anaesthetics 2011/12 £000	Central 2011/12 £000	Total 2011/12 £000
Income	76,462	46,257	74,422	8,444	205,585
Expenditure	(60,894)	(40,905)	(67,583)	(13,753)	(183,135)
Contribution	15,568	5,352	6,839	(5,309)	22,450

Reconciliation to accounts

	Directorates	Under 10%	Total
Income	205,585	22,271	227,856
Expenditure	<u>(183,135)</u>	<u>(31,713)</u>	<u>(214,848)</u>
Contribution	22,450	(9,442)	13,008
			Depreciation (8,608)
			Finance expenses (150)
			Finance income 31
			PDC dividend <u>(4,848)</u>
			<u>Operating deficit (567)</u>

Operating segments 2010/11

	A&E and Adult Medicine 2010/11 £000	Children and Women's Services 2010/11 £000	Surgery and Anaesthetics 2010/11 £000	Central 2010/11 £000	Total 2010/11 £000
Income	75,773	45,510	71,228	10,100	202,611
Expenditure	<u>(59,075)</u>	<u>(40,141)</u>	<u>(66,529)</u>	<u>(19,234)</u>	<u>(184,979)</u>
Contribution	16,698	5,369	4,699	(9,134)	17,632

Reconciliation to accounts

	Directorates	Under 10% restated	Total restated
Income	202,611	15,593	218,204
Expenditure	<u>(184,979)</u>	<u>(23,761)</u>	<u>(208,740)</u>
Contribution	17,632	(8,168)	9,464
			Depreciation (8,085)
			Finance expenses (95)
			Finance income 41
			PDC dividend <u>(4,821)</u>
			<u>Operating deficit (3,496)</u>

3. Income from Activities

3.1 Income from Activities (by classification)

	2011/12 £000	2010/11 £000 restated
Elective income	36,596	38,149
Non elective income	69,474	70,701
Outpatient income	41,952	41,107
A & E income	7,353	6,986
Other NHS clinical income	46,072	36,397
Private patient income	292	318
Other non-protected clinical income		
- Injury cost recovery (including Road Traffic Act Income)	<u>1,171</u>	<u>1,133</u>
	<u>202,910</u>	<u>194,791</u>

Other NHS clinical income includes

	2011/12	2010/11
	£000	£000
Direct Access	9,533	8,594
NICU	6,962	6,567
ICU	5,645	5,583
High Cost Drugs	6,581	5,241

3.2 Income from Activities (by type)

	2011/12	2010/11
	£000	£000
Primary Care Trusts	201,367	193,251
NHS Foundation Trusts	44	58
NHS Trusts	36	31
Non NHS:		
- Private patients	158	164
- Overseas patients (non-reciprocal)	134	154
- Injury cost recovery (including Road Traffic Act Income)	1,171	1,133
	<u>202,910</u>	<u>194,791</u>

Injury Cost Recovery income is subject to a provision for doubtful debts of 10.5% (9.6% 2010/11) to reflect expected rates of collection.

Private patient income

The Trust's private patient activity is restricted by the private patient cap, as set out in the Trust's terms of authorisation as a Foundation Trust, based on its 2002/03 income, and for the Trust is 0.18% of total patient income. Income from private patient activity for 2011/12 totalled £292,000 (£318,000 2010/11), which equates to 0.14% of total patient related income, which is within the cap. Included in this figure are overseas patients where there is no reciprocal agreement.

	2011/12	2010/11	2002/03 Base year
	£000	£000	£000
Private Patient Income	292	318	187
Total patient related income	202,910	194,791	103,467
Proportion (as a percentage)	0.14%	0.16%	0.18%

4 Other Operating Income

	2011/12	2010/11
	£000	£000
		restated
Research and development	378	445
Education and training	5,645	5,964
Charitable and other contributions to expenditure	412	512
Non-patient care services to other bodies	8,313	8,484
Reversal of Impairment	451	536
Other income	9,684	8,008
Profit on disposal of land and buildings	63	0
	<u>24,946</u>	<u>23,949</u>

Other Income includes

	2011/12	2010/11
	£000	£000
Car parking	1,317	1,311
Staff accommodation	390	378
Creche	349	353
Catering	662	645
	<u>2,718</u>	<u>2,687</u>

