Kent and Medway NHS
NHS and Social Care Partnership Trust

# Annual Report 2015-16

*respect ◆ open ◆ accountable*
*working together ◆ innovative ◆ excellence*

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## Welcome

Service improvements, transformation and a focus on quality have underpinned our activity this year as we continue to work collaboratively with our health and social care partners to deliver a better patient experience.

Developing effective relationships with our partners has enabled us to explore greater synergies between physical health and mental health. This includes having a physical health nurse on every acute ward and developing our work through the psychiatric liaison service so that we become more aligned with national guidance that was published last year. We are taking this work forward to develop an enhanced model.

We have hosted several carers and service user conferences to create a forum where we can listen to and work with our patients and carers and encourage them to be part of service changes, projects and improvements. We have also built stronger and more enduring stakeholder relationships whilst encouraging increased engagement through taking part in multi-agency events such as Let's Talk. KMPT is also at the forefront of the Open Dialogue approach to mental health; a psycho-social approach that involves working with the whole family or network of a person experiencing mental health crisis, rather than just the individual themselves. The model was pioneered in Finland in the 1980s with reported outcomes of reduced need for medication and hospitalisation. The Trust is committed to implementing peer supported Open Dialogue training and in September last year we hosted an international event, which was attended by 300 delegates – some from as far away as Australia.

Satisfaction with the way in which we are involving patients and carers and encouraging more engagement was reflected in our results of the National Patient Survey, which showed a significant improvement compared to previous years. There is an acknowledgement across the Trust that there are still improvements to be made although the general direction of travel is encouraging in what is a very difficult and challenging environment and the efforts of the staff have been recognised.

Our staff were also commended by the Care Quality Commission, CQC, following their inspection of the Trust in March 2015. Around 60 inspectors were involved over a four day period and after this comprehensive inspection their report, which we received in July, said that our staff were very 'compassionate and kind' and that positive feedback had been received from patients and their carers. As a result we were rated as being 'good' for caring and our forensic inpatient wards were rated as 'outstanding'. Overall we were rated by the CQC as 'requires improvement'. The report provided us with really important feedback, action has already started and we have been working with our partners to develop a comprehensive improvement plan. We are focusing on developing and increasing peer learning as some services were seen to meet operational standards to an excellent level.

We are also working on a number of projects that will help us achieve this consistency across our services. In particular, our community services have undergone a major transformation to deliver a completely new model of care, which will focus on improving the service users experience by providing the right care, at the right time in the right place based on their needs. We have been working towards

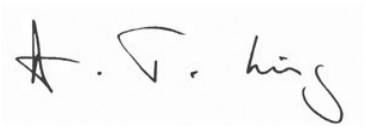
introducing a ‘single point of access’ for our services meaning that GPs and other referrers will have one phone number and email address for all first referrals.

Whilst making these changes we have been mindful of the impact on our staff and have ensured that they have plenty of opportunity to feedback to us. In 2015 we were announced as one of the Health Service Journal’s top 100 NHS organisations to work for. Regular team meetings are encouraged and at each meeting the ‘corporate team brief’ should be an agenda item where a team member is nominated to complete a feedback form on the topics included in the brief. As well as team meetings each member of staff should have an opportunity to meet with his or her manager on at least a monthly basis.

Electronically, as well as the ‘green button’, an electronic forum for registering staff concerns, we have added a ‘suggestions’ section on our intranet where staff can log any ideas they may have for service or corporate improvement. We recognise that having an engaged and happy workforce has a direct link to the quality of care experienced by service users and we continue to strengthen and develop the ways in which we listen to and involve our staff.

We are pleased to say that this has been another award-winning year for our Trust with accolades going to staff who led on the Medway Nurse-led alcohol Pilot from the Nursing Times, staff being recognised at the Kent, Sussex and Surrey Leadership Collaborative Awards and an innovative initiative managed by our Forensic and Specialist Services staff being highly commended in the National Positive Practice in Mental Health awards.

In summary, whilst many of the challenges of previous years remain, including increased demand and financial pressures, the past year has seen some significant developments and improvements in our Trust. You can read more about our achievements and how we plan to retain our quality focus in 2016 – 17 over the following pages.



Andrew Ling
Chairman of the Trust

Angela McNab
Chief Executive

## THE PERFORMANCE REPORT

### Annual report overview

Kent and Medway NHS and Social Care Partnership Trust specialises in caring for people with a wide range of mental health needs including substance misuse, forensic and other specialist services. The Trust was formed in April 2006 after the merger of East Kent NHS and Social Care Partnership Trust and West Kent NHS and Social Care Trust. The catchment area spans diverse communities containing areas of great affluence as well as those with much deprivation. We are constantly developing and transforming the way that we work to provide modern, dependable services to meet the needs of the people within the diverse communities that we serve.

The Trust carries out its work on behalf of eight local Clinical Commissioning Groups (CCGs), Kent County Council and NHS Specialist Commissioning. This reflects the distinct locality focus, which presents opportunities for local integration and innovation but also a challenge in terms of implementing countywide service solutions. The Trust covers a big county with a population of 1.7 million, which is spread across 1500 square miles. Our annual revenue is £181 million and we employ 3,502 staff who are located in 83 buildings on 47 sites.

One of the key challenges for us is our geography being spread out across a large number of sites. However, we have reduced our sites over the last two years to develop larger, better quality community hubs and inpatient centres. Having staff located in many different areas has challenged connections and engagement. We have an organisational development programme and new local leadership groups, which are supporting local connections across service lines and teams and this work will continue into this financial year.

Our vision is to deliver excellent care personal to you, delivering quality through partnership. Creating a dynamic system of care so that people receive the right help, at the right time, in the right setting with the right outcomes.

Our values are:

**Respect** – we value people as individuals; we treat others as we would like to be treated

**Open** – we work in a collaborative, transparent way

**Accountable** – we are professional and responsible for our actions

**Working together** – we work together to make a difference for our service users

**Innovative** – we find creative ways to run efficient, high quality services

**Excellence** – we listen and learn to continually improve our knowledge and ways of working.

## Improving quality

### Innovative new ward

Our newest ward, Upnor, was officially opened on 25 June 2015. The build began in October 2014 and by adopting an innovative approach of using a modular construction method, the ward was already welcoming patients from the Swale area at the beginning of June. Previously located in Medway Maritime Hospital, Upnor Ward was developed to replace Emerald Ward and has improved facilities and a safer environment for both staff and service users. The 18-bedded ward is for adult service users requiring mental health treatment in an acute setting. Upnor interlinks with existing acute mental health services on the Priority House site in Maidstone. Before the ward opened to patients, staff who are now working on Upnor visited the site, which gave them an opportunity to share their feedback on fixtures and fittings before final decisions were made.

### Estate transformation

Our estates transformation programme has seen the delivery of several successful schemes. At Highlands House refurbishment work improved the environment and made the building easy to access. All client activity is now on to the ground and lower ground floors where an additional lift has been installed. The improvements and changes have meant that all of the services have access to the multi-purpose space they require. The completion of these works in April and relocation of teams allowed the closure and subsequent sale of Baltic Road, while the lease of Cornerstones and Spa House has been terminated.

In Maidstone, Albion Place is newly leased accommodation providing accommodation for Maidstone services alongside a local GP Practice. The accommodation has been fully refurbished by the landlord fulfilling all of the necessary regulatory and NHS standards and was opened in October. Lessons learnt from previous projects and the valued input of service users and providers means that the accommodation includes a therapy suite of rooms where colour changes and alternative furniture and fittings bring a calming and more informal environment. Feature walls have also been chosen for the reception and staff areas. The completion of the sale of the Union Street site is due in early March 2016.

During the past year the estates team worked with the project teams in Medway, Canterbury and the southeast and will continue to do so throughout 2016.

### Outstanding review

The Trevor Gibbens Unit, TGU, has produced outstanding results in a national review of forensic mental health services endorsed by the Royal College of Psychiatrists. It came fifth out of 65 secure units across England, Wales, Ireland and Scotland. The annual Forensic Quality Network assessment sees Trusts rate their services against a thorough check list, which is then reviewed by peers from other Trusts who can downgrade or improve ratings. Peers scored the TGU 100 percent in six of the eleven test categories including clinical and cost effectiveness and accessible and responsive care, while patient focus was well above average with 92 percent. One of the aims of testing is to raise standards across forensic services by identifying areas of good practice and achievement for other Trusts to follow. The review team were highly impressed with the provision of physical healthcare and

health promotion available at the TGU. The review team was impressed with 'Peak of the Week' which disseminates examples of good practice within the service. The service was praised for the patient information available on all of the wards, for the atmosphere on wards and interaction between staff and service users. Forensics and Specialist Services was also rated as being outstanding by the Care Quality Commission after a comprehensive inspection of KMPT facilities.

**Street triage pilot**

We are currently involved in a pilot scheme in partnership with Kent Police and South East Coast Ambulance Service, SECAmb, to provide street triage. The pilot will enable us to assess how we can best support long-term solutions to ensuring that people who have mental health issues are appropriately supported in the community. It also aims to reduce Section 136 assessments and unnecessary attendance to Accident and Emergency. The mental health street triage service has two components: The day service is an extension of the current Criminal Justice Liaison and Diversion Service. Telephone advice and information is given to police and ambulance crew operating in Northfleet when they have a request for a call out to a person that may have mental health issues. The day service is available seven days a week between 8am and 6pm. The night service based in Kent Police Force Control Room and SECAmb Emergency Operations Centre provides telephone advice and information to police and ambulance response units across Kent and Medway when they have a request for a call out to a person that may have mental health issues. The night service is available on Thursday, Friday and Saturday between 6pm and 2am.

**New European course**

An innovative, new, high-quality course for staff who are working with mental health patients with long-term conditions has been given the go-ahead with European funding. The e-learning course of vocational training, called Tablo, will help them integrate drama, singing or art therapy into their day-to-day jobs. The Trust is working with partners from Cyprus, Italy, Denmark, Romania, Spain and Slovenia to develop an e-learning course of vocational training. The project will create a course that can be accessed in the future by anyone wishing to undergo training in how to use the arts as therapy for patients with long-term conditions. The broad range of countries involved in this partnership will ensure that the course developed is of the highest quality and takes into account a range of experiences and is applicable to a wide group of people across many different cultural settings.

**Perfect Week**

The 'Perfect Week' is a national improvement programme that allows staff from all disciplines to work together and test changes that can improve the way patients move through the system, or better understand why there can be delays. It was the first time the programme had been used by a mental health trust when KMPT tried and tested the concept in 2015.

Some examples of the projects trialed during KMPT's Perfect Week are: The Trust Lead for Psychological Practice offered clinical telephone consultations throughout the week to any service or clinician. This resulted in enhanced communication amongst staff who spoke to each other rather than rely on email.

A number of therapeutic activities facilitated by Nursing and Occupational Therapy staff were increased.

Teams spent time with colleagues in different departments to better understand and appreciate their challenges.

Staff were making sure that they were taking their breaks and improving their wellbeing. Some teams even baked cakes for their colleagues.

A drama therapist at The Beacon ran brief morning workshops for everyone in the building. The workshops raised staff energy levels and enabled effective networking.

## Engaging with our service users and carers

### Patient portal

The Patient Portal, an online facility through which patients can access their care plan and appointments, has won a national award - the 2015 Care Coordination Association (CCA) Good Practice Award for Promoting Service User Involvement in Delivering Effective Processes. The portal, which focuses on placing choice and control around the recovery pathway firmly in the hands of patients, was also highly commended in a second category, the Innovation to Support Effective Care Processes.

### National patient survey

KMPT's scores in the National Patient Survey show significant comparative improvements against previous years in the sections 'Your health and social care worker' 'Organising you care' 'Reviewing your care' and 'Treatments', with improvements in all other sections apart from 'changes to who you see' which has remained relatively static. In two particular individual questions: 'Were you involved as much as you wanted to be in discussing how your care works?' and 'Do you know who to contact out of office hours if you have a crisis?' there were significant increases in satisfaction of 9% and 14% respectively. The improvements to KMPT's scores are against a backdrop of falling scores nationally. There is an acknowledgement across the organisation that there are still improvements to be made although the general direction of travel is encouraging in a very difficult and challenging environment and the efforts of the staff have been recognised.

### Open Dialogue

Open Dialogue is a psycho-social approach to mental health that involves working with the whole family or network of a person experiencing mental health crisis, rather than just the individual themselves. The model was pioneered in Finland in the 1980s with reported outcomes of reduced need for medication and hospitalisation. In September almost 300 people arrived from around the world for a conference organised by KMPT about Open Dialogue. As one of the pioneers of Open Dialogue, Professor Jaakko Seikkula from University of Jyvaskyla provided the key note speech. A Kent family, who are receiving Open Dialogue from KMPT, also took the stage to give some honest feedback about the approach.

### Let's Talk conference

The purpose of the Let's Talk event was to build stronger and more enduring

stakeholder relationships whilst encouraging increased engagement and transparency amongst attendees. After delegates were given a warm welcome, Professor Margaret Greenfields from Buckinghamshire New University, spoke about her work within the Roma or Traveller Community and the mental health issues that these groups can face. Delegates were then invited to ask questions and the panel of speakers were at hand to answer them.

**Carer's conference**
During 2015-16, we held three carers conferences to engage and encourage carers to be part of service changes, projects and improvements. Throughout the year delegates have heard from an array of speakers including commissioning representatives, colleagues across local authorities and from supporting partners including Kent Young Carers. A number of discussions have taken place and feedback from carers about the event is positive.

**Service user's conference**
We held two service user conferences, one in Maidstone and one in Canterbury. The format of the conferences was changed to ensure we were making the event available to as many people as possible without asking delegates to travel too far. The conference attracted a number of service users who wanted to speak about their care and have an input into projects across the Trust. Feedback shows that service users see this as an opportunity to be involved in the future of Trust services and the implementation of initiatives across the Trust. Trust staff see this as an important forum to be able to gain valuable feedback from those who have experience of Trust services but also may benefit from transformation of services for the future.

## Building leadership and culture

Our very first leadership conference for staff in middle leadership positions across the organisation took place in November. The theme of the day was how we can support and develop our leaders to help the organisation grow. There were many thought provoking ideas around collaborative working, managing performance, creating a culture where leaders can lead and developing our leaders to make it happen.

Several members of staff took the opportunity to share their leadership stories and Lynne Oliver from the Pacific Institute gave an 'inspirational' presentation on why culture matters to organisations. There were discussions around high performance leadership and the impact that it has on organisations. There is a growing amount of evidence that concludes how managers treat their staff has an impact on mental health recovery outcomes of service users. If a manager has positive expectations of its staff then staff will have positive expectations of what service users will achieve.

The conference was so successful that a second conference for senior managers took place in March 2016. KMPT will take forward it's investment in its leadership and will continue to provide help support and forums for our leaders to build on this success.

## Recognising innovation

Two members of staff were shortlisted for the Kent, Sussex and Surrey Leadership Collaborative Awards. One was shortlisted for the Patient Champion of the Year and the other shortlisted for Inclusivity Leader of the Year. Both were awarded 'Runner-Up' in their categories. Congratulations!

Lakeside Lounge, a café which was set up by Forensic and Specialist Services for staff, patients and visitors, has been highly commended in a prestigious award ceremony for its Patient Experience. The lounge was entered into the annual National Positive Practice in Mental Health awards, which have been assessing mental health services and identifying positive practice for nearly 20 years. Lakeside Lounge was the idea of patients approximately 10 years ago and provides service users with the opportunity to learn new skills and gain vocational experience whilst on their recovery journey.

In November, the Medway Nurse-led Alcohol Pilot, which is delivered from Medway Foundation Trust A&E, was shortlisted in the Emergency and Critical Care Category as a finalist from over 800 applicants at the National Nursing Times Awards. The awards were an inspirational evening recognising the hugely influential and important role nurses have in delivering services.

### Solar panels

The Trust began to deliver its own sustainable energy and, at the same time, reduced its carbon emissions through the installation of solar panels.

These solar panels or photovoltaic arrays, which are now on several Trust buildings, produce electricity. The first installation generated more than 25 per cent of the total potential electricity consumed each year. The aim is that the Trust will reduce its carbon emissions by 13 per cent and its reliance on grid energy by 10 per cent each year over a nine year period.

### Performance analysis

This section describes how the Trust is funded and how it manages its finances.

It also describes how much funding we receive and where it comes from, as well as how we spend it on providing services. You can also learn about how we pay our bills, our investment in capital projects and learn whether we have met our financial targets for 2015 - 16.

## Glossary

This glossary explains some of the technical terms that are used within this section of the report.

| | |
|---|---|
| Public Dividend Capital | The finance (PDC) made available to the Trust to pay for its assets, including all its buildings at its start. |
| Fixed Assets | Assets held for use by the Trust rather than for sale or conversion into cash, e.g. buildings, equipment, fixtures and fittings. |
| Intangible Assets | Assets that have no physical substance e.g. software licences. |
| Tangible Assets | Assets that have physical substance e.g. a building. |
| Receivables | Entities or individuals who owe the Trust money. |
| Current Assets | Items such as, cash in the bank and in hand and monies owed to the Trust. |
| Payables | Amounts of money that the Trust owes other organisations or individuals. |
| Provisions | Amounts of monies that the Trust has a liability to pay in the future that can be reliably estimated. |
| Capital Resource Limit | A limit that controls the amount of capital expenditure the Trust can incur in a year. The Trust must have a capital resource limit to cover all capital expenditure it incurs and should maintain expenditure within the limit. |
| External Financing Limit | A limit set by the Department of Health used to control and manage the cash expenditure of the Trust. It covers all internal and external sources of finance available to the Trust including funding from the Department of Health. |
| Capital Cost Absorption Duty | This duty measures the Trust's ability to ensure that the Department of Health receives a return on their investment (PDC). It measures the Trust's Dividend against average relevant assets held. |
| Liquidity | The ability of the Trust to pay all its debts when they fall due. |

| | |
|---|---|
| Benefits in kind | Goods or services provided by the Trust to an employee for no cost or a greatly reduced cost. |
| Taxpayer' Equity | Bottom half of the Statement of Financial Position which shows the Taxpayers investment in the Trust. |
| Fixed asset impairment losses | Impairment losses arise when an asset is recorded in the Trust's books at more than its current value. This difference between what the Trust can sell the asset for and the historic value in the Trust's books is an impairment loss. |

**Financial performance**
The following pages summarise the Trust's financial performance. The Operating Financial Review has been prepared in accordance with Reporting Standard 1 (RS1).

This year reflects the financial impact of the changes and developments that the Trust had put in place to respond to the needs of our stakeholders – including both patients and commissioners. The governance processes deliver changes whilst maintaining patient safety. Focus continues to be on quality impact assessment, service redesign and robust project management.

There were minor investments at the start of the year to fund; £0.2m (PYE) extra beds, £0.5m ECS and £0.3m Police custody in 2015 -16. The focus on contract monitoring was on performance management, intelligent activity information and CQUIN delivery. The main change to the baseline contract value related to the application of the national deflator of 1.6%.

The Trust continued to earn the majority of its core business income from the local Clinical Commissioning Groups which are Ashford CCG, Canterbury and Coastal CCG, Dartford, Gravesham and Swanley CCG, Medway CCG, South Kent CCG, Swale CCG, Thanet CCG, all under block contract. For West Kent CCG, the contract for cluster based services was under a PbR basis therefore the majority of the payment was based on activity provided. Specialist Services were commissioned via the National Commissioning Board Specialist Commissioning Group.

The partnership arrangement with Kent County Council, which enables single management of the workforce for the provision of adult services, has also continued during 2015 - 16.

The Trust works closely with Medway Local Authority who is the provider of social care in the Medway locality, no formal partnership arrangement is in place.

**Summary**
This section summarises the financial performance for 2015 - 16 and the position of the Trust as at 31 March 2016.

The accounting policies adopted follow International Financial Reporting Standards (IFRS) and the HM Treasury's Resource Accounting Manual to the extent that the Department of Health has directed it as being appropriate to NHS Trusts.

The two most significant accounting policies, which require the exercise of judgement and which can potentially have a material impact on the Trust's accounts, are FRS 11 – Impairment of Fixed Assets and Goodwill and FRS 12 – Provisions, Contingent Liabilities and Contingent Assets.
The Trust's summarised accounts for 2015 - 16 have been examined by our external auditor, Grant Thornton, and their report is set out on page 56.

The Trust has four main financial targets;

- To break even or recover any deficit over a rolling three year period
- To remain within its external financing limit (a target on the amount of cash resource the Trust can utilise)
- To remain within its capital resource limit (a target on capital spending)
- To achieve its capital cost absorption duty (a rate of return on assets).

During 2015 - 16 the Trust successfully achieved these targets, despite a number of challenges. The Trust recorded a deficit of £4.1m against its break even duty which was worse than the planned deficit. This result was achieved through release of non recurrent gains and the delivery of cash releasing efficiencies which partially covered cost pressures and the 1.6 per cent tariff deflator that had reduced the Trust's income.

**Summary of financial targets**

| | |
|---|---|
| Break even - £4.2m deficit | |
| Remain within External Financing | |
| Limit - £70k underspend | Yes |
| Remain within Capital Resource Limit – | |
| £0k underspend | Yes |
| Achieve a 3.5 per cent Capital Cost | |
| Absorption Duty | Yes |

**Summary of financial risks**
Summaries of the financial risks are outlined on page 40 of the report

**Audit**
The Trust's external auditor is Grant Thornton. It conducted work during the year on audit services at a cost of £61k (excluding VAT). This work included accounts, governance and performance work.

