Maidstone and Tunbridge Wells NHS Trust

Annual Report

2011-12

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About Maidstone and Tunbridge Wells NHS Trust

Maidstone and Tunbridge Wells NHS Trust (MTW or The Trust) is a large acute hospital Trust in the south east of England.

The Trust provides a full range of general hospital services and some areas of specialist complex care to around 500,000 people living in the south of west Kent and the north of East Sussex.

The Trust's core catchment areas are Maidstone and Tunbridge Wells and their surrounding boroughs. In addition, the Trust provides specialist cancer services to 1.8 million people, from its flagship cancer centre at Maidstone, for the whole of Kent, Hastings and Rother.

MTW services are available to any patient from outside of these areas through Patient Choice www.nhs.uk

In September 2011 the Trust fully opened the first NHS hospital in the country to provide all inpatients with single rooms and ensuite facilities.

It also created centres of expertise in its hospitals for planned and emergency surgery and women and children's care as part of its clinical strategy to further improve patient care.

The Trust also continues to be at the forefront of developments in minimally invasive laparoscopic surgery in the NHS.

Our Staff

The Trust employs a team of 5,645 full and part-time staff, equating to a whole time equivalent of 4,878 people. For more information about opportunities to work at MTW visit www.mtw.nhs.uk or www.jobs.nhs.uk

Our Hospitals

The Trust primarily works from two main clinical sites at Maidstone Hospital and Tunbridge Wells Hospital at Pembury. It also provides radiotherapy services at Kent & Canterbury Hospital, Canterbury.

The Trust closed Kent & Sussex Hospital in Tunbridge Wells in September 2011, following the opening of the £230 million Tunbridge Wells Hospital.

The MTW Vision

The Trust's vision is to provide excellent health services delivered by high performing staff, to exemplary standards, providing care, comfort and dignity within a safe and efficient environment.

MTW strategic aims

The Trust's Clinical Strategy sets out MTW's long-term strategic aims for the development of health services in Maidstone, Tunbridge Wells and surrounding areas.

As part of this strategy, in 2011-12 the Trust created centres of expertise for planned and emergency surgery and women and children's care in Maidstone and Tunbridge Wells.

The centres focus on different areas of care, with specialist dedicated teams of doctors, nurses and other staff providing better outcomes for patients.

MTW now has:

- A dedicated centre for planned complex surgery at Maidstone Hospital. Maidstone Hospital is already recognised as a leader in laparoscopic surgery and training and in specialist cancer care

- A dedicated centre for trauma surgery and orthopaedic surgery at the new Tunbridge Wells Hospital at Pembury

- A dedicated centre of women's and children's care at the new Tunbridge Wells Hospital at Pembury, with a new purpose built midwifery-led birthing centre at Maidstone

- Day surgery and '23 hour' surgery continuing at both (Maidstone and Tunbridge Wells) hospitals.

MTW values

The Trust's values are:

- Provide safe, quality services and experience for patients, relatives and the public
- Deliver services which are efficient and productive
- Ensure effective governance of the Trust and its services
- Create a high performance workforce, and, as an employer of choice, encourage innovation and learning
- Deliver sustainable financial performance
- Establish the Trust as a lead provider of integrated health services in the healthcare economy.

The Trust's vision and values are linked to the Clinical Strategy and overall business development plans. The aims are also used in the summary sheets of all Board reports to monitor the contribution of any works towards the Trust's overall strategic vision and the provision of safe, quality care. The Trust's Board reports can be viewed at www.mtw.nhs.uk

The Trust is reviewing its vision and strategic aims in 2012-13 as part of the development of a new five year clinical strategy within a context of major reforms and financial challenges to the whole NHS.

The Trust strategy incorporates the progression to become a Foundation Trust. Underpinning this are four key themes:

- Our focus is our patients, we will deliver services which improve the quality of the lives of our patients
- We will become an integrated care organisation, managing the care pathway both in and out of hospital
- We will be a leader in the development of healthcare for the communities which we serve
- We will both collaborate and compete, dependent upon the clinical service which needs to be provided.

Quality Accounts

The provision of safe quality services and experience for patients, staff and the public is central to Maidstone and Tunbridge Wells NHS Trust's Vision.

The Trust's key priorities for 2011-12 were:

Patient Safety

- Continuing our focus on reducing the number of avoidable healthcare associated infections
- Prevention of blood clots or venous thromboembolism (VTE) – there is a new national target relating to patients who are at risk of VTE receiving treatment to thin the blood (Anticoagulants)
- All patients receive their appropriate nutritional requirements.

Clinical Effectiveness

- Ensure greater efficiency of working at ward level through the implementation of the productive ward programme – "releasing time to care"
- Continuing our focus on improving care for patients who have had a stroke
- Improving the care we provide for patients who are suffering from dementia.

Patient Experience

- Continuing our focus on communication and information for patients
- Improving our management of discharge planning
- Reducing the number of breaches we have in relation to delivering same sex accommodation for patients.

Progress has been made in all key priorities though for some there remain challenges and they are listed in the key priorities that are being consulted on in 2012-13.

The opening of the new Tunbridge Wells Hospital has had a significant impact on improving our compliance with delivering same sex accommodation as all inpatient beds are within single rooms.

The following areas are currently being consulted on for 2012-13:

Patient Safety:

Continuing our focus on reducing the number of avoidable healthcare associated infections – MRSA and C diff
Reducing number of falls
Documentation within health records (NB consent).

Clinical Effectiveness:

Normalising childbirth, VTE, care of patients who have had a stroke, and discharge planning.

Patient Experience:

Identified survey questions, dementia care, complaints process,
A&E - information and experience within the department.

The full Quality Account will be presented to the Trust's Quality and Safety Committee and to the Audit and Governance Committee in May 2012. The document will be published on the Trust's website (www.mtw.nhs.uk) by 30th June 2012.

Board members

Anthony Jones
Chairman
Chair - Remuneration Committee

Glenn Douglas
Chief Executive

Phil Wynn-Owen
Non-Executive Director
Chair – Finance Committee, Charitable Funds Committee

Kevin Tallett
Non-Executive Director
Chair – Workforce Committee

Sylvia Denton
Non-Executive Director
Chair – Patient Experience Committee, Quality and Safety Committee

Mark Worrall OBE
Non-Executive Director
Chair – Information Governance Committee

Beverley Evans
Non-Executive Director
Chair – Audit Committee

Paul Bentley
Director of Strategy and Workforce

Flo Panel-Coates
Director of Nursing

Paul Sigston
Medical Director

Colin Gentile
Finance Director

Angela Gallagher
Acting Chief Operating Officer
From October 2011

Other Directors

Graham Goddard
New Hospital Development Director

Sara Mumford
Director of Infection Prevention and Control

Terry Coode
Director of Corporate Services

Nikki Luffingham
Chief Operating Officer
On secondment from October 2011

Chairman and Chief Executive's Statement

Maidstone and Tunbridge Wells NHS Trust completed its largest ever programme of planned developments and clinical changes in 2011-12.

The Trust opened its new Tunbridge Wells Hospital at Pembury and created three new hubs of clinical expertise during September 2011.

It also continued to keep its public promise to develop services at Maidstone Hospital and provide patients in west Kent with two hospitals of equal regard.

These major changes were among some of the most complex operational challenges faced by any NHS Trust, and were successfully carried out with minimal disruption for our patients thanks to our highly skilled teams of staff.

One of the early clinical benefits the Trust has now seen, as a result of these changes, is a sustained reduction in weekend mortality rates at its hospitals.

The Trust also continued to meet the commitments it has to its patients and staff in other important and measurable ways. Over the past year we have:

- Maintained a high level of care for our patients, with statistically low mortality rates and real-time feedback from thousands of our patients showing a good overall experience
- Made further inroads into reducing cases of avoidable infections, most notably around MRSA
- Spent our finite resources wisely on patient care and at the same time delivered efficiency savings of £16 million
- Further enhanced our staff experience with noticeable improvements in their working lives compared with other NHS employers
- Moved the Trust forward on its journey to achieve Foundation Trust status in 2013
- Continued to work closely with our stakeholders generally and specifically with our local Primary Care Trusts and GP clusters as the transition towards more locally accountable and clinically led health services continues.

A significant proportion of the Trust's focus during the latter half of the year has centred on embedding our new centres of expertise. We will continue to explore the opportunities these create to enhance patient care, during 2012-13, both with our staff and professional organisations.

Looking ahead, the Trust faces significant challenges and opportunities, as do all other NHS care providers this year.

The Trust has identified efficiency savings of £24 million during 2012-13 to help reduce costs and contribute towards the NHS savings plan nationally. Our savings plan will continue to target initiatives that do not impact on patient care, and contribute, wherever possible, to care improvements.

This will need to be achieved at the same time as more hospital-based care moves into the community and greater levels of NHS resources shift towards the prevention of illness.

To stay financially healthy, and responsive to the needs of our patients, our hospitals will need to become ever more flexible by diversifying, providing more integrated care and creating opportunities for collaboration.

The Trust is reviewing its vision and strategic aims in 2012-13 as part of the development of a new five year clinical strategy within a context of these significant changes and financial challenges to the NHS as a whole.

We recognise the importance of ensuring our strategy is developed in partnership with our GP colleagues, our patients and with the public as a whole.

We look forward to continuing the progress the Trust made in 2011-12 through 2012-13.

2011-12 Performance Review

Maidstone and Tunbridge Wells NHS Trust met the majority of national waiting time standards in 2011-12. These are designed to ensure patients are seen appropriately according to their clinical need.

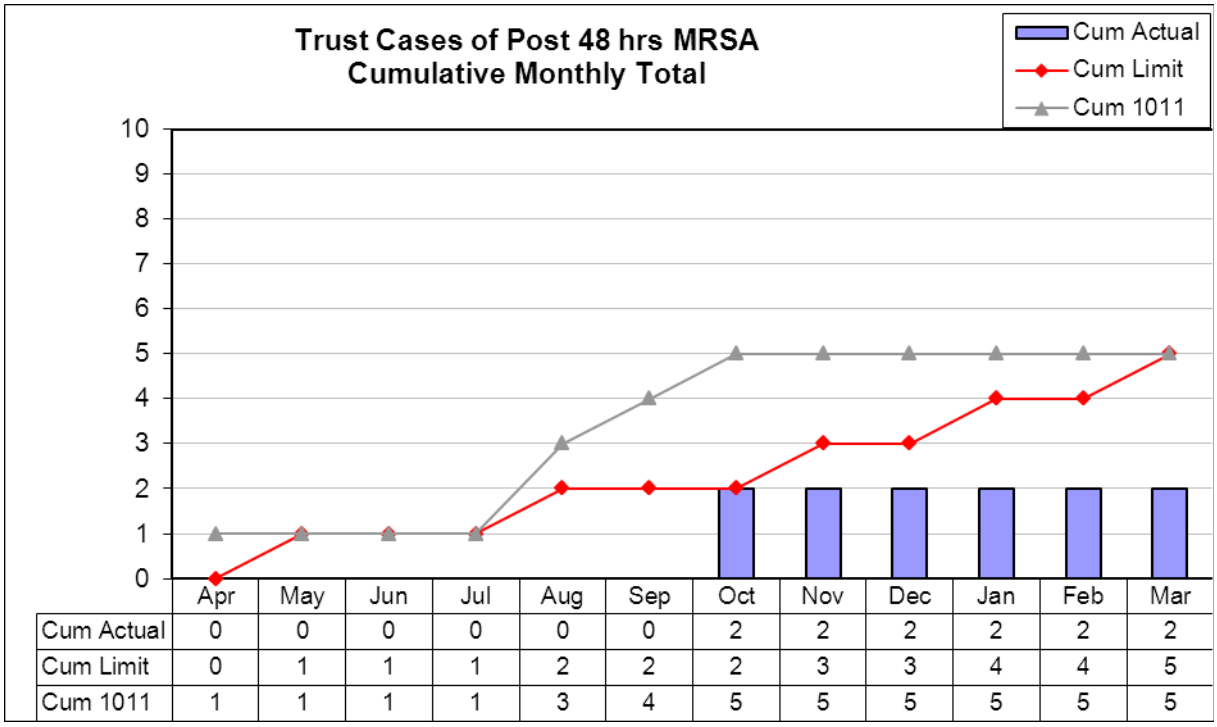
The Trust's overall performance is measured against 70 local and national standards on a monthly basis. These results are shared with commissioners of local health services and are discussed by the Trust Board at its public meetings.

A summary of the Trust's overall performance in all local and national standards for 2011-12 will be available to view on the Trust's website in May 2012 – www.mtw.nhs.uk A summary of the Trust's overall performance for the 11 months up to February 2012 is available on the website now.

The transfer of services into a brand new all single room hospital during the year has affected the emergency pathways for all specialties, resulting in an underperformance against the key targets. However, with the exception of A&E performance, the other access targets for elective services have been met. A major success since the move has been the achievement of the DSSA standards across both hospital sites.

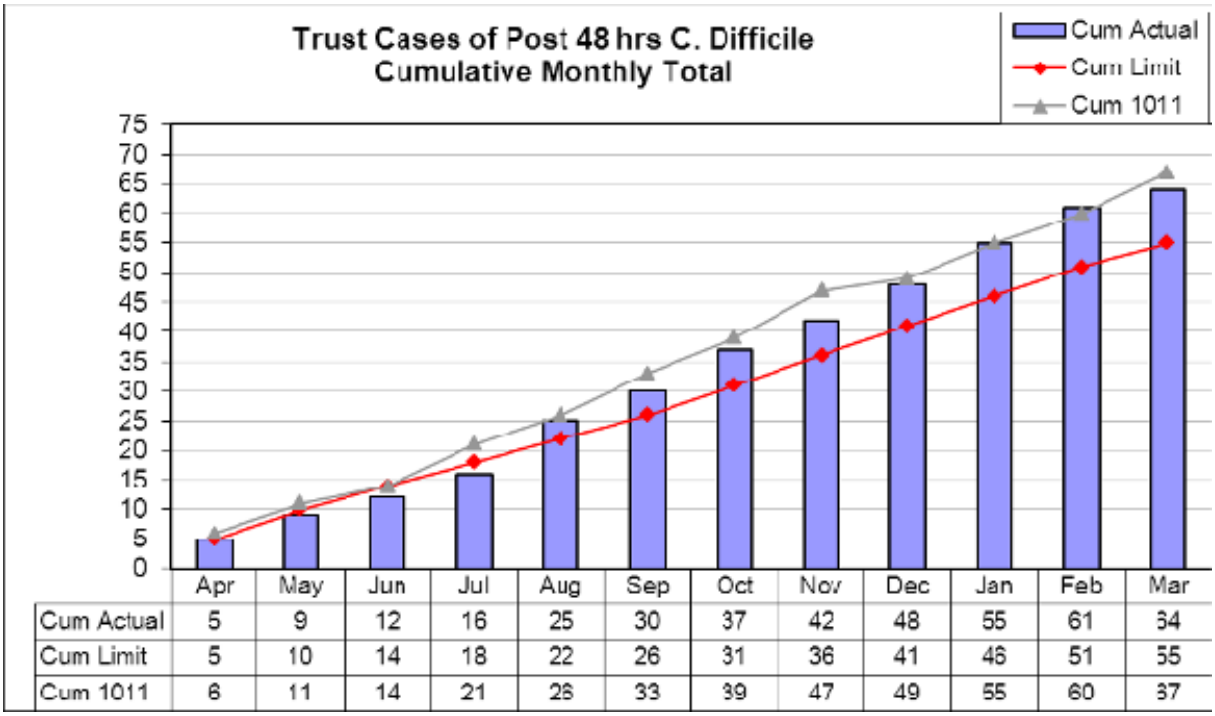
Early evidence shows that the Trust's performance against key national and local standards in 2011-12 was good with the Trust being rated as performing under the NHS Performance Regime for most of the year.

Infection Control – MRSA Cases – The Trust achieved this standard, with 2 cases of MRSA throughout the year against a maximum limit of 5 cases.



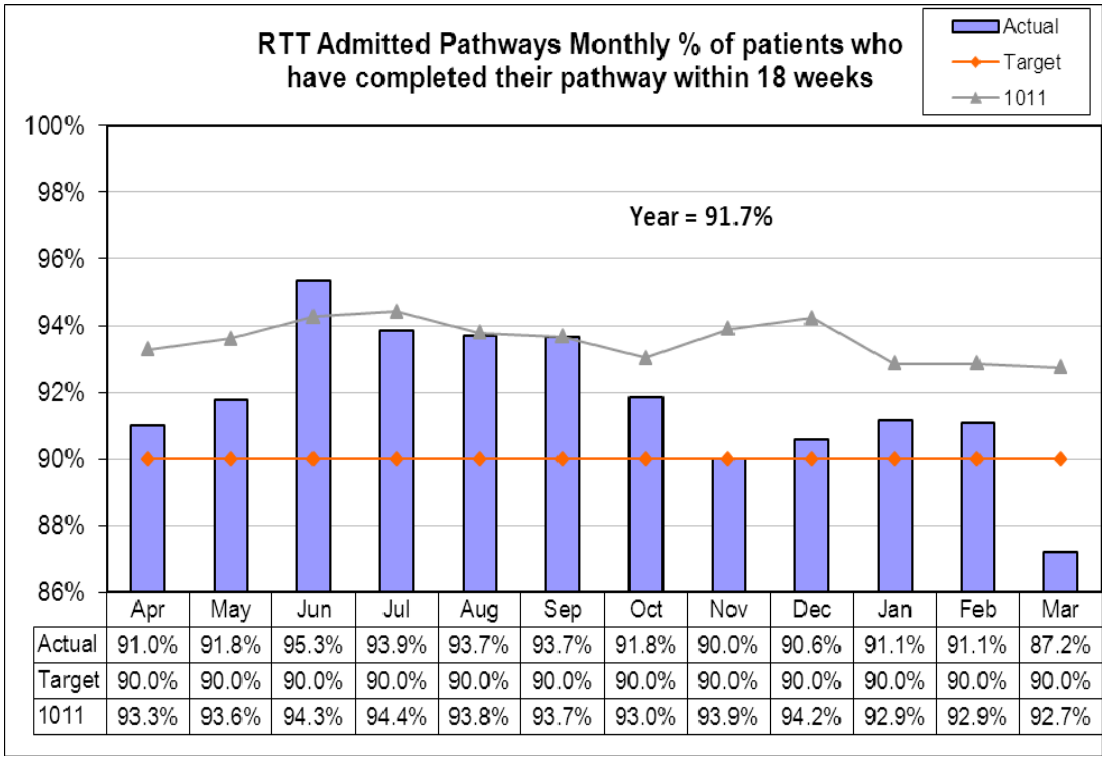
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Cum Actual	0	0	0	0	0	0	2	2	2	2	2	2
Cum Limit	0	1	1	1	2	2	2	3	3	4	4	5
Cum 1011	1	1	1	1	3	4	5	5	5	5	5	5

Infection Control – CDifficile Cases – The Trust did not achieve this standard of a maximum of 55 cases for the year. However, the number of CDifficile cases throughout 2011-12 was fewer than the number reported for 2010-11

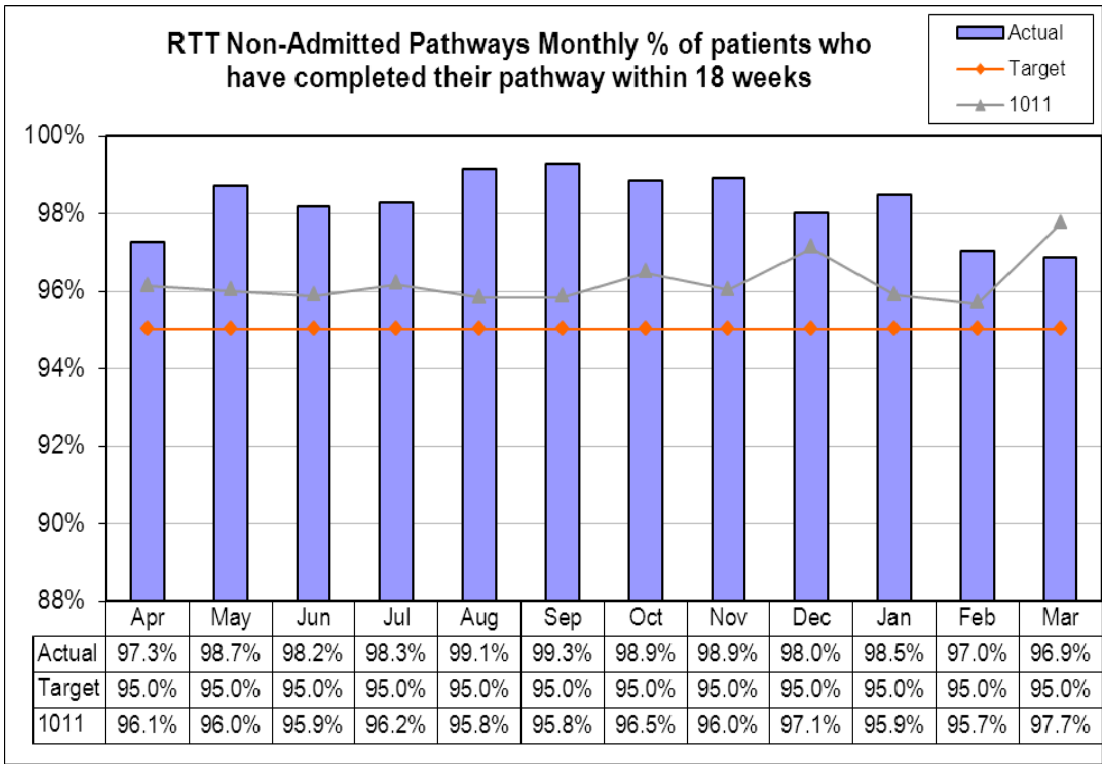


	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Cum Actual	5	9	12	16	25	30	37	42	48	55	61	34
Cum Limit	5	10	14	18	22	26	31	36	41	46	51	55
Cum 1011	6	11	14	21	28	33	39	47	49	55	60	37

18 weeks standard – The Trust achieved this standard, ensuring at least 90% of admitted patients were being treated in hospital following GP referral in 18 weeks. The Trust also ensured 95% of non-admitted patients were seen within the same period.

