Heatherwood and Wexham Park Hospitals NHS
NHS Foundation Trust

# Annual Report and Annual Accounts

## For the period of 1st April – 30th September 2014

Heatherwood and Wexham Park Hospitals NHS
NHS Foundation Trust

# Annual Report and Annual Accounts

## For the period of 1st April – 30th September 2014

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

**CONTENTS PAGE:**

## 1. INTRODUCTION

### 1.1 Statement of the Chairman

Heatherwood and Wexham Park Hospitals NHS Foundation Trust (HWPH) was acquired by Frimley Park Hospital NHS Foundation Trust (FPH) on 1 October 2014, thereby creating Frimley Health NHS Foundation Trust (FHFT). The enclosed Annual Report and Accounts relating to HWPH therefore only account for Months 1-6 of the 2014/15 financial year.

As the FHFT Chairman and the FPH Chairman prior to the acquisition, I am presenting the part-year HWPH Annual Report and Accounts. In the period leading up to the acquisition on 1st October 2014, the successor body was not privy to discussions within the Heatherwood and Wexham Park Hospitals' Board regarding these accounts. During this period, the successor body was not responsible to, and did not hold authority for, Heatherwood and Wexham Park Hospitals NHS Foundation Trust.

At FHFT, we remain confident that the acquisition will enable the clinical services previously provided by HWPH to be sustained and improved long into the future. Indeed, the context of the transaction was of a challenged Trust with long-standing financial debt that had also, over the past 12-18 months, been strongly criticised by the Care Quality Commission (CQC). It is essential that the enlarged organisation learns from these mistakes and looks to improve, ensuring consistent excellence as a standard across all hospital sites.

Notwithstanding the challenges faced by HWPH, I am clear that significant progress was made within the Trust leading up to the transaction:

- The Trust launched its 'Spring to Green' initiative, which greatly improved the Trust's operational performance against a set of key national standards; allowing it to achieve the 4-hour Emergency Access target in Quarter 2 and all 18 Weeks targets throughout Quarters 1 and 2, with the exception of the non-admitted target in Quarter 2;
- Substantial investment in the estate at Wexham Park, which has brought the enhanced areas up to modern day hospital standards;
- The establishment of a Patient Experience and Public Involvement Directorate, which has helped to refocus the minds of staff upon prioritising the needs of patients and their relatives, beyond clinical treatment;
- The reformation of the Trust's corporate governance arrangements, which were endorsed by the Good Governance Institute as representing sound practice;
- The successful attainment of 'JAG (Joint Advisory Group for Gastrointestinal Endoscopy) accreditation' for the Trust's gastroenterology service;
- The development of a Ward-to-Board quality dashboard, enabling the Board and the Executive team quickly to assess performance by ward across a range of Key Performance Indicators (KPIs), as well as noting any Trust-wide performance issues;

I would like to express my thanks and those of the FHFT Board to all former HWPH staff, both those who have left and those who continue to work as part of FHFT. There is little doubt that they have continued to work tirelessly throughout all of the ceaseless challenges that HWPH, as a Trust, needed to address. Particular thanks go to the outgoing HWPH Chairman, Mike O'Donovan (now a Non-Executive Director on the FHFT Board), and the Acting HWPH Chief Executive, Grant MacDonald, who worked hard to steer the acquisition on the HWPH side through to completion.

Signed: Mike Aaronson.....
**Sir Michael Aaronson**
**Chairman, Frimley Health NHS Foundation Trust**
Date: 29th May 2015

## 1.2 Key Highlights / Developments

Key highlights at the Trust for the six month period from 1st April to 30th September 2014 were as follows:

| Date | Highlights |
|---|---|
| 1 April | From Sunday 30th March Wexham Park and Heatherwood Hospitals NHS extended visiting hours in all wards to 24 hour visiting. |
| 2 April | Specialist nurse, Catherine Nicholson, and clinical lead for organ donation, Dr Tiina Tamm, attended Sri Guru Singh Sabha on Sheehy Way, Slough, to talk to worshippers about why they should consider donating their organs, and why their community needs them to sign up to the register. |
| 4 April | Ritchings Park Golf club donated over £12,000 for the Eden Unit Chemotherapy Suite. |
| 6 May | Wexham Park Hospital opened its doors and welcomed in members of the Slough Lions club to 'test drive' the da Vinci surgical robot. The Slough Lions have been ardent supporters of the urology department since 2006, annually hosting events to raise money for the state-of-the-art ultrasound probes used in robotic surgery and research in the department. |
| 14 May | Wexham Park Hospital launched state of the art automated drugs robots, to sort and dispense medicines for Heatherwood and Wexham Park. |
| 20 May | Staff across the hospital pulled together to raise awareness for dementia and to raise funds for the hospital's Sunflower campaign during Dementia Awareness Week. |
| 20 May | Wexham Park demonstrated the cutting edge of ear, nose and throat (ENT) surgery, representing the UK in the ninth annual live surgical broadcast. Consultant ENT surgeon, Mr Chris Aldren, who was last year elected as President of the Live International Otolaryngology Network, performed live stapectomies which were broadcast to a worldwide audience. |
| 23 May | Wexham Park Hospital consultant ear surgeons Chris Aldren and Olivia Whiteside hosted the 14th International Advanced Middle Ear Surgery course in the hospital's outstanding skills laboratory. |
| 6 June | The Rt Hon Theresa May MP visited the Macmillan Cancer Information and Support Centre at Wexham Park Hospital. |
| 9 June | Pioneering urology surgeons at Wexham Park and Heatherwood hospitals broadcast a live online questions and answers session on prostate cancer and its treatment using robotic surgery. |
| June | Wexham Park Hospital officially launched its new, state of the art MRI (Magnetic Resonance Imaging) scanner. The installation was a major operation, and took over three months, during which time a mobile MRI scanner was in place elsewhere on the site. |
| 9 June | The Chaplaincy department at Heatherwood and Wexham Park Hospitals celebrated an exciting new chapter in the development of their work, holding a Commissioning Service in the Post-Graduate Medical Centre at Wexham Park Hospital. This was a wonderful opportunity for the community to come together in support of HWPH and the work done to serve the pastoral needs of patients, relatives and staff. |
| 21 June | 15 members of NetSuite staff, an IT company based in Maidenhead, spent three days at Wexham Park Hospital to lend a collective green fingered hand in creating a safe and secure garden for dementia patients. The ethos of the garden is to provide a therapeutic environment for patients with dementia and their loved ones to take part in some gentle gardening and to spend some quiet time away from the busy ward environment. |
| 29 June | Hundreds of runners from the local area came together to take part in Wexham Park Hospital's first 5 mile race and 1.25 mile family fun run. The runners came from far and wide to run the scenic countryside route that surrounds Wexham Park Hospital, with all the money raised from the event going to the Trust charitable fund. |
| 2 July | The number of homebirths is on the rise in Windsor, thanks to a successful midwife-run programme offering low risk mums-to-be the opportunity to give birth at home. The Windsor team, which is part of the Trust, is a group of dedicated midwives and a support worker, who passionately believe in promoting home births to women in Windsor, Datchet, Wraysbury, Eton and Ascot.<br>Since February 2014, they have included in their model of care the option for low risk women (without medical complication) the opportunity to be home assessed by the team and supported throughout the birth of their babies. |
| 15 July | Nick Knowles officially opened Wexham Park's newly landscaped dementia garden. |

| Date | Highlights |
|---|---|
| 22 July | International fashion designer and “I’m a celebrity” star David Emanuel launched the Berkshire wide Macmillan Well-Being Programme.<br>The programme devised by the Trust to support cancer patients in east Berkshire, and funded by Macmillan Cancer Support, began in January 2013 with a physical activity class. Since then, with continued backing from the charity the programme has recruited an additional four team members, allowing it to expand into west Berkshire, working collaboratively with the Royal Berkshire NHS Foundation Trust and to introduce a number of other initiatives that have helped encourage and empower patients to self-manage their illness following their initial treatment stage. |
| 1 August | In support of World Breastfeeding Week, local breastfeeding mothers and their babies were invited to take part in ‘The Global Big Latch On’ event being held at the Post Graduate Centre, Wexham Park Hospital. |
| 22 September | The Rt Hon Theresa May MP officially opened Ward 11. The new 23 bedded ward provides care for surgical, plastic and ENT (ears, nose and throat) patients, both routine admissions as well as emergencies. |
| 25 September | Consultation starts on plans to increase patient, visitor and staff parking on the Wexham Park site. |
| 30 September | Local community group The Lions Club of Burnham returned to Wexham Park Hospital to deliver 200 ’Message in a Bottle’ containers for nursing staff to give to patients when they are discharged home. |

A key development in October 2014 was successful attainment of the Joint Advisory Group on Gastrointestinal Endoscopy (JAG) accreditation. The JAG works under the auspices of the Academy of Medical Royal Colleges and sets standards for Endoscopy Units throughout the UK looking in detail at the whole service provided. The inspection regime is rigorous and to gain accreditation Endoscopy Units must provide detailed evidence that they perform to the highest standards in every aspect of the service.

Following an initial assessment by the JAG last year Wexham and Heatherwood were set a number of demanding challenges to meet these standards. In October 2014 the Assessment Team revisited the Trust and Wexham was awarded full accreditation with high praise for the work undertaken by the whole team. Plans for a new Unit at Heatherwood were also presented and these were approved by the Assessment Team. The new Unit will be completed early next year and at this point Heatherwood will also be awarded full accreditation.

The achievement of the Endoscopy Team is one of which they can be immensely proud and provides assurance to the patients they treat that they are receiving a first class service.

## 1.3 Trust Profile

HWPH was a District General Hospital (DGH) Trust that served a population of more than 450,000 people from the areas of Ascot, Bracknell, Maidenhead, Slough, South Buckinghamshire and Windsor. The areas served by HWPH had a high degree of ethnic diversity, with approximately 30 languages spoken in the area, the top six of which (excluding English) are Hindi, Polish, Urdu, Somali, Romanian and Punjabi.

The Trust employed approximately 3,900 full and part-time permanent staff who delivered a wide range of healthcare services from two main sites; Heatherwood Hospital in Ascot, opened in 1923, and Wexham Park Hospital in Slough, opened in 1968. The Trust also provided outpatient clinics, a breast screening and diagnostic service, a chest clinic and other diagnostic tests from four other sites:

- King Edward VII Hospital, Windsor;
- St. Mark's Hospital, Maidenhead;
- Fitzwilliam House, Bracknell;
- Chalfonts Outpatients (part of Gerrards Cross Hospital), Chalfont St Peter.

Prior to the transaction, on an annual basis, HWPH would see:

- 30,000 day cases and elective inpatients;
- 39,000 emergency inpatients;
- 4,500 births;
- 118,000 Accident and Emergency (A&E) attendances;
- 60,000 new outpatient appointments;
- 179,000 outpatient follow-up appointments.

HWPH became a Foundation Trust on 1 June 2007 under the National Health Service Act 2006, having been authorised by Monitor, the independent regulator, which is directly accountable to Parliament for the oversight of the performance of all Foundation Trusts.

The Trust's Annual Accounts are prepared in accordance with the National Health Service Act 2006 under a Direction issued by Monitor. The financial statements comply with Monitor's Annual Reporting Manual for Foundation Trusts, as agreed with HM Treasury. Where relevant to NHS Foundation Trusts, the Manual follows International Financial Reporting Standards as adopted by the European Union.

As a Foundation Trust, the Trust was accountable to its local community and aimed to have membership representative of its catchment area, with members who provided feedback to the Trust on the services that it provided.

The principal activities of HWPH during the first six months of 2014/15 (including that of any subsidiaries) were:

Unscheduled Care for the following specialties:

- Cardiology;
- Stroke;
- Respiratory;
- Rheumatology;
- Neurology;
- Dermatology;
- Care of the elderly;
- Gastroenterology;
- Diabetes and endocrinology;
- Non-elective surgery, including trauma;
- Accident and Emergency services.

Elective surgery in the following specialties:

- General surgery;
- Urology;
- Ear, Nose and Throat (ENT);
- Orthopaedics;
- Oral and Maxillo-Facial;
- Plastic surgery;
- Gynaecology;
- Paediatrics.

Other services:

- Maternity services;
- Neonatal intensive care;
- Paediatrics;
- Pain management;
- Critical care;
- Resuscitation;
- Oncology services;
- Breast symptomatic diagnostic and treatment service;
- Inpatient and direct access; pathology, radiology;
- Haematology services;
- Rehabilitation;
- Pre-assessment;
- Pharmacy;
- Outpatient services;
- Healthcare records;
- Private patient services;
- East Berkshire NHS breast screening service.

## 1.4 Corporate Vision and Objectives

At the commencement of 2013/14, acknowledging the ongoing risk to its clinical and financial viability, HWPH proactively engaged with other neighbouring acute providers to assess the feasibility of a major organisational reconfiguration (involving merger or acquisition) taking place during 2014/15.

On 25 April 2014, the HWPH Trust Board approved the Heads of Terms relating to its proposed acquisition by FPH. The Heads of Terms agreed the parameters and process for the transaction, subject to the proposal receiving the clearance of the Competition and Markets Authority (CMA). Following this, there were several other milestones which led to the eventual completion of the transaction:

- In May 2014, an assessment from the CMA that the transaction did not breach competition law;
- The approval of the HWPH Board and Council of Governors in July 2014;
- The completion of full economic and clinical due diligence assessments;
- Monitor approval of the transaction in September 2014.

Throughout this time, the Trust's key stakeholders (Monitor, Department of Health, Council of Governors, Clinical Commissioning Groups and staff) remained, on the whole, supportive of the acquisition.

The HWPH rationale for supporting the acquisition was that it believed that the proposed transaction was in the best interests of its local patient population. In particular, it was noted that the transaction would:

- Safeguard the long-term provision of sustainable clinical services long into the future;
- Provide economies of scale and mass which will allow for clinical sub-specialisation;
- Allow for substantial investment into the Trust's existing estate and infrastructure;
- Help to mitigate some of the Trust's non-financial, long-term 'high risks' such as the Trust's historical adverse reputation;
- Bring the management of the Trust's services under a stable and established senior management team and governance structure.

The HWPH overriding vision and high-level objectives for 2014/15 up to the point of the acquisition were:

- To provide safe, effective, high quality acute secondary care;
- To ensure that patients remain at the centre of all we do and have a positive experience of all we offer;
- To ensure that the communities we serve feel confident in our care and know they can trust us;
- To ensure that our staff will feel confident in us as an employer and know they will be supported to do their very best;
- To ensure that all partners see us as simple to work with and feel confident that we will deliver what we say.

The Trust's specific corporate objectives were:

- To maintain high quality, safe, clinically effective care that ensures a positive patient experience;
- To deliver efficient services within the activity and resource levels agreed with our Commissioners; improving our clinical effectiveness and productivity;
- To be a good employer, improve staff morale and develop a highly skilled and engaged workforce;
- To work in collaboration and partnership with all parties to ensure maximum benefit to the population served;
- To deliver significant cost improvements in 2014/15, and to develop programmes that will achieve recurrent cost improvements of appropriate scale in later years to ensure the overall financial viability of the Trust.

## 2. STRATEGIC REPORT

### 2.1 Review of the Trust's Business

Trust Overview

Since 2009, HWPH had been found to be in significant breach of its Terms of Authorisation by Monitor, in particular, condition 2 which required the Trust to exercise its functions "effectively, efficiently and economically"[1].

The table below illustrates the financial results that the Trust has delivered since 2009/10:

| Year | Deficit (excluding impairments) |
|---|---|
| 2009/10 | £9.9m |
| 2010/11 | £13.2m |
| 2011/12 | £13.9m |
| 2012/13 | £6.9m |
| 2013/14 | £9.6m |
| 2014/15 (part-year) | £11.8m |

Local Health Economy Overview

The health of the population whom HWPH served was varied when compared against the England average. The Trust served several areas: Ascot, Bracknell, Slough, Windsor and Maidenhead, and South Buckinghamshire. The following statistics are extracted from the Health Profiles for the respective areas published by Public Health England in September 2014:

[1] Note that the Terms of Authorisation has now been replaced by the Trust's Foundation Trust Licence. See Section 8, 'Regulatory Ratings'.

| | **Bracknell Forest**<br>7 October 2014<br>Public Health England Report | **Slough**<br>12 August 2014<br>Public Health England Report | **Windsor and Maidenhead**<br>12 August 2014<br>Public Health England Report | **South Buckinghamshire**<br>12 August 2014<br>Public Health England Report |
|---|---|---|---|---|
| **Total Population:** | **115,000** | **142,000** | **146,000** | **67,000** |
| **Health in Summary** | | | | |
| Health of the population | Generally better than the England average | Varied compared with the England average | Generally better than the England average | Generally better than the England average |
| Deprivation (Percentage of people living in 20% most deprived area) | Lower than average | Lower than average | Lower than average | Lower than average |
| Percentage of children (under 16) living in poverty | Lower than average for England at 11.9% | Higher than average for England at 21.7% | Lower than average for England at 9.9% | Lower than average for England at 9.6% |
| Violent crime | Lower than average for England at 8.0 per 1,000 | Higher than average for England at 16.6 per 1,000 | Lower than average for England at 8.4 per 1,000 | Lower than average for England at 6.4 per 1,000 |
| Long-term unemployment (aged 16-64) | Lower than average for England at 3.8 per 1,000 | Lower than average for England at 9.4 per 1,000 | Lower than average for England at 3.8 per 1,000 | Lower than average for England at 2.7 per 1,000 |
| Rates of homelessness | Lower than average for England at 1.3 per 1,000 | Higher than average for England at 2.5 per 1,000 | Lower than average for England at 1.3 per 1,000 | Lower than average for England at 1.4 per 1,000 |
| **Child Health** | | | | |
| Percentage of Year 6 school children (aged 10-11) classified as obese | Lower than the average for England at 14.9% | Higher than the average for England at 20.7% | Lower than the average for England at 13.6% | Lower than the average for England at 17.5% |
| Alcohol-specific hospital stay among those under 18 | Lower than the average for England at 26.3 per 100,000 | Lower than the average for England at 18.8 per 100,000 | Lower than the average for England at 21.5 per 100,000 | Lower than the average for England at 27.6 per 100,000 |
| Levels of teenage pregnancy, breastfeeding and smoking at time of delivery | Lower than the average for England | Lower than the average for England | Lower than the average for England | Pregnancy levels lower than the average for England. Breastfeeding and smoking at time of delivery not available |
| **Adult Health** | | | | |
| Percentage adults classed as obese | Lower than the average for England at 20.4% | Higher than the average for England at 25.7% | Lower than the average for England at 15.4% | Lower than the average for England at 20.4% |
| Percentage of physically active adults (achieving at least 150 minutes per week) | Higher than average for England at 60.2% | Lower than average for England at 49.1% | Higher than average for England at 68.5% | Higher than average for England at 59.7% |
| Percentage of smoking prevalence among adults (18 and over) | Lower than average for England at 17.8% | Higher than average for England at 21.4% | Lower than average for England at 14.8% | Lower than average for England at 14.0% |

| | **Bracknell Forest**<br>7 October 2014<br>Public Health England Report | **Slough**<br>12 August 2014<br>Public Health England Report | **Windsor and Maidenhead**<br>12 August 2014<br>Public Health England Report | **South Buckinghamshire**<br>12 August 2014<br>Public Health England Report |
|---|---|---|---|---|
| **Total Population:** | **115,000** | **142,000** | **146,000** | **67,000** |
| **Disease and Poor Health** | | | | |
| Hospital stays for self-harm | Lower than average for England at 141.0 per 100,000 | Lower than average for England at 151.2 per 100,000 | Lower than average for England at 158.3 per 100,000 | Lower than average for England at 126.7 per 100,000 |
| Alcohol related harm hospital stays (where alcohol is primary diagnosis or external cause) | Lower than the average for England at 436 per 100,000 | Lower than the average for England at 542 per 100,000 | Lower than the average for England at 439 per 100,000 | Lower than the average for England at 438 per 100,000 |
| Drug misuse (estimated users of opiate and/or crack cocaine aged 15-64) | Lower than average for England at 3.9 per 1,000 | Higher than average for England at 11.3 per 1,000 | Lower than average for England at 5.3 per 1,000 | Lower than average for England at 3.0 per 1,000 |
| Percentage of persons with recorded diabetes (on registers) | Lower than average for England at 5.1% | Higher than average for England at 7.8% | Lower than average for England at 4.8% | Lower than average for England at 5.1% |
| Rates of sexually transmitted infections | Lower than average for England at 518 per 100,000 | Lower than average for England at 692 per 100,000 | Lower than average for England at 476 per 100,000 | Lower than average for England at 501 per 100,000 |
| Hip fractures in people aged 65 and over | Lower than average for England at 542 per 100,000 | Higher than average for England at 596 per 100,000 | Lower than average for England at 543 per 100,000 | Lower than average for England at 461 per 100,000 |
| **Life Expectancy** | | | | |
| Life expectancy (men and women) | Higher than the England average | Lower than the England average | Higher than the England average | Higher than the England average |
| Life expectancy for men in the most deprived area than in the least deprived areas | 7.4 years lower | 6.2 years lower | 7.0 years lower | 5.2 years lower |
| Life expectancy for women in the most deprived areas of Bracknell Forest than in the least deprived areas | 2.8 years lower | 3.1 years lower | 3.7 years lower | 5.5 years lower |
| Cause related mortality rates (men) | Fallen - lower than the England average | Fallen - higher than the England average | Fallen - lower than the England average | Fallen - lower than the England average |
| Cause related mortality rates (women) | Fallen - lower than the England average | Fallen - higher than the England average | Fallen - lower than the England average | Fallen - lower than the England average |
| Early deaths from heart disease and stroke | Risen - lower than the England average | Fallen - higher than the England average | Fallen - lower than the England average | Fallen - lower than the England average |
| Rate of smoking related deaths (aged 35 and over) | Lower than the average for England at 252 per 100,000 | Higher than the average for England at 293 per 100,000 | Lower than the average for England at 251 per 100,000 | Lower than the average for England at 215 per 100,000 |
| People killed and seriously injured on roads | Lower than average for England at 24.6 per 100,000 | Lower than average for England at 30.6 per 100,000 | Lower than average for England at 38.4 per 100,000 | Higher than average for England at 81.5 per 100,000 |
| Suicide rates | Not available | Higher than average for England at 9.6 per 100,000 | Lower than average for England at 6.9 per 100,000 | Not available |

The relevant priorities, as identified in the respective Health Profile 2014 for each of the areas, are as follows:

| Area | Relevant Priorities |
|---|---|
| Slough: | Priorities in Slough include crime reduction (violent crime and domestic abuse), childhood obesity and cardiovascular disease in those aged under 75 especially those with diabetes. |
| Windsor and Maidenhead: | Priorities in Windsor and Maidenhead include mental health (including dementia), ageing population (including falls prevention and long term conditions), and crime reduction (violent crime and domestic abuse). |
| South Buckinghamshire: | Buckinghamshire County Council now commissions a range of services that help people lead healthier lives. For example; services that reduce the risk of poor development in babies, keep school children healthy, that help build emotional resilience in our young people and reduce the risk of heart disease, stroke, cancer, dementia, diabetes, falls, obesity and sexually transmitted infections. |
| Bracknell: | Priorities in Bracknell Forest include local public health intelligence, smoking cessation and falls prevention. |

Overall, HWPH faced increasing demand for services resulting from a growing population and an ageing demographic. In the Trust's previous core catchment area of Slough, levels of deprivation were high, resulting in a higher level of need for associated services such as diabetes and cardiovascular disease.

The commissioning plans of the Slough Clinical Commissioning Group (CCG) for 2014/15 identified a number of local health economy challenges. The list below summarises the local health economy challenges that are relevant for the Trust:

- Highest birth rate in South Central and fifth highest in England;
- Significant ethnic population with diverse health needs;
- Ranked 93/326 of Local Authorities on the Index of Multiple Deprivation;
- Coronary heart disease is the single most common cause of all premature death;
- Diabetes is significantly above national rates;
- Obesity in children remains statistically above national rates;
- Alcohol admissions are rising in males and females and are the highest In the county;
- Domestic violence and child safeguarding;
- HIV rates and TB rates above south central average.