**Provision of information to auditors**
As far as the Trust's directors are aware, there is no relevant information of which the Trust's auditor is not aware and the directors have taken all reasonable steps

that might properly be taken as directors to make themselves aware of any material audit information and to establish that the Trust's auditor is aware of that information.

**Going concern**
After making enquires, the directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the "going concern" basis in preparing the accounts.

**Capital expenditure**
The Trust spend £7.5m on capital expenditure in 2015 - 16, which represented a small under spend against the plan revised in September 2015. The Board also agreed to sell the properties that were identified as part of the estates element of the Trust's Transformation Programme which became surplus to requirements. The sale of these properties provides funding to invest in the retained infrastructure and reduces total estate running costs. Disposing of surplus properties also mitigates against reductions in market value and avoids additional security costs.

The most significant capital expenditure in the year was on the following items:

1. £2.5m to modernise the inpatient estate in Dartford as part of the long term plan
2. £1m on smaller building and engineering projects to maintain the estate
3. £0.9m on energy infrastructure to improve our efficiency and reduce our carbon impact
4. £2m on information technology to enable the workforce to have access to robust tools which will provide valuable information and free up clinician time for patients. This includes investment in the new patient record system.

**Private Finance Initiative (PFI)**
The use of private finance gives the Trust more access to funding for capital developments than would otherwise be available. The Trust has five PFI buildings that were built over a number of phases and were all part of the old Stone House Hospital reprovision. Details are provided in note 27.

**Payment by Results**
In the acute sector the NHS operates a charging mechanism called "Payment by Results" (PbR). Under PbR, organisations that provide healthcare charge commissioners for the activities they undertake based on a national tariff price for that activity. This is part of a planned move away from the old system of commissioning on block contract agreements and will eventually apply to most NHS services.

Currently, mental health services are excluded from these arrangements and as a result most of the Trust's income is still earned from the old style block contracts, where there is neither reward for extra activity nor penalty for reduced activity.

However, the Trust can incur penalties for non-achievement of Key Performance or Quality Indicators.

Mental Health services are being brought into these arrangements via local implementation of a proposed tariff structure based on clusters. These clusters are the result of the North East pilot work and the clusters are based on diagnosis and care pathways within the cluster. The Trust entered into a local tariff arrangement in 2014 -15 and has continued to work with all CCGs to develop pathways and calculate the resulting local tariff.

The results continue to produce diverse ranges of prices for each cluster so work will continue throughout 2016 -17 to ensure service users are clustered appropriately. The pathway design work has been agreed with the CCGs, and the Trust will now work with commissioners to identify the resource gaps and produce plans to enable the transition and redesign of the services to deliver these agreed standard packages.

The Department of Health is expecting the Trust to be funded via cluster and indicative levels of activity. This work is ongoing and will be refined as the knowledge of all parties improves and central guidance from Monitor is received.

**Liquidity**

The Trust operates with very low levels of liquidity, which is acceptable under the current financial regime. Under the present arrangements, the bulk of the Trust's income is contracted to be received on the 15th of the current month, which allows the Trust to meet its main expenditure obligation (payroll) on the 24th of the month. The Trust had two loans in 2015 - 16 of which only one loan is outstanding at £3.2m as at 31st March 2016.

The Trust has reduced its cash holding at the end of 2015 - 16 given the level of deficit. The Trusts low cash balance and high debtors reduces resilience going forward therefore cash management will be a key focus and risk for 2016 -17 given the uncertain financial climate.

**Income**

The Trust's income in 2015 - 16 was £181,334k. Details of the sources of income are identified on page 16 note 4 & 5 of the accounts.

**Expenditure**

Operating expenses in 2015 - 16 were £182,220k. The analysis of this expenditure is on page 6 note 17 of the accounts.

**Better Payment Practice Code**

The NHS Executive requires that Trusts pay their non NHS trade creditors in accordance with the Confederation of British Industry (CBI) prompt payment code and Government Accounting Rules. The target is to pay at least 95 per cent of non NHS trade creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.

The Trust's payment policy is consistent with this requirement and the measurement of compliance is below. The reduced level of compliance in 2015 - 16 is due to the lack of cash during the year mainly as a result of slow payment by the CCGs for

services provided.

Details of the Trust adherence to the codes can be found on page 22, note 9 of the accounts.

**Review of quality**
The Board has a key focus on quality and safety and this drives the Trust agenda through the quality strategy and transformation strategy and programme. Many of the initiatives mentioned in this section have already been mentioned under the 'challenges and progress' section of this report under 'safety', however, this section looks at these initiatives against the set key performance indicators.
In 2015 - 16 the Transformation Board had responsibility for approving and monitoring business cases / transformation initiatives; it only considers business cases / service development initiatives if they are accompanied by an approved Quality Impact Assessment (QIA). QIAs are monitored through a QIA Group which is jointly chaired by the Executive Director of Nursing and Governance and the Executive Medical Director. This group considers and monitors all QIAs, and makes recommendations to the Quality Committee. Monitoring of business cases, initiatives and CREs schemes is at the initial design stage as part of the business case approval process and then at quarterly intervals post implementation for up to 12 months.

**Quality Account**
The improvement priorities agreed through the Quality Account consultation and incorporated in the benefits matrix from the Transformation Programme are:

Safe - Reduce all serious incidents including absence without leave, absconding, suicide and serious self-harm during an inpatient admission or while in treatment with a working age adult community team.

Caring - Further develop and implement the recovery and wellbeing approach for all our service users; Work in closer partnership with our service users to ensure access to physical health care monitoring.

Effective - Work in closer partnership with service users to ensure that care is service user centre; ensuring service users are informed of changes in care coordinators.

Responsive - To ensure all adults, children and young people are effectively safeguarded; Monitor the patient experience of service users views relating to the effectiveness of their CPA.

Well led - Better communication between our staff and service users and their carers;

Better use of benchmarking and external comparisons to improve Board quality information.

**Review of other performance**

The Integrated Quality and Performance Report (IQPR) has been provided in the new format since April 2014. It was reviewed and updated in January 2016 to incorporate the new national waiting time measure for Early Intervention in Psychosis, new quality indicators concerned with care planning, and changes to some national definitions. It provides a Trust summary performance report and a breakdown of areas of underperformance and over performance by service line. This report provides a high degree of assurance to the Board on performance against a balanced scorecard of regulatory, workforce, quality and finance performance targets. It provides the Trust Board with data visualisation, trend and trajectory analysis and a forecast of future performance in order that the Board understands which service areas are at risk of failing to meet targets in the future. It also provides an action orientated performance management report with a focus on the trust priorities of access, recovery and workforce management.

Data is provided at Trust-wide, service line, corporate department and team or ward level. This enables the Board and service lines to effectively manage service line performance by drilling down to ensure that good performance is not masking under performance in another area.

The use of an integrated approach to quality and performance is helping to ensure that a performance culture is implemented in the Trust and embedded across service lines. The Trust's performance management framework provides the overarching structure for provision of performance management information to service lines and the timeframes for performance review and action planning. It sets out the process that service lines will use to implement supportive actions for teams and individuals, and the process that will be followed where service line actions do not deliver the forecast improvement. These meetings combine review and challenge on service line progress with an opportunity to discuss issues of concern. This essentially leads to a from 'Ward to Board' oversight process where action plans are approved in advance of being reported to the Board.

The trust new reporting dashboards (Insight) have been developed further in year and support providers to encourage effective use of the resource, plans with associated benefits have been identified for further work in the next 12 months to further empower managers with robust information.

More details about the IQPR can be obtained from the Trust Board papers online at www.kmpt.nhs.uk

We have set out our performance against a number of our most significant KPIs in the following table. These KPIs are regularly reported to the Trust Board as part of the IQPR. There are other KPIs which apply to a range of Trust services. These are regularly monitored through our internal performance management meetings to create accountability at all levels of the organisation. Externally there is also a wide ranging set of performance metrics which are monitored by CCG commissioners through our performance review arrangements.

| Key Performance Indicator | 2015-16 Year End | Target | Local / National |
|---|---|---|---|
| Admissions gatekept by CRHT (%) | 100.00% | 90.00% | National |
| CPA 7-day follow-up (%) Enhanced Only | 96.90% | 95.00% | National |
| Delayed transfers of Care (Monitor/CareQuality Commission) | 10.50% | <7.5% | National |
| MHMDS completeness (Monitor definition, %) | 99.51% | 50.00% | National |
| Certification against compliance with requirements regarding access to health care for people with a learning disability | Compliant | Compliant | National |
| Adults with CPA care plans (%) | 95.90% | 95.00% | Local |
| % of patients with valid CPA care plan or plan of care | 94.20% | 95.00% | Local |
| Emergency readmissions within 28 days (younger, %) | 9.70% | <5% | Local |
| Emergency readmissions within 28 days (older, %) | 6.00% | <5% | Local |
| Length of stay (younger, days) | 31 | <25 | Local |
| Length of stay (older, days) | 79.4 | <52 | Local |
| Referral to assessment within 4 weeks | 87.10% | 95.00% | Local |
| 18 Weeks referral to treatment | 90.61% | 95.00% | Local |
| % Reviews undertaken within the maximum cluster review period | 68.90% | 95.00% | Local |
| % of service users assessed with cluster assigned | 92.50% | 95.00% | Local |

**Delivery of quality and operational performance standards**

| Key Performance Indicator | 2014-15 Year End | Target | Local / National |
|---|---|---|---|
| Admissions gatekept by CRHT (%) | 100.0% | 90.0% | National |
| CPA 7-day follow-up (%) Enhanced Only | 96.1% | 95.0% | National |
| Delayed transfers of Care (Monitor/CareQuality Commission) | 5.6% | <7.5% | National |
| MHMDS completeness (Monitor definition, %) | 90.3% | 50.0% | National |
| Certification against compliance with requirements regarding access to health care for people with a learning disability | Compliant | Compliant | National |
| Adults with CPA care plans (%) | 95.5% | 95.0% | Local |
| % of patients with valid CPA care plan or plan of care | 91.5% | 95.0% | |
| Emergency readmissions within 28 days (younger, %) | 9.8% | <5% | Local |
| Emergency readmissions within 28 days (older, %) | 5.2% | <5% | Local |
| Length of stay (younger, days) | 30.3 | <25 | Local |
| Length of stay (older, days) | 78.2 | <52 | Local |
| Referral to assessment within 4 weeks | 83.9% | 95.0% | Local |
| 18 Weeks referral to treatment | 90.8% | 95.0% | Local |
| % Reviews undertaken within the maximum cluster review period | 69.4% | 95.0% | Local |
| % of service users assessed with cluster assigned | 91.0% | 95.0% | Local |

Agreement on the Trust's quality improvement priorities is made through discussion with a wide range of clinicians, service users and carers and using external feedback such as patient and staff survey results and national benchmarking of current performance against highest achievers.

Consultation and agreement of key improvements to be delivered over the next year:

- Safe - risk management of ligature and ligature points
- Caring - Further develop and implement the recovery and wellbeing approach for all our service users; Work in closer partnership with our service users to ensure access to physical health care monitoring
- Effective - management of violence, restraint, control and seclusion
- Responsive - complaints handling
- Well led - caseload management

KMPT's performance strategy ensures the delivery of strategic and corporate objectives whilst instilling a culture of continuous performance improvement. The performance strategy recognises that performance management is integral to the Trust achieving its strategic aims and outcomes and needs to be embedded across the organisation.

The strategy is delivered through the Trust's framework for performance management, which describes the arrangements and accountabilities that will translate the strategy into a workable process for driving improvement in operational performance. The Trust will ensure systems and processes are in place to comply with all aspects of external scrutiny and to achieve and exceed performance against internally and externally developed targets and standards.

**Performance on KMPT's sustainable development**

KMPT is committed to putting sustainability and environmental management at the core of its operations and health care delivery by helping to reduce our environmental impact and improving the experience of staff and patients.

The Trust continues to take its corporate social responsibilities seriously as well as recognising the importance of managing the environmental impact from its operations. Moving towards a low carbon future will help reduce the Trust's contribution to global warming.

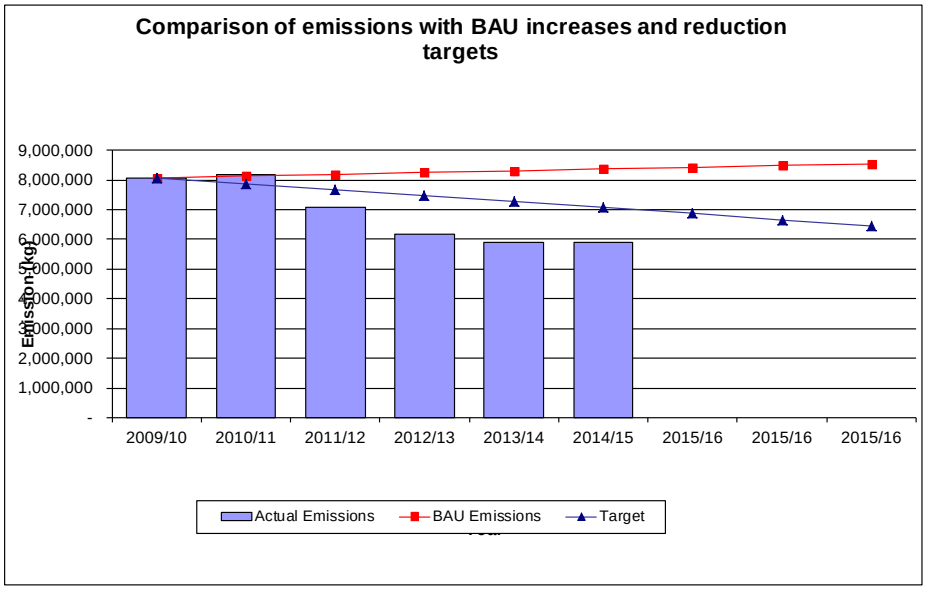
In promoting new and innovative projects, the Trust will maintain a commitment to NHS Carbon Reduction Strategy. The Trust's progress is monitored through the Sustainable Development Management Plan. It sets out a strategy for emissions reductions and cost savings from those carbon emitting activities that KMPT can monitor and influence.

KMPT continues to make significant carbon reduction since the 2009/10, when the Trust had an objective to achieve a minimum 15% reduction on carbon utilisation by 2015 - 16.

We are pleased to announce that, 2014/15 data shows a substantial 27% reduction in carbon exceeding the 15% target initially set by the Carbon Trust. This can be partly attributed to the huge efforts by staff across the Trust as well as a dedicated Estates team who help in modernising the Estates through the Transformation programme as well as the huge impact the Green Champions have across the Trust estates.

The Trust is set to even make greater carbon reduction with the implementation Energy Performance Contract with SKANSKA.

**Carbon footprint**




The baseline year against which performance is measured is 2009/10.

Baseline CO2e emissions 9,122 tCO2e

- 2009/10 emissions 9,122 tCO2e
- 2010/11 emissions 9,250 tCO2e
- 2011/12 emissions 8,019 tCO2e
- 2012/13 emissions 6861 tCO2e
- 2013/14 emissions 6583 tCO2e
- 2014/15 emissions 6561 tCO2e

***According to latest Carbon Trust matrix data

**Major projects – guaranteed energy saving project**

On another positive note, the Trust entered into a major flagship contract, the Energy Performance Contracts with SKANSKA to help drive the carbon reduction.

KMPT Energy Performance Contract consists of Energy Performance measures being introduced at 4 of the Trusts current sites to reduce the energy consumption and Carbon emissions

The sites in scope are:

- Green acres
- St Martins Hospital
- The Beacon
- Oakwood

Interventions currently comprise:

- PV at The Beacon, Oakwood, Green acres and St Martins.
- BMS Modifications at Little Brook, Oakwood and St Martins.
- Behavioural Change Programme

Based on the original figures from the proposal, please find below the anticipated savings per annum from the project:

| | |
|---|---|
| Energy Saving | 1,032,000 kWh |
| Carbon Reduction | 390 $tCO^2$ |
| Financial Saving | £71,000 |
| Revenue from FiT | £18,000 |

*Please note the financial savings are based on the original tariffs provided during the original IGA stage and that this may vary from what the tariff is currently to be obtained.

**Green Champions**

KMPT Green Champions are a key part of helping the Trust in achieving its environmental targets. The Green Champions help empower and engage staff in becoming more sustainable in their daily lives and at work.

In 2015, Global Action Plan as part of the Energy Performance Contract, partnered with the Trust to undertake a behaviour change programme.

Global Action Plan is an internationally proven, award winning behaviour change charity which helped the Green Champions provide engaging and structured framework to achieve and sustain changes in every day behaviour.

**Next steps**

Overall, the Trust showed significant improvements with its sustainability plan and the over the next year, we will be looking at moving the agenda to a wider Trust ethos with a shared vision on decarbonising our healthcare.

## THE ACCOUNTABILITY REPORT

### Section 1 – Corporate Governance

### The directors' report

The Trust's Board of Director's comprises the Chairman and seven non-executive directors (NEDS), and seven directors (EDs), all of whom are collectively responsible for the success of the Trust. The Executive Director of Operations and the Director of Human Resources are non-voting directors.

Executive directors are full-time employees of the Trust and non-executive directors are appointed by the NHS Development Authority. Executive directors manage the day-to-day running of the Trust and, together with the Chairman and other non-executive directors, they set the strategic direction of the Trust and ensure its achievement of performance standards.

The Board of Directors bring a wide-range of experience and expertise to their stewardship of the Trust and continues to demonstrate the vision, oversight and encouragement required to enable it to thrive.

During 2015-16 there were some changes to the composition of the Board. Nikki Prince, Director of HR, left the Trust in April 2015 and was replaced by interim Directors of HR until March 2016 when Sandra Goatley took up the post permanently. Pippa Barber Director of Nursing and Governance left in March 2016 and was replaced by Donna Eldridge as Acting Director of Nursing and Governance until her permanent replacement begins in May 2016. Michael Sander Non Executive Director completed his term of office in August 2016 and recruitment of a replacement NED is ongoing. Angela McNab Chief Executive will be leaving the Trust in April 2016 and her permanent replacement has been appointed and will start in June 2016. Malcolm McFrederick Director of Operations will assume the acting Chief Executive role in the interim.

### Board membership 2015-16

| Non-executive Directors | Executive directors |
|---|---|
| Andrew Ling | Angela McNab – Chief Executive |
| Margaret Andrew | Ivan McConnell – Executive Director of Transformation and Commercial Development |
| Mark Bryant | Catherine Kinane – Executive Medical Director |
| Tom Phillips | Pippa Barber – Executive Director of Nursing |

| | |
|---|---|
| | and Governance** |
| Anne-Marie Dean | Philip Cave – Executive Director of Finance |
| Rodney Ashurst | Malcolm McFrederick, Director of Operations |
| Richard Page | Nikki Prince, Director of Human Resources*** |
| Michael Sander* | Paul Jones, Interim Director of Human Resources**** |
| | Jacolyn Fergusson, Interim Director of Human Resources***** |
| | Sandra Goatley, Director of Human Resources****** |
| | Donna Eldridge, Acting Director of Nursing and Governance******* |

* Left on 31 August 2015
** Left on 1 March 2016
*** Left on 16 April 2015
**** joined the Trust as an interim on 15.04.15 and left on 30.07.15
***** joined the Trust as an interim on 27.07.15 and left on 11.03.16
****** joined the Trust on 07.03.16
******* joined the Board on 01.03.16

**The Board**

The Board leads the Trust by undertaking three key roles

- The Board is responsible for setting the strategic direction for the Trust.
- Formulating strategy, such as the clinical strategy.
- Holds the organisation to account for the delivery of the strategy through seeking. assurance that the systems of control are robust and reliable.

The general duties and responsibilities of the Board are:

- To work in partnership with patients, carers, local health organisation, local government authorities and others to provide safe, accessible, effective and well governed services that meet the needs of patients, carers and the Trust's local population.

- To ensure that the Trust meets its obligations to the population it serves, its stakeholders and staff in a way that is wholly consistent with public sector values, including the Nolan Principles of Public Life.

The Board meets every other month and members of the public are welcome to attend these meetings. People who have experienced our services present to the Trust Board, enabling Board members to hear at first-hand how services work for users and carers, and areas of improvement.

The table below shows the attendance of every member of the Trust Board at the Board meetings held during 2015-16.

