



East Sussex Healthcare
NHS Trust

Annual Report 2017-2018

WHAT MATTERS TO YOU
MATTERS TO US ALL

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Welcome and overview

We are pleased to present our annual report which looks back on our work and achievements over 2017/18. The Trust has implemented many changes and improvements over the last 12 months and there is a growing confidence within the organisation in our ability to achieve important national standards and our ambition to be an outstanding Trust by 2020.

We have made great progress in delivering the target of assessing and treating or referring 95% of patients within four hours in our emergency departments. This is an important national standard and is an indicator of how well our organisation is working. It is also a reflection of how the whole health and care system works together, from social care, to primary care through to community and acute services. We are now regularly exceeding 90%, and are in the top 30 Trusts in the country.

Together we are transforming the way we provide urgent and emergency care, embedding quality management systems, better identifying and supporting those patients at the end of their life, reducing patient falls and pressure ulcers and effectively detecting and managing infections. In February 2018 Jeremy Hunt, Secretary of State for Health, visited the Trust and told us that he was “impressed by the excellent work to focus on mortality rates and falls”. There is much of which to be proud.

These improvements are set in the context of unprecedented demand. We have seen an increase in attendances at our Emergency Departments – this was significantly higher over winter. However, our work to create integrated care across East Sussex through East Sussex Better Together (ESBT) and more widely across Sussex and East Surrey through our local Sustainability and Transformation Partnership (STP), has helped us to manage the continued increase, whilst improving our services. Our partnership with East Sussex County Council and our commissioners has helped us manage demand during a very busy winter period. We bucked the trend nationally, with only a handful of operation cancellations because of bed space. Our ESBT work is being recognised nationally and we were proud to win a high profile HSJ partnership award.

Referrals to our community services have also continued to increase, putting these teams under heavy pressure. Colleagues, particularly in community and district nursing and community child health, have shown great resilience and determination to maintain core standards of care in these challenging circumstances.

Throughout the year, our patients have continued to rate their experiences of our care very highly. Our patient experience scores have improved and our two hospitals have four and four and a half star ratings on NHS Choices. We are also seeing more plaudits about the care we offer and fewer complaints.

Our goal is to be an organisation that provides care in which the people of East Sussex can be fully confident, and one in which people are happy and proud to work. The first is dependent on the second, therefore looking after our staff and making sure that they have

the support they need is very important to us. During 2017/18 we reduced our vacancy rate, recruiting to a number of nationally 'hard to recruit to' posts. In the 2017 NHS Staff Survey, we maintained the significant improvements that we saw in the 2016 survey and saw further improvements in many important areas. We are now one of the best performing trusts in the South East. This improvement was borne out in improved results from the Medical Engagement Scale and the GMC junior doctor survey.

We continue to value innovation and research as a way to provide high quality patient care. Over the last year, the Trust has worked with patients, universities, industry and others to take the best new ideas and use them to care for our patients in the most effective way. ESHT members of staff have supported many advances over the years, including pioneering treatments and technology that are now routinely used in hospitals throughout the UK.

This year the Trust's finances remained challenging and we ended the financial year with a deficit of £54.982m. This figure is far larger than we wanted and more than the ambitious target we set ourselves at the start of this year. While we improved our underlying financial position and made ££22.45m in financial savings, we did not do enough to reach our financial targets. We have a duty to our local community to be financially sustainable, while continuing to make the significant improvements to quality and safety that we have seen over the last 12 months. We are identifying ways to further reduce our costs in 2018/19 and beyond, through building effective and efficient services while maintaining safe and high quality care for our patients.

In March, the CQC inspected our Trust. In their initial feedback, the inspection team particularly commented on the good reception they were given by members of staff. They were impressed by the openness with which people discussed their service and the enthusiasm and commitment they saw to providing high quality care. We are awaiting the inspection results and are hopeful our continued improvements will be recognised.

Every member of staff across our Trust has supported the improvements being realised. On behalf of the Trust Board we would like to thank members of staff for their efforts to deliver safe and effective care for our patients. Thank you for the hard work that you do across the organisation, in all your various responsibilities and areas of work, to ensure that the care we provide for our patients is as efficient and good as it can be.

Our Board has continued to play a crucial role and we extend our sincerest thanks for their continued commitment, support and constructive challenge. We would also like to thank our 600 volunteers and everyone else involved in providing care to our patients and making our Trust an organisation in which we can all be proud. Finally we would like to extend a thank you to the Friends of our Hospitals and our Charitable Trust whose voluntary work and fundraising have supported our patients and members of staff in many ways.

Looking ahead towards 2018/19 we are looking forward to another landmark year with the implementation of further innovations and improvements, CQC feedback following our March inspection and celebrating the NHS 70th birthday in July.

We look forward to sharing our work with you as the year progresses.



Adrian Bull
Dr Adrian Bull
Chief Executive



David Clayton-Smith
David Clayton-Smith
Chairman

About us

Patients come first at East Sussex Healthcare NHS Trust (ESHT). Our vision is to combine community and hospital services to provide safe, compassionate and high quality care to improve the health and wellbeing of the people of East Sussex.

This means working in partnership with commissioners, other providers, and members of staff and volunteers as part of a locally focused and integrated network of health and social care as part of East Sussex Better Together.

We are one of the largest organisations in the local community, employing nearly 7,000 dedicated staff with an annual turnover of £400million. Our teams are proud to provide acute hospital and community health services for the 525,000 people living in East Sussex. We also offer an essential emergency service to the many seasonal visitors to the county every year.

We operate two district general hospitals, Conquest Hospital and Eastbourne District General Hospital (EDGH), both of which have Emergency Departments and provide care 24 hours a day. Between them they offer a comprehensive range of surgical, medical and maternity services supported by a full range of diagnostic and therapy services.

We have around 800 beds and over 100,000 inpatient spells each year. During 2017/18, there were close to 119,000 attendances at our Emergency departments and there were over 449,000 outpatient attendances.

At Bexhill Hospital we offer outpatients, day surgery, rehabilitation and intermediate care services. Outpatient services and inpatient intermediate care services are also provided at Rye, Winchelsea and District Memorial Hospital. We also provide day surgery and outpatient care at Uckfield Hospital.

We provide intermediate care services jointly with East Sussex County Council Adult Social Care at Firwood House in Eastbourne. We also deliver services which focus on people living in the community through our Integrated Locality Teams. Other services focus on people with long term conditions such as the Bladder and Bowel Service, Community Heart Failure, Tissue Viability and Diabetes Specialist Nursing team. Respiratory and MS Nurse Specialists provide further support to our patients in the community.

We provide a range of more specialist services in the community and these include the Emergency Dental Service, Medicines Management, Pharmacy Team and Special Care Dental Service.

ESHT members of staff care for patients in their homes and from a number of clinics, health centres and GP surgeries. Services based outside our hospitals include Health and Social Care Connect (HSCC), the Integrated Night Service, Community Nutrition and Dietetics, Speech and Language Therapy Service for Adults, Occupational Therapy, Physiotherapy,

Podiatry, Diabetic Retinopathy and Sexual Health including contraception services. Services for children are offered, including Health Visiting and the Safeguarding Children Team and Looked after Children Team.

ESHT 2020 – Vision, Values, Ambition

We are committed to providing seamless high quality services across our hospitals and community settings. We are an ambitious organisation that aspires to be excellent and we are focused on delivering outstanding services by 2020. Our vision, values and objectives have been developed to support the achievement of this ambition.

Our vision is to combine community and hospital services to provide safe, compassionate and high quality care to improve the health and wellbeing of the people of East Sussex.

Our values are fundamental to how we undertake our everyday work. They shape our beliefs and behaviours and were developed by our staff.

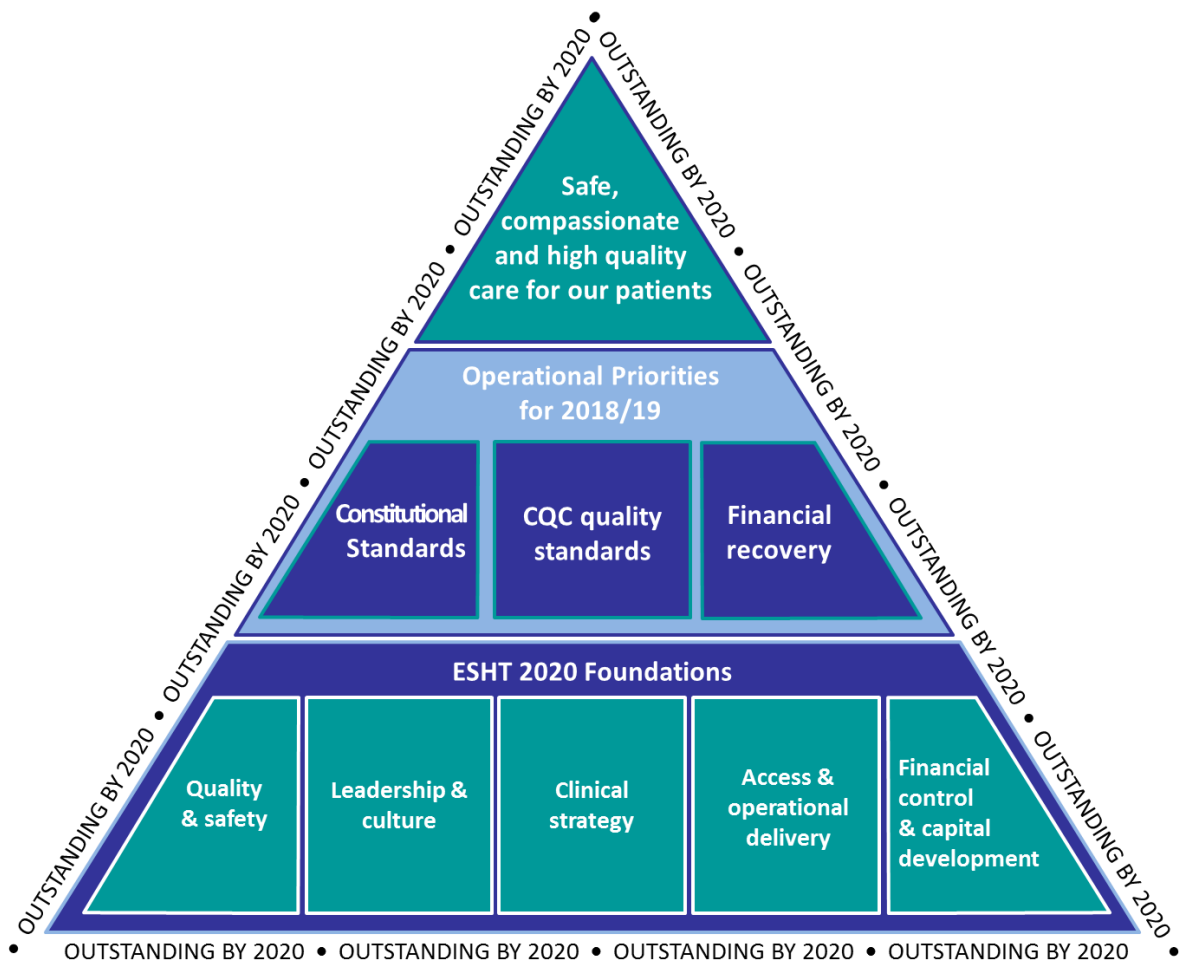


ESHT 2020 sets out **Our Ambition** to be an outstanding organisation by the year 2020 and provides the framework for how we will achieve this.

Our objectives encompass our commitment to provide clinical services that achieve and demonstrate the best clinical outcomes and provide an excellence experience for patients. These are:

- **Safe patient care is our highest priority**
We will provide high quality clinical services that achieve and demonstrate optimum clinical outcomes and provide an excellent care experience for patients.
- **All our employees will be valued and respected**
They will be involved in decisions about the services they provide and offered the training and development that they need to fulfil their roles.
- **We will work closely with commissioners, local authority and other partners...**
...to plan and deliver services that meet the needs of our local population, in conjunction with other care services.

- The 2020 vision and our strategic objectives have been embedded across the organisation and translated into individual work programmes in Divisions, corporate services, and cross-organisation initiatives. 2020 is the reference document for personal objectives, internal communications, and external communication with partner organisations and other stakeholders.



Going Concern

The Trust has prepared its 2017/18 Annual Accounts on a going concern basis. The Trust is forecasting a deficit in 2018/19 of £47,853,000, assuming delivery of a £18,000,000 cost improvement programme. As at 31 March 2018 the Trust has a cash balance of £2,100,138 with a cash forecast for the end of each month during 2018/19 ranging from £2,100,000 to £4,692,000. The cash balances assume achievement of the forecast position including delivery of the cost improvement programme and cash support from the Independent Trust Financing Facility through application to the Department of Health via NHS Improvement.

Despite the risk and uncertainty associated with future cash flow projections, management are of the view that whilst challenging, they will be able to deliver against the cost improvement programme and achieve the agreed forecast outturn. However there is no certainty that the cost improvement programme will be achieved, which would consume the available cash resources within the next 12 months and as such would mean the Group and Trust would require further cash support to meet its liabilities as these fall due.

These matters indicate the existence of a material uncertainty that may cast significant doubt about the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

Notwithstanding the need for additional cash support, the Trust does not have any evidence indicating that the going concern basis is not appropriate. The Trust has not been informed by NHS Improvement that there is any prospect of reconfiguration or dissolution within the next 12 months. In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern. Furthermore, continuity of service provision in the future can be demonstrated by signed contracts and future commissioning intentions with commissioners and through the financial and operational plans described in the Trust Strategy and the Sussex and East Surrey Sustainability and Transformation Partnership Plans. The Trust Board has set a strategic objective of reaching break-even in five years, and a long-term financial model to secure this objective is under development for review by the Trust Board in July 2018.

Taking the above into account, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Performance analysis

Regulatory standards

The operational performance of ESHT is measured against key access targets and outcome objectives set out in the Single Oversight Framework drawn up by NHS Improvement.

These are:

- **A&E standard:** A&E maximum waiting time of four hours from arrival to admission/transfer/discharge
- **RTT Standard:** Maximum time of 18 weeks from point of referral to treatment (RTT) in aggregate – patients on an incomplete pathway
- **Cancer standard:** All cancers – maximum 62-day wait for first treatment from:
 - Urgent GP referral for suspected cancer
 - NHS cancer screening service referrals
- **Diagnostic Standard:** Maximum 6-week wait for diagnostic procedures

Oversight of performance

We use an extensive framework to monitor and interrogate our performance against these standards and to ensure sustained delivery. This supports scrutiny, assurance, and where necessary, further action and follow through.

Oversight of performance is from 'floor to Board'. Performance is discussed at all levels of the organisation. This review process is underpinned by business intelligence that highlights outcomes and any deviation of outcomes, but also the drivers and potential changes, such as changing demand profiles.

Performance against national standards

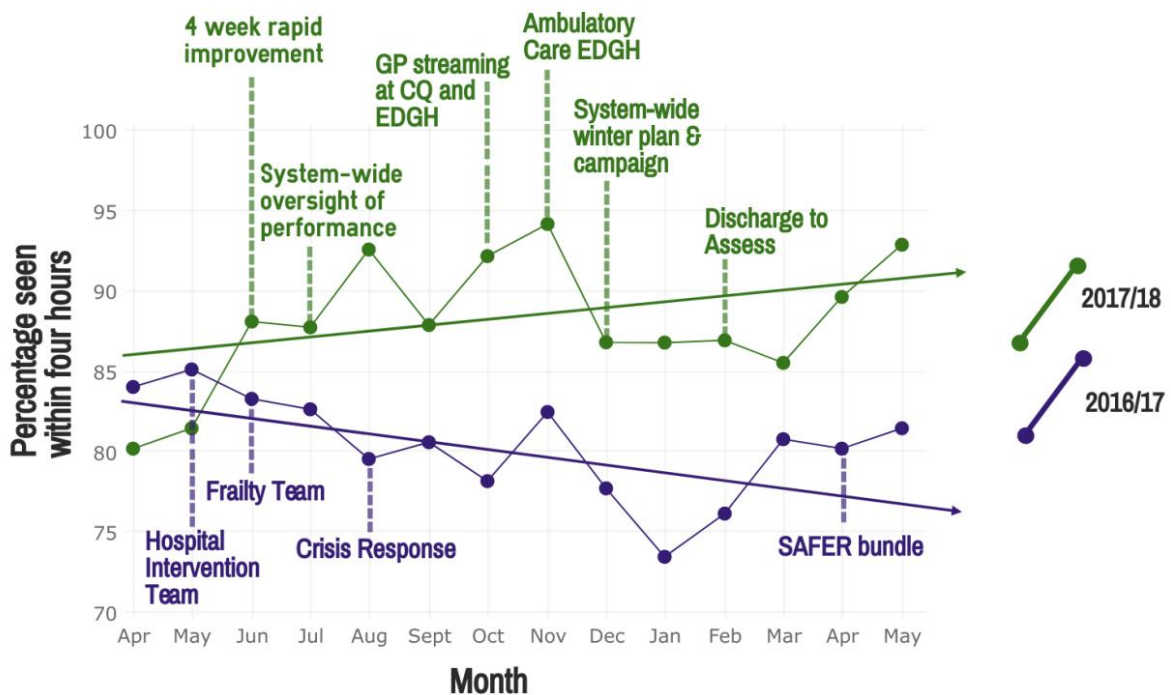
	Target	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Average
Four hour standard	95.0%	80.1%	81.4%	88.0%	87.7%	92.5%	87.8%	92.1%	94.1%	86.7%	86.7%	86.8%	85.5%	87.4%
RTT standard	92.0%	90.8%	92.3%	92.2%	92.0%	92.0%	91.3%	91.4%	91.5%	90.0%	90.4%	90.2%	89.9%	91.2%
Diagnostic standard	99.0%	95.0%	97.7%	98.4%	98.3%	97.7%	97.5%	97.2%	98.2%	97.7%	97.2%	98.1%	98.6%	97.6%
Cancer 62 day urgent referral standard	85.0%	76.0%	72.4%	73.4%	74.7%	81.6%	80.8%	77.4%	75.4%	80.2%	65.5%	76.6%	78.0%	76.0%
Cancer 62 day screening standard	90.0%	80.0%	78.6%	83.3%	55.6%	92.3%	66.7%	70.0%	62.5%	80.0%	66.7%	40.0%	47.6%	68.6%
Cancer 2WW Standard	93.0%	96.8%	96.0%	96.0%	95.4%	94.7%	96.4%	94.9%	97.4%	98.2%	95.8%	96.4%	95.2%	96.1%

A&E standard and improved patient flow

During 2016/17, the Trust undertook an in-depth analysis of its patient flow and emergency department performance and work began on changing the medical model, improving the Emergency Departments and discharge of patients. In May 2017 we began a four week, cross-organisation rapid improvement of our four hour standard. In April, 80.1% of patients were seen in four hours against a national standard of 95%. Between April and November 2017 this increased to 94.1%. Over winter (Q4 17/18) our Emergency Departments achieved 86%, a 10% increase on last year. As a system we achieved 90.1% in Q4 17/18 and were 26th out of 137 systems nationally.

The Trust achieved an average of 87.5% compliance against this standard in 2017/18, an improvement on an average of 80.3% in 2016/17. ESHT now performs within the top third, and often the top quartile, of trusts for A&E delivery, in contrast to 2016/17 when we were performing in the lowest quartile of trusts. In October 2017 we received a letter from the Secretary of State commending us on our improved performance.

Four hour improvement 2016/7 to 2017/8



This improvement has been set against a backdrop of sustained increased demand for our urgent care provision. We have seen an 7.52% increase in attendances at our Emergency Departments in 2017/18.

This improvement is a significant achievement for members of staff working across the entire organisation and highlights the impact of effective joint working with East Sussex County Council and our local commissioners through East Sussex Better Together. This standard is reliant on all parts of our health and care system working effectively together, maintaining

people in their homes where appropriate and ensuring patient flow through hospital and community beds.

This improvement has been supported by a transformation in our urgent care departments and the development of important new services.

An Ambulatory Care Unit and extended assessment ward opened at EDGH, to provide same day emergency care for ambulatory patients who do not require an overnight stay in hospital. In addition, work to expand the Emergency Departments at Conquest Hospital and EDGH has been completed, helping to improve the flow of patients through the departments. The work included additional consulting rooms for primary care streaming along with improved patient waiting areas and improvements to reception areas.

We also introduced a Discharge to Assess Service, provided via crisis response. This supports patients to stay at home, preventing admission for patients who do not need to be in an acute hospital. The service also supports patients in going home as soon as they are medically fit for discharge.

RTT standard

The Trust improved delivery of the referral to treatment (RTT) standard in 2017/18. We achieved 91.2% compliance against the national standard of 92%. This compared well to our performance of 88.0% during 2016/17 and to the performance of our peers. We have focused on out-patient and theatre productivity to better manage demand and capacity.

Diagnostic standard

Achievement of the diagnostics standard of 99% remained a challenge for the organisation. The Trust achieved 97.6% compliance against this standard during 2017/18, compared to 98.1% in 2016/17, although performance improved towards the end of the year.

We are undertaking a review of our radiology services with a focus on capacity and demand, with the intention of reducing waiting times for patients who require CT and MRI scans.

Cancer standard

Although we achieved the two week cancer standard and 31 day cancer standard, achieving the 62 day cancer standard was challenging this year. The Trust achieved 75.7 % compliance against the 62 day standard in 2017/18, compared to 76.4% in 2016/17. The Trust is continuing to implement improvements in cancer care pathways to ensure that patients are seen and treated appropriately. The 62 day cancer standard will be a focus for the organisation in 2018/19.

Achievement against our 2017 - 19 business plan

Alongside the performance standards that we are required to meet, ESHT 2020 contains a set of five overarching internal strategic objectives that will enable us to deliver our vision and to be recognised as an 'Outstanding' organisation by 2020.

Our integrated Business Plan and Quality Account set out our priorities under each of these strategic objectives. These priorities provide an additional means of measuring progress,

which in turn supports us to deliver our long-term vision of providing safe, compassionate, and high quality care to improve the health and wellbeing of the people of East Sussex.