Local Health Economy Financials

Historically the East Berkshire region has been below target in terms of funding. This in turn had a significant impact on HWPH. In 2014/15 and 2015/16, local CCGs (NHS Slough CCG; NHS Windsor, Ascot and Maidenhead CCG; NHS Bracknell and Ascot CCG; and NHS Chiltern CCG) collectively will receive an uplift of 3.5% in each year (before the impact of the Better Care Fund (BCF). NHS Slough CCG in particular will receive 4.1% and 3.8% respectively.

This means that more than £50m of additional funding will be injected into local CCG allocations over 2014/15 and 2015/16. A further estimated £11m of BCF funding is expected to be directed into the local health economy in 2015/16, meaning that total growth in CCG allocations over the two year period will be approximately £62m.

## 2.2 Development and Performance of the Trust

Finance

At the commencement of 2014/15, HWPH planned to achieve an income and expenditure deficit of £6.9m. However, following the identification by the CQC of a number of material quality of care issues, discussed below, the Board took the decision, as it did in 2013/14, to authorise a significant part-recurrent increase in spending to ensure that these failings were addressed as quickly as possible. Indeed, the level of investments made by HWPH in order to improve the quality of its services was significant. In particular, the opening of additional ward capacity and escalation areas, as well as improvements to A&E required an investment of £7.4m of recurrent cost over 2013/14-2014/15.

However, the HWPH Board recognised that the ongoing turnaround efforts of the Trust and uncertainty regarding the Trust's near and long-term future at the time had a detrimental impact on staff morale and the Trust's ability to attract and retain staff. At the commencement of 2014/15, staff turnover within HWPH was running at approximately 12% and at 16% amongst nurses. This, combined with a continued increase in activity, heightened HWPH's reliance on agency staff at premium cost to the organisation. As well as the resultant reliance on premium rate clinical and nursing staff, many of the Trust's senior managerial staff were also contracted on an interim basis. This dynamic exacerbated both the Trust's deficit and the sense of organisational instability.

Furthermore, the speed of the capacity/quality response that the Trust has mounted has inevitably resulted in the Trust incurring additional premium staffing costs. In terms of the 2014/15 financial plan, agency spend was expected to remain high for the first three months of the 2014/15 financial year, with reductions achieved through the delivery of recruitment and retention Cost Improvement Plans (CIPs) thereafter.

The Trust's forecast deficit for 2013/14 was £9.5m, including an in-year one-off expenditure for investment in quality of £2.2m and costs of the Frimley Park Hospital transaction of £1.8m, compared with a planned deficit of £4.8m. The forecast deficit was also driven in part by non-delivery of CIPs which were £1.4m (11%) behind target at year end.

The short term challenge and priority for the Trust going into 2014/15 was to stabilise control of the cost base, whilst maintaining momentum around the quality agenda and to secure appropriate income levels under agreed contracts for the services provided to Commissioners.

Operational Performance

In 2013/14, HWPH developed a statistical bed capacity model in order to 'right size' the Trust based upon patient activity. On this basis, the Trust identified the need to open an additional 24 bedded medical ward. These beds opened during the first quarter of 2014/15, providing the much needed additional capacity that allows Wexham Park Hospital to meet the increasing levels of demand for unscheduled care beds.

The table below illustrates the Trust's compliance with Monitor's the 4-hour, 18 weeks referral to treatment and cancer targets.

| | Target % | Quarter 1 % | Target met? | Quarter 2 % | Target met? |
|---|---|---|---|---|---|
| 4 Hours | 95 | 89.9 | No | 95.3 | Yes |
| 18 Weeks | | | | | |
| Admitted | 90 | 90.5 | Yes | 91.3 | Yes |
| Non-Admitted | 95 | 95.2 | Yes | 94.6 | No |
| Incomplete | 92 | 93.4 | Yes | 93.9 | Yes |
| Cancer | | | | | |
| 62 day wait GP (Post) | 85 | 78.3 | No | 78.1 | No |
| 62 Day Wait Screening (Post) | 90 | 72.0 | No | 71.8 | No |
| 62 Day Wait GP (Pre) | | 77.8 | | 78.1 | |
| 62 Day Wait Screening (Pre) | | 72.0 | | 71.8 | |
| 31 Day Wait for Surgery | 94 | 97.4 | Yes | 97.4 | Yes |
| 31 Day Wait for Drugs | 98 | 100 | Yes | 100 | Yes |
| 31 Day Wait – Diagnosis to Treat | 96 | 97.3 | Yes | 97.1 | Yes |
| 2 Week (all cancers) | 93 | 93.9 | Yes | 93.9 | Yes |
| 2 Week (Breast) | 93 | 97.3 | Yes | 97.3 | Yes |

HWPH continued to focus on improving 18 week performance as a key priority throughout the first half of 2014/15. A 'backlog' of patients awaiting treatment over 18 weeks had previously developed due to capacity pressures from non-elective demand over successive winter periods. This backlog was successfully reduced by the Trust through an extensive programme of additional surgical activity and outsourcing to other providers. The Trust's 18 weeks performance in the first two quarters of 2014/15 was strong; achieving all 18 Weeks targets throughout Quarters 1 and 2, with the exception of the non-admitted target in Quarter 2.

Cancer performance throughout the first two quarters of 2014/15 was compliant with National Access Standards in all standards except '62-Day Wait GP (Post)' and '62-Day Wait Screening (Post).

HWPH continued to experience challenges in 2014/15 in obtaining the 4-hour Emergency Access standard with non-elective demand outstripping capacity. However, fundamental changes to the clinical operating model in A&E have enabled the Trust to achieve a very significant improvement to ambulance handover times from January 2014. This included a significant refurbishment and redesign of A&E, together with a new IT system implementation and the establishment of an Ambulatory Care service.

## 2.3 Position of the Business at Year End

Summary Statement of Financial Position as at 30 September 2014

| | £000 |
|---|---|
| **Total Non-Current Assets** | **103,762** |
| **Current Assets** | |
| Inventories | 5,810 |
| Trade and Other Receivables | 28,026 |
| Cash and Cash Equivalents | 553 |
| **Total Assets** | **138,151** |
| **Current Liabilities** | |
| Trade and Other Payables | (43,504) |
| Borrowings | (71) |
| Other Liabilities | (3,668) |
| **Total Current Liabilities** | **(47,243)** |
| **Non-Current Liabilities** | |
| Borrowings | (34) |
| Provisions | (142) |
| **Total Liabilities** | **(47,419)** |
| **Total Assets Employed** | **90,732** |

Summary Statement of Comprehensive Income for the Period Ended 30 September 2014

| | £000 |
|---|---|
| Revenue | 131,037 |
| Operating Expenditure | (141,312) |
| Financing Costs | (1,572) |
| **Retained Deficit for the Year** | **(11,847)** |

Further detailed financial information can be found at Section 15 of this report: '15. Financial Statements'.

## 2.4 Environmental Matters

Carbon Reduction and Waste Management

The objective of reducing the HWPH carbon footprint was built around a strategy of improving energy efficiency. The Trust had an energy rating of between 'F' and 'G', providing a significant range of opportunities to reduce energy consumption and deliver potential savings. The HWPH Board recognised that the rising cost of energy and government schemes such as the carbon reduction commitment meant that the inefficiency of the Trust was going to become increasingly expensive. The Trust therefore commissioned a review of potential improvements that could be

made from Inspired Efficiency, a company specialising in energy improvements in large organisations. The projects were developed in conjunction with Carob, a company specialising in boiler management system upgrades and replacement. A plan was developed which has been incorporated into the wider FHFT carbon reduction plans.

Prior to the acquisition, recycling had increased significantly within HWPH. As a result of the increased recycling levels, the Trust established a recycled waste compactor to the Wexham Park Hospital site. This reduced the number of collections, positively impacting on the carbon footprint. In addition, the Trust provided the opportunity for staff to sell, swap or give away free unwanted personal items.

Green Travel Plan

In February 2011, HWPH introduced its Green Travel Plan. This Plan evolved and continued to give rise to a number of new schemes and initiatives over the last three years, including:

- The addition of further public transport services to support the park and ride facility serving the Wexham site;
- The provision of inter-site transport (12 seater bus) for staff travelling between the Wexham Park Hospital and Heatherwood Hospital sites;
- Improved 'cycle to work' schemes;
- Improved take-up of the "lift share" scheme introduced in the summer of 2013. The scheme identifies colleagues that share the same journey or route and enables them to make car sharing arrangements minimising travel costs and parking fees.

However, the demand for car parking provision, both for staff and members of the public, continues to grow. In recognition of this, work is currently under way to develop an FHFT-wide Travel Plan.

## 2.5 Employee Matters

| **Key Indicators** | | **Headcount as at September 2014** |
|---|---|---|
| **Total Employees** | | **3,909** |
| Of which: | Males | 876 |
| | Females | 3,033 |
| | Directors | 5 |
| | Senior managers | 40 |

| **Key Indicators** | **March 2014** | **September 2014** |
|---|---|---|
| Staff in post – Full Time Equivalent (FTE) | 3,524.04 | 3,506.24 |
| Staff in post - headcount | 3,913 | 3,909 |
| Sickness absence rate | 3.19% | 3.27% |
| Vacancy rate | 8.30% | 11.07% |
| Turnover rate | 12.85% | 12.99% |
| Appraisal rate | 63.00% | 51% |

The HWPH Human Resources Department reported on a range of key workforce metrics on a monthly basis as part of the Board operational performance reporting process. The HWPH Board recognised its underperformance with regard to sickness levels, turnover and appraisal rates in particular and put plans in place to address these criteria.

## 2.6 Principal Risks and Uncertainties

The Annual Governance Statement (Section 12: Annual Governance Statement), is a public accountability document that describes the effectiveness of the Trust's internal controls which includes the Trust's approach to risk management. The Annual Governance Statement is ordinarily signed by the Accounting Officer and includes comprehensive detail as to the Trust's risk management processes.

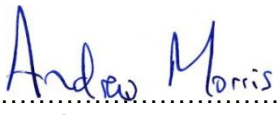
In the first half of 2014/15, HWPH continued to embed its process enhancements to its Risk Assurance Framework (RAF):

- Development of a 'High Risks Tracker', enabling 'risk movement' to be monitored by the Board;
- Providing an explanatory narrative to justify any change in the risk rating;
- The establishment of a 'Risk Scrutiny' Forum at the commencement of each monthly Executive Board meeting, allowing dedicated time for risks to be challenged and assurances sought as to the effectiveness of risk mitigation plans.

The RAF, now adopted by FHFT, allows the Board to obtain greater assurance that the Trust is actively addressing both 'top-down' (Board identified) and 'bottom-up' (service identified) risks in a proactive and prioritised manner, in addition to ensuring that the full range of risks (clinical, strategic, financial, reputational and legal) are covered by a single process.

The full detail of this process and the principal, or major, risks identified by the HWPH Board as at September 2014 is contained within the Annual Governance Statement.

As detailed within the Annual Governance Statement, the long-term financial viability of the Trust as a stand-alone organisation was recognised to be a material risk by the HWPH Board and, associated with this, there was, prior to the acquisition, fundamental uncertainty over the Trust's going concern basis, based upon the fact that the Trust was partially dependent upon the receipt of Public Dividend Capital (PDC) from the Department of Health in order to fully meet its annual expenditure. This replicates the position which has been reflected in the 2012/13 and 2013/14 HWPH Annual Report and Annual Accounts. This position was fully disclosed to and is recognised by the HWPH auditors. Further detail is contained within the Trust's Annual Accounts.

Signed: 
**Andrew Morris**
**Chief Executive, Frimley Health NHS Foundation Trust**
Date: 29th May 2015

## 3. DIRECTORS' REPORT

In compiling this part-year Annual Report on behalf of HWPH, the FHFT Directors are cognisant of their responsibility for preparing the Report and associated Accounts as a whole, fair, balanced account of the Trust's standing during the first two quarters of 2014/15 and the need for the documentation to be understandable and provide the information necessary for patients, regulators and other stakeholders to assess the NHS Foundation Trust's performance, business model and strategy.

### 3.1 Individuals Who at the End of September 2014 Were Directors of the Trust

Introducing the Board of Directors

**Mike O'Donovan, Chairman (Voting)**
Appointed: October 2012

Mike spent thirty years in the consumer healthcare industry holding Managing Director positions in the UK and overseas as well as global corporate roles. In 2002, he left industry to become Chief Executive of the Multiple Sclerosis Society, a position he held until 2006.

Since that time, he has held several Non-Executive Director and Trustee positions including Co-Chair of National Voices, the leading patient and service user advocacy group, member of the Management Board of the European Medicines Agency and Chair of Central London Community Healthcare NHS Trust.

Since the acquisition, Mike has been appointed as a Non-Executive Director on the FHFT Board.

**Grant MacDonald, Acting Chief Executive (Voting)**
Appointed: January 2013

Grant MacDonald became Acting Chief Executive of the Trust on the departure of Philippa Slinger in March 2014.

Grant has worked in a range of clinical and managerial positions since joining the NHS in 1988. He has undertaken several Executive Director roles across London and the Home Counties since 2004, with a wide range of portfolio responsibilities including operations, nursing, estates and facilities and governance.

Grant's previous role was Chief Operating Officer at Berkshire Healthcare Foundation Trust, the provider of community health services in Berkshire.

**Darren Cattell, Interim Director of Finance and IM&T (Non-Voting)**
Appointed: June 2013

Darren has worked within healthcare for over 15 years and most recently was part of the team that led Cambridgeshire and Peterborough NHS Foundation Trust out of significant breach of Monitor authorisation in just less than a year.

With wide-ranging experience as a Director of Finance and Performance, he has worked with Monitor at a number of challenged Foundation Trusts, including Mid Staffordshire NHS Foundation Trust. He has also worked at the Department of Health and at several Primary Care Trusts.

Darren has continued to work within FHFT until the end of January 2015 to assist with the integration of the enlarged organisation's financial management arrangements.

**Rob Loveland, Medical Director (Voting)**
Appointed: April 2013

Dr Loveland graduated from St Bartholomew's' Hospital in 1980, and spent the next 10 years in central London on specialist rotations in Anaesthesia and Intensive Care. He was appointed Consultant and Clinical Director of Intensive Therapy Unit (ITU) at the Trust in 1990 and has held this post for the past 23 years whilst establishing ITU practice and the standing of the unit as a major player in the region, holding a reputation for quality care and training.

Dr Loveland holds the fellowships of both the Royal College of Anaesthetists and the Faculty of Intensive Care Medicine, along with several national posts including chair of the Critical Care Network.

**Lisa Glynn, Chief Operating Officer (Non-Voting)**
Appointed: February 2013

Lisa joined the Trust in February 2013 as Chief Operating Officer from Royal Berkshire NHS Foundation Trust where she was the Director of Operations for Urgent Care.

Lisa joined the NHS in 1994, after a period of time working in the private health sector, and has held a number of senior operational roles in the acute sector since that time, acting as the Director of Operations at the Royal Berkshire NHS Foundation Trust prior to joining the Trust.

As of the acquisition date, Lisa has taken on the role of Director of Operations for the Wexham Park and Heatherwood Hospital sites on the FHFT Board.

**Elaine Strachan-Hall, Interim Director of Nursing Standards and Executive Nurse (Voting)**
Appointed: July 2014

Elaine Strachan-Hall has fifteen years experience as a director of nursing/chief nurse in three different organisations ranging from a District General Hospital, (Great Western in Swindon), to a large Multisite Trust (East Kent Hospitals), and more latterly a large teaching hospital: Oxford University Hospitals. She has Masters degrees in both Nursing and Business Administration and was awarded an Honorary Doctorate by Oxford Brookes University.

Since October 2013 Elaine has been working independently with consultancy firms undertaking quality governance reviews and quality improvement campaigns. Elaine retains her role as the registered nurse on a CCG governing body in Warwickshire.

**Mark Johnston-Wood, Interim Director of Estates and Facilities (Non-Voting)**
Appointed: April 2014

More than 15 years' senior level experience in the strategic management of facilities and estates covering the retail, health and social care, housing, charity, education, legal, hotel and conferencing and not-for-profit sectors. Experience of working with organisations to deliver their strategy, coordinate change management plans, develop management teams, plan for the future Capital and Revenue programmes. Areas of special expertise include strategy, property procurement, building surveying, facilities management, building consultancy, co-ordination of development and refurbishment projects.

Mark has continued to work within FHFT to assist with the progression of improvement plans relating to the Wexham Park and Heatherwood estate.

**Thomas Lafferty, Director of Corporate Affairs (Non-Voting)**
Appointed: January 2011

Thomas has a legal academic background and is a non-practicing barrister. Through his time working in the NHS, he has developed expertise in a broad range of clinical and corporate governance issues having worked in both an acute (Mid Essex Hospital Services NHS Trust as Associate Director; Governance and Legal) and mental health setting (Central and North West London NHS Foundation Trust as Trust Secretary). Thomas has also undertaken consultancy work for private medico-legal companies.

Thomas continued to work within FHFT to assist with the integration of the enlarged organisation's corporate governance arrangements.

Non-Executive Directors

**Ian Revill, Senior Independent Director (Voting)**
Appointed: September 2010

Ian is a Chartered Accountant who spent 29 years with ICI in executive finance roles both in the UK and abroad. His roles included that of Corporate Treasurer, Global Finance Director of Operating Divisions, and Group Vice President responsible for Finance Excellence. From 2007- 2009 Ian was Finance Director of a UK government owned company, the Forensic Science Service, where he had Board responsibility for a wide range of corporate support services. Ian also has extensive knowledge and practical experience in people development, leading through change and the exercise of sound corporate governance.

**Dr Helen Crawley (Voting)**
Appointed: February 2011

Helen is currently a General Practitioner (GP) and part-time partner at Twyford Surgery, a position she has held since 1990. She has been a GP trainer since 1996 and has taken a number of roles in the selection, training and approval of GPs, including Programme Director for the Windsor Vocational Training Scheme. Helen holds contracts with Oxford Medical School, teaching students and organising a group of GP tutors. She has taught nurses and pharmacists in several settings, including as a visiting lecturer on the non-medical prescribing course at the University of Reading. She has also worked as a Quality and Outcomes Framework Assessor and 'Time for Improving Patient Services' Co-ordinator on behalf of Berkshire West PCT. Helen has also written numerous articles on clinical topics and practice management.

**Tim Sherwood (Voting)**
Appointed: March 2013

Tim is a Chartered Accountant who gained his formative experience with ICI and KPMG before joining Vodafone as the Head of Group Internal Audit. He has extensive experience of running large finance departments and dealing with significant and complex financial issues. He worked at a senior level in the UK and Europe on both the financial and commercial sides of the business.

Tim is an experienced Non-Executive Director, previously holding the post of Chairman at Hospedia Group Limited, and at CVLV Group Limited. He was also Deputy Chairman at Redstone Plc and Chairman of their Audit Committee.

**Donald Gray (Voting)**
Appointed: March 2013

Donald is a Chartered Accountant with 23 years experience. Following qualification he joined 3M and during his time with them has held a number of roles covering, tax, technical accounting, change management, operational excellence, systems deployment and business counsel. Since 2003 he has been a member of the European Finance Committee and in 2011 was promoted onto the Board of Directors taking the role of Finance Director. At the same time Donald took on the role of Chair of Trustees for the company's Defined Benefit Pension scheme. He is also a member of the Investment Committee for the same scheme.

Executive and Non-Executive Directors that Left the Trust during 2014/15, prior to 1 October 2014

The following Executive and Non-Executive Directors left the Trust during 2014/15, prior to 1 October 2014.

| Name | Role | Term of Service |
|---|---|---|
| Heather Allan | Chief Information Officer | August 2011 – April 2014 |
| Anne Owen | Interim Director of Nursing | May 2013 – July 2014 |
| Geoff Gudgion | Non-Executive Director | August 2008 – August 2014 |

## Directors and their Independence

HWPH reviewed and confirmed the independence of all the Non-Executive Directors who served during the Quarters 1 and 2 of 2014/15. Each and every business interest or other interest of the individual and the interests of their respective spouse/partner was formally recorded in the Register of Board of Directors' Interests. None of the interests registered were adjudged to be in conflict with the general interests of the Trust. Where, during a meeting, it became apparent that a potential conflict may have occurred during discussion of a particular item; this was declared and recorded within the minutes of the meeting. No decisions arose whereby a conflicted individual iwas obliged to absent themselves from the decision making process.

## Register of Board of Directors' Interests

The Register of Board of Directors' Interests as of September 2014 is as follows:

| **Non-Executive Directors** | | | | |
|---|---|---|---|---|
| **Name** | **Role** | **From** | **To** | **Interests** |
| Mike O'Donovan | Chairman (Voting) | 1 Oct 12 | Current | MS Society – Member. |
| Geoffrey Gudgion | Non-Executive Director (Voting) | 1 Aug 08 | Current | None. |
| Helen Crawley | Non-Executive Director (Voting) | 10 Feb 11 | Current | • Partner, Twyford Surgery, Wokingham CCG Columnist for Walk Magazine and for Candis Magazine;<br>• Occasional teaching and SIFT fellow for Oxford Medical School;<br>• Occasional work for Oxford deanery e.g. stage 2 and 3 assessments of potential GP trainees;<br>• Occasional work for Wokingham CCG e.g. chair of educational meeting<br>• Shares in Neftex;<br>• Occasional educational and networking events sponsored by various drug companies and local private hospitals (BUPA Dunedin, BIH, Circle);<br>• NASS (National Ankylosing Spondylitis Society) – ordinary member. |
| Ian Revill | Non-Executive Director (Voting) | 6 Sep 10 | Current | Trustee, Surrey SATRO Educational Charity. |
| Donald Gray | Non-Executive Director (Voting) | Mar 13 | Current | Director of 3M UK Holdings and other group. |
| Tim Sherwood | Non-Executive Director (Voting) | Mar 13 | Current | None. |

| **Executive Directors** | | | | |
|---|---|---|---|---|
| **Name** | **Role** | **From** | **To** | **Interests** |
| Thomas Lafferty | Director of Corporate Affairs (Non-Voting) | 4 Jan 11 | Current | Director of TWL Associates Ltd, medico-legal consultancy. |
| Grant MacDonald | Acting Chief Executive (Voting) | Jan 13 | Current | None. |
| Lisa Glynn | Chief Operating Officer (Non-Voting) | 1 Apr 13 | Current | None. |
| Dr Robin Loveland | Medical Director (Voting) | 1 Apr 13 | Current | None. |
| Anne Owen | Interim Director of Nursing (Voting) | May 13 | Jul 2014 | • Contracts with the Nursing and Midwifery Council; Worked on a contract to the Berkshire Healthcare Foundation NHS Trust and Rubicon Limited during this financial year;<br>• Managing Director and Owner of AVO Management Services Limited. |

| Name | Role | From | To | Interests |
|---|---|---|---|---|
| Darren Cattell | Interim Director of Finance and IM&T (Voting) | Jul 13 | Current | Director, Mill Street Consultancy Limited |
| Mark Johnston-Wood | Director of Estates and Facilities (Non-Voting) | 1 Apr 14 | Current | None |
| Elaine Strachan-Hall | Director of Nursing Standards (Voting) | Aug 14 | Current | Director, Strachan Hall Associates Ltd<br>Clinical Associate, KPMG |

Attendance at Board Meetings

| | April 2014 | May 2014 | June 2014 | July 2014 | August 2014 | September 2014 | Total |
|---|---|---|---|---|---|---|---|
| **Non-Executive Directors** | | | | | | | |
| Michael O'Donovan | Y | Y | Y | Y | Y | Y | 6 |
| Geoff Gudgion | N | Y | Y | Y | Y | Y | 5 |
| Ian Revill | Y | N | Y | Y | Y | N | 4 |
| Helen Crawley | Y | Y | Y | Y | Y | Y | 6 |
| Tim Sherwood | Y | Y | N | Y | Y | Y | 5 |
| Donald Gray | Y | Y | Y | Y | N | Y | 5 |
| | | | | | | | |
| **Executive Directors** | | | | | | | |
| Thomas Lafferty | Y | Y | Y | Y | Y | Y | 6 |
| Grant MacDonald | Y | Y | Y | Y | Y | Y | 6 |
| Lisa Glynn | Y | N | Y | Y | N | Y | 4 |
| Rob Loveland | Y | Y | Y | Y | Y | Y | 6 |
| Heather Allen | Y | | | | | | 1 |
| Anne Owen | N | Y | Y | Y | | | 3 |
| Darren Cattell | Y | Y | Y | Y | N | Y | 5 |
| Elaine Strachan-Hall | | | | | Y | N | 1 |

Audit - Trust Auditors

KPMG was the HWPH external auditor up until 1 October 2014, having initially been appointed in January 2012. In 2014/15, KPMG provided non-audit services to the Trust through the continued undertaking of a medical governance review, aimed at assisting the Trust in embedding best practice with regard to the functioning of its service-level clinical governance arrangements. This work was subject to clearly defined Terms of Reference which restricted the scope of the work to ensure that the auditor remained objective and independent. It is important to note that this review was not subject to formal audit by the external auditors.