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

5 Operating Expenses (by type)

Operating expenses comprise

	2011/12	2010/11
	£000	£000
Services from other NHS Trusts	5,835	5,206
Services from PCTs	133	1,213
Services from non NHS bodies	1,397	922
Services from Foundation Trusts	717	649
Non executive Directors' costs	132	133
Executive Directors' costs	718	719
Staff costs	146,268	146,059
Supplies and services - clinical	36,031	32,778
Supplies and services - general	2,397	2,541
Consultancy services	2,018	859
Establishment	2,046	2,077
Transport	176	96
Premises	7,289	6,780
Increase in bad debt provision	88	82
Depreciation	8,608	8,085
Fixed asset impairments and reversals	46	536
Loss on disposal	24	0
Statutory audit fee	73	68
Clinical negligence	5,067	4,969
Redundancy	545	0
Restructuring	543	0
Other	3,305	3,589
	<u>223,456</u>	<u>217,361</u>

Audit Fees of £73,000 (2010/11 £68,000) comprise exclusively statutory audit fees and no other assurance services or other services have been provided.

6 Operating Leases

As lessee

Payments recognised as an expense

	2011/12	2010/11
	£000	£000
Minimum lease payments	<u>434</u>	<u>337</u>
	434	337

Total future minimum lease payments

	Buildings	Other	31 March	31
	£000	£000	2012	March
			Total	Total
			£000	£000
Payable:				
Not later than one year	139	295	434	359
Between one and five years	342	699	1,041	824
After five years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>481</u>	<u>994</u>	<u>1,475</u>	<u>1,183</u>

In general, operating leases are for various pieces of equipment and are for a five year period. Generally all equipment leases are taken out under the 'NHS Conditions of Contract for the Lease of Goods.' None of these equipment leases are deemed to be significant or described as specialised in nature, with the largest being £351,396 in annual payments. The Trust has also entered into an operating lease for the use of a building which is for a fifteen year period, but with a break clause at years five and ten, provided that six months' prior written notice has been given.

7 The late payment of commercial debts (interest) Act 1998

The late payment of commercial debts (interest) Act 1998

	2011/12	2010/11
	£000	£000
Amounts included within other interest payable arising from claims made under this legislation	1	1
Compensation paid to cover debt recovery costs under this legislation	0	2

8 Employee expenses and numbers

8.1 Employee expenses

	Total	2011/12 Permanently Employed	Other	Total	2010/11 Permanently Employed	Other
	£000	£000	£000	£000	£000	£000
Salaries and wages	124,033	112,213	11,820	124,306	110,229	14,077
Social Security Costs	10,038	9,582	456	9,615	9,141	474
Employer contributions to NHS Pension Scheme	12,915	12,573	342	12,857	12,520	337
Termination benefits	1,088	1,088	0	0	0	0
	148,074	135,456	12,618	146,778	131,890	14,888

This analysis excludes non executive director costs of £132,000 (2010/11 £133,000)

8.2 Directors' Remuneration and Other Benefits

	2011/12 £000	2010/11 £000
Directors Remuneration	693	696
Social Security Costs	80	76
Employer contributions to NHS Pension scheme	77	80
Total Remuneration	850	852

5 directors (2010/11 6) are accruing pension benefits under the NHS Pension Scheme (Defined benefits)

8.3 Average number of persons employed

	Total	2011/12 Permanently Employed	Other	Total	2010/11 Permanently Employed	Other
	Number	Number	Number	Number	Number	Number
Medical and dental	450	426	24	438	409	29
Administration and estates	1,067	1,007	60	1,134	1,076	58
Healthcare assistants and other support staff	541	541	0	528	528	0
Nursing, midwifery and health visiting staff	1,253	1,036	217	1,240	1,016	224
Nursing, midwifery and health visiting learners	56	19	37	67	22	45
Scientific, therapeutic and technical staff	282	265	17	281	266	15
Total	3,649	3,294	355	3,688	3,317	371

8.4 Staff Sickness

	2011/12	2010/11
	Number	Number
Days lost (long term)	20,755	15,580
Days lost (short term)	17,834	17,967
Total days lost	38,589	33,547
Total Staff Years	3,321	3,281
Average working days lost	11.6	10.2
Total staff employed in period (headcount)	3,848	3,855
Total staff employed in period with no absence (headcount)	1,418	1,609
Percentage staff with no sick leave	37%	42%

8.5 Reporting of other compensation schemes - exit packages

Exit package cost band	2011/12		2012/13	
	Number of compulsory redundancies Number	Cost of compulsory redundancies £000s	Number of compulsory redundancies Number	Cost of compulsory redundancies £000s
<£10,000	7	38	0	0
£10,001 - £25,000	10	182	0	0
£25,001 - 50,000	6	193	0	0
£50,001 - £100,000	2	139	0	0
£100,001 - £150,000	0	0	0	0
£150,001 - £200,000	2	320	0	0
>£200,001	1	216	0	0
Total	28	1,088	0	0

There have been no (2010/11 0) departures where special payments have been made.