To measure our progress against these strategic objectives we have set out high level targets. Progress towards these is monitored on an ongoing basis using quantitative and qualitative measures

Strategic objective 1: Safe patient care is our highest priority

Summary of performance

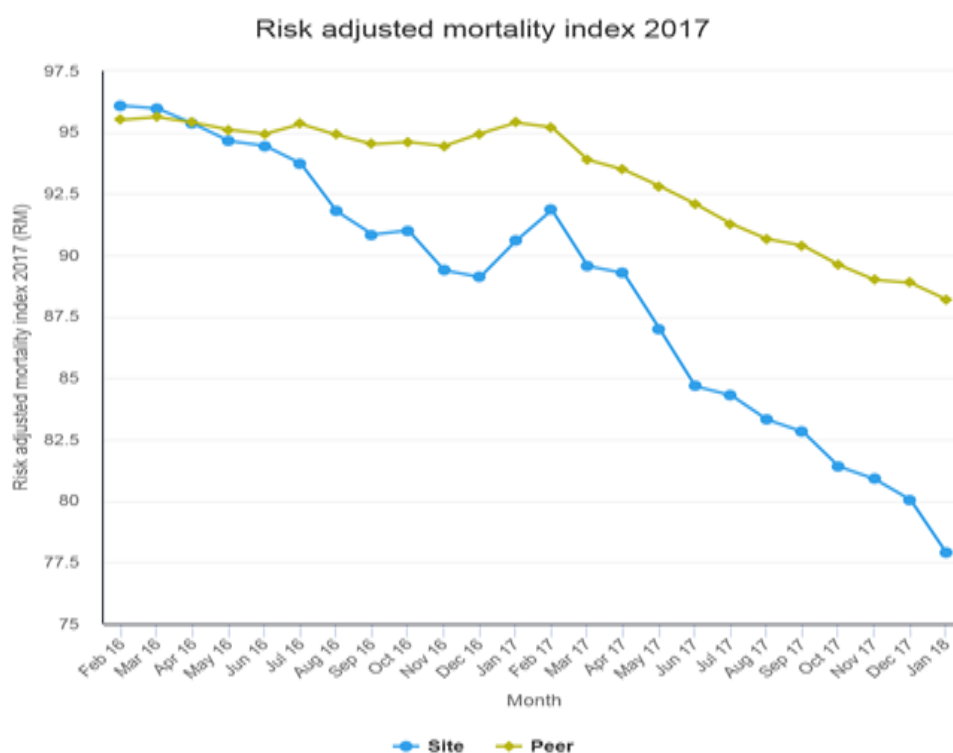
Indicator	Detail	16/17	17/18
Mortality	RAMI	91 (Feb 17 to Jan 18)	78 (Feb 17 to Jan 18)
	SHMI	111 (Oct 16 to Sep 17)	107 (Oct 16 to Sep 17)
	Sepsis RAMI	122 (Feb 17 to Jan 18)	80 (Feb 17 to Jan 18)
	Crude mortality	1.89% (Feb 17 to Jan 18)	1.76% (Feb 17 to Jan 18)
Patient falls	Falls	6.2 per 1000 bed days	5.7 per 1000 bed days
	Falls tool	0	Introduced on 6 wards
Patient infections	Cdif	43	34
	MSSA	11	9
	MRSA	0	4
Serious incidents		57	47
Patient complaints		658	559
Patient plaudits		27534	36379
FFT	Inpatient	97.3	97.1
	A&E	89.6	90.4
	Maternity	94.5	98.3
	Community	97.4	97.5
	Outpatients	96.7	96.6
Safety huddles	Daily	0	87%
	Twice daily	0	77%
Excellence in Care		0	Introduced on 10 wards

Mortality

Our mortality rates are monitored by three separate indices, all considering slightly different factors. These all provide evidence that that we have either improved or are within the expected range for our peer group.

- Risk Adjusted Mortality Index (RAMI) performance from February 2017 to January 2018 (rolling 12 months) is 78 compared to 91 for the same period last year. Our position has improved both in absolute terms and relative to our peer comparator group.

- Summary Hospital-level Mortality Indicator (SHMI) for the period October 2016 to September 2017 is the latest published and is 107 which puts us within the expected range.
- Crude mortality shows February 2017 to January 2018 at 1.76% compared to 1.89% for February 2016 to January 2017.



The requirements set out in the Care Quality Commission Learning from Deaths review have been incorporated into Trust policy. Our mortality database has been updated to reflect the new review process and now includes a record of all plaudits and care concerns raised by family or carers of the deceased.

The importance of reviewing deaths within the 3 month timescale ensures that reporting is accurate and enables the Trust to identify and learn from deaths that were actually or potentially avoidable.

Reducing falls, pressure ulcers and infections

The number of patient falls reported across the Trust has reduced from 6.2 per 1000 bed days in 2016/17 to 5.7 per 1000 bed days in 2017/18. The Trust trialled a new combined assessment tool which reviewed the risk of falls and associated care plans for patients. We aim to rolled this assessment tool out across the whole Trust during 2018/19.

This year we aimed to reduce Category 2 Pressure ulcers occurring in our care by 10%. We worked in partnership with Kent, Surrey and Sussex Quality and Safety Collaborative and NHS Improvement on a new risk assessment tool called PURPOSE T (Pressure Ulcer Risk Primary or Secondary Evaluation Tool) and the SSKIN bundle initiative.

We have seen a reduction in the number of Clostridium Difficile Infections reported, from 43 in 2016/17 to 34 in 2017/18 and a reduction in the number of MSSA cases from 11 in

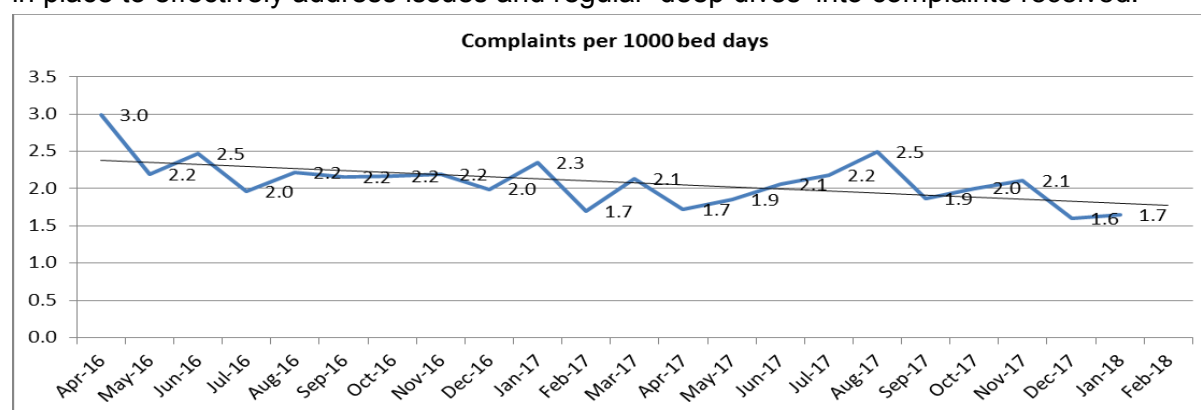
2016/17 to 9 in 2017/18. However we also saw an increase in the number of reported MRSA cases from zero in 2016/17 to three in 2017/18.

Patient complaints

System improvements were made to first reduce and then sustain improvements in the complaint response backlog from 63 overdue complaints in April 2016 to zero overdue in August 2017. The maximum number of overdue complaints during any month since August 2017 was one complaint.

The number of complaints received during the year reduced by 15% from 658 in 2016/17 to 559 in 2017/18. The average number of complaints we received each month during the year to date was 47.

We have continued to implement our 4C approach (Complaints, Concerns, Comments and Compliments) to enhancing patient experience. This includes having systems and processes in place to effectively address issues and regular 'deep dives' into complaints received.



Friends and Family Test and feedback

Our patient experience team continues to support individual services in engaging with service users, carer groups and staff and patient experience feedback continues to be an important quality measure in terms of score and response rate.

As part of our Friends and Family Test, our scores for both patient experience and our overall score from patients saying that they would recommend our services have improved. Our response rate for inpatients has risen from 19.9% in 2016/17 to 40.2% in 2017/18. These response provide valuable feedback to allow us to continue to improve our services.

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Total	
Meridian feedback compliment	2391	2860	2711	2920	3390	2922	3216	3370	2569	2583	2556	2560		
Formal written thank you	51	41	44	41	47	31	42	41	20	55	50	55		
Informal - Thank you cards	104	138	114	95	140	157	152	196	249	180	125	163		
Totals	2546	3039	2869	3056	3577	3110	3410	3607	2838	2818	2731	2778	36379	
RECOMMEND	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Average 17/18	Average 16/17
FFT % recommend Inpatient	97.00%	97.00%	97.00%	97%	96.00%	96.80%	97.00%	97.41%	96.81%	98.10%	98.00%	97.20%	97.11%	97.3%
FFT % recommend A&E	90%	87%	85%	88%	90.00%	90.10%	88.00%	90.79%	93.38%	93.08%	94.00%	86.40%	90.42%	89.6%
FFT % recommend Maternity	98%	97%	96%	98%	96.30%	97.70%	98.00%	99.41%	100%	98.46%	100%	96.60%	98.27%	94.5%
FFT % recommend Community													97.5%	97.4%
FFT % recommend Outpatients													96.5%	95.7%
RESPONSE	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Average 17/18	Average 16/17
FFT response Inpatient	31.00%	35.00%	36.00%	43%	45.00%	45.60%	41.80%	42%	38%	41.07%	40.30%	43.26%	40.20%	19.9%
FFT response A&E	8.00%	9.00%	8.00%	11%	13.00%	9.80%	6.90%	11%	7.26%	6.56%	4.49%	3.92%	8.20%	7.7%
FFT response Maternity	43%	42%	44%	33%	25.70%	32.50%	17.60%	30%	36.33%	24.71%	30.57%	21.53%	27.99%	32.4%

We have developed a robust system of monitoring the NHS Choices and Patient Opinion websites and welcome feedback given using these routes. We have received a increased number of positive comments on these sites compared to 2016/17. EDGH has a four star rating while the Conquest is rated at four and a half stars out of five.

Serious Incidents

The number of Serious Incidents reported has reduced from 57 in 2016/17 to 47 in 2017/18. An improved process for managing Serious Incidents has proved effective with no overdue incidents reported. Ensuring patients and families are informed of harm and the reasons why harm has occurred is a requirement outlined within the Duty of Candour legislation. Compliance with this duty had continued to improve with 90% compliance across all areas.

Learning from events and feedback is crucial to improving quality and therefore we have been developing “closing the loop” reviews and reports to our Patient Safety and Quality Group. The reviews test whether actions identified following a Serious Incident have been completed and embedded and the process will be expanded in 2018/19 to encompass actions identified following complaints.

Improvements in National Audit

A number of national audit reports published throughout 2017-18 confirm that the Trust is performing above the national average in many clinical areas and is achieving (or exceeding) best practice clinical standards, delivering consistently good clinical outcomes for our patients.

The 2017 National Lung Cancer Audit (NLCA) confirmed that 72.5% of our lung cancer patients with advanced disease, but a ‘good’ performance status, received treatment. The national average for this measure was 62.5% and the target set by the NLCA was 65%. ESHT is above the national average and target goals set by the NLCA in all parameters of performance.

The National Bowel Cancer Audit shows the Trust's Bowel Cancer services to be the best in the South East. The audit showed the Trust to have the lowest mortality rates and second lowest readmission rate in the region, with these indicators significantly better than the national average.

Data published by the National Emergency Laparotomy Audit (NELA) in 2017 confirms that the Trust is above the national average for all process measures, and excels in ensuring that a Consultant Surgeon is present in theatre when the risk of death is greater than 5%. The national average for this process measure was 92.9%, with the Trust achieving 100% compliance.

Other quality indicators

- Our detection and management of sepsis has improved. RAMI from sepsis has fallen from 122 to 80 since the introduction of the sepsis screening program in September 2016.
- Postoperative Pulmonary Embolism and Deep Vein Thrombosis rates have improved, resulting in the Trust moving from being an outlier against these measure to being below the national average. Over the last 18 months our postoperative rates have fallen from 0.071% to 0.024%. The national average now is around 0.033%.
- 71% of new admissions to our hospitals were reviewed by a Consultant within 14 hours during February and March 2017, up from 36% in September 2016.
- We have greatly improved our tracking of medical records following the introduction of bar codes and scanners. We hold over 700,000 medical records and now see only 0.1% of records unable to be found for patient appointments.
- 87% of our inpatient wards now hold a daily Safety Huddle and 77% of wards hold them twice a day.

Strategic objective 2: All our employees will be valued and respected

Summary of performance

Indicator	Detail	16/17	17/18
Recruitment	Fill rate all staff	88.3%	92.2%
	Vacancies medical staff	14.3%	4.1%
	Vacancies registered nurses and midwives	10%	8.3%
	Vacancies unregistered nurses	15.3%	11.9%
	AHPs	18.3%	13.5%
Turnover		11%	11%
Bank usage % total FTE		8.8%	9.1%
Agency usage % total FTE		3.2%	1.9%
Annual sickness		4.2%	4.5%
Front line staff having the flu vaccine		53%	72%
Staff survey	<ul style="list-style-type: none">• One of the few Trusts nationally to show sustained improvements• Increase of 16 places in our category• Response rate 49% (46% in 2016, 40% in 2015)• No key findings significantly worse than 2016, 11 significantly better, 5 significant improvement)• Improvements to MES (2017)• Improvements to GMC National Trainee Survey		

2017 Staff Survey

The results of the 2017 national NHS staff survey showed that the improvements staff reported in 2016 were maintained. This has led to ESHT being one of the best performing trusts in the South East in 2017.

We saw an increase in the number of staff who participated in the survey in 2017, with a response rate of 49% compared to 46% in 2016. Other comparable trusts' average response rates were 45%.

The results of our staff survey demonstrated that continuous improvements we are making at ESHT and showed increasing numbers of our staff recommending the Trust as a place to work or receive treatment. Our 2017 results showed that five key findings were significantly improved from 2016. We continue to see high levels of confidence amongst staff in reporting incidents, harassment and abuse and we have also seen greater recognition and support from managers, better team working and action on health and wellbeing. Gratifyingly, these improvements align with the priorities that we set ourselves following the 2016 staff survey.

No key findings showed a significant decline and eleven key findings were significantly better than the national average. A further six key metrics all showed improvements against 2016's results, but all remain significantly worse than the national average.

Medical Engagement Scale

The Medical Engagement Scale (MES) results, published in 2017, showed clear improvements in the engagement of ESHT medical colleagues when compared to the previous survey. ESHT consultants were 'strongly engaged' in six of the ten criteria and were 'positively engaged' in the four other criteria.

We still have work to do to improve further. Few SAS Doctors completed the survey, and reported that they were less engaged than consultant colleagues. Seven of the ten criteria were rated as 'low' and the other three rated as 'medium'.

GMC National Trainee Survey

The overall Trust results for the General Medical Council (GMC) 2017 National Trainee Survey showed a significant improvement from the 2016 results. The Trust has gone from 49 red flags in 2016, to 33 in 2017, while increasing the number of green flags from 8 in 2016 to 16 in 2017.

Our number of lime green flags (which are likely to indicate that trainees' perceptions are positive), have gone from 4 in 2016 to 7 in 2017. Clinical Radiology and cardiology both achieved three green flags and no red flags.

Recruitment and retention

During 2017/18 we saw a net increase of 5% in our workforce. Our overall vacancy rate fell to 9% and all areas have shown a reduction in vacancy trend between August 2017 and January 2018. A targeted approach to medical vacancies, in particular in our Emergency Departments, has seen a reduction in these vacancies from over 14% in April 2017 to 4% in February 2018.

International recruitment is continuing in the Philippines and the Indian sub-continent for Medical and Allied Health Professional staff groups and 31 international nurses will join the Trust by August 2018. We have also had success with recruiting to hard to fill microbiology, histopathology and physiotherapy posts. Twenty newly qualified UK student nurses joined us in February 2018..

The Trust scores highly for appraisals and training undertake with staff appraisals levels for March 2018 at 81.8%, and mandatory training at 88.8%

Safe staffing

Effective rostering practice ensure that our wards have appropriate levels of safe staffing. In support of this, the roll out of Safecare as part of the electronic rostering system has been successfully completed. This allows live staffing information to be accessed on iPads and information is reviewed during twice daily staffing meetings on each site to monitor staffing levels.

Twice yearly safe staffing establishment reviews are carried out and these have resulted in increases to staffing numbers when necessary.

Openness and transparency

We are committed to maintaining a culture that is open and honest, where staff are confident that they can safely raise their concerns. No harm/near miss incidents comprise 80% of all our reported patient safety incidents, which is an excellent indicator of a good reporting culture. Nationally, no harm/near miss incidents comprise 73% of all our reported patient safety incidents.

Our Freedom to Speak Up Guardian provides a valuable role in supporting staff to freely raise concerns, and is fully supported by the Trust Board.

Good leadership and open culture

The Trust continues to listen to members of staff through a range of forums and conversations and makes improvements based on their feedback. This ensures that members of staff remain involved and engaged in the work of the Trust.

- Colleagues from across the Trust have the opportunity to meet Senior Leaders on a regular basis to share their views and influence decisions that impact on their service. These include quality walks, quarterly meetings with senior and junior doctors, monthly visits to services and a range of staff networks.
- Each division has developed their own approach to improving staff engagement. Inventive measures had included Breakfast with the Boss, regular newsletters, open meetings and staff suggestion schemes.
- Our Out of Hospital Division run regular Embedded Learning Events where they focus on an issue that the staff have raised and generate a joint solution.
- Following feedback from colleagues about burnout and resilience, we held Grand Rounds at both sites on 'compassion without burnout'. These workshops were very well attended by junior doctors, medical students and consultants and the feedback was positive.
- We continue to recognise the great work of colleagues through our Annual Trust Awards, Unsung Hero Awards and our monthly staff awards.
- We have introduced a leadership development pathway with a range of courses linked to good communication, handling change and compassionate leadership and a range of opportunities to support and develop our leaders.

Health and wellbeing of members of staff

There was an impressive uptake from frontline and non-frontline staff in having the flu vaccine over the winter period. 72% of our front line staff had the vaccine which was significantly higher than the 53% uptake seen the previous year.

180 members of staff attended our roadshows promoting staff health and wellbeing and almost 850 members of staff who are over 40 received a free health check. Schwartz rounds were held across the Trust on a monthly basis providing emotional support for all staff.

Strategic objective 3: We will work closely with commissioners, local authority and other partners

East Sussex Better Together (ESBT) Alliance

We are a key partner, with Eastbourne Hailsham and Seaford CCG, Hastings and Rother CCG and East Sussex County Council in the East Sussex Better Together (ESBT) Alliance, a transformation programme to fully integrate health and social care in order to deliver high quality and sustainable services to our local population. Our shared vision is to ensure that people receive proactive, joined up care, supporting them to live as independently as possible and achieve the best possible outcomes. Together we are building a new model of care that integrates our whole system: primary prevention, primary and community care, social care, mental health, acute and specialist care so that we can demonstrably make the best use of the £850m that is spent each year to meet the health and care needs of the people of East Sussex.

In April 2017 we strengthened the Alliance when we established the ESBT Alliance agreement in order to support the committed and collective leadership.

Sustainability and Transformation Partnership (STP)

We have been fully engaged with the development of the Sussex and East Surrey Sustainability and Transformation Partnership and have actively contributed to the various work-streams including digital, workforce, finance and acute hospitals. The STP is clearly aligned to our local ESBT plans for place based care and we will continue to contribute to the work streams.

Healthwatch

As part of a national network, there is a local Healthwatch in every local authority area in England. Healthwatch East Sussex works with the public of East Sussex to ensure that health and social care services work for the people who use them. Their focus is on understanding the needs, experiences and concerns of people of all ages who use services and to then speak out on their behalf. Their role is to ensure that local decision makers and health and care services put the experiences of people at the heart of their work and decision making. They do this by gathering people's experiences and identifying issues that are important to them and, when addressed, which will make services better for everybody.

Public engagement

Public engagement and involvement is a vital part of our improvement journey at the Trust. We will only achieve our 2020 ambitions by engaging with those members of the public and patients who are affected by the care we provide.

This year we introduced a Trust Public Engagement and Patient Experience Strategy and work plan to guide our work until 2020. We continue to take forward work that measures, reports and improves patient engagement and experience and more actively involve patients and their families in making improvements to our services. In 2017/18:

- We held two well attended public forums, seeking input from members of the public about patient information, hospital access, and end of life care.
- We held two well attended open days in cardiology and ophthalmology.

- We have revived our membership database and are regularly in contact with our two thousand members by email.
- We are developing a small public panel of volunteers who sit on projects, service redesign schemes or within service governance. We also have a small number of volunteers who sit on local Public Participation Groups as ESHT members.
- We have engaged with local organisations and are actively involved with our local Healthwatch.
- We have refreshed our Public Engagement and Patient Experience Steering Group membership to ensure increased public representation and to better understand any issues that might exist and shape the work required for the year ahead and to deliver on Public Engagement and Patient Experience Strategy.

We have further improvements identified for 2018/19, including the development of our member database and regular newsletter to our members, further opportunities to engage including the development of new “Ask the Board” sessions, embedding public / lay governance within our ESHT structures and the development of specific engagement campaigns, co-produced where appropriate, such as young people’s experience in hospital, wayfinding and access and discharge

Volunteering

We offer varied, rewarding and highly valued volunteering opportunities at ESHT. We have over 600 volunteers across EDGH, Conquest Hospital, Bexhill and Rye all of whom make a valuable contribution to the service we offer our patients and visitors.

Our Volunteer Satisfaction Survey results show that overall satisfaction with our volunteering opportunities is high at 89%.

We have developed new volunteering roles such as Patient Support Volunteers who provide assistance to patients on the ward as directed by the matron or nurse in charge. A pilot has begun on one ward

The volunteer library service is starting a dedicated children’s trolley service. Parents and children will be able to buy or borrow books in the same way as the adult service and a trolley for the service has been ordered.

Strategic objective 4: We will operate efficiently and effectively diagnosing and treating patients

Summary of performance

Indicator	Detail (national standard)	16/17	17/18
Standards	Four hour A&E (95%)	80.3%	87.4%
	RTT (92%)	88.0%	91.2%
	Cancer 62 days urgent referral (85%)	76.4%	76.0%
	Diagnostics (99%)	98.1%	97.6%
DToC	DToC (3.5%)	7.5%	3.9%
LoS	Acute	5.9 days	5.1 days
	Community	23.6 days	15.2 days
Bed days	Non-elective	274689	263322
Community	Podiatry (13 weeks)	100%	100%
	Dietetics (13 weeks)	99%	99%
	Speech and language (13 weeks)	100%	100%
	Adult therapy (13 weeks)	100%	97.5%
	Neurological physio (13 weeks)	100%	85.9%
	MSK (H&R) (13 weeks)	90%	86.6%
Community nursing	Same day response		91.87%
	24 hours response		93.98%

SAFER care bundle

A number of initiatives to support a patient's journey through our hospitals have been developed this year. "SAFER" is the overarching way we describe these, combining five elements of best practice. These include all patients being given an expected discharge date within 14 hours of admission and multi-disciplinary review of all patients who have been in hospital for 7 days or more. Let's Get You Home, Red2Green and EndPJPParalysis are some of the initiatives forming part of this work.

Excellence in Care

The Excellence in Care project will support wards and departments to agree a set of localised standards aligned to Trust strategy and national requirements. This year we have designed a dashboard which will enable leaders to monitor their ward/department's progress towards consistently achieving these standards through local improvement work. Standards will cover topics such as end of life care, hand hygiene, patient environment, patient safety and workforce. Through co-production, colleagues will be engaged and empowered to co-design and create an accreditation process for ESHT, supporting us to reduce unwarranted variations in care.

The initial standards and dashboard development work was piloted on four wards over the summer, with workshops held to involve and support colleagues on these wards. Learning from the pilot wards will be used to inform the roll-out to further wards later in the year. We also started procurement of an electronic system to enable staff to access data and results.