PricewaterhouseCoopers (PwC) was the HWPH internal auditor up until 1 October 2014, having been appointed in March 2012. The programme of internal audit was designed prior to the commencement of 2014/15, initially through meetings between the Chief Finance Officer and Director of Corporate Affairs with the PwC audit leads for the Trust. The audits prioritised within the programme took into account information held with regard to areas of risk or where previous audits had highlighted shortfalls. The internal audit programme was subsequently agreed by the Audit Committee on behalf of the HWPH Board. The structure of the programme ensured that all material areas (such as financial controls, governance) were covered within the programme. The undertaking of audit activity within the programme provided HWPH with assurance as to the effectiveness of its systems of internal control. Where gaps in compliance or controls were identified, it allowed the Trust to take action to address these, strengthening overall levels of assurance. Detail as to the 2014/15 internal audit output is contained within the Annual Governance Statement.

Audit and Assurance Committee Function

The Audit and Assurance Committee consists exclusively of Non-Executive Directors. Up until 1 October 2014, Tim Sherwood, a chartered accountant, chaired the committee.

During the first half of 2014/15, the other members of the committee were Donald Gray and Ian Revill. The record of attendance is below:

| | **May 2014** | **July 2014** | **Total** |
|---|---|---|---|
| Tim Sherwood | Y | Y | 2 |
| Geoff Gudgion | N | Y | 1 |
| Donald Gray | Y | N | 1 |

In addition to the Audit and Assurance Committee members, the Chief Finance Officer, Director of Corporate Affairs, a representative of the internal auditors, a representative of the Local Counter Fraud Service (LCFS) and a representative of the external auditors attended the meetings.

The Audit and Assurance Committee had responsibility for recommending the financial statements to the Board and for reviewing the Trust's financial reporting and accounting policies. It was also responsible for the relationship with the external auditors and for assessing the role and effectiveness of the internal audit function. In addition, the Audit and Assurance Committee reviewed the Trust's procedures for detecting, monitoring and managing risks, including fraud prevention.

The Audit and Assurance Committee had responsibility for recommending to the HWPH Council of Governors the appointment of the external auditors, and for reviewing the nature, scope and results of the annual external audit. It also approved the audit fee and, on an annual basis, assessed the effectiveness and independence of the external auditors. The Audit and Assurance Committee kept the Trust's internal controls under review and the systems for assessing and mitigating financial and non-financial risk.

The Audit and Assurance Committee met on a quarterly basis to discharge its responsibilities and had the ability to call an extraordinary meeting if circumstances dictated that this was required in order to discharge any of its duties. This Board was kept appraised of the work of the Audit and Assurance Committee through the minutes of the committee which were presented at the Board.

Board Attendance at Other Board Level Committees:

In addition to the Audit and Assurance Committee, there were three further committees that reported directly through to HWPH Board:

- Healthcare Governance Committee;
- Finance and Business Development Committee;
- Nominations and Remuneration Committee.

Healthcare Governance Committee

| | **April 2014** | **May 2014** | **June 2014** | **July 2014** | **August 2014** | **Sept 2014** | **Total** |
|---|---|---|---|---|---|---|---|
| Ian Revill | Y | Y | Y | Y | Y | No Meeting | 5 |
| Geoff Gudgion | N | Y | Y | Y | Y | | 4 |
| Helen Crawley | Y | Y | Y | Y | Y | | 5 |
| Mike O'Donovan | Y | N | N | Y | Y | | 3 |
| Grant MacDonald | Y | Y | Y | Y | Y | | 5 |
| Thomas Lafferty | Y | Y | Y | Y | Y | | 5 |
| Lisa Glynn | Y | Y | Y | N | N | | 3 |
| Rob Loveland | Y | Y | N | N | Y | | 3 |
| Anne Owen | N | N | N | Y | N | | 1 |
| Elaine Strachan Hall | Y | Y | Y | N | Y | | 4 |

It should be noted that other Executive Directors attended meetings of the Healthcare Governance Committee from time to time for discussion on specific matters. The above only includes members of the committee.

Finance and Business Development Committee

| | May 2014 | Total |
|---|---|---|
| Donald Gray | Y | 1 |
| Michael O'Donovan | Y | 1 |
| Geoff Gudgion | Y | 1 |
| Ian Revill | Y | 1 |
| Darren Cattell | Y | 1 |
| Lisa Glynn | Y | 1 |

Nominations and Remuneration Committees

See Section 4.2: Details of the Remuneration Committee and Number of Meetings Attended.

## 3.2 Significant Events Since End of the Financial Year Affecting the Trust and Likely Future Developments

This section is non-relevant for the part-year HWPH Annual Report. Significant events affecting FHFT after the end of 2014/15 will duly be documented within the FHFT Annual Report 2014/15.

## 3.3 Provision of Information on Matters of Concern to Employees

Throughout Quarters 1 and 2 of 2014/15, communications with HWPH staff continued to include a weekly update to all staff, Chief Executive roadshows and Question and Answer events on all sites, and frequent emails to all staff from the Chief Executive to update them and to address any matters of concern. The Trust also held a monthly team briefing session for all managers to cascade to their staff. The core 'team brief' was held the day after the HWPH Board meeting, to ensure the Chief Executive could give a timely update on any issues affecting staff.

In January 2014, the Trust launched a Listening into Action programme which continued into the first half of 2014/15. This programme aimed to make a fundamental shift in the way staff worked across the Trust. It aimed to put clinicians and staff at the centre of change for the benefit of patients, staff and the Trust as a whole and involved listening to staff to understand what really matters to them, and to support and enable staff to make the changes.

Consultation Meetings with Staff Directly Affected by Change

Prior to 1 October 2014, staff were informally briefed with regard to expected workforce arrangements post-acquisition, including an awareness that consultations for the majority of directorates/departments would take place shortly after the transaction was completed.

Action Taken to Achieve a Common Awareness of the Financial and Economic Factors Affecting the Trust

The actions taken to achieve a common awareness of financial and economic factors affecting the Trust included:

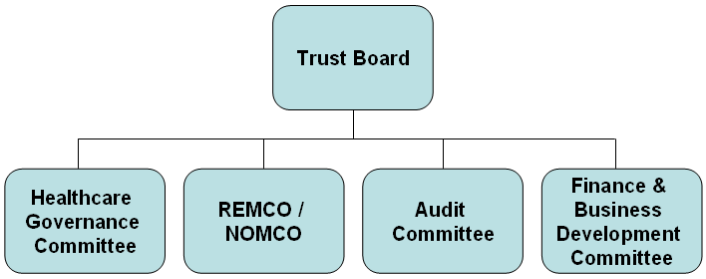
- Monthly Finance and Activity Review Group attended by all Executive Directors and senior divisional managers where impacts of both external economic factors and internal financial performance were reviewed and analysed;
- Monthly presentations of financial issues at the Joint Consultative Negotiating Committee;
- A monthly cascade to all staff of key financial information at Team Brief attended by all managers with team ownership for further cascade to their individual teams;
- Training sessions were held throughout the year for all budget holders with access to Trust financial systems;
- Finance training as part of quarterly Human Resource (HR) Manager Training events;
- Purchase of credits for training courses run by the Healthcare Financial Management Association which are available to all Trust staff to use.

## 3.4 Financial Risk Management Objective

See Note 28.3 (Notes to Accounts) in Section 15: Financial Statements.

## 3.5 Enhanced Quality Governance Reporting

The HWPH high-level quality governance arrangements were reflected in its corporate meeting structure:




At each HWPH Board meeting, 'safety and quality' was listed at the top of the Board agenda before all other substantive work areas. Under this heading, the Board received the following reports at each meeting:

- Patient Safety and Quality Report (including Patient Experience);
- Serious Incident Report.

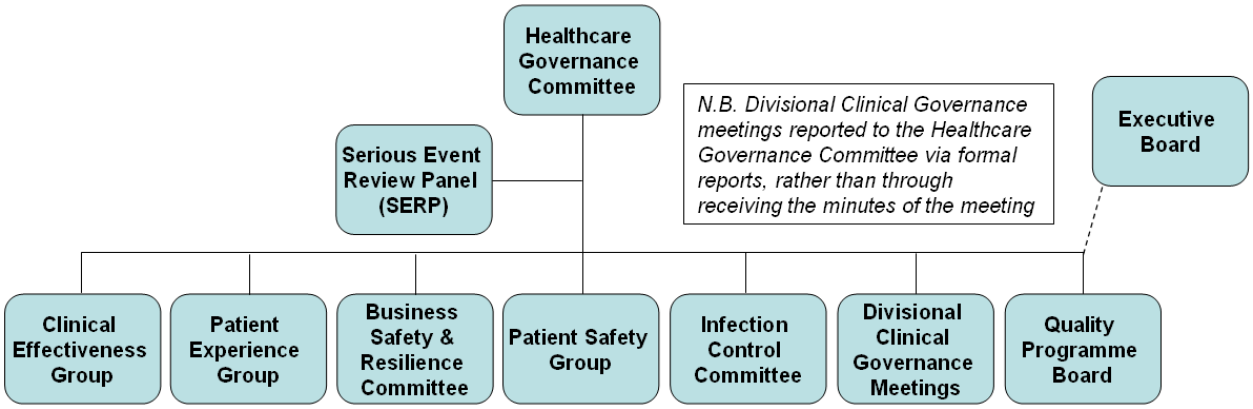
The Quality Objectives of the Trust were set each year as part of the Quality Accounts process and the Trust's attainment against these was measured each month within the Patient Safety and Quality Report. In addition, the Patient Safety and Quality Report provided a Trust-wide overview on Trust performance against a number of quality objectives, falling under each of the three core headings of:

- Patient safety (e.g. Mortality, incident reporting, patient falls, medication errors, claims);
- Patient experience (e.g. Friends and Family test, patient feedback, compliments and complaints);
- Clinical effectiveness (e.g. Clinical audit, Commissioning for Quality and Innovation (CQUIN) performance)

This allowed the Board to have a sound general oversight of the quality and safety issues affecting the Trust and informed Non-Executive challenge of the senior management team.

Up until 1 October 2014, the HWPH Board, via the Finance and Business Development Committee, oversaw the revision of the Trust's processes for the establishment of CIPs in order to incorporate quality issues. Each suggested CIP scheme was subject to a comprehensive Quality Impact Assessment (QIA) signed off by the Medical Director or Director of Nursing before it was approved and implemented.

The Healthcare Governance Committee was a dedicated safety and quality-focused Committee that reported to the HWPH Board and met on a monthly basis, chaired by a Non-Executive Director. In addition to routinely reviewing a set of agreed quality/safety Key Performance Indicators (KPIs), the Healthcare Governance Committee also aimed to 'delve deeper' into key safety and experience issues in order to provide assurance or raise concerns to the Board through doing this. The Healthcare Governance Committee received reports from Executive-led sub-groups as part of a detailed sub-structure which ensured that there was an 'escalation route' for the full range of safety and quality issues, including patient safety, patient experience and clinical effectiveness, as well as groups specifically covering infection control and health and safety matters:




The Healthcare Governance Committee also received reports from each clinical division on a cyclical basis to provide assurance that each division had sufficient localised governance arrangements in place. The reports were based upon the key outcomes arising from each division's Clinical Governance meeting. Below the divisional Clinical Governance meetings, each division had a distinct and bespoke clinical governance sub-structure.

In 2013, the Quality Programme Board was established as an Executive forum, meeting on a weekly basis to oversee the practical implementation of a series of quality improving actions identified throughout the year. This work continued into the first half of 2014/15. In particular, the Quality Programme Board led the implementation of the HWPH Quality Improvement Plan, including the new system of 'quality rounds'. The Quality Programme Board reported through to the Executive Board and to the Healthcare Governance Committee.

Prior to the commencement of 2014/15, the Trust developed a Clinical Audit Forward Plan which pulled together various internal and external audit requirements into a fully integrated plan that set high priority audit requirements throughout the year. Critical audits undertaken as part of the delivery of this plan included a Trust-wide Documentation Audit; a Consent Audit and a World Health Organisation (WHO) Checklist Audit.

By April 2014, HWPH had also started to embed a refreshed process for ensuring compliance with National Institute for Health and Care Excellence (NICE) guidelines and had set up a NICE Steering Group specifically for the purpose of providing assurance that a position on: i) Relevance; and ii) Compliance is known in relation to each guideline.

CQC Inspections

All NHS provider organisations are required to be registered with the CQC to provide 'regulated activities' within specified locations. As part of the undertaking of such activities, providers are obliged to comply with the 'Essential Standards of Care and Quality', the standards on which providers are assessed by the regulator. A summary of the assessed Outcomes is as follows:

| Outcome | Description |
|---|---|
| **Outcome 1:** | **Respecting and involving people who use services** - People should be treated with respect, involved in discussions about their care and treatment and able to influence how the service is run. |
| **Outcome 2:** | **Consent to care and treatment** - Before people are given any examination, care, treatment or support, they should be asked if they agree to it. |
| **Outcome 4:** | **Care and welfare of people who use services**- People should get safe and appropriate care that meets their needs and supports their rights. |
| **Outcome 5:** | **Meeting nutritional needs** - Food and drink should meet people's individual dietary needs. |
| **Outcome 6:** | **Cooperating with other providers** - People should get safe and coordinated care when they move between different services. |
| **Outcome 7:** | **Safeguarding people who use services from abuse** - People should be protected from abuse and staff should respect their human rights. |

| Outcome | Description |
|---|---|
| **Outcome 8:** | **Cleanliness and infection control** - People should be cared for in a clean environment and protected from the risk of infection. |
| **Outcome 9:** | **Management of medicines** - People should be given the medicines they need when they need them, and in a safe way. |
| **Outcome 10:** | **Safety and suitability of premises** - People should be cared for in safe and accessible surroundings that support their health and welfare. |
| **Outcome 11:** | **Safety, availability and suitability of equipment** - People should be safe from harm from unsafe or unsuitable equipment. |
| **Outcome 12:** | **Requirements relating to workers** - People should be cared for by staff who are properly qualified and able to do their job. |
| **Outcome 13:** | **Staffing** - There should be enough members of staff to keep people safe and meet their health and welfare needs. |
| **Outcome 14:** | **Supporting workers** - Staff should be properly trained and supervised, and have the chance to develop and improve their skills. |
| **Outcome 16:** | **Assessing and monitoring the quality of service provision** - The service should have quality checking systems to manage risks and assure the health, welfare and safety of people who receive care. |
| **Outcome 17:** | **Complaints** - People should have their complaints listened to and acted on properly. |
| **Outcome 21:** | **Records** - People's personal records, including medical records, should be accurate and kept safe and confidential. |

The Trust has no further CQC inspections during the first two quarters of 2014/15, although its regulatory status continued to be affected by the outcome of its October 2013 inspection which identified seven 'warning notices' and two 'compliance actions'.

### 3.6 Volunteering and Fundraising at the Trust

The beginning of 2014/15 saw an increase in the number of volunteers within the Trust. The 331 volunteers included Royal Volunteer Service (RVS) volunteers and Chaplaincy volunteers. In addition, throughout 2013/14 and continuing into 2014/15, there were a steady flow of large companies coming into the Trust and working on courtyards and gardens and even some internal spaces; companies such as Leaseplan, Telefonica, Mars, Crossrail, Price Waterhouse Coopers, N2o and a variety of other companies.

A very successful afternoon tea was organised at Dorney Lakes in September 2014 as a 'thank you' to the Trust's volunteers and was attended by about 100 volunteers.

Other "success stories" included:

- **Maternity Department:** Breastfeeding Support Volunteers worked closely with new Mothers. The programme was very popular and offered excellent support to the midwives, positively improving the patient experience;
- **Paediatric Ward:** Volunteer cover was introduced during the days, evenings and weekends;
- **Meal time volunteers:** Five new volunteers assisted on the Acute Medical Unit. There was also the introduction of volunteers within ITU;
- **Urology admin/reception support (Heatherwood):** The use of volunteers allowed greater patient interaction and attention when patients initially reported to reception;
- **Payroll Department:** A volunteer who had been in place for six months was offered a six month (Fixed Term) paid post as a Finance Assistant;
- **Heatherwood:** A number of volunteers remain in place at Heatherwood and are working mainly on Ward 4.

Fundraising Report

Fundraising remained active at the commencement of 2014/15. Special effort was made to link with the local community which supported various projects throughout the Trust. Local businesses were also very generous in their support.

The Trust benefitted from the support of The League of Friends of Heatherwood Hospital and also The League of Friends of Slough Hospitals. Thanks must go to both groups for the support they have given to both Wexham Park and Heatherwood Hospitals.

The most successful fundraising project during the first half of 2014/15 was the Sunflower Dementia Garden at Wexham Park Hospital. This project allowed a garden to be developed for people with dementia. A number of local companies contributed both donations and persons to assist.

## 4. REMUNERATION REPORT

### 4.1 Salary and Pension Entitlements of Senior Managers

Full details of the senior managers' remuneration (salary and pension entitlements of senior managers) can be found in the following tables.

#### A) Senior Managers' Remuneration: Salaries

| Name and Title | | April to September 2014 | | | 2013/14 | | |
|---|---|---|---|---|---|---|---|
| | | Salary (bands of £5000) £000 | Other (bands of £5000) £000 | Total Rounded to the nearest £1000 | Salary (bands of £5000) £000 | Other (bands of £5000) £000 | Total Rounded to the nearest £1000 |
| M O'Donovan | Chairman (from October 2012) | 20-25 | | | 50-55 | | |
| G Gudgion | Non Executive Director | 5-10 | | | 15-20 | | |
| L Roberts | Non Executive Director | | | | 10-15 | | |
| I Revill | Non Executive Director | 5-10 | | | 10-15 | | |
| Dr H Crawley | Non Executive Director | 5-10 | | | 10-15 | | |
| D Gray | Non Executive Director | 5-10 | | | 10-15 | | |
| T Sherwood | Non Executive Director | 5-10 | | | 15-20 | | |
| P Slinger | Chief Executive (till March 2014) | | | | 180-185 | | |
| G Macdonald | Deputy Chief Executive (from January 2013) | 80-85 | | | 140-145 | | |
| | Interim Chief Executive (from March 2014) | | | | | | |
| | Acting Director of HR (October 2013 - November 2013) | | | | | | |
| L Glynn | Chief Operating Officer (from February 2013) | 60-65 | | | 125-130 | | |
| C Gentile | Interim Chief Finance Officer (till June 2013) | | | | 65-70 | | |
| D Cattell | Interim Chief Finance Officer (from July 2013) | 110-115 | | | 215-220 | | |
| R Loveland | Medical Director From (from April 2013) | 115-120 | | | 230-235 | | |
| D Thompson | Director of Nursing (February 2013 - May 2013) | | | | 15-20 | | |
| A Owen | Interim Director of Nursing (from June 2013) | 75-80 | | | 225-230 | | |
| J Lynch | Director of HR and Organisational Development (till July 2013) | | | | 30-35 | | |
| J Gerrard | Interim Director of HR (June 2013 to October 2013) | | | | 70-75 | | |
| A Short | Interim Director of HR (from November 2013) | 80-85 | | | 75-80 | | |
| T Lafferty | Director of Corporate Affairs | 50-55 | | | 105-110 | | |
| P Rowley | Director of Facilities & Non-Clinical Support Services (till March 2014) | | | | 125-130 | | |
| M Johnston-Wood | Director of Estates &Facilities (From March 2014) | 85-90 | | | | | |
| H Allan | Chief Information Officer | 10-15 | | | 120-125 | | |

Notes to Senior Managers' Remuneration: Salaries:

- Expenses paid to Directors during the financial period April to September 2014 amounted to £9,315
- Expenses paid to Governors during the financial period April to September 2014 amounted to £272
- Public sector median ratio 8.22 30/09/14 (8.09 31/03/14)
- The calculation is based on the full-time equivalent staff in the Trust at the end of September 2014 as a ratio to the mid point of the highest paid Director.

**B) Senior Managers' Remuneration: Pension**

| Name and Title | | Real Increase in pension at age 60 (bands of £2,500) | Real increase in Lump sum at aged 60 (bands of £2,500) | Lump sum at aged 60 (bands of £5,000) | Total accrued pension at age 60 at 30 September 2014 (bands of £5,000) | Cash Equivalent Transfer Value at 30 September 2014 | Cash Equivalent Transfer Value at 31 March 2014 | Real increase in Cash Equivalent Transfer Value |
|---|---|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| R Loveland | Medical Director | (2.5-5) | (5-7.5) | 240-245 | 80-85 | 1,879 | 1,816 | 14 |
| H Allan | Chief Information Officer | 0-2.5 | 0-2.5 | 0 | 5-10 | 0 | 0 | 0 |
| T Lafferty | Director of Corporate Affairs | 0-2.5 | 0 | 0 | 5-10 | 51 | 43 | 7 |
| G Macdonald | Interim Chief Executive (from March 2014) | 2.5-5 | 7.5-10 | 95-100 | 30-35 | 540 | 468 | 60 |
| L Glynn | Chief Operating Officer | (0-2.5) | (0-2.5) | 90-95 | 30-35 | 446 | 434 | 0 |

Notes to Senior Managers' Remuneration: Pensions:

- As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.
- A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.
- Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**C) Off-payroll engagements at a cost of over £58,000 per annum (£220 per day) during 2014/15**

*Table 1: all off-payroll engagements as of 30 September 2014, for more than £220 per day and that last for longer than six months:*

| | |
|---|---|
| No. of existing engagements as of 30 September 2014 | **22** |
| Of which... | |
| No. that have existed for less than one year at time of reporting. | **16** |
| No. that have existed for between one and two years at time of reporting. | **3** |
| No. that have existed for between two and three years at time of reporting. | **2** |
| No. that have existed for between three and four years at time of reporting. | **1** |
| No. that have existed for four or more years at time of reporting. | **0** |

The Trusts can confirm that all existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

*Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 30 September 2014, for more than £220 per day and that last for longer than six months:*

| | |
|---|---|
| No. of new engagements, or those that reached six months in duration, between 1 April 2014 and 30 September 2014 | **15** |
| No. of the above which include contractual clauses giving the trust the right to request assurance in relation to income tax and National Insurance obligations | **15** |
| No. for whom assurance has been requested | **0** |
| Of which... | |
| No. for whom assurance has been received | **0** |
| No. for whom assurance has not been received | **0** |
| No. that have been terminated as a result of assurance not being received. | **0** |

*Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2014 and 30 September 2014:*

| | |
|---|---|
| No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year. | **4** |
| No. of individuals that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year. This figure should include both off-payroll and on-payroll engagements. | **15** |

The Trust Board has agreed that whilst discussions continue regarding the Trust's future, senior substantive staff would not be employed, as vacancies arise off-payroll engagements will be sought. The length of these off-payroll engagements are contained within the senior managers remuneration report.

4.2 **Details of the Remuneration Committee and Number of Meetings Attended**

The Trust had two Nominations and Remuneration Committees:

- A Non-Executive chaired and led committee which addresses the identification, nomination and remuneration of Executive Directors;
- A Governor chaired and led committee which addresses the identification, nomination and remuneration of Non-Executive Directors.

The Non-Executive led Remuneration and Nominations Committee composed all the Trust Non-Executive Directors. Guidance was provided by the Chief Executive and, from time to time, the HR Director, who attended meetings in an advisory capacity only. In 2014/15, the meeting was chaired by the Chairman (Mike O'Donovan), although no meetings took place during the first half of the financial year.

The Governor led Remuneration and Nominations Committee is composed of representatives from the Trust's Council of Governors. In 2014/15, it was chaired by a Public Governor (Ray Carter), although no meetings took place during the first half of the financial year.