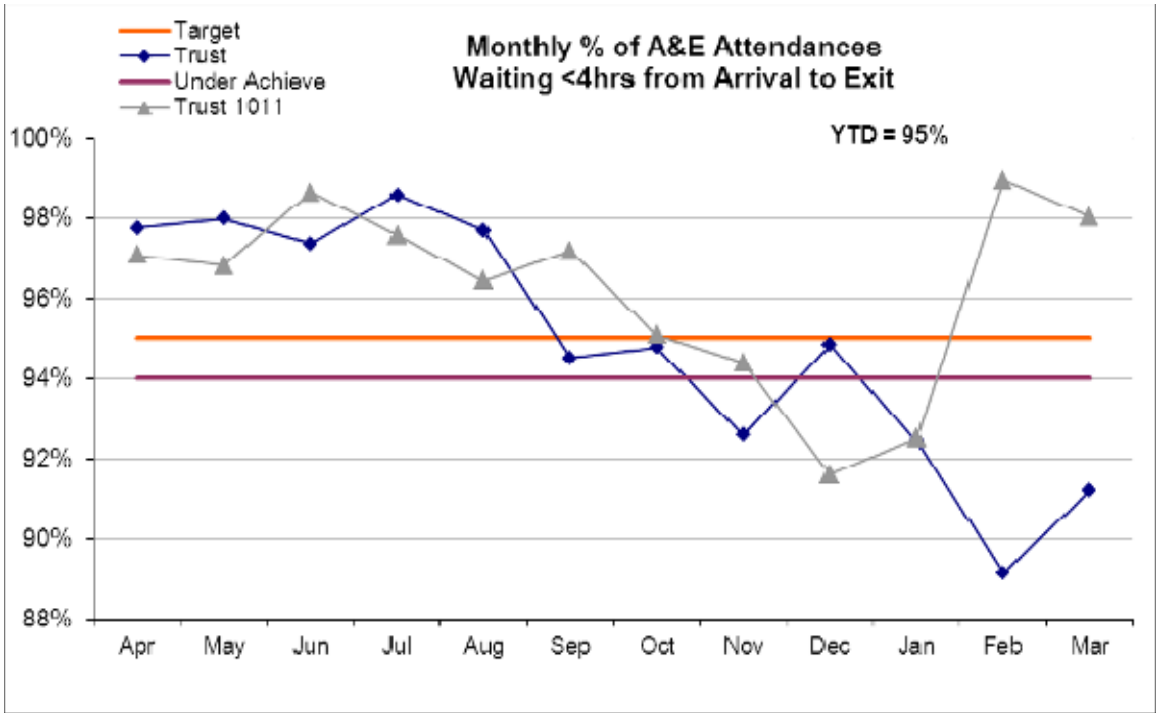


	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	91.0%	91.8%	95.3%	93.9%	93.7%	93.7%	91.8%	90.0%	90.6%	91.1%	91.1%	87.2%
Target	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
1011	93.3%	93.6%	94.3%	94.4%	93.8%	93.7%	93.0%	93.9%	94.2%	92.9%	92.9%	92.7%

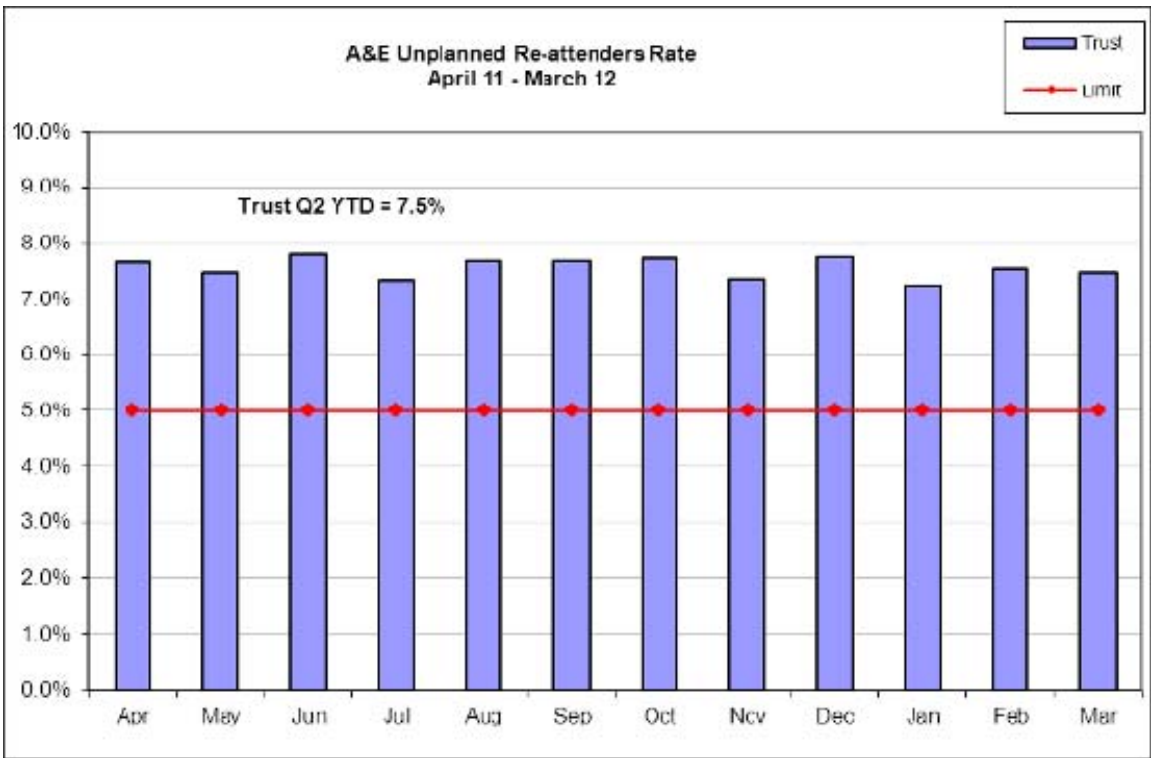


	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	97.3%	98.7%	98.2%	98.3%	99.1%	99.3%	98.9%	98.9%	98.0%	98.5%	97.0%	96.9%
Target	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
1011	96.1%	96.0%	95.9%	96.2%	95.8%	95.8%	96.5%	96.0%	97.1%	95.9%	95.7%	97.7%

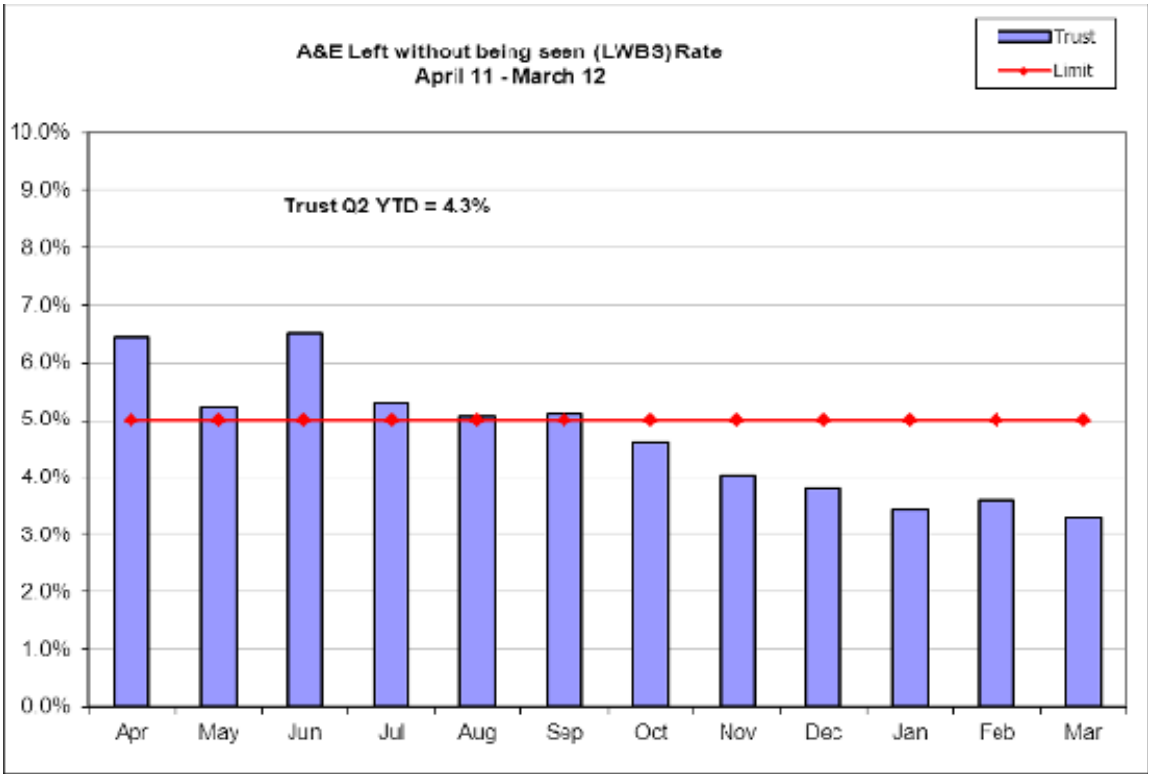
Emergency 4 hour access – The Trust achieved this standard of 95% of patients being seen, treated, admitted or discharged within 4 hours of arrival in its A&E departments in 2011-12.



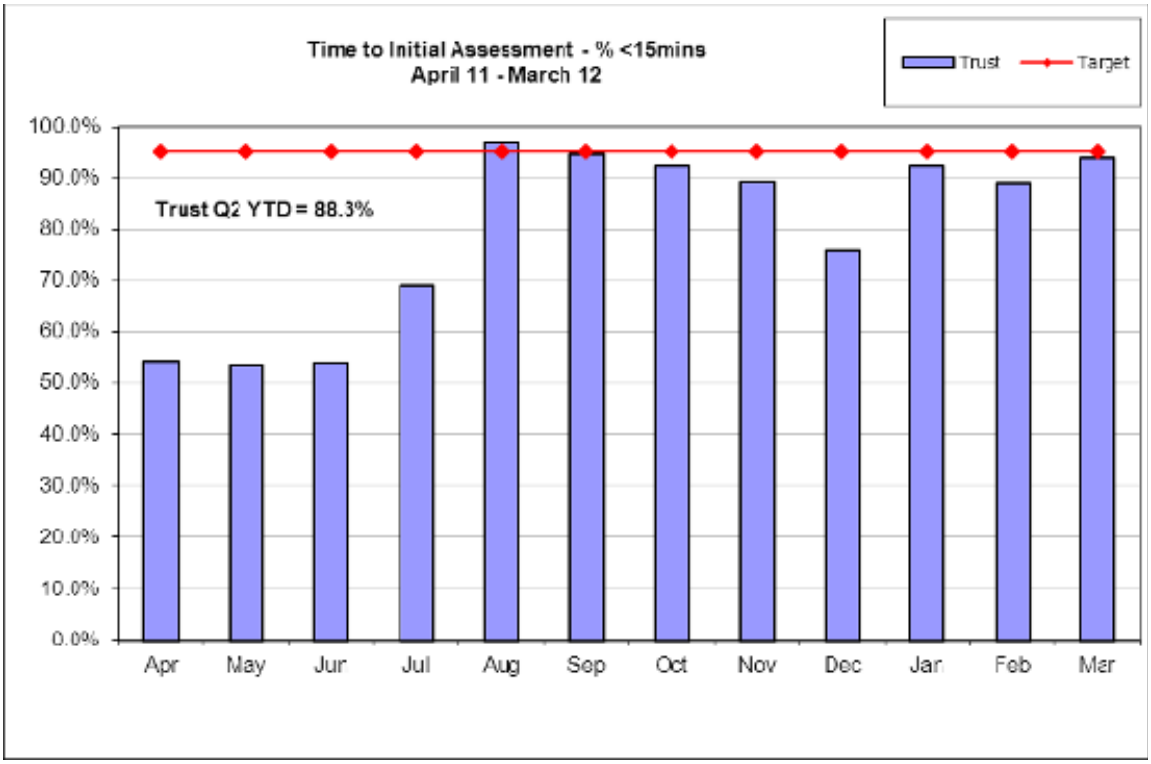
A&E Unplanned Re-attendance Rate – The Trust did not achieve this standard of less than 5% unplanned re-attendance rate.



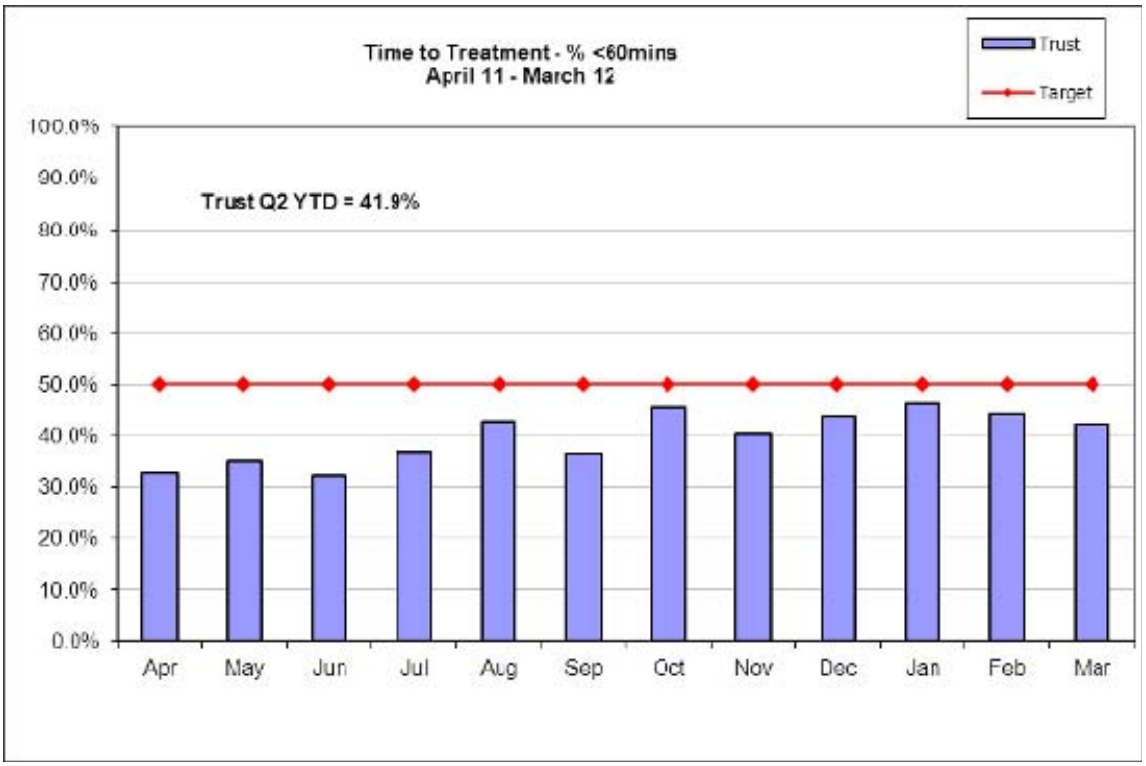
A&E Left without being Seen Rate – The Trust achieved this standard of less than 5% of patients leaving its A&E Departments without being seen.



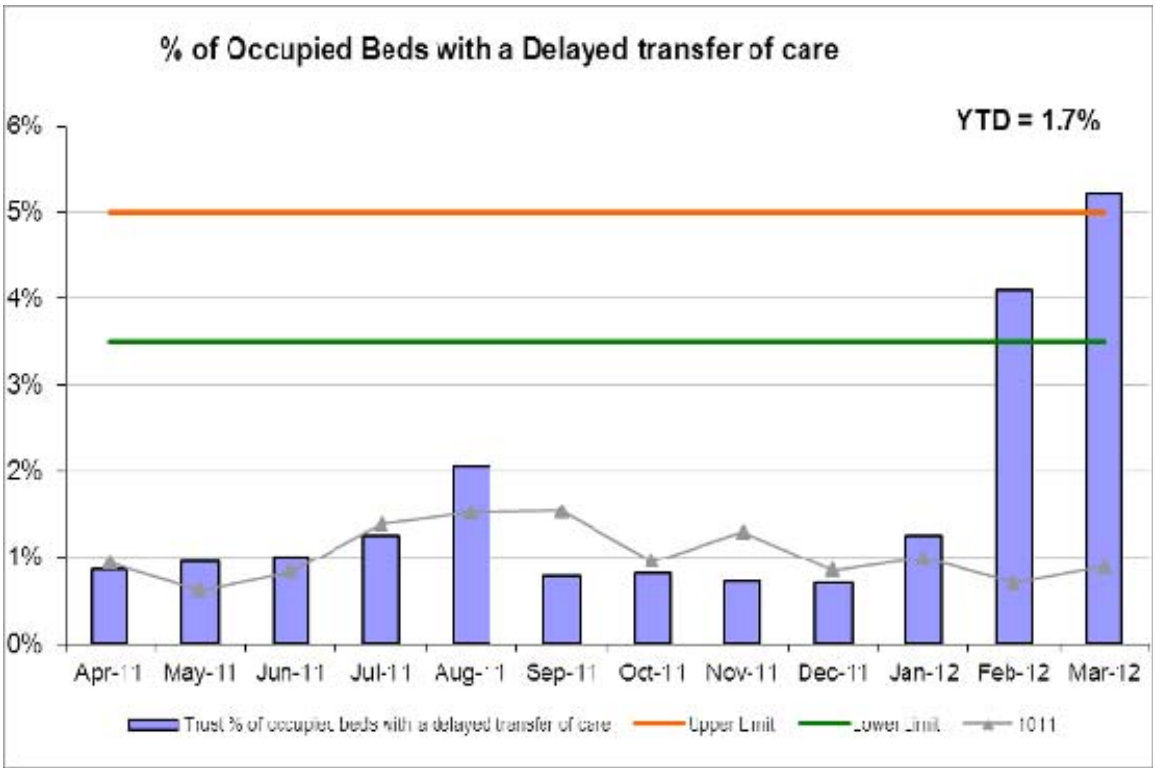
A&E Time to Initial Assessment <15 minutes – The Trust did not achieve this standard of 95% of patients arriving in its A&E Departments being assessed within 15 minutes of arrival.