9 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 NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

a) 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 formal actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012, is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 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.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member dataset is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

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.

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) will be used to replace 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.

10 Retirements due to ill-health

During 2011/12 there was 1 (2010/11, 4) early retirements from the Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £36,529 (2010/11, £313,346). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

11 Salary and pension entitlements of senior managers
b) Remuneration

Name and title	2011/12			2010/11		
	Salary	Other Remuneration	Benefits in kind	Salary	Other Remuneration	Benefits in kind
	(bands of £5000) £000	(bands of £5000) £000	Rounded to the nearest £100	(bands of £5000) £000	(bands of £5000) £000	Rounded to the nearest £100
Mr V Hull, Chairman	40-45	-	-	40-45	-	-
Mr G Clayden, Non-executive Director	10-15	-	-	10-15	-	-
Mr A Horwood, Non-executive Director	10-15	-	-	10-15	-	-
Mr C Wilby, Non-executive Director	10-15	-	-	10-15	-	-
Mr C Ofili, Non-executive Director	0-5	-	-	10-15	-	-
Mr J Sands, Non-executive Director	10-15	-	-	10-15	-	-
Mr M Jamieson, Non-executive Director	10-15	-	-	0-5	-	-
Ms J Stephens, Non-executive Director	5-10	-	-	-	-	-
Mr M Devlin, Chief Executive	150-155	-	-	150-155	-	-
Mr P Johnson, Director of Operations and Deputy CEO	130-135	-	-	125-130	-	-
Mr S Orpin, Interim Director of Finance	95-100	-	-	-	-	-
Dr G Smith-Laing, Medical Director	25-30	150-155	-	25-30	170-175	-
Ms J McKenna, Director of Nursing	100-105	-	-	100-105	-	-
Band of Highest Paid Director's Total Remuneration (£'000)	150-155			150-155		
Median Total Remuneration (£'000)	22,676			21,798		
Ratio	6.8			7.1		

Notes

For the purposes of the remuneration report, Senior Managers are defined as those with voting rights at a Trust Board meeting.

Mr C Ofili retired on 31st July 2011

Ms J Stephens commenced on 1st August 2011

Mr S Orpin filled the role of Interim Director of Finance between 1 April 2011 and 31 March 2012, and returned to the role of Deputy Director of Finance on 1 April 2012

Mr A Brown provided services as an Interim Director of Human Resources throughout the financial year which employed by Dartford and Gravesham NHS Trust. Salary costs of £71,490 for this period (including pension and employers' costs) were recharged to the Trust by Dartford and Gravesham NHS Trust (2010/11 £59,381).

Changes after 31st March

Mrs D Harker was appointed Chairman on 1 April 2012

Mr A Marshall was appointed Interim Director of Finance on 1 April 2012

b) Pension benefits

Name and title	Real increase in pension and related lump sum at age 60	Total accrued pension and related lump sum at age 60 at 31 March 2012	Cash Equivalent Transfer Value at 31 March 2012	Cash Equivalent Transfer Value at 31 March 2011	Real Increase in Cash Equivalent Transfer
	(bands of £2500)	(bands of £2500)	£000	£000	£000
	£000	£000	£000	£000	£000
Mr M Devlin, Chief Executive	7.5-10	150-152.5	595	464	72
Mr P Johnson, Director of Operations and Deputy CEO	0-2.5	7.5-10	101	63	22
Mr S Orpin, Interim Director of Finance	2.5-5	102.5-105	343	-	51
Ms J McKenna, Director of Nursing	0-2.5	120-122.5	532	452	41

a) The information in the above table has been provided by the NHS Pensions Agency.

b) Dr G Smith-Laing, Medical Director has taken his pension and as such no benefit is recorded above.