**Director's attendance at Board meetings 2015-16**

| **Non-executive directors 2014-15** | **Actual / possible** |
|---|---|
| Andrew Ling | 5/6 |
| Margaret Andrew | 6/6 |
| Mark Bryant | 6/6 |
| Tom Phillips | 5/6 |
| Anne-Marie Dean | 5/6 |
| Rod Ashurst | 6/6 |
| Richard Page | 5/5 |
| Michael Sander | 2/2 |

| **Executive directors 2015-16** | **Actual / possible** |
|---|---|
| Angela McNab | 6/6 |
| Ivan McConnell | 6/6 |
| Catherine Kinane | 5/6 |
| Pippa Barber | 5/5 |
| Philip Cave | 6/6 |

| Executive directors 2015-16 | Actual / possible |
|---|---|
| Nikki Prince | 0/0 |
| Malcolm McFrederick | 5/6 |
| Paul Jones | 2/2 |
| Jacolyn Fergusson | 4/4 |
| Sandra Goatley | 1/1 |
| Donna Eldridge | 1/1 |

## Declarations of interests

We have an obligation under the Code of Conduct and Accountability for NHS Boards to compile and maintain a register of interests of directors, which might influence their role. The register is available to the public, in accordance with the Freedom of Information Act. The Trust is required to publish in the Annual Report the directorships of any member of the board in companies that are likely to, or seek to, conduct business with the NHS. Our register of interests in shown below:

## Register of interests

| None | Job title | Interest declared |
|---|---|---|
| **Non-executive Directors** | | |
| Andrew Ling | Chairman | None declared |
| Margaret Andrews | Deputy Chair / Non-Executive Director | None declared |
| Rodney Ashurst | Non-Executive Director | An ex-employee of BT PLC which is a current supplier of various services to KMPT, as well as many other NHS Bodies. His role at BT was not involved in selling to or dealing with any part of the NHS. |
| Mark Bryant | Non-Executive Director | None declared |
| Richard Page | Non-Executive Director | None declared |

| None | Job title | Interest declared |
|---|---|---|
| Tom Phillips | Non-Executive Director | None declared |
| Michael Sander | Non-Executive Director | None declared |
| Ann-Marie Dean | Non-Executive Director | None declared |
| **Executive Directors** | | |
| Angela McNab | Chief Executive | None declared |
| Pippa Barber | Executive Director of Nursing and Quality | None declared |
| Catherine Kinane | Medical Director | None declared |
| Philip Cave | Director of Finance | Relative is an employee of South East Commissioning Support Unit who support commissioning for CCGs in Kent and the Trust has contracts with CCGs. |
| Ivan McConnell | Director of Transformation and Commercial Development | None declared |
| Malcolm McFrederick | Director of Operations | |
| Nikki Prince | Director of Human Resources | None declared |
| Paul Jones* | Interim Director of Human Resources | None declared |
| Jacolyn Fergusson* | Interim Director of Human Resources | None declared |
| Sandra Goatley | Director of Human Resources | None declared |
| Donna Eldridge | Acting Director of Nursing and Governance | None declared |

* interim appointment.  Please see above

**Fit and Proper Person regulations**

All Board members are subject to the fit and proper persons test.  All members have confirmed that they are of good character and are competent to undertake their roles.

**Non-Executive Directors**

**Andrew Ling, Chairman**
**BSc (Econ) – UCL, FCA**

Andrew held a Non-Executive Director position at Dartford and Gravesham NHS Trust since January 2008 and took up post here at KMPT on 1 November 2011.

Andrew has been appointed due to his leadership skills and strategic experience and he will lead the Trust in its quest to modernise and improve mental health services whilst achieving foundation trust status.

Andrew has a City background in Finance and Banking at Lloyds TSB Group where he held a variety of appointments including that of Finance Director of the Wholesale and International Banking Division from 1995-2004.

Andrew is also an Economics graduate of University College London. Andrew qualified as a Chartered Accountant with Price Waterhouse in 1978 where he spent the following 10 years. He is currently Finance Director of The Vintners' Company.

**Professor Margaret Andrews**
**MSc, BSc, PGCE, RNT, RCT, RN,**
**Fellow of the Higher Education Academy**

Margaret joined the Board in April 2012 and was appointed due to her interest in healthcare education and clinical experience. Margaret will help lead the Trust in its quest to modernise and improve mental health services whilst achieving Foundation Trust status. Margaret was Pro Vice-Chancellor (Partnerships) at Canterbury Christchurch University and has a long history in education. Margaret is Deputy Chair of the Trust and the appointed SID. She is also the Chair of the Quality Committee and a member of the Integrated Audit and Risk Committee.

**Michael Sander**
**BSc, M.Phil, FRICS, MRTPI, MCIH (Chartered Surveyor, Town Planner, and Member of the Institute of Housing)**

Michael was appointed in September 2007. He has worked in the private, voluntary and public sectors. Michael was Chief Executive of

Crawley Borough Council (inc Gatwick Airport) from 1984 to 2002. He has experience in corporate management including communications, competitive tendering, finance, change management, HR and ICT; and in construction, estate and land development. He is a Trustee of the Commonwealth Housing Trust, and works as an International Election Observer. Michael left the Trust in August 2015.

**Richard Page**
**BA, FCMA**

Richard was appointed to the Board in June 2012 and is an experienced Finance Director who has over 35 years of working at Board level, with the last 20 years being spent in the NHS. In addition, Richard is the treasurer of two small local charities and a Non-Executive Director of The Malaria Consortium. Richard has been a Magistrate in central Kent (Maidstone Bench) for over 10 years and sits as a chair of both the adult and youth courts. Richard is Deputy Chair of the Integrated Audit and Risk Committee and a member of the Finance and Performance Committee.

**Mark Bryant**
**BA (Hons) Engineering, Cambridge University**

Mark joined the Board in October 2012. Mark was previously Managing Director for Accenture where he held a range of positions over 23 years and is now leading a cutting edge energy company. Mark has a range of management and commercial skills and experience of leading change. Mark is a non-executive director for two companies including an organic plantation in Brazil that has established a strong relationship in the local community, helping provide schooling for over 600 local children. Mark is Chair of the Finance and Performance Committee.

**Tom Phillips**
**BSc (Hons) Physics, FCA (Fellow of Chartered Accountants)**
**Member of the Institute for Turnaround (MIFT)**

Tom was appointed to the Board in November 2012. Tom has previously held senior Board roles as Chief Executive, Chief Operating Officer and Group Finance Director in commercial multi-site retail operations within the pharmacy and leisure sectors. Most notably Tom spent 15 years as an executive board member of the Tote, a commercial organisation and also a statutory body. Tom is a non-executive director for two companies including at an international language school charity. Tom is the Chair of the Integrated Audit and Risk Committee.

**Rod Ashurst**
**MBA Finance and Marketing, Diploma in French Studies**

Rod joined the Board in November 2012. Rod has a wealth of business experience, including over ten years working at Board level, with the majority of the past 25 years having been spent at BT, with a background in leading transformational programmes, commercial development and contract management. As well as his work at BT, Rod also worked in Europe for Concert, Rod is a Trustee of the Trinity Theatre and Arts Centre in Tunbridge Wells. Rod is the Chair of the Workforce and OD Committee and a member of the Quality Committee.

**Anne-Marie Dean**
**NHS Accelerated Management Development Programme, Kings Fund College Strategic Leadership Programme, Templeton College Oxford Global health challenges Judge Institute Cambridge**

Anne-Marie joined the Board in November 2013. Anne-Marie has over 25 years' experience in the NHS, including roles as Chief Executive in the acute sector and Director of Strategy within a Primary Care Trust, and brings extensive knowledge and experience in setting and delivering strategic agendas. She is currently Chairman of Healthwatch Havering, which is part of the Care Quality Council framework (CQC), is a Trustee of the charity One-in-Four and a volunteer with St. John's Ambulance. Anne Marie is Vice Chair of the Workforce and OD Committee and a member of Finance and Performance Committee.

**Executive Directors**

**Angela McNab**
**Chief Executive BSc, MSc**

Angela was appointed on 1 April 2012. Angela joined us from NHS Luton and NHS Bedfordshire where she was Chief Executive and has an excellent career history which includes roles as Chief Executive of Human Fertilisation & Embryology Authority, Director of Public Health – Delivery and Performance at Department of Health and Director of Healthcare for Ministry of Defence. Angela began her career as a Speech and Language therapist and is keen to lead the Trust as it continues to improve patient experience. Angela will be leaving the Trust in April 2016.

**Malcolm McFrederick**
**Director of Operations MA (Cantab), MA (Cranfield), MIHM**

Malcolm joined the Trust in March 2014. He has worked for the last 12 years in health both in private and public organisations at director level leading operations and transformation. His most recent experience has been with private sector based in London and acute

health providers in the East of England. Malcolm will be taking on the CEO role in an acting capacity in April 2016 until June 2016 when the new permanent CEO will take over.

**Pippa Barber**
**Executive Director of Nursing and Governance R.N. Bcs (Hons) Health Service Management, BSc (Hons) Psychology, Post Graduate Diploma Health Policy**

Appointed in April 2011, Pippa qualified as a Nurse in 1987 at the Middlesex Hospital London. She has held a range of clinical posts both in Acute and Community settings before taking up Management posts. Pippa has worked as a Director of Community Services, Primary Care and Commissioning. For the past few years she was working with NHS Medway as Director of Clinical Performance and Executive Nurse. Pippa left the Trust in March 2016. Donna Eldridge will be Acting Director of Nursing and Governance until the permanent replacement begins.

**Dr Catherine Kinane**
**Executive Medical Director MB BCh BAO Dip Obs DCH MSc MRCGP MRCPsych Dip FMH. CCT GA and For Psychiatry**

Appointed in March 2014, Catherine has worked in Kent Mental Health since 2004. Previously she worked in the independent sector. She trained in mental health in London hospitals and services, having trained as a General Practitioner in Ireland following graduation from University College Cork Medical School in 1987. A consultant psychiatrist by background, she is keen to further develop clinical leadership within the Trust and foster innovation.

**Philip Cave**
**Executive Director of Finance, BSc, FCMA CGMA**

Philip Cave joined the Trust as Finance Director on 5 January 2015, having spent the last two years in a similar role at Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

A biology graduate from the University of Sheffield, Philip joined the NHS finance training scheme in 2000. Initially working in Birmingham, he moved to London in 2003 where he worked at a PCT and various acute and community trusts. In 2007, Philip was appointed as Assistant Director of Finance at University Hospital Lewisham NHS Trust before joining South London Healthcare NHS Trust as Associate Director of Finance in 2009. In 2011, he rejoined Lewisham as Deputy Director of Finance before taking up his post at CPFT in 2012. Philip is a Fellow of the Chartered Institute of Management Accountants.

**Ivan McConnell**
**Executive Director of Commercial Development and**

**Transformation, MA, CPFA**

Ivan joined the Board in August 2013 with a wealth of commercial experience in assisting Trusts deliver their strategic business plans and managing high profile transformational change. Ivan has worked with Monitor the FT Regulator and the DoH and has maximised the use of technology in supporting commercial and strategic interventions for the benefit of patients.

**Sandra Goatley**
***Human Resources Director Chartered Member CIPD***

Sandra was appointed to the Trust Board as Director of Workforce and OD on 7 March 2016. Sandra has worked for a number of organisations as HR and OD Director covering both the private and public sector. These include Amicus Horizon (social housing), Legal Services Commission (public sector) and the Morleys Stores Group (private sector). Whilst Sandra has not worked in the NHS previously she brings a wealth of HR and OD experience with a specific focus on employee engagement and change management.

**Donna Eldridge**
**Director of Nursing and Governance (temporary)**

**Enrolled Nurse (m), Registered Mental Health Nurse (RMN), BSc(Hons) Gerontology and Masters in Business Administration (MBA) PG Cert in Service improvement and Leadership**

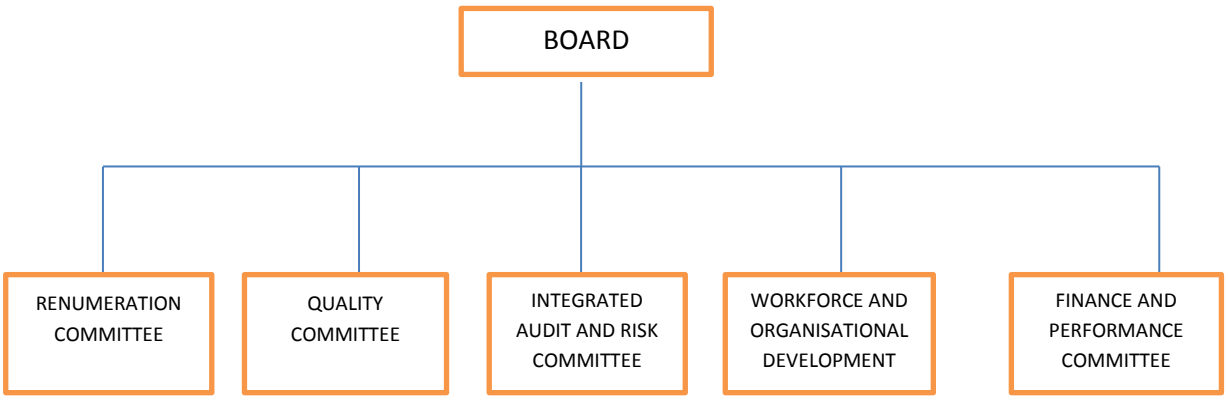
Donna started her career as a Health Care worker in a centre for epilepsy in Cheshire in 1983. After deciding to become a qualified nurse, Donna moved south to Brookwood hospital in Surrey and qualified in 1987 as an Enrolled Nurse in Mental Health. She worked in Kent for a short time before becoming a Registered Mental Health Nurse in 1990.

With a wide clinical experience within mental health services, Donna has knowledge of adult mental health, older people, eating disorders and mother and baby. In 1996 she specialised within older adult services in a variety of roles such as Ward Manager, Practice Development Lead and Lead Nurse.

Donna became the Assistant Director of Nursing in December 2004 and Deputy Director of Nursing in 2011. From 1 March 2016, Donna will be temporarily in post as Director of Nursing and Governance until a new Director is appointed.

**Governance Structure - Board committees**

The Trust Board has five committees to support it in discharging its duties fully. The chair of each committee presents a report to the formal board meeting. They also produce an annual report to Board once a year which details the committees' activities.




A summary of each committee is detailed below:

**Integrated Audit and Risk Committee**

Audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

The Codes of Conduct and Accountability and the Integrated Governance Manual set out the requirement for every NHS Board to establish an Audit Committee.

That requirement reflects established best practice in the private and public sectors and the constant principle that the existence of an independent Audit Committee is a central means by which a Board ensures effective internal control arrangements are in place. In addition, the Audit Committee provides a form of independent check upon the executive arm of the Board. The Trust's Committee is the Integrated Audit and Risk Committee.

The Committee also sets the strategic direction for managing governance and risk and implementing a framework to ensure risk and governance issues are managed effectively throughout the organisation. It provides the Trust Board with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the Trust's activities. In addition the integrated audit and risk committee:

- Provides assurance of independence for external and internal audit.
- Ensures that appropriate standards are set and compliance with them is monitored in non-financial, non-clinical areas that fall within the remit of the Trust.
- Monitors corporate governance (e.g. compliance with the code of conduct, standing orders, standing financial instructions and maintenance of register of interests).

The Integrated Audit and Risk Committee met eight times during 2015-16. Attendance of two non-executive directors is required in order for the committee to be quorate. The committee was chaired by Tom Phillips for the duration of the 2015-16 period. Richard Page and Margaret Andrews also sit on this committee. Pippa Barber is the executive lead for this committee alongside Phillip Cave.

**Audit and Risk Committee**

| Members | Actual / possible |
|---|---|
| Tom Phillips (Chair) | 6/8 |
| Richard Page (Vice Chair) | 7/8 |
| Margaret Andrews | 8/8 |

**Quality Committee**

The committee obtains assurance on behalf of the Board concerning all aspects of quality and safety relating to the provision of care and services, and that all patients have the best clinical outcomes and experience. In addition, the committee:

- Provides assurance to the Board through consultation with the Integrated Audit and Risk Committee, that the structures, systems and processes are in place and functioning to support an environment for the provision and delivery of excellent quality health and social care services
- Assures the Board that where there are risks and issues that may jeopardise the Trust's ability to deliver excellent quality health and social care that these are being managed in a controlled and timely way
- Assures the Board that the Trust is compliant with the Duty of Candour regulations
- The Quality Committee is monitoring the CQC Quality Improvement Plan following the CQC Comprehensive Inspection in March 2015.

The committee meets on a monthly basis and has two non-executive directors and two executive directors' members. The committee is chaired by Margaret Andrews. Rod Ashurst also sits on this committee, alongside Catherine Kinane (executive lead for quality) and Donna Eldridge.

**Quality Committee**

| Members | Actual / possible |
|---|---|
| Margaret Andrews (Chair) | 9/11 |
| Mark Bryant (Vice Chair) – withdrew from Committee July 2015 | 3/3 |
| Rod Ashurst | 10/11 |
| Pippa Barber | 7/10 |

| | |
|---|---|
| Catherine Kinane | 11/11 |
| Donna Eldridge | 1/1 |

**Finance and Performance Committee**

The Finance and Performance Committee supports the Board in its role with regard to finance and performance across the Trust.

The committee enables the Trust Board to obtain assurance on all aspects of finance and resources relating to the provision of care and services, in support of ensuring the Trust gets the best value for money and use of resources. This committee also:

- Assures the Board, through consultation with the Integrated Audit and Risk Committee that structures, systems and processes are in place and functioning to support broad and long term Financial, IM&T and Estates Strategies and that it is managing its asset base efficiently and effectively
- Assure the Board that where there are risks and issues that may jeopardise the Trust's performance in respect of its key Financial Performance targets that these are being managed in a controlled and timely way.

The committee meets on a monthly basis and was chaired by Mark Bryant for 2015-16. Richard Page and Michael Sander were also members of this meeting during the year. The executive lead for the committee is Philip Cave. Ivan McConnell and Malcolm McFrederick are also members of the committee.

**Finance and Performance Committee**

| **Members** | **Actual / possible** |
|---|---|
| Mark Bryant (Chair) | 9/9 |
| Michael Sander (Vice Chair) left in August 2015 | 4/4 |
| Richard Page | 8/8 |
| Philip Cave | 9/9 |
| Malcolm McFrederick | 8/9 |
| Ivan McConnell | 9/9 |

## Workforce and Organisational Development Committee

The role of the Workforce and Organisational Development Committee is to maintain a strategic overview of the Trust's workforce, educational and organisational arrangements of the Trust, with a view to assessing their adequacy to provide a positive working environment for staff. This in turn enables the provision of high quality care and positive outcomes.

The committee meets on a bi-monthly basis. During 2015-16 the committee was chaired by Rodney Ashurst. Anne-Marie Dean is also a member of the committee. The Director of Human Resources is the lead director for this committee, which also has Malcolm McFrederick as a member.

## Workforce and Organisational Development Committee

| Members | Actual / possible |
|---|---|
| Rod Ashurst (Chair) | 6/6 |
| Anne-Marie Dean (Vice-Chair) | 6/6 |
| Malcolm McFrederick | 5/6 |
| Paul Jones | 2/2 |
| Jacolyn Fergusson | 4/4 |
| Sandra Goatley | 1/1 |

## Remuneration Committee

The Remuneration Committee is responsible for ensuring there is a formal and transparent procedure for developing the policy and decision making framework for fixing the remuneration, terms of service and other benefits for senior management. In undertaking this role the committee will recommend and monitor the level and structure of remuneration for senior management not covered by agenda for change terms and conditions.

The Remuneration Committee consists of all the non-executive directors of the Board and is chaired by Margaret Andrews, Deputy Chair. It meets at least annually and on an ad hoc basis as required. During 2015 -16 the committee met four times.

## Remuneration Committee

| Members | Actual / possible |
|---|---|
| Margaret Andrew (Chair) | 3/4 |
| Andrew Ling | 4/4 |
| Mark Bryant | 4/4 |
| Tom Phillips | 4/4 |
| Anne-Marie Dean | 4/4 |
| Rod Ashurst | 3/4 |
| Richard Page | 3/3 |
| Michael Sander | 1/1 |

## The statement of Accounting Officer's responsibilities

- Responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities set out in the Accountable Officer Memorandum. I am also responsible for ensuring that the NHS Trust is administered prudently and economically and that resources are applied effectively and efficiently.

- In fulfilling my responsibilities to the Chief Executive of the Trust Development Authority (TDA), in his capacity as Accounting Officer, I am directly accountable to the Chairman of the Trust Board and the Non-Executive members of the Trust Board for the operation of the Trust and for the implementation of the Board's decisions.

- I am accountable to the Accounting Officer for the year ended 31 March 2016 through the Trust Development Authority (TDA) for the performance of the Trust's functions and for meeting its statutory duties. This relationship with the TDA is transacted through regular meetings with the TDA Chief Executive Officer (and his representatives).

- As Accountable Officer I have in place processes in which I work with Partner Organisations including Clinical Commissioning Groups (CCGs), the Trust Development Authority (TDA), the Local Authorities, Healthwatch, the Department of Health and other Acute and Mental Health Trusts.

- Some of the main fora for the transaction of these relationships are:

    - Regular South of England NHS Chief Executives' Forum
    - Monthly Integrated Delivery Meetings (IDMs) with TDA
    - Performance Review Meetings with the CCG's
    - Meetings with local authorities through the Kent and Medway Partnership Board, Kent County Council Health Overview and Scrutiny Committee, Medway Council Overview and Scrutiny Committee, Kent Adult Services Group and various Joint Planning Boards
    - Regular meetings with the Accountable Officers at our local CCG's, Universities including Kent, Surrey and Sussex Deanery.

**The governance statement**

- The Board has an established process in place to undertake a formal and rigorous annual evaluation of its own performance and that of its Committees.

- The Well Led Framework Self Assessment provides evidence and assurance of the Board's compliance with best practice guidance.

- There have been four changes to the Board composition during the year. The interim Directors of HR have been replaced by a permanent Director of Workforce & Organisational Development who took up post in March 2016. One Non Executive board member reached the end of his term and has not yet been replaced but a process is well underway. Both the Director of Nursing and Governance and myself as Chief Executive will have left the Trust before the end of March 2016. Permanent replacement appointments have been made and interim arrangements approved until the new post holders begin in June 2016.

- The Board has evaluated and assessed its own effectiveness, including a survey of Board members, and the implementation of the actions which arose following an internal audit on board effectiveness. The reports and recommendations from these reviews have generated action plans (some of which relate to Board effectiveness) which are monitored by the Board.

- The Board carries out its roles and responsibilities with the aid of a structured and focussed annual cycle of business, which takes into account the setting of strategy and the monitoring of key risks, performance, governance and quality issues. Service user and carer engagement is embedded within the annual cycle of business and presentations are invited at each formal Board meeting.

- The Trust has put in place arrangement to meet the Fit and Proper Person requirement. These have been incorporated in recruitment procedure and in Annual Governance Declarations. All current Board members have confirmed the meet the requirements to serve on the Board of a healthcare organisation.