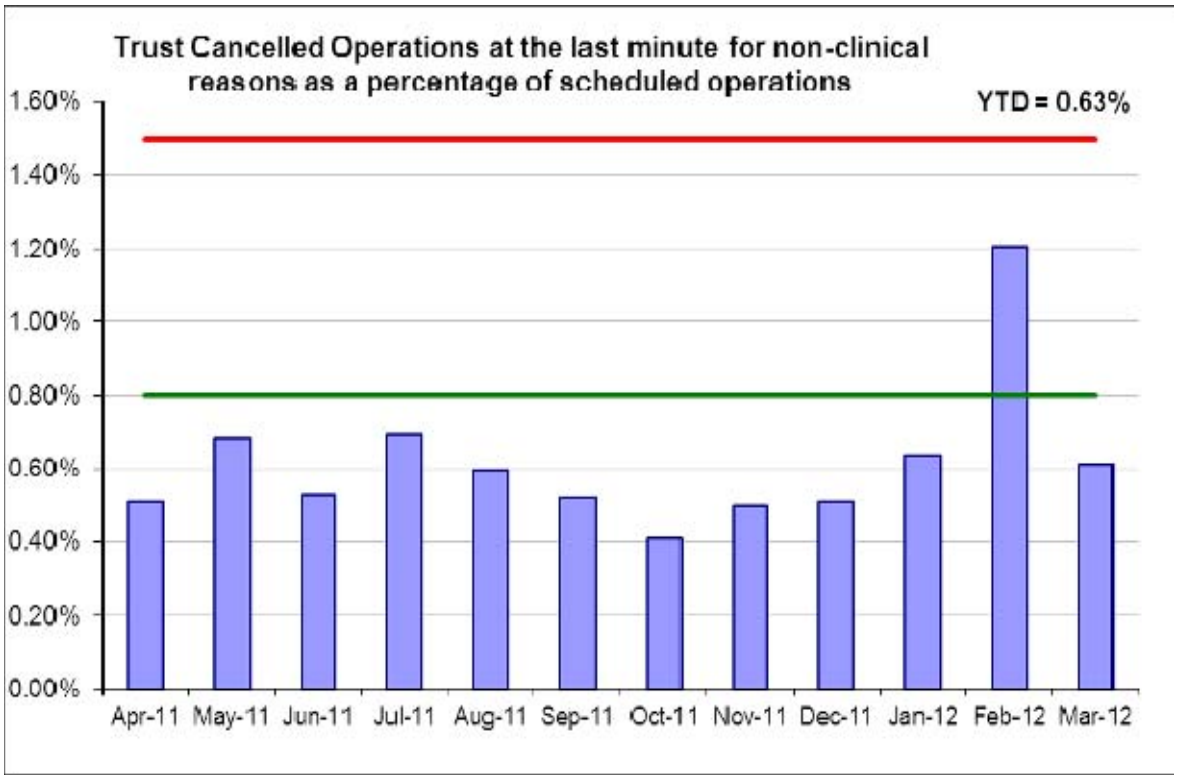
A&E Time to Treatment <60 minutes – The Trust did not achieve this standard of 50% of patients arriving in its A&E Departments being treated within 60 minutes of arrival.



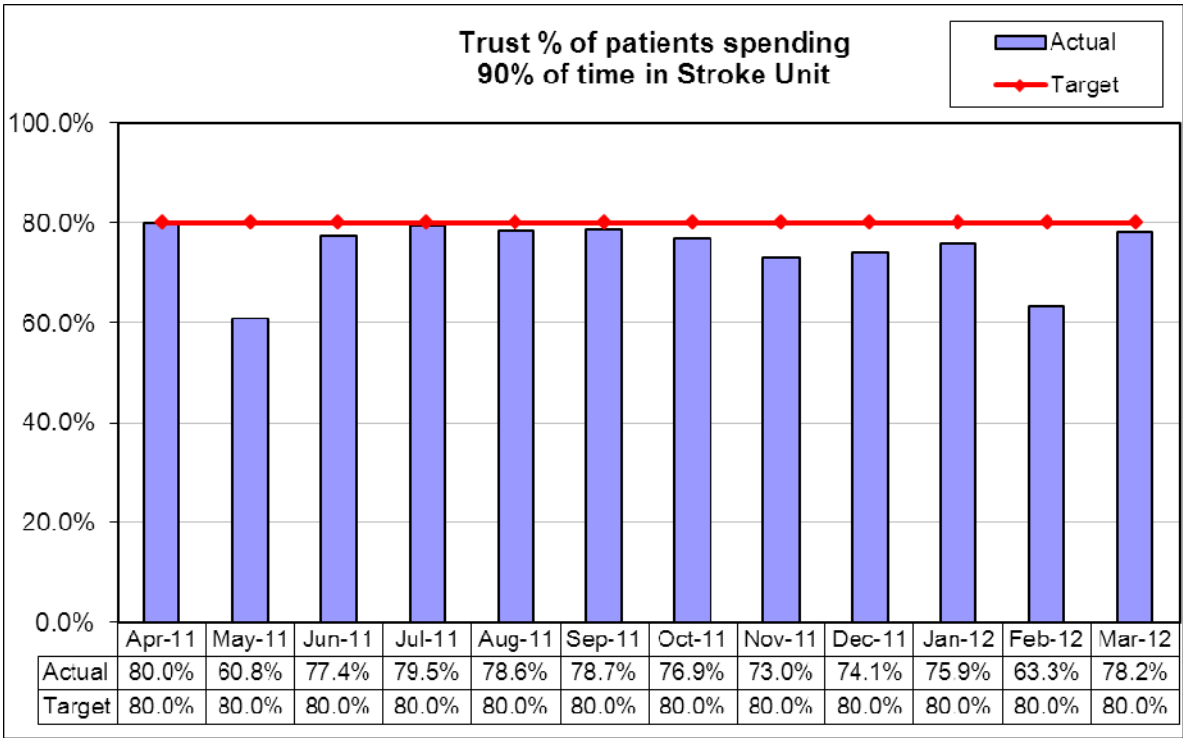
Delayed transfers of care – The Trust achieved this standard of Delayed transfers of care remaining below the national limit of 3.5% for the year.



Cancelled operations – The Trust achieved the cancelled operations national standard of 0.8% for the third year running.

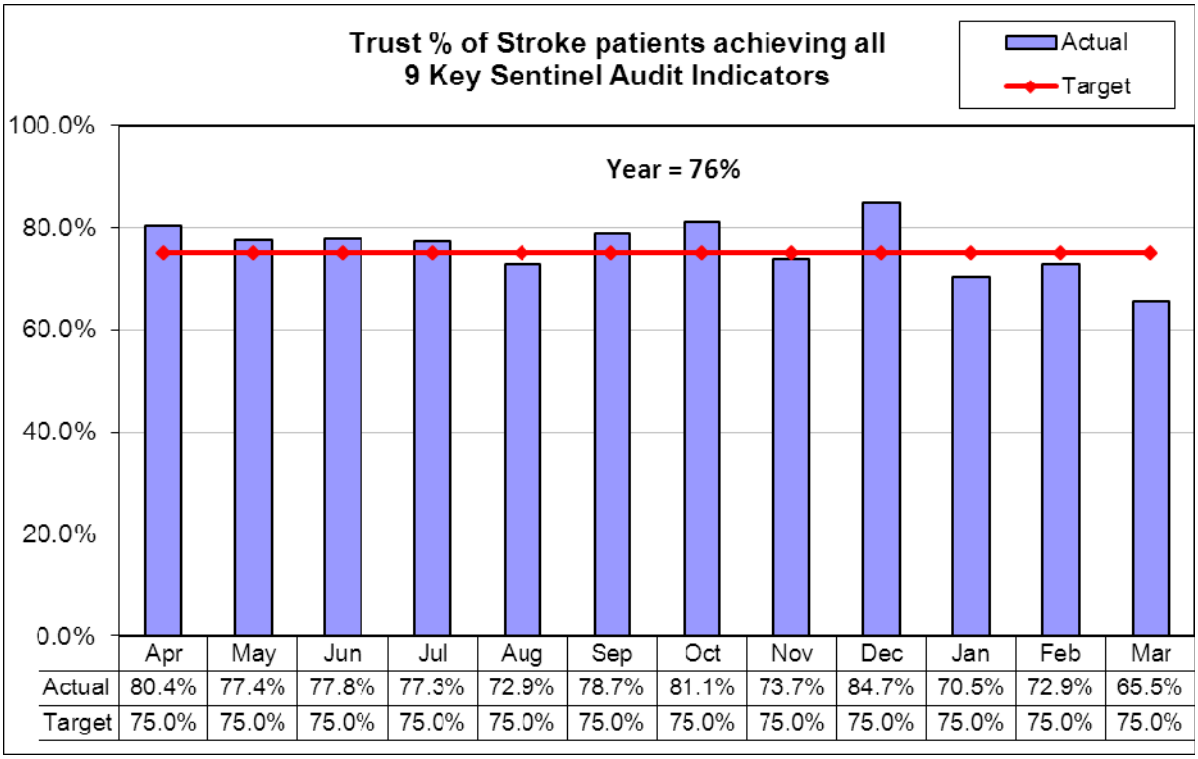


Stroke – The Trust did not ensure that 80% of stroke patients spent 90% of their time on a dedicated stroke ward in 2011-12.



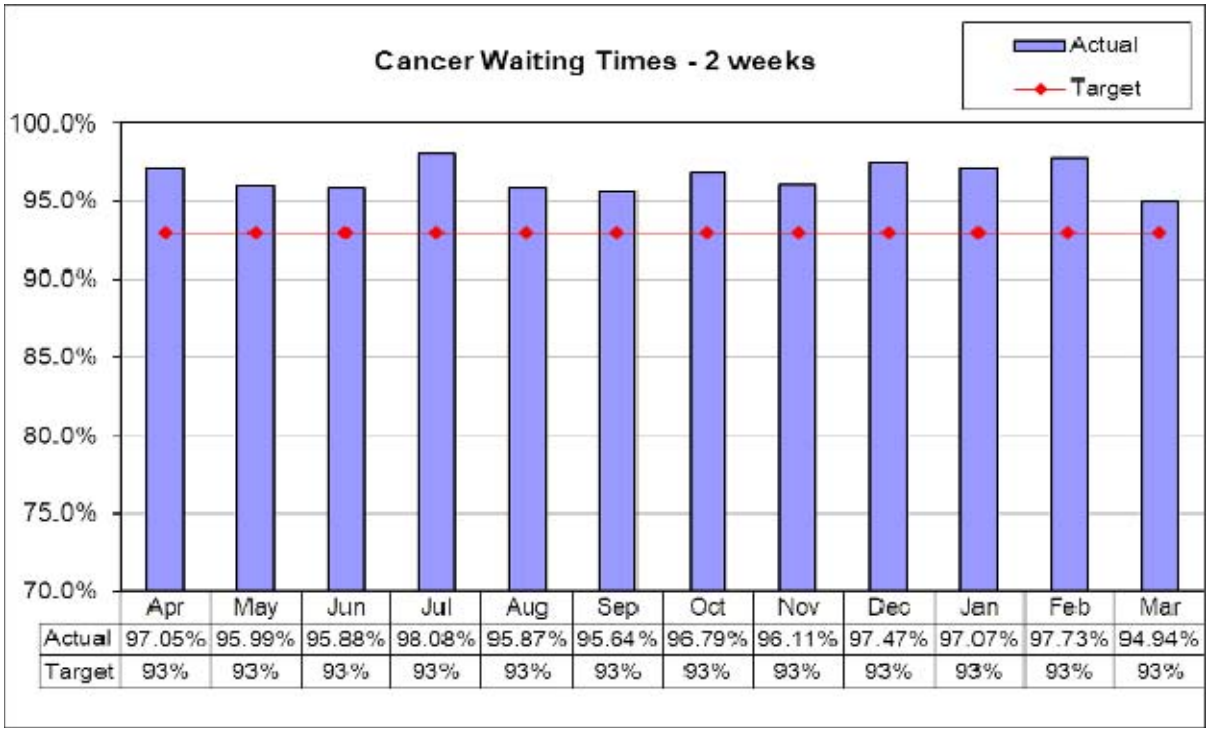
	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
Actual	80.0%	60.8%	77.4%	79.5%	78.6%	78.7%	76.9%	73.0%	74.1%	75.9%	63.3%	78.2%
Target	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%

Stroke Sentinel Audit Indicators – The Trust did ensure that 75% of stroke patients achieved all 9 Key Sentinel Audit Indicators in 2011-12.



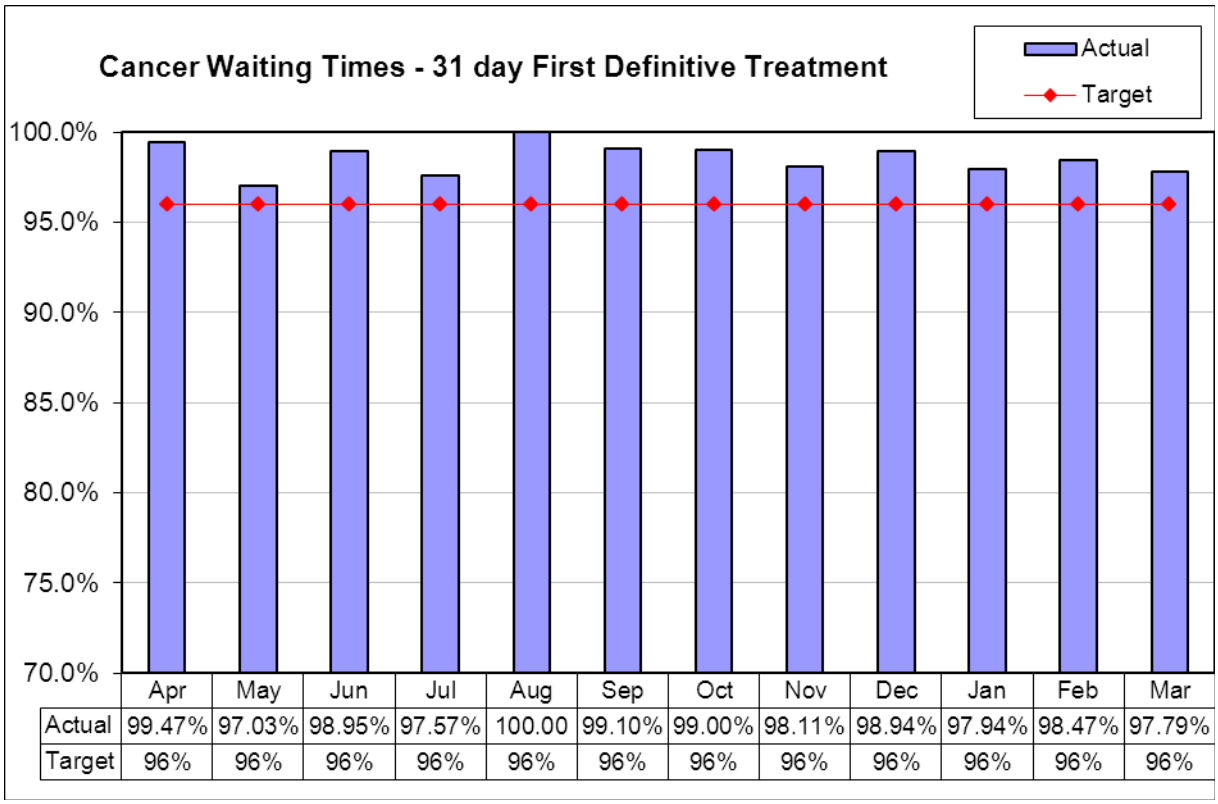
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	80.4%	77.4%	77.8%	77.3%	72.9%	78.7%	81.1%	73.7%	84.7%	70.5%	72.9%	65.5%
Target	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%

Cancer Waiting Time Target 2 weeks to initial appointment – The Trust achieved this standard ensuring that 93% of patients with suspected cancer were seen within two weeks.



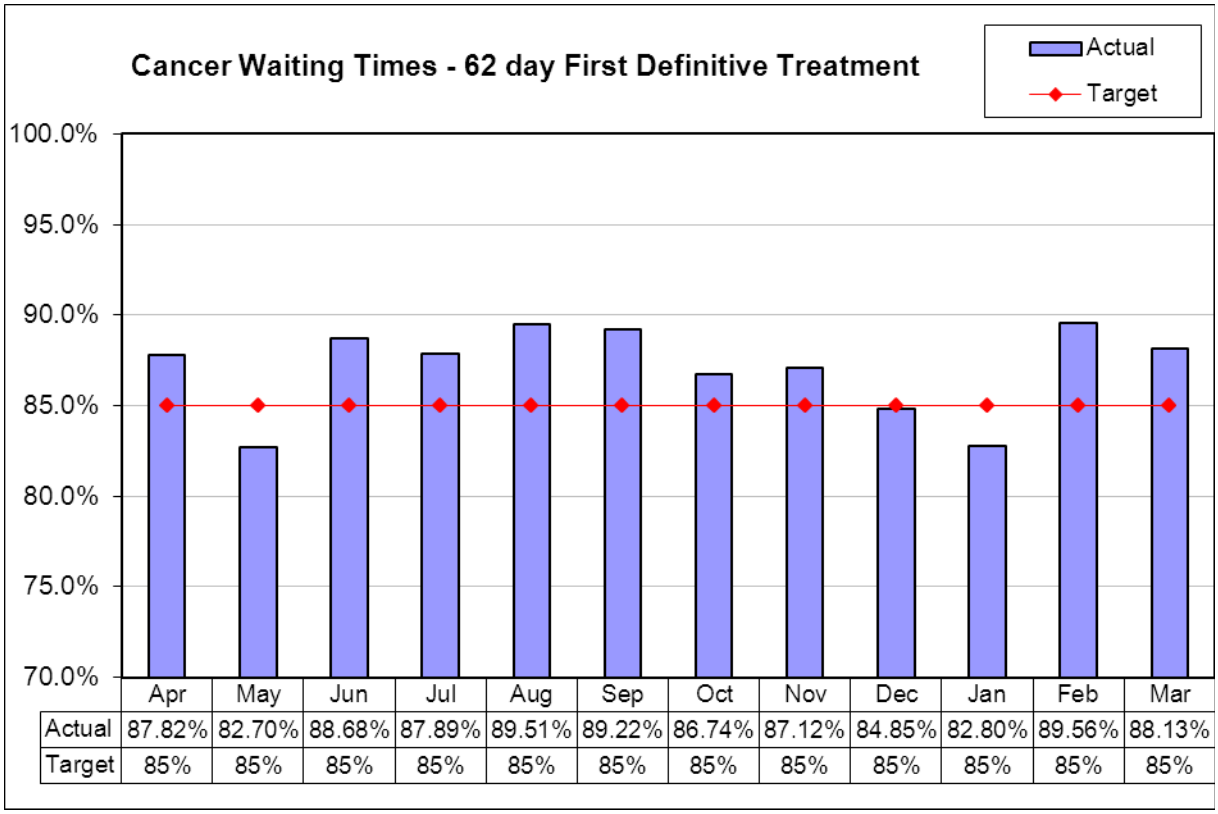
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	97.05%	95.99%	95.88%	98.08%	95.87%	95.64%	96.79%	96.11%	97.47%	97.07%	97.73%	94.94%
Target	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%

Cancer Waiting Time Target 31 days to treatment – The Trust achieved this standard ensuring that 96% of patients who needed to start their treatment within 31 days did so.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	99.47%	97.03%	98.95%	97.57%	100.00	99.10%	99.00%	98.11%	98.94%	97.94%	98.47%	97.79%
Target	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%

Cancer Waiting Time Target 62 days to treatment – The Trust achieved this standard ensuring that 85% of patients who needed to start their first definitive treatment within 62 days did so.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	87.82%	82.70%	88.68%	87.89%	89.51%	89.22%	86.74%	87.12%	84.85%	82.80%	89.56%	88.13%
Target	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%

Financial Performance in 2011-12

The Trust's financial target for 2011/12 was to break-even – in line with its statutory duty. The actual performance was a small financial surplus.

This was a remarkable performance underpinned by the delivery of more than £17m efficiency savings during the year. What makes this more remarkable is these efficiencies were delivered while fully opening Tunbridge Wells Hospital.

There have been significant savings made by reducing the cost of supplies to the Trust, more than £2.4m has been saved in this way. A further £1m was released owing to improved procurement of drugs.

The Trust also maintained its reduced reliance on locums and agency staff which not only saves money but benefits the continuity of patient care. Nearly £4m has been saved largely through controlling agency costs and reducing administration.

All of this is managed through clearly defined projects to deliver value for money. There is rigorous performance management by the Chief Operating Officer together with the Finance Director to ensure savings are delivered while patient care is not compromised. The Medical and Nursing Directors ensure that these savings do not adversely affect patient care.

Further to opening the new hospital we have continued with a programme of investment in IT and medical equipment/improving the infrastructure at Maidstone Hospital. We have invested £1.6m in IT and £7.6m in Maidstone Hospital to support the delivery of patient care.

Looking Forward to 2012-13

In line with the National NHS requirement to deliver savings, the 2012-13 financial year will be challenging. This is another year where a 4% reduction in the national prices used to pay the Trust for the care it provides, means it needs to save 4% to simply stand still.