12 Finance income

	2011/12 £000	2010/11 £000
Interest on loans and receivables	<u>31</u>	<u>41</u>
	31	41

13 Finance costs – interest expense

	2011/12 £000	2010/11 £000
Finance leases	101	64
Working Capital Facility	26	11
Other	<u>1</u>	<u>2</u>
	128	77

14. Property, plant and equipment

14.1 Property, plant and equipment 2011/12

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and POA	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2011	20,435	105,281	6,081	1,570	37,000	475	8,704	10,126	189,672
Additions - purchased	0	0	0	4,826	3,172	0	929	0	8,927
Additions - donated	0	0	0	0	251	10	3	14	278
Additions - government granted	0	0	0	0	60	0	0	0	60
Impairments	(5)	(121)	(50)	0	0	0	0	0	(176)
Reclassifications	0	3,795	94	(5,024)	350	0	617	168	0
Revaluation	0	(1,918)	(39)	0	0	0	0	0	(1,957)
Disposals	(60)	(232)	0	0	(5,315)	0	(141)	(90)	(5,838)
Cost or Valuation at 31 March 2012	20,370	106,805	6,086	1,372	35,518	485	10,112	10,218	190,966
Depreciation at 1 April 2011	0	130	34	0	29,246	472	5,470	8,862	44,214
Provided during the year	0	4,109	239	0	2,930	3	1,070	257	8,608
Impairments	0	32	7	0	7	0	0	0	46
Reversal of impairments	0	(439)	(12)	0	0	0	0	0	(451)
Revaluation	0	(3,621)	(212)	0	0	0	0	0	(3,833)
Disposals	0	(4)	0	0	(5,290)	0	(140)	(90)	(5,524)
Depreciation at 31 March 2012	0	207	56	0	26,893	475	6,400	9,029	43,060
Net book value									
- Owned at 1 April 2011	20,435	104,041	6,047	1,570	5,493	3	3,227	1,237	142,053
- Finance lease at 1 April 2011	0	0	0	0	1,316	0	0	0	1,316
- Donated at 1 April 2011	0	1,110	0	0	945	0	7	27	2,089
- Total at 1 April 2011	20,435	105,151	6,047	1,570	7,754	3	3,234	1,264	145,458
- Owned at 31 March 2012	20,370	105,493	6,030	1,372	4,729	0	2,928	1,155	142,077
- Finance lease at 31 March 2012	0	0	0	0	2,881	0	777	0	3,658
- Government Granted at 31 March 2012	0	0	0	0	60	0	0	0	60
- Donated at 31 March 2012	0	1,105	0	0	955	10	7	34	2,111
- Total at 31 March 2012	20,370	106,598	6,030	1,372	8,625	10	3,712	1,189	147,906

14.2 Analysis of property, plant and equipment 31 March 2012

Net book value

Protected assets at 31 March 2012	20,155	106,598	0	0	0	0	0	0	126,753
Unprotected assets at 31 March 2012	215	0	6,030	1,372	8,625	10	3,712	1,189	21,153
	20,370	106,598	6,030	1,372	8,625	10	3,712	1,189	147,906

14.3 Property, plant and equipment 2010/11

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and POA	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	20,435	99,740	6,105	4,550	35,588	475	8,330	10,074	185,297
Additions - purchased	0	0	0	5,819	1,097	0	219	0	7,135
Additions - donated	0	0	0	0	348	0	0	0	348
Impairments	0	(526)	(100)	0	0	0	0	0	(626)
Reclassifications	0	8,317	102	(8,799)	135	0	193	52	0
Revaluation	0	(2,250)	(26)	0	0	0	0	0	(2,276)
Disposals	0	0	0	0	(168)	0	(38)	0	(206)
Cost or Valuation at 31 March 2011	20,435	105,281	6,081	1,570	37,000	475	8,704	10,126	189,672
Depreciation at 1 April 2010	0	53	11	0	26,622	469	4,551	8,555	40,261
Provided during the year	0	3,766	280	0	2,772	3	957	307	8,085
Revaluation	0	(3,689)	(257)	0	0	0	0	0	(3,946)
Disposals	0	0	0	0	(148)	0	(38)	0	(186)
Depreciation at 31 March 2011	0	130	34	0	29,246	472	5,470	8,862	44,214

14.4 Analysis of property, plant and equipment 31 March 2011

Net book value

Protected assets at 31 March 2011	20,160	104,891	0	0	0	0	0	0	125,051
Unprotected assets at 31 March 2011	275	260	6,047	1,570	7,754	3	3,234	1,264	20,407
	20,435	105,151	6,047	1,570	7,754	3	3,234	1,264	145,458

14.4 Property, plant and equipment (contd)

Of the totals at 31 March 2012, none related to land valued at open market value, none related to buildings valued at open market value and none related to dwellings valued at open market value.