Transforming our Emergency Departments

An Ambulatory Care Unit and extended assessment ward opened at EDGH, to provide same day emergency care for ambulatory patients who do not require an overnight stay in hospital. This led to a 44% increase in ambulatory care admissions with zero length of stay, reducing the pressure on the rest of the hospital and improving patient flow.

The unit offers patients rapid access to diagnostic tests and review by hospital consultants in a single place. It provides safe care designed around the needs of patients, providing them with a better experience and preventing unnecessary hospital admissions. A similar unit is planned for the Conquest Hospital in 2018/19.

End of Life Care improvement

The End of Life Care (EoLC) project has focused on making improvements in the care we offer patients in the last year of their life. This work has been supported by the Supportive and Palliative Care Team, which now works as a single team across the Trust. We now have standardised care pathways and access criteria for specialist palliative care and end of life support services

We have established improved identification and notification of patients who are approaching end of life and we have a developed system for receiving feedback both about care we give to EoLC patients and for service improvements. A survey of relatives six weeks post death has been introduced.

Staff training has been revised and will be mandatory for all clinical staff from April 2018. Over 1,000 members of staff have already received this training during 2017/18.

This work is overseen through a clear embedded governance structure which includes a patient representative who now sits on the End of Life Care Steering Group. We have also established a dashboard to measure and monitor improvement developed.

An End of Life Care strategy for last year of life is in development for adults, children and babies. Four public events have been held to inform this, supported by patient and public engagement.

Cancellations

We have seen a reduction in the number of urgent operations cancelled for a second time from 9 in 2016/17 to 2 in 2017/18. We effectively managed our elective workload during the winter months to increase bed space and reduce elective surgeries. This planning allowed us to continue with planned activity, most of which was day surgery, with virtually no operations cancelled due to a lack of bed space.

Delayed Transfers of Care

Working with our partners in East Sussex Better Together we have seen a significant drop in the number of Delayed Transfers of Care. Since October 2017 we have achieved the national target of under 3.5% for Delayed Transfers of Care. Since December 2017 this has been below 2%.

Length of Stay

Despite the increase that the Trust has seen in activity levels, non-elective bed days have reduced by 4.1% and Length of Stay has decreased by 0.8 days. Length of Stay in the community has decreased by over 8 days. In total we used 11,367 fewer acute bed days than in 2016/17 which supported the continued flow of patients through our hospitals and enabled us to sustain our improved performance against the 4 hour standard.

Community services

Referrals to our community services have continued to increase, putting many teams under heavy pressure. However we have broadly maintained the percentage of patients seen within the 13 week target for each therapy as follows:

Community Service	2016/17	2017/18
Podiatry	100%	100%
Dietetics	99%	99%
Speech and Language Therapy	100%	100%
Women and Men's Therapy	100%	97.5%
Neurological Physiotherapy	100%	85.9%
MSK Hastings and Rother	90%	86.6%

Percentage of patients seen within 13 weeks

Strategic objective 5: We will use our resources efficiently and effectively for the benefit of our patients and their care

Trust finances

Our financial position remains challenging. At the beginning of the financial year, we set ourselves an ambitious financial plan to reduce our deficit to £36.4m. The Trust's deficit in 2017/18 is £54.982m but the underlying deficit is £54m. Although the overall deficit has deteriorated from last year (£46m), we have improved on last year's underlying position (£57m).

The outturn this year was worsened because of a number of factors including adverse settlement of contract disputes of some £10m with the CCG, the increased costs of some drugs and clinical equipment and reduced income because of lower than planned elective activity.

We were however able to make £22.5m of efficiency savings against a target of £28.4m. We have made significant improvements to the control of temporary staff costs, with substantial moves of staff from agency to locum, bank or direct engagement. Our much improved operational efficiencies, including reduced Length of Stay, have led to significant cost reductions.

Members of staff across the organisation have worked hard to achieve these savings, while making significant improvements to our standards, quality and safety, and patient experience. The provision of safe and effective care for our patients is our absolute focus and we have worked with our commissioners and adult social care to make sure patients are treated by the right person, in the right place, at the right time. It is this that will ensure we achieve financial sustainability in the long term.

We are confident that work we have undertaken during 2017/18 will allow us to develop a detailed financial plan for 2018/19 with the correct balance between ambition and achievability. This will support us in achieving our goal of financial sustainability across the system with our partners in East Sussex Better Together.

Clinical Strategy 2017/18

Our Clinical Strategy was developed in 2017/18 with the engagement of the members of staff who provide services and the patients who use those services. All services have developed a strategic ambition that describes what an excellent service will look like in five years' time and have outlined at a high level the steps that need to be taken to achieve this ambition. Clinical teams will be expected to review their strategies, refresh their operational plans and recommit to delivery each year so we can continue to meet the needs of our population.

We worked collaboratively with our Clinical Commissioning Groups (CCGs) and primary care providers using a range of methodologies to develop these strategies. We identified ten workstreams where a whole system approach has been taken to developing and redesigning end to end pathways. This has process has involved collaboration with all the services that a patient engages with during that pathway. A further twenty specialties were developed with ESHT practitioners and wherever possible, the CCG and primary care.

Improvement Hub

In order to deliver our five strategic objectives and our broad, ambitious programme of change, we recognise that we need to be able to master both improvement and transformation, including introducing new services and new models of care. The improvement and transformation methodology and the team to support both, has been introduced incrementally over the course of 2017/18 and has included the following:

- Continued investment in a bespoke NHS Elect Improvement training programme. The first cohort of staff were trained in 2016/17 and there were three further cohorts in 2017/18.
- We established an improvement hub, improvement forum and Trustwide Improvement Group to ensure alignment of improvement initiatives.

All of these improvements will support our health and social care workforce to deliver services in new and innovative ways with genuine integration at the very heart of service delivery and patients being our primary focus. It will also reflect our system wide approach to tackling unwarranted variations in clinical care, reducing waste, becoming more patient and carer focussed and ensuring that quality and safety remain a priority for the Trust.

Influences on performance

The principle issues and risks facing the organisation during 2017/18 are outlined below.

Trust finances

We remain in special measures and our financial position is challenging. With the support of NHSI's financial special measures team, we are putting together a recovery plan which will be implemented over the next three years. This plan draws heavily on the rich information we have received from Model Hospital and Lord Carter data.

We are developing service by service improvement plans, addressing early those services which can be improved operationally, and more methodically those services which require re-configuration or other significant change. All plans are subject to a full quality impact assessment by our Medical and Nursing Directors. The plans are being translated into detailed budgets covering activity, cost, revenue, and workforce for the individual divisions and clinical specialties. Assurance of performance against these plans will be measured throughout the year during integrated performance review meetings.

CQC rating

The Trust was placed in Quality Special Measures in September 2015. In October 2016, the CQC undertook an inspection and recognised the significant improvements made since the 2015 inspection. The CQC's overall rating for the Trust was improved to 'Requires Improvement'. The Trust was re-inspected in March 2018 for core services on the acute sites and separately for the Well Led Domain. We are awaiting the results of this inspection and are hopeful that our continued improvement will be recognised.

Increased demand

Our hospitals and community services continue to get busier every year as demand for our services increases. This places ever greater pressure on our staff and requires us to work more efficiently and think in innovative ways to ensure that we meet the changing needs of our population.

We saw increased activity in comparison to the previous year, with a 7.5% increase in attendances and an 11.7% increase in non-elective spells. Ambulance conveyances increased by 4.4% compared to the previous year.

Like many other trusts, we saw even greater demand for our services over the winter period. We saw an 11% increase in attendances at our emergency departments when compared to the same time in 2016/17. We also saw patients with more severe symptoms and during the winter period the number of patients being admitted to our hospitals increased. Our staff did a fantastic job in maintaining their professional standards during a period when they found themselves working under huge pressure and at full capacity.

We continue to work closely with our adult social care and commissioner partners to plan for increases in demand. Our new Emergency Department front entrance management, which includes our Ambulatory Care Unit, has meant that we are better able to manage

attendances and admittances. In conjunction with adult social care, we have worked to support patients to stay at home where appropriate. We have also worked together to reduce delayed transfers of care and support the discharge of patients from hospital once they are medically stable.

Recruitment and staffing

While recruitment and retention has improved and we have recruited to a number of 'hard to recruit' posts, like many other NHS trusts, we still face staff shortages in some areas. This is due to an aging workforce and a national shortage in some specialities. The use of temporary staff presents a number of challenges both in terms of cost and quality and consistence in our care.

We have sought external help in order to fill difficult to recruit medical posts. We are developing Return to Practice incentives to support nurses in returning to work as well as offering incentives to encourage existing staff to work on the Trust Bank. A Workforce Resourcing Group is being established which will develop a longer term strategy to meet workforce requirements, taking into account the age profile of the population and will look at new roles and skill mixes to meet patient demand. We are also supporting staffing innovation and have created and developed new roles such as physician's assistants, matron's assistants and nurse injectors.

Meeting national standards

While we have made significant strides in meeting the 4 hour standard and the RTT standard, the cancer and diagnostic standards remain challenging. The Trust is working with the wider health economy to develop solutions and a number of actions are in place to improve performance in these areas.

Innovating and improving

Clinical innovation

- **UroLift treatment for enlarged prostate:** EDGH was the first NHS hospital in Sussex and Kent to offer the innovative UroLift System to treat an enlarged prostate.
- **Children's ward clinical monitoring system:** We were one of the first Trusts in the country to use paediatric VitalPAC clinical monitoring system on children's wards.
- **Procedure to lower blood pressure:** Patients at the Conquest Hospital were the first in the South East to be offered a new procedure to lower blood pressure called Renal Denervation Ultrasound.
- **New mammography machine:** A new and state of the art digital mammography machine, a GE Pristina Senograph, has been installed at EDGH to improve the diagnosis of patients with suspected breast cancer. It is one of only three of its kind in the UK.
- **New Simulation Training Laboratory:** A new state of the art simulation training laboratory has been opened to improve the development of healthcare workers' clinical skills.
- **Bobble hat care bundle:** A new way of identifying babies requiring extra support following delivery, called the 'The Bobble Hat Care Bundle', has been introduced on the maternity unit at Conquest Hospital. The use of these bobble hats has reduced the number of unnecessary admissions into the Special Care Baby Unit (SCBU).
- **Improve detection of Prostate Cancer:** Doctors at the Trust were the first in the South East to use an innovative ultrasound scanner that combines MRI images to improve the detection of Prostate Cancer.
- **New innovative heart device:** An Eastbourne patient was the first in the UK to be implanted with an innovative Cardiac device to modulate the heart's beat.
- **Trust launched new service to improve mouth care:** A new service to improve the oral care of patients in hospital was been launched called Mouth Care Matters. It aims to ensure that every patient who is in hospital for more than 24 hours has a mouth care risk assessment and that all healthcare professionals who are involved in providing mouth care to patients have had appropriate training.
- **Faecal Immunochemical Testing:** ESHT will be implementing a Faecal Immunochemical Test (FIT) and positive FIT Straight to Test (STT) in the colorectal pathway in ESHT in April 2018.
- **Support for research:** The Clinical Research Department supports clinicians and enables patients to take part in national and multi-national research studies in many specialties across ESHT.

Corporate improvements

- **Ophthalmology Nurse Injectors:** Two Nurses in Ophthalmology, along with two Orthoptists, have been trained to provide regular injections to patients with Age Related Macular Degeneration.

- **Matrons' Assistants:** The role of Matrons' Assistant was introduced to reduce the time Matrons spend on administration.
- **AHP Research Escalator:** This interactive platform enables AHPs to support their development and capability to use research as part of everyday practice.
- **Electronic patient notes:** The implementation of electronic patient records is now well underway. The first five phases of the £7million project are complete.

Patient experience improvements

- **Self Service Check-in:** Self-service check-in kiosks for patients attending the main Outpatient Departments were introduced.
- **Breakfast in the discharge lounge:** A Breakfast Club at EDGH providing breakfast for patients leaving hospital in the discharge lounge is helping to free up beds on the wards earlier in the day.
- **Maternity self-referral service launched:** Women who have just become pregnant can self-refer to the midwifery service at ESHT.
- **End of Chemotherapy Treatment Bell:** The Judy Beard Day Unit at Conquest Hospital has installed a bell for patients to ring when they finish their course of chemotherapy treatment, giving them hope and strength for the future.
- **Medication Passports:** Medication Passports have been launched at EDGH and Conquest Hospital to help people keep track of their medicines.
- **New children's play area:** A new play area for Kipling Ward at Conquest Hospital was created out of a disused courtyard thanks to the generous support of Colleen's Tenderheart Charity, Darvell Bruderhof Community, Parker and Sons and Skinners Sheds.
- **New Trust website:** The Trust launched an improved website, with the aim of both modernising it and making it easier to navigate to help patients find the information they need as easily as possible.

Awards and recognition

- **National recognition for high quality of Audiology services:** Audiology services at ESHT received national accreditation in recognition of the high quality of care they provide. The Improving Quality in Physiological Services (IQIPS) accreditation is given to services that can demonstrate the highest levels of quality of service, care and safety for patients undergoing physiological diagnostics and treatment. Both adult and paediatric services at the Trust have received the accreditation, making ESHT the first Trust in the south east to have full IQIPS accreditation across both its Audiology services.
- **Trust UroGynaecology Unit is first in Sussex to attained national accreditation:** The Trust's UroGynaecology unit was the first in Sussex to attained national accreditation from the British Society of UroGynaecology following an inspection. It is one of only 22 units in the country to gain this status. Accreditation status is given to the units for the high quality UroGynaecology service offered to patients and a strong governance framework including multidisciplinary team input.
- **Project SEARCH wins award for 100% placement success:** Project SEARCH is a supported internship programme designed to give young people with learning difficulties or disabilities the skills to gain competitive paid employment. This year Project SEARCH was recognised for its success in gaining paid employment for young people with learning difficulties or disabilities. In the last three years, 32 young people with learning difficulties or disabilities have completed the Project SEARCH programme with a further 8 currently on the project this year.
- **Maternity improvements noted in CQC survey:** A national survey on maternity services undertaken on behalf of the Care Quality Commission (CQC), found that maternity care at ESHT had improved across a number of areas. All but five questions showed an improvement when compared to the same survey undertaken in 2015 and six questions showed significant improvement
- **Special Care Baby Unit scores well in reducing avoidable admissions:** The Special Care Baby Unit (SCBU) at Conquest Hospital scored well in a national initiative (ATAIN) to reduce avoidable admission of full term babies to Neonatal units.
- **ESBT wins HSJ partnership award:** Our East Sussex Better Together partnership, bringing together health and social care in East Sussex won the improved partnerships between health and local government award at the Health Service Journal Awards, a prestigious national award. East Sussex Better Together was praised by judges for the 'breadth and scope' of the 'extremely ambitious' partnership.
- **Success at Skills for Health's Our Health Heroes Awards.** Our Doctors Assistant Team won the Gold Award in the Workforce Planning Team of the Year category. Danii Clark, Equality and Human Rights Assistant won the regional Operational Services Support Worker of the Year. These awards, sponsored by Health Education England, celebrate the unsung healthcare heroes from across the UK that go above and beyond in their roles every day.
- **One Stop Swallow Disorder clinic wins 'Project Recognition Award' at the Zenith Global Healthcare Professionals Awards:** The Swallow Disorder Clinic is an innovative, collaborative approach between Ear, Nose and Throat and Speech and Language Therapy teams which has improved patient experience and outcomes. The

clinic has reduced treatment times from 24 to 5 weeks and improved patient safety and satisfaction.

- **Trust's Heart Failure Team picks up two regional awards:** The Trust's Heart Failure Team picked up two awards at the regional Heart Failure Collaborative "Enhancing the Quality of Heart Failure Care".

Finance

Important Financial Results

The following table shows a range of financial performance values taken from the accounts.

Accounts Highlights	2017/18	2016/17
Deficit for year	(54,982)	(43,792)
Public Dividend Capital Dividend Payable	2,920	4,968
Value of Property, Plant and Equipment	215,700	237,135
Value of borrowings (including Loans)	157,211	93,215
Cash at 31 st March	2,100	2,100
Creditors - trade and other	37,487	53,034
Debtors - trade and other	35,088	40,806
Revenue from patient care activities	350,246	339,788
Clinical negligence costs	14,615	13,286
Gross employee benefits	284,296	269,971

	2017/18	2017/18	2016/17	2016/17
	Number	£000	Number	£000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	128,709	158,861	119,039	130,851
Total non-NHS trade invoices paid within target	24,188	43,923	30,662	49,321
Percentage of non-NHS trade invoices paid within target	18.79%	27.65%	25.76%	37.69%
NHS Payables				
Total NHS trade invoices paid in the year	2,698	35,381	2,656	46,757
Total NHS trade invoices paid within target	845	29,352	786	37,205
Percentage of NHS trade invoices paid within target	31.32%	82.96%	29.59%	79.57%

Operating and Financial Review

2017/18 marked a year of significant transition for the Trust. Significant improvements in safety and quality, and strengthened delivery of national performance standards, were not matched by an equivalent and direct improvement in financial performance. However, over the financial year, the Trust has made significant progress in strengthening financial governance, in understanding the key drivers of the underlying deficit, and in stabilising overall financial performance.

In 2016/17, the Trust ended the year with a reported operational deficit of £46.4m, excluding Sustainability and Transformation Funding. A review by KPMG indicated that the underlying deficit – driven by the exit run-rate – for the Trust in 2016/17 was £58m. In 2017/18, the Trust ended the year with a reported operational deficit, excluding STF, of £57.3m. This was not the planned financial performance – excluding STF, the Trust was aiming to deliver a deficit of £36.4m and it did not meet this target. Delivery of Cost Improvements was at less than planned levels, a number of cost pressures emerged in the year and impacted on the financial position, and the Trust entered into an income agreement with local commissioners which was below the level forecast based on activity and demand. However, significant efficiency savings were delivered by staff across the organisation, and the accurate recording of activity and collection of associated income improved over the year. Strengthened controls were put in place around the use of high cost temporary resourcing – and the Trust did meet its agency spending cap over the year without an identified impact on quality and safety.

However, it is important that the Trust starts to reduce the overall deficit. A plan to return to breakeven over a three year period is in development, alongside the development of a detailed Clinical Strategy which will ensure clinical and financial stability across all of our key services. Using the national Model Hospital toolkit, and working with NHS Improvement and the Financial Special Measures team, the Trust now has a much greater understanding of the underlying issues which are driving the deficit. The financial plan for 2018/19, and the associated Cost Improvement Plan are based around these drivers – income recovery, service sustainability, workforce costs, infrastructure costs and technology requirements – and the Trust is seeking to significantly reduce the operational deficit in 2018/19.

The Trust is working within a local and regional health economy with significant financial challenges. During 2017/18, the two key local Clinical Commissioning Groups – Eastbourne, Hailsham & Seaford CCG and Hastings and Rother CCG – moved into deficit for the first time, and the Sussex and East Surrey STP Region (which the Trust sits within) also reported a very significant financial deficit. The Trust is working in close partnership with the STP to develop system-wide financial plans to improve operational, clinical and financial performance. Locally, the Trust continues to work within the East Sussex Better Together programme, alongside key partners including the CCGs and East Sussex County Council, to strengthen local plans for the improvement of health outcomes for the population of East Sussex. Management of the system financial challenge is a key local priority and is supported by joint working on the key programmes of change, including supporting the

development of primary care and the development of key community services to support care closer to home.

During the year, levels of activity and demand were significantly greater than planned – particularly in urgent care. Levels of activity at our Accident and Emergency Departments, and levels of non-elective activity more generally – were exceptionally high. However, the Trust has put in place a series of measures to support the management of this demand for urgent care, and during the year opened an Ambulatory Care Unit at EDGH, and commenced pilots of Primary Care Streaming at the front door at both EDGH and Conquest Hospital. Working within East Sussex Better Together, the Trust and local partners have also developed a series of community-based interventions to reduce levels of demand for urgent care, and to support care closer to home.

Elective Care – planned procedures – and outpatient activity levels remained high, although activity and associated income were below the planned levels. In part, this reflects work within the Trust to move towards day case activity, and a greater focus on delivering follow-up procedures to support the management of waiting lists. Whilst this has had an adverse impact on planned income, it has led to an improved performance against national waiting times standards, and a very significant reduction in cancelled operations through improved management of the bed base for the hospital. Indeed, flow across the hospital has significantly improved, supported by both internal initiatives such as ‘Red to Green’ and by strengthened joint working with key partners including social care. The level of ‘delayed transfers of care’ has significantly reduced in the last year, reflecting a much greater shared focus on helping patients to get home at the earliest opportunity. There is further work to do – but the improved performance across the system has resulted in a reduced average length of stay within the hospital for both urgent and planned care.

During the year, the Trust has made progress across a range of areas – performance against national targets is not yet meeting the required standards, but has improved over the past twelve months. At the end of 2016/17, the CQC improved its assessment of the Trust to ‘requires improvement’ from ‘inadequate’ following the October 2016 inspection. The CQC revisited the Trust in early 2018, and the results of this inspection are awaited. During the year, significant investments in resourcing, quality and safety have been agreed by the Trust Board, including increased staffing in key priority areas, additional administrative support for ward-based staff, minor improvements to the infrastructure, and investment in clinical support staff. This has created additional pressure on the resources available to the organisation – and has inevitably impacted on financial performance - but this investment remains a key element of the Trust’s progress to sustainable and continued clinical improvement. Each investment that the Trust makes passes through a rigorous and robust business case process. The Trust is also tracking the investments to ensure that a financial return is secured in time – and improved efficiencies from investments in prior years are starting to flow through into the efficiency programme for 2018/19.

A Trust with a significant deficit has additional challenges in managing cash flow, and this has created pressure for staff and suppliers throughout the last financial year. To support cash flow, the Trust has had access to a Working Capital Facility (WCF) from the Department of Health (DH), which was used throughout the year to meet the cash impact of the deficit. During the year the Trust applied to DH for a series of loans to meet the balance of the Trust’s cash pressures and these are fully described within the financial accounts.

With the support of NHS Improvement, the Trust secured additional loan financing in year to restructure the debt on the balance sheet and this has led to a reduction in the level of outstanding trade creditors at the end of the financial year. During the year, the Trust has also undertaken work to strengthen its own cash flow management procedures, with a strengthened set of forecasting and tracking tools in use to enable a more targeted approach to payment of suppliers. The Trust remains committed to supporting local suppliers, and recognises that delays in payment can create cash flow challenges, and will continue to work to improve its processes to enable early and reliable payment where possible.

Capital investment in the Trust has been constrained in recent years as a result of the financial position, which has adverse impacts on the experience for patients and staff. However, during the year, the Trust has been successful in drawing down capital loans and public dividend capital to secure much-needed infrastructure improvements. The Trust has been able to use alternative forms of capital funding to invest, including leasing and partnership funding. And, as ever, the generosity of the Friends must be noted – donations which directly improve patient care and experience have continued across the year and are welcomed by staff across the organisation. Taken together, the refreshed approach to capital management by the Trust has enabled capital investment to increase to £15.2m in 2017/18. For 2018/19, the Trust has developed a detailed capital plan which seeks to supplement the national challenges around availability of capital and to provide the much-needed investment in infrastructure, IT and equipment across the organisation.