Further to this there are some local factors which impact in 2012/13, these being:

- We are working with commissioning colleagues to ensure care is delivered in the most appropriate setting
- We have developed a £24m efficiency programme to save circa 7.5% of recurrent turnover
- We continue to measure patient care quality to ensure savings are delivered in a sustainable way.

The Trust, working with the Kent and Medway PCT Cluster, the emergent Clinical Commissioning Groups, the SHA and the Department of Health, has agreed a framework to fund the costs associated with the Tunbridge wells Hospital.

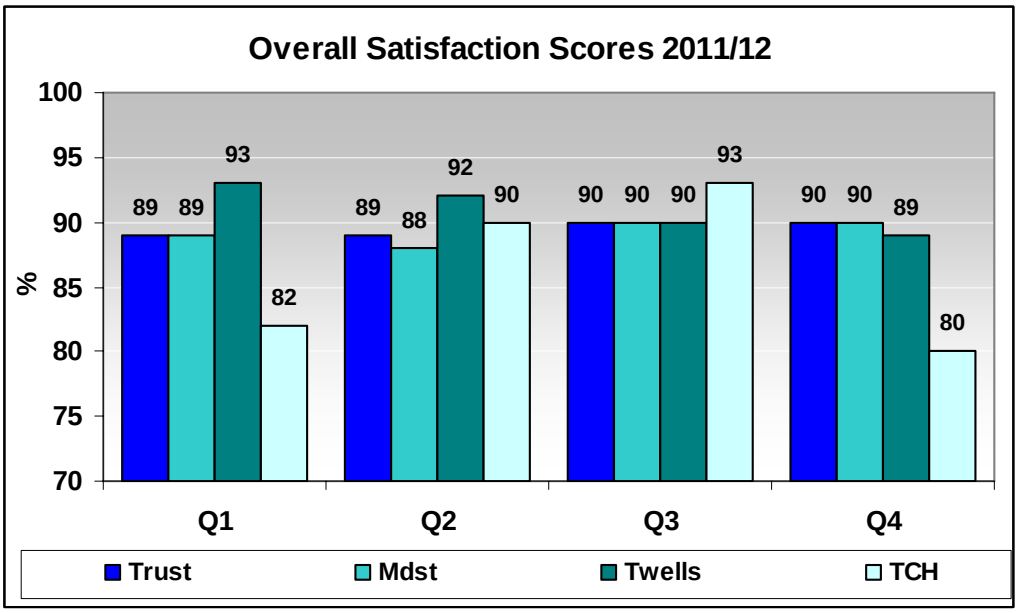
Care quality improvements

The Trust has ended 2011-12 with encouragingly high levels of positive patient experience, in spite of a year of massive change, as indicated through its monthly patient satisfaction surveys and audits.

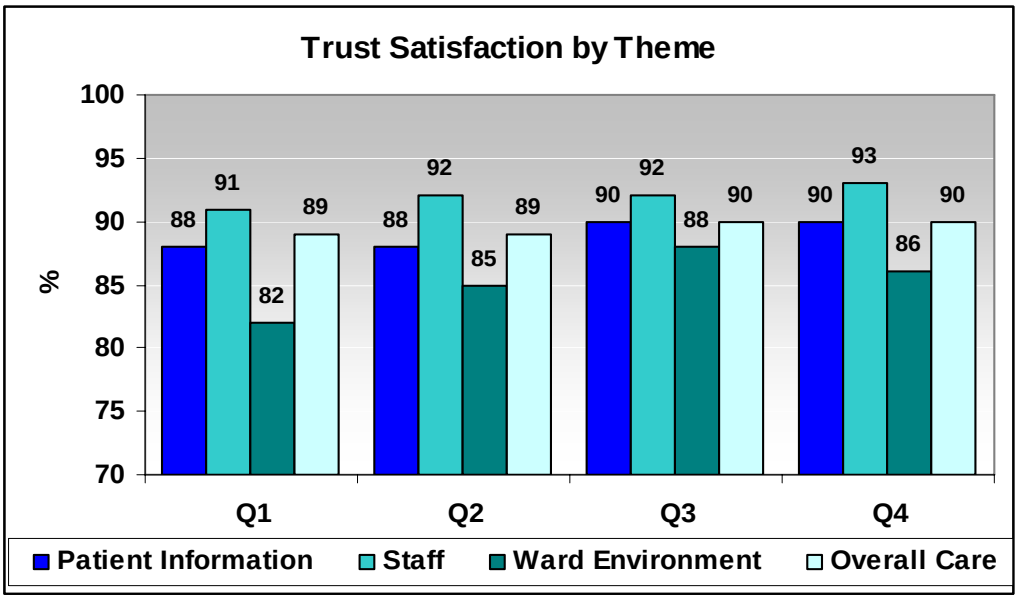
The Trust now surveys an average of over 450 patients a month to gauge levels of satisfaction in four key areas:

- **Patient information and treatment**: this covers aspects such as information regarding medication side-effects, explanation of a procedure, explanation of ward routine and staff having time to listen to concerns
- **Staff Behaviours:** this covers aspects such as staff introducing themselves, response to call bells and requests for assistance
- **Ward Environment:** this covers aspects such as ward cleanliness, calm atmosphere, single sex accommodation and number of ward moves during their stay
- **Satisfaction with overall care:** this asks the patient to rate their overall satisfaction with the care they have received.

Trust overall satisfaction maintained consistency through the opening of the new hospital as well as the addition of the Stroke Rehabilitation unit at Tonbridge Cottage Hospital and changes to services offered at Maidstone.



The Trust pinpointed areas for focus particularly in the area of ward environment. This has resulted in a series of ward focused care assurance audits, conducted by the Corporate Nursing team, assisted by directorate matrons and members of the MTW Patient Experience Committee.

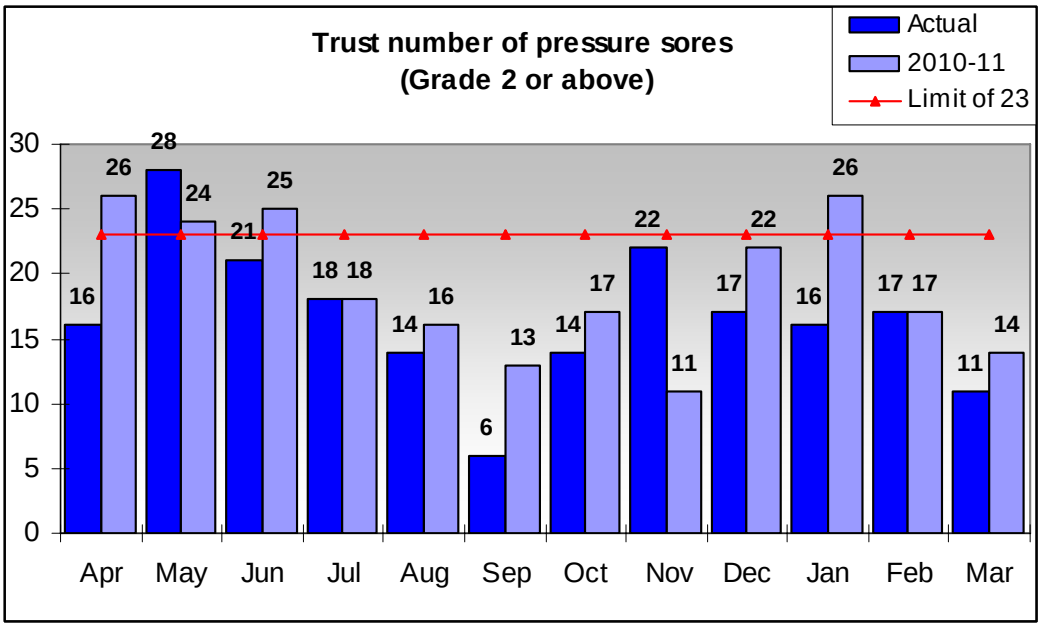


The Trust continues to score well in areas of ward cleanliness, privacy and dignity as well as patient confidence in doctors and nursing staff.

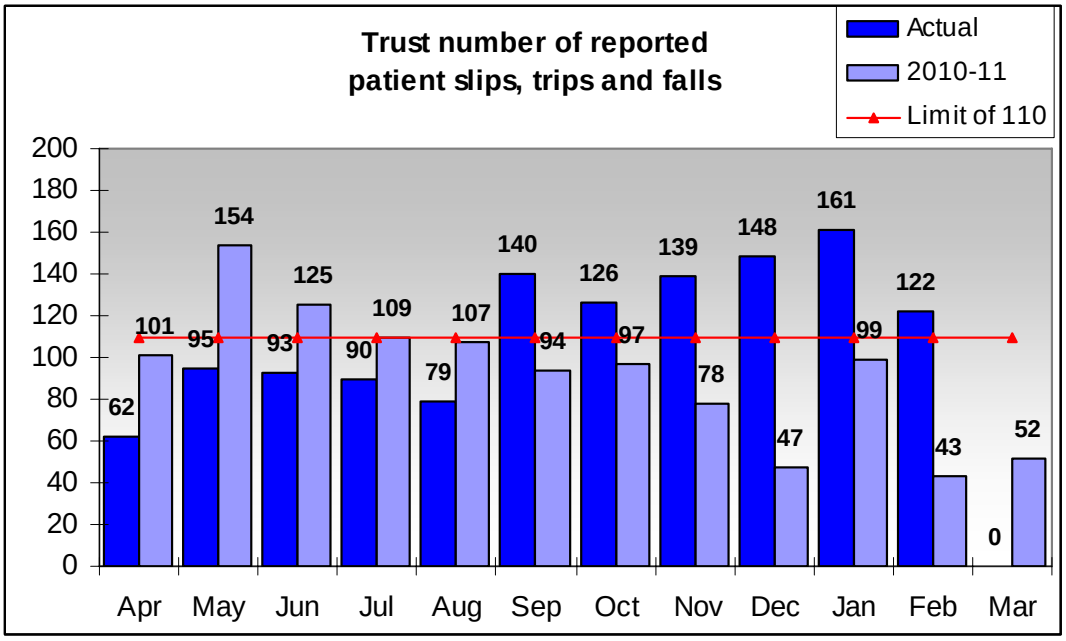
Communication was identified in last year's report as a particular focus for improvement, implementation of 'Knowing How We Are Doing' boards on every ward

through the productive ward project, was just one of a number of initiatives that saw improvements in this area. Staff introducing themselves and explanation of treatment scores have shown steady improvement throughout the year - both categories finished above 95%.

MTW continues to improve on last year's reduction in hospital acquired pressure ulcers. MTW's pressure ulcer prevalence audit demonstrated a 4% reduction in 2010. The Trust's hospital acquired prevalence is 8% against a national average of 10%.



The Trust has seen an increase in falls since September; this coincides with the opening of the new hospital and the introduction of the single room environment. Initiatives to understand and reduce occurrences are currently under way.



Many of the quality care improvements and overall rise in patient satisfaction in 2011-12 were related to:

Staffing - The Trust continues to concentrate on staffing levels including tackling vacancy rates through recruitment initiatives in both Ireland and Portugal. This enables the Trust to reduce its reliance on temporary (agency) staff and increase the Trust's ability to provide continuity of care. The Trust will continue to reduce its agency use in 2012-13.

Patient Moves - The Trust's priority will always be to ensure that patients are seen in the most appropriate place to meet their clinical needs. Often, this will result in a need to move a patient between wards if their clinical condition changes.

The Trust made some significant changes to the way it manages emergency admissions. This included the opening of a GP referral and assessment unit separate from the main A&E Department and introducing a 'way finding nurse' whose role is to ensure that patients are directed to the appropriate urgent care service upon arrival. This may be a referral to the GP Unit, Walk-in Centre or to the main A&E Dept.

The Trust has also worked closely with PCT commissioners to ensure that continuing care arrangements are robust to ensure it is able to safely discharge patients once they no longer require acute hospital care. The Trust has seen reductions in its average length of stay as a result of this. The net effect is to enable MTW to get the patient to the right bed, first time from A&E or the Assessment Unit. This work continued in 2011-12.

Looking ahead to 2012-13

Eliminating mixed sex accommodation remains a challenging area for MTW, however, with the opening of the Tunbridge Wells Hospital the Trust can focus on the Maidstone site.

The new hospital will also provide MTW with a continued challenge in delivering high quality patient care in an excellent environment, under new conditions. 2012-13 will see the hospital operational for a full year and give the Trust an opportunity to effectively asses how it has conducted the change management process.

New Tunbridge Wells Hospital

The new hospital fully opened in September 2011 with the simultaneous closure of the A&E department at Kent & Sussex Hospital and the opening of the new A&E department at Tunbridge Wells.

At the same time, transferring our inpatients from Kent & Sussex was successfully completed over four days with the help of paramedic ambulances,

Patient Transport Service ambulances and a specially hired 'Jumbulance'. Together with police outriders, this coach sized vehicle made an impressive sight as it travelled across town.

The old Pembury Hospital was gradually demolished to make way for hundreds of parking spaces for staff, patients and visitors vehicles.

To date, there has been a lot of positive feedback from patients who have been quick to comment on the high standard of care and the quality of the individual en suite rooms for inpatients.

The new hospital was officially opened on Thursday 22 March by HRH Countess of Wessex. She spoke warmly about the great work performed by our staff and unveiled a commemorative plaque.

Negotiations to sell the old Kent & Sussex Hospital site for redevelopment were concluded on 29th March, 2012. The site was sold to Berkeley Homes.

Infection Prevention and Control

Preventing hospital acquired infections remains one of Maidstone and Tunbridge Wells NHS Trust's top priorities.

In 2011-12 the Trust had **two** cases of MRSA. This was below the Trust's objective limit for the year of five cases, and was a 60% reduction on 2010-11 (five hospital acquired cases).

The Trust also reduced the number of hospital-acquired cases of Clostridium difficile. It had **63** cases of C.difficile in 2011-12, above its target of 55 cases. However, this was a 6% reduction on the previous year (67 cases).

MRSA bacteraemia

	Monthly target	Monthly Total	Maidstone Hospital	Kent & Sussex Hospital	TWH
Apr-11	0	0	0	0	0
May-11	1	0	0	0	0
Jun-11	0	0	0	0	0
Jul-11	1	0	0	0	0
Aug-11	0	0	0	0	0
Sep-11	1	0	0	0	0
Oct-11	0	2	1		1
Nov-11	1	0	0		0
Dec-11	0	0	0		0
Jan-12	1	0	0		0
Feb-12	0	0	0		0
Mar-12	0	0	0		0
Total	5	2	1	0	1

C. difficile		Post 48 hour inpatients			
	Monthly Trust target (post 48 hours)	Monthly Trust Total	Maidstone Hospital	Kent & Sussex Hospital	TWH
Apr-11	5	5	4	1	0
May-11	5	4	2	2	0
Jun-11	4	3	2	1	0
Jul-11	4	4	3	1	0
Aug-11	4	9	5	4	0
Sep-11	4	5	3	2	0
Oct-11	5	7	5		2
Nov-11	5	5	5		0
Dec-11	5	6	3		3
Jan-12	5	7	3		4
Feb-12	5	6	3		3
Mar-12	4	2	2		0
Total	55	63	40	11	12

Some of the actions that contributed to the Trust's low infection rates in 2011-12 included:

- Blood culture training for all junior doctors and some nursing staff
- The use of hydrogen peroxide vapour to disinfect clinical areas
- Using root cause analysis results to make changes to clinical procedures to make them safer for patients (eg antibiotic prophylaxis for MRSA patients having lines inserted)
- Screening all admissions for MRSA
- Introducing the World Health Organisation 'five moments' for hand hygiene which is patient focused and centred around the point of care

The Trust's targets for reducing hospital acquired infections in 2011-12 are extremely challenging. It must have no more than one case of MRSA and 47 cases of C.difficile.

The Trust has established, through root-cause analysis of C.difficile infections during 2011-12, that its cross infection rates are extremely low. To meet this next reduction in C.difficile the Trust must focus on reducing antibiotic prescribing as well as continue to maintain high levels of cleanliness and infection prevention.

To achieve an ongoing reduction in avoidable hospital acquired infections during 2011-12 the Trust is going to:

- Continue to drive down the incidence of healthcare associated infection
- Ensure close working between ward staff and domestic services to give increased assurance of high cleanliness levels
- Change the method of laboratory diagnosis of C.difficile which will also enable the identification of some carriers
- Work towards reducing the number of antibiotics used within the Trust.

Capital investments

Maidstone and Tunbridge Wells NHS Trust invested over £21 million in capital developments during 2011-12.

The capital investment was used to support the delivery of the Trust's clinical strategy. This directly contributes towards the provision of safe, high quality care for patients throughout west Kent and north East Sussex.

The Trust's capital spend for 2011-12 is set out below:

Tunbridge Wells Hospital = £12.3m – conclusion of the new hospital development

The new hospital opened to patients throughout West Kent on 21 September 2011 after many years of planning

- Equipment = £9.5m
- IT Infrastructure = £0.9m
- External Works and Infrastructure = £1.9m

Estates works at Maidstone Hospital = £3.3m

The Estates and Facilities Department is responsible for maintaining, updating and providing new facilities for the Trust. This involves refurbishment of existing infrastructure, including wards and corridors, improving parking areas, roads and footpaths. Spend in this area in 2011-12 was £2.0m.

Some other Estates projects in 2011-12 included:

Short Stay Paediatric Assessment Unit (SSPAU) – providing local care for children requiring day case surgery and unplanned paediatric assessment. Cost £580k

Relocation of Therapy Services – As part of the development for SSPAU, the Therapy Services were relocated, which enabled the department to centralize and improve on their existing facilities. Cost £580k

Positive Air Flow System to Haematology Ward – the patients in this area are highly susceptible to infection. The positive air flow ventilation ensures a two-way system which allows the ward to admit its patients without risk to them or others. Cost £125k

Centralisation of Cellular Pathology services = £0.5m

The new state of the art unit at Maidstone Hospital has been up and running since May 2011. The unit accommodates Cellular Pathology Services for MTW and Medway Foundation Trust. This was the conclusion of a £9 million development.

New Birthing Centre at Maidstone = £2m

The new building provides a low risk midwife led birth unit adjacent to Maidstone Hospital. The building was completed and up and running from September 2011.

ICT projects = £1.6m

As well as the rolling replacement of old PCs across the Trust, there has been ongoing improvement to the IT infrastructure

Projects include:

- Infection Control Tool – to provide a single infection surveillance system that interfaces with the laboratory and patient data. Reduces the risk to patients following exposure to infections and reduce the risk of subsequent acquisitions and cross infection.
- Radiology Order Comms – to enable GPs with the ability to order via their GP systems, radiology tests from the Trust.

Medical equipment = £1.9m

Each year the Trust has an equipment rolling replacement programme to replace medical equipment that is beyond its economical life, to ensure that the Trust has reliable and up-to-date devices.

Some other purchases this year include: Integrated infusion pumps and theatre equipment.

Capital investment for 2012-13

The total capital investment plan for 2012-13 is just over £16 million and will again be linked to the Trust's clinical strategy, improvements in patient care and updating the patient environment.

Clinical Governance

During 2011-12 the Trust has focused on a wide range of areas within clinical governance.

Incidents

We have continued to build on the strength of the executive-led panel set up to review serious untoward incidents. As well as the sub-group looking at pressure ulcers which has had a positive impact within the Trust, we have continued to see a reduced incidence of hospital acquired pressure ulcers compared with the previous year.

The Trust has set up a similar panel to review patient falls. As a result of this group, actions have been taken to raise awareness, including training in falls prevention and the significance of osteoporosis, information leaflets for staff and

patients about osteoporosis, enhanced risk assessments for patients. We are currently trialing systems to alert us to patients who are at risk of falling while on the move.

The patient safety calendar is used to raise awareness of key issues raised from trend analysis of incidents and complaints throughout the year.

Key areas for action for 2012-13 are to see the implementation of two initiatives to support communication around challenging situations and improving documentation through specialty health records reviews in line with “no harm” assessments.

The Trust’s clinical governance team has successfully implemented a new e-reporting system for incidents. This has helped to ensure more timely reporting and management of incidents. The focus for 2012-13 is to improve the quality of incident investigation to optimise learning and so improve the services the Trust provides patients.

Complaints

The management of complaints has been a challenge during the year. However, processes have been reviewed and improvements are being made. There has been an increase in the number of complaints received and concerns raised with our Patient Advice and Liaison Team (PALS) and we are currently looking into ways calls can be managed as promptly as possible.

The training set up last year with Canterbury Christ Church University has been well received and is continuing next year. In addition, further training using patient stories is being developed so that the impact of care and interactions can be discussed first hand to drive improvements in care delivery.