During the year assets have been donated by the following organisations;

Medway NHS Foundation Trust Charitable Fund	£36,284
Medway League of Friends	£241,370

14.5 Impairments

	2011/12 £000	2010/11 £000
Loss or damage from normal operations	14	0
Changes in market price	208	1,162
Reversal of impairments	(451)	(536)
TOTAL	(229)	626

14.6 Economic lives and valuations

Information on the economic life of property, plant and equipment is included in the accounting policies.

During the year the land, buildings and dwellings were valued by the Valuation Office Agency on a Modern Equivalent Asset basis.

15.1 Inventories

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Materials and consumables	5,460	4,785	5,046
TOTAL	5,460	4,785	5,046

15.2 Inventories recognised in expenses

	2011/12 £000	2010/11 £000
Inventories recognised as an expense in the period	34,248	31,890
	34,248	31,890

16 Trade receivables and other receivables

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Current:			
NHS receivables	6,466	8,240	10,970
Provision for impaired receivables	(349)	(281)	(207)
Prepayments, accrued income and deferred expenditure	885	1,609	1,605
PDC dividend receivable	11	0	447
Other receivables	4,283	3,847	3,601
TOTAL	11,296	13,415	16,416

The majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

17 Provision for impairment of receivables

	31 March 2012 £000	31 March 2011 £000
Balance at 1 April	281	207
Increase in provision	88	82
Amount utilised	(20)	(8)
Balance at 31 March	349	281

This principally relates to a provision for doubtful debts of 10.5% for Road Traffic Act income.

18 Analysis of receivables past due impaired and non-impaired

	31 March 2012 £000	31 March 2011 £000
Ageing of past due impaired receivables		
Up to three months	0	0
In three to six months	0	0
Over six months	349	281
	349	281
Ageing of past due non-impaired receivables		
Up to three months	1,001	1,288
In three to six months	435	454
Over six months	1,413	1,410
	2,849	3,152

19 Other Current Assets

19.1 Other Current Assets

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
EU Emissions Trading Scheme	52	122	57
TOTAL	52	122	57

20 Trade and other payables

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Current			
NHS payables	3,206	5,866	5,400
Non - NHS trade payables - revenue	10,149	9,889	10,717
Non - NHS trade payables - capital	1,709	1,774	2,576
Social security costs	1,481	1,374	1,349
Other payables	250	190	305
PDC Payable	0	16	0
Accruals	2,228	2,060	4,590
TOTAL	19,023	21,169	24,937

NHS payables include;

- £1,593,352 outstanding pensions contributions at 31 March 2012 (31 March 2011 £1,606,784).

21 Other liabilities

Other Liabilities

	31 March 2012 £000	31 March 2011 £000 restated	1 April 2010 £000 restated
Current			
Deferred Income	66	111	42
TOTAL	66	111	42

22 Borrowings

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Current			
Other loans	80	29	3
Obligations under finance leases	1,077	415	403
Working capital	0	2,000	0
	1,157	2,444	406
Non Current			
Other loans	178	55	18
Obligations under finance leases	2,515	856	787
	2,693	911	805

23 Prudential Borrowing Limit (PBL)

The Trust is required to comply and remain within a prudential borrowing limit ("PBL") made up of two elements:

- the maximum cumulative amount of long term borrowing. This is set by reference to the four ratios set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's Compliance Framework determines one of the ratios and therefore can impact on the long term borrowing limit.
- the amount of any working capital facility approved by Monitor.

Further information on the Trust's Prudential Borrowing Code & Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

The Trust had a prudential borrowing limit of £33.7 million at 31 March 2012. The Trust has actually borrowed £3,850,145 (£1,354,903 at 31 March 2011). This borrowing relates primarily to finance leases and £257,865 in respect to non-interest bearing loans.

The Trust has a £17.0 million approved working capital facility. At the end of the financial year there was no draw down against the working capital facility (£2,000,000 at 31 March 2011).