Service Line Reporting and Patient Level Costing are key tools which are increasingly being used to engage clinicians in improving understanding of cost drivers, profitability and for providing management with better information with which to make business decisions. The Trust has a deep understanding of the costs of service delivery, and is an 'exemplar' Trust in the national Costing Transformation Programme. The Trust is fully engaged in the national Operational Productivity programme, led by NHS Improvement, and the Getting it Right First Time clinical improvement programme. Both programmes are key in helping the Trust understand the links between clinical activity and cost across the organisation, and in working with partners within the local health economy to ensure the right models of care are delivered over time.

The Trust Board gains assurance on financial matters through the Finance and Investment Committee, which ensures that all material financial risks and developments are closely scrutinised and that senior management is properly held to account for financial performance. Clinical representation at this committee helps to ensure that clinical quality and patient safety issues are always considered alongside financial performance and risk.

In addition to the scrutiny provided by the Finance and Investment Committee, key financial risks form part of the Trust-wide high-level corporate risk register, which is regularly updated and assessed by the Audit Committee and referred onwards to the Trust Board where significant risks are considered and acted upon.

Looking ahead the Trust has submitted to NHS Improvement an initial financial plan for 2018/19 of £47.9m, excluding STF. This is not in line with the issued control total for the Trust, but it represents an improvement in the underlying financial position and the Board will continue to seek options to improve this position. This approach will mean that the Trust is not eligible for STF funding in year, although it has received an 'offer' of £14.4m STF if it is

able to deliver the control total and securing this funding remains an aspiration for the Trust over time. The Trust is aiming to secure £23.5m of efficiency savings in year, and detailed work is in train to ensure that these schemes are robust, deliverable and are assessed through our The Trust's main contract with three local CCGs will be again based on national tariff, where applicable. The Trust will initially use the interim WCF for its cash requirements in 2016/17 but this will need to be replaced with loan funding under arrangements yet to be advised.

Each director has confirmed that as far as he/she is aware there is no relevant audit information of which the Trust's auditors are unaware and he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

Fundraising

We are extremely grateful for the efforts of a wide range of charities and individuals whose generosity supports our work. Over the year £295,000 was donated or bequeathed to our charitable funds. We utilise this funding to improve our clinical services, enhanced patient outcome and contribute to the development and welfare of our staff. Examples of major purchases made by the charity during 2017/18 include:

- 2 Prismaflex Dialysis machines for Critical Care
- Virtual Dementia Tour training to enable 1,000 members of staff to experience the symptoms of dementia
- Refurbishment of doctors' accommodation at EDGH and Conquest Hospital
- Funding the Annual Trust Awards for staff
- Training equipment for the Resuscitation team

At the start of 2017, the charity launched a lottery, open to staff and members of the public, in order to continue to raise funds to support the Trust. Details of the lottery can be found at www.esht.nhs.uk/lottery

You can donate to ESH's Charitable Funds in a number of ways:

- Online at www.esht.nhs.uk/about-us/donate/
- Send us a cheque, addressed to Charitable Funds, St Anne's House, 729 The Ridge, St Leonards-on-Sea TN37 7PT
- Cash, via the Cashier's Offices at EDGH or Conquest Hospital

Friends of our hospitals

We receive a huge amount of support from the Friends of our hospitals, and they have again been hugely generous throughout the year. They continue to purchase equipment which improves the care and support that the Trust is able to offer to patients and the Trust is incredibly grateful for the generosity of the Friends' support.

During 2017/18:

The Friends of the Conquest Hospital pledged to celebrate twenty five years since the hospital opened by raising £1million to provide a state-of-the-art MRI scanner, in order to replace the 13 year old scanner currently in use. This was in addition to purchasing other items for the Trust, including:

- An ultrasound/echo machine for the cardiology department
- Omnicell medicines management systems
- An ultrasound machine for the delivery suite
- Dentistry equipment for disabled patients (in partnership with Bexhill's Friends)

The Friends of Eastbourne Hospital raised £500,000 which substantially funded a new state-of-the-art CT scanner for EDGH and further £386,000 to purchase a CT scanner for EDGH's new radiotherapy unit. This was in addition to purchasing other items for the Trust, including:

- An echoendoscope for the Endoscopy Unit

- A cardiovascular ultrasound machine for the cardiology department
- A video laryngoscope for the anaesthetics department
- A flexible cystoscope for the women's health team

The Friends of Bexhill Hospital continued their generous support of the Ophthalmology department at Bexhill Hospital, purchasing a range of specialist equipment. This included approving funding for cataract and OCT scanners, a tonometer and a focimeter. This was in addition to purchasing other items for the Trust, including:

- An Andago walking hoist
- An operio-sterile air zone unit
- Dentistry equipment for disabled patients (in partnership with Conquest's Friends)
- A foot orthoses/insole grinding and finishing station

If you would like to support or become involved with the Friends please contact:

Friends of Bexhill Hospital	Tel: 01424 217449
Friends of the Conquest Hospital	Tel: 01424 755820
Friends of Crowborough War Memorial Hospital	Tel: 01892 664626
Friends of the Eastbourne Hospital	Tel: 01323 417400 ext 4696
League of Friends Lewes Victoria Hospital	Tel: 01273 474153
Friends of Rye Hospital	Tel: 01797 223810
Uckfield Community Hospital League of Friends	Tel: 01825 767053

Capital and Our Estate

Investing in our Estate

We continued to undertake capital investment in the Trust in order to improve quality and safety, reduce risks associated with backlog maintenance and to adapt and remodel our estate to provide more efficient services.

Primary Care Streaming by GPs at both acute sites provides new patient pathways which reduce the demands on our Emergency Departments by allowing the treatment of patients by GP's when appropriate. Extensive remodelling at both sites was undertaken to allow these services to be sited next to Emergency Departments.

An Ambulatory Care Unit (ACU) has been constructed at EDGH which provides an alternative care pathway for patients who have been referred by GPs, walked in or attended by ambulance. An ACU will be built at Conquest Hospital during 2018.

Other areas of investment during the year have included:

- New theatre lights.
- New doors for the Irvine Unit to facilitate deep cleans.
- New flooring and doors within wards and outpatient areas.
- Refurbishing bathrooms to provide new showers.
- New roof finishes at both acute sites.
- New mains electrical supply at EDGH.
- We continue to address fire compartment issues at EDGH

We have developed a five year Estates Strategy which will be flexible enough to respond to the developing service requirements of both the Trust and the local health economy in East Sussex. This will us to maintain and improve our high quality services, efficiency and effectiveness while continuing to ensure good value for money.

Patient environment

Catering

The catering teams at the Trust ensure that all our patients are provided with nutritious and wholesome food that meets a wide range of nutritional requirements and tastes. In 2017/18 we provided over 900,000 meals to patients, working closely with Dieticians and Clinical teams to ensure our menus meet the needs of our patients. We have introduced an improved finger food menu, which supports individuals with Dementia and manual dexterity issues, and a picture menu which helps patients to identify the dishes that are available.

We aim to act as a role model in reducing the number of foods that are high in fat, sugar and salt that we offer to patients, staff and visitors. The catering team undertook a review of the food and drink options that were available which has led to the introduction of drinks with less sugar and food with less fat and salt.

We work closely with our suppliers to ensure that the food we offer is CQUIN compliant and meets the National Government Directives.

Future Developments

We are working closely with the Speech and Language Team to review our Dysphagia menu to ensure it meets the changes being implemented nationally.

Cleanliness

The Trust has a duty to ensure high standards of cleanliness, which are measured against the National Specification of Cleanliness (NSC) in the NHS Guidelines.

In order to provide assurance that these standards are being met, monthly audits are undertaken by our NSC auditing team. Results of these are discussed at monthly Patient Environmental Auditing Group Meetings which are attended by Nursing, Infection Control, Estates and Housekeeping representatives. Any areas of concern are discussed and action plans formulated to address and assist with improvements.

To ensure compliance with the NSC, our NSC audit team carry out regular audits throughout the year. In 2017/18 we achieved an average NSC score of 95.36% against the Trustwide NSC cleanliness target score average of 92.96%.

During 2017/18 our housekeeping teams cleaned over 100,000m² of our hospitals every day and undertook over 5,200 deep cleans.

Future Developments

A review of all cleaning materials and consumables we use will be undertaken to ensure that products are effective, environmentally sound and offer the best possible value.

Portering

In May 2017 we introduced a new Portering task management system. This assists the Portering team in efficient allocation and performance monitoring of tasks, including patient transfers, transport of goods and specimen and blood collections.

Future Developments

We will be reviewing our two way radio communication with a view to transferring analogue systems to a new digital radio system.

Social, community and human rights issues

We recognise the need to forge strong links with the communities we serve and pride ourselves on having a proactive and engaging communications teams. The work of the team is far reaching and covers community engagement, event organisation, media and social media management, internal and external marketing and communication, GP liaison and patient and staff information. We work closely with HealthWatch to undertake research into the experiences of patients and carers in using our services and to develop services incorporating the views and feedback of those that have experienced our care.

The Department of Health produced a guide in 2013/14 on 'Human Rights and Healthcare', setting out scenarios where the Human Rights Act might apply and we are committed to meeting our obligations in respect of the human rights of our staff and patients. These commitments are closely aligned to the NHS Constitution and to our own Trust values. NHS trusts are public bodies and it is therefore unlawful for us to act in any way that is incompatible with the European Convention on Human Rights Policy unless required by primary legislation.

The Trust has an Equality, Diversity and Human Rights Policy which guides our approach to managing social, community and human rights issues. The policy is regularly reviewed to ensure that it continues to be effective and that the Trust's approach on Equal Opportunities is compliant with legal and best practice standards and that our practice in this area is exemplary.

Anti-Bribery and Anti-Corruption

One of the basic principles of public sector organisations is the proper use of public funds. The majority of people who work in the NHS are honest and professional and they find that fraud and bribery committed by a minority is wholly unacceptable as it ultimately leads to a reduction in the resources available for patient care.

The Trust Board is committed to maintaining high standards of honesty, openness and integrity within the organisation. It is committed to the elimination of fraud, bribery and corruption within the Trust, and to the rigorous investigation of any suspicions of fraud, bribery or corruption that arise.

The Trust has procedures in place that reduce the likelihood of fraud, bribery or corruption occurring. These include Standing Orders, Standing Financial Instructions, authorised signatories, documented procedures, procurement procedures, disclosure checks, and "Whistleblowing". Additionally, the Trust, aided by its Local Counter Fraud Specialist (LCFS), attempts to ensure that a risk (and fraud) awareness culture exists within the organisation.

The Trust adopts a zero tolerance attitude to fraud and bribery within the NHS. The aim is to eliminate all fraud and bribery within the NHS as far as possible.

Site Security

The Trust is fully compliant with Secretary of State Directives concerning security and safety in hospitals. We have used these guidelines, to develop a proactive security culture which has seen crime fall across our sites over the last three years.

Our security team work closely with colleagues, regularly engaging through roadshows, security and personal safety presentations and during Trust inductions. Our quarterly newsletter, "Securitywise", is now in its 19th year.

Personal attack alarms are available to many staff which can be used at home or outside the hospital. Conflict resolution training is a mandatory requirement for all front line staff, supplemented by optional Breakaway Training. Staff also receive training in how to maintain security within their departments, and how to look after patients' property.

The Trust has around 106 CCTV cameras and a number of stand-alone units which are managed by control rooms on both acute sites. The control rooms also manage a number of other alarms including those for medical gases, blood banks, lifts and fire systems. All staff wear an official identity badge, with a clear portrait, name and job title, which integrates into our swipe card system which manages and restricts movement across the Trust.

Security offices were refurbished recent improvements to main reception and A&E and are now more prominent than previously. This has an added benefit of allowing our local Police to use the offices when needed.

Our car parks at Conquest Hospital and EDGH have retained their accreditation under the national "Park Mark" scheme, which recognises their continued high standards of security and safety.

Emergency Preparedness, Resilience and Response (EPRR)

The Trust acknowledges its duties as a 'Category 1 responder' under the Civil Contingencies Act 2003, and the requirements of the NHS EPRR Framework 2015. These require the organisation to:

- Assess the risk of emergencies occurring and use this to inform planning;
- Put in place emergency plans;
- Put in place Business Continuity Management arrangements;
- Put in place arrangements to warn and inform the public about civil protection matters (which impact on the organisation);
- Share information and co-operate with other local responders.

In August 2017 we participated in the multi-agency response to the 'Birling Gap' gas-cloud 'major incident'. Over 130 people were decontaminated at the EDGH, the largest known response of this type in recent years.

In October 2017, the Trust's compliance with the annual 'NHS England EPRR Core Standards' audit dropped from 'Substantially' to 'Partially' compliant. In

February 2018 a 2nd EPRR practitioner joined the organisation with the aim of raising the profile of EPRR and ensuring that it became embedded into the Trust's culture. A large program of work has been started to ensure that the Trust is resilient at all times.

The Trust values its engagement with both the Sussex Resilience Forum (SRF) and the Local Health Resilience Partnership (LHRP). It has participated in exercises at both a regional and local level, and is represented across the range of SRF working groups, and event 'Safety Advisory Groups' organised by East Sussex local authorities.



effective.

Future plans include updating risk-specific plans, including business continuity plans, on an annual basis. Staff will receive additional training to ensure that Trust responses are in line with those of the emergency services and multi-agency partners. Exercises will be held to test that responses are

The EPRR team is committed to ensuring that the organisation has a greater understanding of 'emergency preparedness' arrangements across all sites, leading to improved Trust resilience.

Sustainability

Care Without Carbon – delivering sustainable healthcare at ESHT

Our ambition is to become a sustainable organisation that provides safe, compassionate and high quality care to improve the health and wellbeing of the people in East Sussex while:

- Working towards long-term financial sustainability
- Minimising our impact and having a positive impact on the environment and natural resources
- Supporting staff wellbeing to enable a happy, healthy and productive workforce

Since 2015 we have been working to achieve this through our Sustainable Development Management Plan (SDMP), Care Without Carbon (CWC). This is focussed around a seven step action plan (see Figure 1), which aims to integrate sustainable development principles into our core operational activities, linked into our work to improve quality, safety and operational standards.

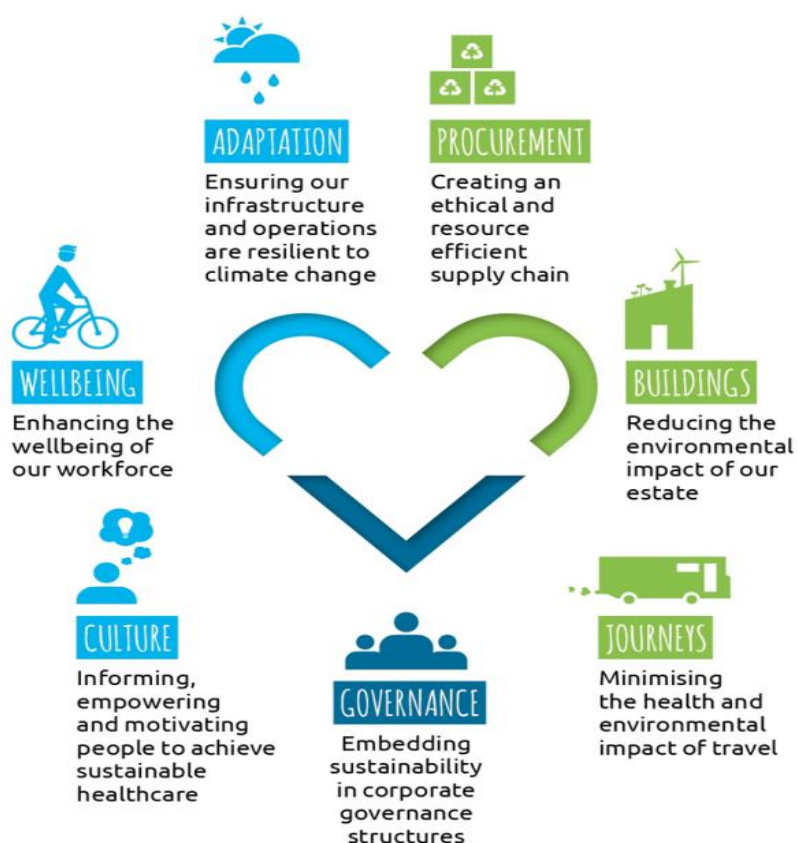


Figure 1: our seven steps to sustainability

How we deliver CWC at ESHT – programme governance

The SDMP was originally approved by our Trust Board in 2015. A refreshed SDMP was approved by the Board in January 2018, setting out a programme of targets and actions to further integrate sustainability into core business through a programme of staff engagement.

The delivery, monitoring and reporting of the SDMP is supported by the Sussex Community NHS Foundation Trust Environment and Transformation team who help implement key aspects of the programme.

Sustainable healthcare across Sussex and East Surrey

The annual carbon footprint of the healthcare system within Sussex and East Surrey, (including the seven main NHS provider trusts) is around 100,000 tonnes CO₂e, costing an estimated £32m per annum. NHS provider partners in our STP area of Sussex and East Surrey have initiated three collaborative projects:

- a joint Energy Performance Contract (EPC) procurement;
- a Courier Services Review
- a joint waste tender with five of the STP trusts.

These projects aim to create economies of scale and delivering better value and to enable organisations to share best practice, encourage innovation and improve system-wide planning and management of sustainability impacts.

Summary of our environmental performance

In delivering our services we consume a significant amount of energy and water and produce a large volume of waste. We also transport Trust staff, patients and goods, and purchase a large range of medical and other equipment and services. All of these activities generate carbon dioxide (CO₂) emissions, which are linked to climate change, and can be collectively summarised as our carbon footprint.

Since our baseline year of 2013/14 we have reduced our absolute carbon footprint by 2328 tonnes CO₂e¹ (11%) (see figures 2 and 3 below). Our target for 2020 is a 34% reduction, in line with national NHS requirements. Whilst our work to achieve this is consistently resulting in reductions in our carbon footprint, we are currently falling short of the overall target. This highlights the need to accelerate the rate of progress with key aspects of our SDMP, in particular targeting our highest areas of impact through energy conservation and travel reduction opportunities, discussed later.

¹ CO₂e is the standard unit for measuring carbon footprints. It reflects the impact of all six greenhouse gases that cause global warming including carbon dioxide and methane. This is important as some of the gases have a greater warming effect than carbon dioxide.

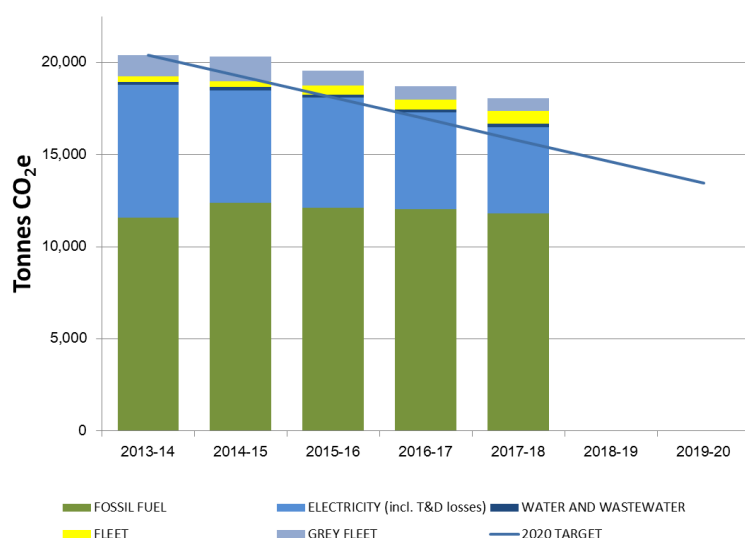


Figure 2: ESHT carbon emissions against 2020 target

SCOPE	Emission Source (tCO ₂ e)	Base Year	2014-2015	2015-2016	2016-2017	2017-2018
1	Fossil Fuel	11,585	12,364	12,127	12,048	11,794
	Trust Vehicles	313	312	477	527	700
2	Electricity	7,183	6,125	5,963	5,222	4,694
3	Water	182	182	170	179	180
	Business Mileage	1,131	1,323	814	716	699
TOTAL		20,394	20,306	19,550	18,693	18,066

Figure 3: ESHT carbon emission figures by source

In addition to our carbon footprint, in delivering our services to patients we produce a significant quantity of waste – in 2017/18 this amounted to just over 1990 tonnes for our five main sites (see figure 3). Our segregation of non-infectious (tiger bag) waste has improved and is up from last year to 63%. Our recycling rate, however is still relatively low, at 34% and is an opportunity for improvement in 2018/19.

Waste source	Tonnes
Healthcare waste	969.2
Reusable sharps	117.9
General / Commercial waste	595.4
Recyclable waste	307.8
TOTAL	1990.2

Figure 4: ESHT waste produced from five main sites

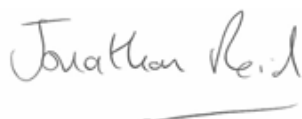
Staff business travel also affects our environmental with over 3 million miles travelled by our staff each year, with associated cost and carbon impacts.

Key aspects to note in relation to our environmental data:

- *Due to the date of publication of the annual report, 2017-18 all figures are subject to final validation as they contain some estimated data.*
- *Scope 3 emissions for waste disposal and procurement (supply chain) not currently included in our carbon footprint due to lack of reliable conversion factors.*
- *Waste figures include our five main sites (EDGH, Conquest Hospital, Bexhill, Rye Hospital and Arthur Blackman Clinic) only, as we no longer manage waste at other sites and data was not available.*

This performance report was approved by the board on 24th May 2018 and signed on its behalf by:

Signed

A handwritten signature in dark ink, appearing to read 'Jonathan Reid', with a horizontal line underneath.

Chief Executive

Date 24/05/2018

Accountability Report

Director's Report

Trust Board

The Board of Executive and Non-Executive directors manage the Trust, with the Chief Executive being responsible for the overall running of our healthcare services as the Accountable Officer.