Research

2011-12 saw MTW staff recognised in the international arena for their innovative research – notably the Kanga Wrap and Microbubbles own account studies.
MTW was also the first Trust to have a nurse-led study adopted by the National Institute of Health Research National Portfolio. The MTW study into organ donation is now being rolled out to relevant trusts across England.

The number of research studies continues to grow and MTW sponsored its first Clinical Trial Involving a Medicinal Product (CTiMP) in Rheumatology this year.

In 2012-13 MTW is working with NHS Innovations to become one of the South East Health Care Technology Co-operatives. If successful, MTW will receive funding to be a centre of expertise to develop new medical devices, technologies and technology-dependent interventions.

The R&D department aim to increase the number of commercial studies by 10% to both boost MTW’s reputation as a worthy research ally to industry and to increase income generation within both the R&D departments and divisions.

Clinical Audit

In 2011-12 the Annual Clinical Audit Programme focused on auditing (at least once) MTW compliance against all NICE Clinical Guidelines, and over 90% of Clinical Guidelines have been audited. MTW continued to participate in the set of national audits, set by HQIIP, with the exception of a small number that will be run in 2012-13.

The focus for Clinical Audit into 2012-13 is to complete the final year of the five year plan to ensure monitoring of compliance with nationally set standards.

The Clinical Audit Team will also be implementing a new database. This will be accessible to all staff and provide a central point to capture and monitor action plans from audit, complaints and incidents. A central database will ensure each Trust issue is addressed in a coordinated way to ensure that we maximize learning to improve services for our patients.

Regulatory Requirements

In line with the Health and Social Care Act 2009, the Trust was registered without condition by the Care Quality Commission, effective from 1st April 2010 to provide the following regulated activities across the Trust:

- Treatment of disease, disorder or injury
- Surgical procedures
- Diagnostic and screening procedures
- Maternity and midwifery services
- Termination of pregnancies
- Transport services, triage and medical advice provided remotely.

This year the provision of family planning services was added to the list of registered activities.

The Trust had three unannounced inspections by the Care Quality Commission in 2011-12. In May 2011 the visit looked at a number of the Essential Standards of Quality and Safety, in January 2012 the focus was in the A&E department at Tunbridge Wells Hospital and in March 2012 we were part of a national review of consent requirements for terminations of pregnancy. We await the results of this last review. For the previous two inspection visits, action plans have been put in place to address areas of concern.

The Trust achieved compliance with NHS Litigation Authority Risk Management Standards in November 2011.

Information Governance related SUIs

Summary of Serious Untoward Incident Involving Personal Data as Reported to the Information Commissioner's Office in 2011-12

Date of Incident (month)	Nature of Incident	Nature of Data Involved	Number of People Potentially Affected	Notification Steps
January 2012	Unauthorised disclosure	Email addresses	45	Individuals notified by telephone
Further action on information risk	The Trust will continue to monitor and assess its information risks, in light of the event noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems. Staff member required to undertake additional Information Governance Training and moved to new role in the organisation. Email awareness has been enhanced and Trust policy amended.			

Summary of other personal data related incidents in 2011-12

Category	Nature of Incident	Total
I	Loss/theft of inadequately protected electronic equipment, devices of paper documents from secured NHS premises	0
II	Loss/theft of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	24
V	Other	10

In addition to the above in March 2012 the Trust was informed by a healthcare contractor that it had inadvertently collected items of personal patient information along with items of product performance data they routinely downloaded from

three diagnostic scanners it had provided to the Trust. The Trust was one of a number of NHS organisations where this process had occurred and therefore the incident investigation and management was undertaken by the Department of Health.

The incident has been notified to the Information Commissioners Office (ICO) and the joint view of the DoH and ICO is that the risk of harm to patients is negligible. The data is held in a complex format and is not readily accessible and the contractor has given assurance, independently verified, that the data remains secure, has not been subject to loss, hacking, misuse or theft and will be destroyed on the completion of the investigation.

Emergency Preparedness

The Trust continues to work with other NHS trusts, independent sector, emergency services and partners to ensure a robust response to emergencies.

The Trust continues to meet its obligations under the Civil Contingencies Act and other DH guidance.

During the year staff at MTW have taken part in a variety of exercises to test plans with other partners.

The Emergency Planning Team has worked on a new hospital evacuation system which was tested during the move from the Kent & Sussex Hospital.

Training continues to prepare staff at all levels to respond to emergencies.

Carbon Management Programme

The Trust Board approved Carbon Management Plan (CMP) is now entering its third year following a successful second year. During 2011-12 carbon emissions rose significantly owing to the parallel running of the new Tunbridge Wells Hospital and the old hospitals it replaced.

There were also significant new developments at Maidstone Hospital, namely the construction of a cellular pathology laboratory and the opening of the new IMACS and Academic Centre.

These changes were predicted and resulting emissions calculated and included in the CMP forecast model which compares business as usual (BAU) emissions with actual emissions.

Calculated BAU emissions were 24.5 million kgms, target emissions were 24 million kgms and actual emissions were 21.316 million kgms – a substantial reduction of 13% compared to BAU. This saving is from energy, water, waste and business travel. The Trust total emissions, from all operations for the same period is 89 million kgms.

The financial savings of these reductions are approximately £1m compared to the BAU model.

Energy efficiency at Maidstone Hospital has improved. The Display Energy Certificate rating has moved up from a score of F129 to E106 (100 is optimum).

Energy and utility savings at Maidstone Hospital are due to:

- continued optimisation of building management systems. Parts of the hospital were being provided with heating, ventilation and air conditioning (HVAC) when not in use
- monitoring and targeting
- ongoing energy audits
- recruitment of a dedicated controls technician
- BMS training for maintenance staff.

and at the laundry

- repairing water leaks
- installing a new steam trapping system and steam optimisation system.

Achievements

Green Apple Environment Gold Award was received at the Houses of Parliament for a monitoring and targeting project in November 2011.
Health Business Award for Sustainability was received at the Emirates Stadium in December 2011.

Valuing our Staff

Our Workforce

All employers say that they value their workforce, and a majority will say that the workforce is their greatest asset. However, our staff judge whether we value them through the evidence of what we have done and what we plan to do to enable them to care for our patients more effectively.

The most effective way in which we found out what our staff felt is through the annual staff survey, conducted in 2011 but reported in 2012.

The survey told us our staff feel more positive about the Trust than they did one year before and they feel more positive about MTW than other comparative Trusts across the country.

The survey seeks the views on how the Trust meets the four staff pledges made in the NHS Constitution, which are to provide all staff with clear roles, responsibilities and rewarding jobs, to provide all staff with personal development, to provide support and opportunities to maintain their health, well-being and safety and to engage staff in decisions that affect them.

Of 40 key findings, compared to other acute trusts:

- 21 were better than other trusts
- 9 the same as other trusts
- 8 worse than other trusts

The survey told us that we still need to do better about protecting our staff from violence and harassment, and reducing the number of hours that they work. We have plans in place for both.

Another important way in which we show that we mean what we say is by supporting our staff to learn. Last year we delivered 23,700 internal training opportunities for staff, a significant increase on the previous year. The emphasis was on improving patient care and organisational development to support our staff in the demanding environment within which we operate.

In response to emerging themes in improving patient care, the Trust worked with its university providers to deliver new study days in Dementia Awareness and Stroke Care and made a successful bid for funding to design an MTW specific e-learning programme for End of Life Care.

Funding was specifically allocated to encourage more junior staff to access learning opportunities to support their career development. Staff accessed opportunities ranging from basic skills in literacy and numeracy and NVQs to university modules.

The Trust was also able to recruit a number of apprentices, helping local school leavers to gain employment, work based qualifications and experience.

The most significant change in the last year was the closure of the old Kent & Sussex Hospital, and the movement of services to the new Tunbridge Wells Hospital

Hundreds of staff took part in an orientation programme for the new hospital in the year and many were involved in the co-ordination and safe transportation of patients from the old Kent & Sussex Hospital to the new Tunbridge Wells Hospital in September; effective and timely communication was essential to the success of this move.

Looking after the health of our staff

We want to improve the health and wellbeing of staff. We encourage all our staff to take ownership of their own physical and mental wellbeing; and this is supported by the Occupational Health department. In the last year we have run activities to encourage activity, reduce obesity, improve mental health, raise alcohol awareness and encourage staff to stop smoking.

The year was very demanding for many of our staff, with the changes to the location of clinical services and the increased demand for our services, it is testament to our staff that they made all the change happen and continued to provide the improvements to health which have been delivered.

VIEW FROM THE FINANCE DIRECTOR

FINANCIAL PERFORMANCE IN 2011/12

The Trust met its statutory break-even duty for 2011/12 and reported a surplus of £300k against plan. This was a very creditable performance in a year of considerable change, including the full opening of the new Tunbridge Wells Hospital at Pembury and the closure of the former hospital. The performance was underpinned by delivering £17.1m of efficiency savings in-year, whilst treating increased numbers of patients compared to the previous year.

We have managed the costs of care whilst maintaining or improving the quality of patient care. For example, we have made savings on the general goods and services we buy to the value of £2.4m and made savings on the cost of drugs by £1.0m. We have reduced significantly our reliance on locums and agency staff, which not only saves money, but benefits the continuity of patient care. All of this is managed through clearly defined projects to deliver value for money. There is rigorous performance management to ensure savings are delivered whilst patient care is not compromised.

At the same time the Trust has spent £2.5m on improving IT (£1.6m at Maidstone Hospital and £0.9m in the Tunbridge Wells Hospital), has invested £11.4m in renewing medical equipment, invested £2.5m in new build at Maidstone while applying £3.3m in improving the general condition of existing buildings. All of this expenditure is aimed at improving patient care and the care environment.

Highlights for the Year

(Note references which are shown in brackets refer to the full accounts which are available on request)

Breakeven Duty (Note 43.1)

The statutory 'break-even' duty is formally measured over a 3 year period, or 5 years if agreed by the Department of Health. The requirement is to achieve break-even on an income and expenditure basis and to achieve this each and every year. The breakeven duty will assumed to have been met if the breakeven cumulative net deficit is less than or equal to 0.5% of the turnover of the reporting year.

In 2010/11 the Trust achieved its extended break-even duty measured over the 5 years to March 2011. The Trust had achieved break-even in each of the previous three years but had a legacy cumulative deficit on the balance sheet. The achievement of a surplus of £1.7m in 2010/11 reduced the cumulative deficit to £1.4m, within the required 0.5% tolerance, so the Trust successfully achieved its 5 year break-even duty.

For 2011/12 the Trust is reporting a £300k surplus after technical adjustments and so has maintained its break-even compliance.

Capital Cost Absorption Duty (Note 43.2)

The Trust is required to achieve a rate of return on capital employed of 3.5% and has fully met that target, achieving a return of 3.5% for the year to March 2012.

External Finance Limit (Note 43.3)

The Trust is required to demonstrate that it has managed its cash resources effectively by staying within an agreed limit on the amount of cash drawn from the Department of Health. In 2011/12, the External Finance Limit (EFL) was set at £8.4m. The Trust met its EFL by managing the year end position to an under shoot against the EFL of £658k.

Capital Resource Limit (Note 43.4)

The Trust is expected to manage its capital expenditure within its agreed Capital Resource Limit (CRL). In 2011/12, the CRL was set at £161.6m, which also included the on balance sheet impact of phase 1b and phase 2 of the new Tunbridge Wells hospital at Pembury. This level did not include the impact of the sale of the former Kent & Sussex site as this was planned for 2012/13. As the Trust completed the sale at the end of March it is required to be accounted for in 2011/12. As a result of the net book value being released back into the CRL calculation, the Trust has under-shot its target by £15.5m. This has been agreed with the SHA and the DH.

Prudential Borrowing Loans

The Trust did not take out any additional loans in 2011/12 but received £13m of capital PDC from the DH to support the planned spend on the new hospital.

Better Payment Practice Code (Note 11)

The Trust is required to pay its suppliers promptly in accordance with the Better Payment Practice Code (BPPC) and has also signed up to the Prompt Payments code. This requires the trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. The trusts BPPC performance over the last two years is given below;

	2011/12 Number	**2011/12 £000**	2010/11 Number	2010/11 £000
Total bills paid in the year	**92,474**	**157,040**	91,157	145,483
Total bills paid within target	**84,470**	**135,477**	83,953	132,022
% paid within target	**91%**	**86%**	92%	91%

The trust was not required to pay any interest during the year under the ‘Late Payment of Commercial Debt Act’.

Capital Expenditure

The Trust continues to make major investment in local services and in 2011/12 it invested a total £21.6m as part of its 5 year programme to improve hospital facilities at both Maidstone and Tunbridge Wells.

Valuation of Land and Buildings/Impairment Reviews

The Trust's land and property was revalued by independent professional valuers as at the 30th September 2011 as the interim year in the Trust's five yearly full revaluations. In tandem the Trust had the carrying value of the asset held for sale reviewed to reflect changes in the underlying market valuation.

In addition the Trust conducted an impairment review on Trust long life high value equipment in line with its policies.

The overall impact of the valuation and impairment reviews was the recognition in the accounts of impairments of £23m.

Counter Fraud

The Trust Board is committed to maintaining high standards of honesty, openness and integrity within the organisation. It is committed to the elimination of fraud within the Trust, and to the rigorous investigation of any suspicions of fraud or corruption that arise. The Trust has procedures in place that reduce the likelihood of fraud occurring. These include Standing Orders, Standing Financial Instructions, a system of authorised signatories, the development of documented procedures, procurement procedures, Standards of Business Conduct, disclosure checks and the NHS Code of Conduct for Managers.

The Trust updated its Standing Financial Instructions to reflect the implementation of the Bribery Act and communicated the key points to staff.

The Trust revised continues to support the development of an open and transparent anti fraud policy.

Accounting Issues

The accounts were prepared in accordance with guidance issued by the Department of Health and in line with **International Financial Reporting Standards** ('IFRS').

The accounts were prepared under the "Going Concern" concept

Other Key Issues

Constitution of the Audit Committee

The Audit & Governance Committee is constituted by the Board as a Non-Executive Committee of the Board. The Committee has no executive powers.

The Committee members are appointed by the Trust Board from amongst the Non-Executive Directors of the Trust and consists of not less than three members. All non-executive Directors are deemed to be full members of the Committee when in attendance at meetings. The Chairman of the Trust is not a member of the Committee.

Mrs Beverley Evans has been Chair of the Committee from April 2010.

The following individuals routinely attend meetings of the Committee:

Director of Finance
Deputy Director of Finance
Head of Quality & Governance
Internal Audit Manager and other appropriate representatives
External Auditor and other appropriate representatives
Local Counter Fraud Specialist

The Chief Executive is invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Statement on Internal Control. Other Executive Directors are invited to attend when the Committee is discussing areas of risk or assurance that are the responsibility of that Director and it is felt that their attendance is necessary to fully understand or address the issues.

External Auditors

The trust's External Auditors are the Audit Commission; their charge for the year was £197,000 which includes an additional £12,500 in respect of the audit of the quality accounts. The 2010/11 fee was £236,000.

LOOKING FORWARD TO 2012/13

In line with the general economic outlook, the 2012/13 financial year will be challenging. Due to 4% reductions in the prices the Trust is paid we need to save 4% to simply stand still. In response to this the trust:

1 Is working with our commissioning colleagues to ensure that care is delivered in the most appropriate setting;

2 Has developed a £24m efficiency programme to save in excess of 7.5% of turnover

3 Continues to measure patient care quality to ensure that savings are delivered in a sustainable way.

The Trust, working with the Kent and Medway PCT Cluster, the emergent Clinical Commissioning Groups, the SHA and the Department of Health, has agreed a framework to fund the costs associated with the Tunbridge Wells Hospital.

We will continue to invest in improving our buildings, medical equipment and ICT infrastructure, and have a plans to spend £16m in 2012/13 to ensure the on-going improvement of the setting in which we deliver patient care.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

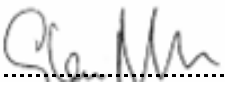
The Directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure, recognised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

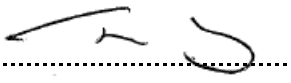
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and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

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

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

By order of the Board

30/5/12 Date  Chief Executive

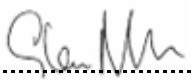
30/5/12 Date  Finance Director

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

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

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

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

Signed  Chief Executive

Date 30/5/12

1. Scope of responsibility

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

2. The Governance Framework

The Trust Board comprises a Chair, 5 Non-Executive Directors, 5 voting Executive Directors and 2 non-voting Executive Directors.

The Trust Board meets each month, alternating between Board meetings held in public and Board Forum events which focus on strategy and development. All Trust Board meetings during the year were quorate and well attended.

At the beginning of the year the Trust Board re-affirmed the vision and strategy aims of the Trust and established corporate objectives for the year which addressed the principal risks contained in the Board Assurance Framework and Board level risk register.

The Trust Board has ultimate responsibility for governance and risk management. All members of the Board are aware of the implications of this responsibility. A new Board development programme, facilitated by the McKinsey consultancy was launched during the year and will support the continuing development of Board processes and performance. The programme has already included a review of Board effectiveness as well as a 360 degree feedback for each Board member.

In addition Trust Board members also participate in mandatory training activities, which includes sessions on, for example, risk management and health and safety. Strategy development activity is also used for Board member learning.

Board Committees have lead responsibility for one or more of the Trust's Strategic Aims, and the assurance issues and risks that derive from them. Alignment is as follows:

Strategic Aim	**Committee**
Provide safe, quality services and experience for patients, relatives and visitors	Quality & Safety Committee
Deliver services that are efficient and productive	Finance Committee
Ensure the effective governance & control of the Trust	Audit Committee and Finance Committee
Create a high performing workforce and, as an employer of choice, encourage innovation and learning	Workforce Committee

Deliver sustainable financial performance	Finance Committee
Establish the Trust as the lead provider and partner of integrated health services in all areas of the healthcare economy	Trust Board

Ten Board Committees operated through the year; each Committee has terms of reference agreed by the Trust Board and is chaired by a Non-Executive Director. Committee chairs report to the full Board on the main issues arising from each committee meeting, highlighting any significant risk or control issues. Each Committee also has a lead Executive Director according to the alignment of Committee and Executive Directors remits.

Executive Directors meet individually with the Trust's Risk Management lead each month in order to review their Board Assurance Framework and the Board level Risk Register entries. The performance objectives of Executive Directors are set having regard to the challenges identified in the Trust's corporate objectives, Board Assurance Framework and Board level Risk Register.

The Trust acts as host on behalf of the local health economy for the Kent and Medway Health Informatics Service (HIS) and for the Kent and Medway Clinical Local Research Network (CLRN). The governance arrangements are underpinned by host agreements and, as applicable, formal agreements with partner customers.

3. Risk Assessment

All risks are identified, analysed and controlled in accordance with the Trust's Risk Assessment Policy and Guidance Documents. The process adopted by the Trust follows the Health & Safety Executive's five steps to risk assessment. All risks are graded for their potential impact and likelihood of harm using a risk grading matrix.

Actual risks are recorded within the Trust's risk register and potential risks to achieving the Trust's objectives are recorded within the Board Assurance Framework. This aligns principal risks against the Trust's strategic aims, assigns individual accountability to specific Executive Directors, and monitoring to specific Board Committees.

There were a number of red risks identified at the outset of the year which have been managed through the Assurance Framework:

- Sustainable Financial performance. During 2011/12 the Trust exceeded its baseline £15.5m Cost improvement programme, delivered additionally referred activity, and agreed a non recurrent funding solution for the increased costs of the new hospital with the local health economy and the DH. This was achieved in the context of managing the closure (and sale) of the old Kent & Sussex hospital while opening the major phase of the new hospital and reconfiguring services across the Trust.

- Customer care culture. The Board has agreed in principle a programme of organisational development to be launched in 2012/13 to promote end to end patient and customer care to differentiate the Trust as a provider of choice.

- The travel and car parking arrangements following the reconfiguration and move of services to the new Tunbridge Wells hospital. Early use of the top site car parking was agreed with the Project Company; additional car parking was secured; staff shuttle and additional public bus services were financed and put in place; staff car sharing schemes were launched.

- ICT and mobile telephony services. The ICT strategy was developed and agreed in principle by the Board; a number of key clinical system business cases are in progress including Kent wide procurement for PACS; progress was made on providing resilient mobile telephony services in the new hospital environment.

There remain significant financial challenges for the year ahead. The Trust is working closely with the local health economy and the DH to agree sustainable financial solutions to the recurrent impact of the new hospital costs and to ensure the Trust's clinical and business strategies adapt to deliver the appropriately viable mix and scope of services to meet local commissioning plans.