- Board attendance for the 2015 - 16 period averaged a rate of 95%. Formal Board meetings are held bi-monthly. Where appropriate, the Board have also held additional formal meetings. Informal Board meetings and Board Seminars were also held regularly throughout the year.

    - The Committees of the Board are:

        - Integrated Audit and Risk Committee
        - Quality Committee
        - Finance and Performance Committee
        - Workforce and Organisational Development Committee
        - Remuneration Committee

    - Overall attendance for each committee during the 2015 - 16 period was as follows:

| **Committee name** | **Rate of membership attendance** |
|---|---|
| Integrated Audit and Risk Committee | 87% |
| Quality Committee | 89% |
| Finance and Performance Committee | 96% |
| Workforce and Organisational Development Committee | 97% |
| Remuneration Committee | 90% |

- There is crossover of Non-Executive Director membership, to enhance their effectiveness.

- The Board Committee structure continues to be embedded within the Trust. This continues to be enhanced by Non-Executive Director Chairmanship and Board reporting arrangements. This arrangement has enabled the Board to focus on its core business. The Board Committees provide a formal report to the Board meeting after each of their meetings highlighting key issues and receive feedback from the Board, which is reported at the next meeting of that Board Committee. This ensures timely monitoring of areas of responsibility delegated by the Board to the Committees through receipt of Chair assurance reports and minutes.

- The Finance and Performance Committee (FPC) review, monitor and scrutinise the Trust's key performance indicators across both finance and performance. There is across membership between the Quality Committee and the FPC to ensure risks and assurance issues are clearly identified and followed through.

- There is an established mechanism to maximise the effectiveness of its Committees through comprehensive work plans as well as the alignment of the Board's meetings and that of its Committees. This ensures timely monitoring of areas of responsibility delegated by the Board to the Committees through receipt of Chair assurance reports and minutes, with a clear escalation mechanism to the Board, where deemed appropriate.

- The Integrated Audit and Risk Committee supports the Board in reviewing the effectiveness of the system of internal control, through a structured annual work plan. The main role of the Committee is to seek assurance that the Trust's governance and risk management systems are fit for purpose, adequately resourced and effectively deployed. To aid this assurance, the coverage of the Committee's work plan incorporates the review of the organisation's risk management processes, and associated risk registers, from service, directorate to corporate level. This includes an annual presentation from all Service Line and Corporate Directors on their risk management process.

- To aid this assurance, the coverage of the Committee's work plan incorporates the review of the organisation's risk management processes, and the corporate risk register. The Integrated Audit and Risk Committee takes assurance from the Internal Audit function, by setting the Internal Audit Plan and monitoring its delivery regularly, as well as overseeing the implementation of audit recommendations.

- The Integrated Audit and Risk Committee's annual self-assessment incorporated the views of the internal and external auditors, and the counter fraud function. The overall assessment results indicate that the Committee is discharging its terms of reference and meeting best practice guidelines, as set out in the NHS Audit Committee Handbook.

- The Non-Executive members of the Integrated Audit and Risk Committee play a key role by scrutinising the effectiveness of management actions in mitigating risks through regular reviews of the Trust's risk register. In addition, the Committee's role includes:

    - Monitoring of significant corporate and strategic risks on behalf of the Board, through a review of the Corporate risk register
    - A rolling programme of deep dives with each service line
    - Scrutinising the effectiveness of the information risk management arrangements
    - Formally reviewing the system of internal control on a bi-annual basis, taking assurances from the Board Committees on the management of detailed risks

- During the 2015 - 16 period, the Committee received internal audit reports covering a broad range of the Trust's governance and risk management systems. The outcomes are highlighted in the table on the next page:

| Assurance Assessments | Number of Reviews |
|---|---|
| Substantial Assurance | 2 |
| Reasonable Assurance | 9 |
| Limited Assurance | 6 |
| No Assurance | 0 |

- Where limited assurance is indicated on an internal audit report a comprehensive action plan is put in place, which is then subject to a follow up audit.

- The Integrated Audit and Risk Committee takes assurance from the Internal Audit function, by monitoring its delivery regularly, as well as overseeing the implementation of audit recommendations. Assurance is also taken from the external auditors who audit the Trusts financial statement and it's Statement on Internal Control. They also ensure there are proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources. Arrangements are in place for the discharge of statutory functions to have been checked for any irregularities and to ensure that they are legally compliant. The Committee receives and agrees the annual workplans for internal and external auditors.

- The Quality Committee meets monthly focussing alternatively on risk issues (including regular presentations from Service Line Directors on their risk registers) and then on reports from its sub-committees. This includes regular reporting on clinical audit, never events, SIs and complaints, with information about actions taken as a consequence. The Quality Committee oversees the production of the Trust's Quality Account as part of its established annual schedule and monitors performance against current quality objectives through the year. The Quality Committee provides regular updates to the Board on progress against the Quality Account priorities, which are set each year with wide consultation and devised to be challenging.

**Risk assessment**

- The Trust Board has overarching responsibility for risk management. As Accountable Officer I ensure that sufficient resources are invested in managing risk and I am supported in undertaking this role by the Executive Director of Nursing and Governance and Director of Finance.

- The Non-Executive Committee members of the Integrated Audit and Risk Committee play a key role in the internal control assurance processes by scrutinising the effectiveness of management actions in mitigating risks

through regular reviews of the Trust risk register, as well as corporate functions and service line risk registers, on a rolling basis.

- In addition, the Board Committees all have responsibility for elements of the risk management system, with the Integrated Audit and Risk Committee providing assurance on its effectiveness.

- The Trust Risk Management Strategy provides the framework for the continued development of the risk management process, building on the principles and plans linked to the Trust's Assurance Framework, the Risk Register, the requirements of the Care Quality Commission and national priorities.

- Progress was achieved in the year to mitigate key risks relating to the principal objectives of the Trust. Based on the residual risk score, the top risks of the organisation in the 2015 - 16 period were:

  **Inability to recruit**

  In line with other hospitals in the country, the Trust has experienced significant difficulties in recruiting permanent nursing staff across the Trust to ensure the right numbers of nursing staffing on each ward for all shifts. There has been some reliance of the use of agency staff.

  **Demand for inpatient acute beds – patient flow**

  The Trust experienced exceptional demand for inpatient acute beds during the year which resulted in significantly higher use of private sector out of area beds than planned. The Trust put in place a range of actions to manage the demand and used the agreed risk share arrangement in place with Commissioners to mitigate the financial impact on the Trust. A numbers of Service Developments have been supported by Commissioners.

  **Financial overspend**

  The Trust has overspent and this puts significant pressure on the Trust financial viability. A comprehensive action plan is in place to reduce spend and create a number of efficiency savings.

  **Commissioning**

  The upcoming NHS England and CCG tendering process for Forensics and CAMHS could mean the loss of the low and medium secure services within the Forensic Service Line and potential income growth from CAMHS impacting on a high quality research base and model of good practice and on the Trust's reputation as a provider of choice.

  **Older adults**

The assessment and improvement of the quality of our older adult in-patient service provision is vital to prevent delivering a poor patient experience and being in breach of CQC requirements.

- The Trust has in place a process for the identification, assessment, and management of risks. This is a systematic approach which assesses the consequences and likelihood of each risk event, associated mitigations and allows for the identification of risks which could be considered unacceptable to the organisation.

- Training on risk management is included within the mandatory induction programme which all staff participate in at the start of their employment with the Trust. Managers and their nominated risk assessors attend further training on the principles and application of risk assessment and the tools used by the Trust to identify, record, monitor and review risk. This is refreshed every three years. The Trust Board receives annual training on risk management at a Board Development Sessions.

- Robust control mechanisms are in place, based upon the Trust's organisational policies, protocols, strategies and procedures used to control, mitigate and monitor risk. Additional assurances are gained from the Trust's organisational delegation scheme which details who has oversight of risk via the Committee structure, Trust-wide groups and sub-groups. The increased prevention of risk is facilitated through learning from experience, embedding improvements into daily practice (via sub-groups) for this. Also, prevention of risk is achieved via the interface partnership working arrangements across the local healthcare economy, within our joint commissioning arrangements.

- The Local Counter Fraud Team provided by TIAA support the Trust with the deterrent of risks. They have undertaken awareness training to all new starters at corporate induction; have an additional rolling programme of Fraud Awareness Training provided to Service Teams as required and run intensive publicity campaigns to highlight fraud in the NHS. They also advertise the Confidential National Fraud and Corruption Reporting Line achieved through poster distribution, fraud staffzone page, promotional material and newsletter articles. The newsletter ‘Fraud Focus’ is circulated to all staff and distributed at the Trust induction and other fraud awareness events. The Local Counter Fraud Specialist is also a member of the Trust’s Policy Group to ensure policies and procedures are adequately fraud proofed. Trust policies include the Counter Fraud Policy and Whistle Blowing Policy.

- The risk and control framework incorporates a range of supporting systems and associated policies that provide a structured and consistent approach to the management of risk. These include:

    - Risk Management Strategy
    - Information Risk Management Framework and Policy
    - Incident Reporting Policy
    - Complaints Policy

- Serious Incidents Policy
- Investigations Policy
- Learning from Experience Policy
- The bi-annual review of the BAF by the Integrated Audit and Risk Committee

- KMPT is continuing on a journey to achieve a fully risk enabled status on the risk spectrum by 31 March 2019. Risks are identified, assessed, mitigated and monitored at all levels of the organisation and are escalated depending on the residual rating as outlined in the KMPT Risk Management Strategy. Progress on the journey and compliance with the Strategy has been regularly monitored by the Integrated Audit and Risk Committee.

- Risk registers owned by and or delegated to the Committees of the Board are regularly reviewed to ensure that the correct types and levels of risks are scrutinised for the maximum benefit to the organisation. A number of new processes and management tools were put in place including differentiating risks to quality and health and safety risk assessments so that the risk registers are easier to use and more focused, introducing a tool designed to calibrate risks and determine the overall effectiveness of controls and ensuring all high level risks are linked to performance metrics.

- Staff are kept up to date with the key corporate and health and safety risks for their areas with posters and via team meetings, enabling them to spot if there are any issues that have not been previously identified.

- There are robust action plans and controls in place that have managed the risks and the recent staff survey has shown a marked improvement in the way the organisation is viewed by the staff and demonstrates positive change for the Trust.

- There were 401 new risks and risk assessments added to the Datix system in 2015/2016 (as at 9th March 2016) and 470 risks were resolved and closed in the same time period. This demonstrates that there is an active process around risks.

- There were several new risks identified on the Board Assurance Framework for 2015 - 16 which include effective interim cover for key management posts, the impact of sensitive cases on the Trust's reputation and unallocated caseloads in the community. In addition, there are some risks which have arisen through the CQC inspection which are being managed through the usual risk management process.

**The risk control framework**

- All risks are assigned an owner as well as a manager when they are identified. Committees of the Board have oversight of a portfolio of risks relevant to them and receive regular reports for assurance.

- Where possible, risks are eliminated and where this is not possible a selection of controls and actions are put in place to ensure that the likelihood or consequence of the risk being realised is lessened.

- A good example of this has been the Trusts approach to the management of ligatures and ligature points. Where possible known ligature points are removed and where this is not possible, the risk is managed with clinical assessments and observation.

- Learning through experience is a critical method for preventing risks and the Trust has a robust system by which learning from experience is identified, highlighted and embedded.

- A control calibration tool was introduced this year to ensure that all risks were graded appropriately and that the types and effectiveness of controls were taken into account. All high level risks were given a performance metric with measurable outcomes that demonstrate that the controls are working.

**Elements of the Board assurance framework**

- The Board Assurance Framework document is refreshed annually at the beginning of each financial year by the Board and is reviewed at each of its formal meetings. Its key elements include:

    - Board agreed organisational objectives and identification of the principal risks that may threaten the achievement of these objectives
    - Identifying the design of key controls intended to manage these principal risks
    - Setting out the arrangements for obtaining assurance on the effectiveness of key controls across all areas of principal risk
    - Identifying assurances and areas where there are gaps in controls and assurances
    - Putting in place plans to take corrective action where gaps have been identified in relation to principal risks
    - Maintaining dynamic risk management arrangements including a well founded risk register

- Based on my assessment of the Board Assurance Framework there are three key priorities to be implemented in 2016/17 in order to enhance the internal control arrangements. The implementation of these objectives will further strengthen Board visibility over the process of monitoring risk mitigation plans associated with its significant risks and as highlighted on the BAF. These priorities are to:

    - Improve the organisations understanding of the process of risk management by demonstrating an improved quality of risk assessment, risk registers and control mechanisms.

- Improve the confidence of external stakeholders in our risk management process by enabling staff and managers to talk confidently about their risk profile by describing their risks and mitigations.
- For the organisation to set a clear appetite for risk that can be used at all levels by management as a decision making tool

- The Board will oversee the implementation of these priorities, whilst primarily taking assurance from the work of the Board Committees. In addition, the Board Assurance Framework will be revisited to ensure that it is updated following the new guidance from the Good Governance Institute and that it serves its function as a decision making tool for the Board.

**Review of the effectiveness of risk management and internal control**

- The Risk Management Framework is supported by the processes in place to identify, assess, treat and monitor risks that materialise within clinical and corporate areas of the Trust. The Trust has established processes for managing risks that impact on the quality and safety of information, staff and patients.

- In September 2015 TIAA, the Trusts internal auditors, carried out a Trust-wide review of the risk management arrangements and Assurance Framework. The outcome of the review was an audit opinion of reasonable assurance, indicating that there is a generally sound system of internal control, designed to meet the organisations objectives, and that controls are generally being applied consistently. Recommendations were made about further improvements to enhance the system of internal control, which are either being implemented, or have been completed.

- As part of my review I also place reliance on the Head of Internal Audit's independent opinion of reasonable assurance, which substantiates this disclosure. The opinion is based on a review of the systems and processes underpinning the Board Assurance Framework and the internal audit risk–based plans reported during this period. The Trust is implementing actions arising from internal audit reviews and providing assurances on progress to the Integrated Audit and Risk Committee, which applies an integrated approach to scrutinising risk management arrangements.

- The Trust has an established Quality Governance Framework which enables the monitoring of risks to quality of services, through the Quality Committee. The Board Assurance Framework also provides a mechanism for monitoring, where these risks are significant to the delivery of the organisation's strategic objectives.

- Systems and controls are in place to ensure the delivery of quality account obligations, and the associated evidence also informs my assessment of the effectiveness of the risk management and internal control framework, in relation to risks to quality.

- Our performance management framework provides a structured approach to monitoring the delivery of the Trust's contractual and national obligations, and associated mitigations of risks to safety.

**The care quality commission and the fundamental standards**

- There are systems and controls in place to ensure compliance with the Health and Social Care Act 2008 which the Care Quality Commission (CQC) monitors as part of its routine inspection process.

- Following the comprehensive inspection undertaken by the CQC in March 2015 whereby the trust was rated as 'requires improvement', a quality improvement plan (QIP) was drafted to ensure that actions were implemented to meet the requirements notices issued as part of the report. The QIP is updated monthly by each service line and a three tier assurance process has been put in place to quality check that actions have been implemented and embedded successfully into practice.

- The CQC conducted an unannounced focused inspection at the Frank Lloyd Unit in January 2016 as concerns had been raised when a Mental Health Act monitoring visit was conducted in November 2015, whereby a number of DoLs applications were found to be outstanding. Following the inspection, the unit was issued with a warning notice and an action plan has been produced to ensure compliance with the fundamental standards. The unit will receive a follow-up inspection once the actions have been implemented.

- The CQC Compliance Monitoring Group is responsible for ensuring that Trust services meet the required fundamental standards and this is led by the Executive Director of Nursing and Governance. This group meets bi-monthly and reports to the Trustwide Patient Experience Group, three times a year.

- The Trust has arrangements in place to maintain ongoing compliance with the CQC fundamental standards, for the purpose of monitoring and continually improving the quality of healthcare provided to its patients. The Trust reviews a range of metrics to identify, assess and evaluate risks pertaining to compliance with CQC standards, enabling the monthly declaration of assurance to the TDA. The Board has strengthened its performance dashboard to further show the sensitivity to any developing risk areas. Quality visits are conducted both internally and externally by the local CCGs with recommendations being made where there is evidence of non compliant practice.

**Data security**

- The Director of Transformation and Commercial Development is the Senior Information Risk Owner (SIRO) of the organisation, providing information risk management expertise at Board level. The SIRO oversees the consistent implementation of the information risk assessment process by Information Asset Owners, as described in the Information Risk Management Framework and Policy.

- The Information Governance Toolkit and Information Risk Register are key enablers to embedding good practice, as well as identifying and managing key information risks. The Information Governance Team have put into place a range of appropriate policies, procedures and management arrangements to provide a robust framework for Information Governance in accordance with the Health and Social Care Information Centre requirements.

- There have been four Information Governance breaches which were reported to the Information Commissioner. In September 2015 an unencrypted Dictaphone containing patient information was lost, however this was later noted to relate to another organisation. During October 2015 an anonymous report was received that paperwork had been left in a vehicle unsecured. In November 2015 an individual was found to have used the patient information system to obtain information for personal use and in December 2015 an email containing patient identifiable information was sent using an unsecure mode of email. These matters were fully investigated at the time and all recommendations have been implemented.

- An internal audit on level 2 compliance with the information governance toolkit has been rated with reasonable assurance. A number of recommendations have been made which will be monitored by the Information Governance Group and the Integrated Audit and Risk Committee.

- Evidence to support the level 2 declaration on the 2014/15 Information Governance Toolkit informs my assessment of the information governance arrangements of the Trust, as well as the information governance assurance from the internal audit review, undertaken in the financial year.

8.6 In making this assessment I have also taken into account advice from the Trust-wide Information Governance Group, the Caldicott Guardian, internal audit and external auditors and reviewed associated evidence of compliance.

**The NHS pension scheme arrangements**

- 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. 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.

**Sustainability**

- The Trust has a sustainable plan and continues to work towards reducing required energy consumption.

- The Trust will continue to engage with partners across Kent and Medway in developing areas of best practice, environmental training, and seminars on

new technologies in order to actively explore new initiatives in reducing the carbon footprint.

**Equality, diversity and human rights**

- Control measures are in place to ensure that the organisation is compliant with its obligations under equality, diversity and human rights legislation. This includes provision of information to service users and staff that meets the statutory publication duties.

- The Workforce and Organisational Development Committee have received compliance assurance on a bi-monthly basis through a regular review of the workforce report. The Quality Committee monitors equality and diversity.

- The organisation has arrangements in place to comply with the Equality Act 2010 and has implemented the Equality Delivery System.

**Counter fraud and anti bribery arrangements**

- KMPT has sound arrangements in place to ensure compliance with counter fraud and anti-bribery requirements, as set out in the Secretary of State directions. At an operational level, there are induction and refresher fraud awareness sessions for staff.

- The Integrated Audit and Risk Committee receives regular progress reports on the delivery of the LCFS work plan and investigative reports where appropriate. In addition, the Committee reviews anti-fraud and bribery Trust policies and procedures.

- The Local Counter Fraud Service (LCFS) undertakes an annual review of fraud risk, feeding into a fraud risk assessment which drives the annual LCFS work plan. The Integrated Audit and Risk Committee takes assurance from this particular area of work, which ensures organisational objectives and investigative activities are appropriately investigated and concluded in a timely way to minimise potential future risks within the Trust's systems of internal control.

- In addition during 2015 - 16 the Trust has strengthened its recruitment procedures in relation to staff procured through agencies ensuring any third party checks on individuals are in line with KMPT policy. The Trust has fully implemented the fit and proper person test and has incorporated the learning for previous interim appointments.

**Significant issues**

The Trust has identified the following as significant control issues for the 2015 - 16 period:

**Data Security Breaches**

During the 2015 - 16 period there were four information governance serious incidents regarding the loss or misappropriation of personal information. Lessons learned from the incident have been incorporated into the risk management process.

**Never Events**

There have been no never events during this period.

**HSE Notice of Contravention**

An improvement notice relating to our H&S provision (time and resources) was issued on 28/04/2015. This notice was closed on 31/07/2015 following an extensive action plan including training staff, releasing staff to undertake H&S activities and recruiting to 4 new posts including a new H&S Manager. No further notices were issued. The robust management of RIDDORs following the Notice of Contravention issued in 2014/15 has continued during 2015 - 16.

**Conclusion**

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Trust Board which is supported by:

- The Integrated Audit and Risk Committee which considers the annual plans and reports of External and Internal Audit
- The Quality Committee which ensures that comprehensive and robust systems and processes are in place for clinical governance and quality within the Trust
- The Executive Management Team which oversees the implementation of the strategic direction of the Trust.
- The 2014/15 Quality Account disclosure and associated internal and external assurances in place to validate its accuracy, which include data quality verification, and associated Board declaration and External Audit review

- In addition, the Head of Internal Audit has a mechanism for identifying and recording in Internal Audit reports gaps in controls that need to be addressed. Action plans have been agreed with senior managers and further details are recorded in the Internal Audit progress reports presented to the Integrated Audit and Risk Committee at each meeting.

- The Trust is reliant upon information system controls operated by third parties under contracts negotiated by the Department of Health and under which the Trust has no contractual or other influence over the managed service providers. For the ESR Payroll and HR system, the Department of Health has put in place arrangements under which the Trust received formal assurances about the effectiveness of internal controls.