Board members as of 31 st March 2018	
Chairman David Clayton-Smith	Chairman of Trust Board Chairman of Remuneration Committee
Chief Executive Dr Adrian Bull	
Non-Executive Directors	
Susan Bernhauser OBE	Chair of Quality and Standards Committee Member of Audit Committee Member of Remuneration Committee
Jackie Churchward-Cardiff	Member of Finance and Investment Committee Member of People and Organisational Committee Member of Quality and Standards Committee
Miranda Kavanagh	Chair of People and Organisational Committee
Barry Nealon	Vice Chairman of Trust Board Chair of Finance and Investment Committee Member of Audit Committee Member of Remuneration Committee
Michael Stevens	Chair of Audit Committee Member of Finance and Investment Committee Member of Remuneration Committee
Executive Directors and Officers	
Joanne Chadwick-Bell, Chief Operating Officer	
Jonathan Reid, Director of Finance	
Dr David Walker, Medical Director	
Vikki Carruth, Director of Nursing	
Monica Green, Director of Human Resources*	
Catherine Ashton, Director of Strategy*	
Lynette Wells, Director of Corporate Affairs *	

** Non-voting Board member/officer*

Board changes during the year are outlined below:

Name	Role/Position	Dates of Change
Alice Webster	Director of Nursing	Resigned 30.07.17
Hazel Tonge	Acting Director of Nursing	Acting up period 01.08.17 to 01.10.17
Vikki Carruth	Director of Nursing	Appointed 02.10.17

Attendance at board meetings 2017/18

Name and Position	Attendance at Trust Board meetings 2016/17
David Clayton-Smith Chairman	5/5
Barry Nealon Vice-Chairman Non-Executive Director	3/5
Susan Bernhauser Non-Executive Director	3/5
Jackie Churchward-Cardiff Non-Executive Director	5/5
Miranda Kavanagh Non-Executive Director	5/5
Michael Stevens Non-Executive Director	5/5
Dr Adrian Bull Chief Executive	5/5
Joanne Chadwick-Bell Chief Operating Officer	5/5
Jonathan Reid Director of Finance	4/5
Dr David Walker Medical Director	4/5
Catherine Ashton* Director of Strategy	4/5
Monica Green* Director of Human Resources	5/5
Alice Webster Director of Nursing until 30.07.18	1/1
Hazel Tonge* Acting Director of Nursing from 01.08.18 to 01.10.18	1/2
Vikki Carruth Director of Nursing from 02.10.18	1/2
Lynette Wells* Director of Corporate Affairs	5/5

** Non-voting Board member/officer*

Trust Board Register of Interests

Non-Executive Directors	David Clayton-Smith	<ul style="list-style-type: none"> • Advisory Board Member, Coffee Assurance Services, Bonn • Chair, Kent, Surrey and Sussex Academic Health Science Network • Independent Chair, East Sussex Better Together • Independent Chair, East Sussex Better Together Clinical Leadership Forum • Independent Chair, East Sussex Better Together Clinical Leadership Forum • Epsom, St Helier Acute Sustainability Programme Board, Surrey Downs CCG • Independent Chair, Surrey Priorities Committee, Surrey Downs CCG
	Barry Nealon	<ul style="list-style-type: none"> • Chairman of Rye, Winchelsea & District Memorial Hospital.
	Susan Bernhauser	None
	Jackie Churchward-Cardiff	<ul style="list-style-type: none"> • Owner and director of Clinical Strategies • Chair, Avante Carer Support
	Miranda Kavanagh	None
	Michael Stevens	<ul style="list-style-type: none"> • Council Member & Treasurer, St George's, University of London
Executive Directors	Dr. Adrian Bull	None
	Joanne Chadwick-Bell	None
	Jonathan Reid	<ul style="list-style-type: none"> • Chair - Audit Committee, Sussex Downs College (until March 2018)
	Dr. David Walker	<ul style="list-style-type: none"> • Trustee of Parchment Trust
	Catherine Ashton	None
	Monica Green	None
	Alice Webster	None
	Hazel Tonge	None
	Vikki Carruth	None
	Lynette Wells	<ul style="list-style-type: none"> • Director and Shareholder of Chalkman Limited

Each director has confirmed that as far as he/she is aware there is no relevant audit information of which the Trust's auditors are unaware and he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

The following table outlines the notice periods for Directors and Officers in post at 31st March 2018:

Name	Start Date	Notice period
Dr. Adrian Bull Chief Executive	April 2016	6 months
Joe Chadwick-Bell Chief Operating Officer	November 2016	6 months
Dr. David Walker Medical Director	September 2016	6 months
Jonathan Reid Director of Finance	June 2016	6 months
Catherine Ashton Director of Strategy	August 2016	6 months
Vikki Carruth Director of Nursing	October 2017	6 months
Monica Green Director of Human Resources	June 2002	6 months
Lynette Wells Director of Corporate Affairs	February 2012	6 months

For statements on salary and pension benefits for all senior management who served during 2017/18, please see accounts in the appendix.

Trust Committees

Audit Committee

The Audit Committee is chaired by Mike Stevens and met on six occasions during the past year.

The Committee is responsible for providing the Board with advice and recommendations on matters which include:

- the effectiveness of the framework of controls within the Trust
- the adequacy of arrangements for managing risk and how these are implemented
- the adequacy of plans of internal and external audits and how they perform against these
- the impact of changes to accounting policy
- the review of tenders and waivers issued by the Trust
- the review of the annual report and accounts

Until 2017/18, the Trust's External Auditors were appointed by the Audit Commission and its successor bodies. From 2017/18, Trusts were required to form an Audit Panel, and to appoint external auditors through a procurement process. The Audit Committee was designated as the Audit Panel for the Trust, and with the support of the Committee, the Trust undertook a tendering exercise which approved the appointment of Grant Thornton UK LLP for a period of three years commencing with the 2017/18 financial year.

Committee Attendance

Non-Executives form the Audit Committee, Finance and Investment Committee, People and Organisational Development Committee and Quality and Safety Committee.

Committee Attendance during 2017/18 was as follows:

	Audit	Finance & Investment	People & Organisational Development	Quality & Safety
Barry Nealon	6/6	11/13	-	-
Sue Bernhauser	4/6	-	-	6/6
Jackie Churchward-Cardiff	-	13/13	4/5	5/6
Miranda Kavanagh	-	-	5/5	-
Mike Stevens	6/6	11/13	-	-

All of the meetings of the Trust's Committees during 2017/18 were quorate.

Modern Slavery and Human Trafficking Act 2015 Annual Statement

The Trust's income does not reach the £36million threshold at which we are required to prepare an annual slavery and human trafficking statement.

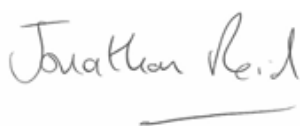
Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the trust. The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountable Officer Memorandum. These include ensuring that:

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

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

Signed



Chief Executive

Date 24/05/2018

Governance Statement

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the duties and obligations assigned to me.

I am also responsible for ensuring that the 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 Trust Accountable Officer Memorandum. The governance framework outlined in this documentation ensures there are adequate arrangements in place for the discharge of statutory functions that these have been checked for any irregularities and are legally compliant.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of East Sussex Healthcare NHS 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 control has been in place in East Sussex Healthcare NHS Trust for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

I am responsible for risk management across all organisational, financial and clinical activities. This includes responsibility for ensuring that processes are in place to enable identification and management of current risk and anticipation of future risk. The Risk Management Strategy provides a framework for managing risks across the organisation which is consistent with best practice and Department of Health guidance. The Strategy provides a clear, systematic approach to the management of risks to ensure that risk assessment is an integral part of clinical, management and financial processes across the organisation. It was reviewed and revised in the financial year.

Governance Framework

The Trust has agreed Standing Orders (SOs) for the regulation of proceedings and business. The Trust SOs are designed to translate the statutory requirements set out in the National Health Service Trusts (Membership and Procedures) Regulations 1990 (1990/2024)

into day to day operating practice, and, together with the adoption of a Scheme of Matters Reserved to the Board; a Scheme of Delegation to officers and others; and Standing Financial Instructions, they provide the regulatory framework for the business conduct of the Trust and define its ways of working. These documents, together with the range of policies set by the Board make up the Governance and Accountability Framework. The Standing Orders, Scheme of Delegation and Standing Financial Instructions have been periodically updated to account for alterations in year and were last reviewed, updated and approved by the Trust Board in December 2017.

Best practice in governance states that the Board should be of sufficient size that the balance of skills, capability and experience is appropriate for the requirements of the business. The Trust Board has a balance of skills and experience appropriate to fulfilling its responsibilities and is well balanced with a Chairman, five non-executive directors and five voting executive directors. In line with best practice there is a clear division of responsibilities between the roles of Chairman and Chief Executive. The Board complies with the HM Treasury/Cabinet Office Corporate Governance Code where applicable.

The Trust has a stable Board and there was only one change during the year; Alice Webster resigned as Director of Nursing on 30 July 2017, the position was filled on an interim basis by Deputy Director of Nursing Hazel Tonge until Vikki Carruth joined the Trust on 2 October 2017.

In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Board members also fulfil a number of “Champion” roles where they act as ambassadors for matters including health and safety, business continuity, dementia and organ donation.

The Trust has nominated a non-executive director, Barry Nealon, as Vice Chairman and another, Sue Bernhauser, as the Senior Independent Non-Executive Director (SID). The role of the SID is to be available for confidential discussions with other directors who may have concerns which they believe have not been properly considered by the Board, or not addressed by the Chairman or Chief Executive, and also to lead the appraisal process of the Chairman. The SID is also available to staff in case they have concerns which cannot, or should not, be addressed by the Chairman, Executive Directors or the Trust’s Speak Up Guardian as outlined in the Trust’s Raising Concerns (Whistleblowing) Policy.

The Trust has a Fit and Proper Persons Policy and processes to ensure that people who have director level responsibility for the quality and safety of care, and for meeting the Care Quality Commission fundamental standards are fit and proper to carry out their roles. Directors and officers complete an annual declaration that they remain ‘Fit and Proper Persons’ to be directors.

Board Effectiveness

All Board members participate in the annual appraisal process and objectives are agreed and evaluated. During the year the SID undertook an appraisal of the Chairman on behalf of the Board.

The Board has a tailored seminar programme in place to support the development of Board knowledge and allow in depth discussion and exploration of key issues. The Board completed a self-assessment of its effectiveness in April 2017 to support planning of future Board development activities Board development activity encompassed leading improvement, team dynamics, leadership behaviours and learning styles.

Board members also undertake 'quality walks' to develop their understanding of the organisation and the organisation's understanding of the Board. These visits add to and complement the assurance provided to the Board through regular reporting on compliance with local, national and regulatory quality standards. They are not one off events but part of a continuing cycle of improvement where outcomes are fed back to staff, patients and others and, if required, actions are taken. Board members feedback on the outcome of their quality walks at each public board meeting.

Committee Structure

The Trust Board meets bi-monthly in public and also holds informal seminars covering key issues and Board development in the month where there is no public Board meeting. Committees of the Board include Audit, Remuneration and Appointments, Finance and Investment, Quality and Safety and People and Organisational Development. All Committees are chaired by a Non-Executive Director of the Trust and membership of the Audit and Remuneration and Appointments Committees comprise only Non-Executive Directors. Terms of reference outline both quoracy and expected attendance at meetings and the Board receives a report from the Committee Chair at each Board meeting. Functions of these Committees are outlined below.

Audit Committee

- The Audit Committee supports the Board by critically reviewing the governance and assurance processes on which the Board places reliance. This encompasses: the effectiveness of Trust governance, risk management and internal control systems; the integrity of the financial statements of the Trust, in particular the Trust's Annual Report; the work of internal and external audit and any actions arising from their work; compliance by the Trust with relevant legal and regulatory requirements. The Committee meets at least quarterly.
- The Committee has aimed to perform its duties during the year as delegated by the Trust Board and mandated through governance requirements. It has ensured compliance with and further developed good practice through continuous self-assessment and review of its effectiveness; and assessing itself against the checklist in the Audit Committee Handbook. The Committee has been chaired by a non-executive director with a financial background, and membership consists of himself

and 2 non-executive directors. Executive directors are invited to attend. The Committee met on 6 occasions throughout the financial year, was well attended and all meetings were quorate.

- The Committee has oversight of the completeness of the risk management system. Divisional and Corporate representatives have attended the Committee on a rotational basis to present their risk registers and mitigating actions.
- As one of the key means of providing the Trust Board with assurance that effective internal control arrangements are in place, the Audit Committee requests and receives assurances and information from a variety of sources to inform its assessments. This process has also included calling managers to account, when considered necessary, to obtain relevant assurance and updates on outcomes. The Committee also works closely with executive directors to ensure that assurance mechanisms within the Trust are fully effective, and that a robust process is in place to ensure that actions falling out of internal audits and external reviews are implemented and monitored by the Committee.
- The Committee's remit includes oversight of the effectiveness of Clinical Audit arrangements. During the year the Committee reviewed the Annual Plan for Clinical Audit and received progress updates at each meeting. In addition Divisions attended the meeting on a rotational basis to update on the clinical audits in their area. Good progress was noted and it was recommended that the number of clinical audits be reduced due to the high number abandoned. The Committee received assurance that the Trust would be compliant with the national diabetes audit after a number of years of failing to participate due to a lack of appropriate software.
- The Audit Committee Chairman updates the Trust Board at each meeting with both minutes and a verbal update, and an annual report is also presented. Highlights have included the points outlined above; notably assurance on the risk management system and internal controls monitored by the Committee, the need to provide assurance on controls in place in relation to cyber security, preparation to meet the requirements of the General Data Protection Regulations and updates on the work of both internal and external audit and counter fraud.

Finance and Investment Committee

The Finance and Investment Committee provides support to the Trust Board in regard to understanding:

- the future financial challenges and opportunities for the Trust
- the future financial risks of the organisation
- the integrity of the Trust's financial structure
- the effectiveness and robustness of financial planning
- the effectiveness and robustness of investment management
- the robustness of the Trust's cash investment approach
- the investment and market environment the Trust is operating in,
- the financial and strategic risk appetite that is appropriate for the organisation

- the process for business case assessments and scrutiny and the process for agreeing or dismissing investment decisions depending on the above

The Committee is scheduled to meet quarterly, but has met monthly during 2017/18 due to the Trust being in Financial Special Measures. This provides sufficient time to review, scrutinise and monitor Trust plans.

Quality and Safety Committee

- The Committee's prime function is to ensure that the Trust is providing safe and high quality services to patients supported and informed by effective arrangements for monitoring and continually improving the safety and quality of care. It meets bi-monthly to provide an objective review of all aspects of quality, safety and standards in support of getting the best clinical outcomes and experience for patients. The Committee assists the Board in being assured that the Trust is meeting statutory quality and safety requirements and to gain insight into issues and risks that may jeopardise the Trust's ability to deliver quality improvement. It held 6 meetings during the financial year. During the year the Quality and Safety Committee undertook a review of effectiveness and revised its terms of reference and adapted its work plan accordingly.
- The Committee reviewed and endorsed the Trust's quality improvement priorities for subsequent publication in the Quality Account. It undertook "deep dive" reviews of areas highlighted through external review and internal risk management processes such as end of life care, radiology and plan film reporting and pressure ulcers.

People and Organisational Development Committee

- The People and Organisational Development Committee convene quarterly, to provide strategic oversight of workforce development, planning and performance. Its remit includes providing assurance to the Board that the Trust has the necessary strategies, policies and procedures in place to ensure a high performing and motivated workforce that is supporting the Trust objectives and organisational success. It met 5 times during the year, and has a broad membership including senior managers, staff-side and equality and diversity representatives.
- Further details of the Remuneration and Appointments Committee can be found in the Remuneration Report section of the Annual Report.

Risk and Control Framework

The Trust has in place an ongoing process to:

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives;
- Evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically;
- Ensure lessons are learnt from concerns and incidents in order to share best practise and prevent reoccurrence.

Risk management requires participation, commitment and collaboration from all staff. Risks are identified, analysed, evaluated and controlled through the Trust's Datix incident reporting and information system. Risks are identified through incident reporting, risk assessment reviews, clinical audits and other clinical and non-clinical reviews with a clearly defined process of escalation to risk registers. The registers are real-time documents which are populated through the organisation's risk assessment and evaluation processes. This enables risks to be quantified and ranked. A corporate high level risk register populated from the risk registers of divisions and departments is produced and establishes the organisational risk profile.

The Trust manages its financial risks using a wide range of management tools. Performance against budgetary targets is recorded, analysed and reported monthly. This information is monitored and challenged both internally and externally. In addition to performance assessment, financial control and management is continually assessed by internal and external audit, and counter fraud teams. Reports from these parties are presented to the Audit Committee. Operational management, finance, purchasing and payroll teams are segregated to reduce conflicts of interest and the risk of fraud. Segregation is enhanced and reinforced by IT control systems which limit authority and access.

Risks are routinely reviewed at Divisional Quality Meetings and Team Meetings and discussed at Integrated Performance Reviews (IPR) which take place monthly and involve divisions and the executive team.. The High Level Risk Register is also presented to the Audit and Quality and Standards Committees at each meeting and there is a rolling programme for each Division to present their risk register to the Audit Committee.

The Trust's Board Assurance Framework provides assurance that a robust risk management system underpins the delivery of the organisation's principal objectives. It clearly defines the:

- Trust's principal objectives and the principal risks to the achievement of these objectives.
- Key controls by which these risks can be managed
- Independent and management assurances that risks are being managed effectively
- Gaps in the effectiveness of controls and assurance
- Actions in place to address highlighted gaps.

The principal risks recorded on the Assurance Framework during the year are outlined below:

- We are unable to demonstrate continuous and sustained improvement in patient safety and the quality of care we provide which could impact on our registration and compliance with regulatory bodies.
- We are unable to demonstrate that the Trust's performance meets expectations against national and local requirements resulting in poor patient experience, adverse reputational impact, loss of market share and financial penalties.

- There is a lack of leadership capability and capacity to lead on-going performance improvement and build a high performing organisation.
- We are unable to develop and maintain collaborative relationships based on shared aims, objectives and timescales with partner organisations resulting in an impact on our ability to operate efficiently and effectively within the local health economy.
- We are unable to define our strategic intentions, service plans and configuration in an Integrated Business Plan that ensures sustainable services and future viability.
- We are unable to demonstrate that we are improving outcomes and experience for our patients and as a result we may not be the provider of choice for our local population or commissioners
- We are unable to adapt our capacity in response to commissioning intentions, resulting in our services becoming unsustainable.
- In running a significant deficit budget we may be unable to invest in delivering and improving quality of care and patient outcomes. It could also compromise our ability to make investment in infrastructure and service improvement.
- We are unable to effectively align our finance, estate and IM&T infrastructure to effectively support our mission and strategic plan.
- We are unable to respond to external factors and influences and still meet our organisational goals and deliver sustainability.
- We are unable to effectively recruit our workforce and to positively engage with staff at all levels.
- If we fail to effect cultural change we will be unable to lead improvements in organisational capability and staff morale.

The Board Assurance Framework has been regularly reviewed and revised by the Board and by the Audit and Quality and Standards Committees. As part of the Trust's ongoing governance review it held a seminar in June 2017 to consider the key risks, risk appetite and how this feeds into the Board Assurance Framework.

Internal audit gave 'Reasonable Assurance' over the Board Assurance Framework (BAF) and Risk Management processes. TIAA stated that the Trust has an effective Board assurance framework and risk management process and noted the development and progress that has been and continues to be made during the year in these areas.

Review of the effectiveness of risk management and internal control

Over the year the Trust has continued to strengthen risk management including incident reporting and investigation, complaints handling and the Board Assurance Framework. There is a programme of training for root cause analysis, risk and incident reporting and duty of candour. Increased training and awareness of reporting has continued and this has led to the Trust being in top quartile for incident reporting, although levels of incident relating to patient harm remain low.

Categories of serious Incidents are outlined in a national framework and include acts or omissions in care that result in; unexpected or avoidable death, unexpected or avoidable injury resulting in serious harm - including those where the injury required treatment to prevent death or serious harm, abuse, Never Events, incidents that prevent (or threaten to prevent) an organisation's ability to continue to deliver an acceptable quality of healthcare services and incidents that cause widespread public concern resulting in a loss of confidence in healthcare services.

The Trust reported 47 serious incidents during 2017/18, a reduction of 10 when compared to 2016/17. Each incident was investigated and actions agreed and implemented. The Trust had 4 never events in 2017/18; 3 related to theatres which despite being in different areas demonstrated a potential weakness in controls. The fourth never event was a misplaced naso-gastric tube. These incidents were investigated to ensure learning and change of practice were identified to prevent reoccurrence and an independent review of theatres commissioned to test systems and controls.

The review of the effectiveness of the system of internal control is informed by the work of the internal auditor, TIAA. For the reporting period, TIAA gave an overall opinion of Reasonable Assurance on the adequacy of the Trust's risk management, control and governance processes with the exception of the Trust's ability to deliver their planned financial control total.

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

The Trust was placed in financial measures by NHS Improvement in October 2016. This was as a result of a significant negative variance against the Trust's financial control total plan and because of the significant deficit forecast for 2016/17. A financial recovery plan was developed and the Trust put in place a number of enhanced control measures.

In 2016/17 the Trust did not meet its control total but delivered a deficit of £46.2m which was better than the £48m position agreed by the Board at the start of the year. The underlying deficit in 2016/17 was £57m. In 2017/18 the Trust Board accepted a control total of a £37m deficit before Sustainability and Transformation Funding (STF). At Month 9, and following extensive dialogue with NHS Improvement and a series of mediation sessions with East Sussex CCGs due to contractual challenges of £11m, the Trust Board agreed a revised forecast outturn for the year of £57.4m (before STF funding) with a confirmed final income figure for the year from the CCGs of £257.1m. A full briefing on the crystallisation of risk within the position was reviewed with the Finance and Investment Committee and the Trust Board submitted a formal reforecast to NHSI, following completion of the required template. Risk remained within the position in respect of managing the financial consequences of winter pressures, agreeing an appropriate valuation basis for the Trust asset base at the end of the financial year, and delivery of the cost improvements agreed through the Trust-wide confirm and challenge process. The financial planning process for 2018/19 took account of the lessons from 2017/18

Financial governance arrangements are reviewed by internal and external audit to provide assurance of economic, efficient and effective use of resources.

Performance against the national priorities set out in the NHS Improvement Accountability Framework 2016/17

Performance against the NHS Improvement Accountability Framework is detailed more fully in the Performance Section of the Annual report.

The Trust made significant improvements to achieving constitutional standards such as referral to treatment timescales and A&E performance during the year and further detail can be found in the Annual Report.

The Trust assures the quality and accuracy of elective waiting time data and the risks to the quality and accuracy of this data. The quality of performance information is continually assessed by the Trust in regular meetings and forums as well as through quality assurance audits, including external review by TIAA audits and other external companies. Patient tracking lists (PTL), including those on the 'Referral To Treatment' pathway, are scrutinised in detail at weekly PTL and performance meetings.

Compliance and Regulation

Patient and Public Involvement

Section 11 of the Health and Social Care Act 2012 places a duty on the NHS to consult and involve patients and the public in the planning and development of health services and in making decisions affecting the way those services operate. The Trust has continued to strengthen working relationships with stakeholders and a number of public engagement events have taken place throughout the year; for example to develop Quality Improvement Priorities.

Healthwatch and their volunteers have actively supported the Trust and undertaken a number projects to improve patient experience. These have included a "round the clock care" review to follow patients over a 24 hour period in the Trust. Further details are provided in the main body of the Annual Report.