Information Governance

The Trust achieved a minimum of level 2 against all the requirements of the IG Toolkit as required by the Operating Framework for England for 2011/12. The Trust has established a robust Information Governance Management Framework that has been in place throughout the year and significant improvements have been made in many areas. An action plan has been developed to address the areas of weakness identified.

The Trust is also working proactively with the Information Commissioner's Office which has been asked to conduct a consensual audit early in 2012/13. The outcomes of this audit will be utilised to develop action plans for further Information Governance improvements.

To assist in the improvement of Information Governance the Trust has recently made a significant investment in a software application that helps organisations manage Quality, Safety and Risk effectively.

Climate Change and the Departmental Adaptation Plan

It is recognised that climate change could have significant implications for the health and wellbeing of the UK population. As a result of undertaking a climate change risk assessment the Department of Health have developed a climate change plan and adaptation plan which identified a number of key priorities:

The Trust is playing its part by actively monitoring and reducing its carbon emissions derived from energy, transport and waste.

The Trust is currently preparing a Sustainable Development Management Plan in accordance with the 'Saving Carbon, Improving Health' paper published by the NHS Sustainable Development Unit.

The Trust held its first NHS Sustainability Day event on 28th March 2012 to promote sustainability at all levels of operations with the NHS.

The Trust Estates Department has won two awards: a Golden Apple Award and a Health Business Award for the work done to reduce carbon emissions and improve sustainability.

4. Risk and Control Framework

Our organisational risks are identified and managed in the overall context of our Risk Management Strategy. The Trust has effective, robust processes in place to identify and manage risks to the organisation so that we can deliver out strategy and improve the services we are able to offer to patients and the public and to our staff.

The Trust's Board Assurance Framework which has been developed based on the 2011/12 strategic objectives highlights potential risks to meeting this objectives and mitigating actions to be taken. Each year the Board agree on 5 to 10 strategic corporate objectives for the Trust. These come from a proactive assessment of the significant risks and challenges the Trust will face through the coming year. For each strategic objective the principal risks to achieving the objective are identified. The Assurance Framework comprises these principal risks and is to give internal and external assurances so that the Board can have confidence that the principal risks are being managed.

The Assurance Framework is jointly reviewed every two months by the Lead Director and the Compliance and Risk Manager. Oversight of this is managed by the Director of Corporate Affairs. The review is presented to the Board and principal risk committee to give assurance of progress in reducing risk and meeting objectives.

Risk management: strategy, structures and processes

The Board has adopted, and the Trust is committed to, an integrated Risk Management Policy and Strategy, covering both clinical and non-clinical activities, which supports the Trust in meeting its business objectives. The strategy is reviewed annually. It was last reviewed by the Board in January 2012. The Strategy includes:

- Executive and management responsibilities
- Roles and accountabilities of key staff and competent persons
- Clinical governance and risk management structures
- Trust committee structure for managing risk
- Process for strategic and corporate management of risk
- Process for local management of risk
- Process for risk assessment
- Process for management of adverse incidents

- The Board assurance framework
- Local and strategic risk registers
- Risk management training for the Board and senior managers.
- Risk training for all Trust employees

Risks are managed through a committee structure that is embedded within the organisation, to monitor and escalate risks and ensure they are managed effectively. Departmental managers are held responsible for managing the risks in their department. Trust staff are expected to be risk aware at all times and ensure that line managers are notified of hazards and risks that they see in the workplace. Key staff are trained to assist managers in completing their statutory duties. Board level risks are embedded within the agendas for the sub-committees of the board to ensure that there is a full and robust discussion re risks and their mitigation.

The assurance framework, Board level and organisation wide risk registers are presented to the Board and principal risk committee. Feedback is passed back via the Executive Directors to the Risk Manager and Trust committees.

5. Review of the effectiveness of risk management and internal controls

An independent review by South Coast Audit gave "significant assurance regarding the design, adequacy and effectiveness of the Trust's Assurance Framework and Risk Management processes and the extent to which the Board and Management identify, assess, manage and monitor risks" (Audit Manager, South Coast Audit, 22/02/12)

Evidence from performance dashboards, incidents, complaints, patient and staff survey feedback, and feedback from the Patient Experience Committee, and personal observations, when taken together, help to identify the principal risks and issues faced by the Trust. This triangulation of evidence takes place at the Executive Director team and, separately, at the Trust Board.

Executive Directors have clear accountabilities and the weekly meetings of the Executive team ensure a collaborative approach to the identification and management of key risks and control issues. The monthly focus of individual Executive Directors on the Board Assurance Framework ensures an ongoing and detailed management of risks and issues. Linking the management of principal risks to the performance objectives of staff ensures a clear focus on key priorities.

Established reporting processes ensure that at matters of significance discussed at Committees, which includes the principal risks associated with respective Committee remits, are escalated to the Trust Board and these are recorded in Board papers and minutes.

Major programmes of work, such as the opening of the Tunbridge Wells Hospital, were highly successful and this was, in part, due to the robust governance approaches introduced; a formal programme was established which included the establishment and monitoring of a risk register.

The Audit Committee actively monitors the robustness of internal controls and ensures that the actions of the Committees and Directors reflect the issues identified through the Assurance framework and risk register.

Independent assurance is provided by South Coast Audit and an annual audit plan is agreed to ensure that areas of key importance or of significant risk are reviewed. Liaison between South Coast Audit and accountable Executive Directors is strong.

The NHSLA undertook two visits in November 2011 to review Acute and Maternity standards. The Trust has been successful in achieving Level 1 of the NHSLA Risk Management Standards in both cases.

External reviews also provide assurance on the robustness of the Trusts systems and processes for the management of risks and control issues.

Information Governance

During the year the Trust referred one Information Governance breach to the Information Commissioner's Office. All the individuals concerns were notified of the breach, the staff member concerned was required to undertake additional information governance training and moved to a new role within the organisation.

In addition, in March 2012 the Trust was informed by a healthcare contractor that they had inadvertently collected items of personal patient information along with items of product performance data they routinely downloaded from 3 diagnostic scanners they had provided to the Trust. The Trust was one of a number of NHS organisations where this had taken place and therefore the incident investigation and management was undertaken by the Department of Health (DH).

The incident was notified to the Information Commissioners Office (ICO) and the joint view of the DH and ICO is that the risk of harm to patients is negligible.

Operating Framework Headline and Supporting Measures

There were some areas of non-compliance against the NHS Operating Framework Measures in 2011/12. The Trust is taking a range of actions to address these issues which include the following:

Clostridium Difficile – This was in large part due to a cluster of cases during August 2011. The Trust is taking appropriate action to resolve this and has a more challenging target for 2012-13

Mixed Sex Accommodation – This is mainly due to accommodation at the Kent & Sussex Hospital which has now closed. The volume of breaches since September 2011 is significantly lower.

Emergency Readmissions, although higher than plan are within acceptable ranges when case mix adjusted. The Trust actively uses the Dr Foster Monitoring tool to monitor this.

A&E – Since the opening of the new Tunbridge Wells Hospital A&E attendances at this site have been higher than anticipated and this has had an adverse affect on performance. An action plan to address this is being implemented.

VTE – the specialist nurse appointed in 2011 and new data capture processes have led to a significant improvement in performance resulting in the target being achieved from August 2011 onwards.

Stroke – detailed action plan in place with significant improvements seen in year which should continue into 2012-13. TIA – This supporting measure is monitored by the Trust, but has relatively low numbers of patients.

Significant Issues

The Trust has a robust system in place to review serious incidents, including a monthly panel to scrutinise all incidents comprising three executive directors and one non-executive director.

During the year 2011/12 three incidences of “never events” were reported. These were investigated promptly at a senior clinical and managerial level and appropriate action and learning outcomes were implemented through the clinical governance processes.

Care Quality Commission

The Trust has had three unannounced inspections by the Care Quality Commission in 2011/12. The first in June 2011 was a general inspection picking up on issues that had featured within the quality risk profile and most outcomes met required standards; the second in January 2012 was part of a national review of Accident and Emergency Services and focused on the A&E department at the new Tunbridge Wells Hospital and the most recent was part of the national review into consenting processes for terminations of pregnancy. We currently await the results of the most recent inspection but no issues are expected.

Following the inspection of A&E services the Trust was issued with warning notices in relation to the care and welfare of patients and staffing arrangements. After immediate Board scrutiny a detailed action plan with clear accountabilities was agreed and implemented to address the concerns raised. The Trust is due to receive an unannounced return inspection to review the effectiveness of the actions taken – this is anticipated in April 2012.

Health and Safety Executive

Inspectors from Hazardous Installations Directorate of the Health and Safety Executive undertook a planned routine visit to inspect the CL3 laboratories in July 2011.

Microbiology has a CL3 lab used for TB work and a second lab for enteric pathogens. Both these laboratories are under negative pressure with the air removed passing through HEPA filters. The inspectors discovered that the air

handling units HEPA filters had not been 'thoroughly examined' within the last 14 months. This was an oversight due to operational manuals not being provided by the building company which went bankrupt.

The HSE has placed a 'Prohibition notice' on the TB laboratory on the 27th July. This was lifted once the examination had been completed (on the 2nd August).

The HSE also issued an 'Improvement notice' requiring the Trust to ensure that we have a planned schedule in the future in place before the 28th October. This was lifted as the required work was completed within the time allowed.

6. Summary

With the exception of the internal control issues that have been outlined above it is the view of the Accountable Officer and the Board as a whole that Maidstone and Tunbridge Wells NHS Trust has a generally sound system of internal controls that supports the achievement of its policies, aims and objectives and that those control issues have been or are being addressed.

Glenn Douglas
Chief Executive

Statement of Comprehensive Income

For the Year ended 31 March 2012	2011/12 £000s	2010/11 £000s Restated
Revenue from patient care activities	302,932	281,441
Other operating revenue	42,169	40,590
TOTAL REVENUE	345,101	322,031
Operating expenses	(360,560)	(333,530)
Operating surplus (deficit)	(15,459)	(11,499)
Finance costs:		
Investment revenue	40	28
Other gains and (losses)	7943	(508)
Finance Costs	(13,352)	(2242)
Surplus/(deficit) for the financial year	(20,828)	(14,221)
Public Dividend Capital – dividends payable	(6,285)	(6,398)
RETAINED SURPLUS (DEFICIT) FOR THE YEAR	(27,113)	(20,619)

Other Comprehensive Income

	2011/12 £000s	2010/11 £000s Restated
Impairments and reversals	582	(658)
Gains on revaluations	12,187	7543
Receipt of donated/government granted assets	0	0
Net gain/(loss) on other reserves (e.g. defined benefit pension scheme)	0	0
Net gains/(losses) on available for sale financial assets	0	0
Reclassification adjustments:		
- Transfers from donated and government grant reserves	0	0
- On disposal of available for sale financial assets	0	0
Total comprehensive income for the year	(14,344)	(13,734)

Financial Performance for the year	**£'000**	**£'000**
Retained surplus/(deficit) for the year	**(27,113)**	**(20,619)**
IFRIC 12 adjustment	8,269	754
Impairments	18,820	21,430
Adjustments re: donated assets & government grants	324	145
Break even duty – retained surplus	**300**	**1,710**

Statement of Financial Position

	31 March 2012 £000	31 March 2011 £000
As at the 31 March 2011		
Non-current assets:		Restated
Property, plant and equipment	421,144	293,730
Intangible assets	1,424	1,670
Trade and other receivables	8,436	10
Total non-current assets	431,004	295,410
Current assets:		
Inventories	8,819	6,644
Trade and other receivables	17,183	24,215
Other current assets	0	0
Cash and cash equivalents	2,268	1,810
	28,270	32,669
Non-current assets held for sale	1,017	13,300
Total current assets	29,287	45,969
Total assets	460,291	341,379
Current liabilities:		
Trade and other payables	(22,911)	(33,924)
Other liabilities	0	0
DH Working capital loan	0	0
DH Capital loan	(2,174)	(2174)
Borrowings	(3,871)	(863)
Provisions	(2,297)	(625)
Net current assets/(liabilities)	(31,253)	(37,586)
Total assets less current liabilities	429,038	303,793
Non-current liabilities:		
Borrowings	(222,113)	(92,633)
DH Working capital loan	0	0
DH Capital loan	(23,198)	(25,372)
Trade and other payables	0	0
Provisions	(2,055)	(2,772)
Other liabilities	0	0
Total assets employed	181,672	183,016
Financed by taxpayers' equity:		
Public dividend capital	181,568	168,568
Retained earnings	(63,304)	(48,908)
Revaluation reserve	63,408	63,356
Total Taxpayers' Equity	181,672	183,016

Chief Executive:  Date: 30/5/12

Statement of Cash Flows

As at 31 March 2012	2011/12 £000	2010/11 £000
Cash flows from operating activities		
Operating surplus/(deficit)	(15,459)	(11,499)
Depreciation and amortisation	20,579	13,692
Impairments and reversals	23,645	21,430
Net foreign exchange gains/(losses)	0	0
Donated Assets received credit to revenue non- cash	(104)	0
Government Granted Assets received credited to revenue but non cash	(0)	0
Interest paid	(13,345)	(2,216)
Dividends paid	(6,333)	(6,292)
(Increase)/decrease in inventories	(2,175)	(705)
(Increase)/decrease in trade and other receivables	7,125	(7,349)
(Increase)/decrease in other current assets	0	0
Increase/(decrease) in trade and other payables	(7,659)	4,085
Provisions Utilised	(509)	(3,445)
Increase/(decrease) in provisions	1,457	721
Net cash inflow/(outflow) from operating activities	7,222	8,422
Cash flows from investing activities		
Interest received	40	28
(Payments) for property, plant and equipment	(25,207)	(32,964)
Proceeds from disposal of plant, property and equip	9,631	27
(Payments) for intangible assets	(106)	(165)
Proceeds from disposal of intangible assets	0	0
(Payments) for investments with DH	0	0
(Payments) for other investments	0	0
Proceeds from disposal of investments with DH	0	0
Proceeds from disposal of other financial assets	0	0
Revenue rental income	0	0
Net cash inflow/(outflow) from investing activities	(15,642)	(33,074)
Net cash inflow/(outflow) before financing	(8,420)	(24,652)
Cash flows from financing activities		
Public dividend capital received	13,000	330
Public dividend capital repaid	0	0
Loans received from the DH	0	18,000
Other loans received	0	0
Capital Investment Loans Repayment of Principal	(2,174)	(1454)
Loans repaid to the DH	0	0
Other loans repaid	0	0
Other capital receipts	0	0
Capital element of finance leases and PFI	(1,948)	75
Cash transferred to NHS Foundation Trusts	0	0
Net cash inflow/(outflow) from financing	8,878	16,951
Net increase/(decrease) in cash and cash equivalents	458	(7,701)
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year	1,810	9,511
Effect of exchange rate changes on the balance of cash held in foreign currencies	0	0
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	2,268	1,810

Statement of Changes in Taxpayers Equity

FOR THE YEAR ENDED 31 MARCH 2012

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Other reserves	Total
	£000	£000	£000	£000	£000
Changes in taxpayers' equity for 2011-12					
Restated Balance at 1st April 2011	168,568	(48,908)	63,356	0	183,016
Total comprehensive income for the year					
Retained surplus/(deficit) for the year	0	(27,113)	0	0	(27,113)
Transfers between reserves	0	12,717	(12,717)	0	0
Impairments and reversals	0	0	582	0	582
Net gain on revaluation of property, plant, equipment	0	0	12,187	0	12,187
Net gain on revaluation of intangible assets	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0
Net gain/loss on other reserves (e.g. defined benefit pension scheme)	0	0	0	0	0
Movements in other reserves	0	0	0	0	0
Reclassification adjustments:					
- transfers from donated asset/government grant reserve	0	0	0	0	0
- on disposal of available for sale financial assets	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for trust establishment in year	0	0	0	0	0
New PDC received	13,000	0	0	0	13,000
PDC repaid in year	0	0	0	0	0
PDC written off	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0
Balance at 31 March 2012	181,568	(63,304)	63,408	0	181,672

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MAIDSTONE AND TUNBRIDGE WELLS NHS TRUST

I have examined the summary financial statement for the year ended 31 March 2012, which comprises the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity.

This report is made solely to the Board of Directors of Maidstone and Tunbridge Wells NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Annual Report.

My responsibility is to report to you my opinion on the consistency of the summary financial statement within the Annual Report with the statutory financial statements.

I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the summary financial statement.

I conducted my work in accordance with Bulletin 2008/03 "The auditor's statement on the summary financial statement in the United Kingdom" issued by the Auditing Practices Board. My report on the statutory financial statements describes the basis of my opinion on those financial statements.

Opinion

In my opinion the summary financial statement is consistent with the statutory financial statements of the Maidstone and Tunbridge Wells NHS Trust for the year ended 31 March 2012.

Andy Mack

District Auditor

Audit Commission

c/o 4th Floor "B" Block,

Sessions House,

County Hall,

Maidstone,

Kent, ME14 1XQ

Date: 31st May 2012

REMUNERATION REPORT

In accordance, with Section 234b and Schedule 7a of the Companies Act. as required by NHS Bodies. This report includes details regarding "senior managers" remuneration. In the context of the NHS this defined as:

'those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments.'

The Trust has established a Remuneration Committee to advise and assist the Board in meeting its responsibilities to ensure appropriate remuneration, allowances and terms of service for the Chief Executive and Directors and other key senior posts. Membership of the committee consists of Trust Chair and all Non-Executive Directors.

The Chief Executive and Directors remuneration is reviewed annually by the Remuneration Committee and decisions are based on market rates, national pay awards and performance. Reward is primarily through salary adjustment, although non-recurrent awards can be used to recognise exceptional achievements.

Pay rates for Non-Executive Directors of the trust are determined in accordance with national guidelines. Remuneration for the Chair is set by the Independent Appointments Commission.

Salaries for other senior managers are determined in accordance with national pay arrangements.

The Directors are normally on permanent contracts and subject to a minimum of 3 months notice period; the Chief Executive's notice period is 6 months. Contract, interim and seconded staff will all have termination clauses built into their letters of engagement, which will be broadly in line with the above.

Termination arrangements are applied in accordance with statutory regulations as modified by Trust or National NHS conditions of service agreements, and the NHS pension scheme. The remuneration Committee will agree any severance arrangements following appropriate approval from Strategic Health Authority and Treasury as appropriate

Financial Information (Audited)

The figures included in the tables below show details of salaries, allowances, pension entitlements and any other remuneration of senior managers i.e. non recurrent awards etc.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organization and the median remuneration of the organization's workforce.
The banded remuneration of the highest paid director in Maidstone and Tunbridge Wells NHS Trust in the financial year 2011-12 was £247,500 (2010-11

also £247,500). This was 9.2 (2010-11 9.4) times the median remuneration of the workforce, which was £26,929 (2010-11 £26,276). In 2011-12, no (2010-11 also none) employees received remuneration in excess of the highest paid director. Remuneration ranged from £5,070 to £247,500 (2010-11 £5,024 to £247,500).

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

Salary and Benefits of Senior Managers (Audited)

		2011/12			2010/11		
		Salary (bands of £5000)	Other Remun. (bands of £5000)	Benefit in Kind	Salary (bands of £5000)	Other Remun. (bands of £5000)	Benefit in Kind
		£000s	£000s	£00s	£000s	£000s	£00s
In Post at 31 March 2011							
A Jones – Chairman	A	40 -45	-	1	40 -45	-	1
P Wynn-Owen – Non Executive Director	A	Waived	-	2	Waived	-	2
K Tallett – Non Executive Director	A	5 – 10	-	-	5 - 10	-	-
S Denton – Non Executive Director	A	5 – 10	-	12	5 – 10	-	5
M Worrall – Non Executive Director	A	5 – 10	-	-	5 - 10	-	-
B Evans – Non Executive Director	A	5 – 10	-	-	5 – 10	-	-
G Douglas - Chief Executive	A	185 - 190	10 - 15	80	200 - 205	-	77
N Luffingham – Chief Operating Officer	B	75 - 80	-		130 - 135	-	3
C Gentile – Finance Director	D	245 - 250	-	72	70 - 75	-	29
F Panel-Coates – Nurse Director	A	105 - 110	-	-	110 -115	-	-
T Coode - Human Resources Director - Corporate Affairs Director	A	90 - 95	-	-	95 - 100	-	-
P Sigston – Medical Director	A	85 - 90	-	-	120 - 125	-	-
P. Bentley – Director of Strategy and Workforce	A	125 - 130	-	-	-	-	-
A Gallagher – Acting Chief Operating Officer	C	35 - 40	-	13			
Left Post In Year							
The following Senior Managers have been appointed to posts since the 31st March 2011							
A Gallagher – Chief Operating Officer	Acting						

Note 1

Benefits in kind are recorded in hundreds of pounds, whereas other figures are recorded in thousands and relate to the non-cash benefit of a lease car.