Both committees gave full consideration to succession planning, taking into account the future challenges, risks and opportunities facing the Trust and the skills and expertise required of its Directors to meet them. They also set the remuneration and conditions of service for all Executive Directors and Non-Executive Directors respectively. The Non-Executive led Remuneration and Nominations Committee also had a role in recommending and monitoring the level and structure of remuneration for senior management.

All HWPH Executive and Non-Executive appointments were openly advertised externally. In respect of executive appointments, an external search consultancy was routinely used to obtain a pool of suitable candidates in addition to advertisement of the post.

Non-Executive Directors were initially appointed within HWPH for a term of three years, although the Council of Governors had the power to remove the Chairman and any other Non-Executive Director prior to the expiry of this term if this was agreed by three Quarters of those voting at a meeting of the council. At the end of this initial term, Non-Executive Directors could be reappointed for a further three years subject to the approval of the Council.

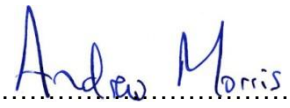
Salaries of all executive directors were kept under review during the year as part of an ongoing review of senior management performance against specified performance measures/targets. All pay and employment considerations were made in the context of that afforded to other employees and as benchmarked with other, similar organisations.

There were no performance pay arrangements in place for executive directors. Where Director contracts were permanent contracts of employment, standard notice periods were six months from the Trust and three months from the individual. There were no specified terms with regard to compensation in the event of early termination, other than where this related to redundancy payment.

During the first half of 2014/15, no significant monetary awards or pay increases were awarded to Directors/senior managers within the organisation.

During the first half of 2014/15, no persons provided advice or services to the Committee in relation to the discharging of its duties and responsibilities.

During the first half of 2014/15, no Executive Director served elsewhere as a Non-Executive Director and so the issue of whether related earnings have been kept is non-applicable for the purposes of this report.

Signed: 
**Andrew Morris**
**Chief Executive, Frimley Health NHS Foundation Trust**
Date: 29th May 2015

## 5. DISCLOSURES

### 5.1 Statement as to Disclosure to Auditors

The Directors who held office at the date of the approval of the Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Trust's external auditors are unaware. They also confirm they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

HM Treasury Managing Public Money Guidance

The Trust confirms compliance with HM Treasury Managing Public Money Guidance.

Prompt Payments Code

Whilst the Trust acknowledges this code of practice, due to the financial restraints of the Trust, creditors have been managed to an average of 55 days during April - September 2014.

### 5.2 NHS Foundation Trust Code of Governance

#### 5.2.1 Statement

Heatherwood and Wexham Park Hospitals NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a comply or explain basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.

HWPH ensured ongoing compliance through ensuring that key corporate governance activities undertaken in year took place with reference to, and in the context of, the UK Corporate Governance Code, e.g. drafting of the Constitution, undertaking of an in-year Board Committee structure review. In addition, aspects of the UK Corporate Governance Code were built into the Trust's day-to-day corporate governance arrangements, e.g. the declaring of any conflicts of interest of members attending Trust Board or Board Committee meetings at the commencement of such meetings.

#### 5.2.2 Board of Directors

The HWPH Board acted as the key strategic decision making body within the Trust. Whilst the Board monitored the operational performance of the Trust on a regular basis, operational decision making was delegated by the Board to the senior management team.

At the January 2013 Public Trust Board meeting, the HWPH Board formally adopted the standards and principles detailed in the Professional Standards Authority 'Standards for Members of NHS Boards and Clinical Commissioning Group Governing Bodies in England' as its Board Code of Conduct. This included a commitment to the values of the NHS Constitution and to the application of honesty, openness, respect, responsibility, professionalism, leadership and integrity in terms of personal behaviour in work and relationships with others. Adopting the standards also entailed a commitment to apply excellence in clinical care, patient safety, patient experience, accessibility of service and to make decisions in support of long term financial viability and the best value for the benefit of patients, service users and the community.

In addition, appointment letters for HWPH Board members detailed expectations around probity and confidentiality.

A majority of the HWPH Board's voting members were Non-Executive Directors, ensuring Higgs compliance.

As detailed above, the HWPH Board was supported in the discharge of its duties by four sub-committees:

- Audit and Assurance Committee (mandatory);
- Nominations and Remuneration Committee (mandatory);

- Healthcare Governance Committee (non-mandatory);
- Finance and Business Development Committee (non-mandatory).

The decision making powers of the HWPH Board and those that were delegated to Board committees and/or management were set out within the Trust's core procedural documentation: Trust Constitution, Standing Orders, Standing Financial Instructions, Committee Terms of Reference and the Reservation of Powers to the Board and Delegation of Powers document.

Prior to the acquisition, an HWPH Executive Board also operated, acting as the senior executive decision making body. The remit of the Executive Board's decision making authority was limited to key operational matters and issues pertaining to the day-to-day functioning of HWPH. The Executive Board also provided recommendations to the Trust Board on matters of strategic importance.

The Chairman of HWPH as of September 2014 had no other significant commitments.

The Trust had appropriate insurance to cover the risk of legal action against its Directors.

### 5.2.3 Council of Governors Sub-Structure

The Council of Governors has two main sub-committees:

Joint Finance and Performance Group

The Joint Finance and Performance Group met bimonthly and was chaired by a Public Governor. The Chair of the Joint Finance and Performance Group also sat on the Non-Executive Director led Finance and Business Development Committee.

The Joint Finance and Performance Group had a broad remit, and regular agenda items included consideration of the Board Operational Performance Report and Finance Report, and also consideration of the full Trust-wide RAF. Membership of the Joint Finance and Performance Group included the Chief Finance Officer, Chief Operating Officer and Director of Corporate Affairs. A report on the activities and discussions at the Joint Finance Performance Group was presented to each Council of Governors meeting.

Joint Clinical Assurance Group

This Joint Clinical Assurance Group met on a monthly basis and was chaired by a Public Governor. The Chair of the Joint Clinical Assurance Group also attended the Non-Executive Director led Healthcare Governance Committee.

At every meeting, the Joint Clinical Assurance Group received the Board Patient Safety and Quality Report for scrutiny. Furthermore, the Joint Clinical Assurance Group also received presentations on issues pertinent to the patient experience. The agenda and papers for the Joint Clinical Assurance Group meetings were circulated to all Governors. Membership of the Joint Clinical Assurance Group included the Director of Nursing and Medical Director. A report on the activities and discussions at the Joint Clinical Assurance Group was presented to each Council of Governors meeting.

### 5.2.4 Understanding the Views of Governors and Members about the Trust

A number of methods were used to allow members of the Board, including Non-Executive Directors, to understand the views of Trust Governors.

Within HWPH, all Board members were formally invited to Council of Governors' meetings as a matter of routine which enabled them to keep abreast of key Governor issues and areas of concern. Governors were also encouraged to attend Public Trust Board meetings.

Secondly, as noted above, there was a reciprocal arrangement in place with regard to attendance at Trust Board/Council of Governor Committee meetings. Under this arrangement, the Chair of the Non-Executive led Finance and Business Development Committee was also a member of the Governor-led Joint Finance and Performance Group. Likewise, the Governor Chair of the Joint Finance and Performance Group was automatically a member of the Finance and Business

Development Committee. This arrangement was replicated in terms of the Board led Healthcare Governance Committee and the Governor led Joint Clinical Assurance Group.

Thirdly, on a monthly basis, the Chairman and Chief Executive held an open forum with all Governors to provide updates on key Trust matters.

Through these interactions, Governors had the opportunity to reflect the views of the members which they represent to members of the Board. In addition, the Trust Board engaged with its members directly through Members' Newsletters which included all Public Trust Board dates and the Annual Members Meeting (AMM) where the views of members could be directly heard by the Board.

## 6. QUALITY ACCOUNTS

FHFT is not obligated to provide a part-year Quality Account for HWPH services for Quarters 1 and 2 2014/15, on the basis of advice received from Monitor. A full year Quality Account for FHFT, incorporating aspects of the quality of services at both HWPH and FPH through months 1-6 will be included within the 2014/15 FHFT Annual Report.

## 7. STAFF SURVEY

### 7.1 Statement of Approach to Staff Engagement, and What Mechanisms are in Place to Monitor and Learn from Staff Feedback

The Trust was concerned by its successively poor Staff Survey outcomes up to the 2013 Staff Survey. In response to specific results from the 2013 Survey relating to workplace culture and behaviours, the Trust commissioned ACAS (the Advisory, Conciliation and Arbitration Service) to help the Trust better understand and respond to the root causes behind the concerns raised by staff. The ACAS work was delivered in two phases through a series of focus groups and one to one interviews. This phased approach maximised opportunity for staff to share their views and experiences of working in the Trust and the changes they thought should be prioritised in confidential and secure settings. This work demonstrated the Trust's commitment to ensure that the workplace was free from negative behaviour and that when staff raised concerns, appropriate action is taken to ensure our staff continue to deliver patient care and treatment to the highest standards.

The Trust also invested in the nationally accredited Listening into Action scheme used to engage with the staff and ensure the involvement of all Trust employees. Listening into Action encourages engagement by putting clinicians and staff at the centre of change for the benefit of patients, staff and the Trust as a whole. It involves listening to staff to understand what really matters, hindrances to their ability to deliver, and what changes are thought necessary to be prioritised. The absolute focus of this - and the actions and outcomes that follow - is to support and enable staff to make the changes to do the very best for patients, their families, and one another. This was personally led by the HWPH Chief Executive.

A Leadership Development programme for Consultants has been developed and will be launched in early 2015 within FHFT.

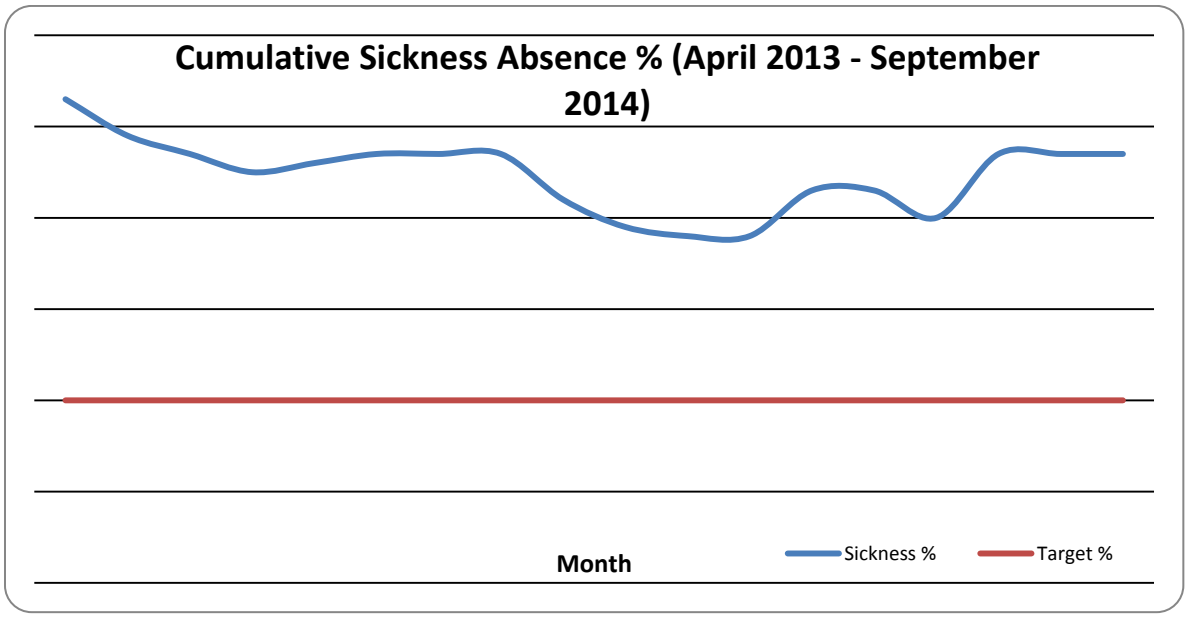
#### Partnership Working and Staff Engagement

Communications with HWPH staff continued to include a monthly team briefing session for all managers to cascade to their staff, regular roadshows and QandA events on all sites, and where appropriate, consultation meetings with staff directly affected by change. The team briefing content process was reviewed following feedback from staff and thereafter included a Chief Executive update and input on key issues and successes from each division and corporate department. Monthly formal meetings took place with staff representatives through the Joint Consultative Negotiating Committee attended by the Chief Executive, Chief Operating Officer and HR Director. The Local Negotiating Committee for medical staff met bi-monthly, again with senior management representation.

### 7.2 Results from Staff Survey

Results from the 2014 HWPH Staff Survey are not available at the time of writing. For information on the 2013 Staff Survey results, please see the HWPH Annual Report 2013/14.

7.3 **Cumulative Sickness Absence by Month**




| | 2014/15 YTD | 2013/14 | 2012/13 |
|---|---|---|---|
| Cumulative Sickness Absence Rate | 3.25% | 3.18% | 3.35% |
| Days Lost (Long Term) | 12,515 | 21,840 | 25,947 |
| Days Lost (Short Term) | 12,346 | 22,940 | 20,828 |
| Total Days Lost | 24,861 | 44,780 | 46,775 |
| Total Staff Employed In Period (Headcount) | 3,899 | 3,935 | 3,666 |
| Total Staff Employed In Period With No Absence (Headcount) | 829 | 1,377 | 1,026 |
| Percentage of Staff With No Sick Leave | 21% | 35% | 28% |

Note: 2014/15 YTD (April 2014 - September 2014)

## 8. REGULATORY RATINGS

Since 1 April 2013, all NHS Foundation Trusts have required a licence from Monitor stipulating specific conditions that they must meet to operate. Key among these are financial sustainability and governance requirements. These requirements are set out within Monitor's Risk Assessment Framework which explains how Monitor assesses individual NHS Foundation Trusts' compliance with two specific aspects of their work; the continuity of services risk rating and the Governance risk rating.

The Continuity of Services Risk Rating

The continuity of services risk rating includes four rating categories ranging from 1, which represents the most serious risk, to 4, representing the least risk. The rating reflects the degree of financial concern which Monitor has about a provider and consequently the frequency with which regulator monitoring takes place.

The Governance Rating

There are three categories to the governance rating applicable to all NHS Foundation Trusts. Where there are no grounds for concern at a Trust, Monitor will assign it a green rating. Where Monitor has identified a concern at a Trust but not yet taken action, a written description stating the issue at hand will be given in addition to the action that Monitor is considering. Where enforcement action has commenced, Monitor will assign a red rating. In calculating the governance rating, Monitor uses a specified set of national metrics as proxies for overall standards of governance, including A&E waiting times, referral-to-treatment targets and infection rates. In addition, when the CQC has serious concerns about a Trust, Monitor considers whether it is in breach of its licence and what action is needed.

### 8.1 Trust Performance Against Regulatory Ratings

HWPH's performance in accordance with Monitor's Risk Assessment Framework throughout the first half of 2014/15 is as follows:

| | **Annual Plan 2014/15** | **Q1 2014/15** | **Q2 2014/15** |
|---|---|---|---|
| Continuity of service rating | **1** | **1** | **1** |
| Governance rating | **RED** | **RED** | **RED** |

The level of performance described in respect of performance under the Risk Assessment Framework is consistent with the position forecast within the Trust's 2014/15 Annual Plan. This can be explained by the fact that, since July 2009, Monitor had found the Trust to be in breach of its Terms of Authorisation (under the old regime) due to a failure to comply with its general duty to exercise its functions effectively, efficiently and economically.

This position remained consistent until the application of the new Monitor licence, at which point Monitor informed the Trust that the breach now impinged upon compliance with licence requirement FT4(5)(a), that the Licensee shall establish and effectively implement systems and/or processes to ensure compliance with the Licensee's duty to operate efficiently, economically and effectively. The impact of the Trust's 'financial breach' position has had the effect of applying an 'override' to the Trust's Governance Risk Rating, rendering it automatically 'red'.

However, in addition to this, the Trust has had additional areas of non-compliance in year with aspects of the Governance Risk Rating:

- Receiving seven 'warning notices' and two 'compliance actions' from the CQC with regard to an unannounced inspection carried out in October 2013, the effect of which continued to apply throughout the first two quarters of 2014/15;
- Continued lower quartile performance with regard to the results of the national inpatient survey and staff survey.

As a result, Monitor has assessed the Trust to also be in breach of the following licence provisions:

- **FT4(5)(c)**: The Licensee shall establish and effectively implement systems and/or processes to ensure compliance with health care standards binding on the Licensee including but not restricted to standards specified by the Secretary of State, the CQC, the NHS Commissioning Board and statutory regulators of health care professions;
- **FT4(5)(h)**: The Licensee shall establish and effectively implement systems and/or processes to ensure compliance with all applicable legal requirements;
- **FT4(6)**: Systems and processes relating to the FT4(5) provisions.

This led to Monitor taking enforcement action against the Trust in the form of enforcement undertakings. Subsequent to the outcome of the February 2014 CQC inspection report, Monitor accepted the CQC's recommendation that the Trust be placed into 'special measures'. However, this regulatory position has now been superseded by the FPH acquisition of HWPH.

## 9. INCOME DISCLOSURES

The income from the provision of goods and services for the purposes of the health service in England must be greater than its income from the provision of goods and services for any other purposes. The Trust generated income from a private patient facility on the Wexham Park site. The income generated from such activities throughout the first two quarters of 2014/15 was £899,000 or 0.7% of total income. The level of income was set to align with the Trust's overall aim that operating such a facility would not to any significant extent interfere with the fulfilment by the Trust of its principal purpose of providing NHS services. This income was added to the general budget of the Trust.

## 10. OTHER DISCLOSURES

### 10.1 Policies in Relation to Disabled Employees and Equal Opportunities

The Trust operated an Equality Policy which was developed in line with the Equality Act 2010 and the Disability Discrimination Act 1995 and 2005. Equality and diversity training in accordance with this Policy was delivered at corporate induction and essential training sessions for clinical and non–clinical staff. The purpose of the Equality Policy was to:

- Achieve the best from people by valuing difference and eliminating discrimination;
- Take all reasonable steps to ensure that current and prospective employees are not unlawfully discriminated against according to age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, creed, colour, ethnic or national origin, religion and belief, sexual orientation, social background, trade union membership, or any other grounds;
- Focus on maintaining and extending a fair working environment for all staff and promoting equal opportunity throughout the staff pathway, in particular the areas of:

  - Advertising;
  - Appraisals;
  - Disciplinary action;
  - Grievance and harassment processes;
  - Learning and development programme;
  - Promotion and secondments;
  - Recruitment and selection;
  - Staff development;
  - Staff joining and leaving the Trust;
  - Termination;
  - Terms and conditions;
  - Transfer of undertaking;
  - Workforce diversity;
  - Selection for redundancy and redeployment.

Within HWPH, the Equality Policy demonstrated the Trust's commitment to ensuring equality of treatment for all staff including those with disabilities across all HR activity such as recruitment, retention, employee relations and training. However, the principles of this Policy were also applied to the Managing Absence Policy, the Recruitment Policy and the Induction and Essential Training Policy.

An Equality and Diversity Steering Group was established which monitored employee relations cases by ethnicity and banding to ensure cases were investigated in line with Trust policy.

The Trust reviewed the diversity of its inpatients being treated for long-term conditions such as diabetes, heart disease, stroke and dementia. Analysis of this data showed that the Trust was treating patients from diverse ethnicities and ages and helped the Trust in recruitment, retention and training of staff which enables the Trust to play a key role in reducing health inequalities.

Similarly, the Trust's workforce had become increasingly more diverse in recent years. The ethnic diversity of the workforce reflected that of the communities it served: the ethnic breakdown of the Trust as at September 2014 was: White British 50%, Black and Minority ethnic 40% (Asian, Black, Mixed, Chinese, Filipino) and White Other 10% (Southern, Eastern and Central Europe). The Trust workforce was most ethnically diverse across bands 1 - 5. The Trust was less diverse across bands 8a - 9 when data for White British/Other is compared with all other ethnicities. Though there were only 122 posts in bands 8a – 9, there was also a low representation of Black and Minority ethnic staff in this banding range.

The gender split within the HWPH workforce was 78% female and 22% male as at September 2014. Data linked to gender and agenda for pay banding showed the largest difference between male and female pay (in favour of female staff) occurred between pay bands 2 and 7.

The Trust acknowledged the concerns raised in the February 2014 CQC inspection report with regard to concerns relating to bullying and harassment and has undertaken activity to tackle this as noted at Section 7.

## 10.2 Health and Safety Performance

From April-September 2014, the Health and Safety Department reported into the Director of Estates and Facilities to whom all elements of critical risk were escalated. All non critical risk was escalated through the Director of Corporate Affairs who retained the Chair of the Business Safety and Resilience Committee.

### Fire

In order to comply with Fire Regulations and other external guidance, the Trust was required to have in place suitable and sufficient fire risk assessments and this role was carried out by the Fire Officer. The findings of the risk assessments were developed into two actions plans; a short term plan which allowed for the immediate resolution of critical risks and a longer term plan which maximised the Trust's level of compliance. During the reporting period, the Fire Officer met with Fire Wardens at all Trust sites, to ensure that effective communication was maintained.

### Training

Health and Safety, Manual Handling and Fire training was delivered by the Health and Safety team through:

- Trust Induction for new staff;
- Mandatory training for existing (clinical and non clinical) staff;
- Specialist training for Managers and Health and Safety Officers;
- Individual and departmental training.

It was mandatory for staff to attend Health and Safety on Induction and thereafter on a three yearly basis. Fire training was delivered on Induction and then on an annual basis to all staff in accordance with statute. Manual Handling was delivered to staff at Induction and then on an annual basis for clinical staff and three yearly as part of the Health and Safety programme for non clinical staff.

Between April – September 2014, the following numbers of staff attended training:-

| Training | Number of Staff Trained |
|---|---|
| Health and Safety | 808 |
| Manual Handling | 1,403 |
| Fire | 1,693 |

In addition, 62 members of staff attended the Fire Wardens refresher course in September, 2014 and 10 members of staff carried out their Fire training via the e-learning programme over the six month period.

### Enforcing Authorities

The Fire Safety Inspector from Royal Berkshire Fire and Rescue Services visited Wexham Park Hospital in July 2014. Wards and Departments specifically inspected by the Inspector include the Tower Block, ITU and Wards 5, 7 and 8. His findings led to recommendations being made in the following areas: Risk Assessment; Fire Warning; Maintenance; and Training.

There have been no inspections carried out by the Health and Safety Executive during the reporting period.

### Enforcement Action

The table below shows the number of formal notices served and prosecutions/convictions:

| | |
|---|---|
| **Improvement and Prohibition Notices** | 0 |
| **Prosecutions and Convictions** | 0 |

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)

Under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, RIDDOR, the Trust has an obligation to report injuries, illness and dangerous occurrences to the Health Safety Executive. The table below shows the number of incidents reported by the Trust under the Regulations during the reporting period.

| | |
|---|---|
| **Fatalities** | 0 |
| **Major Injuries** | 9 |
| **Over 7 Day Absences** | 5 |
| **Dangerous Occurrences (including High Risk Sharps Injuries)** | 2 |
| **Total RIDDOR** | 16 |

## 10.3 Occupational Health Performance

Occupational Health

Imperial Health at Work (part of Imperial College Healthcare NHS Trust) was contracted to provide the Trust's occupational health services during 2014/15.The service was delivered from the Wexham Park site. A series of performance indicators were in place to ensure that service levels meet the Trust's needs and these have consistently been met throughout the year. The Employee Assistance Programme, provided independently by Workplace Options, remained a valuable 24 hour confidential service source for staff who needed help with a wide range of work, family and personal issues.

## 10.4 Policies and Procedures with Respect to Countering Fraud and Corruption

HWPH was committed to adopting a culture that enabled staff to identify and respond to risk through a systematic process in confidence, and operated the following three policies with respect to countering fraud and corruption at the Trust:

- Anti-Bribery Policy: The Anti-Bribery Policy related to all forms of bribery and is intended to provide direction and help to employees who may identify, or learn of, suspected acts of bribery and corruption.
- Gifts and Hospital Policy: The Gifts and Hospitality Policy specified the circumstances in which gifts and/or hospitality could/could not be accepted and how staff should seek to document any intended gift/hospitality.
- Counter Fraud Policy: The Counter Fraud Policy provides guidance to all staff on how to deal with suspicions of fraud or corruption.