Equality and Diversity

Control measures are in place to ensure that all the Trust's obligations under equality, diversity and human rights legislation are complied with. The Trust has an Equality Strategy which details how the Trust will eliminate discrimination, advance equality and foster good relations between people who share certain characteristics and those who do not. The Board also consider an Annual Equality Information Report and progress against delivering the outcomes of the Equality Delivery System and Workforce Race Equality Standards

Information Governance

The Trust is compliant with the requirements of the NHS Information Governance Toolkit (IGT) attaining level 2. This was independently audited to assess the adequacy of policies, systems and operational activities to complete, approve and submit the IGT scores. The auditors gave 'Reasonable Assurance' over the Trust's IGT self-assessment.

During 2017/18 staff reported 76 IG incidents, 71 of these were scored against the Trust's incident scoring as either 'negligible or none' for severity, 3 were scored as 'low or minor' and the remaining 2 incidents were scored as 'medium or moderate'. This indicates that the majority of incidents have no impact upon information security. The number of incidents reported is lower when compared with 2016/17, with no identified reason for the decrease of 95 to 76. All incidents are investigated and actions implemented to prevent reoccurrence. One incident was reported to the Information Commissioner's Office, following investigation the ICO closed the incident with no actions for the Trust.

Freedom of Information Requests

The Trust received 646 Freedom of Information requests in 2017/18, of these (585 - 91%) were responded to within the 20 working day timeframe. This was comparable to 2016/17 when the Trust received 645 requests (584 - 91% were responded to in time).

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.

Climate Change

The Trust has undertaken a climate change risk assessment and developed an Adaptation Plan, to support its emergency preparedness and civil contingency requirements, as based on the UK Climate Projections 2009 (UKCP09), to ensure that this organisation's obligations under the Climate Change Act are met.

Duty of Candour

The introduction of a statutory Duty of Candour was a recommendation made in the Francis Report. The Duty was included in the Standard NHS Contract from 1st April 2014 and subsequently strengthened as a Care Quality Commission regulatory requirement from 1st October 2014.

The intention of the regulation is to ensure that providers are open and honest with service users and other 'relevant persons' (people acting lawfully on the behalf of service users) when things go wrong with care and treatment, and that they provide

them with reasonable support, truthful information and a written apology. As a result of training and increased awareness across the organisation compliance with the duty has improved to 90% across all areas.

The Trust has a Being Open Policy and ensures that, as part of any investigation into Serious Incidents or complaints, there is clear, open and honest communication with patients and their families/carers and that a process for shared learning is in place.

Counter fraud and anti-bribery arrangements

Under the NHS Standard Contract all organisations providing NHS services are required to have appropriate anti-fraud arrangements in place. The NHS Counter Fraud Authority publish 'Standards for Providers: Fraud, Bribery and Corruption' ("the Standards") to assist organisations with this process. It incorporates a requirement that the Trust employs or contracts a qualified person or persons to undertake the full range of anti-fraud work, and that it produces a risk based workplan that details how it will approach anti-fraud and corruption work.

The Trust is committed to ensuring fraud, bribery and corruption does not proliferate within the organisation. The organisation is fully compliant with the directions issued by the Secretary of State in 1999, the NHS Standard Contract (2012) and the NHS Counter Fraud and Corruption Manual.

The Trust's Counter Fraud Service is provided by TIAA Limited. The accredited Local Counter Fraud Specialist (LCFS) reports to the Director of Finance and attends the Audit Committee meetings to report on the work achieved. The LCFS works to ensure that counter fraud is integrated into all Trust activity in a positive way.

Throughout the past financial year there has been continued work to embed the counter fraud and anti-bribery culture, and work is undertaken against the Standards, comprising the area of Strategic Governance and the three key principals of Inform and Involve, Prevent and Deter, and Hold to Account.

Reactive investigations comply with legislative requirements and with the NHS Counter Fraud and Corruption Manual. The LCFS liaises with other LCFS personnel and relevant external bodies for investigations, as appropriate. The LCFS is available to receive referrals and to report on the results of any investigations to the Director of Finance and the Audit Committee. All sanctions available to the Trust are considered following a reactive investigation, together with efforts to recover losses incurred.

Annual Quality Account

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. The Annual Quality Account for 2017/18 has been developed in line with relevant national guidance and priorities were developed following feedback

from patients, staff and external stakeholders.

The Quality Account has been reviewed through external audit processes and comments have been provided by local stakeholders including commissioners, Healthwatch and the Health Overview and Scrutiny Committee. Internal oversight has been undertaken by the Senior Leaders Forum, and the Quality and Standards and Audit Committees.

External auditors issued a qualified opinion on the Quality Account. This was due to issues identified by Internal Audit's testing in relation to the Venous Thromboembolism (VTE) indicator; specifically in relation to accuracy, validity and completeness of the data. A sample of 40 patient notes was tested to check the validity of the data submitted in November and December 2017. The sample comprised 30 recorded as compliant and 10 recorded as non-compliant. Overall, 12 errors were found in the sample tested. Actions to improve data quality are already in place.

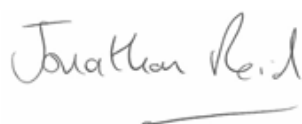
Care Quality Commission (CQC)

The Trust is registered with the Care Quality Commission to carry out eight legally regulated activities from 18 registered locations. The Trust was placed in Special Measures in September 2015 and in October 2016 the CQC undertook an inspection and recognised significant improvements since the previous 2015 inspection. The CQC's overall rating for the Trust was improved to 'Requires Improvement'. The Trust was re-inspected in March 2018 for core services on the acute sites and separately for the Well Led Domain. At the time of writing the reports were pending but the Trust is hoping that continued improvement will be recognised.

Conclusion

My review of the effectiveness of the systems of internal control has taken account of the work of the Executive Management team within the organisation, which has responsibility for the development and maintenance of the internal control framework within their discreet portfolios. In line with the guidance on the definition of the significant internal control issues, I have not identified any significant control issues other than the financial and performance matters highlighted in sections 5-7 above.

Signed



Chief Executive

Date 24/05/2018

Statement of Directors

Responsibilities in Respect of the Accounts

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

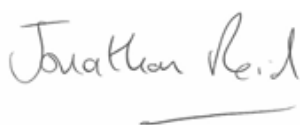
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and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

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

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

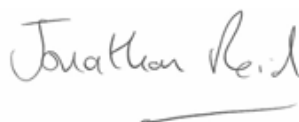
By order of the Board

24/05/2018 **Date**



Chief Executive

24/05/2018 **Date**



Finance Director

Remuneration and Staff Report

Remuneration Report

The Remuneration and Appointments Committee is a non-executive subcommittee of the Board and oversees the appointments of the Chief Executive and Executive Directors and agrees the parameters for the senior appointments process. The Committee agrees and reviews the Trust policies on the reward, performance, retention and pension matters for the executive team and any relevant matters of policy that affect all staff.

The Committee is chaired by the Senior Independent Non-executive Director and all non-executive directors are able to attend. The Chief Executive, Human Resources Director and Company Secretary attend meetings in an advisory capacity except when issues relating to their own performance, remuneration or terms and conditions are being discussed.

Quoracy for the meeting is three members of which one must be the Committee Chairman. . Under delegated authority from the Trust Board, the Committee determines the appropriate remuneration and terms of service for the Chief Executive and Executive Directors having proper regard to national arrangements and guidance.

The Committee also advises on, and oversees, the appropriate contractual arrangements with the Chief Executive and Executive Directors, including the proper calculation and scrutiny of termination payments, taking account of national guidance as appropriate.

The remuneration rates are determined by taking into account national benchmarking and guidance in order to ensure fairness and proper regard to affordability and public scrutiny. The remuneration of the Chief Executive and Executive Directors are set at base salary only without any performance related pay. In line with national guidance, remuneration for all new executive directors includes an element earn back pay related to achievement of objectives. The earn back figure is included in the base salary. Treasury approval for “Very Senior Managers” pay exceeding the Prime Minister’s salary is also required.

In addition, the Committee monitors the performance of the Chief Executive and Executive Directors based on their agreed performance objectives.

Matters considered in 2017/18 included:

- Chief Executive’s report on individual Directors’ performance and objectives
- Annual performance review for Chief Executive
- Review of Senior NHS Salaries
- Approval of relevant appointments and terminations
- Clinical Excellence Awards

Due to nature of the business conducted Committee minutes are considered confidential and are therefore not in the public domain. The Chair of the Committee draws to the Board's attention any issues that require disclosure to the full Board or require Executive action.

A) Salary and Pension entitlements of senior managers - Single total figure table - audited

	2017.18						2016.17					
Name and Title	Salary (bands of £5,000) £'000	Expense payments (taxable) to nearest £100 £'00	Performance pay and bonuses (bands of £5,000) £'000	Long Term Performance pay and bonuses (bands of £5,000) £'000	All pension- related benefits (bands of £2,500) £'000	TOTAL (bands of £5,000) £'000	Salary (bands of £5,000) £'000	Expense payments (taxable) to nearest £100 £'00	Performance pay and bonuses (bands of £5,000) £'000	Long Term Performance pay and bonuses (bands of £5,000) £'000	All pension- related benefits (bands of £2,500) £'000	TOTAL (bands of £5,000) £'000
David Clayton-Smith Chairman	35 - 40	2***	0	0	0	40 - 45	35 - 40	9**	0	0	0	35 - 40
Barry Nealon Vice Chairman	5 - 10	0	0	0	0	5 - 10	5 - 10	0	0	0	0	5 - 10
Susan Bernhauser Non-Executive Director	-	-	-	-	-	-	-	-	-	-	-	-
Susan Bernhauser Non-Executive Director	5 - 10	0	0	0	0	5 - 10	5 - 10	1**	0	0	0	5 - 10
Michael Stevens Non-Executive Director	5 - 10	0	0	0	0	5 - 10	5 - 10	0	0	0	0	5 - 10
Miranda Kavanagh Non-Executive Director	5 - 10	0	0	0	0	5 - 10	5 - 10	0	0	0	0	5 - 10
Jackie Churchward-Cardiff Non-Executive Director	5 - 10	4***	0	0	0	5 - 10	5 - 10	5**	0	0	0	5 - 10
Dr Adrian Bull Chief Executive	180 - 185	3***	0	0	0	185 - 190	175 - 180	4**	0	0	0	175 - 180
Joanne Chadwick-Bell Chief Operating Officer	130 - 135	3***	0	0	0	130 - 135	45 - 50	1**	0	0	47.5 - 50	95 - 100
Jonathan Reid Director of Finance	130 - 135	0	0	0	45 - 50	175 - 180	100 - 105	0	0	0	85 - 87.5	190 - 195
David Walker Medical Director	50 - 55*	4***	0	0	0	50 - 55	25 - 30	3**	0	0	0	25 - 30
Alice Webster (Left 30th July 2017) Director of Nursing	35 - 40	1***	0	0	20 - 25	50 - 55	110 - 115	1**	0	0	70 - 72.5	185 - 190
Victoria Leivers-Carruth (Started 2nd October	55 - 60	0	0	0	70 - 75	130 - 135	0	0	0	0	0	0

2017)												
Director of Nursing												
Hazel Tonge (From 1st August 2017 until 1st October 2017) Acting Director of Nursing	15 - 20**	0	0	0	15 - 20	35 - 40	0	0	0	0	0	0
Catherine Ashton Director of Strategy	115 - 120	2***	0	0	60 - 65	180 - 185	75 – 80	1**	0	0	50 - 52.5	125 - 130
Monica Green Director of Human Resources	110 - 115	1***	0	0	15 - 20	130 - 135	105 - 110	1**	0	0	82.5 – 85	190 - 195
Lynette Wells Director of Corporate Affairs	95 - 100	0	0	0			95 - 100	0	0	0	60 - 62.5	155 - 160
	-	-	-	-	-		-	-	-	-	-	-

* - David Walker, non-Board related salary for the full year of £164k.

** - Hazel Tonge, non-Board related salary for the full year of £85k.

*** - represents reimbursement of travel costs incurred and leased car benefits, subject to UK income tax and disclosed to nearest £100

	<u>2017/18</u>	<u>2016/17</u>
Band of Highest Paid Director	£215 - £220k	£200 - £205k
Median Total Remuneration*	£26,933	£27,832
Ratio	01:07.96	01:07.25

* The Median calculation is based on a starting point of the lowest paid employee up to the highest paid, including agency costs ,less the highest paid director.

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

This is set out in the table above.

B) Pension Benefits

Name and Title	Real increase in pension at pension age (bands of £2500) £'000	Real increase in pension lump sum at pension age (bands of £2500) £'000	Total accrued pension at pension age at 31 March 2018 (bands of £5000) £'000	Lump sum at pension age related to accrued pension at 31 March 2018 (bands of £5000) £'000	Cash equivalent transfer value at 1 April 2017 £'000	Real increase in Cash Equivalent Transfer value £'000	Cash equivalent transfer value at 31 March 2018 £'000	Employer's contribution to stakeholder pension £'000
Dr Adrian Bull **** Chief Executive	0	0	0	0	896	0	0	0
Joanne Chadwick-Bell Chief Operating Officer	0	0	25 - 30	65 - 70	396	0	377	0
Jonathan Reid Director of Finance	2.5 - 5	0 - 2.5	15 - 20	35 - 40	221	48	271	0
David Walker Medical Director	0	0	0	0	0	0	0	0
Alice Webster (Left 30th July 2017) Director of Nursing	0 - 2.5	0 - 2.5	40 - 45	120 - 125	660	21	730	0
Victoria Leivers-Carruth (Started 2nd October 2017) Director of Nursing	0 - 2.5	5 - 7.5	30 - 35	75 - 80	402	40	487	0
Hazel Tonge (From 1st August 2017 until 1st October 2017) Acting Director of Nursing	0 - 2.5	0 - 2.5	20 - 25	70 - 75	448	9	491	0
Catherine Ashton Director of Strategy	2.5 - 5	2.5 - 5	15 - 20	40 - 45	262	69	334	0
Monica Green Director of Human Resources	0 - 2.5	2.5 - 5	40 - 45	130 - 135	842	78	928	0
Lynette Wells Director of Corporate Affairs	0 - 2.5	0	15 - 20	0	154	28	184	0

**** - As Dr Bull has reached the normal pension age, cash equivalent transfer value will not be shown.

As non-executive members do not receive pensionable remuneration, there are no entries in respect of pensions for non-executive members.

For detailed values on employee benefits and staff numbers please see Note 8 in the Annual Accounts and the Staff Report within the Annual Report

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's (or other allowable beneficiary's) pension payable from the scheme. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 200826.

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement.

Payment for to Past Directors

No payments to past directors were made during the year 2017/18.

Payment for Loss of Office (audited)

No payments for loss of office were made during the year 2017/18.

Pay Ratios (audited)

	2017/18	2016/17
Band of Highest Paid Director	£215 - £220k	£200 - £205k
Median Total Remuneration	£26,933	£27,832
Ratio	1 : 7.96	1 : 7.25

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

The banded remuneration of the highest paid director in East Sussex Healthcare NHS Trust in the financial year 2017/18 was £215-220k (2016/17, £200 - 205k). This was 7.96 times (2016/17, 7.25) the median remuneration of the workforce, which was £26,933 (2016/17 £27,832).

In 2017/16, 4 (2016/17, 8) employees received remuneration in excess of the highest paid director. Remuneration ranged from £365 to £362,318.03 (2016/17 £15,142 to £250,818).

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

It should be noted that the changes in ratio between financial years have arisen due to :-

- Application of the national NHS wage settlements for all staff groups
- In addition the remuneration of the most highly paid individual has increased due to payments in taxable allowances.

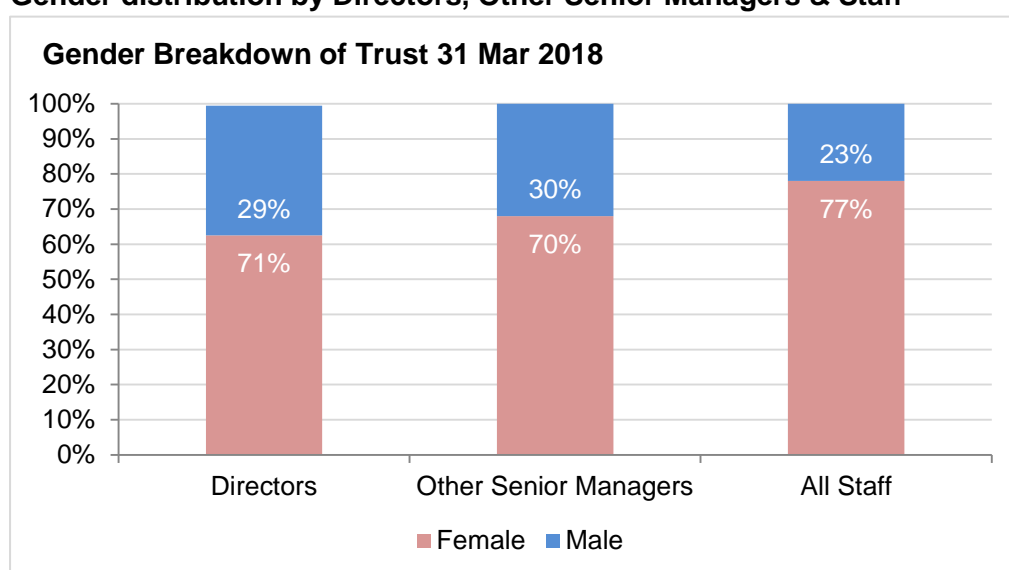
Staff report

Number of Senior Managers by band at 31st March 2018

Senior Managers	Full-time Equivalent
Directors	7.0
Other Senior Managers (Ad Hoc paycales)	2.0
Agenda for Change Band 9	5.0
Agenda for Change Band 8d	15.0
Agenda for Change Band 8c	27.2
Agenda for Change Band 8b	51.8
Agenda for Change Band 8a	165.7

(NB FTE Full-time Equivalent)

Gender distribution by Directors, Other Senior Managers & Staff



Senior Managers includes all staff on Agenda for Change Bands 8a-8d.

Gender pay gap report

Along with other organisations with over 250 employees, ESHT has published a gender pay gap report which includes data alongside actions identified to investigate any differences in pay.

The report identifies that there is a gender pay gap of 22.6% in relation to the mean hourly rate within the Trust. When this is broken down, it identifies that the largest difference exists within the medical workforce. This is similar to other Trusts and it is subject of further review to identify the underlying reason for this difference.

At ESHT a working group will be established to look at the detailed data, there will be deep dive analysis to identify key areas for targeted improvement and an action plan will be developed.

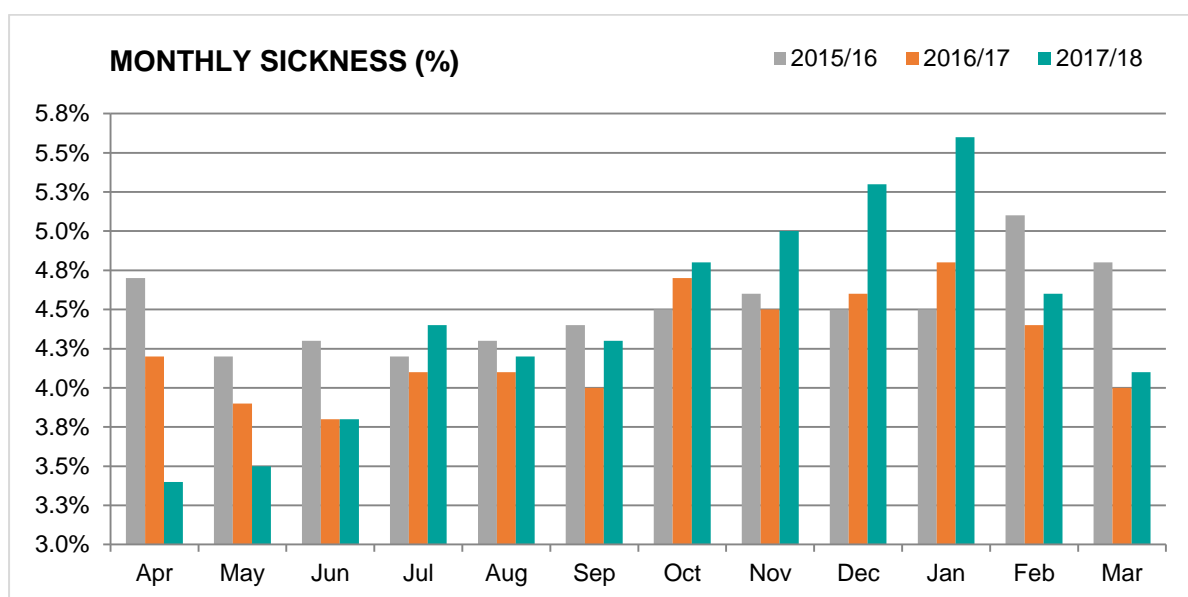
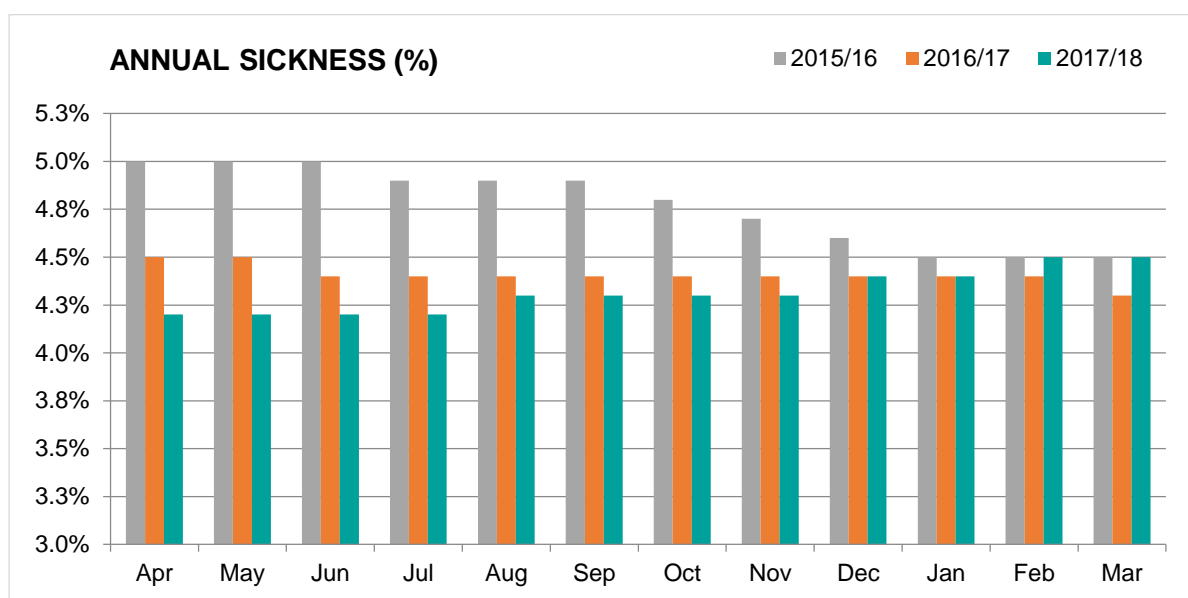
Staff fact file*

As of 31st March 2018:

- Just over 77% of our staff were female
- 38.7% of all staff work part-time
- 35.8% of staff are over 50 years old
- Just under 2.7% of staff identified themselves as disabled and just under 1.4% identified themselves as either gay, lesbian or bisexual
- 12.8% of staff are from a black or minority ethnic (BME) origin

Staff Absence Data

Our annual sickness rate has increased during the year from 4.3% to 4.5%. The average working days lost due to sickness per member of staff during the year to 31st March 2018 was 10.6.