The financial ratios for the period are shown below with the actual level of achievement for the period.

Financial Ratio	Actual Ratio March 2012	Approved PBL Ratio March 2012	Actual Ratio March 2011	Approved PBL Ratio March 2011
Minimum Dividend Cover	2.7x	>1x	2.0x	>1x
Minimum Interest Cover	103x	>3x	122x	>3x
Minimum Debt Service Cover	12x	>2x	18x	>2x
Maximum Debt Service to Revenue	<1%	<2.5%	<1%	<2.5%

24 Finance lease obligations

Amounts payable under finance leases

	Minimum Lease Payments		Present value of minimum lease payments	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Within one year	1,077	519	1,077	519
Between one and five years	2,720	880	2,515	752
After five years	0	0	0	0
Less future finance charges	(205)	(128)	0	0
Present value of minimum lease payments	<u>3,592</u>	<u>1,271</u>	<u>3,592</u>	<u>1,271</u>
Included in:				
Current borrowings			1,077	519
Non-current borrowings			<u>2,515</u>	<u>752</u>
			<u>3,592</u>	<u>1,271</u>

The finance leases relate to plant and machinery, the largest is for a MRI Scanner, or IT hardware and are for a five year period.

25 Provisions for liabilities and charges

	Current		Non-Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Pensions relating to staff	30	27	741	717
Legal claims	106	107	0	0
EU Emissions Trading Scheme	15	35	0	0
Dilapidation	0	0	114	114
TOTAL	151	169	855	831

	Pensions relating to staff	Legal claims	European Union Emissions Trading Scheme	Dilapidation provision	Total
	£000	£000	£000	£000	£000
At 1 April 2011	744	107	35	114	1,000
Change in the discount rate	(5)	0	0	0	(5)
Arising during the year	81	73	23	0	177
Utilised during the year	(71)	(50)	(43)	0	(164)
Reversed unused	0	(24)	0	0	(24)
Unwinding of discount	22	0	0	0	22
At 31 March 2012	<u>771</u>	<u>106</u>	<u>15</u>	<u>114</u>	<u>1,006</u>
Expected timing of cashflows:					
Within one year	30	106	15	0	151
Between one and five years	141	0	0	0	141
After five years	600	0	0	114	714
	<u>771</u>	<u>106</u>	<u>15</u>	<u>114</u>	<u>1,006</u>

The provision for pensions relating to other staff reflects the liabilities due to early retirements prior to 6 March 1995. The legal claims provision reflects liabilities arising from Public and Employee Liability claims.

The provision relating to the European Union Emissions Trading Scheme reflects the liability to surrender part of the 2012 calendar year allowance arising from emissions since 1st January 2012.

The dilapidation provision relates to the cost to bring the leased property at Stirling Park back to its original condition.

£23,061,788 is included in the provisions of the NHS Litigation Authority at 31 March 2012 in respect of clinical negligence liabilities of the Trust (31 March 2011 at £18,309,213).

26 Cash and cash equivalents

	At 1 April 2011 £000	Cash changes 2011/12 £000	At 31 March 2012 £000
Government Banking Service cash at bank	3,289	(773)	2,516
Commercial cash at bank and in hand	56	(674)	(618)
Cash and cash equivalent in Statement of Financial Position	3,345	(1,447)	1,898
Working Capital Facility included in borrowing	(2,000)	2,000	0
Cash and cash equivalents as in Statement of Cash Flows	1,345	553	1,898

27 Capital Commitments

There were no commitments under capital expenditure contracts at 31 March 2012 (£43,859 at 31 March 2011).

28 Contingencies

The contingent liabilities relating to the Trust as at 31 March 2012 were £34,488 (£69,030 at 31 March 2011) relating to NHS Litigation Authority Legal Claims.

The Trust has continued to pursue, through mediation, the performance and resolution of defects/snags arising from a previous contract for the redevelopment of Medway Hospital.