- My review confirms that Kent and Medway NHS and Social Care Partnership Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

  On behalf of the Trust Board

**Malcom McFrederick**
**Acting Chief Executive**

31 May 2016

## Section two - Remuneration and staff report

## Remuneration

## 2015 - 2016 Salary Table

| Name and title | Salary (bands of £5k) | Expense payments (taxable) to nearest £100 | All Pension related Benefits (bands of £2.5k)** | TOTAL (bands of £5k) |
|---|---|---|---|---|
| | £000 | £00 | £000 | £000 |
| Mrs Angela McNab - Chief Executive Officer | 150-155 | 7 | 7.5-10 | 160-165 |
| Mr Philip Cave - Executive Director of Finance | 115-120 | 2 | 65-67.5 | 185-190 |
| Dr Catherine Kinane - Executive Medical Director | 175-180 | 2 | 25-27.5 | 205-210 |
| Mr Malcolm McFrederick - Executive Director of Operations. | 125-130 | - | 7.5-10 | 135-140 |
| Mr Ivan McConnell - Executive Director of Commercial and Transformation | 115-120 | - | 25-27.5 | 140-145 |
| Mrs Pippa Barber - Executive Director of Nursing and Governance - left 01/03/2016 | 100-105 | 1 | 7.5-10 | 105-110 |
| Donna Eldridge - Interim Executive Director of Nursing and Governance - commenced 01/03/2016 | 5-10 | 6 | 7.5-10 | 15-20 |
| Mrs Nikki Prince - Director of Human Resources left 19/04/2015 | 5-10 | - | - | 5-10 |
| Paul Jones - Interim Director of Human Resources from 13/04/2015 to 31/07/2015 | 105-110* | - | - | 105-110* |
| Jacolyn Fergusson Interim Director of Human Resources from 27/07/2015 to 11/03/2016 | 210-215* | - | - | 210-215* |
| Sandra Goatley Director of Human Resources commenced 07/03/2016 | 5-10 | - | 0-2.5 | 5-10 |
| Mr Andrew Ling - Chairman | 20-25 | 5 | - | 20-25 |
| Mr Michael Sander - Non Executive Director - Left 31/08/2015 | 0-5 | 1 | - | 0-5 |
| Professor Margaret Andrews - Non Executive Director | 5-10 | 5 | - | 5-10 |
| Mr Richard Page - Non Executive Director | 5-10 | 3 | - | 5-10 |
| Mr Tom J Philips - Non Executive Director | 5-10 | - | - | 5-10 |
| Mr Rod Ashurst - Non Executive Director | 5-10 | 1 | - | 5-10 |
| Mr Mark Bryant - Non Executive Director | 5-10 | 1 | - | 5-10 |
| Anne-Marie Dean - Non Executive Director | 5-10 | - | - | 5-10 |

## * Includes Agency Fees
## **Annual increase in pension entitlement

## 2014 - 2015 Salary Table

| Name and title | Salary (bands of £5k) | Expense payments (taxable) to nearest £100 | All Pension related Benefits (bands of £2,500)** | TOTAL (bands of £5k |
|---|---|---|---|---|
| | £000 | £00 | £000 | £000 |
| Mrs Angela McNab - Chief Executive Officer | 150-155 | 7 | 2.5-5 | 155-60 |
| Mr Mick Bull - Director of Finance and Resources. Resigned 16.7.2014 | 30-35 | 1 | 75-77.5 | 110-115 |
| Mr David Meikle - Interim Director of Finance Interim from June 2014 to December 2014 | 100-105* | - | - | 100-105* |
| Mr Philip Cave - Executive Director of Finance In post from 5.1.2015 | 25-30 | - | 32.5-35 | 60-65 |
| Dr Catherine Kinane - Executive Medical Director | 175-180 | 3 | 30-32.5 | 210-215 |
| Mr Malcolm McFrederick - Interim Executive Director of Operations. Interim from April 2014 to December 2014, Permanent position from 5.1.2015 | 275-280* | - | 60-62.5 | 335-340* |
| Mr Ivan McConnell - Executive Director of Commercial and Transformation | 115-120 | - | 30-32.5 | 145-150 |
| Mrs Pippa Barber - Executive Director of Nursing and Governance | 100-105 | 2 | - | 100-105 |
| Mrs Nikki Prince - Director of Human Resources | 85-90 | 1 | 2.5-5 | 90-95 |
| Mr Andrew Ling - Chairman | 20-25 | 5 | - | 20-25 |
| Mr Michael Sander - Non Executive Director | 5-10 | 2 | - | 5-10 |
| Professor Margaret Andrews - Non Executive Director | 5-10 | 1 | - | 5-10 |
| Mr Richard Page - Non Executive Director | 5-10 | 2 | - | 5-10 |
| Mr Tom J Philips - Non Executive Director | 5-10 | 3 | - | 5-10 |
| Mr Rod Ashurst - Non Executive Director | 5-10 | 1 | - | 5-10 |
| Mr Mark Bryant - Non Executive Director | 5-10 | 1 | - | 5-10 |
| Anne-Marie Dean - Non Executive Director | 5-10 | 8 | - | 5-10 |
| *Includes Agency Fees | | | | |
| ** Annual increase in pension entitlement | | | | |

## Pension Benefits Table 2015 - 2016

| Pension Benefits Table 2015-2016 | (bands of £2,500) | (bands of £2,500) | (bands of £5,000) | (bands of £5,000) | | | | |
|---|---|---|---|---|---|---|---|---|
| Name and Title | Real increase in pension at pension age | Real increase in pension lump sum at pension age | Total accrued pension at pension age at 31 March 2016 | Lump sum at age 60 related to accrued pension at 31 March 2016 | Cash Equivalent Transfer Value at 1 April 2015 | Real increase in Cash Equivalent Transfer Value | Cash Equivalent Transfer Value at 31 March 2016 | Employers Contribution to stakeholder pension |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Angela McNab - Chief Executive | 0-2.5 | - | 15-20 | - | 235 | 37 | 276 | - |
| Philip Cave - Executive Director of Finance | 2.5-5 | 2.5-5 | 15-20 | 50-55 | 200 | 39 | 241 | - |
| Catherine Kinane - Executive Medical Director | 2-2.5 | 5-7.5 | 40-45 | 120-125 | 703 | 48 | 759 | - |
| Malcolm McFrederick - Executive Director of Operations | 0-2.5 | 2.5-5 | 15-20 | 45-50 | 294 | 26 | 324 | - |
| Ivan McConnell - Executive Director of Transformation and Commercial Development | 0-2.5 | - | 5-7.5 | - | 37 | 23 | 61 | - |
| Pippa Barber - Executive Director of Nursing and Governance - left 01/03/2016 | 0-2.5 | 2.5-5 | 25-30 | 85-90 | 508 | 22 | 535 | - |
| Donna Eldridge - Interim Director of Nursing and Governance - commenced 01/03/2016 | 0-2.5 | 0-2.5 | 25-30 | 80-85 | 495 | 3 | 531 | |
| Nikki Prince - Director of Human Resources - left 19/04/2015 | - | - | 15-20 | 45-50 | 289 | 1 | 293 | - |
| Sandra Goatley - Director of Human Resources - commenced 07/03/2016 | - | - | - | - | - | - | 2 | - |

| Pension Benefits Table 2014-2015 | (bands of £2,500) | (bands of £2,500) | (bands of £5,000) | (bands of £5,000) | | | | |
|---|---|---|---|---|---|---|---|---|
| Name and Title | Real increase in pension at age 60 | Real increase in pension lump sum at age 60 | Total accrued pension at age 60 at 31 March 2015 | Lump sum at age 60 related to accrued pension at 31 March 2015 | Cash Equivalent Transfer Value at 1 April 2014 | Real increase in cash Equivalent Transfer Value | Cash Equivalent Transfer Value at 31 March 2015 | Employers Contribution to stakeholder pension |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Angela McNab - Chief Executive | 0-2.5 | - | 15-20 | - | 193 | 37 | 235 | - |
| Michael Bull - Executive Director of Finance and Resources - Resigned 16.7.2014 | 0-2.5 | 2.5-5.0 | 50-55 | 160-165 | 957 | 29 | 1,082 | - |
| Philip Cave - Executive Director of Finance - In post from 5.1.2015 | 0-2.5 | 0-2.5 | 15-20 | 45-50 | 168 | 6 | 200 | - |
| Catherine Kinane - Executive Medical Director | 0-2.5 | 5-7.5 | 35-40 | 110-115 | 623 | 80 | 721 | - |
| Malcolm McFrederick - Executive Director of Operations - Permanent post from 5.1.2015 | 0-2.5 | 0-2.5 | 10-15 | 40-45 | 226 | 15 | 294 | - |
| Ivan McConnell - Executive Director of Transformation and Commercial Development | 0-2.5 | - | 2.5-5.0 | - | 9 | 28 | 37 | - |
| Pippa Barber - Executive Director of Nursing and Governance | 0-2.5 | 0-2.5 | 25-30 | 80-85 | 472 | 23 | 508 | - |
| Nikki Prince - Director of Human Resources | 0-2.5 | 0-2.5 | 15-20 | 45-50 | 261 | 21 | 289 | - |

The staff numbers in note 8.2 of the accounts are based on average whole time equivalent for the year. The tables below are all headcount for employed staff only as at 31st March 2016 therefore these numbers are not consistent.

### Staff by Age Band

| Count of Employee Age Band (20-65) | Total |
|---|---|
| Under 20 | 24 |
| 20-24 | 144 |
| 25-29 | 246 |
| 30-34 | 296 |
| 35-39 | 387 |
| 40-44 | 465 |
| 45-49 | 500 |
| 50-54 | 542 |
| 55-59 | 400 |
| 60-64 | 223 |
| Over 65 | 108 |
| Grand Total | 3335 |

## Staff by sex

| Percentage | Column levels |
|---|---|
| Gender split | 2015-16 |
| Female | 72.53 |
| Male | 27.47 |
| Grand total | 100 |

## Staff by profession

| STAFF GROUPS | | Headcount |
|---|---|---|
| 100 Medical and Dental | | 173 |
| | Of which - Consultants | 97 |
| 120 Ambulance Staff | | 1 |
| 130 Managers and Senior Managers | | 49 |
| 140 Administration and Estates | | 715 |
| 150 Support Staff(Including Hcas And Other Support Staff) | | 943 |
| 160 All Qualified Nursing, Midwifery And Health Visiting Staff | | 878 |
| 180 All Qualified Scientific, Therapeutic And Technical Staff | | 539 |
| | Of which - Allied Health Professionals | 233 |
| 210 Others | | 37 |
| | Of which - Students | 30 |
| | Of which - Non Executives | 7 |
| Grand Total | | 3335 |

Staff turnover for 2015 -16 was 16.16 per cent of which the majority was related to Band 2, Band 5 & Band 7 in particular within the nursing workforce. This is a decrease on the previous year.

We set a challenging target of 3.9 per cent staff absence rate for the Trust in 2014-15. We achieved a rate of 4.3 per cent, which is consistent with 2013-14.We are committed to supporting staff when they are unwell and we must do all that we can to help them return to work.

## Sickness absence disclosures

Sickness Absence Report

| | | Statistics Produced by hscic from ESR Data Warehouse | | Figures Converted by DH to Best Estimates of Required Data Items | | |
|---|---|---|---|---|---|---|
| | | Quarterly Sickness Absence Publications | Monthly Workforce Publication | | | |
| OCS Code | Name | Average of 12 Months (2014 Calendar Year) | Average FTE 2014 | FTE-Days Available | FTE-Days Lost to Sickness Absence | Average Sick Days per FTE |
| RXY | Kent and Medway NHS and Social Care Partnership Trust | 4.4% | 2,872 | 646,223 | 28,397 | 9.9 |

## Staff by ethnicity

### Staff by ethnicity

| Count of Employee<br>Ethnic Origin | Total |
|---|---|
| A White - British | 2437 |
| B White - Irish | 40 |
| C White - Any other White background | 130 |
| D Mixed - White & Black Caribbean | 2 |
| E Mixed - White & Black African | 6 |
| F Mixed - White & Asian | 20 |
| G Mixed - Any other mixed background | 22 |
| H Asian or Asian British - Indian | 118 |
| J Asian or Asian British - Pakistani | 13 |
| K Asian or Asian British - Bangladeshi | 3 |
| L Asian or Asian British - Any other Asian background | 93 |
| M Black or Black British - Caribbean | 32 |
| N Black or Black British - African | 277 |
| P Black or Black British - Any other Black background | 17 |
| R Chinese | 6 |
| S Any Other Ethnic Group | 52 |
| Z Not Stated | 67 |
| Grand Total | 3335 |

## Equal opportunities

The majority of the Trust's workforce is white with approximately 19.82 per cent from black and ethnic minority communities.

In comparison, 6.94 per cent of the entire population of Kent and Medway is from a black or ethnic minority community. This shows that the Trust's workforce is diverse with excellent representation from minority ethnic groups. See page 24 for more information on equality and diversity.

## Median salary

| Median Salary | | April 15 - Jul 15 | Jul 15 - March 16 |
|---|---|---|---|
| | | Angela McNab | Jacolyn Fergusson |
| Highest | Angela McNab (Chief Executive) & Jacolyn Fergusson *Interim HRD including agency fees | £151,500 | £212,400 |
| Median Salary | ROW 1667 | £20,925 | £20,925 |
| Highest Paid person was paid * times more than median | | 7.2 | 10.2 |

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

The banded remuneration of the highest paid director in (the organisation) in the financial year 2015 -16 April to July was £151,5k and July to March £212,4k which is 7.2 and 10.2 times more than the £20,9k median remuneration of the workforce. (2014-15 April to December £245,2k and January to March £277,7k which was 11.7 and was 13.3 times more than the £20.9k median)

## Staff report
## Exit packages

**Exit Packages agreed in 2015-16**

| 2015-16 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Exit package cost band (including any special payment element)** | **Number of compulsory redundancies** | **Cost of compulsory redundancies** | **Number of other departures agreed** | **Cost of other departures agreed** | **Total number of exit packages** | **Total cost of exit packages** | **Number of Departures where special payments have been made** | **Cost of special payment element included in exit packages** |
| | **Number** | **£s** | **Number** | **£s** | **Number** | **£s** | **Number** | **£** |
| Less than £10,000 | 1 | 7,244 | 0 | 0 | **1** | **7,244** | 0 | 0 |
| £10,000-£25,000 | 4 | 76,242 | 0 | 0 | **4** | **76,242** | 0 | 0 |
| £25,001-£50,000 | 2 | 58,123 | 0 | 0 | **2** | **58,123** | 0 | 0 |
| **Total** | **7** | **141,609** | **0** | **0** | **7** | **141,609** | **0** | **0** |

| 2014-15 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Exit package cost band (including any special payment element) | Number of compulsory redundancies | Cost of compulsory redundancies | Number of other departures agreed | Cost of other departures agreed. | Total number of exit packages | Total cost of exit packages | Number of Departures where special payments have been made | Cost of special payment element included in exit packages |
| | Number | £s | Number | £s | Number | £s | Number | £ |
| Less than £10,000 | 0 | 0 | 1 | 2,000 | 1 | 2,000 | 0 | 0 |
| £10,000-£25,000 | 3 | 33,673 | 0 | 0 | 3 | 33,673 | 0 | 0 |
| £25,001-£50,000 | 2 | 80,954 | 0 | 0 | 2 | 80,954 | 0 | 0 |
| **Total** | 5 | 114,627 | 1 | 2,000 | 6 | 116,627 | 0 | 0 |

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

This disclosure reports the number and value of exit packages agreed in the year. These were incurred as a result of a change in contract arrangements for the provision of payroll services and the cessation of the Neuro Rehabilitation Service. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

| Exit packages - Other Departures analysis | | | | |
|---|---|---|---|---|
| | 2015-16 | | 2014-15 | |
| | Agreements | Total value of agreements | Agreements | Total value of agreements |
| | Number | £000s | Number | £000s |
| Exit payments following Employment Tribunals or court orders | 0 | 0 | 1 | 2 |
| Total | 0 | 0 | 1 | 2 |

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

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

**Off Payroll engagements**

Table 1

For all new off-payroll engagements between 1 April 2014 and 31 March 2015, for more than £220 per day and that last longer than six months:

| | Number |
|---|---|
| Number of existing engagements as of 31 March 2015 | 0 |
| *Of which, the number that have existed:-* | |
| for less than one year at the time of reporting | 0 |
| for between one and two years at the time of reporting | 0 |
| for between two and three years at the time of reporting | 0 |
| for between three and four years at the time of reporting | 0 |
| for between four or more years at the time of reporting | 0 |

Table 2

For all new off-payroll engagements between 1 April 2014 and 31 March 2015, for more than £220 per day and that last longer than six months:

| | Number |
|---|---|
| Number of new engagements, or those that reached six months in duration, between April 2014 and 31 March 2015 | 2 |
| Number of new engagements which include contractual clauses giving Kent & Medway NHS Trust the right to request assurance in relation to Income Tax and National Insurance obligations | 2 |
| Number for whom assurance has been requested | 2 |
| *Of Which:-* | |
| assurance has been received | 0 |
| assurance has not been received | 2 |
| engagements terminated as a result of assurance not being received | 0 |
| Number of off-payroll engagements of board members, and/or senior officers with significant financial responsibility, during the year | 1 |
| Number of individuals that have been deemed 'board members, and/or senior officers with significant financial responsibility' during the financial year. This figure includes both off-payroll and on-payroll engagements | 14 |

## INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF KENT AND MEDWAY NHS AND SOCIAL CARE PARTNERSHIP TRUST

We have audited the financial statements of Kent and Medway NHS and Social Care Partnership Trust (the "Trust") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM) as contained in the Department of Health Group Manual for Accounts 2015/16 (the 2015/16 MfA) and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to the National Health Service in England (the Accounts Direction).

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

- the table of salaries and allowances of senior managers on page 49;
- the table of pension benefits of senior managers on page 50;
- the table of exit packages and related narrative notes on pages 53 and 54; and
- the table of pay multiples on page 52.

This report is made solely to the Directors of Kent and Medway NHS and Social Care Partnership Trust, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Directors of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Directors of the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors, the Accountable Officer and auditor

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

As explained in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources. We are required under Section 21(3)(c) and Schedule 13 paragraph 10(a) of the Act to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report our opinion as required by Section 21(4)(b) of the Act.

We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016, and to report by exception where we are not satisfied.

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Kent and Medway NHS and Social Care Partnership Trust as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM as contained in the 2015/16 MfA and the Accounts Direction.

**Opinion on other matters**

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM as contained in the 2015/16 MfA and the Accounts Direction; and
- the other information published together with the audited financial statements in the annual report and accounts is consistent with the audited financial statements.

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

We are required to report to you if:

- in our opinion the governance statement does not comply with guidance issued by the NHS Trust Development Authority; or
- we refer a matter to the Secretary of State under section 30 of the Act because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Trust under section 24 of the Act; or
- we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We have nothing to report in these respects.

**Certificate**

We certify that we have completed the audit of the accounts of Kent and Medway NHS and Social Care Partnership Trust in accordance with the requirements of the Act and the Code of Audit Practice.

Elizabeth Olive

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

London

01 June 2016

# FINANCIAL STATEMENTS



## Statement of Comprehensive Income for year ended 31 March 2016

| | NOTE | 2015-16 £000s | 2014-15 £000s |
|---|---|---|---|
| Gross employee benefits | 8.1 | (136,204) | (133,729) |
| Other operating costs | 6 | (46,016) | (39,021) |
| Revenue from patient care activities | 4 | 166,887 | 161,706 |
| Other operating revenue | 5 | 14,447 | 16,968 |
| **Operating (deficit)/surplus** | | (886) | 5,924 |
| Investment revenue | 10 | 20 | 66 |
| Other gains and (losses) | 11 | 929 | 45 |
| Finance costs | 12 | (1,202) | (1,612) |
| **(Deficit)/surplus for the financial year** | | (1,139) | 4,423 |
| Public dividend capital dividends payable | | (4,522) | (3,958) |
| **Retained (deficit)/surplus for the year** | | (5,661) | 465 |

## Other Comprehensive Income

| | 2015-16 £000s | 2014-15 £000s |
|---|---|---|
| Net gain on revaluation of property, plant & equipment | 285 | 12,115 |
| **Total comprehensive income for the year** | (5,376) | 12,580 |

## Financial performance for the year

| | | | |
|---|---|---|---|
| Retained (deficit)/surplus for the year | | (5,661) | 465 |
| IFRIC 12 adjustment (including IFRIC 12 impairments) | 28 | 460 | 95 |
| Impairments (excluding IFRIC 12 impairments) | | 967 | 301 |
| Adjustments in respect of donated gov't grant asset reserve elimination | | 54 | 41 |
| **Adjusted retained (deficit)/surplus** | | (4,180) | 902 |

The reported performance of the NHS Trust £5.6m deficit differs from the financial performance of £4.2m deficit due to allowable technical adjustments. The technical adjustments are explained in Note 33.

The notes on pages 63 to 94 form part of this account.