Staff Policies

We aim to ensure that vacancies for positions within the Trust are advertised both internally & externally, through our Trust website and NHS Jobs2. Applicants with a disability are encouraged to apply through the 'Positive about Disability' scheme indicator which enables managers to ensure that all applicants with a disclosed disability, who meet the minimum requirements as set out in the person specification, are called for interview under our guaranteed interview scheme. We treat internal and external applicants in exactly the same way.

We support disabled employees in maintaining their training and career development by undertaking an annual Personal Development Review, with a 6 month follow-up to ensure that agreed actions have been undertaken. Our Learning and Development service gives all our staff access to personal development training, and staff also have the support of the Occupational Health Service. Disabled staff will also have the opportunity to join the ESHT Disability Staff Network which aims to support implementation of the new Workforce Disability Equality Standard (WDES) and promote inclusive practices across the Trust.

When necessary, our Human Resources Department will provide support for staff & for line managers to ensure that, wherever possible, staff seeking alternative posts due to health issues are supported to identify alternative suitable employment. Support is made available from the Occupational Health Department, the Equality & Diversity Team and Local Disability Advisors as required.

Our Equality, Diversity and Human Rights Manager takes the lead in ensuring that disability awareness is embedded throughout our Trust's policies, practices and overall culture. All of our staff undergo equality training and have the option of doing this online or face to face. All new staff attend a face to face session. We further ensure that equality is embedded throughout the Trust via Personal Development Reviews, team briefings, and within a variety of Trust communications.

Relevant policies are presented to the Staff Networks to ensure staff with protected characteristics are involved in decision making processes across the Trust.

Other Employee Matters

We aim to treat all staff fairly in relation to all employee matters; all of our policies and processes are monitored in terms of equality and diversity and equal treatment. Staff are not treated differently because of any role or position they hold and all policies are reviewed regularly to ensure they adhere to current legislation.

Equality, Diversity and Human Rights

2017/18 was another busy year with positive changes improving Equality & Diversity across the whole organisation.

We continue to actively identify and remove barriers eliminating unlawful discrimination to ensure that we provide equal access to Healthcare services, employment opportunities and any function delivered by the Trust.

A highlight of the year for the Equality & Diversity team was Danii Clark, our Equality & Human Rights Assistant, winning the Skills for Health Regional award for 'Operational Support Worker of the Year 2017'.



A dedicated team within the Equality & Diversity department continues to promote the 'Accessible information Standard' across the organisation. Dedicated staff provides direct access and support to accessible information and interpreters to patients and staff with a communication barrier, arising from a disability or language barrier.

The Accessible Information standard was promoted throughout the Trust during Equality Week 2017. The Equality team provided cream teas to staff, patients and visitors at EDGH, Conquest Hospital and Bexhill hospitals in exchange for wearing visual impairment simulation goggles and ear plugs. This enabled people to experience some of the barriers experienced by people with visual impairments and hearing loss.



The LGBT+ Network, recruitment team and the Sexual Health team promoted the Trust at both Eastbourne and Hastings 2017 Gay Pride celebrations. Sexual health testing, advice and support to local LGBT communities and promoting ESHT as a great place to work were all proudly offered by dedicated staff.



Other Highlights

- Following the end of a contract for the supply of interpreting and translation services in November 2017 the Trust's Accessible Information Team has provided easy access to instant telephone interpreters, face to face interpreters and translated

material for patients who do not use spoken English as their primary communication method.

- Communication boxes continue to provide resources for patients, carers and service users with communication needs on the elderly wards at EDGH, Conquest Hospital and Bexhill hospitals. Donations of whiteboards were received on Folkington ward to further support communication needs.
- The Trust Black & Minority Ethnic (BME) staff Network has continued to grow and go from strength to strength. The network aims to provide a safe place for staff to seek support, meet people with shared interests, raise awareness, identify training and development opportunities. During Equality week, catering staff delivered a menu from around the world with a different theme each day to promote the diverse cultures.

The Trust's EDS2 report, which sets out all of the Trust's equality activities is available on our website. This provides us with a framework to support us in meeting our legal obligation under Equality Act 2010 to eliminate unlawful discrimination, advance equality of opportunity and to foster good relations.

Analysis of Staff & Costs for 2017/18 (audited)

Staff costs				
			2017/18	2016/17
	Permanent	Other	Total	Total
	£000	£000	£000	£000
Salaries and wages	222,615	-	222,615	192,349
Social security costs	21,093	-	21,093	18,716
Apprenticeship levy	1,121	-	1,121	-
Employer's contributions to NHS pensions	25,991	-	25,991	23,960
Pension cost - other	-	-	-	-
Other post-employment benefits	-	-	-	-
Other employment benefits	-	-	-	-
Termination benefits	118	-	118	405
Temporary staff		13,799	13,799	35,178
Total gross staff costs	270,938	13,799	284,737	270,608
Recoveries in respect of seconded staff	-	-	-	-
Total staff costs	270,938	13,799	284,737	270,608
Of which				
Costs capitalised as part of assets	441	-	441	637

Average number of employees (WTE basis)				
			2017/18	2016/17
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	559	105	665	605
Ambulance staff	-	-	-	-
Administration and estates	1,226	89	1,315	1,252
Healthcare assistants and other support staff	1,760	359	2,118	2,029
Nursing, midwifery and health visiting staff	1,778	146	1,923	1,903
Nursing, midwifery and health visiting learners	22	-	22	22
Scientific, therapeutic and technical staff	536	46	582	559
Healthcare science staff	132	10	142	130
Social care staff	-	-	-	-
Other	8	-	8	7
Total average numbers	6,021	754	6,775	6,507
Of which:				
Number of employees (WTE) engaged on capital projects	13	-	13	16

Exit Packages (audited)

			2017-18					
Exit Package cost band (including any special payment element)			Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages
			Whole Numbers only	£000s	Whole Numbers only	£000s	Whole Numbers only	£000s
Less than £10,000			0	0	3	10	3	10
£10,000 - £25,000			0	0	2	24	2	24
£25,001 - £50,000			1	48	1	37	2	85
Totals			1	48	6	71	7	119

			2016-17					
Exit Package cost band (including any special payment element)			Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages
			Whole Numbers only	£s	Whole Numbers only	£s	Whole Numbers only	£s
Less than £10,000					2	7,243	2	7,243
£10,000 - £25,000			1	18,400	4	58,498	5	76,898
£25,001 - £50,000			2	63,090	0	0	2	63,090
£50,001 - £100,000			1	51,777	3	176,810	4	228,586
Totals			4	133,266	9	242,551	13	375,817

Table 2 Analysis of Other Departures

	2017-18		2016-17	
	Agreements Number	Total Value of Agreements £'000	Agreements Number	Total Value of Agreements £'000
Mutually Agreed resignations (MARS) contractual costs	0	0	1	64
Contractual payments in lieu of notice	5	34	7	167
Exit payments following employment tribunals or court orders	1	37	1	12
Total	6	71	9	243

Expenditure on Consultancies

During 2017/18, the Trust's total spending on consultancies was £592,000 (see Accounts, note 6)

Off-payroll Engagements

Off-payroll engagements Table 1

For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last longer than six months:

	Number
Number of existing engagements as of 31 March 2018	6
<i>Of which, the number that have existed:</i>	
for less than one year at the time of reporting	6
for between one and two years at the time of reporting	0
for between 2 and 3 years at the time of reporting	0
for between 3 and 4 years at the time of reporting	0
for 4 or more years at the time of reporting	0

Off-payroll engagements Table 2

Where the reformed public sector rules apply, entities must complete Table 2 for all new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and March 2018, for more than £245 per day and that last for longer than six months:

	Number
No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	6
Of which	
No. assessed as caught by IR35	2
No. assessed as not caught by IR35	4
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year.	6
No. of engagements that saw a change to IR35 status following the consistency review	0

Off-payroll engagements Table 3

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018

Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	1
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure must include both on payroll and off-payroll engagements.	16

This accountability report was approved by the board on 24th May 2018 and signed on its behalf by:

Signed  **Chief Executive**

Date 24/05/2018

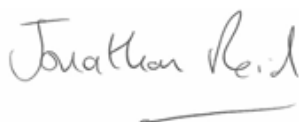
Certificate on summarisation schedules

Trust Accounts Consolidation (TAC) Summarisation Schedules for East Sussex Healthcare NHS Trust

Summarisation schedules numbers TAC01 to TAC34 and accompanying WGA sheets for 2017/18 have been completed and this certificate accompanies them.

Finance Director Certificate

1. I certify that the attached TAC schedules have been compiled and are in accordance with:
 - the financial records maintained by the NHS trust
 - accounting standards and policies which comply with the Department of Health and Social Care's Group Accounting Manual and
 - the template accounting policies for NHS trusts issued by NHS Improvement, or any deviation from these policies has been fully explained in the Confirmation questions in the TAC schedules.
2. I certify that the TAC schedules are internally consistent and that there are no validation errors*.
3. I certify that the information in the TAC schedules is consistent with the financial statements of the NHS Trust

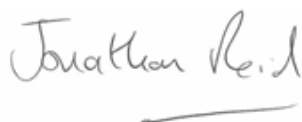


.....
Jonathan Reid, Director of Finance

24th May 2018

Chief Executive Certificate

1. I acknowledge the attached TAC schedules, which have been prepared and certified by the Finance Director, as the TAC schedules which the Trust is required to submit to NHS Improvement.
2. I have reviewed the schedules and agree the statements made by the Director of Finance above.



.....
Adrian Bull, Chief Executive

24th May 2018

** If you are unable to eliminate validation errors after discussions with your auditors and contacting NHS Improvement then amend this accordingly.*

*** Please insert the 'except for' clause only if applicable.*

ESHT: Annual Accounts 2017/2018

Independent auditor's report to the Directors of East Sussex Healthcare NHS Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East Sussex Healthcare NHS Trust (the 'Trust') for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Accounts, including Accounting policies and other information. The financial reporting framework that has been applied in their preparation is applicable law and the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2017-18; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Directors of the Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Trust's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

Material uncertainty relating to going concern

We draw attention to note 1.1.2 in the financial statements, which indicates that the Trust is forecasting a deficit in 2018/19 of £47.853 million assuming delivery of an aspirational £23.5m cost improvement programme. The cash balances in the cash flow forecast for 2018/19 assume achievement of the forecast deficit, including delivery of the cost improvement programme and cash support from the Independent Trust Financing Facility. As stated in note 1.1.2, there is no certainty that the cost improvement programme will be achieved which would consume the available cash resources within the next 12 months and mean the Trust would require further cash support to meet its liabilities as these fall due. These events or conditions, along with the other matters explained in note 1.1.2, indicate that a material uncertainty exists that may cast significant doubt about the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report excluding, the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of our work including that gained through work in relation to the Trust's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resource or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the guidance issued by NHS Improvement or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration Report and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we have referred a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we had reason to believe that the Trust, or an officer of the Trust, was about to make, or had made, a decision which involved or would involve the body incurring unlawful expenditure, or was about to take, or had begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we have made a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 10 May 2018 we referred a matter to the Secretary of State under section 30(b) of the Local Audit and Accountability Act 2014 in relation to East Sussex Healthcare NHS Trust's breach of its break-even duty for the three year period ending 31 March 2018.

Responsibilities of the Directors and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Director's Responsibilities set out on page 69, the Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trust lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Trust.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

[Report on other legal and regulatory requirements – Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.](#)

Adverse conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, because of the significance of the matter described in the basis for adverse conclusion section of our report, we are not satisfied that, in all significant respects, East Sussex Healthcare NHS Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for adverse conclusion

Our review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matter:

The Trust reported a deficit of £54.98 million in 2017/18, compared to a planned deficit of £36.500 million, following significant deficits in previous years. The Trust's 2018/19 draft financial plan shows a forecast deficit of £47.853 million for the 2018/19 financial year.

This identifies weaknesses in the Trust's arrangements for setting a sustainable budget with sufficient capacity to absorb emerging cost pressures due to the current configuration of services. This matter is evidence of weaknesses in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Responsibilities of the Accountable Officer

As explained in the Statement of the Chief Executive's Responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibilities for the review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 21(3)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of East Sussex Healthcare NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Darren Wells
Director
for and on behalf of Grant Thornton UK LLP
2nd Floor
St Johns House
Crawley
RH10 1HS
Date: 24 May 2018

Statement of Comprehensive Income

		2017/18	2016/17
	Note	£000	£000
Operating income from patient care activities	3	350,246	339,788
Other operating income	4	37,688	39,519
Operating expenses	6, 8	<u>(448,947)</u>	<u>(416,746)</u>
Operating deficit from continuing operations		<u>(61,013)</u>	<u>(37,439)</u>
Finance income		20	17
Finance expenses	11	(4,509)	(1,795)
PDC dividends payable		<u>(2,920)</u>	<u>(4,968)</u>
Net finance costs		<u>(7,409)</u>	<u>(6,746)</u>
Deficit for the year		<u>(68,422)</u>	<u>(44,185)</u>
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(10,249)	-
Revaluations	14	-	6,569
Other recognised gains and losses		<u>(112)</u>	<u>-</u>
Total comprehensive expense for the period		<u>(78,783)</u>	<u>(37,616)</u>
Financial Performance for the year			
Retained deficit for the year		(68,422)	(44,185)
Impairments (excluding IFRIC 12 impairments)		14,423	(5)
CQUIN Risk Reserve adjustment		(1,104)	-
Adjustments in respect of donated asset reserve elimination		<u>121</u>	<u>398</u>
Adjusted retained deficit		<u>(54,982)</u>	<u>(43,792)</u>

Statement of Financial Position

		31 March 2018	Restated 31 March 2017
	Note	£000	£000
Non-current assets			
Intangible assets		1,948	1,860
Property, plant and equipment	12	215,699	237,135
Trade and other receivables	16	1,311	1,308
Total non-current assets		218,958	240,303
Current assets			
Inventories	15	7,301	6,195
Trade and other receivables	16	35,341	40,806
Cash and cash equivalents	17	2,100	2,100
Total current assets		44,742	49,101
Current liabilities			
Trade and other payables	18	(37,740)	(51,773)
Borrowings	20	(35,694)	(427)
Provisions	21	(551)	(502)
Other liabilities	19	(1,729)	(1,261)
Total current liabilities		(75,714)	(53,963)
Total assets less current liabilities		187,986	235,441
Non-current liabilities			
Borrowings	20	(121,517)	(92,788)
Provisions	21	(2,304)	(2,488)
Total non-current liabilities		(123,821)	(95,276)
Total assets employed		64,165	140,165
Financed by			
Public dividend capital		156,345	153,562
Revaluation reserve		94,449	104,708
Income and expenditure reserve		(186,629)	(118,105)
Total taxpayers' equity		64,165	140,165

The notes on pages 100 to 122 form part of these accounts.

Signed

Jonathan Reid

Chief Executive

Date 24/05/2018

Statement of Changes in Equity for the year ended 31 March 2018

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2017 - brought forward	153,562	104,708	(118,105)	140,165
Deficit for the year	-	-	(68,422)	(68,422)
Impairments	-	(10,249)	-	(10,249)
Transfer to retained earnings on disposal of assets	-	(10)	10	-
Other recognised gains and losses	-	-	(112)	(112)
Public dividend capital received	2,783	-	-	2,783
Taxpayers' equity at 31 March 2018	156,345	94,449	(186,629)	64,165

Statement of Changes in Equity for the year ended 31 March 2017

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2016 - brought forward	153,562	98,247	(74,028)	177,781
Deficit for the year	-	-	(44,185)	(44,185)
Other transfers between reserves	-	(108)	108	-
Revaluations	-	6,569	-	6,569
Taxpayers' equity at 31 March 2017	153,562	104,708	(118,105)	140,165

Information on reserves

Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities. Additional PDC may also be issued to NHS trusts by the Department of Health. A charge, reflecting the cost of capital utilised by the NHS trust, is payable to the Department of Health as the public dividend capital dividend.

Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of the NHS Trust.

Revaluation Reserve

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Statement of Cash Flows

		2017/18	2016/17
	Note	£000	£000
Cash flows from operating activities			
Operating deficit		(61,013)	(37,439)
Non-cash income and expense:			
Depreciation and amortisation	6	12,719	12,406
Net impairments	7	14,423	(5)
Income recognised in respect of capital donations	4	(773)	(539)
(Increase) / decrease in receivables and other assets		5,438	(24,109)
(Increase) / decrease in inventories		(1,106)	277
Increase / (decrease) in payables and other liabilities		(15,126)	14,728
Decrease in provisions		(141)	(5)
Net cash used in operating activities		(45,579)	(34,686)
Cash flows from investing activities			
Interest received		20	17
Purchase of intangible assets		(443)	(505)
Purchase of property, plant, equipment and investment property		(14,607)	(12,465)
Sales of property, plant, equipment and investment property		112	-
Receipt of cash donations to purchase capital assets		773	-
Net cash used in investing activities		(14,145)	(12,953)
Cash flows from financing activities			
Public dividend capital received		2,783	-
Movement on loans from the Department of Health and Social Care		63,996	54,017
Other interest paid		(3,724)	(1,761)
PDC dividend paid		(3,331)	(4,617)
Net cash generated from financing activities		59,724	47,639
Movement in cash and cash equivalents		-	-
Cash and cash equivalents at 1 April - brought forward		2,100	2,100
Cash and cash equivalents at 31 March	17	2,100	2,100

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2017/18 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to accounts.

Note 1.1.1 Accounting convention

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

Note 1.1.2 Going concern

"These accounts have been prepared on a going concern basis.

The Department of Health Group Accounting Manual sets out the interpretations of "going concern" for the public sector. An NHS body would not need to have concerns about its "going concern" status unless there is a prospect of services ceasing altogether. For the Trust continuity of service provision in the future can be demonstrated by signed contracts and future commissioning intentions with and from Commissioners.

In accordance with IAS 1, management have made an assessment of the Trust's ability to continue as a going concern considering the significant financial challenges faced by the Trust in 2017/18. The Trust recognises material uncertainty around the delivery of a cost improvement plan with an aspirational £23.5m for 2018/19 and the unconfirmed financial support to fund the Trust deficit of £47.853m. These material uncertainties may cast significant doubt about the Trust's ability to continue as a going concern. The Directors, having made appropriate inquiries still have reasonable expectations that the Trust will have adequate resources to continue in operational existence for the foreseeable future. The Trust has not been informed by NHS Improvement that there is any prospect of reconfiguration or dissolution within the next 12 months. In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern. Furthermore, continuity of service provision in the future can be demonstrated by signed contracts and future commissioning intentions with commissioners and through the financial and operational plans described in the Trust Strategy and the Sussex and East Surrey Sustainability and Transformation Plans. The Trust Board has set a strategic objective of reaching break-even in five years, and a long-term financial model to secure this objective is under development for review by the Trust Board in July 2018.

For the reasons above, they continue to adopt the going concern basis in preparing the accounts and the financial statements do not include the adjustments that would result if the Trust were unable to continue as a going concern."

Note 1.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the NHS trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Accounts

Note 1 Accounting policies and other information (continued)

Note 1.2.1 Critical judgements in applying accounting policies (continued)

Note 1.2.1 Critical judgements in applying accounting policies

"The following are the judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Charitable Funds

The Non-Executive Directors of the Trust act as Trustee's of the East Sussex Healthcare NHS Trust Charitable Fund, however, these are not consolidated with the Trust accounts on the grounds of materiality."

Alternative Site Valuation

In 2015/16 the Trust adopted the Alternative Site valuation for its main acute hospital sites. In 2017/18 this methodology was reviewed and the District Valuer instructed to complete the revaluation on the basis of:

- single siting the main acute sites
- removal of all accommodation buildings including admin space
- removal of St Anne's House
- removal of the Education Centre
- removal of all Commercial Services buildings
- removal of the Crèche (at Eastbourne DGH)

See note 13"

Note 1.2.2 Sources of estimation uncertainty

"The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property, Plant and Equipment valuations

The District Valuer has valued land and buildings using the Alternative Site methodology. See note 14

Asset Lives

Each year the Trust reviews all of its plant and equipment assets to ensure that the existing asset lives are accurate, this review results in both increases and decreases in lives at an asset level and the subsequent depreciation charge for those assets.

Part Completed Spells

Partially completed spells for inpatient services are accounted for by accruing the income due to the 31 March 2018. This is calculated by applying the reference cost per bed day to the number of bed days by inpatient at midnight on 31 March 2018. Bed stays over 70 days are ignored and then a 72% collection rate is assumed based on previous years amounts billed under PBR tariff arrangements once patients are discharged."

Note 1.3 Income

"Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of health care services. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Notes to the Accounts

Note 1 Accounting policies and other information (continued)

Note 1.4 Expenditure on employee benefits (continued)

Note 1.4 Expenditure on employee benefits

"Short-term employee benefits

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy 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

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. There, the schemes are accounted for as though they are defined contribution schemes.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

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

Note 1.5 Expenditure on other goods and services

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

Note 1.6 Property, plant and equipment

Note 1.6.1 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
- the item has cost of at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250,

where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

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

Note 1.6.2 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.

Notes to the Accounts

Note 1 Accounting policies and other information (continued)

Note 1.6 Property, plant and equipment (continued)

All assets are measured subsequently at valuation. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date. An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

Revaluations of property, plant and equipment 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. Current values in existing use are determined as follows:

- Land and non-specialised buildings - market value for existing use
- specialised buildings - depreciated replacement cost, modern equivalent asset basis.

"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.

Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from the current value in existing use.

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

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred."

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

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'."

Notes to the Accounts

Note 1 Accounting policies and other information (continued)

Note 1.6 Property, plant and equipment (continued)

Impairments

In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of 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 that arises from a clear consumption of economic benefit or of 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 expenditure 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.

Note 1.6.3 Donated assets

Donated non-current assets are capitalised at current value in existing use. If they will be held for their service potential or otherwise at 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 treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

Note 1.7 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first-in first-out methodology, however, the Pharmacy system uses the weighted average cost formula so drugs are valued this way. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

Note 1.8 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management. Cash, bank and overdraft balances are recorded at current values."

Note 1.9 Financial instruments and financial liabilities

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

Financial assets are categorised as loans and receivables.

Notes to the Accounts

Note 1 Accounting policies and other information (continued)

Note 1.9 Financial instruments and financial liabilities (continued)

Loans and receivables

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

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

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

Financial liabilities

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

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

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Note 1.10 Public dividend capital

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

At any time, the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the trust, is payable 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 (including lottery funded assets),
- (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts 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 and Social Care (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."

Note 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.

Notes to the Accounts

Note 1 Accounting policies and other information (continued)

Note 1.12 Losses and special payments

"Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the trust 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 accrual basis with the exception of provisions for future losses."