All policies were available to all members of HWPH staff. In addition, the Trust engaged the services of a Local Counter Fraud Specialist (LCFS) provided by its internal auditors. The LCFS reported to the Chief Finance Officer and provided regular updates to the Audit and Assurance Committee on work done in this area, together with an Annual Report for the year.

## 10.5 Statement Describing the Better Payment Practice Code

Better Payment Practice Code

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

Given the current adverse financial position, together with pressures on liquidity and cash flow, average creditor days for the Trust throughout the year were 34 days (down from 45 days during 2011/12) with a target of keeping creditor days between 30 and 40 days as progressing into the new financial year. 52.2% of all invoices are paid within 30 days.

Late Payment of Commercial Debts (Interests) Act 1998

Information on the Trust's compliance with the Late Payment of Commercial Debts (Interest) Act 1998 can be found in Note 11 to the accounts.

## 10.6 Consultations

HWPH did not complete any consultations during the first two quarters of 2014/15.

## 10.7 Number of, and Average Additional Pension Liabilities for Individuals Who Retired Early on Ill Health Grounds

See Note 10 (Notes to Accounts) in the Financial Statements Section (Section 15).

## 10.8 Detailed Disclosures to 'Other Income' Where 'Other Income' in the Notes to the Accounts is Significant

See Note 4 (Notes to Accounts) in the Financial Statements section (Section 15).

## 11. STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

In the period leading up to the acquisition on 1 October 2014, the succssor body was not privy to discussions with the Heatherwood & Wexham Parks Hospitals Board regarding these accounts. During the period, the successor body was not responsible, and did hold authority for, Heatherwood & Wexham Park Hospitals NHS Foundation Trust.

The NHS Act 2006 states that the Chief Executive is the accounting officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the Accounting Officers' Memorandum issued by Monitor.

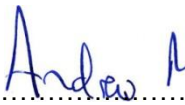
Under the NHS Act 2006, Monitor has directed Heatherwood and Wexham Park Hospitals NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair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

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

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS Foundation Trust Annual Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance; and
- prepare the financial statements on a going concern basis.

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

The Heatherwood & Wexham Park NHS Foundation Trusts Annual Accounts are being signed by the successor body Frimley Health NHS Foundation Trust.

Signed: 
**Andrew Morris**
**Chief Executive, Frimley Health NHS Foundation Trust**
Date: 26th May 2015

## 12. ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Heatherwood and Wexham Park Hospitals NHS Foundation Trust was acquired by Frimley Park Hospital NHS Foundation Trust on 1 October 2014, thereby creating Frimley Health NHS Foundation Trust. The Annual Governance Statement below therefore only accounts for Months 1-6 of the 2014/15 financial year as it relates to HWPH.

As the Accounting Officer for Frimley Health NHS Foundation Trust and, prior to the acquisition, for Frimley Park Hospital NHS Foundation Trust, I have taken assurances as to the content of this part-year statement from speaking with former Heatherwood and Wexham Park Hospitals NHS Foundation Trust Board Directors and from reviewing the documentary evidence available to me and my Board.

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Heatherwood and Wexham Park Hospitals NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Heatherwood and Wexham Park Hospitals NHS Foundation Trust for the part-year ended 30th September 2014 and in place at Frimley Health NHS Foundation Trust from 1st October 2014 to the 31st March 2015.

Capacity to Handle Risk

I am assured that Heatherwood and Wexham Park Hospitals NHS Foundation Trust was committed to a comprehensive, integrated Trust-wide approach to the management of risk, based upon the support and leadership offered by the Trust Board and Executive Board. I understand that this was achieved through the regular scrutiny of the Risk Assurance Framework (RAF), a document which mapped the organisation's aims and objectives against all aspects of risk: clinical, financial, service, reputational and legal. The RAF was a core part of Trust business and was scruntinised by the following committees:

- Trust Board - reviewed full RAF twice per annum and a 'Top Risks' report on a monthly basis;
- Executive Board - reviewed the full RAF at each meeting on a monthly basis;
- Audit and Assurance Committee - reviewed the full RAF at each meeting on a quarterly basis;
- Healthcare Governance Committee - reviewed Divisional RAFs (on a cyclical basis) at each meeting, held monthly.

Each risk listed within the RAF had a single executive 'owner' to ensure accountability for risk management/mitigation.

To ensure the successful implementation and maintenance of the Risk Management Strategy, Board members and all staff members received risk management training as part of the Trust general induction programme, as per the Trust Training Needs Analysis. Thereafter, risk management training was explicitly included in the mandatory training 'refresher' courses provided by the Trust, which all staff (including Board members and senior managers) needed to undertake

every three years. The Learning and Development Department kept a record of attendance for each training session. Any member of staff overdue risk management training was identified by the Learning and Development Department which followed up with the individual's direct line manager by sending them an audit of attendance. The Trust Risk Management Strategy was accessible to all staff and aimed to provide guidance on the conduct of risk assessments and the escalation of risk, as appropriate for each staff member's level of authority and duties.

An essential aspect of the Trust's Risk Management approach was the need to 'learn and share the lessons' that arose from realised risks, incidents and near misses. This helps to ensure ongoing systems improvement and safeguards patient care and business safety. This was achieved through the regular aggregation of claims, complaints, incidents, inquests and clinical audit data for the purpose of identifying key themes, trends and best practice. The Trust also ensured learning from nationally recognised good practice, seeking to comply with the national standards set by the CQC, NICE, Health and Safety Executive and Monitor. Where best practice was identified, either through internal analysis or as a result of the publication of national guidance, it was incorporated into the Trust's policy on the particular subject matter and shared with all staff via the Trust intranet system.

The Risk and Control Framework

It is inherent within good risk management practice and a legal requirement that after the identification of a risk, it is analysed, evaluated, treated and followed up at a later stage for the purposes of monitoring and review to further improve.

Identification of Risk

The identification of risks arising from work-related tasks or activities within Heatherwood and Wexham Park Hospitals NHS Foundation Trust was undertaken by staff at all levels of the organisation. There were four principal methods of risk identification that the Trust used:

1. Known ongoing inherent risks which the Trust was aware of which are controlled and managed;
2. Foreseeable local risks which were inherent and identified by competent persons proactively;
3 Strategic risks identified by the Board;
4. 'Retrospectively realised' risks from risk sources.

As per the fourth method of risk identification detailed above, risks can be identified from a number of sources, including but not restricted to:

- Risks/recommendations from incident investigations and themes / trends arising from cumulative analysis of incident data;
- Clinical risk assessments;
- Non-clinical risk assessments (security, health and safety, health and wellbeing etc);
- Risks arising as a result of an external review or inspections;
- Recommendations from internal audit reports or other internal or external monitoring reviews/audits/assessments or reports;
- Patient surveys;
- Staff surveys;
- Patient Advice and Liaison Service (PALS) and complaints key themes;
- Risk shared by neighbours and/or other stakeholders/duty holders or authorities.

Risk Assessment

The purpose of undertaking risk assessments is to effectively manage and control significant risks which are/have been identified/inherited or which are foreseeable in nature, as required by health and safety legislation. Risks are evaluated in order to determine the level of exposure and provide input to decisions on where responses to reduce, accept or avoid risks are necessary/acceptable or likely to be worthwhile. The evaluation of the risk assessment will involve the analysis of the individual risk to identify the consequences/severity and likelihood of the risk being realised.

Within Heatherwood and Wexham Park Hospitals NHS Foundation Trust, the severity and likelihood of the risk was given a numeric score based on the following matrix:

| Likelihood | Consequence | | | | |
|---|---|---|---|---|---|
| | Negligible 1 | Minor 2 | Moderate 3 | Major 4 | Catastrophic 5 |
| 1 (rare) | 1 (Low) | 2 (Low) | 3 (Low) | 4 (Med) | 5 (Med) |
| 2 (unlikely) | 2 (Low) | 4 (Med) | 6 (Med) | 8 (High) | 10 (High) |
| 3 (possible) | 3 (Low) | 6 (Med) | 9 (High) | 12 (High) | 15 (Extreme) |
| 4 (likely) | 4 (Med) | 8 (High) | 12 (High) | 16 (Extreme) | 20 (Extreme) |
| 5 (almost certain) | 5 (Med) | 10 (High) | 15 (Extreme) | 20 (Extreme) | 25 (Extreme) |

In addition, the RAF process involved a set of risk metrics pertaining to risk impact and likelihood which helped improve the robustness of the calculation of risk assessments taking place within the Trust:

Impact

| Level | Descriptor | Risk Type | | | |
|---|---|---|---|---|---|
| | | Injury | Service Delivery | Financial | Reputation/ Publicity |
| 1 | **Negligible** | No injuries or injury requiring no treatment or intervention | Service disruption that does not affect patient care | Less than £10,000 | Rumours |
| 2 | **Minor** | Minor injury or illness requiring minor intervention<br>< 3 days off work if staff | Short disruption to services affecting patient care or intermittent breach of key target | Loss of between £10,000 and £100,000 | Local media coverage |
| 3 | **Moderate** | Moderate injury requiring professional intervention<br>RIDDOR reportable incident | Sustained period of disruption to services/ sustained breach of key target | Loss of between £101,000 and £500,000 | Local media coverage with reduction in public confidence |
| 4 | **Major** | Major injury leading to long term incapacity requiring significant increased length of stay | Intermittent failures in a critical service<br>Significant underperformance of a range of key targets | Loss of between £501,000 and £5M | National media coverage and increased level of political/public scrutiny<br>Total loss of public confidence |
| 5 | **Extreme** | Incident leading to death<br>Serious incident involving a large number of patients | Permanent closure/ loss of a service | Loss of >£5M | Long term or repeated adverse national publicity<br>Removal of Chair/ CEO or Executive Team |

Likelihood

| Level | Descriptor | Range |
|---|---|---|
| 5 | Almost Certain | More than 90% |
| 4 | Likely | 31% to 90% |
| 3 | Possible | 11% to 30% |
| 2 | Unlikely | 3% to 10% |
| 1 | Rare | Less than 3% |

Alongside the general risk assessment process the Trust employed, there were also patient and staff specific risk assessment forms used at ward/department level in relation to particular risks, for example:

- Falls;
- Pressure ulcer;
- Moving and handling;
- Venous Thrombo-Embolism;
- Nutritional;
- Work station assessment.

The RAF template was structured in a way that required the recording of an 'original risk rating', in addition to a 'current risk rating' and 'residual risk rating'. This allowed the Trust to track changes in risk, from risk recognition through to an assessment of the risk post-mitigating actions. In each case, the Trust's risk 'appetite' was determined by the residual risk rating which effectively operates as a target rating, i.e. once the mitigating actions had been implemented successfully and the risk has reduced to the target, the Trust would tolerate the residual level of risk. However, each time a risk was reviewed and updated, the determination of the Trust's risk appetite was also reviewed; particularly after new mitigating actions have been identified.

Risk Management Culture

I am assured that it was a key strategic priority of the Trust to embed a risk management culture and to maintain and promote an open working environment where staff could report any errors or incidents, free from fear, which would enable learning and allow stakeholders to identify their potential risks to the Trust. Indeed, investigations into the circumstances of incidents, accidents, claims and complaints provide an essential source of risk identification. Post-Francis Report, the Trust also supported the concept of the 'duty of candour'; ensuring openness and transparency when addressing such instances.

Where a risk that cannot be immediately addressed is highlighted through such an investigation, this was registered on the appropriate RAF. The Trust adopted Root Cause Analysis (RCA) methodology when undertaking investigations relating to major and serious incidents. RCA is a problem solving methodology for discovering the real underlying causes of a problem rather than the immediate action which resulted in a specific event. It is a systems-based approach to analysis rather than focusing on an individual's actions and has been shown to provide a means to identify effective long term solutions to a broad range of problems, rather than a short-term solution to one individual event.

To ensure that equality and diversity issues were taken into consideration as part of the development of the Trust's controls and risk management culture, one to one support was provided for all policy authors to carry out Equality Impact Assessments on Trust policies, procedures, strategies and changes to services which had a bearing on the needs of patients, families, carers, communities and staff.

External stakeholder engagement also formed a key part of the Trust's risk management culture:

- Resolution of strategic issues - the Trust recognised that the identification and subsequent implementation of the ideal clinical service configuration for its local patient population depended upon close working and co-operation with Commissioners, local authorities and the wider public (both directly and through the Trust's Council of Governors);
- Transparency with regulators - the Trust sought to employ an 'early warning' approach with its regulators where risks that affect, or otherwise are the concern of a particular regulator, are either realised or are likely to occur. This allowed for mutual agreement to be reached as

to how to best address the particular risk;

- Sharing of incident reports - the Trust continues shared all Serious Incident Reports with its lead Commissioners. It also took an 'open' approach when addressing any families/members of the public affected by an incident, ensuring that the relevant incident investigation findings were shared;
- Information sharing with the Council of Governors - the Trust shared all aspects of Trust business strategy and risk with its Council of Governors. This not only allowed for the council to be informed, it ensured that the Board benefits from the insight, knowledge and expertise of council members who are drawn from a wide and diverse range of professional and community backgrounds.

Quality Governance Arrangements

Whilst Heatherwood and Wexham Park Hospitals NHS Foundation Trust was not subject to a CQC inspection during the first six months of 2014/15, the Trust was inspected three times by the CQC in 2013/14, with the latter inspection resulting in the Trust receiving seven warning notices and two compliance actions.

In order to co-ordinate and monitor the implementation of post-inspection action, the Trust Executive established a Quality Programme Board (QPB) which met on a weekly basis and reported to the Healthcare Governance Committee and Executive Board. In addition to the learning arising from the CQC inspections, the QPB sought to incorporate learning from the Francis Report and the national Berwick and Keogh reviews. These workstreams were brought together under an integrated Quality Improvement Plan.

Major risks

The principal, or major, risks identified by the Heatherwood and Wexham Park Hospitals NHS Foundation Trust Board through the RAF process as at September 2014 are detailed in the table below, which aims to provide a description, risk rating and remedial action plan for each risk listing.

| Risk Name | Original Risk Rating (Impact x Likelihood) | Existing Controls, Gaps in Controls and Audit Activity | Current Risk Rating (Impact x Likelihood) | Action Plan | Target Risk Rating (Impact x Likelihood) |
|---|---|---|---|---|---|
| Failure of Long-Term Strategy (Trust-wide) | **20** (5x4) Nov-11 | The Trust submitted a 2014/15 Annual Plan to Monitor that demonstrated a further deficit reduction through delivery of CIPs. This will help assure the Regulator that the Trust's standalone position continues to improve. The Board will continue to run the organisation as a single entity working toward full recovery prior to the Frimley transaction date. | **15** (5x3) Aug-14 | The Trust continues to support Frimley in its liaison with Monitor and other parties with regard to preparing for the acquisition. The Trust has allocated appropriate staff to work on the requirements of the Full Business Case (FBC) and associate actions in preparation for day one. The Trust Executive will meet two-weekly with the FPH Executive to coordinate plans. | **10** (5x2) |
| Trust Reputation (Trust-wide) | **16** (4x4) Apr-11 | Communications Policies in place. Scheduled communication briefings in place as part of a focus on 'proactive communication'. | **16** (4x4) Aug-14 | Communications Policies in place. The Trust will continue to horizon scan for media coverage and respond where appropriate. Scheduled communication briefings in place as part of a focus on 'proactive communication'. This will be achieved by:<br>- Securing regular media coverage focusing on the high quality of clinical services in the Trust. This will include national Radio, TV and press alongside positive comments from NHS Choices, Patient Opinion and Friends and Family.<br>- Running a parallel programme of internal communication. Visitors and staff will see large poster boards with images of our staff involved in successful media campaigns such as NHS heroes and pop-up banners placed in prominent positions.<br>- Working with the volunteer department to bring our volunteers in on key communication messages to disseminate to all patient/visitor contacts to create an image of a hospital which is focused on its patients' needs and delivers a high standard of care and service. | **12** (4x3) |
| Risk of Non-Compliance with CQC Standards and Monitor Provider License (Trust-wide) | **20** (4x5) Jul-13 | Individual, board-led action plans have been developed and signed off to address all issues and risks identified in the CQC inspection reports. The implementation of these plans is monitored on a weekly basis by the Quality Programme Board, reporting to the Healthcare Governance Committee and Executive Board. | **20** (4x5) Aug-14 | 1. Implementation of Director-led action plans to address the CQC issues identified.<br>2. Continue to keep Monitor (in the context of the enforcement undertakings) and the CQC updated with regard to the Trust's progress.<br>3. To ensure that the Trust is working to an objective 'standard' against each of the CQC areas of concern, the Trust has engaged external support in many areas (ACAS, PWC, KPMG, Fiona Reed Associates, GGI).<br>4. As part of special measures, the Trust will be required to 'buddy' with FPH counterparts in the resolution of issues prior to the FPH transaction. | **16** (4x4) |
| Resourcing and Funding of Annual Plan and Impact on Monitor Licensing Conditions (Finance and Commercial) | **20** (5x4) Jun-12 | 1. Capital Working Group prioritises all investment requests on a risk basis, as well as potential return projects.<br>2. Finance and Performance Bi-lateral now reports into Finance and Performance Executive Board for all income and equity and performance issues.<br>3. CIP programmes requiring investment are cross referenced to project spend to ensure savings are supported.<br>4. Creditors are being managed to below 40 days, leading to fewer issues regarding supply but may need to be stretched again as significant accrued income needs to be translated into cash to support creditor runs. | **16** (4x4) Aug-14 | Ability to fund any investment or operational expenses is dependent on resolution of the solvency issues, and as such the primary mitigation of this risk is the longer term strategic solution. However during this process the Trust will seek to maximise resourcing flexibility.<br>1. £22.8m cash support required for 2014/15 and communicated to Monitor.<br>2. Outline Financial Plan formulated through Executive Board but significant risks exist in implementation.<br>3. CIP Plans gap closed with 1% non-recurrent to slice.<br>4. 2014/15 contracts agreed with commissioners - legal advice is not to sign until after FPH transaction. | **12** (4x3) |

| Risk Name | Original Risk Rating (Impact x Likelihood) | Existing Controls, Gaps in Controls and Audit Activity | Current Risk Rating (Impact x Likelihood) | Action Plan | Target Risk Rating (Impact x Likelihood) |
|---|---|---|---|---|---|
| Patient Flow (Trust-wide) | **16** (4x4) Sep-12 | 1. Significant investment of capital resources to expand available bed pool and physical footprint of A&E to provide increased capacity and support improved working practices to maintain high patient flow.<br>2. New IT system supports improved communication with primary care and enhances clinical decision-making.<br>3. Revised Escalation Policy and associated working practices have been introduced and embedded within daily operational processes, supported by the revision of medical consultant rotas to lengthen ward rounds and improve flow.<br>4. A programme of work to introduce seven day working is in progress.<br>5. Maintaining clear links with CCG and primary care to ensure best use of any additional winter resilience funding.<br>6. Urgent Care Board in place monitoring whole system delivery of Kings Fund Report.<br>7. Discharge Steering Group is overseeing a programme of improvement to discharge processes and a revised Discharge Policy to be agreed with all wider health system partner agencies.<br>8. Spring to Green proved the benefit of improved operational processes to reduce capacity pressures and bed occupancy. Follow up plan to embed the key lessons of escalation now in place. | **16** (4x4) Aug-14 | 1. Availability of Wards 10 and 11 provides capacity of a further 49 beds.<br>2. Work is being undertaken with external agencies to build better working relationships around discharge and admission avoidance.<br>3. Implementation of Kings Fund Report and ECIST recommendations.<br>4. Outsourcing of elective surgical work to mitigate impact of non-elective demand on elective bed availability.<br>5. Ambulatory care programme commenced October 2013. Partial go live completed Mar 2014 – with funding sought to extend working hours over winter 2014/15.<br>6. Seven day working initiatives in place in Radiology, Phlebotomy and Cardiology with intention to implement full seven day working underway across all Divisions.<br>7. Revised Consultant rota for General Medicine to be implemented following nine additional Consultant appointments providing revised medical model and increased Consultant presence at weekends to support discharge and patient flow.<br>8. Investment in clinical support services to reduce turnaround times for investigations to enhance flow and reduce length of stay (LOS). Staff in post by Oct/Nov 2014.<br>9. Second Spring to Green planned for December 14 to “reset” flow prior to anticipated peaks in demand over Christmas and New Year 2014/15. | **4** (4x1) |
| Staffing Capacity (Trust-wide) | **16** (4x4) Nov-12 | 1. Active recruitment campaign ongoing for all vacancies. Divisions report staffing as part of quality and care review process – conducted monthly.<br>2. Staffing levels across the Trust reviewed daily by senior duty nurse to ensure short-staffed wards are allocated support from better staffed areas.<br>3. Manpower coordinators review on daily basis any shortfalls in Junior Doctor allocations and escalate to appropriate Care Group Managers (CGMs).<br>4. Regular scrutiny of agency usage for Doctors and Nurses at director level.<br>5. Review of recruitment processes completed to reduce delays.<br>6. New agency arrangements in place for booking agency doctors, delivering reduced number of agencies, revised pricing structures and improved management information.<br>7. Retrospective staffing analysis by ward available each week detailing number of qualified nurses and support workers and ratio of qualified staff to patients; plans in place to have analysis in advance and on the day.<br>8. Staffing Policy approved and implemented.<br>9. Daily Safe Staffing report provided with red-amber-green (RAG) rating showing planned staffing level for all nursing shifts.<br>10. Retrospective Safe Staffing report confirming actual staff level for all nursing shifts. Compliance with Safe Staffing Policy reported monthly to Trust Board. | **16** (4x4) Aug-14 | A Recruitment and Retention Group is in place to drive recruitment. Actions have included international recruitment campaigns (medical and nursing staff) and additional staff are scheduled to commence at the Trust. Safe staffing metrics have been developed in conjunction with a Safe Staffing Policy. The Trust monitors compliance with this on a weekly basis and manages it proactively through daily bed meetings which consider staffing levels.<br>1. Complete implementation of ward staffing system linked to ESR.<br>2. International recruitment campaign for staff ongoing combined with regular adverts for UK staff. | **4** (4x1) |

| Risk Name | Original Risk Rating (Impact x Likelihood) | Existing Controls, Gaps in Controls and Audit Activity | Current Risk Rating (Impact x Likelihood) | Action Plan | Target Risk Rating (Impact x Likelihood) |
|---|---|---|---|---|---|
| Patient Experience | **16** (4x4) Jul-13 | 1. Ward quality rounds undertaken to check individualised care is being planned and provided.<br>2. Programme of improving patient experience work reports to Improving Patient Experience Group.<br>3. Dementia training programme in place. All patients over 75 are assessed within three days of admission and referred on if necessary. A dementia bay pilot (four beds) is in place with appropriate HCA support to the area. The Trust has used a patient story in a video format to highlight the experience of a dementia patient. This is available on the intranet and plans in place to show this as a group screening.<br>4. Associate Director of Patient Experience reports through to the Director of Nursing Standards.<br>5. Dementia Steering Group relaunched reporting through to Patient Safety Group, chaired by Director of Nursing Standards.<br>6. Development of patient experience trackers with realtime surveys and ward feedback ongoing.<br>7. Dashboard indicators of patient experience monitored monthly and presented. | **12** (4x3) Sep-14 | 1. Trust undertakes ward level compliance rounds three times per week and reviewed weekly by senior nurses.<br>2. Development of Patient Experience Strategy and implementation plan.<br>3. Development of stronger links and relationships with CCG lay members and Healthwatch organisations.<br>4. Implementation of Listening into Action and "We Care" customer care programme.<br>5. Local and Trust-wide actions being implemented to address deteriorating areas.<br>6. Board and Divisional leadership teams to undergo training relating to Patient Experience and the value of different types of feedback and data analysis.<br>7. Workshop held with Picker to review the current Patient Survey and action plans being developed by Divisions. | **4** (4x1) |
| Risk to Obstetrics and Gynaecology and Maternity Related Services (Division D) | **16** (4x4) Nov-10 | 1. One unified action plan that incorporates actions from all reviews.<br>2. All appropriate obstetric 'good guidance' Policies in place.<br>3. Training programmes rolled out.<br>4. External team-building support commissioned to change departmental culture.<br>5. Staffing brought up to where it needs to be.<br>6. Monthly meetings with CCGs to give assurance on progress with action plan.<br>7. Creation of 'Division D' which will include maternity services, allowing for closer proximity between service issues and the Board. | **16** (4x4) Aug-14 | 1. a. Provide root cause analysis (RCA) training for all Consultants; and<br>b. Introduce a 'rota' in pairs to investigate and peer review serious incidents (SIs).<br>2. Implement recommendations from KPMG Governance review.<br>3. Monitor overarching action plan (TD reports x 3, RCOG, CS & CQC) regularly in a team forum. | **6** (2x3) |
| Risk of Inadequate System-wide Integrated Working (Trust-wide) | **15** (5x3) Jun-14 | System wide for a, Risk Summit, Emergency Care Access Board. Gaps exist as illustrated by the FPH business case process where Commissioners have very different expectations of activity and expenditure levels within the new single Trust when compared to the FBC for the FPH transaction. | **15** (5x3) Aug-14 | Strategic level discussions; agreed between CEOs to address any gaps in expectations for activity and income levels under the FPH transaction leading to the development of the five year system wide strategy. | **9** (3x3) |

The effectiveness of governance structures, the responsibilities of directors and subcommittees and reporting lines and accountabilities between the Board and its subcommittees and the Executive Board are covered in Section 3 of the Annual Report.