Note 2 Date post held

A Full Year
B N Luffingham Chief Operating Officer on secondment from 11/11/2011.
C A Gallagher acting as Chief Operating Officer as from the 14/11/2011.
D C Gentile was not employed directly by the Trust. His salary was paid through a third party agency until 2/9/11 after which his services were provided through a company which he controls.

Pension Entitlements of Senior Managers (Audited)

	Real increase in pension and related lump sum at age 60 (bands of £2,500)	Total accrued pension and related lump sum at age 60 at 31 March 2012 (bands of £5,000	Cash Equivalent Transfer Value at 31 March 2011	CETV at 31 March 2012 Note 2	Real Increase in CEVT Note 3	Employers Contribution to Stakeholder Pension To nearest £100
	£000s	£000s	£000s	£000s	£000s	
Mr T Coode - Human Resources Director	2.5- 5.0	35 - 40	174	207	33	0
Mr G Douglas – Chief Executive	10 -12.5	275 - 280	1209	1360	147	0
Mr P Bentley - Director of Strategy and Workforce	22.5 - 25	155-160	468	642	173	0
Ms E Panel-Coates – Director Of Nursing & Patient Services	5.0 – 7.5	75 - 80	200	265	65	0
Ms N Luffingham – Chief Operating Officer	7.5 – 10.0	170 - 175	706	804	97	0
Ms A Gallagher – Acting Chief Operating Officer	5.0 – 7.5	115 - 120	394	513	45	0
Mr Paul Sigston – Medical Director	5.0 – 7.5	145-150	512	617	103	0

Note 1

As Non-Executive Directors do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive Directors. Interim Directors will have their pension details recorded in their host organisations
Please see accounting policy note 1.12 in full set of accounts for further details of the treatment of pension liabilities.

Note 2

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Note 3

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). CETVs are calculated based on assumptions set by the Government Actuary Department (GAD). New factors were produced by GAD with effect from 8/12/11, which have been reflected in the 31/03/12 CETV values. The CETV increase disclosures incorporate these changes in assumptions and are therefore not based on common market valuation factors at the start and end of the period.

Maidstone and Tunbridge Wells NHS
NHS Trust

ANNUAL ACCOUNTS

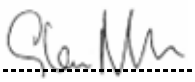
FOR THE YEAR ENDED 31 MARCH 2012

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

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

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

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

Signed  Chief Executive

Date 30/5/12

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

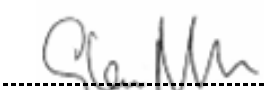
The Directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure, recognised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

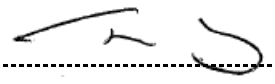
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and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

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

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

By order of the Board

30/5/12 Date  Chief Executive

30/5/12 Date  Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MAIDSTONE AND TUNBRIDGE WELLS NHS TRUST

I have audited the financial statements of Maidstone and Tunbridge Wells NHS Trust for the year ended 31 March 2012 under the Audit Commission Act 1998. 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 the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England. I have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of Maidstone and Tunbridge Wells NHS Trust in accordance with Part 11of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of Directors 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 sa'tisfied that they give a true and fair view. My 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 me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances .and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements
In my opinion the financial statements:

- give a true and fair view of the financial position of Maidstone and Tunbridge Wells NHS Trust as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters
In my opinion:

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

Matters on which I report by exception
I report to you if:

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

I have nothing to report in these respects

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

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to re.levant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Trust has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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.

Conclusion
On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Maidstone and Tunbridge Wells NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to provide assurance over the Trust's annual quality accounts. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Andy Mack
District Auditor
Audit Commission
clo 4th Floor "B" Block,
Sessions House,
County Hall,
Maidstone,
Kent, ME14 1XQ
Date: 31 May 2012

Data entered below will be used throughout the workbook:

Entity name:	Maidstone And Tunbridge Wells NHS Trust Q37_RWF
This year	2011-12
Last year	2010-11
This year ended	31 March 2012
Last year ended	31 March 2011
This year commencing:	1 April 2011

Statement of Comprehensive Income for year ended 31 March 2012

	NOTE	2011-12 £000	2010-11 £000 (restated*)
Employee benefits	10.1	**(210,082)**	(206,621)
Other costs	8	**(150,478)**	(126,909)
Revenue from patient care activities	5	**302,932**	281,441
Other Operating revenue	6	**42,169**	40,590
Operating surplus/(deficit)		**(15,459)**	(11,499) *
Investment revenue	12	**40**	28
Other gains and (losses)	13	**7,943**	(508)
Finance costs	14	**(13,352)**	(2,242)
Surplus/(deficit) for the financial year		**(20,828)**	(14,221)
Public dividend capital dividends payable		**(6,285)**	(6,398)
Retained surplus/(deficit) for the year		**(27,113)**	(20,619)
Other Comprehensive Income			
Impairments and reversals		**582**	(658)
Net gain/(loss) on revaluation of property, plant & equipment		**12,187**	7,543
Net gain/(loss) on revaluation of intangibles		**0**	0
Net gain/(loss) on revaluation of financial assets		**0**	0
Net gain/(loss) on other reserves		**0**	0
Net gain/(loss) on available for sale financial assets		**0**	0
Net actuarial gain/(loss) on pension schemes		**0**	0
Reclassification adjustment on disposal of available for sale financial assets		**0**	0
Total comprehensive income for the year		**(14,344)**	(13,734)

Financial performance for the year	
Retained surplus/(deficit) for the year	**(27,113)**
Prior period adjustment to correct errors	**0**
IFRIC 12 adjustment	**8,269**
Impairments	**18,820**
Adjustments in respect of donated asset/gov't grant reserve elimination	**324**
Adjusted retained surplus/(deficit)	**300**

Allowable adjustments to arrive at reported performance relate to Land, Building and Dwelling revaluation as at 30th September 2011, adjustment of impact following removal of donation and government grant reserves and impact of PFI on Statement of Financial Performance. Note that of the £8,269k IFRIC 12 adjustment £4,826k relates to impairment of PFI and is included in impairment line in note 43.1.

PDC dividend: balance receivable/(payable) at 31 March 2012	**(82)**

The notes on pages 6 to 46 form part of this account.

Statement of Financial Position as at 31 March 2012

	NOTE	**31 March 2012** **£000**	1 April 2011 (restated) £000	31 March 2011 (restated) £000	31 March 2010 (restated) £000
Non-current assets:					
Property, plant and equipment	15	**421,144**	293,730	293,730	210,666
Intangible assets	16	**1,424**	1,670	1,670	1,290
Investment property	18	**0**	0	0	0
Other financial assets	24	**0**	0	0	0
Trade and other receivables	22.1	**8,436**	10	10	671
Total non-current assets		**431,004**	295,410	295,410	212,627
Current assets:					
Inventories	21	**8,819**	6,644	6,644	5,939
Trade and other receivables	22.1	**17,183**	24,215	24,215	16,205
Other financial assets	24	**0**	0	0	0
Other current assets	25	**0**	0	0	0
Cash and cash equivalents	26	**2,268**	1,810	1,810	9,511
Total current assets		**28,270**	32,669	32,669	31,655
Non-current assets held for sale	27	**1,017**	13,300	13,300	0
Total current assets		**29,287**	45,969	45,969	31,655
Total assets		**460,291**	341,379	341,379	244,282
Current liabilities					
Trade and other payables	28	**(22,911)**	(33,924)	(33,924)	(30,767)
Other liabilities	29	**0**	0	0	0
Provisions	35	**(2,297)**	(625)	(625)	(1,460)
Borrowings	30	**(3,871)**	(863)	(863)	0
Other financial liabilities		**0**	0	0	0
Working capital loan from Department		**0**	0	0	0
Capital loan from Department	30	**(2,174)**	(2,174)	(2,174)	(734)
Total current liabilities		**(31,253)**	(37,586)	(37,586)	(32,961)
Non-current assets plus/less net current assets/liabilities		**429,038**	303,793	303,793	211,321
Non-current liabilities					
Trade and other payables	28	0	0	0	0
Other Liabilities	29	0	0	0	0
Provisions	35	(2,055)	(2,772)	(2,772)	(4,635)
Borrowings	30	(222,113)	(92,633)	(92,633)	0
Other financial liabilities	31	0	0	0	0
Working capital loan from Department		0	0	0	0
Capital loan from Department	30	(23,198)	(25,372)	(25,372)	(10,266)
Total non-current liabilities		**(247,366)**	(120,777)	(120,777)	(14,901)
Total Assets Employed:		**181,672**	183,016	183,016	196,420
FINANCED BY:					
TAXPAYERS' EQUITY					
Public Dividend Capital		181,568	168,568	168,568	168,238
Retained earnings		(63,304)	(48,908)	(48,908)	(39,175)
Revaluation reserve		63,408	63,356	63,356	67,357
Other reserves		0	0	0	0
Total Taxpayers' Equity:		**181,672**	183,016	183,016	196,420

The notes on pages 6 to 46 form part of this account.

The financial statements on pages 2 to 5 were approved by the Board on 30th May 2012 and signed on its behalf by:

Chief Executive: 

Date: 30th May 2012

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2012

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000	£000	£000	£000	£000
Balance at 1 April 2011	168,568	(48,908)	63,356	0	**183,016**
Opening balance adjustments	0	0	0	0	**0**
Adjustments for Transforming Community Services transactions	0	0	0	0	**0**
Restated balance at 1 April 2011	168,568	(48,908)	63,356	0	**183,016**
Changes in taxpayers' equity for 2011-12					
Retained surplus/(deficit) for the year	0	(27,113)	0	0	**(27,113)**
Net gain / (loss) on revaluation of property, plant, equipment	0	0	12,187	0	**12,187**
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	**0**
Net gain / (loss) on revaluation of financial assets	0	0	0	0	**0**
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0	**0**
Impairments and reversals	0	0	582	0	**582**
Movements in other reserves	0	0	0	0	**0**
Transfers between reserves	0	12,717	(12,717)	0	**0**
Release of reserves to SOCI	0	0	0	0	**0**
Transfers to/(from) other bodies within the Resource Account boundary	0	0	0	0	**0**
Reclassification adjustment on disposal of available for sale financial assets	0	0	0	0	**0**
Reserves eliminated on dissolution	0	0	0	0	**0**
Originating capital for Trust established in year	0	0	0	0	**0**
New PDC Received	13,000	0	0	0	**13,000**
PDC Repaid In Year	0	0	0	0	**0**
PDC Written Off	0	0	0	0	**0**
Transferred to NHS Foundation Trust	0	0	0	0	**0**
Other Movements in PDC In Year	0	0	0	0	**0**
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	**0**
Net recognised revenue/(expense) for the year	13,000	(14,396)	52	0	(1,344)
Balance at 31 March 2012	**181,568**	**(63,304)**	**63,408**	**0**	**181,672**
Included above:					
Transfer from revaluation reserve to retained earnings in respect of impairments	0	-3929	3929	0	0
Changes in taxpayers' equity for 2010-11					
Balance at 1 April 2010	168,238	(39,175)	67,357	0	196,420
Retained surplus/(deficit) for the year	0	(20,619)	0	0	(20,619)
Net gain / (loss) on revaluation of property, plant, equipment	0	0	7,543	0	7,543
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	0
Net gain / (loss) on revaluation of financial assets	0	0	0	0	0
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	(658)	0	(658)
Movements in other reserves	0	0	0	0	0
Transfers between reserves	0	10,886	(10,886)	0	0
Reclassification adjustment on disposal of available for sale financial assets	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0	0	0	0	0
New PDC Received	330	0	0	0	330
PDC Repaid In Year	0	0	0	0	0
PDC Written Off	0	0	0	0	0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC In Year	0	0	0	0	0
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	0
Net recognised revenue/(expense) for the year	330	(9,733)	(4,001)	0	(13,404)
Balance at 31 March 2011	**168,568**	**(48,908)**	**63,356**	**0**	**183,016**
Included above:					
Transfer from revaluation reserve to retained earnings in respect of impairments	0	10792	-10792	0	0

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2012

	NOTE	**2011-12 £000**	2010-11 £000
Cash Flows from Operating Activities			
Operating Surplus/Deficit		**(15,459)**	**(11,499)**
Depreciation and Amortisation		**20,579**	**13,692**
Impairments and Reversals		**23,645**	**21,430**
Other Gains / (Losses) on foreign exchange		**0**	**0**
Donated Assets received credited to revenue but non-cash		**(104)**	**0**
Government Granted Assets received credited to revenue but non-cash		**0**	**0**
Interest Paid		**(13,345)**	**(2,216)**
Dividend paid		**(6,333)**	**(6,292)**
Release of PFI/deferred credit		**0**	**0**
(Increase)/Decrease in Inventories		**(2,175)**	**(705)**
(Increase)/Decrease in Trade and Other Receivables		**7,125**	**(7,349)**
(Increase)/Decrease in Other Current Assets		**0**	**0**
Increase/(Decrease) in Trade and Other Payables		**(7,659)**	**4,085**
(Increase)/Decrease in Other Current Liabilities		**0**	**0**
Provisions Utilised		**(509)**	**(3,445)**
Increase/(Decrease) in Provisions		**1,457**	**721**
Net Cash Inflow/(Outflow) from Operating Activities		**7,222**	**8,422**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		**40**	**28**
(Payments) for Property, Plant and Equipment		**(25,207)**	**(32,964)**
(Payments) for Intangible Assets		**(106)**	**(165)**
(Payments) for Investments with DH		**0**	**0**
(Payments) for Other Financial Assets		**0**	**0**
(Payments) for Financial Assets (LIFT)		**0**	**0**
Proceeds of disposal of assets held for sale (PPE)		**9,631**	**27**
Proceeds of disposal of assets held for sale (Intangible)		**0**	**0**
Proceeds from Disposal of Investment with DH		**0**	**0**
Proceeds from Disposal of Other Financial Assets		**0**	**0**
Proceeds from the disposal of Financial Assets (LIFT)		**0**	**0**
Loans Made in Respect of LIFT		**0**	**0**
Loans Repaid in Respect of LIFT		**0**	**0**
Rental Revenue		**0**	**0**
Net Cash Inflow/(Outflow) from Investing Activities		**(15,642)**	**(33,074)**
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**(8,420)**	**(24,652)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		13,000	330
Public Dividend Capital Repaid		0	0
Loans received from DH - New Capital Investment Loans		0	18,000
Loans received from DH - New Working Capital Loans		0	0
Other Loans Received		0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		(2,174)	(1,454)
Loans repaid to DH - Working Capital Loans Repayment of Principal		0	0
Other Loans Repaid		0	0
Cash transferred to NHS Foundation Trusts		0	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		(1,948)	75
Capital grants and other capital receipts		0	0
Net Cash Inflow/(Outflow) from Financing Activities		**8,878**	**16,951**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**458**	**(7,701)**
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		1,810	9,511
Opening balance adjustment - TCS transactions		0	0
Restated Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		1,810	9,511
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		0	0
Cash and Cash Equivalents (and Bank Overdraft) at year end	26	2,268	1,810

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 NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2011-12 NHS Trusts Manual for Accounts 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 NHS Trusts 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 accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying accounting policies

Critical judgements applied will be disclosed within the relevant note, apart from those involving estimations that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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 where 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 explanation of changes to past assumptions if the uncertainty remains unresolved.

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 under local agreements (NHS Contracts). Revenue relating to patient care spells, that are part-completed at the year end, is apportioned across the financial years on the basis of the treatment and length of stay at the end of the reporting period.

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

Where income is received for a specific activity that is to be delivered in the following financial 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 taken by employees who are permitted to carry forward leave into the following period, has been accrued on an estimated basis from a sample of staff representative of the organisation.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pension website at www.pensions.nhsba.nhs.uk. 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 - 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, where this would lead to a different depreciation profile. In respect of buildings and dwelling assets, the Trust has determined that it is appropriate to depreciate the component blocks of the two hospital sites and individual dwellings separately, as this takes into consideration the age and condition of the asset components and their differing depreciation profiles, and follows the external valuation schedules. The individual elements (e.g. walls, floors, lifts, heating etc) within these blocks are not deemed to be significant in relation to the block assets.

Valuation

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

Land and buildings used for the trust's services or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would 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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. 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.

HM Treasury has agreed that NHS Trusts must apply these new valuation requirements by 1 April 2010 at the latest. The Trust has engaged Montagu Evans LLP as our valuer to revalue non current land and property assets to MEA valuation as at 30 September 2011. Details of the financial effects of this valuation are included in the Property, Plant and Equipment disclosure note. The Trust has considered whether it is necessary to apply further indexation to reflect the current cost at the 31 March 2012 and the action taken will be recorded in the Property, Plant and Equipment note.

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.

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value. The Trust will review on an annual basis, high value (over £100k) and long life (over 10 years) plant and machinery assets, to ensure these are held at the correct values and remaining useful lives.

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 consumptions of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive income. Any residual balance in the revaluation reserve in respect to an asset is transferred to the retained earnings reserve on disposal of the asset.

Subsequent expenditure

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

1.8 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.

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

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.

Standard lives for fixed assets are adopted as follows:	Years
Long life engineering plant and equipment	15
Medium life engineering plant and equipment	10
Short life engineering plant and equipment	5
Long life medical and other equipment	15
Medium life medical and other equipment	10
Furniture	10
Mainframe-type IT installations	8
Vehicles	7
Soft Furnishings	7
Office and IT Equipment	5

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. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter 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 and thereafter to the revaluation reserve.

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

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

1.10 Donated assets

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a donated asset reserve is no longer maintained. 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 for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

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

1.11 Government grants

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

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

1.12 Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

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

1.13 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. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then 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.

1.14 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 - 1. Accounting Policies (Continued)

1.15 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 when it becomes contractually obliged following practical completion, will recognise 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 will be recorded as operating expenses.

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

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

Services received

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

PFI Asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

Assets contributed by the Trust to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised where relevant as items of property, plant and equipment in the Trust's Statement of Financial Position. Where assets are integral to the infrastructure asset they have been included in the Trust's initial valuation of the new hospital asset in line with the MEA valuation methodology used by the Trust's independent valuers.

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

Other assets contributed by the Trust to the operator

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

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Partially completed contracts for patient services are accounted for as work-in-progress (see 1.4 on the revenue policy).

1.17 Cash and cash equivalents

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

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

1.18 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 2.2% in real terms (2.8% for employee early departure obligations).

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.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arsing from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.19 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 35.

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

1.20 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.

1.21 EU Emissions Trading Scheme

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

1.22 Contingencies

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

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

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

1.23 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 initially recognised at fair value.

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.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the trust's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

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

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

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.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

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 directly or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.24 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 premium received (or inputted) for entering into the guarantee less cumulative amortisation.

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

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the trust's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability.

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.

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

1.25 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.

1.26 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 31st 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.

1.27 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 disclosed within note 44 in the accounts.

1.28 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS 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 (GBS). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

1.29 Losses and Special Payments

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

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

1.30 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 Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It should be revalue on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

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

1.31 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

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

For 2010/11 and 2011-12 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

The Trust has no subsidiaries.

1.32 Associates

Material entities over which the Trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the Trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the Trust's share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the Trust from the entity.

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

1.33 Joint ventures

Material entities over which the Trust has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures. The Trust has no joint ventures.

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

1.34 Joint operations

Joint operations are activities undertaken by the Trust in conjunction with one or more other parties but which are not performed through a separate entity. The Trust records its share of the income and expenditure; gains and losses; assets and liabilities; and cashflows. The Trust has no joint operations.

1.35 Accounting Standards issued but not yet adopted.

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2011-12. The application of the Standard as revised would not have a material impact on the accounts for 2011-12, were they applied in that year:

IFRS 7 - Financial Instruments Disclosures (annual improvements) - effective 2012-13
IFRS 9 - Financial Instruments - subject to consultation
IFRS 10 - Consolidated Financial Statements
IFRS 11 - Joint Arrangements
IFRS 12 - Disclosure of Interests in Other Entities
IFRS 13 - Fair Value Measurement
IAS 1 - Presentation of Financial Statements
IAS 12 - Income Taxes amendment
IAS 19 - Post-employment benefits (pensions) - subject to consultation
IAS 27 - Separate Financial Statements
IAS 28 - Associates and Joint Ventures
IPSAS 32 - Service Concession Arrangement - subject to consultation

2. Pooled budget

Maidstone and Tunbridge Wells NHS Trust does not have any pooled budgets

3. Operating segments

Maidstone & Tunbridge Wells NHS Trust report under a single segment which is Healthcare. We have considered the possiblity of there being two segments reported, relating to Healthcare and Non Healthcare Income. Non Healthcare income however, is only 4.8% of the total income and is therefore not significant. Non Healthcare income is defined as Income Generation and Other Income. On this basis the potential requirement to report two segments is not applicable.