Note 1.13 Transfers of functions to other NHS bodies

For functions that the trust has transferred to another NHS body, the assets and liabilities transferred are de-recognised from the accounts as at the date of transfer. The net gain corresponding to the net assets transferred is recognised within income, but not within operating activities. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve.

Note 1.14 Standards, amendments and interpretations in issue but not yet effective or adopted

- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 15 Revenue from Contracts with Customers – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.
- IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – Application required for accounting periods beginning on or after 1 January 2018. IFRIC 23 Uncertainty over Income Tax Treatments – Application required for accounting periods beginning on or after 1 January 2019.

Note 2 Operating Segments

The Trust has considered IFRS8: Operating Segments and has taken the view that its activities should be reported as a single entity rather than in a segmental manner. Although financial performance is reported to the Executive Board members at a divisional level, the key financial information for decision making purposes is based on the single entity as a whole. Furthermore, the Trust's business is the delivery of acute and community healthcare across a single economic environment. no separate reportable segments have therefore been identified.

Note 3 Operating income from patient care activities

Note 3.1 Income from patient care activities (by nature)	2017/18	2016/17
	£000	£000
Acute services		
Elective income	51,013	53,786
Non elective income	102,257	84,686
First outpatient income	14,758	15,563
Follow up outpatient income	26,775	23,547
A & E income	16,046	13,321
High cost drugs income from commissioners (excluding pass-through costs)	31,137	29,098
Other NHS clinical income	60,389	71,589
Community services		
Community services income from CCGs and NHS England	29,299	30,201
Income from other sources (e.g. local authorities)	12,254	12,078
All services		
Private patient income	2,011	2,232
Other clinical income	4,307	3,687
Total income from activities	350,246	339,788

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2017/18	2016/17
	£000	£000
NHS England	44,454	40,590
Clinical commissioning groups	278,451	269,808
Department of Health and Social Care	70	-
Other NHS providers	48	91
NHS other	709	124
Local authorities	10,705	10,956
Non-NHS: private patients	2,011	2,232
Non-NHS: overseas patients (chargeable to patient)	9	62
NHS injury scheme	649	963
Non NHS: other	13,140	14,962
Total income from activities relating to continuing operations	350,246	339,788

Note 3.3 Overseas visitors (relating to patients charged directly by the provider)

	2017/18	2016/17
	£000	£000
Income recognised this year	9	62
Cash payments received in-year	42	10
Amounts added to provision for impairment of receivables	-	44
Amounts written off in-year	2	18
		108

Note 4 Other operating income

	2017/18	2016/17
	£000	£000
Research and development	493	609
Education and training	9,005	9,286
Receipt of capital grants and donations	773	539
Charitable and other contributions to expenditure	220	272
Non-patient care services to other bodies	14,297	13,995
Sustainability and transformation fund income	3,534	2,600
Income in respect of staff costs where accounted on gross basis	1,409	1,319
Other income	7,957	10,899
Total other operating income related to continuing operations	37,688	39,519

Other income above is made up of:

	2017/18	2016/17
	£000	£000
Car Parking	1,330	1,428
Catering	398	380
Property	654	515
Staff Accommodation Rental	1,406	1,469
Creche Services	577	695
Other Income Generation Schemes	1,973	1,525
Other Income	1,619	4,887
Total	7,957	10,899

Note 5 Fees and charges

	2017/18	2016/17
	£000	£000
Income	1,559	1,666
Full cost	(1,875)	(1,951)
Deficit	(316)	(285)

The income and expenditure values summarised above relate to the Michelham Unit, the Trust's private patient centre. In 2017/18 its financial objective was to generate a £179,000 operating surplus. Actual performance resulted in a £316,000 deficit. In 2016/17 the unit made a deficit of £285,000 against a target surplus of £143,000. The unit also provides care for NHS patients but that income is not recognised in the figures above.

Note 6 Operating expenses

	2017/18	Restated 2016/17
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	6,709	6,770
Purchase of healthcare from non-NHS and non-DHSC bodies	4,816	6,181
Staff and executive directors costs	284,296	269,971
Remuneration of non-executive directors	78	75
Supplies and services - clinical (excluding drugs costs)	35,279	35,221
Supplies and services - general	4,656	3,881
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	42,933	40,498
Consultancy costs	592	993
Establishment	6,233	5,298
Premises	14,639	12,019
Transport (including patient travel)	1,130	1,572
Depreciation on property, plant and equipment	12,364	12,111
Amortisation on intangible assets	355	295
Net impairments	14,423	(5)
Increase/(decrease) in provision for impairment of receivables	(309)	99
Increase in other provisions	245	-
Change in provisions discount rate	24	203
Audit fees payable to the external auditor		
audit services- statutory audit	61	105
other auditor remuneration (external auditor only)	10	-
Internal audit costs	184	184
Clinical negligence	14,615	13,286
Legal fees	185	270
Insurance	383	425
Education and training	871	732
Rentals under operating leases	1,159	1,512
Hospitality	47	-
Other	2,969	5,050
Total related to continuing operations	448,947	416,746

Note 6.1 Limitation on auditor's liability

In accordance with the terms of engagement with the trust's external auditors, Grant Thornton UK LLP, its members, partners and staff (whether contract, negligence or otherwise) in respect of services provided in connection with or arising out of the audit shall in no circumstances exceed £2 million in the aggregate in respect of all such services.

Note 7 Impairment of assets

	2017/18	2016/17
	£000	£000
Net impairments charged to operating deficit resulting from:		
Changes in market price	14,423	303
Other	-	(308)
Total net impairments charged to operating deficit	14,423	(5)
Impairments charged to the revaluation reserve	10,249	-
Total net impairments	24,672	(5)

Note 8 Employee benefits

	2017/18	2016/17
	Total	Total
	£000	£000
Salaries and wages	222,615	192,349
Social security costs	21,093	18,716
Apprenticeship levy	1,121	-
Employer's contributions to NHS pensions	25,991	23,960
Termination benefits	118	405
Temporary staff (including agency)	13,799	35,178
Total staff costs	284,737	270,608
Of which		
Costs capitalised as part of assets	441	637

Note 8.1 Retirements due to ill-health

During 2017/18 there were no early retirements from the trust agreed on the grounds of ill-health (8 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £0k (£695k in 2016/17).

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

Note 9 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period. In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and employee and employer representatives as deemed appropriate.

Note 10 East Sussex Healthcare NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where East Sussex Healthcare NHS Trust is the lessee.

The leases relate to cars, medical equipment, building and photocopiers. Lease periods range from 3 to over 5 years

	2017/18	2016/17
	£000	£000
Operating lease expense		
Minimum lease payments	1,159	1,512
Total	1,159	1,512
	31 March	31 March
	2018	2017
	£000	£000
Future minimum lease payments due:		
- not later than one year;	1,226	1,681
- later than one year and not later than five years;	1,947	2,864
- later than five years.	237	292
Total	3,410	4,837

Note 11 Finance expenditure

Finance expenditure represents interest and other charges involved in the borrowing of money.

	2017/18	2016/17
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	4,455	1,743
Interest on late payment of commercial debt	48	18
Total interest expense	4,503	1,761
Unwinding of discount on provisions	6	34
Total finance costs	4,509	1,795

Note 12.1 Property, plant and equipment - 2017/18

	Land	Buildings excluding dwellings	Dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2017 - brought forward	27,027	187,190	13,393	66,815	259	22,882	3,955	321,521
Additions	-	7,679	-	5,402	-	2,324	307	15,712
Impairments	(12,955)	(82)	(11,635)	-	-	-	-	(24,672)
Revaluations	-	(23,434)	(1,758)	-	-	-	-	(25,192)
Disposals / derecognition	-	-	-	(2,170)	(8)	(32)	(17)	(2,227)
Valuation/gross cost at 31 March 2018	14,072	171,353	-	70,047	251	25,174	4,245	285,142
Accumulated depreciation at 1 April 2017 - brought forward	-	17,739	1,411	48,661	258	13,421	2,896	84,386
Provided during the year	-	5,695	347	3,977	1	2,162	182	12,364
Revaluations	-	(23,434)	(1,758)	-	-	-	-	(25,192)
Disposals / derecognition	-	-	-	(2,085)	(8)	(14)	(8)	(2,115)
Accumulated depreciation at 31 March 2018	-	-	-	50,553	251	15,569	3,070	69,443
Net book value at 31 March 2018	14,072	171,353	-	19,494	-	9,605	1,175	215,699
Net book value at 1 April 2017	27,027	169,451	11,982	18,154	1	9,461	1,059	237,135

Note 12.2 Property, plant and equipment financing - 2017/18

	Land	Buildings excluding dwellings	Dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2018								
Owned - purchased	14,072	167,106	-	17,010	-	9,528	888	208,604
Owned - donated	-	4,247	-	2,484	-	77	287	7,095
NBV total at 31 March 2018	14,072	171,353	-	19,494	-	9,605	1,175	215,699

Note 12.3 Property, plant and equipment - 2016/17

	Land	Buildings excluding dwellings	Dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2016 - as previously stated	25,279	176,720	12,104	66,943	264	20,898	3,581	305,789
Additions	-	6,148	19	2,971	-	1,988	374	11,500
Impairments	-	5	-	-	-	-	-	5
Revaluations	1,748	4,184	1,403	-	-	-	-	7,335
Reclassifications	-	133	(133)	-	-	-	-	-
Disposals other than for resale	-	-	-	(3,099)	(5)	(4)	-	(3,108)
Valuation/gross cost at 31 March 2017	27,027	187,190	13,393	66,815	259	22,882	3,955	321,521
Accumulated depreciation at 1 April 2016 - as previously stated	-	11,615	941	47,622	262	11,453	2,724	74,617
Provided during the year	-	5,513	315	4,138	1	1,972	172	12,111
Revaluations	-	611	155	-	-	-	-	766
Disposals other than for resale	-	-	-	(3,099)	(5)	(4)	-	(3,108)
Accumulated depreciation at 31 March 2017	-	17,739	1,411	48,661	258	13,421	2,896	84,386
Net book value at 31 March 2017	27,027	169,451	11,982	18,154	1	9,461	1,059	237,135
Net book value at 1 April 2016	25,279	165,105	11,163	19,321	2	9,445	857	231,172

**Note 12.4 Property, plant and equipment financing -
2016/17**

	Land	Buildings excluding dwellings	Dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2017								
Owned - purchased	27,027	164,312	11,982	15,581	1	9,351	859	229,113
Owned - donated	-	5,139	-	2,573	-	110	200	8,022
NBV total at 31 March 2017	27,027	169,451	11,982	18,154	1	9,461	1,059	237,135

Note 13 Donations of property, plant and equipment

The following organisations donated assets to the Trust during 2017/18:

ESHT Charitable Funds - £6,000 (2016/17 £39,000)

EDGH League of Friends - £134,000 (2016/17 £188,000)

Bexhill League of Friends - £329,000 (2016/17 £174,000)

Conquest league of Friends - £227,000 (2016/17 £90,000)

Lewes Victoria Hospital League of Friends - £17,000 (2016/17 £15,000)

Uckfield League of Friends - £61,000 (2016/17 £0)

Note 14 Revaluations of property, plant and equipment

Depreciation, impairments and valuation assessments

The Trust first adopted the "alternative site valuation" methodology in 2015/16. In 2017/18 this methodology was reviewed and the District Valuer instructed to complete the revaluation on the basis of:

- single siting the main acute sites
- removal of all accommodation buildings including admin space
- removal of St Anne's House
- removal of the Education Centre
- removal of all Commercial Services buildings
- removal of the Crèche (at Eastbourne DGH)

The Trust instructed the District Valuer (Mr Oliver Gronow MSc, MRICS, FAAV) to conduct a full revaluation of the Trust's land and buildings as at 31 March 2018.

As a result of the Revaluation carried out at 31 March 2018, assets previously impaired increased in value by £14.423m (2016/17 £0.308m).

Standard lives for property, plant and equipment are adopted as follows:

- buildings, as per the District Valuer between 3 and 56 years
- short life plant and equipment, 5 to 7 years
- medium life plant and equipment, 10 years
- long life plant and equipment, 15 years
- motor vehicles, 4 to 7 years
- furniture, 5 to 10 years
- IT equipment, up to 15 years

The annual review of asset lives for plant and machinery, furniture and IT equipment resulted in an in year reduction in depreciation of £92,237 (2016/17 £220,086 reduction). Extending asset lives reduces in-year depreciation costs but increases the years depreciation is charged for individual assets.

The gross carrying amount of all fully depreciated assets still in use is:

Purchased - £28.7m (2016/17 £24.4m)

Donated - £12.8m (2016/17 £12.4m)

Note 15 Inventories

	31 March 31 March 2018 £000	31 March 31 March 2017 £000
Drugs	2,382	2,122
Consumables	4,749	3,900
Energy	170	173
Total inventories	7,301	6,195

Inventories recognised in expenses for the year were £59,044k (2016/17: £58,296k). Write-down of inventories recognised as expenses for the year were £0k (2016/17: £0k).

Note 16.1 Trade receivables and other receivables

	31 March 2018 £000	Restated 31 March 2017 £000
Current		
Trade receivables	21,384	29,103
Capital receivables (including accrued capital related income)	157	8
Accrued income	9,900	8,555
Provision for impaired receivables	(145)	(232)
Prepayments (non-PFI)	2,419	2,517
PDC dividend receivable	432	21
VAT receivable	835	375
Other receivables	359	459
Total current trade and other receivables	35,341	40,806
Non-current		
Provision for impaired receivables	(151)	(389)
Other receivables	1,462	1,697
Total non-current trade and other receivables	1,311	1,308
Of which receivables from NHS and DHSC group bodies:		
Current	22,038	29,094

Note 16.2 Provision for impairment of receivables

	2017/18 £000	2016/17 £000
At 1 April as previously stated	621	620
Increase in provision	17	99
Amounts utilised	(16)	(98)
Unused amounts reversed	(326)	-
At 31 March	296	621

Note 16.3 Receivables past their due date but not impaired

	31 March 2018 £000	31 March 2017 £000
By up to three months	4,153	4,262
By three to six months	2,203	55
By more than months	3,664	1,364
Total	10,020	5,681

Note 17 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	2017/18	2016/17
	£000	£000
At 31 March	2,100	2,100
Broken down into:		
Cash at commercial banks and in hand	27	42
Cash with the Government Banking Service	2,073	2,058
Total cash and cash equivalents as in SoFP	2,100	2,100
Total cash and cash equivalents as in SoCF	2,100	2,100

Note 17.1 Third party assets held by the trust

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

	31 March 2018	31 March 2017
	£000	£000
Monies on deposit	19	3
Total third party assets	19	3

Note 18 Trade and other payables

	31 March 2018	Restated 31 March 2017
	£000	£000
Current		
Trade payables	6,766	28,013
Capital payables	3,029	1,924
Accruals	17,806	16,594
Social security costs	3,077	2,744
Other taxes payable	5,672	2,225
Accrued interest on loans	729	273
Other payables	661	-
Total current trade and other payables	37,740	51,773
Of which payables from NHS and DHSC group bodies:		
Current	6,680	7,017
Included above		
- outstanding pension contributions	3,444	6,624

Note 19 Other liabilities

	31 March 2018 £000	Restated 31 March 2017 £000
Current		
Deferred income	1,729	1,261
Total other current liabilities	1,729	1,261

Note 20 Borrowings

	31 March 2018 £000	31 March 2017 £000
Current		
Loans from the Department of Health and Social Care	35,694	427
Total current borrowings	35,694	427
Non-current		
Loans from the Department of Health and Social Care	121,517	92,788
Total non-current borrowings	121,517	92,788

Note 21.1 Provisions for liabilities and charges analysis

	Pensions - early departure costs £000	Legal claims £000	Other £000	Total £000
At 1 April 2017	2,709	154	127	2,990
Change in the discount rate	24	-	-	24
Arising during the year	28	111	125	264
Utilised during the year	(231)	(52)	(127)	(410)
Reversed unused	-	(19)	-	(19)
Unwinding of discount	6	-	-	6
At 31 March 2018	2,536	194	125	2,855
Expected timing of cash flows:				
- not later than one year;	232	194	125	551
- later than one year and not later than five years;	857	-	-	857
- later than five years.	1,447	-	-	1,447
Total	2,536	194	125	2,855

Note 21.2 Clinical negligence liabilities

At 31 March 2018, £123,064k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of East Sussex Healthcare NHS Trust (31 March 2017: £81,346k).

Note 22 Financial instruments

Note 22.1 Financial risk management

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

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

Currency risk

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

"Interest rate risk

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

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2018 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

Note 22.2 Carrying values of financial assets

	Loans and receivables
	£000
Trade and other receivables excluding non financial assets	33,549
Cash and cash equivalents at bank and in hand	2,100
Total at 31 March 2018	35,649
Trade and other receivables excluding non financial assets	41,143
Cash and cash equivalents at bank and in hand	2,100
Total at 31 March 2017	43,243

Note 22.3 Carrying value of financial liabilities

	Other financial liabilities
	£000
Borrowings excluding finance lease and PFI liabilities	157,211
Trade and other payables excluding non financial liabilities	37,740
Total at 31 March 2018	194,951
Borrowings excluding finance lease and PFI liabilities	93,215
Trade and other payables excluding non financial liabilities	46,533
Total at 31 March 2017	139,748

Note 22.4 Fair values of financial assets and liabilities

The fair value of receivables and cash is consistent with the carrying value in the Statement of Financial Position. Receivables comprise amounts to be collected within 1 year and the non-current receivables for Injury Cost Recovery Income. Non-current receivables are not discounted as the difference to carrying values is not considered material. Cash is available on demand.

Payables arising under statutory obligations such as payroll taxes are not classified as financial liabilities. The fair value of payables is consistent with the carrying value included in the Statement of Financial Position. Payables comprise amounts to be paid within 1 year and are valued using discounted cash flows.

Note 23 Losses and special payments

	2017/18		2016/17	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	86	93	121	183
Bad debts and claims abandoned	26	16	-	-
Total losses	112	109	121	183
Special payments				
Ex-gratia payments	53	18	50	86
Total special payments	53	18	50	86
Total losses and special payments	165	127	171	269

Note 24 Related parties

Details of related party transactions with individuals are as follows:

Payments to Winchelsea and District Memorial Hospital Ltd: £314,766 (2016/17: £294,227)

Related party: Barry Nealon, Non-executive Director who is Chairman of the above organisation.

Payments to Sussex Down College: £11,639 (2016/17 : £7,722)

Income from Sussex Down College: £nil (2016/17: £28,760)

Related Party: Jonathan Reid, Director of Finance who is a Governor of the above organisation.

Payments to Chalkman Films: £570 (2016/17: £972)

Related party: Lynette Wells, Company Secretary who is a Director of the above organisation.

Payments to Kent, Surrey and Sussex Academic Health Science Network: £nil (2016/17: £32,700)

Income from Kent, Surrey and Sussex Academic Health Science Network: £14,913 (2016/17: £20,771)

Related party: David Clayton-Smith, Chairman who is Chairman of the above organisation.

Payments to Mr Ian Miller: £311,077 (2016/17 £nil)

Related Party: Ian Miller was a Trust appointed Financial Improvement Director, paid via payroll under IR35 rules.

The Department of Health is regarded as a related party. During 2017/18 East Sussex Healthcare NHS 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. The bodies listed below have entered into income or expenditure transactions with the Trust of over £500,000:

Brighton And Hove CCG
Brighton and Sussex University Hospitals NHS Trust
Coastal West Sussex CCG
Eastbourne, Hailsham and Seaford CCG
Hastings and Rother CCG
Health Education England
High Weald Lewes Havens CCG
NHS England
NHS Property Services
NHSE Wessex
Oxford Health NHS Foundation Trust
Queen Victoria Hospital NHS Foundation Trust
South East CSU
South East Commissioning Hub
South East Local Office
Surrey & Sussex Healthcare NHS Trust
Sussex Community NHS Trust
Sussex Partnership NHS Foundation Trust
The NHS Blood and Transplant Agency
The NHS Litigation Authority
The NHS Pensions Agency
West Kent CCG

In addition, the Trust has had transactions over £500,000 with the following local government body:

East Sussex County Council

The Trust has also received revenue and capital payments from East Sussex Healthcare NHS Trust Charitable Fund for which some of the trustees are also members of the Trust board. The amount received was £762,000 (2016/17 £392,000), comprising of donations of assets amounting to £6,000 (2016/17 £39,000) and cash support of £756,000 (2016/17 £353,000).

The Trust has had a number of transactions over £500,000 with central government bodies:

HM Revenue and Customs
National Health Service Pension Scheme

Note 25 Better Payment Practice code

	2017/18	2017/18	2016/17	2016/17
	Number	£000	Number	£000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	128,709	158,861	119,039	130,851
Total non-NHS trade invoices paid within target	<u>24,188</u>	<u>43,923</u>	<u>30,662</u>	<u>49,321</u>
Percentage of non-NHS trade invoices paid within target	<u>18.79%</u>	<u>27.65%</u>	<u>25.76%</u>	<u>37.69%</u>
NHS Payables				
Total NHS trade invoices paid in the year	2,698	35,381	2,656	46,757
Total NHS trade invoices paid within target	<u>845</u>	<u>29,352</u>	<u>786</u>	<u>37,205</u>
Percentage of NHS trade invoices paid within target	<u>31.32%</u>	<u>82.96%</u>	<u>29.59%</u>	<u>79.57%</u>

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

Note 26 External financing

The trust is given an external financing limit against which it is permitted to underspend:

	2017/18	2016/17
	£000	£000
Cash flow financing	<u>66,779</u>	<u>54,017</u>
External financing requirement	<u>66,779</u>	<u>54,017</u>
External financing limit (EFL)	<u>66,780</u>	<u>54,017</u>
Underspend against EFL	<u>1</u>	<u>-</u>

Note 27 Capital Resource Limit

	2017/18	2016/17
	£000	£000
Gross capital expenditure	16,155	12,005
Less: Disposals	(112)	-
Less: Donated and granted capital additions	<u>(773)</u>	<u>(539)</u>
Charge against Capital Resource Limit	<u>15,270</u>	<u>11,466</u>
Capital Resource Limit	<u>15,277</u>	<u>11,467</u>
Underspend against CRL	<u>7</u>	<u>1</u>

Note 28 Breakeven duty financial performance

	2017/18
	£000
Adjusted financial performance deficit (control total basis)	(54,982)
Remove CQUIN risk reserve adjustment	<u>1,104</u>
Breakeven duty financial performance deficit	<u>(53,878)</u>

Note 29 Breakeven duty rolling assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		350	(4,704)	87	522	(23,094)	88	(47,997)	(43,792)	(53,878)
Breakeven duty cumulative position	1,745	2,095	(2,609)	(2,522)	(2,000)	(25,094)	(25,006)	(73,003)	(116,795)	(170,673)
Operating income		282,807	299,623	385,281	387,400	364,240	384,876	356,152	379,307	387,934
Cumulative breakeven position as a percentage of operating income		0.74%	-0.87%	-0.65%	-0.52%	-6.89%	-6.50%	-20.50%	-30.79%	-44.00%

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