Compliance with Care Quality Commission's Registration Requirements

The foundation trust is not fully compliant with the registration requirements of the Care Quality Commission.

Pension

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

Equality, Diversity and Human Rights

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

Sustainability

Heatherwood and Wexham Park Hospitals NHS Foundation Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Review of Economy, Efficiency and Effectiveness of the Use of Resources

Since July 2009, Monitor had found the Trust to be in breach of its Terms of Authorisation) due to a failure to comply with its general duty to exercise its functions effectively, efficiently and economically. This position has remained consistent until the application of the new Monitor licence in 2013, at which point Monitor informed the Trust that the breach now impinged upon compliance with licence requirement FT4(5)(a), that the Licensee shall establish and effectively implement systems and/or processes to ensure compliance with the Licensee's duty to operate efficiently, economically and effectively. Further detail on this is included within the main Annual Report.

Information Governance and Personal Data-related Incidents

The Trust had a suite of policies and procedures relating to data security and information governance. All staff undertook essential training in the principles.

In terms of data security risk, the Trust achieved at least the 'Level 2' standard in terms of the data security aspects of the Information Governance Toolkit. In order to support this, the Trust employed a member of staff who acted as a Data Protection Officer and ensured that all data security incidents were reviewed, managed and lessons learnt. This work was also overseen by the Information Governance Working Group.

The Trust continued to raise awareness of Information Governance with its staff through a comprehensive training and awareness programme. This helped to encourage the reporting of personal data related incidents which enabled the Trust to review and continually improve its processes for IG to secure all personal information and to ensure full compliance with the Data Protection Act 1998. Any Information Governance incidents were recorded on the Trust Incident Reporting System (Datix).

From June 2013, all organisations processing health and adult care personal data are required to use the Information Governance Toolkit to report Level 2 Information Governance Serious Incident Requiring Investigation (SIRI) to the Department of Health, Information Commissioners Office (ICO) and other regulators. The new tool aims to enable sharing of intelligence between the Department of Health, ICO and other regulators on Information Governance Serious Incident Requiring

Investigations (SIRIs) for the purpose of supporting, guiding, investigating breaches, performance monitoring and improving standards of health and adult social care services. Information Governance incidents are now classified in terms of severity 0, 1 and 2 in terms of both scale and sensitivity as follows:

| Severity Rating | Description |
|---|---|
| **0** | Near miss/non-event. When an Information Governance SIRI has been found to have occurred or severity is reduced due to fortunate events which were not part of the pre-planned controls and is recorded to enable lessons learned activities to take place and appropriate recording of the event. |
| **1** | Confirmed Information Governance SIRI but no need to report to ICO, Department of Health and other regulators. |
| **2** | Confirmed IG SIRI that must be reported to ICO, Department of Health and other regulators. |

In 2014/15 (April 2014 – September 2014), there were no information governance SIRIs recorded by the Trust.

Compliance with the Information Governance Toolkit 2014/15

In March 2014, the Trust declared Level 2 compliance against the requirements of the Information Governance Toolkit, with an overall score of 71% (satisfactory). The Trust continued throughout the first half of 2014/2015 to operate in accordance with the requirements of the Information Governance Toolkit. This ensured that the Trust's information management and handling arrangements were fit for purpose and that any information security risks were appropriately mitigated.

Following the acquisition by FPH in October 2014, the HWPH NACS code (RD7) has ceased to exist under the Information Governance Toolkit. The historical data prior to the acquisition is still available on the Health and Social Care Information Centre website.

Annual Quality Accounts

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

The Trust followed this guidance in compiling its Quality Accounts as part of the 2013/14 Annual Report and established a comprehensive engagement process in setting its clinical priorities for 2014/15. This process included internal stakeholders such as the Trust Board, Executive Board, Healthcare Governance Committee, Council of Governors and key external stakeholders such as local Healthwatch organisations and Overview and Scrutiny Committees. The breadth of this engagement helped ensure that the content of the Quality Accounts was balanced and in alignment with the needs of the Trust's patient population.

With regard to assurance of data use and reporting, Health Informatics (within the Trust Information Management and Technology directorate) established an assurance programme on key performance indicators (KPIs) and indicator definitions in 2013/14 which continued into 2014/15, reviewing all major reports and KPIs to 'kitemark' the output against target requirements and definitions. In particular, Health Informatics worked with the appropriate operational teams to improve understanding and processes related to all KPIs and national indicators.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within Heatherwood and Wexham Park Hospitals NHS foundation trust who had responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports.

Board Effectiveness

The Heatherwood and Wexham Park Hospitals NHS Foundation Trust Board kept under review its own effectiveness and this was notably challenged throughout the first two quarters of 2014/15 due to the outcomes of the CQC report published in February 2014 which identified areas of ineffectiveness with regard to governance, risk mitigation and leadership in tackling service-level/clinical issues. The Board established a Quality Improvement Plan to address these shortfalls and this Plan has been incorporated into the combined Frimley Health Quality Improvement Plan. The Heatherwood and Wexham Park Hospitals NHS Foundation Trust Board also undertook a full effectiveness review of its serving Committees and made changes to functionality based upon the outcomes of the assessment.

During 2014/15, the Board took full account of the statutory functions required of the Trust and I am advised that no material irregularities were found.

Work was commissioned by Heatherwood and Wexham Park Hospitals NHS Foundation Trust from the internal audit service during the first two quarters of 2014/15 to review the adequacy of the controls and assurance processes in place and to develop improvements within the governance processes. Within the internal audit programme undertaken, it was noted that there were some weaknesses in the design and/or inconsistent application of controls which put the achievement of particular objectives at risk in respect of two audited areas:

- Minor Medical Equipment (marked as 'high risk'): The auditors concluded that there was no adequate systematic process to ensure the timely and effective training of staff on newly acquired medical devices. There were other concerns with regard to record keeping as it related to medical equipment and the management of the equipment lifecycle.
- Management of Staff Sickness (marked as 'medium risk'): The auditors noted inaccuracies and inconsistencies in the way in which staff sickness was captured, monitored and reported.

For all audit reports received from the internal auditors, recommendations to address any shortfalls were agreed with the relevant Executive Director and the Trust monitored the implementation of these audit recommendations at each meeting of the Audit and Assurance Committee.

Through the undertaking of the internal audit programme, the Head of Internal Audit formally assessed the Trust's governance processes, historical financial and operational performance and infrastructure as part of its ongoing assessment. A Head of Internal Audit Opinion has not been produced for the part-year period.

In terms of the Trust's risk management framework, described in detail within this statement, I have taken assurance from the Heatherwood and Wexham Park Hospitals NHS Foundation Trust Board as to the general soundness of the Trust's RAF process subject to the concerns identified above. I am also assured that known governance and quality shortfalls will be addressed through the Frimley Health Quality Improvement Plan.

Current Processes and Controls

The Heatherwood and Wexham Park Hospitals NHS Foundation Trust Board, supported by the Executive Team and management, was responsible for reviewing and setting the strategic direction of the Trust, which was reflected in the Annual Plan submitted to Monitor. All participants of the process had a responsibility to ensure the plan represented an economic, efficient and effective use of public funds, resources and assets. During the process, governors were presented with and encouraged to give their views on the emerging plan, with these views being taken into account by the Board as part of their consideration of the final plan.

During the course of the planning cycle, the Board were briefed on the developing plan including the course of negotiations with Commissioners, assumed efficiency savings in national tariff arrangements and potential service developments. The Board set the strategic priorities and approved major developments in service, including major schemes to meet the efficiencies required of the Trust. The Board would routinely consider and approve the Annual Plan for submission to Monitor in accordance with statutory regulations.

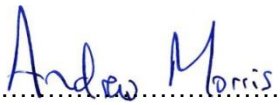
Throughout the first six months of 2014/15, the Board received monthly updates on the overall performance of the Trust, both for services to patients and financially. This included monitoring the Trust's performance against key metrics as well as analysing financial performance against plan, both at a Trust and divisional level. Executive and divisional management were also provided with more frequent indications during the course of each month as to trends in key areas of expenditure such as drugs, supplies, and agency staff.

In addition to information received directly, the Board routinely received the minutes of the Healthcare Governance Committee, Audit and Assurance Committee and Finance and Business Development Committee. These minutes were discussed at the subsequent Trust Board Meeting.

Internal audit continued to review the systems and processes in place during the first six months of 2014/15 under a programme agreed with the Audit and Assurance Committee. Their reports were presented to the Audit and Assurance Committee, detailing actions required to maintain economic, efficient and effective use of resources, which the committee considered together with the responses from management. In addition, the Trust's external auditors provided an opinion on the economy, efficiency and effectiveness of the Trust's operations as a regular part of their annual audit work.

**Conclusion**

As Accounting Officer of Frimley Health NHS Foundation Trust and based on the review process outlined above, Frimley Health NHS Foundation Trust has identified and is taking action on the internal control issues arising in year within Heatherwood and Wexham Park Hospitals NHS Foundation Trust which have been identified in detail in the body of the Annual Governance Statement above.

Signed: 
**Andrew Morris**
**Chief Executive, Frimley Health NHS Foundation Trust**
Date: 29th May 2015

## 13. COUNCIL OF GOVERNORS

HWPH had a Council of Governors which the Trust Board reported to on organisational performance and progress made against agreed strategic objectives. The Board also consulted the Council on the Trust's future direction. All Board members, including Non-Executive Directors, were asked to attend Council meetings in order to gain an understanding of the views of the Trust's Governors and Members. In addition, the Chairs of the sub-committees of the Board attended the corresponding sub-groups of the Council of Governors for the purposes of:

- Providing assurance as to the work of the relevant Board committee;
- Allowing the non-executives to absorb Governor opinion on matters of interest and to feed this in to Board committee discussions.

The Council of Governors was composed of 24 Governors, plus the Trust Chairman. As required under the NHS Act 2006, the majority of the Trust's Governors were publicly elected. The statutory and non-statutory duties of the Governors were encapsulated within the Trust constitution and formed the main decision-making powers of the Council:

- To appoint or remove the Chairman and the other Non-Executive Directors;
- To approve an appointment (by the non-executive Directors) of the Chief Executive;
- To decide the remuneration and allowances, and the other terms and conditions of office, of the Chairman and the other non executive Directors;
- To appoint or remove the Trust's auditor;
- To appoint or remove any auditor appointed to review and publish a report on any other aspect of the Trust's affairs;
- To be presented with the Annual Accounts, any report of the auditor on them and the Annual Report;
- To be consulted on the content of the Quality Accounts;
- To, on a regular basis, be presented with other management reports detailing Trust performance in all areas: clinical, operational and financial performance;
- To provide their views to the Board of Directors when the Board of Directors is preparing the document containing information about the Trust's forward planning;
- To respond as appropriate when consulted by the Board of Directors in accordance with this Constitution;
- To undertake such functions as the Board of Directors shall from time to time request;
- To prepare and from time to time to review the Trust's Membership Strategy, its policy for the composition of Council of Governors and of the non executive Directors;
- In accordance with the terms of the Trust Membership Strategy, to regularly consult and engage with each Governor's specific member constituents or, in the case of an appointed Governor, to do so with members of the represented organisation;
- When appropriate to make recommendations for the revision of this Constitution;
- To approve significant transactions.

The Council of Governors was assisted in undertaking its duties by the following:

- Nominations and Remuneration Committee (mandatory);
- Membership and Communications Committee (mandatory);
- Joint Clinical Assurance Group (non-mandatory);
- Joint Finance and Performance Assurance Group (non mandatory).

The Council of Governors comprised three main constituency groups:

- Public Governors;
- Staff Governors;
- Other Appointing Organisations.

1) Public Governors

There were 13 public governors from the following constituencies:

- Slough: x3 Governors;
- Windsor, Ascot and Maidenhead: x3 Governors;
- Bracknell Forest: x3 Governors;
- South Buckinghamshire: x3 Governors;
- Outer catchment area: x1 Governor.

2) Staff Governors

There were four staff governors from the following hospital core directorates:

- Other Clinical : x1 Governor;
- Nursing and Midwifery : x1 Governor;
- Non-Clinical : x1 Governor;
- Medical : x1 Governor.

3) Other Appointing Organisations

- CCG: Berkshire East Federation of CCGs (x1 Governor);
- CCG: Chiltern (x1 Governor);
- Local Authority:
  - Windsor and Maidenhead (x1 Governor)
  - Slough (x1 Governor)
  - Bracknell Forest (x1 Governor)
  - South Bucks District Council (x1 Governor)
- Voluntary Organisations (x1 Governor)

Governor Resignations and Elections

An external electoral agent was appointed by the Trust to oversee the election process.

Where a vacancy arose amongst the appointed governors, the Secretary requested the appointing organisation to appoint a replacement to hold office for the remainder of the term of office. Where a vacancy arose amongst the elected governors, the Council of Governors was at liberty to agree any of the following:

a) Where the vacancy arose within six months of the election, the governor role could be offered to the candidate with the second highest number of votes at the election;
b) To call an election within three months to fill the seat for the remainder of that term of office;
c) To leave the vacancy open until the next election date provided that the number of public governors did not fall below the majority on the Council of Governors and that the election date was within six months.

Public governors were elected by members of the public constituency to which they belonged, and held office for a period of three years. Stakeholder governors were appointed by their organisation and held office for a period of three years. Staff Governors were elected by staff members and held office for a period of three years.

In the period April to October 2014 there were no elections in respect of public governor positions.

**Governors as at September 2014**

| Governors | Constituency | Attendance at Council of Governor Meetings (total of 2) |
|---|---|---|
| Tim Arnold | Public: Slough | 1 |
| Sharon O'Reilly | Public: Slough | 2 |
| Angela Pober | Public: Slough | 2 |
| Elizabeth Chambers | Public: Windsor, Ascot and Maidenhead | 2 |
| Brian Huggett | Public: Windsor, Ascot and Maidenhead | 2 |
| Karen Saunders | Public: Windsor, Ascot and Maidenhead | 2 |
| James White | Public: Bracknell Forest | 2 |
| Ray Carter | Public: Bracknell Forest | 1 |
| Valerie Pearce | Public: Bracknell Forest | 2 |
| Paul Henry | Public: South Bucks | 1 |
| Barry Hawkes | Public: South Bucks | 2 |
| John Glasson | Public: South Bucks | 2 |
| Nick Ray | Outer Catchment Area | 2 |
| Michael Jacobs | Staff: Clinical | 2 |
| Sandra Walden | Staff: Nursing and Midwifery | 2 |
| Philip Reginald | Staff: Medical | 1 |
| Peter Blackshire | Staff: Non-Clinical | 2 |
| Nasreen Bhatti | Berkshire East Federation of CCGs | 2 |
| Conan Hassim | Chiltern CCG | 1 |
| Sobia Hussain | Local Authority: Slough | 1 |
| Councillor David Hilton | Local Authority: Windsor, Ascot and Maidenhead | 2 |
| Wendy Mathews | South Bucks District Council | 0 |
| Councillor Marc Brunel-Walker | Local Authority: Bracknell Forest | 2 |
| Kevin Griffiths | Voluntary organisation: Age Concern | 1 |
| **Ex- Governors** | | |
| Cllr James Walsh | Local Authority: Slough | 1 |
| Trevor Egleton | Local Authority: Buckinghamshire Council | 2 |
| Tracey Morgan | Voluntary organisation: Age Concern | 0 |

Register of Governors' Interests

Governors have a responsibility to avoid any conflict between their business and personal interests and are seen to act impartially.

The Register of Governors' interests was maintained by the Deputy Company Secretary and a copy can be obtained via e-mail request to meg.stevens@hwph-tr.nhs.uk.

## 14. MEMBERSHIP

The concept of Foundation Trusts is underpinned by the need to ensure greater public accountability, openness and transparency within the NHS. These concepts are enforced by a legislative requirement for all Foundation Trusts to have a membership which comprises members of the public, patients and staff. This Trust encourages members to help shape the future of Trust services.

The Trust's public membership was representative of the local communities it served, divided into five defined voting constituencies.

Public membership comprised individuals in the following categories:

- Attained 16 years of age;
- Entitled under the Trust's constitution to be a member of a public constituency;
- Had completed a membership application form.

All members of Trust staff were automatically entered onto the register of members, unless they chose to opt-out. This allowed staff members to have a say in the running of the Trust and ensured that internal staff views and opinions informed the Trust's delivery of services and strategic direction. The staff membership was divided into four staff groupings.

Staff membership comprised the following categories:

- Members of staff on permanent contracts;
- Members of staff on temporary contracts of at least 12 weeks;
- Members of staff employed to work under contract for 12 months continuously.

Building the Trust Public Governors' Status and Activity in the Community

Through its public membership, the Trust ensured that its key strategic decisions were informed by the views of the patient population that it served. The key strategic membership objectives for the period April to September 2014 were:

- Managing an active membership;
- Improving communication and engagement with members.

The Trust sought to engage with its membership through publication of a Members Newsletter, consultation around Trust clinical priorities and mail-outs about the acquisition.

Members of the public interested in becoming Trust members can request an application form via the Frimley Health Trust website at: www.frimleyhealth.nhs.uk

**FOREWORD TO THE ACCOUNTS**
**HEATHERWOOD AND WEXHAM PARK HOSPITALS NHS FOUNDATION TRUST**

These accounts, for the 6 month period ended 30 September 2014, are prepared in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006.

Signed: 
**Andrew Morris**
**Chief Executive, Frimley Health NHS Foundation Trust**
Date: 26th May 2015

## 15. FINANCIAL STATEMENTS

### 15.1 Statement of the Chief Executive's Responsibilities as the Accounting Officer of Heatherwood and Wexham Park Hospitals NHS Foundation Trust

In the period leading up to the acquisition on 1 October 2014, the succssor body was not privy to discussions with the Heatherwood & Wexham Parks Hospitals Board regarding these accounts. During the period, the successor body was not responsible, and did hold authority for, Heatherwood & Wexham Park Hospitals NHS Foundation Trust.

The NHS Act 2006 states that the Chief Executive is the accounting officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the Accounting Officers' Memorandum issued by Monitor.

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

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

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS Foundation Trust Annual Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance; and
- prepare the financial statements on a going concern basis.

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

The Heatherwood & Wexham Park NHS Foundation Trusts Annual Accounts are being signed by the successor body Frimley Health NHS Foundation Trust.

Signed:  .....

**Andrew Morris**
**Chief Executive, Frimley Health NHS Foundation Trust**
Date: 26th May 2015

## 15.2 INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS ON HEATHERWOOD AND WEXHAM PARK HOSPITALS NHS FOUNDATION TRUST

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF FRIMLEY HEALTH NHS FOUNDATION TRUST, IN RESPECT OF HEATHERWOOD AND WEXHAM PARK HOSPITALS NHS FOUNDATION TRUST ONLY

**Opinions and conclusions arising from our audit**

***1. Our opinion on the financial statements is unmodified***

We have audited the financial statements of Heatherwood and Wexham Park Hospitals NHS Foundation Trust for the year period ended 30 September 2014 set out on pages 70 to 94. In our opinion:

- the financial statements give a true and fair view of the state of the Trust's affairs as at 30 September 2014 and of the Trust's income and expenditure for the period then ended; and
- the financial statements have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2014/15.

***2. Our assessment of risks of material misstatement***

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

**NHS Income Recognition - £122.5m million**

*Refer to page 23 (Audit Committee Report), page 75 (accounting policy) and page 84 (financial disclosures).*

**The risk:** The main source of income for the Trust was the provision of healthcare services to the public under contracts with NHS commissioners, which make up 94% of income. The Trust has participated in the Agreement of Balances (AoB) exercise which is mandated by the Department of Health (the Department), covering the English NHS only, for the purpose of ensuring that intra-NHS balances are eliminated when the consolidation exercise takes place to report the Department's Consolidated Resource Account. The AoB exercise identifies mismatches between receivable and payable balances recognised by the Trust and its counter parties at 31 March 2015.

The Trust ceased to exist as at 30 September 2014 and was acquired by Frimley Health NHS Foundation Trust, and therefore was only able to provide details of its transactions with its commissioners up to this date. Although part of a new organisation from 1 October 2014, the Trust continued to provide the same services on behalf of its commissioners. The commissioners have taken part in the national agreement of balances exercise as at 31 March 2015. This has led to a significant number of mismatches between the Trust and its counter-parties given the six month difference in timeframe that has been reviewed. The mismatches relate to income that was accrued as at 30 September 2014 for partially completed spells, winter pressure funding, CQUINs and contract over-performance, based upon the information that the Trust had available to it at that time. Since 1 October 2014, funding envelopes have been further negotiated and the nature and scale of transactions between the former Trust and its counter-parties been updated.

**Our response:** In this area our audit procedures included:

- Reconciling the income recorded in the financial statements to signed contracts with material counter parties. These contracts were signed post-acquisition of the Trust, but related to the period of operation up to 30 September 2014, and then to 31 March 2015 in the Trust's new form as part of Frimley Health NHS Foundation Trust;
- Carrying out testing of invoices raised around the period-end to determine whether income had been recognised in the appropriate period.
- For contracts with material counter-parties, we verified the extent to which cash had been received and banked in relation to invoices raised.

- For income accrued at 30 September 2014, that had not been invoiced subsequently, or cash received up to the date of our audit report, we challenged the nature of the accrual and assessed the events that occurred post 30 September 2014 to identify whether the accrued income balance remained materially accurate.

**Valuation of Land and Buildings - £95.2 million**

*Refer to page 23 (Audit Committee Report), page 76 (accounting policy) and pages 72 to 87 (financial disclosures).*

**The risk:** Land and buildings are required to be maintained at up to date estimates of year-end market value in existing use (EUV) for non-specialised property assets in operational use, and, for specialised assets where no market value is readily ascertainable, the depreciated replacement cost of a modern equivalent asset that has the same service potential as the existing property (MEAV). There is significant judgement involved in determining the appropriate basis (EUV or MEAV) for each asset according to the degree of specialisation, as well as over the assumptions made in arriving at the valuation and the condition of the asset.

In line with the Trust's accounting policy, which requires a formal valuation every five years, no valuation was undertaken during the period to 30 September 2014. Management were required to consider whether there were any events that may have led to, or other indications of, a material impairment to the value of land and buildings as at the balance sheet date. There is thus a risk that the valuation of land and buildings as at 30 September 2014 may not reflect the use or condition of the assets at that date.

**Our response:** In this area our audit procedures included:

- Critically assessing the basis on which Trust management had concluded that there was no indication of material impairment to the value of land and buildings as at 30 September 2014;
- Obtaining and reviewing a general market condition survey from Gerard Eve to ascertain if there is an indication of impairment to land and property values across the South East of England;
- Considering the external full valuation that has been undertaken by Frimley Health NHS FT as at 31 March 2015 to understand the movements in land and building values as at that date and whether these indicate that the valuations as at 30 September 2014 are overstated.

***3. Our application of materiality and an overview of the scope of our audit***

The materiality for the financial statements was set at £2.6m, determined with reference to a benchmark of total income from operations (of which it represents 2%). We consider total income from operations to be more stable than a surplus-related benchmark because as a not-for-profit organisation, the Trust does not have a profit motive or a need to generate a financial return to stakeholders.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.135m, in addition to other identified misstatements that warrant reporting on qualitative grounds.