## Statement of Financial Position as at 31 March 2016

| | NOTE | 31 March 2016 £000s | 31 March 2015 £000s |
|---|---|---|---|
| **Non-current assets:** | | | |
| Property, plant and equipment | **13** | **153,732** | 157,857 |
| Intangible assets | **14** | **2,467** | 2,645 |
| Trade and other receivables | **18.1** | **713** | 803 |
| **Total non-current assets** | | **156,912** | 161,305 |
| **Current assets:** | | | |
| Trade and other receivables | **18.1** | **9,507** | 10,290 |
| Cash and cash equivalents | **19** | **2,065** | 12,418 |
| **Sub-total current assets** | | **11,572** | 22,708 |
| Non-current assets held for sale | **20** | **0** | 0 |
| **Total current assets** | | **11,572** | 22,708 |
| **Total assets** | | **168,484** | 184,013 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | **21** | **(15,692)** | (19,580) |
| Provisions | **25** | **(660)** | (1,547) |
| Borrowings | **22** | **(759)** | (437) |
| DH capital loan | **22** | **(800)** | (2,400) |
| **Total current liabilities** | | **(17,911)** | (23,964) |
| **Net current assets/(liabilities)** | | **(6,339)** | (1,256) |
| **Total assets less current liablilities** | | **150,573** | 160,049 |
| | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | **21** | **0** | 0 |
| Provisions | **25** | **(2,536)** | (2,252) |
| Borrowings | **22** | **(14,275)** | (15,034) |
| DH capital loan | **22** | **(2,400)** | (3,200) |
| **Total non-current liabilities** | | **(19,211)** | (20,486) |
| **Total assets employed:** | | **131,362** | 139,563 |
| | | | |
| **FINANCED BY:** | | | |
| | | | |
| Public Dividend Capital | | **111,864** | 114,689 |
| Retained earnings | | **3,485** | 7,933 |
| Revaluation reserve | | **20,714** | 21,642 |
| Other reserves | | **(4,701)** | (4,701) |
| **Total Taxpayers' Equity:** | | **131,362** | 139,563 |

The notes on pages 63 to 94 form part of this account.

The financial statements on pages 59 to 94 were approved by the Board on 26th May 2016 and signed on its behalf by

**Chief Executive:** **Date:**

## Statement of Changes in Taxpayers' Equity
## For the year ending 31 March 2016

| | Public Dividend capital | Retained earnings | Revaluation reserve | Other reserves | Total reserves |
|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| **Balance at 1 April 2015** | **114,689** | **7,933** | **21,642** | **(4,701)** | **139,563** |
| **Changes in taxpayers' equity for 2015-16** | | | | | |
| Retained deficit for the year | **0** | **(5,661)** | **0** | **0** | **(5,661)** |
| Net gain on revaluation of property, plant, equipment | **0** | **0** | **285** | **0** | **285** |
| Transfers between reserves | | **1,213** | **(1,213)** | **0** | **0** |
| **Reclassification Adjustments** | | | | | |
| Permanent PDC repaid in year | **(2,825)** | **0** | **0** | **0** | **(2,825)** |
| **Net recognised expense for the year** | **(2,825)** | **(4,448)** | **(928)** | **0** | **(8,201)** |
| **Balance at 31 March 2016** | **111,864** | **3,485** | **20,714** | **(4,701)** | **131,362** |
| | | | | | |
| Balance at 1 April 2014 | 114,689 | 7,156 | 9,839 | (4,701) | 126,983 |
| Changes in taxpayers' equity for 2014-15 | | | | | |
| Retained surplus/(deficit) for the year | 0 | 465 | 0 | 0 | 465 |
| Net gain on revaluation of property, plant, equipment | 0 | 0 | 12,115 | 0 | 12,115 |
| Transfers between reserves | 0 | 312 | (312) | 0 | 0 |
| Net recognised revenue for the year | 0 | 777 | 11,803 | 0 | 12,580 |
| Balance at 31 March 2015 | 114,689 | 7,933 | 21,642 | (4,701) | 139,563 |

## Statement of Cash Flows for the Year ended 31 March 2016

| | NOTE | 2015-16 £000s | 2014-15 £000s |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Operating surplus/(deficit) | | **(886)** | 5,924 |
| Depreciation and amortisation | **6** | **6,535** | 6,415 |
| Impairments and reversals | **15** | **967** | 301 |
| Government granted assets received credited to revenue but non-cash | **5** | **(97)** | 0 |
| Interest paid | | **(1,114)** | (1,529) |
| PDC Dividend paid | | **(4,431)** | (4,108) |
| Decrease/(increase) in Trade and Other Receivables | | **781** | (5,626) |
| (Decrease)/increase in Trade and Other Payables | | **(1,515)** | 3,121 |
| Provisions utilised | | **(605)** | (686) |
| (Decrease) in movement in non cash provisions | | **(86)** | (785) |
| **Net Cash Inflow/(Outflow) from Operating Activities** | | **(451)** | 3,027 |
| **Cash Flows from Investing Activities** | | | |
| Interest Received | | **20** | 66 |
| Payments for Property, Plant and Equipment | | **(9,135)** | (11,752) |
| Payments for Intangible Assets | | **(708)** | (333) |
| (Payments) for Investments with DH | | **(112,300)** | (707,500) |
| Proceeds of disposal of assets held for sale (PPE) | | **5,583** | 2,914 |
| Proceeds from Disposal of Investment with DH | | **112,300** | 707,500 |
| Rental Revenue | | **0** | 0 |
| **Net Cash (Outflow) from Investing Activities** | | **(4,240)** | (9,105) |
| **Net Cash (Outflow) before Financing** | | **(4,691)** | (6,078) |
| **Cash Flows from Financing Activities** | | | |
| Permanent PDC Repaid | | **(2,825)** | 0 |
| Loans received from DH - New Capital Investment Loans | | **0** | 4,000 |
| Loans repaid to DH - Capital Investment Loans Repayment of Principal | | **(2,400)** | (1,600) |
| Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT | | **(437)** | (695) |
| **Net Cash (Outflow) from Financing Activities** | | **(5,662)** | 1,705 |
| **NET (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(10,353)** | (4,373) |
| **Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period** | | **12,418** | 16,791 |
| **Cash and Cash Equivalents (and Bank Overdraft) at year end** | **19** | **2,065** | 12,418 |

## NOTES TO THE ACCOUNTS

**1. Accounting Policies**

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2015-16 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

**1.1 Accounting convention**

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

**1.2 Acquisitions and discontinued operations**

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

**1.3 Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see below 1.3.2) that management has made in the process of applying the NHS Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. For 2015/16, the Trust has identified the following critical judgement that is required to be disclosed under IAS 1 paragraph 122.

IAS 1 requires management to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector such as the Trust, the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements are prepared on a going concern basis unless there were plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector.

In preparing the financial statements, the directors have considered the Trust's overall financial position and expectation of future financial support. The Trust has submitted a financial plan for 2016/2017 to the NHS Trust Development Authority (NHS TDA) which delivers a £7.3m deficit. This includes a savings target of £4m and an expectation that surplus will be achieved in 2017/18. The plan does include a requirement for cash support from the Department of Health to maintain the Trust's cash flows in 2016/17.

**1.3.1 Critical judgements in applying accounting policies**

Any critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust accounting policies and that have the most significant effect on the amounts recognised in the financial statements, are annotated where applicable in the notes to these accounts.

**1.3.2 Key sources of estimation uncertainty**

Key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year when arising, will be disclosed within the relevant note. The disclosure will include the nature of the assumption and the carrying amount of the asset/liability at the balance sheet date, sensitivity of the carrying amount to the assumptions, expected resolution of uncertainty and range of possible outcomes within the next financial year. The disclosure will also include an expectation of changes to past assumptions if the uncertainty remains unresolved.
Material areas including estimations with the 2015/16 accounts are as follows:
Property Plant and Equipment see Note 1.7
PFI see Note 1.14
Accruals see Note 1.4
Provisions see Note 1.16

## NOTES TO THE ACCOUNTS

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.4 Revenue**

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services.

The Trust has an "Any Qualified Provider" contract for improving access to Psychological Therapy Services. The tariff system for this work is client based and has different elements of reimbursement dependant upon outcome levels. Payment is staged - part payment made at an initial stage of treatment and final payment at completion. Partially completed spells estimation is therefore required for the year end for clients in the middle of treatment.

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

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

**1.5 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 leave earned but not yet taken by employees at the end of the period is recognised to the extent that employees are permitted to carry forward leave into the following year.

**Retirement benefit costs**

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

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

**1.6 Other expenses**

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

## NOTES TO THE ACCOUNTS

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.7 Property, plant and equipment**

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

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

**Valuation**
All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at current value.
Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any impairment.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:
● Land and non-specialised buildings – market value for existing use
● Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. All land and buildings are restated to current value using professional valuations in accordance with IAS 16 every five years and in the intervening third year by a 'desk top' review.

The 5 year professional valuations are carried out by local independent valuers. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual in so far as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, a full asset valuation took place in March 2015.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

The carrying value of existing assets at that date will be written off over their useful remaining lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

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

## NOTES TO THE ACCOUNTS

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.8 Intangible assets**

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

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

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

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

**1.9 Depreciation, amortisation and impairments**
Freehold land, properties under construction, and assets held for sale are not depreciated.

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

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set. AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

## NOTES TO THE ACCOUNTS

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.10 Donated assets**

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

**1.11 Other Reserve**

Errors identified following a merger in 2006 are charged to an "Other Reserve". The Department of Health do not alter the initial Public Dividend Capital value so this reserve is the means of identifying the over statement.

**1.12 Non-current assets held for sale**

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

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

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

**1.13 Leases**

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

**The Trust as lessee**

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

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

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

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

**The Trust as lessor**

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

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

## NOTES TO THE ACCOUNTS

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.14 Private Finance Initiative (PFI) transactions**

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

**Services received**

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'

**PFI Asset**

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS 16.

**PFI liability**

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

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

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

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

**Lifecycle replacement**

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

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

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

## NOTES TO THE ACCOUNTS

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.15 Cash and cash equivalents**

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

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

**1.16 Provisions**

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of -1.55% short term rate, -1.00% medium term rate, -0.80% for long term in real terms and 1.37% for employee early departure obligations.

For dilapidations, this only includes leased properties which will expire in the medium term, the costs can be estimated with reasonable certainty and there exists an obligation to return the property into its pre lease state on expiry.

Leases with a term in excess of 5 years remaining are noted as a contingent liability as no accurate estimate of cost can be determined.

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

**1.17 Clinical negligence costs**

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

**1.18 Non-clinical risk pooling**

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

**1.19 Contingencies**

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

**1.20 Financial assets**

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## NOTES TO THE ACCOUNTS

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

At the end of the reporting period, the Trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised 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 expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

**1.21 Financial liabilities**
Financial liabilities are recognised on the statement of financial position when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

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

**Financial guarantee contract liabilities**
Financial guarantee contract liabilities are subsequently measured at the higher of:

● The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

● The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

**Other financial liabilities**
After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

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

**1.23 Foreign currencies**
The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Trust's surplus/deficit in the period in which they arise.

## NOTES TO THE ACCOUNTS

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.24 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 34 to the accounts.

**1.25 Public Dividend Capital (PDC) and PDC dividend**

Public dividend capital represents taxpayers' equity in the Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

**1.26 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 Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

**1.27 Research and Development**

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

**1.28 Accounting Standards that have been issued but have not yet been adopted**

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2015-16. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 15 Revenue for Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2017, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

## 2 Operating segments

**2.1 Shared Services**

**KMF** - Kent and Medway Facilities provided the following services: Estates, Hotel Services Management and Environment Management.

These services were provided to Kent and Medway NHS and Social Care Partnership Trust, NHS Property Services, Kent Community Healthcare NHS Foundation Trust and Medway CIC under consortium arrangements. Immaterial direct sales are also made to members, other NHS bodies and third parties.

**KMPS** - Kent and Medway Payroll Services - The payroll department provides services to enable payment of payroll and travel claims. It also provides pension advice services.

These services were provided to Medway NHS Foundation Trust until January 2016, Kent and Medway NHS and Social Care Partnership Trust and Medway CIC under consortium arrangements. Immaterial contracts are also in place with other parties.

| | **1. Shared Services** | | **2. Healthcare** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2015-16** | 2014-15 | **2015-16** | 2014-15 | **2015-16** | 2014-15 |
| | **£000s** | £000s | **£000s** | £000s | **£000s** | £000s |
| Income | **6,194** | 6,930 | **175,140** | 171,744 | **181,334** | 178,674 |
| Surplus/(Deficit) | | | | | | |
| Segment surplus/(deficit) | **99** | 20 | **(5,760)** | 445 | **(5,661)** | 465 |
| Common costs | **502** | 517 | **32,712** | 24,413 | **33,215** | 24,930 |
| Surplus/(deficit) before interest | **601** | 537 | **26,952** | 24,858 | **27,554** | 25,395 |
| Net Assets: | | | | | | |
| Segment net assets | **0** | 0 | **772** | 798 | **772** | 798 |
| Depreciation | **0** | 7 | **6,535** | 6,097 | **6,535** | 6,104 |
| **Disclosure of External Customer Income over 10%** | | | | | | |
| NHS Bodies | **3,929** | 4,354 | **162,674** | 158,843 | **166,603** | 163,197 |

## 3 Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care.

There are no income generation activities undertaken by the Trust where full costs exceed £1m and achieve a profit or was otherwise material in relation to the accounts (2014/15 £0m).

## 4 Revenue from patient care activities

| | 2015-16 £000s | 2014-15 £000s |
|---|---|---|
| NHS Trusts | **143** | 110 |
| NHS England | **19,096** | 19,294 |
| Clinical Commissioning Groups | **143,260** | 141,331 |
| NHS Other (including Public Health England and Prop Co) | **145** | 49 |
| Additional income for delivery of healthcare services | **2,825** | 0 |
| Non-NHS: | | |
| Local Authorities | **826** | 622 |
| Overseas patients (reciprocal) | **592** | 263 |
| Injury costs recovery | **0** | 20 |
| Other | **0** | 17 |
| **Total Revenue from patient care activities** | **166,887** | 161,706 |

## 5 Other operating revenue

| | 2015-16 £000s | 2014-15 £000s |
|---|---|---|
| Recoveries in respect of employee benefits | **645** | 854 |
| Education, training and research | **3,367** | 4,418 |
| Non-patient care services to other bodies | **6,531** | 8,146 |
| Income generation (Other fees and charges) | **1,370** | 1,338 |
| Rental revenue from operating leases | **1,677** | 1,607 |
| Other revenue | **857** | 605 |
| **Total Other Operating Revenue** | **14,447** | 16,968 |
| **Total operating revenue** | **181,334** | 178,674 |

## 6 Operating expenses

| | 2015-16 £000s | 2014-15 £000s |
|---|---|---|
| Services from other NHS Trusts | 2,089 | 2,234 |
| Services from NHS Foundation Trusts | 1,511 | 1,422 |
| **Total Services from NHS bodies*** | **3,600** | 3,656 |
| Purchase of healthcare from non-NHS bodies | **9,695** | 4,980 |
| Trust Chair and Non-executive Directors | **65** | 69 |
| Supplies and services - clinical | **3,709** | 4,940 |
| Supplies and services - general | **3,320** | 2,273 |
| Consultancy services | **229** | 4 |
| Establishment | **3,772** | 3,859 |
| Transport | **1,510** | 1,484 |
| Service charges - ON-SOFP PFIs and other service concession arrangements | **1,083** | 891 |
| Business rates paid to local authorities | **948** | 1,093 |
| Premises | **6,438** | 5,869 |
| Hospitality | **18** | 16 |
| Insurance | **304** | 246 |
| Legal Fees | **1,550** | 1,779 |
| Impairments and Reversals of Receivables | **50** | (85) |
| Depreciation | **5,457** | 5,403 |
| Amortisation | **1,078** | 1,012 |
| Impairments and reversals of property, plant and equipment | **512** | 701 |
| Impairments and reversals of intangible assets | **305** | 0 |
| Impairments and reversals of non current assets held for sale | **150** | (400) |
| Internal Audit Fees | **143** | 123 |
| Audit fees | **61** | 73 |
| Other auditor's remuneration - audit of Quality Accounts | **12** | 10 |
| Clinical negligence | **553** | 357 |
| Education and Training | **718** | 712 |
| Change in Discount Rate | **(12)** | 88 |
| Other | **748** | (132) |
| **Total Operating expenses (excluding employee benefits)** | **46,016** | 39,021 |
| | | |
| **Employee Benefits** | | |
| Employee benefits excluding Board members | **135,123** | 132,909 |
| Board members | **1,081** | 820 |
| **Total Employee Benefits** | **136,204** | 133,729 |
| | | |
| **Total Operating Expenses** | **182,220** | 172,750 |

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

## 7 Operating Leases

The majority of the leasing arrangements for the properties currently occupied by Trust Services are on a full repairing basis.

A number also require the Trust to reinstate dilapidations on vacation of the premises. Break clauses, where they exist are primarily at the 5 and 10 year point. No significant information is available on restrictions with the exception of one site where it is not to be used for any other purpose than healthcare offices or consulting rooms.

### 7.1 Kent and Medway NHS and Social Care Partnership Trust as lessee

| | Buildings £000s | Other £000s | 2015-16 Total £000s | 2014-15 £000s |
|---|---|---|---|---|
| **Payments recognised as an expense** | | | | |
| Minimum lease payments | 1,593 | 360 | **1,953** | 1,417 |
| **Total** | **1,593** | **360** | **1,953** | 1,417 |
| **Payable**: | | | | |
| No later than one year | 311 | 114 | **425** | 691 |
| Between one and five years | 283 | 246 | **529** | 674 |
| After five years | 999 | 0 | **999** | 943 |
| **Total** | **1,593** | **360** | **1,953** | 2,308 |
| Total future sublease payments expected to be received: | | | 0 | 0 |

### 7.2 Kent and Medway NHS and Social Care Partnership Trust as lessor

The Trust leases properties to a number of stakeholders primarily other NHS bodies and public sector organisations. These leases tend to be on a "full maintenance" basis.

| | 2015-16 £000 | 2014-15 £000s |
|---|---|---|
| **Recognised as revenue** | | |
| Contingent rents | 1,677 | 1,607 |
| **Total** | **1,677** | 1,607 |
| **Receivable**: | | |
| No later than one year | 1,677 | 1,607 |
| **Total** | **1,677** | 1,607 |

## 8 Employee benefits and staff numbers

### 8.1 Employee benefits

| | 2015-16 Total £000s | Permanently employed £000s | Other £000s |
|---|---|---|---|
| **Employee Benefits - Gross Expenditure** | | | |
| Salaries and wages | **117,144** | 93,828 | 23,316 |
| Social security costs | **7,366** | 7,366 | 0 |
| Employer Contributions to NHS BSA - Pensions Division | **12,095** | 12,095 | 0 |
| Other pension costs | **5** | 5 | 0 |
| Termination benefits | **113** | 113 | 0 |
| **Total employee benefits** | **136,723** | **113,407** | **23,316** |
| **Employee costs capitalised** | **519** | 261 | 258 |
| **Gross Employee Benefits excluding capitalised costs** | **136,204** | **113,146** | **23,058** |

| **Employee Benefits - Gross Expenditure 2014-15** | Total £000s | Permanently employed £000s | Other £000s |
|---|---|---|---|
| Salaries and wages | 116,007 | 92,873 | 23,134 |
| Social security costs | 7,307 | 7,307 | 0 |
| Employer Contributions to NHS BSA - Pensions Division | 11,527 | 11,527 | 0 |
| Other pension costs | 5 | 5 | 0 |
| Termination benefits | 25 | 25 | 0 |
| TOTAL - including capitalised costs | 134,871 | 111,737 | 23,134 |
| Employee costs capitalised | 1,142 | 345 | 797 |
| **Gross Employee Benefits excluding capitalised costs** | 133,729 | 111,392 | 22,337 |

### 8.2 Staff Numbers

| | 2015-16 Total Number | Permanently employed Number | Other Number | 2014-15 Total Number |
|---|---|---|---|---|
| **Average Staff Numbers** | | | | |
| Medical and dental | **179** | 159 | 20 | 175 |
| Ambulance staff | **0** | 0 | 0 | 0 |
| Administration and estates | **762** | 671 | 91 | 719 |
| Healthcare assistants and other support staff | **1,105** | 822 | 283 | 1,218 |
| Nursing, midwifery and health visiting staff | **983** | 834 | 149 | 1,084 |
| Scientific, therapeutic and technical staff | **438** | 435 | 3 | 451 |
| Social Care Staff | **0** | 0 | 0 | 10 |
| Other | **35** | 35 | 0 | 24 |
| **TOTAL** | **3,502** | **2,956** | **546** | 3,681 |
| Of the above - staff engaged on capital projects | **10** | 6 | 4 | 20 |

### 8.3 Staff Sickness absence and ill health retirements

| | 2015-16 Number | 2014-15 Number |
|---|---|---|
| Total Days Lost | **26,209** | 28,397 |
| Total Staff Years | **2,932** | 2,872 |
| **Average working Days Lost** | **8.94** | 9.89 |

| | 2015-16 Number | 2014-15 Number |
|---|---|---|
| Number of persons retired early on ill health grounds | **4** | 7 |

| | £000s | £000s |
|---|---|---|
| Total additional pensions liabilities accrued in the year | **272** | 607 |

## 8.4 Exit Packages agreed in 2015-16

| **Exit package cost band (including any special payment element)** | **2015-16 *Number of compulsory redundancies** | **Cost of compulsory redundancies** | **Number of other departures agreed** | **Cost of other departures agreed.** | **Total number of exit packages** | **Total cost of exit packages** |
|---|---|---|---|---|---|---|
| | **Number** | **£s** | **Number** | **£s** | **Number** | **£s** |
| **Less than £10,000** | **1** | **7,244** | **0** | **0** | **1** | **7,244** |
| **£10,000-£25,000** | **4** | **76,242** | **0** | **0** | **4** | **76,242** |
| **£25,001-£50,000** | **2** | **58,123** | **0** | **0** | **2** | **58,123** |
| **Total** | **7** | **141,609** | **0** | **0** | **7** | **141,609** |

| Exit package cost band (including any special payment element) | 2014-15 *Number of compulsory redundancies | Cost of compulsory redundancies | Number of other departures agreed | Cost of other departures agreed. | Total number of exit packages | Total cost of exit packages |
|---|---|---|---|---|---|---|
| | Number | £s | Number | £s | Number | £s |
| Less than £10,000 | 0 | 0 | 1 | 2,000 | 1 | 2,000 |
| £10,000-£25,000 | 3 | 33,673 | 0 | 0 | 3 | 33,673 |
| £25,001-£50,000 | 2 | 80,954 | 0 | 0 | 2 | 80,954 |
| **Total** | 5 | 114,627 | 1 | 2,000 | 6 | 116,627 |

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

This disclosure reports the number and value of exit packages agreed in the year. These were incurred as a result of a change in contract arrangements for the provision of payroll services and the cessation of the Neuro Rehabilitation Service. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

## 8.5 Exit packages - Other Departures analysis

| | **2015-16 Agreements** | **Total value of agreements** | 2014-15 Agreements | Total value of agreements |
|---|---|---|---|---|
| | **Number** | **£000s** | Number | £000s |
| Exit payments following Employment Tribunals or court orders | **0** | **0** | 1 | 2 |
| **Total** | **0** | **0** | 1 | 2 |

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

As a single exit packages can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in Note 9.4 which will be the number of individuals.