29 Related Party Transactions

The Medway NHS Foundation Trust is a corporate body established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with the 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 the parent Department. These entities are listed below:

Strategic Health Authorities
Primary Care Trusts
NHS Trusts and NHS Foundation Trusts
NHS Arms Length Bodies

The main entities with which the Trust had material transactions are within the Kent and Medway Health Economy, or are Arms Length Bodies and are:

	2011/12 Payments to Related Party £000	2011/12 Receipts from Related Party £000	31 March 2012 Amounts owed to related Party £000	31 March 2012 Amounts due from Related Party £000
Strategic Health Authorities				
South East Coast Strategic Health Authority	100	539	62	3
Primary Care Trusts				
Eastern and Coastal Kent Primary Care Trust	0	47,771	0	882
Medway Primary Care Trust	122	140,568	438	2,539
West Kent Primary Care Trust	0	13,874	112	241
NHS Trusts				
Dartford and Gravesham NHS Trust	1,655	568	288	85
Kent and Medway NHS and Social Care NHS Trust	365	1,433	102	387
Kent Community Healthcare	985	261	505	557
Maidstone and Tunbridge Wells NHS Trust	3,678	1,089	392	269
NHS Foundation Trusts				
East Kent Hospitals NHS Foundation Trust	237	1,942	69	100
NHS Arms Length Bodies				
NHS Business Services Authority	1,888	9	551	0
NHS Litigation Authority	5,208	0	0	6
NHS Pensions Agency	19,280	0	1,611	0
Other Government Departments				
HM Revenue and Customs	37,191	0	3,107	0
The Trust has also received income from charitable funds where the Trust is the corporate Trustee				
Medway NHS Foundation Trust Charitable Fund	0	135	0	6

	2010/11 Payments to Related Party £000	2010/11 Receipts from Related Party £000	31 March 2011 Amounts owed to related Party £000	31 March 2011 Amounts due from Related Party £000
Strategic Health Authorities				
South East Coast Strategic Health Authority	106	666	104	30
Primary Care Trusts				
Eastern and Coastal Kent Primary Care Trust	0	47,545	0	1,339
Medway Primary Care Trust	1,166	131,863	1,012	2,241
West Kent Primary Care Trust	133	14,087	24	1,765
NHS Trusts				
Dartford and Gravesham NHS Trust	1,453	356	171	51
Kent and Medway NHS and Social Care NHS Trust	348	1,831	107	370
Maidstone and Tunbridge Wells NHS Trust	3,028	1,333	1,047	224
NHS Foundation Trusts				
East Kent Hospitals NHS Foundation Trust	113	1,837	104	252
NHS Arms Length Bodies				
NHS Business Services Authority	5,595	0	1,831	0
NHS Litigation Authority	5,111	0	1	1
NHS Pensions Agency	19,227	0	1,623	0
Other Government Departments				
HM Revenue and Customs	36,475	0	3,086	60
The Trust has also received income from charitable funds where the Trust is the corporate Trustee				
Medway NHS Foundation Trust Charitable Fund	0	164	8	25

30 Financial Instruments

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Trust actively seeks to minimise its financial risks. In line with this policy, the Trust neither buys nor sells financial instruments. 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 invests surplus cash based on forecasted cash flows with Commercial Banks in line with the Treasury Policy. Institutions are selected based on their Moody's rating, which determines the maximum amount to be invested. Moody's Investors Services Ltd is an international rating agency who provides a rating system to help investors determine the risk associated with investing in a specific company, investing instrument, or market. The Trust has continued to implement stricter guidance during the year restricting the amount with any one institution to 25% of the Trust's cash holdings.

Interest-Rate Risk

All of the Trust's financial liabilities carry nil or fixed rates of interest. The only element of the Trust's financial liabilities that is subject to a variable rate is the working capital facility, utilised for short term cashflow requirements. In addition, the only element of the Trust's assets that are subject to a variable rate are short term cash investments. The Trust is not, therefore, exposed to significant interest-rate risk.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

Credit Risk

The Trust operates primarily within the NHS market and receives the majority of its income from other NHS organisations. There is therefore little risk that one party will fail to discharge its obligations with the other. Disputes can arise, however, around how the amounts owed are calculated, particularly due to the complex nature of the Payments by Results regime. For this reason the Trust makes a provision for irrecoverable amounts based on historic patterns and the best information available at the time the accounts are prepared. The Trust does not hold any collateral as security.

Liquidity Risk

The Trust's net operating costs are incurred under contracts with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust received such contract income in accordance with Payments by Results (PBR), which is intended to match the income received in year to the activity delivered in that year by reference to the National Tariff procedure cost. The Trust receives cash each month based on an annually agreed level of contract activity and there are monthly payments made to adjust for the actual income due under PBR. The Trust has continued to put in place a £17,000,000 working capital facility with its current Bankers, which has been utilised during the year. There was no outstanding amount at the 31st March 2012.