Our audit of the Trust was undertaken to the materiality level specified above and was performed at the Trust's former Head Office in Slough.

***4. Our opinion on other matters prescribed by the Audit Code for NHS Foundation Trusts is unmodified***

In our opinion:

1. the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust ARM 2014/15; and
2. the information given in the Strategic Report and the Directors' Report for the period for which the financial statements are prepared is consistent with the financial statements.

***5. Emphasis of matter – basis of preparation of the accounts***

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 1.4 to the financial statements concerning the basis of preparations of the accounts. The Directors have acknowledged in note 1.4 that the Trust does not meet the accounting definition of a going concern as a consequence of its acquisition by Frimley Health NHS FT as at 1 October 2014. However, as directed by the NHS Foundation Trust Annual Reporting Manual 2014/15, the Directors have prepared the financial statements on a going concern basis as the services provided by the Trust continued to be provided by a new NHS providers after the Trust's dissolution.

6. ***Matters on which we are required to report by exception***

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during out audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy; or
- the audit and assurance committee function does not appropriately address matters communicated by us to the audit committee.

Under the Audit Code for NHS Foundation Trusts we are required to report to you if in our opinion:

- the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust ARM 2014/15, is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements; and
- the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in its use of resources.

Up to the date of its acquisition by Frimley Health NHS FT, the Trust had continued to face significant financial pressures and as a result, in common with 2013/14, Monitor considered that the Trust had contravened and was failing to comply with the provider licence condition FT4: NHS foundation trust governance arrangements paragraphs 5(a), (c), (d), (f) and (h) relating to using its resources "effectively, efficiently and economically" and that the contravention and failure are significant.

As a result of these matters we are unable to conclude that the Trust made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 30 September 2014.

***Certificate of audit completion***

We certify that we have completed the audit of the accounts of Heatherwood and Wexham Park Hospitals NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.

**Respective responsibilities of the accounting officer and auditor**

As describer more fully in the Statement of Accounting Officer's Responsibilities on pages 64 to 65 the accounting officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

**Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)**

A description of the scope of an audit of financial statements is provided on our website at www.kpmg.com/uk/auditscopeother2014. This report is made subject to important explanations

regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Council of Governors of Frimley Health NHS Foundation Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, 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 Council of Governors of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

**Neil Thomas**
**for and on behalf of KPMG LLP, Statutory Auditor**

***Chartered Accountants***
**15 Canada Square**
**Canary Wharf**
**London E14 5GL**
**United Kingdom**

**27 May 2015**

## 15.3 Financial Statements

### 15.3.1 Statement of Comprehensive Income for April – September 2014

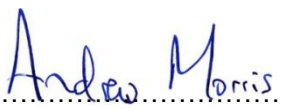
| | NOTE | **6 months ended 30 Sep 2014 £000** | Year ended 31 March 2014 £000 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from patient care activities | 3 | **124,494** | 235,257 |
| Other operating revenue | 4 | **6,543** | 17,668 |
| Operating expenses | 5 | **(141,312)** | (259,392) |
| **Operating (deficit)/surplus** | | **(10,275)** | (6,467) |
| | | | |
| **Finance costs:** | | | |
| Investment revenue | 12 | **15** | 29 |
| Finance costs | 14 | **(204)** | (440) |
| Public dividend capital dividends payable | | **(1,383)** | (2,686) |
| **Net finance expense** | | **(1,572)** | (3,097) |
| | | | |
| **Retained (deficit) for the year** | | **(11,847)** | (9,564) |
| | | | |
| **Total comprehensive income / (deficit) for the year** | | **(11,847)** | (9,564) |

15.3.2 Statement of Financial Position as at 30 September 2014

**STATEMENT OF FINANCIAL POSITION AS AT**
**30 Sep 2014**

| | NOTE | | **30 Sep 2014** | 31 March 2014 |
|---|---|---|---|---|
| | | | **£000** | £000 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 15 | | **95,243** | 90,690 |
| Intangible assets | 16 | | **7,694** | 6,673 |
| Trade and other receivables | 20 | | **825** | 826 |
| **Total non-current assets** | | | **103,762** | 98,189 |
| | | | | |
| **Current assets** | | | | |
| Inventories | 19 | | **5,810** | 5,632 |
| Trade and other receivables | 20 | | **28,026** | 17,461 |
| Cash and cash equivalents | 21 | | **553** | 2,996 |
| **Total current assets** | | | **34,389** | 26,089 |
| **Total assets** | | | **138,151** | 124,278 |
| | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 22 | | **(43,504)** | (29,162) |
| Borrowings | 23 | | **(71)** | (1,355) |
| Other financial liabilities | 22 | | **-** | (129) |
| Provisions | 25 | | **(1,501)** | (1,511) |
| Other liabilities | 22 | | **(2,167)** | (1,924) |
| **Total current liabilities** | | | **(47,243)** | (34,081) |
| **Total assets less current liabilities** | | | **90,908** | 90,197 |
| **Non-current liabilities** | | | | |
| Borrowings | 23 | **26** | **(34)** | (10,264) |
| Provisions | 25 | | **(142)** | (135) |
| **Total assets employed** | | | **90,732** | 79,798 |
| | | | | |
| **Financed by taxpayers' equity:** | | | | |
| Public dividend capital | | | **168,876** | 146,095 |
| Retained earnings | | | **(97,834)** | (85,987) |
| Revaluation reserve | | | **19,690** | 19,690 |
| **Total Taxpayers' Equity** | | | **90,732** | 79,798 |

The financial statements were approved by the Board on 26 May 2015 and signed on its behalf by:

Signed: 
**Andrew Morris**
**Chief Executive, Frimley Health NHS Foundation Trust**
Date: 26th May 2015

15.3.3 Statement of Cash Flows for the Year Ended 30 September 2014

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**

**30 Sep 2014**

| | **September 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| **Cash flows from operating activities** | | |
| Operating surplus/(deficit) | **(10,275)** | (6,467) |
| Depreciation and amortisation | **4,845** | 8,425 |
| Impairment | **0** | 0 |
| Reversal of impairment | **0** | 0 |
| Interest accrued and not paid | **0** | 0 |
| (Increase)/decrease in inventories | **(178)** | (78) |
| (Increase)/decrease in trade and other receivables | **(10,564)** | (6,897) |
| Increase/(decrease) in trade and other payables | **15,659** | 5,256 |
| Increase/(decrease) in other current liabilities | **243** | (2,667) |
| Increase/(decrease) in provisions | **(3)** | (570) |
| Other movements in operating cash (gains)/losses | **(79)** | (306) |
| **Net cash from / (used in) operations** | **(353)** | (3,304) |
| **Cash flows from investing activities** | | |
| Interest received | **15** | 29 |
| Sale of asset | **-** | 88 |
| (Payments) for property, plant and equipment | **(8,879)** | (12,508) |
| (Payments) for intangible assets | **(2,858)** | (3,417) |
| **Net cash generated from / (used in) investing activities** | **(11,722)** | (15,808) |
| **Cash flows from financing activities** | | |
| PDC dividend capital received | **27,771** | 20,492 |
| PDC dividend capital repaid | **(4,990)** | 0 |
| Loans repaid to the independant Trust Financing Facility | **(11,484)** | (1,444) |
| Interest paid | **(282)** | (402) |
| PDC Dividend paid | **(1,383)** | (2,686) |
| **Net cash inflow/(outflow) from financing** | **9,632** | 15,960 |
| **Net increase/(decrease) in cash and cash equivalents** | **(2,443)** | (3,152) |
| **Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year** | **2,996** | 6,148 |
| **Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year** | **553** | 2,996 |

15.3.4 Statement of Changes in Taypayers' Equity

| | **Public Dividend Capital (PDC)** | **Retained Earnings** | **Revaluation Reserve** | **Total** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Balance at 1 April 2014** | **146,095** | **(85,987)** | **19,690** | **79,798** |
| **Changes in taxpayers' equity for April - September 2014** | | | | |
| Total Comprehensive Income for the year: | 0 | (11,847) | 0 | **(11,847)** |
| Retained (deficit) for the year | | | | 0 |
| Impairments | 0 | 0 | 0 | 0 |
| Public Dividend Received | 27,771 | 0 | 0 | **27,771** |
| Public Dividend Paid | (4,990) | 0 | 0 | **(4,990)** |
| Other reserve movements | 0 | 0 | 0 | 0 |
| **Balance at 30 September 2014** | **168,876** | **(97,834)** | **19,690** | **90,732** |

| | Public Dividend Capital (PDC) | Retained Earnings | Revaluation Reserve | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Balance at 1 April 2013** | 125,603 | (76,423) | 19,690 | 68,870 |
| **Changes in taxpayers' equity for 2013-14** | | | | |
| Total Comprehensive Income for the year: | | | | |
| Retained (deficit) for the year | 0 | (9,564) | 0 | (9,564) |
| Impairments | 0 | 0 | 0 | 0 |
| Public Dividen Received | 20,492 | 0 | 0 | 20,492 |
| Public Dividend Paid | 0 | 0 | 0 | 0 |
| Other reserve movements | 0 | 0 | 0 | 0 |
| **Balance at 31 March 2014** | **146,095** | **-85,987** | **19,690** | **79,798** |

15.4 **Notes to the Accounts**

## 1. ACCOUNTING POLICIES

**Accounting policies and other information**

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2014/15 issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

**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.

The accounts have been prepared on a going concern basis.

**1.1 Consolidation**

The NHS Foundation Trust is the corporate trustee to Heatherwood and Wexham Park Hospitals Charity. The foundation trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the foundation trust has the power to govern the financial and operating policies of the charitable fund so as to obtain benefits from its activates for itself, its patients or its staff.

Prior to 2013/14, the FT ARM permitted the NHS Foundation Trust not to consolidate the charitable fund. From 2013/14, the foundation trust has not consolidated the charitable fund on the basis of materiality, in line with the requirements of the ARM and accounting standards, The Charitable Funds balance at the 30th September was £1.2m and the Trust considers the balance not material.

**1.2 Future Changes in Accounting Policy**

Accounting standards that have been issued but not yet adopted. The following standards, amendments and interpretations have been issued by the IASB and IFRIC but are not yet required to be adopted:

Effective for financial year ending 31 March 2015

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation - amendment Offsetting financial assets and liabilities

The adoption of IFRS 9 Financial Instruments is uncertain. This is not likely to be adopted by the EU until the IASB has finished the rest of its financial instruments project.

IFRS 13 Fair Value Measurement was effective from 2013/14 but not yet adopted by HM Treasury.

The standards above have no impact on the Trusts annual accounts presented here.

## 1.3 Judgements, Estimates and Assumptions

In applying the Trust's accounting policies management are required to make judgements, estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions are based on historical experience and any other factors that are deemed relevant. Actual results may differ from these estimates and are continually reviewed to ensure validity remains appropriate. These revisions are recognised in the period in which they occur or the current and future periods, as appropriate.

International accounting standard IAS1 requires estimates, assumptions and judgements to be continually evaluated and to be based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The purpose of the evaluation is to consider whether there may be a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year, compared to the carrying value in these accounts. The following significant assumptions and areas of estimation and judgement have been considered in preparing these financial statements.

Value of land and buildings: This is the most significant estimate in the accounts and is based on the professional judgement of the Trust's independent valuer with extensive knowledge of the physical estate and market factors. The value does not take into account potential future changes in market value which cannot be predicted with any certainty. The Trust has not revalued its assets in 2014/15.

Partially Completed Spells: Patients who were admitted on or before the 30th September but have not been discharged before midnight are valued for income purposes based upon the following:- Number of days plus one they have been have been in hospital divided by the average length of stay of the average patient treated by the same specialty, multiplied by the mean price of the same specialty. Patients who are being cared for in intensive care are also valued based on the agreed tariff multiplied by the number of days the patient has been cared for up to the 30th September.

Maternity Pathway Adjustment: The Trust receives a full pathway payment for all expectant mothers who started their antenatal care during April to September 2014 irrespective of the expected date of delivery. Deferred income has been calculated based on the estimated gestation period remaining for those mothers yet to deliver as at 30th September 2014 and assuming all pregnancies last for a duration of 40 weeks.

Untaken annual leave: salary costs have been included at period-end for annual leave earned but not taken by employees at 30th September 2014.

Provisions: Assumptions around the timing of the cashflows relating to provisions are based upon information from the NHS Pensions Agency and expert opinion within the Trust and from external advisers regarding when legal issues may be settled.

## 1.4 Going Concern

The Foundation Trust's accounts have been prepared on the basis that the Trust would be a trading organisation beyond 30 September 2014 i.e. on an 'ongoing basis'. The focus during April to September 2014 was to maintain financial performance and deliver operational targets whilst supporting the acquisition project.

The Trust ended the accounting period having achieved all its financial targets. In delivering on those targets the Trust was supported by strategic assistance from the Department of Health. The Trust recognised the need to continue to demonstrate its ability to increase productivity and reduce costs. The Trust's strategy ensured that all budget holders owned and committed to a realistic and achievable financial performance. The Trust's focus on cost savings and efficiency improvements meant that savings targets were substantially delivered for the half year.

These accounts are the final set of accounts for the Trust. Frimley Park NHS Foundation Trust acquired Heatherwood & Wexham Park NHS Foundation Trust with effect from 1st October 2014, and to reflect the acquisition renamed itself Frimley Health NHS Foundation Trust.

## 1.5 Income

Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of healthcare services.

The Trust prepares its annual accounts on an accruals basis and at 31 March of each year is required to account for additional income for incomplete spells (ie patients in the hospital undergoing treatment at 31 March but to be discharged in the next financial year. This is accounted for as work in progress - "WIP"). The Trust assesses the value of this WIP using the 31 March midnight bed state report and enters this to the annual accounts for the financial year currently being reported on.

Where income is received for a specific activity which is to be delivered in the following 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.

## 1.6 Expenditure on Employee Benefits

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

***Pension costs***
*NHS Pension Scheme:*
Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. It is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

Employers pension cost contributions are charged to operating expenses as and when they become due.

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

The NHS pension scheme is subject to a full valuation every four years by the Government Actuary. The latest published valuation relates to the period 1 April 1999 to 31 March 2004 which was published in December 2007 and is available on the Pensions Agency website http://www.nhspa.gov.uk/nhspa_site/foi/foi1/Scheme_Valuation_Report/NHSPS_Valuation_report.pdf. The notional deficit of the scheme was £3.3billion as per the latest scheme valuation by the Government Actuary for the period 1 April 1999 to 31 March 2004. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. Employer contribution rates are reviewed every four years following the scheme valuation, on advice from the actuary. At the last valuation, it was recommended that employer contribution rates should continue at 14% of pensionable pay. From 1 April 2008, employees' contributions have been on a tiered scale of their pensionable pay."

## 1.7 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.

## 1.8 Property, Plant and Equipment

**Recognition**
Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust;
- it is expected to be used for more than one financial year; and
- the cost of the item can be measured reliably.
- individually have a cost which exceeds £5,000; in circumstances where the asset is below £5,000 the Trust will capitalise PPE if the following conditions are met:
    - Functionally interdependent;
    - Items acquired or be disposed of at similar date;
    - Items are under single managerial control; and
    - Each individual asset has value over £250.

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

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

All assets are measured subsequently at fair value.

As directed by Monitor and Department of Health, following the adoption of International Financial Reporting Standards, the Trust is subsequently measuring all assets at Modern Equivalent Asset Value.

Trust policy is to commission professional valuations at regular five-year intervals, with interim valuations at the three year stage of each cycle.

Revaluations of individual assets will be required outside the 5-yearly cycle when:

- a newly constructed asset is first brought into use
- there is an indication that tangible fixed assets may have suffered impairment
- property has been subject to enhancement expenditure, or
- there has been a change of use or level of utilisation of an asset, or
- an asset is to be taken out of use, or is surplus to needs.

The valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value.

Assets in the course of construction are valued at cost until they are brought into use when they enter the standard, annual revaluation exercise.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

***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.

Economic useful lives for depreciation purposes on Property, Plant and Equipment will fall within the following bandings, with the depreciation being charged on a straight line basis for the life of the asset.

| | |
|---|---|
| Plant and equipment (including medical equipment) | 2 - 15 years |
| Furniture | 5 - 15 years |
| Mainframe Information technology | 2 - 5 years |
| Soft furnishings | 5 - 15 years |
| Office and information technology equipment | 2 - 5 years |
| New buildings, including set-up costs | 70 - 80 years |

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

*Revaluation gains and losses:*
Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income.

Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

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

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

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

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

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

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

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

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

**Donated, government grant and other grant funded assets**
Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

## 1.9 Intangible Assets

**Recognition**
Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably.

***Internally generated intangible assets:***
Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Trust intends to complete the asset and sell or use it;
- the Trust has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;

- adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset; and
- the Trust can measure reliably the expenses attributable to the asset during development.

***Software***
Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

**Measurement**
Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at fair value. Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

**Amortisation**
Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Intangible assets on the Statement of Financial Position have a life between 3 to 5 years.

## 1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measures using First In, First Out (FIFO) method.

## 1.11 Financial Instruments and Financial Liabilities

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

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

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

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

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

**Classification and Measurement**
Financial assets are categorised as Fair Value through Income and Expenditure, Loans and Receivables or Available-For-Sale Financial Assets.

Financial Liabilities are classified as 'Fair Value through Income and Expenditure' or as Other Financial Liabilities.

**Financial assets and financial liabilities at 'fair value through income and expenditure'**
Financial assets and financial liabilities at "fair value through income and expenditure" are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. (Derivatives which are embedded in other contracts but which are not "closely-related" to those contracts are separated-out from those contracts) and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the Statement of Comprehensive Income.

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

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

Loans and receivables are recognised at market value, net of transactions costs, 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.

**Available-for-sale financial assets**
Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the trust intends to dispose of them within 12 months of the Statement of Financial Position date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the Statement of Comprehensive Income as an item of "other comprehensive income". When items classified as "available-for-sale" are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised in "Finance Costs" in the Statement of Comprehensive Income.

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

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

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

**Determination of fair value**
For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from discounted cash flow analysis.

**Impairment of financial assets**
At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at "fair value through income and expenditure" are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

A provision for bad debt is maintained when a financial asset is deemed unlikely to be recovered at full value. The provision is based on the age and value of the initial debt and the likelihood of recovery. A review is carried out on a monthly basis to maintain the correct level of provision.

## 1.12 Leases

**Finance leases**
Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property plant and equipment.

The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

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

**Leases of land and buildings**
Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease.

## 1.13 Provisions

The NHS Foundation Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount

recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

The rate applicable for early retirement provisions and injury benefit provisions is 1.80% in real terms.

**Clinical negligence costs**
The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Foundation Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS Foundation Trust is disclosed at Note 25.

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

## 1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 26 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 26, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

## 1.15 Public Dividend Capital

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

A charge, reflecting the cost of capital utilised by the NHS Foundation 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 NHS foundation 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, (iii) for 2013/14 only, net assets and liabilities transferred from bodies which ceased to exist on 1 April 2013, and (iv) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre- audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

## 1.16 Value Added Tax

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

## 1.17 Corporation Tax

Section 148 of the Finance Act 2004 amended S519 of the Income and Corporation Taxes Act 1998 provide the power to the Treasury to make certain non-core activities of NHS FTs subject to corporation tax. This legislation became effective in the 2005/06 financial year. In determining whether or not an activity is likely to be taxable a three stage test may be employed:

- Is the activity and authorised activity relating to the provision of core healthcare? The provision of goods and services for the purposes related to the provision of healthcare authorised under Section 14(1) of the Health and Social Care Act 2003 is not treated as commercial activity and it therefore tax exempt.
- Is the activity actually or potentially in competition with the private sector? Trading activities undertaken in house which are ancillary to core healthcare activities are not entrepreneurial in nature and not subject to tax. A trading activity that is capable of being in competition with the wider private sector will be subject to tax.
- Are the annual profits significant? Only significant trading activity is subject to tax. Significant is defined as annual taxable profits of £50K per trading activity.

The majority of the Trust's activities relate to core healthcare and are not subject to tax. Where trading activities are undertaken that are commercial in nature they are not generating significant profit.

The Trust therefore has no corporation tax obligations.

## 1.18 Foreign Exchange

The functional and presentational currencies of the Trust are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at "fair value through income and expenditure") are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

## 1.19 Third Party Assets

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

## 1.20 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS Foundation Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However the 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.

## 1.21 Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. Where NHS foundation trusts are registered with the CRC scheme, they are required to surrender to the government an allowance for every tonne of CO2 they emit during the financial year. Therefore, registered NHS Foundation Trusts should recognise a liability (and related expense) in respect of this obligation as CO2 emissions are made.

## 2. OPERATING SEGMENTS

Heatherwood and Wexham Park Hospitals NHS Foundation Trust operates within a single segment of healthcare provision. The Trust Board is the chief decision maker and the financial reports presented to the Board reflect this. Service Line Reporting is under development for future years.

## 3. REVENUE FROM PATIENT CARE ACTIVITIES

| **Revenue from patient care activities** | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| Contracted activity: | | |
| Elective Care | **19,424** | 39,144 |
| Non elective care | **44,386** | 78,639 |
| Outpatient care | **16,396** | 33,341 |
| Other types of activity or services | **35,504** | 66,113 |
| Accident & emergency department services | **6,835** | 13,476 |
| | **122,544** | 230,713 |
| Other activity | | |
| Non clinical income | **281** | 403 |
| Private patients | **899** | 3,010 |
| Overseas patients (non-reciprocal) | **147** | 290 |
| Injury costs recovery | **623** | 841 |
| | **1,950** | 4,544 |
| Total revenue from patient care activities | **124,494** | 235,257 |

The Trust is working with its commissioners to determine the level of commissioner requested services currently provided. Within the 2014/15 financial statements management have taken a view to define the contracted activity income as commissioner requested services

| | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| Commissioner Requested Services | **122,544** | 230,713 |
| Non-Commissioner Requested Services | **1,950** | 4,544 |
| Total | **124,494** | 235,257 |

## 4. OTHER OPERATING REVENUE

| **Other Operating Revenue** | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| Education, training and research | **3,092** | 6,877 |
| Non-patient care services to other bodies | **1,054** | 5,741 |
| Other revenue | **2,397** | 5,050 |
| | **6,543** | 17,668 |

## 5. OPERATING EXPENSES

**Operating Expenses**

| | | **30 Sep 2014** | Restated 2013/14 |
|---|---|---|---|
| | | **£000** | £000 |
| Services from NHS Foundation Trusts | | **4,035** | 3,024 |
| Services from NHS Trusts & other NHS bodies | | **1,207** | 3,142 |
| Purchase of healthcare from non NHS bodies | | **1,000** | 1,957 |
| Executive Directors' costs | | **696** | 1,747 |
| Non Executive Directors' costs | | **64** | 148 |
| Staff costs | | **89,316** | 164,287 |
| Drugs | | **9,741** | 18,213 |
| Supplies and services - clinical | | **11,753** | 22,767 |
| Supplies and services - general | | **3,173** | 6,391 |
| Consultancy - services | | **3,797** | 4,895 |
| Establishment | | **1,466** | 2,392 |
| Transport | | **152** | 784 |
| Premises | | **5,180** | 11,342 |
| Provision for impairment of receivables | | **(59)** | 258 |
| Training, courses & conferences | | **320** | 582 |
| Car parking & security | | **374** | 801 |
| Impairment | | **0** | 0 |
| Depreciation and Amortisation | | **4,846** | 8,425 |
| Audit fees [statutory] | [1] | **60** | 65 |
| Audit fees [other non audit services] | | **0** | 103 |
| Clinical negligence scheme contributions | | **3,404** | 6,500 |
| Other | | **787** | 1,569 |
| **Operating expenses** | | **141,312** | 259,392 |

The Trust engaged the services of KPMG in 2011/12.

[1] In line with guidance from the Financial Reporting Council the auditors have limited their liability in respect of their audit (or any other work undertaken for the Trust). The engagement letter dated 12 February 2012, states that the liability of KPMG, its members, partners and staff (whether in

contract, negligence or otherwise) shall in no circumstances exceed £1.0m in the aggregate in respect of all services.

## 6. SENIOR MANAGERS REMUNERATION

Total remuneration paid to directors for the 6 month period ended 30/09/2014 (in their capacity as directors) totalled £696K (financial year 2012/13 £1,747K). No other remuneration was paid to Directors in their capacity as directors. There were no advances or guarantees entered into on behalf of directors by the Trust.