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

## 8.6 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

**a) Accounting valuation**

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

**b) Full actuarial (funding) valuation**

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

## 8.7 Pension costs

Employees not eligible for the NHS Pension Scheme are automatically enrolled into the National Employment Savings Trust (NEST). Employees can choose to opt out within one month of enrolment, or if they need to suspend contributing for a while they can do so without opting out.

The NEST Pension Scheme was established by the National Employment Savings Trust Order 2010. The scheme is a registered pension scheme for tax purposes under the Finance Act 2004 and was registered with HM Revenue & Customs on 21 January 2011.

The Trustee of the scheme is the NEST Corporation which is a non-departmental public body established by statute, section 75 of the Pensions Act 2008.

NEST is run on a not-for-profit basis and collects an annual management charge from its members of 1.3% of the employee's total fund each year. Also a charge of 1.8% is made on contributions made by the employee.

At NEST, the employee keeps the same retirement pot and contributes to it even if their circumstances change.

**Scheme Provisions**

From April 2015 new rules mean the employee has more options for what they can do with their retirement pot. When the employee reaches 55, they will be able to take out as much as they want as cash and will have more choices in how they can get a retirement income.

Details of the benefits available under this scheme can be found on the NEST website - nestpensions.org.uk

## 9 Better Payment Practice Code

### 9.1 Measure of compliance

| | 2015-16 Number | 2015-16 £000s | 2014-15 Number | 2014-15 £000s |
|---|---|---|---|---|
| **Non-NHS Payables** | | | | |
| Total Non-NHS Trade Invoices Paid in the Year | **23,435** | **62,569** | 23,569 | 59,647 |
| Total Non-NHS Trade Invoices Paid Within Target | **20,636** | **55,309** | 19,958 | 56,186 |
| Percentage of Non-NHS Trade Invoices Paid Within Target | **88.06%** | **88.40%** | 84.68% | 94.20% |
| **NHS Payables** | | | | |
| Total NHS Trade Invoices Paid in the Year | **1,270** | **9,734** | 1,337 | 9,036 |
| Total NHS Trade Invoices Paid Within Target | **838** | **6,255** | 1,120 | 7,926 |
| Percentage of NHS Trade Invoices Paid Within Target | **65.98%** | **64.26%** | 83.77% | 87.72% |

The Better Payment Practice Code requires the NHS body to aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. The reduction in performance this year was mainly as a result of the reported deficit and slow payment of debtors by the CCGs which caused a reduction in the cash available to pay suppliers on time.

### 9.2 The Late Payment of Commercial Debts (Interest) Act 1998

| | 2015-16 £000s | 2014-15 £000s |
|---|---|---|
| Amounts included in finance costs from claims made under this legislation | **16** | 1 |
| Compensation paid to cover debt recovery costs under this legislation | **0** | 2 |
| **Total** | **16** | 3 |

## 10 Investment Revenue

| | 2015-16 £000s | 2014-15 £000s |
|---|---|---|
| **Interest revenue** | | |
| Bank interest | **20** | 66 |
| **Total investment revenue** | **20** | 66 |

## 11 Other Gains and Losses

| | 2015-16 £000s | 2014-15 £000s |
|---|---|---|
| Loss on disposal of assets other than by sale (PPE) | **(6)** | (37) |
| Gain on disposal of assets held for sale | **935** | 82 |
| **Total** | **929** | 45 |

## 12 Finance Costs

| | 2015-16 £000s | 2014-15 £000s |
|---|---|---|
| **Interest** | | |
| Interest on loans and overdrafts | **13** | 53 |
| Interest on obligations under finance leases | **119** | 130 |
| **Interest on obligations under PFI contracts:** | | |
| - main finance cost | **866** | 895 |
| - contingent finance cost | **100** | 449 |
| Interest on late payment of commercial debt | **16** | 2 |
| **Total interest expense** | **1,114** | 1,529 |
| Provisions - unwinding of discount | **88** | 83 |
| **Total** | **1,202** | 1,612 |

## 13.1 Property, plant and equipment

| 2015-16 | Land | Buildings excluding dwellings | Assets under construction & payments | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| **Cost or valuation:** | | | | | | | | |
| **At 1 April 2015** | **34,340** | **107,408** | **9,552** | **1,065** | **437** | **13,804** | **1,688** | **168,294** |
| Additions of Assets Under Construction | 0 | 0 | 3,012 | 0 | 0 | 0 | 0 | **3,012** |
| Additions Purchased | 27 | 2,137 | 0 | 75 | 0 | 1,434 | 77 | **3,750** |
| Reclassifications | 299 | 6,146 | (8,078) | 38 | 0 | 1,099 | 96 | **(400)** |
| Reclassifications as Held for Sale and reversals | (2,857) | (1,718) | 0 | 0 | (44) | 0 | (53) | **(4,672)** |
| Disposals other than for sale | (76) | (181) | 0 | 0 | 0 | (8) | 0 | **(265)** |
| Upward revaluation/positive indexation | 0 | 285 | 0 | 0 | 0 | 0 | 0 | **285** |
| **At 31 March 2016** | **31,733** | **114,077** | **4,486** | **1,178** | **393** | **16,329** | **1,808** | **170,004** |
| **Depreciation** | | | | | | | | |
| **At 1 April 2015** | **0** | **0** | **0** | **737** | **358** | **8,303** | **1,039** | **10,437** |
| Reclassifications as Held for Sale and reversals | 0 | (35) | **0** | 0 | (38) | 0 | (53) | **(126)** |
| Disposals other than for sale | 0 | 0 | **0** | 0 | 0 | (8) | 0 | **(8)** |
| Impairments/reversals charged to operating expenses | 0 | 508 | **0** | 0 | 0 | 4 | 0 | **512** |
| Charged During the Year | 0 | 3,567 | **0** | 67 | 30 | 1,612 | 181 | **5,457** |
| **At 31 March 2016** | **0** | **4,040** | **0** | **804** | **350** | **9,911** | **1,167** | **16,272** |
| **Net Book Value at 31 March 2016** | **31,733** | **110,037** | **4,486** | **374** | **43** | **6,418** | **641** | **153,732** |
| **Asset financing:** | | | | | | | | |
| Owned - Purchased | 31,143 | 84,372 | 4,486 | 322 | 43 | 6,418 | 600 | **127,384** |
| Owned - Donated | 590 | 1,045 | 0 | 0 | 0 | 0 | 0 | **1,635** |
| Held on finance lease | 0 | 1,315 | 0 | 5 | 0 | 0 | 4 | **1,324** |
| On-SOFP PFI contracts | 0 | 23,305 | 0 | 47 | 0 | 0 | 37 | **23,389** |
| **Total at 31 March 2016** | **31,733** | **110,037** | **4,486** | **374** | **43** | **6,418** | **641** | **153,732** |

**Revaluation Reserve Balance for Property, Plant & Equipment**

| | Land | Buildings | Plant & machinery | Transport equipment | Furniture & fittings | Total |
|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| **At 1 April 2015** | **5,272** | **16,339** | **20** | **5** | **5** | **21,641** |
| **Adjustment to opening balances** | 33 | (33) | 0 | 0 | 0 | **0** |
| Excess Depreciation | 0 | (368) | (1) | 0 | (1) | **(370)** |
| In year Revaluation | 0 | 284 | 0 | 0 | 0 | **284** |
| Disposals transferred to I&E Reserve | (499) | (339) | (1) | 0 | 0 | **(839)** |
| Transfer to I&E Reserve | 0 | (2) | 0 | (5) | 3 | **(4)** |
| **At 31 March 2016** | **4,806** | **15,881** | **18** | **0** | **7** | **20,712** |

**Additions to Assets Under Construction in 2015-16**

| | £000s |
|---|---|
| Buildings excl Dwellings | 3,012 |
| **Balance as at 31st March 2016** | **3,012** |

## 13.2 Property, plant and equipment prior-year

| 2014-15 | Land | Buildings excluding dwellings | Assets under construction & payments | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| **Cost or valuation:** | | | | | | | | |
| At 1 April 2014 | 30,943 | 121,130 | 1,631 | 1,386 | 480 | 11,480 | 2,217 | **169,267** |
| Additions of Assets Under Construction | 0 | 0 | 8,882 | 0 | 0 | 0 | 0 | **8,882** |
| Additions Purchased | 0 | 3,401 | 0 | 21 | 0 | 1,896 | 198 | **5,516** |
| Reclassifications | 0 | 322 | (961) | 0 | 0 | 428 | 8 | **(203)** |
| Reclassifications as Held for Sale and Reversals | 480 | 318 | 0 | (5) | (30) | 0 | 0 | **763** |
| Disposals other than for sale | 0 | (81) | 0 | (338) | (13) | 0 | (735) | **(1,167)** |
| Revaluation | 2,917 | (17,682) | 0 | 1 | 0 | 0 | 0 | **(14,764)** |
| Removal of accumulated depreciation | (417) | (26,462) | 0 | 0 | 0 | 0 | 0 | **(26,879)** |
| At 31 March 2015 | **34,340** | **107,408** | **9,552** | **1,065** | **437** | **13,804** | **1,688** | **168,294** |
| **Depreciation** | | | | | | | | |
| At 1 April 2014 | 417 | 21,500 | 0 | 996 | 355 | 6,714 | 1,614 | **31,596** |
| Reclassifications as Held for Sale and Reversals | 0 | 775 | 0 | (2) | (25) | 0 | 0 | **748** |
| Disposals other than for sale | 0 | (81) | 0 | (323) | (13) | 0 | (715) | **(1,132)** |
| Removal of accumulated depreciation | (417) | (26,462) | 0 | 0 | 0 | 0 | 0 | **(26,879)** |
| Impairments/negative indexation charged to operating expenses | 0 | 701 | 0 | 0 | 0 | 0 | 0 | **701** |
| Charged During the Year | 0 | 3,567 | 0 | 66 | 41 | 1,589 | 140 | **5,403** |
| At 31 March 2015 | **0** | **0** | **0** | **737** | **358** | **8,303** | **1,039** | **10,437** |
| **Net Book Value at 31 March 2015** | **34,340** | **107,408** | **9,552** | **328** | **79** | **5,501** | **649** | **157,857** |
| **Asset financing:** | | | | | | | | |
| Owned - Purchased | 33,750 | 81,880 | 9,552 | 300 | 79 | 5,501 | 592 | **131,654** |
| Owned - Donated | 590 | 1,089 | 0 | 0 | 0 | 0 | 0 | **1,679** |
| Held on finance lease | 0 | 1,312 | 0 | 0 | 0 | 0 | 5 | **1,317** |
| On-SOFP PFI contracts | 0 | 23,127 | 0 | 28 | 0 | 0 | 52 | **23,207** |
| Total at 31 March 2015 | **34,340** | **107,408** | **9,552** | **328** | **79** | **5,501** | **649** | **157,857** |

### 13.3 (cont). Property, plant and equipment

The Trust received no donated assets for PPE this year.

Land and property are held at revalued amounts. The current effective date of revaluation is March 31st 2015.

The full five year valuation was undertaken by a Royal Institute of Chartered Surveyors accredited valuer using industry methodologies. All values are based on industry prescribed techniques.

One property has been identified as surplus to the Trust's requirements and has been valued in line with IFRS13 which requires valuation at the best and highest use. The valuation was carried out by an independent valuer, Boshier & Co, MRICS.

The remaining asset lives for each class of asset are:

| | Minimum Life | Maximum Life |
|---|---|---|
| Buildings excluding dwellings | 1 | 58 |
| External Works | 10 | 58 |
| Engineering Works | 5 | 39 |
| Plant and Machinery | 1 | 11 |
| Transport Equipment | 1 | 9 |
| IT/Office equipment | 1 | 5 |
| Furniture and Fittings | 1 | 8 |

There have been no changes to asset lives following the full 5 year revaluation.

The Trust is lessor for a number of operational leases for occupation of owned properties:

| | **Net Book values as at 31/3/2016** | **Depreciation charge in period** | Net book values as at 31/3/2015 | Depreciation charge in period |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| Building Services | **12,559** | **403** | 10,649 | 475 |
| Engineering Services | **4,789** | **294** | 3,780 | 218 |
| External Works | **947** | **38** | 985 | 38 |
| Land | **254** | **0** | 254 | 0 |
| | **18,549** | **735** | 15,668 | 731 |

## 14 Intangible non-current assets

### 14.1 Intangible non-current assets

| 2015-16 | IT - in-house & 3rd party software | Licenses and Trademarks | Total |
|---|---|---|---|
| | £000's | £000's | £000's |
| **At 1 April 2015** | **4,284** | **1,937** | **6,221** |
| Additions Purchased | 705 | 3 | **708** |
| Additions - Purchases from Cash Donations and Government Grants | 97 | 0 | **97** |
| Reclassifications | 400 | 0 | **400** |
| Disposals other than by sale | (986) | (1) | **(987)** |
| **At 31 March 2016** | **4,500** | **1,939** | **6,439** |
| | | | |
| **Amortisation** | | | |
| **At 1 April 2015** | **2,574** | **1,002** | **3,576** |
| Disposals other than by sale | (986) | (1) | **(987)** |
| Impairments/reversals charged to operating expenses | 305 | 0 | **305** |
| Charged During the Year | 786 | 292 | **1,078** |
| **At 31 March 2016** | **2,679** | **1,293** | **3,972** |
| **Net Book Value at 31 March 2016** | **1,821** | **646** | **2,467** |
| | | | |
| **Asset Financing: Net book value at 31 March 2016 comprises:** | | | |
| Purchased | 1,736 | 646 | **2,382** |
| Donated | 85 | 0 | **85** |
| **Total at 31 March 2016** | **1,821** | **646** | **2,467** |

### 14.2 Intangible non-current assets prior year

| 2014-15 | IT - in-house & 3rd party software | Licenses and Trademarks | Total |
|---|---|---|---|
| | £000's | £000's | £000's |
| Cost or valuation: | | | |
| At 1 April 2014 | 4,045 | 1,640 | 5,685 |
| Additions - purchased | 53 | 280 | 333 |
| Reclassifications | 186 | 17 | 203 |
| At 31 March 2015 | 4,284 | 1,937 | 6,221 |
| | | | |
| Amortisation | | | |
| At 1 April 2014 | 1,830 | 734 | 2,564 |
| Charged during the year | 744 | 268 | 1,012 |
| At 31 March 2015 | 2,574 | 1,002 | 3,576 |
| | | | |
| Net book value at 31 March 2015 | 1,710 | 935 | 2,645 |
| | | | |
| Net book value at 31 March 2015 comprises: | | | |
| Purchased | 1,710 | 935 | 2,645 |
| Total at 31 March 2015 | 1,710 | 935 | 2,645 |

### 14.3 Intangible non-current assets

The Trust received donated intangible assets of £97k net book value this year for licences originally purchased by the Department of Health for the patient record system.

The internally generated assets comprise a bespoke Business Intelligence System which utilises data from the Trust's patient care record system, PLICS a patient information system and RIO which is a patient care record system.

The software asset for RIO has a carrying value of £1.05m depreciated costs.

## 15 Analysis of impairments and reversals recognised in 2015-16

| | 2015-16 Total £000s |
|---|---|
| **Property, Plant and Equipment impairments and reversals taken to SoCI** | |
| Other | 512 |
| **Total charged to Annually Managed Expenditure** | **512** |
| **Total Impairments of Property, Plant and Equipment changed to SoCI** | **512** |
| **Intangible assets impairments and reversals charged to SoCI** | |
| Other | 305 |
| **Total charged to Annually Managed Expenditure** | **305** |
| **Total Impairments of Intangibles charged to SoCI** | **305** |
| **Non-current assets held for sale - impairments and reversals charged to SoCI.** | |
| Other | 150 |
| **Total charged to Annually Managed Expenditure** | **150** |
| **Total impairments of non-current assets held for sale charged to SoCI** | **150** |
| **Total Impairments charged to SoCI - AME** | **967** |
| **Overall Total Impairments** | **967** |

## 15.1 Analysis of impairments and reversals recognised in 2014-15

| | Property Plant and Equipment | Non-Current Assets Held for Sale | Total |
|---|---|---|---|
| | £000s | £000s | £000s |
| Impairments and reversals taken to SoCI | | | |
| Total charged to Annually Managed Expenditure | 701 | (400) | 301 |
| **Total Impairments of Property, Plant and Equipment changed to SoCI** | 701 | (400) | 301 |

## 16 Commitments

### 16.1 Capital commitments

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

| | **31 March 2016** | 31 March 2015 |
|---|---|---|
| | **£000s** | £000s |
| Property, plant and equipment | **0** | 1,121 |
| Intangible assets | **0** | 0 |
| **Total** | **0** | 1,121 |

### 16.2 Other financial commitments

The Trust has entered into no non-cancellable contracts.

## 17 Intra-Government and other balances

| | **Current receivables** | **Non-current receivables** | **Current payables** | **Non-current payables** |
|---|---|---|---|---|
| | **£000s** | **£000s** | **£000s** | **£000s** |
| Balances with Other Central Government Bodies | 0 | 0 | 3,764 | 0 |
| Balances with Local Authorities | 187 | 0 | 1,269 | 0 |
| Balances with NHS bodies inside the Departmental Group | 8,530 | 0 | 3,716 | 2,400 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 1,788 | 0 |
| Balances with Bodies External to Government | 790 | 713 | 6,714 | 14,275 |
| **At 31 March 2016** | **9,507** | **713** | **17,251** | **16,675** |
| **prior period:** | | | | |
| Balances with Other Central Government Bodies | 471 | 0 | 3,725 | 0 |
| Balances with Local Authorities | 254 | 0 | 274 | 0 |
| Balances with NHS bodies inside the Departmental Group | 8,115 | 0 | 6,517 | 3,200 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 1,663 | 0 |
| Balances with Bodies External to Government | 1,450 | 803 | 10,238 | 15,034 |
| At 31 March 2015 | 10,290 | 803 | 22,417 | 18,234 |

## 18.1 Trade and other receivables

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2016** | 31 March 2015 | **31 March 2016** | 31 March 2015 |
| | **£000s** | £000s | **£000s** | £000s |
| NHS receivables - revenue | **7,691** | 6,645 | **0** | 0 |
| NHS prepayments and accrued income | **800** | 1,210 | **0** | 0 |
| Non-NHS receivables - revenue | **718** | 773 | **713** | 803 |
| Non-NHS receivables - capital | **0** | 1 | **0** | 0 |
| Non-NHS prepayments and accrued income | **247** | 1,097 | **0** | 0 |
| PDC Dividend prepaid to DH | **39** | 130 | **0** | 0 |
| Provision for the impairment of receivables | **(216)** | (167) | **0** | 0 |
| VAT | **0** | 471 | **0** | 0 |
| Other receivables | **228** | 130 | **0** | 0 |
| **Total** | **9,507** | 10,290 | **713** | 803 |
| **Total current and non current** | **10,220** | 11,093 | | |
| Included in NHS receivables are prepaid pension contributions: | **0** | | | |

The great majority of trade is with Clinical Commissioning Groups (CCGs), as commissioners for NHS patient care services. As CCGs are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

## 18.2 Receivables past their due date but not impaired

| | **31 March 2016** | 31 March 2015 |
|---|---|---|
| | **£000s** | £000s |
| By up to three months | **1,646** | 1,939 |
| By three to six months | **1,601** | 1,125 |
| By more than six months | **1,601** | 1,548 |
| **Total** | **4,848** | 4,612 |

## 18.3 Provision for impairment of receivables

| | **2015-16** | 2014-15 |
|---|---|---|
| | **£000s** | £000s |
| **Balance at 1 April 2015** | **(167)** | (255) |
| Amount written off during the year | **1** | 3 |
| Amount recovered during the year | **106** | 748 |
| (Increase)/decrease in receivables impaired | **(156)** | (663) |
| **Balance at 31 March 2016** | **(216)** | (167) |

Receivables impaired relate to non NHS Debtors. The factors used to determine impairment are that the debt is greater than 90 days and other known factors such as failure to make agreed payment instalments.

## 19 Cash and Cash Equivalents

| | **31 March 2016** | 31 March 2015 |
|---|---|---|
| | **£000s** | £000s |
| **Opening balance** | **12,418** | 16,791 |
| Net change in year | **(10,353)** | (4,373) |
| **Closing balance** | **2,065** | 12,418 |
| **Made up of** | | |
| Cash with Government Banking Service | **2,038** | 12,392 |
| Cash in hand | **27** | 26 |
| **Cash and cash equivalents as in statement of financial position** | **2,065** | 12,418 |
| **Cash and cash equivalents as in statement of cash flows** | **2,065** | 12,418 |
| Third Party Assets - Bank balance (not included above) | **384** | 183 |
| Third Party Assets - Monies on deposit | **0** | 198 |

Third party assets relate to £355k patients monies and £30k TABLO project monies held on behalf of project partners.
There are no patients monies held on deposit in 2015/16.