The Trust presently finances its capital expenditure from internally generated funds or funds made available from Government, in the form of additional Public Dividend Capital, under an agreed limit. In addition, the Trust can borrow from the Foundation Trust Financing Facility and commercially to finance capital schemes. Financing is drawn down to match the capital spend profile of the scheme concerned and the Trust is not, therefore, exposed to significant liquidity risks in this area.

Financial assets by category

The Trust does not hold any financial assets or liabilities that are held at fair value through Income and Expenditure. All financial assets are shown within loans and receivables and financial liabilities are shown as other.

Financial assets by category

	Loans and receivables	Book Value	Fair Value
At 31 March 2012			
Receivables	10,497	10,497	10,497
Cash and cash equivalents	<u>1,898</u>	<u>1,898</u>	<u>1,898</u>
	<u>12,395</u>	<u>12,395</u>	<u>12,395</u>
At 31 March 2011			
Receivables	11,945	11,945	11,945
Cash and cash equivalents	<u>3,345</u>	<u>3,345</u>	<u>3,345</u>
	<u>15,290</u>	<u>15,290</u>	<u>15,290</u>

Financial liabilities by category

	Other	Book Value	Fair Value
At 31 March 2012			
Payables	15,916	15,916	15,916
Other borrowings	258	258	258
Finance leases	<u>3,592</u>	<u>3,592</u>	<u>3,592</u>
	<u>19,766</u>	<u>19,766</u>	<u>19,766</u>
At 31 March 2011			
Payables	18,067	18,067	18,067
Other borrowings	2,084	2,084	2,084
Finance leases	<u>1,271</u>	<u>1,271</u>	<u>1,271</u>
	<u>21,422</u>	<u>21,422</u>	<u>21,422</u>

Maturity of financial liabilities

	31 March 2012 £000	31 March 2011 £000
In one year or less	17,743	20,615
In more than one year but not more than two years	1,077	494
In more than two years but not more than five years	<u>946</u>	<u>313</u>
	<u>19,766</u>	<u>21,422</u>

31 Third Party Assets

The Trust held £3,081 cash at bank and in hand at 31 March 2012 (£2,253 at 31 March 2011) which relates to monies held on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

32 Losses and Special Payments

There were 175 cases of losses and special payments (2010/11: 294 cases) totalling £173,825 (2010/11: £114,691) paid during 2011/12.

There were 0 cases where the net payment exceeded £250,000 (2010/11: 0 cases).

Clinical negligence cases are managed by the National Health Service Litigation Authority and transactions relating to such cases are held in their accounts. The Trust pays a premium for their services and excesses on some cases. Therefore, these cases have not been accounted for in the Trust's accounts.

33 Prior period adjustment

	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000
Taxpayers' equity at 31 March 2011	(864)	30,986	2,089
Adjustments for donated assets and government grants	2,027	237	(2,089)
Restated Taxpayers' equity at 31 March 2011	<u>1,163</u>	<u>31,223</u>	<u>0</u>
Taxpayers' equity at 1 April 2010	1,783	30,841	1,957
Adjustments for donated assets and government grants	2,004	210	(1,957)
Restated Taxpayers' equity at 1 April 2010	<u>3,787</u>	<u>31,051</u>	<u>0</u>
	£000		
Deficit for 2010/11	(3,518)		
Adjustments for:			
Donated assets and government grants	<u>22</u>		
Restated deficit for 2010/11	<u>(3,496)</u>		

The prior period adjustment has meant that the donated asset reserve has been removed, and the balance split between retained earnings and the revaluation reserve. £1,957,000 has been transferred at 1 April 2010, with £210,000 taken to the revaluation reserve and £1,747,000 taken to retained earnings. £105,000 net income in 2010/11 has been reversed out of the Statement of Comprehensive Income and £28,000 revaluation gains included in the Revaluation Reserve. The Government Grant (big lottery funding) balance at 31 March 2010 and 31 March 2011 and the amount amortised as income in 2010/11, has been restated and taken entirely to as there are no remaining conditions attached to the funding. £258,000 has been transferred from other liabilities at 1 April 2010 and £83,000 removed from income in 2010/11. The net impact is that taxpayers equity at 1 April 2010 has increased by £257,000 and the deficit for 2010/11 has decreased by £22,000.