Further details of senior managers remuneration is presented in the remuneration report.

## 7. STAFF REDUNDANCIES

During April - September 2014, 1 staff was made redundant totalling £53K compared to 8 (£222K) in 2013/14.

## 8. OPERATING LEASES

The Trust has a number of operating leases for equipment the terms of which are between 2 to 8 years to termination. The Trust also holds one property lease which has an expiry date of September 2016.

The leases do not include contingent rent or include terms for renewal or purchase at the end of the term and there are no significant restrictions imposed in the lease arrangements.

| **Payments recognised as an expense** | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| Minimum lease payments | **681** | 1,449 |
| | **681** | 1,449 |

| **Total future minimum lease payments** | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| Payable: | | |
| Not later than one year | **1,212** | 1,301 |
| Between one and five years | **3,274** | 3,870 |
| After 5 years | **0** | 0 |
| Total | **4,486** | 5,171 |

## 9. EMPLOYEE COSTS AND NUMBERS

### 9.1 Employee costs

| **Employee costs** | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| Salaries and wages | **66,247** | 128,015 |
| Social Security Costs | **4,934** | 9,912 |
| Contributions to NHS Pension scheme | **6,732** | 13,203 |
| Agency, contract and seconded in staff | **12,099** | 14,904 |
| **Employee benefits expense** | **90,012** | 166,034 |

## 9.2 Average number of people employed

| | **Total** | **30 Sep 2014 Permanently Employed** | **Other** | Total | 2013/14 Permanently Employed | Other |
|---|---|---|---|---|---|---|
| | **Number** | **Number** | **Number** | Number | Number | Number |
| Medical and dental | **502** | **456** | **46** | 478 | 445 | 33 |
| Administration and estates | **789** | **762** | **27** | 768 | 753 | 15 |
| Healthcare assistants and other support staff | **324** | **258** | **66** | 282 | 248 | 34 |
| Nursing, midwifery and health visiting staff | **1,682** | **1,405** | **277** | 1,608 | 1,382 | 226 |
| Scientific, therapeutic and technical staff | **606** | **552** | **54** | 583 | 549 | 34 |
| Other | **14** | **14** | **0** | 17 | 17 | 0 |
| **Total** | **3,917** | **3,447** | **470** | 3,736 | 3,394 | 342 |

Due to a change in how the Trust now accounts for Theatre Staff, 2012/13 Nursing and Prof and Tech has been re-stated to ensure a par comparison between years.

## 9.3 Employee benefits

The Trust has no employee benefit schemes available to all staff to be reported in this section.

## 10. RETIREMENTS DUE TO ILL-HEALTH

During April - September 2014 there were 2 (2013/14: 1) early retirements from the NHS Trust, agreed on the grounds of ill-health. The estimated additional pension liabilities of this ill-health retirement will be £133K (2013/14: £116K). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

## 11. BETTER PAYMENT PRACTICE CODE - LATE PAYMENT OF COMMERCIAL DEBTS (INTEREST) ACT 1998

| | **30 Sep 2014 £000** | 2013/14 £000 |
|---|---|---|
| Amounts included in finance costs from claims made under this legislation | **26** | 5 |
| Compensation paid to cover debt recovery costs under this legislation | | 0 |
| **Total** | **0** | 5 |

## 12. INVESTMENT REVENUE

| **Investment revenue** | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| Interest receivable on bank accounts | **15** | 29 |
| **Total** | **15** | 29 |

## 13. GAIN / (LOSS) FROM DISPOSAL OF ASSETS

| **Gain / (loss) from disposal of assets** | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| Gain/(loss) on disposal of property, plant and equipment | **9** | 88 |
| **Total** | **9** | 88 |

## 14. FINANCE COSTS

| **Finance Costs** | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **£000** | £000 |
| Interest on loans | **172** | 419 |
| Interest on obligations under finance leases | **6** | 16 |
| Other | **26** | 5 |
| **Total** | **204** | 440 |

## 15. PROPERTY, PLANT AND EQUIPMENT

### 15.1 Current year 2014

| | Land | Buildings excluding dwellings | Assets under construction | Plant and machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation at 1 April 2014 | 11,030 | 125,882 | 3,201 | 35,682 | 127 | 11,652 | 6,458 | **194,033** |
| Additions purchased | 0 | 4,508 | 0 | 2,714 | 0 | 535 | 527 | **8,284** |
| Reclassification | 0 | 2,900 | (3,180) | 267 | 0 | 13 | 0 | **-** |
| Additions donated | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **-** |
| Additions grant / cash | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **-** |
| **At 30 Sep 2014** | **11,030** | **133,290** | **21** | **38,663** | **127** | **12,200** | **6,985** | **202,316** |
| Depreciation at 1 April 2014 | 0 | 61,033 | 0 | 28,356 | 120 | 9,353 | 4,479 | **103,342** |
| Provided in year | 0 | 2,123 | 0 | 1,118 | 2 | 358 | 131 | **3,730** |
| **Depreciation at 30 Sep 2014** | **0** | **63,156** | **0** | **29,474** | **122** | **9,711** | **4,610** | **107,072** |
| **Total at 30 Sep 2014** | **11,030** | **70,133** | **21** | **9,189** | **5** | **2,489** | **2,375** | **95,243** |
| **Net book value** | | | | | | | | |
| Purchased | 11,030 | 70,133 | 21 | 9,083 | 5 | 2,489 | 2,375 | **95,137** |
| Finance Leased | | | | 106 | | | | **106** |
| **Total at 30 Sep 2014** | **11,030** | **70,133** | **21** | **9,189** | **5** | **2,489** | **2,375** | **95,243** |

## 15.2 Prior year 2013/2014

| | Land | Buildings excluding dwellings | Assets under construction | Plant and machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation at 1 April 2013 | 11,030 | 119,551 | 1,753 | 32,901 | 127 | 10,219 | 5,187 | **180,768** |
| Additions purchased | 0 | 6,319 | 1,462 | 2,607 | 0 | 1,434 | 1,272 | **13,094** |
| Additions donated | 0 | 12 | (14) | 3 | 0 | (1) | (1) | **0** |
| Impairments | 0 | 0 | 0 | 90 | 0 | 0 | 0 | **90** |
| Disposals other than by sale | 0 | 0 | 0 | 81 | 0 | 0 | 0 | **81** |
| **At 31 March 2014** | **11,030** | **125,882** | **3,201** | **35,682** | **127** | **11,652** | **6,458** | **194,033** |
| Depreciation at 1 April 2013 | 0 | 57,327 | 0 | 25,987 | 117 | 8,739 | 4,264 | **96,434** |
| Provided in year | 0 | 3,707 | 0 | 2,369 | 4 | 614 | 215 | **6,908** |
| Impairments through I&E | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reversal of Impairment through I&E | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Depreciation at 31 March 2014** | **0** | **61,034** | **0** | **28,356** | **121** | **9,353** | **4,479** | **103,342** |
| **Total at 31 March 2014** | **11,030** | **64,849** | **3,201** | **7,326** | **6** | **2,299** | **1,979** | **90,692** |
| **Net book value** | | | | | | | | |
| Purchased | 11,030 | 64,848 | 3,202 | 7,194 | 7 | 2,299 | 1,979 | **90,558** |
| Finance Leased | 0 | 0 | 0 | 132 | 0 | 0 | 0 | **132** |
| **Total at 31 March 2014** | **11,030** | **64,848** | **3,202** | **7,326** | **7** | **2,299** | **1,979** | **90,690** |
| **Net book Value** | | | | | | | | |
| Protected assets | 11,030 | 64,848 | 3,202 | 7,194 | 7 | 2,299 | 1,979 | **90,558** |
| Unprotected assets | 0 | 0 | | 132 | | | | **132** |
| **Total** | **11,030** | **64,848** | **3,202** | **7,326** | **7** | **2,299** | **1,979** | **90,690** |

Heatherwood & Wexham Park NHS Foundation Trust (HWPH) continued to apply its accounting policy for re-valuing its respective sites during the accounting period April to September 2014: The Trust policy is “to commission professional valuations at regular five-year intervals, with interim valuations at the three year stage of each cycle". The last valuation of HWPH was conducted in 2012/13 therefore, in line with policy, no valuation was conducted at the end of this accounting period. Consideration of asset impairment was considered as an after date event linked to the preparation of the financial statement.

Frimley Park NHS Foundation Trust Hospital acquired HWPH on 1st October 2014 and renamed itself Frimley Health NHS Foundation Trust (FHFT). A full valuation was due for FHFT for the accounting period ended March 2015, this valuation was conducted by the District Valuation Office and included all owned FHFT sites; Frimley Park, Heatherwood and Wexham Park Hospitals. The March 2015 valuation has resulted in an upwards valuation of the legacy HWPH sites, with no impairments. The valuation has increased the build values of the legacy HWPH sites by £24m, these values are reflected in the accounts of Frimley Health as at 31st March 2015.

## 16. INTANGIBLE ASSETS

**Intangible assets**

| | **30 Sep 2014** | 2013/14 |
|---|---|---|
| | **Software/IT** | Software / IT |
| | **Assets under construction** | Assets under construction |
| | **£000** | £000 |
| Gross cost at 1st April | **11,483** | 7,344 |
| Additions purchased | **2,136** | 4,139 |
| **Gross cost at 31st March** | **13,619** | 11,483 |
| Amortisation at 1st April | **4,810** | 3,293 |
| Provided in year | **1,115** | 1,517 |
| **Amortisation at 31st March** | **5,925** | 4,810 |
| **Net book value** | | |
| Purchased | **7,694** | 6,673 |
| **Total at 31st March** | **7,694** | 6,673 |

## 17. IMPAIRMENTS

There have been no impairments in this financial year.

## 18. CAPITAL COMMITMENTS

Contracted capital commitments at 30 September not otherwise included in these financial statements:

| | **30 Sep 2014** | 31 March 2014 |
|---|---|---|
| | **£000** | £000 |
| Property, plant and equipment | **3,411** | 3,130 |
| Intangible assets | **263** | 10 |
| **Total** | **3,674** | 3,140 |

## 19. INVENTORIES

| | **30 Sep 2014** | 31 March 2014 |
|---|---|---|
| | **£000** | £000 |
| Pharmacy Drugs | **1,658** | 1,474 |
| Consumables | **3,819** | 3,936 |
| Estates inc oil | **333** | 222 |
| **Total** | **5,810** | 5,632 |
| Of which held at net realisable value: | **5,810** | 5,632 |

## 20. TRADE AND OTHER RECEIVABLES

### 20.1 Trade and other receivables

| | Current | | Non-current | |
|---|---|---|---|---|
| | **30 Sep 2014** | 31 March 2014 | **30 Sep 2014** | 31 March 2014 |
| | **£000** | £000 | **£000** | £000 |
| NHS receivables | **21,555** | 12,300 | **0** | 0 |
| Other trade receivables | **0** | 96 | **0** | 0 |
| Prepayments other | **3,736** | 1,593 | **0** | 0 |
| Accrued income | **715** | 430 | **0** | 0 |
| Other receivables | **3,399** | 4,519 | **979** | 981 |
| Provision for the impairment of receivables | **(1,379)** | (1,477) | **(154)** | (155) |
| **Total** | **28,026** | 17,461 | **825** | 826 |

The majority of trade is with Clinical Commission Groups (CCG's), as commissioners for NHS patient care services. As CCG's are funded by government to buy NHS patient care services, no credit scoring of them is considered necessary.

### 20.2 Receivables ageing analysis

| **Ageing of impaired debtors** | **30 Sep 2014** | 31 March 2014 |
|---|---|---|
| | **£000** | £000 |
| 0-30 Days | **55** | 767 |
| 30-60 Days | **47** | 87 |
| 60-90 Days | **25** | 32 |
| 90-180 Days | **90** | 207 |
| Over 180 Days | **1,316** | 539 |
| **Total** | **1,533** | 1,632 |

| **Ageing of unimpaired debtors** | **30 Sep 2014** | 31 March 2014 |
|---|---|---|
| Past due date | **£000** | £000 |
| 0-30 Days | **4,957** | 649 |
| 30-60 Days | **515** | 506 |
| 60-90 Days | **158** | 544 |
| 90-180 Days | **(257)** | 1,600 |
| Over 180 Days | **1,380** | 1,261 |
| **Total** | **6,752** | 4,560 |

## 21. CASH AND CASH EQUIVALENTS

### 21. Cash and cash equivalents

| | 30 Sep 2014 | 31 March 2014 |
|---|---|---|
| | **£000** | £000 |
| Balance at 1 April | **2,996** | 6,148 |
| Net change in year | **(2,443)** | (3,152) |
| **Balance at 31 March** | **553** | 2,996 |
| **Made up of** | | |
| Cash with the Government Banking Service | **161** | 2,533 |
| Commercial banks and cash in hand | **392** | 463 |
| **Cash and cash equivalents as in statement of financial position** | **553** | 2,996 |
| Bank overdraft - Foundation Trust Financing Facility (FTFF) | **0** | 0 |
| **Cash and cash equivalents as in statement of cash flows** | **553** | 2,996 |

## 22. TRADE AND OTHER PAYABLES

| | Current | | Non-current | |
|---|---|---|---|---|
| | **30 Sep 2014** | 31 March 2014 | **30 Sep 2014** | 31 March 2014 |
| | **£000** | £000 | **£000** | £000 |
| Interest payable | 0 | 129 | 0 | 0 |
| NHS payables | **8,905** | 3,498 | 0 | 0 |
| Other trade payables - revenue | **23,405** | 13,704 | 0 | 0 |
| Other trade payables - capital | **1,456** | 2,773 | 0 | 0 |
| Tax and social security costs | **5,048** | 5,088 | 0 | 0 |
| Other Payables | **827** | 1,319 | 0 | 0 |
| Accruals | **3,863** | 2,780 | 0 | 0 |
| | **43,504** | 29,291 | **0** | 0 |
| Deferred income | | | | |
| Other deferred income | **2,167** | 1,924 | **0** | 0 |
| **Total** | **2,167** | 1,924 | **0** | 0 |

## 23. BORROWINGS

| | Current | | Non-current | |
|---|---|---|---|---|
| | **30 Sep 2014** | 31 March 2014 | **30 Sep 2014** | 31 March 2014 |
| | **£000** | £000 | **£000** | £000 |
| Committed Facility | **0** | 0 | **0** | 0 |
| Loans from: | | | | |
| Foundation Trust Financing Facility | **0** | 1,284 | **0** | 10,200 |
| Finance lease liabilities | **71** | 71 | **34** | 64 |
| **Total** | **71** | 1,355 | **34** | 10,264 |

## 24. FINANCE LEASE OBLIGATIONS

The Trust entered into a finance lease during the year ended 31st March 2010 for the provision of radiology equipment. The lease runs for a period of 7 years ending in September 2016. No new finance leases were undertaken during 2013/14.

| **Amounts payable under finance leases:** | **Minimum lease payments** | |
|---|---|---|
| | **30 Sep 2014** | 31 March 2014 |
| | **£000** | £000 |
| Within one year | 71 | 71 |
| Between one and five years | 34 | 64 |
| After five years | 0 | 0 |
| Present value of minimum lease payments | **105** | 135 |
| Included in: | | |
| Current borrowings | **71** | 71 |
| Non-current borrowings | **34** | 64 |
| | **105** | 135 |

## 25. PROVISIONS

| | **Current** | | **Non-current** | |
|---|---|---|---|---|
| | **30 Sep 2014** | 31 March 2014 | **30 Sep 2014** | 31 March 2014 |
| | **£000** | £000 | **£000** | £000 |
| Pensions relating to former directors | 0 | 0 | 0 | 0 |
| Pensions relating to other staff | 39 | 42 | 116 | 135 |
| Legal claims | 218 | 177 | 0 | 0 |
| Holiday / enhancement provision | 893 | 893 | 0 | 0 |
| Other | 351 | 399 | 26 | 0 |
| **Total** | 1,501 | 1,511 | 142 | 135 |

| | Pensions relating to former Staff | Other Legal Claims | Holiday / enhancement provision | Other | **Total** |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | **£000** |
| At 1 April 2014 | 177 | 177 | 893 | 399 | **1,646** |
| Arising during the year | 0 | 52 | 0 | 0 | **52** |
| Used during the year | (22) | (2) | 0 | (22) | **(46)** |
| Reversed unused | 0 | (9) | 0 | 0 | **(9)** |
| Unwinding of discount | 0 | 0 | 0 | 0 | **0** |
| At 30 Sep 2014 | 155 | 218 | 893 | 377 | **1,643** |
| **Expected timing of cash flows:** | | | | | |
| Under one year | 39 | 218 | 893 | 351 | 1,511 |
| One to five years | 116 | 0 | 0 | 26 | 135 |
| Over five years | 0 | 0 | 0 | 0 | 0 |

The Trust has made a number of additional provisions in year including providing for future legal claims.

Pensions cost relate to the funding of pensions for staff made redundant or taking voluntary early retirement. The full projected cost is charged in the year the employee leaves the Trust based on actuarial estimations. The primary uncertainty is the actual length of life. Legal claims are primarily industrial tribunal cases. The probability of the claim succeeding and potential cost are estimated by the Trust's legal advisors.

NHS Litigation Authority held provisions for the Trust in respect of clinical negligence liabilities at 30/09/2014 (31/03/2014 £48.9m)

## 26. PRUDENTIAL BORROWING CODE

The prudential borrowing code requirements in section 41 of the NHS Act 2006 have been repealed with effect from 1 April 2013 by the Health and Social Care Act 2012. The financial disclosures that were provided previously are no longer required."

## 27. CONTINGENCIES

The Trust has not identified any contingent assets or liabilities for the year ended 31st March 2014.

## 28. FINANCIAL INSTRUMENTS

### 28.1 Financial assets

| | At fair value through profit and loss | Loans and receivables | Available for sale | **Total** |
|---|---|---|---|---|
| | £000 | £000 | £000 | **£000** |
| Receivables | 0 | 17,461 | 0 | 17,461 |
| Cash at bank and in hand | 0 | 2,996 | 0 | 2,996 |
| **Total at 31 March 2014** | 0 | 20,457 | 0 | 20,457 |
| Receivables | 0 | **28,024** | 0 | **28,024** |
| Cash at bank and in hand | 0 | **553** | 0 | **553** |
| **Total at 30 Sep 2014** | 0 | **28,577** | 0 | **28,577** |

## 28.2 Financial liabilities

| | At fair value through profit and loss | Other | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Payables | 0 | 29,162 | 29,162 |
| Other borrowings | 0 | 11,484 | 11,484 |
| Other financial liabilities | 0 | 0 | 0 |
| Provisions | 0 | 1,646 | 1,646 |
| Finance Lease | 0 | 135 | 135 |
| **Total at 31 March 2014** | 0 | 42,427 | 42,427 |
| Payables | **0** | **43,502** | **43,502** |
| Other borrowings | **0** | **0** | **0** |
| Other financial liabilities | **0** | **0** | **0** |
| Provisions | **0** | **1,643** | **1,643** |
| Finance Lease | **0** | **105** | **105** |
| **Total at 30 Sep 2014** | **0** | **45,251** | **45,251** |

## 28.3 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with the Clincal Commissioning Groups and the way those Clincal Commissioning Groups are financed, the NHS Foundation Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The 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 Monitor. 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 similarly borrows from the government to meet working capital requirements for up to 5 years. The interest is also charged at the National Loan Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

**Credit risk**
Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2014 are in receivables from customers, as disclosed in the Trade and Other Receivables note.

**Liquidity risk**
The Trust's expenditure during the year was incurred as a result of providing healthcare services to the local community. The income to fund this expenditure was received from the local Clincal

Commissioning Groups, whose resources are voted on annually by Parliament. In certain circumstances, the Trust may not receive payment for activities considered to be over the agreed targets. Capital expenditure was funded from external financing. The Trust was able to maintain liquidity through the year with additional funding from the DH. A longer term funding solution will be needed to ensure continuing liquidity.

## 29. EVENTS AFTER THE REPORTING PERIOD

No post balance sheet events have been identified.

## 30. RELATED PARTY TRANSACTIONS

During the year none of the Department of Health Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Heatherwood & Wexham Park Hospitals NHS Foundation Trust.

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

| | Income £000's | Expenditure £000's | Debtors £000's | Creditors £000's |
|---|---|---|---|---|
| Berkshire Healthcare NHS Foundation Trust | 882 | 737 | 726 | 400 |
| Frimley Park Hospital NHS Foundation Trust | 9 | 4,423 | 214 | 4,356 |
| Royal Berkshire NHS Foundation Trust | 76 | 603 | 73 | 438 |
| Oxford University Hospitals NHS Trust | 408 | 536 | 383 | 389 |
| NHS Slough CCG | 40,681 | 401 | 8,785 | 369 |
| NHS Windsor, Ascot And Maidenhead CCG | 34,568 | 112 | 7,700 | 70 |
| NHS Bracknell And Ascot CCG | 8,728 | 66 | (3,712) | 31 |
| NHS England | 14,974 | 4 | 709 | 9 |
| NHS Chiltern CCG | 22,289 | 0 | 4,567 | 0 |
| NHS Litigation Authority | 0 | 3,404 | 0 | - |
| NHS Property Services | 0 | 988 | 0 | 505 |
| | 122,615 | 11,274 | 19,445 | 6,567 |

The Trust has no related party transactions with either the Board or the Board of Governors.

## 31. THIRD PARTY ASSETS

The Trust held £4,674.06 cash at the bank and in hand as at 30 September 2014 which related to monies held on behalf of patients. This has been excluded from the cash at bank and in hand figures reported in the accounts.

## 32. LOSSES AND SPECIAL PAYMENTS

This note is compiled directly from the Trust's losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

There were no compensation payments recovered during the year.

| | **2014** | **2014** | 2013/14 | 2013/14 |
|---|---|---|---|---|
| | **Number of cases** | **Value of cases** | Number of cases | Value of cases |
| **Losses** | | **£000** | | £000 |
| Cash losses | **0** | **0** | 0 | 0 |
| Fruitless payments and constructive losses | | | 0 | 0 |
| Bad debts and claims abandoned | **93** | **46** | 150 | 420 |
| Damage to buildings, property etc - including store losses | **1** | **13** | 2 | 188 |
| **Special Payments** | | | | |
| Compensation under legal obligation | **0** | **0** | 0 | 0 |
| Ex gratia payments | **29** | **17** | 45 | 172 |
| Special severance payments | **0** | **0** | 0 | 0 |
| **TOTAL** | **123** | **76** | 197 | 780 |

## 16. GLOSSARY

A&E – Accident and Emergency
AMM – Annual Members Meeting
BCF – Better Care Funding
CCG – Clinical Commissioning Group
CMA – Competition and Markets Authority
CETV – Cash Equivalent Transfer Value
CIP – Cost Improvement Programme
CQC – Care Quality Commission
CQUIN – Commissioning for Quality and Innovation
Datix – National software programme for risk management
DGH – District General Hospital
ENT – Ear Nose and Throat
FBC – Full Business Case
FIFO – First In, First Out
FPH – Frimley Park Hospital
FTE – Full Time Equivalent
FTFF – Foundation Trust Financing Facility
GBS – Government Banking Services
GGI – Good Governance Institute
GP – General Practitioner
HR – Human Resources
I&E – Income and Expenditure
ICO – Information Commissioners Office
IFRS – International Financial Reporting Standard
IT – Information Technology
ITU – Intensive Therapy Unity
JAG – Joint Advisory Group for Gastrointestinal Endoscopy
KPI – Key Performance Indicator
LCFS – Local counter Fraud Service / Specialist
NASS – National Ankylosing Spondylitis Society
NHSLA – National Health Service Litigation Authority
NICE – National Institute for Health and Care Excellence
NLF – National Loans Fund
PALS – Patient Advice and Liaison Service
PCT – Primary Care Trust
PDC – Public Dividend Capital
PwC – Pricewaterhouse Coopers
QIA – Quality Impact Assessment
QPB – Quality Programme Board
RAF – Risk Assurance Framework
RCA – Root Cause Analysis
RCOG – Royal College of Obstetrics and Gynaecology
RIDDOR – Reporting of Injuries Diseases and Dangerous Occurrences Regulations
RVS – Royal Volunteer Service
SIRI – Serious Incident Requiring Investigation
WHO – World Health Organisation
WIP – Work In Progress