## 20 Non-current assets held for sale

| | Land | Buildings, excl. dwellings | Plant and Machinery | Transport and Equipment | Total |
|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| **Balance at 1 April 2015** | 0 | 0 | 0 | 0 | **0** |
| Plus assets classified as held for sale in the year | 2,857 | 1,683 | 0 | 6 | **4,546** |
| Less assets sold in the year | (2,707) | (1,683) | 0 | (6) | **(4,396)** |
| Less impairment of assets held for sale | (150) | 0 | 0 | 0 | **(150)** |
| **Balance at 31 March 2016** | **0** | **0** | **0** | **0** | **0** |
| **Liabilities associated with assets held for sale at 31 March 2016** | **0** | **0** | **0** | **0** | **0** |
| **Balance at 1 April 2014** | 1,536 | 914 | 0 | 0 | 2,450 |
| Plus assets classified as held for sale in the year | 572 | 1,305 | 3 | 5 | 1,885 |
| Less assets sold in the year | (1,102) | (1,725) | (3) | (5) | (2,835) |
| Plus reversal of impairment of assets held for sale | 46 | 354 | 0 | 0 | 400 |
| Less assets no longer classified as held for sale, for reasons other than disposal by sale | (1,052) | (848) | 0 | 0 | (1,900) |
| **Balance at 31 March 2015** | **0** | **0** | **0** | **0** | 0 |
| **Liabilities associated with assets held for sale at 31 March 2015** | 0 | 0 | 0 | 0 | 0 |

All "Assets Held for Sale" were buildings which became vacant as a result of improved use of buildings facilitated by the Estate Rationalisation Programme which is supporting the Transformation Programme.

In 2015/16, the buildings were valued at their net realisable value and reclassified as "Held for Sale" and an impairment of £150k was realised at that time.

## 21 Trade and other payables

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2016 £000s** | 31 March 2015 £000s | **31 March 2016 £000s** | 31 March 2015 £000s |
| NHS payables - revenue | **2,423** | 2,875 | **0** | 0 |
| NHS accruals and deferred income | **493** | 1,242 | **0** | 0 |
| Non-NHS payables - revenue | **6,474** | 5,305 | **0** | 0 |
| Non-NHS payables - capital | **714** | 3,087 | **0** | 0 |
| Non-NHS accruals and deferred income | **1,795** | 3,288 | **0** | 0 |
| Social security costs | **1,106** | 1,070 | **0** | 0 |
| Accrued Interest on DH Loans | **14** | 0 | **0** | **0** |
| VAT | **14** | 0 | **0** | 0 |
| Tax | **991** | 1,058 | **0** | **0** |
| Payments received on account | **0** | 51 | **0** | 0 |
| Other | **1,668** | 1,604 | **0** | 0 |
| **Total** | **15,692** | 19,580 | **0** | 0 |
| **Total payables (current and non-current)** | **15,692** | 19,580 | | |
| **Included above:** | | | | |
| to Buy Out the Liability for Early Retirements Over 5 Years | **272** | 607 | | |
| number of Cases Involved (number) | **4** | 7 | | |
| outstanding Pension Contributions at the year end | **1,653** | 1,590 | | |

## 22 Borrowings

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2016 £000s** | 31 March 2015 £000s | **31 March 2016 £000s** | 31 March 2015 £000s |
| Loans from Department of Health | **800** | 2,400 | **2,400** | 3,200 |
| **Total Loans** | **800** | 2,400 | **2,400** | 3,200 |
| **PFI liabilities:** | | | | |
| Main liability | **627** | 313 | **12,824** | 13,451 |
| Finance lease liabilities | **132** | 124 | **1,451** | 1,583 |
| **Total PFI and Finance Lease Liabilities** | **759** | 437 | **14,275** | 15,034 |
| **Total other liabilities (current and non-current)** | **18,234** | 21,071 | | |

| **Borrowings / Loans - repayment of principal falling due in:** | **DH £000s** | **31 March 2016 Other £000s** | **Total £000s** |
|---|---|---|---|
| 0-1 Years | 800 | 759 | **1,559** |
| 1 - 2 Years | 1,600 | 788 | **2,388** |
| 2 - 5 Years | 800 | 2,546 | **3,346** |
| Over 5 Years | 0 | 10,941 | **10,941** |
| **TOTAL** | **3,200** | **15,034** | **18,234** |

## 23 Deferred income

| | Current | |
|---|---|---|
| | **31 March 2016 £000s** | 31 March 2015 £000s |
| **Opening balance at 1 April 2015** | **0** | 0 |
| Deferred revenue addition | **134** | 0 |
| **Current deferred Income at 31 March 2016** | **134** | 0 |
| Total deferred income (current) | **134** | 0 |

## 24 Finance lease obligations as lessee

There are no contingent rent obligations.
Options for renewal are as per the standard Landlord and Tenant Act 1954 and none have the option to purchase.
All properties are restricted for use as healthcare facilities.

| **Amounts payable under finance leases (Buildings)** | Minimum lease payments | | Present value of minimum | |
|---|---|---|---|---|
| | **31 March 2016 £000s** | 31 March 2015 £000s | **31 March 2016 £000s** | 31 March 2015 £000s |
| Within one year | **243** | 243 | **132** | 124 |
| Between one and five years | **972** | 972 | **628** | 587 |
| After five years | **972** | 1,215 | **823** | 996 |
| Less future finance charges | **(604)** | (723) | **0** | 0 |
| Minimum Lease Payments / Present value of minimum lease payments | **1,583** | 1,707 | **1,583** | 1,707 |
| Included in: | | | | |
| Current borrowings | | | **132** | 124 |
| Non-current borrowings | | | **1,451** | 1,583 |
| | | | **1,583** | 1,707 |

**Littlebrook Hospital PFI - Scheme 1**
In 2025, after the completion of the 25 years life cycle, the Project Agreement becomes a normal Finance Lease Agreement for the 100 years remaining residual life regulated by IFRS 16 - Leases. An option appraisal is to be undertaken nearer the date of completion, therefore the future commitment relating to this agreement has not been disclosed in Note 24 above.

## 25 Provisions

| | | Comprising: | | | |
|---|---|---|---|---|---|
| | **Total** | **Early Departure Costs** | **Legal Claims** | **Other** | **Redundancy** |
| | **£000s** | **£000s** | **£000s** | **£000s** | **£000s** |
| **Balance at 1 April 2015** | **3,799** | 2,040 | 103 | 1,576 | 80 |
| Arising during the year | **697** | 26 | 261 | 142 | 268 |
| Utilised during the year | **(605)** | (146) | (51) | (215) | (193) |
| Reversed unused | **(771)** | 0 | (225) | (391) | (155) |
| Unwinding of discount | **88** | 88 | 0 | 0 | 0 |
| Change in discount rate | **(12)** | (12) | 0 | 0 | 0 |
| **Balance at 31 March 2016** | **3,196** | **1,996** | **88** | **1,112** | **0** |
| | | | | | |
| **Expected Timing of Cash Flows:** | | | | | |
| No Later than One Year | **660** | 147 | 88 | 425 | 0 |
| Later than One Year and not later than Five Years | **1,274** | 587 | 0 | 687 | 0 |
| Later than Five Years | **1,262** | 1,262 | 0 | 0 | 0 |

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

| | |
|---|---|
| **As at 31 March 2016** | 10,514 |
| **As at 31 March 2015** | 6,756 |

Early Departure Costs represent pension liabilities for injury benefits.
Legal claims reflect LTPS which the NHS Litigation Authority provide estimates and employment tribunal claims whose timings are based on current assumptions from the Trust Legal Department.
Other claims relate to dilapidations provision and unbilled gas charges.
Redundancies were as a result of service cessations.

## 26 Contingencies

| | **31 March 2016** | 31 March 2015 |
|---|---|---|
| | **£000s** | £000s |
| **Contingent liabilities** | | |
| NHS Litigation Authority legal claims | **(44)** | (93) |
| Other | **(1,193)** | (785) |
| **Net value of contingent liabilities** | **(1,237)** | (878) |

Contingent Liabilities relate to £44k LTPS notified by the NHSLA and £1.1m dilapidation costs for years 2016/2017 onwards.
Accounting Policy Note 1.16, page 12 refers to the process for dilapidation provisions.

## 27 PFI - additional information

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

**Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI**

| | **2015-16** | 2014-15 |
|---|---|---|
| | **£000s** | £000s |
| Service element of on SOFP PFI charged to operating expenses in year | **1,083** | 891 |
| **Total** | **1,083** | 891 |

**Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI**

| | | |
|---|---|---|
| No Later than One Year | **925** | 1,083 |
| Later than One Year, No Later than Five Years | **4,064** | 3,927 |
| Later than Five Years | **14,091** | 15,153 |
| **Total** | **19,080** | 20,163 |

The Trust has committed to two PFI Schemes.

Scheme 1 comprises the provision of an acute psychiatric hospital at Bow Arrow Lane, Dartford. Under the agreement, some services are provided to the hospital. Certain rights and obligations are accorded to the Trust under back to back arrangements with the PFI consortium.

| **Scheme 1 : Littlebrook Hospital** | **2015/2016** | 2014/2015 |
|---|---|---|
| | **£000s** | £000s |
| Estimated Capital value of the PFI Scheme at the start of the contract | **7,542** | 7,542 |
| Contract start date: | | **06/03/2000** |
| Contract end date: | | **06/06/2025** |

After the completion of the 25 years life-cycle, the Project Agreement becomes a normal Lease Agreement (Finance Lease) for the remaining 100 year residual life (see note 24)

**Scheme 2:Replacement of Stone House Hospital**
The Trust replaced the old Stone House Hospital in two stages:

**Stage 1** was carried out as a variation order under Dartford and Gravesham PFI Project Agreement. It related to the construction of a mental health assessment unit and a renal dialysis unit on the Darenth Valley Hospital Site. The scheme was completed in April 2005 at a cost of £5.4m. Stage 1 was funded by public capital, rather than private finance, and was capitalised on the Trust's Statement of Financial Position in 2005/06. Dartford and Gravesham NHS Trust recharges the Trust for all facility services and other costs provided under the PFI agreement.

**Stage 2** is the PFI scheme 2 and comprises the provision of a mental health continuing care unit, a mental health rehabilitation unit, a learning disabilities forensic unit in phase 1 and an inpatient addiction unit in phase 2. The phase 2 inpatient addiction unit, which was provided as a variation under the Project Agreement, opened on 2nd July 2007. Hard FM services are provided to the units under the project agreement.

| | **2015/2016** | 2014/2015 |
|---|---|---|
| **Phase 1 Stone House Hospital** | **£000s** | £000s |
| Estimated capital value of the PFI scheme at the start of the contract | **9,440** | 9,440 |
| Contract start date: | | **29/09/2006** |
| Contract end date: | | **29/09/2031** |

| | **2015/2016** | 2014/2015 |
|---|---|---|
| **Phase 2 Stone House Hospital** | **£000s** | £000s |
| Estimated capital value of the PFI scheme at the start of the contract | **2,787** | 2,787 |
| Contract start date: | | **02/07/2007** |
| Contract end date: | | **02/07/2037** |

**Imputed "finance lease" obligations for on SOFP PFI contracts due**

| | **2015-16** | 2014-15 |
|---|---|---|
| | **£000s** | £000s |
| No Later than One Year | **1,469** | 1,179 |
| Later than One Year, No Later than Five Years | **5,674** | 5,739 |
| Later than Five Years | **15,152** | 16,556 |
| **Subtotal** | **22,295** | 23,474 |
| Less: Interest Element | **(8,844)** | (9,710) |
| **Total** | **13,451** | 13,764 |

| **Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due** | **2015-16** | 2014-15 |
|---|---|---|
| **Analysed by when PFI payments are due** | **£000s** | £000s |
| No Later than One Year | **627** | 313 |
| Later than One Year, No Later than Five Years | **2,706** | 2,610 |
| Later than Five Years | **10,118** | 10,841 |
| **Total** | **13,451** | 13,764 |

**Number of on SOFP PFI Contracts**

| | |
|---|---|
| Total Number of on PFI contracts | **3** |

## 28 Impact of IFRS treatment - current year

| The information below is required by the Department of Heath for budget reconciliation purpo | **2015-16 Income £000s** | **Expenditure £000s** | 2014-15 Income £000s | Expenditure £000s |
|---|---|---|---|---|
| **Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)** | | | | |
| Depreciation charges | 0 | 445 | 0 | 403 |
| Interest Expense | 0 | 866 | 0 | 895 |
| Other Expenditure | 0 | 1,539 | 0 | 1,420 |
| Impact on PDC dividend payable | 0 | 331 | 0 | 255 |
| **Total IFRS Expenditure (IFRIC12)** | **0** | **3,181** | **0** | **2,973** |
| Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue) | | 2,721 | | 2,878 |
| **Net IFRS change (IFRIC12)** | | **460** | | **95** |
| | | | | |
| **Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12** | | | | |
| Capital expenditure 2015-16 | | **236** | | 63 |
| UK GAAP capital expenditure 2015-16 (Reversionary Interest) | | **255** | | 0 |

| | **2015-16 Income/ Expenditure IFRIC 12 YTD £000s** | **2015-16 Income/ Expenditure ESA 10 YTD £000s** |
|---|---|---|
| **Revenue costs of IFRS12 compared with ESA10** | | |
| Depreciation charges | **445** | 0 |
| Interest Expense | **866** | 0 |
| **Other Expenditure** | | |
| Service Charge | **1,083** | 2721 |
| Contingent Rent | **203** | 0 |
| Lifecycle | **253** | 0 |
| Impact on PDC Dividend Payable | **331** | 0 |
| **Total Revenue Cost under IFRIC12 vs ESA10** | **3,181** | **2,721** |
| Revenue Receivable from subleasing | **0** | **0** |
| **Net Revenue Cost/(income) under IDRIC12 vs ESA10** | **3,181** | **2,721** |

## 29 Financial Instruments

### 29.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with Clinical Commissioning Groups (CCGs) and the way those CCGs are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The 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 Trust in undertaking its activities.

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

**Currency risk**

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

**Interest rate risk**

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

**Credit risk**

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2016 are in receivables from customers, as disclosed in the trade and other receivables note.

**Liquidity risk**

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

### 29.2 Financial Assets

| | Loans and receivables | Total |
|---|---|---|
| | £000s | £000s |
| Receivables - NHS | 7,692 | **7,692** |
| Receivables - non-NHS | 680 | **680** |
| Cash at bank and in hand | 2,065 | **2,065** |
| **Total at 31 March 2016** | **10,437** | **10,437** |
| Receivables - NHS | 7,262 | 7,262 |
| Receivables - non-NHS | 1,117 | 1,117 |
| Cash at bank and in hand | 12,418 | 12,418 |
| **Total at 31 March 2015** | 20,797 | 20,797 |

### 29.3 Financial Liabilities

| | Other | Total |
|---|---|---|
| | £000s | £000s |
| NHS payables | 2,917 | **2,917** |
| Non-NHS payables | 8,878 | **8,878** |
| Other borrowings | 3,200 | **3,200** |
| PFI & finance lease obligations | 15,034 | **15,034** |
| **Total at 31 March 2016** | **30,029** | **30,029** |
| NHS payables | 4,116 | 4,116 |
| Non-NHS payables | 11,695 | 11,695 |
| Other borrowings | 5,600 | 5,600 |
| PFI & finance lease obligations | 15,471 | 15,471 |
| **Total at 31 March 2015** | 36,882 | 36,882 |

## 30 Events after the end of the reporting period

There are no non-adjusting material events after the reporting date.

## 31 Related party transactions

The Kent and Medway NHS and Social Care Partnership Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Trust Board members or members of the key management staff, or parties related to any of them, has any material transactions with the Kent and Medway NHS Social Care Partnership Trust.

The Department of Health is regarded as a related party. During the year, the Kent and Medway NHS and Social Care Partnership Trust had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent department. These entities, with transactions greater than £1m, are listed below:

| **Income** | **2015/2016** | 2014/2015 |
|---|---|---|
| | **£000** | £000 |
| Health Education England | **3,557** | 4,075 |
| Kent Community NHS Foundation Trust | **1,416** | 1,174 |
| NHS Ashford Clinical Commissioning Group | **9,677** | 8,976 |
| NHS Canterbury and Coastal Clinical Commissioning Group | **18,486** | 17,708 |
| NHS Dartford, Gravesham & Swanley Clinical Commissioning Group | **16,440** | 17,851 |
| NHS Thanet Clinical Commissioning Group | **16,333** | 14,385 |
| NHS Swale Clinical Commissioning Group | **8,377** | 9,131 |
| NHS West Kent Clinical Commissioning Group | **34,178** | 33,666 |
| NHS South Kent Coast Clinical Commissioning Group | **19,035** | 18,556 |
| NHS Medway Clinical Commissioning Group | **22,005** | 21,771 |
| NHS England (including CSUs) | **19,549** | 19,792 |
| Department of Health | **2,969** | 0 |

| **Expenditure** | **2015/2016** | 2014/2015 |
|---|---|---|
| | **£000** | £000 |
| East Kent University Hospitals NHS Foundation Trust | **1,201** | 1,393 |
| Maidstone & TW NHS Trust | **2,881** | 2,362 |
| Medway NHS Foundation Trust | **997** | 1,246 |
| NHS Pensions Agency | **12,095** | 11,527 |

## 32 Losses and special payments

The total number of losses cases in 2015-16 and their total value was as follows:

| | **Total Value of Cases £s** | **Total Number of Cases** |
|---|---|---|
| Losses | **4,347** | **25** |
| Special payments | **56,844** | **30** |
| **Total losses and special payments** | **61,191** | **55** |

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

| | Total Value of Cases £s | Total Number of Cases |
|---|---|---|
| Losses | 67,783 | 21 |
| Special payments | 77,848 | 36 |
| **Total losses and special payments** | 145,631 | 57 |

## 33 Financial performance targets

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

### 33.1 Breakeven performance

| | 2006-07 £000s | 2007-08 £000s | 2008-09 £000s | 2009-10 £000s | 2010-11 £000s | 2011-12 £000s | 2012-13 £000s | 2013-14 £000s | 2014-15 £000s | 2015-16 £000s |
|---|---|---|---|---|---|---|---|---|---|---|
| Turnover | 183,877 | 186,039 | 182,839 | 182,374 | 182,204 | 178,468 | 172,902 | 174,924 | 178,674 | **181,334** |
| Retained surplus/(deficit) for the year | 123 | 431 | 1,384 | 407 | (232) | 32 | (1,604) | (379) | 465 | **(5,661)** |
| Adjustment for: | | | | | | | | | | |
| Adjustments for impairments | 0 | 0 | 284 | 1,308 | 245 | 449 | 2,683 | 1,895 | 301 | **967** |
| Adjustments for impact of policy change re donated/government grants assets | 0 | 0 | 0 | 0 | 0 | 56 | 56 | 58 | 41 | **54** |
| Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12* | 0 | 0 | 0 | (191) | (47) | 1 | 67 | 33 | 95 | **460** |
| Other agreed adjustments | 0 | 0 | 154 | 0 | 0 | 0 | **0** | 0 | 0 | **0** |
| Break-even in-year position | **123** | **431** | **1,822** | **1,524** | **(34)** | **538** | **1,202** | **1,607** | **902** | **(4,180)** |
| Break-even cumulative position | **123** | **554** | **2,376** | **3,900** | **3,866** | **4,404** | **5,606** | **7,213** | **8,115** | **3,935** |

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

| | 2006-07 % | 2007-08 % | 2008-09 % | 2009-10 % | 2010-11 % | 2011-12 % | 2012-13 % | 2013-14 % | 2014-15 % | 2015-16 % |
|---|---|---|---|---|---|---|---|---|---|---|
| Materiality test (I.e. is it equal to or less than 0.5%): | | | | | | | | | | |
| Break-even in-year position as a percentage of turnover | 0.07 | 0.23 | 1.00 | 0.84 | 0.01 | 0.30 | 0.70 | 0.92 | 0.50 | **(2.31)** |
| Break-even cumulative position as a percentage of turnover | 0.07 | 0.30 | 1.30 | 2.14 | 2.12 | 2.46 | 3.24 | 4.12 | 4.54 | **2.17** |

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

**33.2 Capital cost absorption rate**

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

**33.3 External financing**

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

| | **2015-16** | 2014-15 |
|---|---|---|
| | **£000s** | £000s |
| External financing limit (EFL) | **4,761** | 6,494 |
| Cash flow financing | **4,691** | 6,078 |
| External financing requirement | **4,691** | 6,078 |
| **Under spend against EFL** | **70** | 416 |

**33.4 Capital resource limit**

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

| | **2015-16** | 2014-15 |
|---|---|---|
| | **£000s** | £000s |
| Gross capital expenditure | **7,487** | 14,732 |
| Less: book value of assets disposed of | **(4,670)** | (2,871) |
| **Charge against the capital resource limit** | **2,817** | 11,861 |
| Capital resource limit | **2,817** | 11,902 |
| **Underspend against the capital resource limit** | **0** | 41 |

**34 Third party assets**

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

| | **31 March 2016** | 31 March 2015 |
|---|---|---|
| | **£000s** | £000s |
| Third party assets held by the Trust | **384** | 381 |

The figures relate to £354k patients monies (£381k 2014/15) and £30k project monies held on behalf of the TABLO project (£0 2014/2015)