Income from PCT's represents 85% of total income.

4. Income generation activities

The trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

Summary Table - aggegate of all schemes	**2011-12**	2010-11
	£000	£000
Income	**3348**	3388
Full cost	**2272**	2942
Surplus/(deficit)	**1076**	446

Car Parking	**2011-12**	2010-11
	£000	£000
Income	**1374**	1200
Full cost	**211**	262
Surplus/(deficit)	**1163**	938

Catering	**2011-12**	2010-11
	£000	£000
Income	**1319**	1301
Full cost	**1498**	1900
Surplus/(deficit)	**-179**	-599

NB Income reflected in above note is recorded higher than in note 6 (Income generation) due to inclusion above of other related income.

5. Revenue from patient care activities	**2011-12**	2010-11
	£000	£000
Strategic health authorities	**0**	0
NHS trusts	**1,036**	0
Primary care trusts - tariff	**179,850**	176,537
Primary care trusts - non-tariff	**95,185**	68,464
Primary care trusts - market forces factor	**19,717**	19,331
Foundation trusts	**0**	0
Local authorities	**0**	0
Department of Health	**0**	0
NHS other	**0**	10,500
Non-NHS:		
Private patients	**5,716**	5,110
Overseas patients (non-reciprocal)	**0**	0
Injury costs recovery	**1,337**	1,356
Other	**91**	143
	302,932	281,441

Injury cost recovery income is subject to a provision for impairment of receivables of 10.5% to reflect expected rates of collection.

6. Other operating revenue	**2011-12**	2010-11
	£000	£000
Recoveries in respect of employee benefits	**0**	0
Patient transport services	**0**	0
Education, training and research	**14,174**	12,044
Charitable and other contributions to expenditure	**0**	0
Receipt of donations for capital acquisitions	**189**	392
Receipt of Government grants for capital acquisitions	**32**	160
Non-patient care services to other bodies	**11,300**	10,320
Income generation	**3,019**	3,041
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**23**	23
Other revenue	**13,432**	14,610
	42,169	40,590
Total operating revenue	**345,101**	322,031

Other revenue includes £11m (£10.8m 2010-11) additional income for Health Informatics Services hosted by the Trust.

7. Revenue	**2011-12**	2010-11
	£000	£000
From rendering of services	**345,101**	322,031
From sale of goods	**0**	0

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

8. Operating expenses (excluding employee benefits)	**2011-12**	2010-11
	£000	£000
Services from other NHS trusts	**2,317**	843
Services from PCTs	**333**	1,630
Services from other NHS bodies	**48**	0
Services from foundation trusts	**3,974**	2,458
Purchase of healthcare from non NHS bodies	**1,574**	1,667
Trust chair and non executive directors	**73**	74
Supplies and services - clinical	**55,787**	52,763
Supplies and services - general	**5,014**	4,603
Consultancy services	**1,873**	2,759
Establishment	**4,301**	3,904
Transport	**1,526**	906
Premises	**17,511**	11,422
Impairments and Reversals of Receivables	**838**	402
Inventories write down	**0**	52
Depreciation	**20,018**	13,211
Amortisation	**561**	481
Impairments and reversals of property, plant and equipment	**19,945**	21,430
Impairments and reversals of intangible assets	**0**	0
Impairments and reversals of financial assets	**0**	0
Impairments and reversals of non current assets held for sale	**3,700**	0
Impairments and reversals of investment properties	**0**	0
Audit fees	**201**	236
Other auditor's remuneration	**0**	0
Clinical negligence	**6,740**	5,900
Research and development (excluding staff costs)	**0**	0
Education and Training	**850**	1,053
Other	**3,294**	1,115 *
	150,478	126,909
Employee benefits		
Employee benefits excluding Board members	**209,077**	205,671 **
Board members	**1,006**	950 **
Total employee benefits	**210,083**	206,621
Total operating expenses	**360,561**	333,530

** 2010/11 comparators restated to reflect the 2011/12 increased disclosure, to make the accounts more informative.

*** Other expenses note**	**2011-12**	2010-11
	£000	£000
Bank charges	**35**	15
Funeral expenses	**42**	35
Health and Safety expenses	**0**	8
Subscriptions and other fees	**131**	76
Document and Storage	**199**	160
Periodicals and text/education books	**95**	132
LTPS (personal injury insurance premium & Excess)	**258**	202
internal recharges	**27**	0
injury benefit	**0**	72
Redundancy costs	**184**	0
removals and Portering	**444**	100
Radio outsourced	**220**	253
All other	**1,659**	62
	3,294	1,115

9 Operating Leases

The main operating lease (£270k) is in respect of a the lease of the Laundry Land, Buildings and Equipment from Ash Corporate Finance. The lease is for 25 years and contains an opt out clause in December 2020. There are no purchase options or escalation clauses and there are no restrictions imposed by the lease arrangements.

9.1 Trust as lessee

	Land £000	Buildings £000	Other £000	2011-12 Total £000	2010-11 £000
Payments recognised as an expense					
Minimum lease payments				**1,648**	1,809
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**1,648**	1,809
Payable:					
No later than one year	**0**	**490**	**454**	**944**	1,091
Between one and five years	**0**	**1,157**	**55**	**1,212**	1,026
After five years	**0**	**443**	**0**	**443**	412
Total	**0**	**2,090**	**509**	**2,599**	2,529
Total future sublease payments expected to be received:				0	0

9.2 Trust as lessor

The Trust leases nursery premises to 'Just Learning'

	2011-12 £000	2010-11 £000
Recognised as income		
Rents	23	23
Contingent rents	0	0
Total	**23**	23
Receivable:		
No later than one year	23	23
Between one and five years	92	92
After five years	230	253
Total	**345**	368

10 Employee benefits and staff numbers

10.1 Employee benefits

	Total £000	Permanently employed £000	Other £000
Employee Benefits 2011-12 - gross expenditure			
Salaries and wages	178,841	161,062	17,779
Social security costs	13,507	12,863	644
Employer contributions to NHS Pensions scheme	18,774	18,368	406
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	0	0	0
Total employee benefits	211,122	192,293	18,829
Less recoveries in respect of employee benefits (table below)	0	0	0
Total - Net Employee Benefits including capitalised costs	211,122	192,293	18,829
Employee costs capitalised	1,040	485	555
Net Employee Benefits excluding capitalised costs	210,082	191,808	18,274
Employee Benefits 2011-12 - income			
Salaries and wages	0	0	0
Social Security costs	0	0	0
Employer Contributions to NHS BSA - Pensions Division	0	0	0
Other pension costs	0	0	0
Other Post Employment Benefits	0	0	0
Other Employment Benefits	0	0	0
Termination Benefits	0	0	0
TOTAL excluding capitalised costs	0	0	0

	Total £000	Permanently employed £000	Other £000
Employee Benefits 2010-11 - gross expenditure			
Salaries and wages	177,087	154,611	22,476
Social security costs	12,848	12,292	556
Employer contributions to NHS Pensions scheme	18,482	18,076	406
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	98	98	0
Total employee benefits	208,515	185,077	23,438
Employee costs capitalised	1,894		
Net Employee Benefits excluding capitalised costs	206,621		

10.2 Staff Numbers

	2011-12			2010-11
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	622	594	28	617
Ambulance staff	0	0	0	0
Administration and estates	1,195	1,139	56	1,278
Healthcare assistants and other support staff	1,267	1,131	136	1,213
Nursing, midwifery and health visiting staff	1,438	1,329	109	1,351
Nursing, midwifery and health visiting learners	26	26	0	31
Scientific, therapeutic and technical staff	575	559	16	566
Social Care Staff	0	0	0	0
Other	2	2	0	0
TOTAL	5,125	4,780	345	5,056
Of the above - staff engaged on capital projects	17	11	6	32

10.3 Staff Sickness absence and ill health retirements

	2011-12 Number	2010-11 Number
Total Days Lost	**37,187**	30,257
Total Staff Years	**4,780**	4,630
Average working Days Lost	**8**	7

	2011-12 Number
Number of persons retired early on ill health grounds	2
	£000s
Total additional pensions liabilities accrued in the year	145

10.4 Exit Packages agreed in 2011-12

	2011-12			2010-11		
Exit package cost band (including any special payment element)	***Number of compulsory redundancies**	***Number of other departures agreed**	**Total number of exit packages by cost band**	***Number of compulsory redundancies**	***Number of other departures agreed**	**Total number of exit packages by cost band**
	Number	**Number**	**Number**	**Number**	**Number**	**Number**
Less than £10,000	2	0	**2**	0	1	1
£10,001-£25,000	1	0	**1**	0	0	0
£25,001-£50,000	0	0	**0**	0	2	2
£50,001-£100,000	0	0	**0**	0	0	0
£100,001 - £150,000	0	0	**0**	0	0	0
£150,001 - £200,000	2	0	**2**	0	0	0
>£200,000	0	0	**0**	0	0	0
Total number of exit packages by type (total cost)	5	0	**5**	0	3	3
Total resource cost (£000s)	382	0	**382**	0	99	99

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS redundancy rules. 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 taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

10.5 Pension costs

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

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

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

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

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

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

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

11 Better Payment Practice Code

11.1 Measure of compliance

	2011-12 Number	2011-12 £000	2010-11 Number	2010-11 £000
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**89,394**	**137,756**	88,108	121,163
Total Non-NHS Trade Invoices Paid Within Target	**82,124**	**120,842**	81,507	112,543
Percentage of NHS Trade Invoices Paid Within Target	91.87%	87.72%	92.51%	92.89%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**3,080**	**19,284**	3,049	24,320
Total NHS Trade Invoices Paid Within Target	**2,346**	**14,636**	2,446	19,479
Percentage of NHS Trade Invoices Paid Within Target	76.17%	75.90%	80.22%	80.09%

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

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

	2011-12 £000	2010-11 £000
Amounts included in finance costs from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0

12 Investment Income

	2011-12 £000	2010-11 £000
Rental Income		
PFI finance lease revenue (planned)	**0**	0
PFI finance lease revenue (contingent)	**0**	0
Other finance lease revenue	**0**	0
Subtotal	**0**	0
Interest Income		
LIFT: equity dividends receivable	**0**	0
LIFT: loan interest receivable	**0**	0
Bank interest	**40**	28
Other loans and receivables	**0**	0
Impaired financial assets	**0**	0
Other financial assets	**0**	0
Subtotal	**40**	28
Total investment income	**40**	28

13 Other Gains and Losses

	2011-12 £000	2010-11 £000
Gain/(loss) on disposal of property, plant and equipment	**7,943**	(508)
Gain/(loss) on disposal of intangible assets	**0**	0
Gain/(loss) on disposal of financial assets	**0**	0
Gain/(loss) on foreign exchange	**0**	0
Change in fair value of financial assets carried at fair value through the SoCI	**0**	0
Change in fair value of financial liabilities carried at fair value through the SoCI	**0**	0
Change in fair value of investment property	**0**	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	**0**	0
Total	**7,943**	(508)

14 Finance Costs

	2011-12 £000	2010-11 £000
Interest		
Interest on loans and overdrafts	**830**	613
Interest on obligations under finance leases	**0**	0
Provisions - unwinding of discount	**7**	26
Interest on obligations under PFI contracts:		
- main finance cost	**11,894**	1,641
- contingent finance cost	**621**	(38)
Interest on obligations under LIFT contracts:		
- main finance cost	**0**	0
- contingent finance cost	**0**	0
Interest on late payment of commercial debt	**0**	0
Other interest expense	**0**	0
Total interest expense	**13,352**	2,242
Other finance costs	**0**	0
Total	**13,352**	2,242

15.1 Property, plant and equipment

2011-12	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:									
At 31 March 2011	27,838	247,744	11,328	18,501	67,686	1,101	23,975	792	**398,965**
Prior period adjustments	0	0	0	0	0	0	0	0	**0**
Merger adjustments	0	0	0	0	0	0	0	0	**0**
At 1 April 2011 restated	27,838	247,744	11,328	18,501	67,686	1,101	23,975	792	**398,965**
Additions Purchased	0	141,310	37	3,069	8,695	(10)	980	2,035	**156,116**
Additions Donated	0	0	0	0	189	0	0	0	**189**
Additions Government Granted	0	0	0	0	32	0	0	0	**32**
Reclassifications	0	11,279	0	(17,744)	4,826	0	1,399	31	**(209)**
Reclassifications as Held for Sale	(235)	0	(782)	0	0	0	0	0	**(1,017)**
Disposals other than for sale	0	(32,454)	(2,880)	0	(4,064)	(127)	0	0	**(39,525)**
Upward revaluation/positive indexation	10,535	1,650	2	0	0	0	0	0	**12,187**
Impairments/negative indexation	(446)	(2,264)	(629)	0	0	0	0	0	**(3,339)**
Reversal of Impairments	889	3,028	4	0	0	0	0	0	**3,921**
Transfers (to)/from NHS Bodies	0	0	0	0	0	0	0	0	**0**
Transfers to Foundation Trusts	0	0	0	0	0	0	0	0	**0**
Cumulative dep'n adjustment following revaluation	(37)	(45,900)	(1,942)	0	0	0	0	0	**(47,879)**
At 31 March 2012	**38,544**	**324,393**	**5,138**	**3,826**	**77,364**	**964**	**26,354**	**2,858**	**479,441**
Depreciation									
At 31 March 2011	(10)	55,097	4,542	0	32,744	660	11,735	467	**105,235**
Prior period adjustments	0	0	0	0	0	0	0	0	**0**
Merger adjustments	0	0	0	0	0	0	0	0	**0**
At 1 April 2011 restated	(10)	55,097	4,542	0	32,744	660	11,735	467	**105,235**
Reclassifications		0	0	0	0	0	0	0	**0**
Reclassifications as Held for Sale	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	(32,365)	(2,843)	0	(3,687)	(127)	0	0	**(39,022)**
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	**0**
Impairments	47	18,585	0	0	2,687	0	0	0	**21,319**
Reversal of Impairments	0	(1,374)	0	0	0	0	0	0	**(1,374)**
Charged During the Year	0	5,957	243	0	9,484	114	4,041	179	**20,018**
Transfers to NHS Bodies	0	0	0	0	0	0	0	0	**0**
Transfers to Foundation Trusts	0	0	0	0	0	0	0	0	**0**
Cumulative dep'n adjustment following revaluation	(37)	(45,900)	(1,942)	0	0	0	0	0	**(47,879)**
At 31 March 2012	**0**	**0**	**0**	**0**	**41,228**	**647**	**15,776**	**646**	**58,297**
Net book value at 31 March 2012	38,544	324,393	5,138	3,826	36,136	317	10,578	2,212	**421,144**
Purchased	38,544	324,287	5,138	3,826	34,563	315	10,576	2,201	**419,450**
Donated	0	106	0	0	1,152	2	2	11	**1,273**
Government Granted	0	0	0	0	421	0	0	0	**421**
Total at 31 March 2012	**38,544**	**324,393**	**5,138**	**3,826**	**36,136**	**317**	**10,578**	**2,212**	**421,144**
Asset financing:									
Owned	38,544	104,889	5,138	3,826	36,136	317	10,578	2,212	**201,640**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SOFP PFI contracts	0	219,504	0	0	0	0	0	0	**219,504**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total	**38,544**	**324,393**	**5,138**	**3,826**	**36,136**	**317**	**10,578**	**2,212**	**421,144**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	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**
At 31 March 2011	18,897	30,302	4,013	1,181	15	0	6	**54,414**
Prior period adjustments	0	0	0	0	0	0	0	**0**
Merger adjustments	0	0	0	0	0	0	0	**0**
At 1 April 2011 restated	18,897	30,302	4,013	1,181	15	0	6	**54,414**
Movements - revaluation and disposal	10,885	(753)	(1,416)	(373)	(2)	0	0	**8,341**
At 31 March 2012	29,782	29,549	2,597	808	13	0	6	**62,755**

15.2 Property, plant and equipment

2010-11	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:									
At 1 April 2010	33,206	142,793	11,140	20,490	62,677	899	17,129	634	**288,968**
Additions - purchased	330	97,355	114	10,950	10,267	265	5,391	127	**124,799**
Additions - donated	0	0	0	0	391	0	0	0	**391**
Additions - government granted	0	0	0	0	160	0	0	0	**160**
Reclassifications	0	8,312	74	(12,939)	2,233	0	1,592	31	**(697)**
Reclassified as held for sale	(13,300)	0	0	0	0	0	0	0	**(13,300)**
Disposals other than by sale	0	0	0	0	(8,042)	(63)	(137)	0	**(8,242)**
Revaluation & indexation gains	7,543	0	0	0	0	0	0	0	**7,543**
Impairments	0	(716)	0	0	0	0	0	0	**(716)**
Reversals of impairments	59	0	0	0	0	0	0	0	**59**
In-year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	**0**
Transfers to Foundation Trusts	0	0	0	0	0	0	0	0	**0**
At 31 March 2011	**27,838**	**247,744**	**11,328**	**18,501**	**67,686**	**1,101**	**23,975**	**792**	**398,965**
Depreciation									
At 1 April 2010	0	31,331	2,367	0	34,483	645	9,082	394	**78,302**
Reclassifications		0	0	0	0	0	0	0	**0**
Reclassifications as Held for Sale	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(7,508)	(63)	(137)	0	**(7,708)**
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	**0**
Impairments	0	19,586	1,814	0	0	0	40	0	**21,440**
Reversal of Impairments	(10)	0	0	0	0	0	0	0	**(10)**
Charged During the Year	0	4,180	361	0	5,769	78	2,750	73	**13,211**
Transfers to NHS Bodies	0	0	0	0	0	0	0	0	**0**
Transfers to Foundation Trusts	0	0	0	0	0	0	0	0	**0**
At 31 March 2011	(10)	55,097	4,542	0	32,744	660	11,735	467	105,235
Net book value	**27,848**	**192,647**	**6,786**	**18,501**	**34,942**	**441**	**12,240**	**325**	**293,730**
Purchased	27,848	192,555	6,786	18,501	33,083	438	12,235	309	**291,755**
Donated	0	92	0	0	1,333	3	5	16	**1,449**
Government Granted	0	0	0	0	526	0	0	0	**526**
Total at 31 March 2011	27,848	192,647	6,786	18,501	34,942	441	12,240	325	**293,730**
Asset financing:									
Owned	27,848	99,615	6,786	18,501	34,942	441	12,240	325	**200,698**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SOFP PFI contracts	0	93,032	0	0	0	0	0	0	**93,032**
PFI residual: interests									
	27,848	192,647	6,786	18,501	34,942	441	12,240	325	**293,730**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	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**
At 1 April 2010 restated	20,237	40,190	4,904	1,275	15	0	6	**66,627**
Movements	(1,340)	(9,901)	(891)	(94)	0	0	0	**(12,226)**
At 31 March 2011	18,897	30,289	4,013	1,181	15	0	6	54,401

15.3 (cont). Property, plant and equipment

The Trust received contribution of £104k from Dinwoodie in respect of simulator manikin

The Trust commissioned a Trust wide interim revaluation of its property portfolio with the effective date of revaluation of 30th September 2011. This was in line with its accounting policy of quinquennial valuations with interim valuations in year three of the cycle. The revaluations were conducted by independent and professionally qualified valuers. The valuation approaches were consistent with those applied in the initial valuation in 2009/10 under the MEA methodology for land and specialised buildings. The timing of the valuation meant that this was also the initial valuation of the new Tunbridge Wells hospital at Pembury. This was reflected initially at cost as an on-SOFP asset (procured through PFI) according to the phased nature of its availability, and has now been componentised as part of the initial valuation exercise. A few residential properties were valued at market valuation as non-specialist properties.

The carrying value of the property asset held for sale (the former hospital site at Tunbridge Wells) was also reviewed and updated for net market valuation change using the same market assessment methodology employed in the reclassification net market valuation reported in the 2010/11 accounts.

Economic lives of Non-Current Assets	Minimum Life	Maximum life
Property, Plant and Equipment		
Buildings exc Dwellings	1	62
Dwellings	2	40
Plant & Machinery	1	20
Transport Equipment	1	20
Information Technology	2	30
Furniture and Fittings	1	10

The Trust has reviewed relevant indices and concluded that it is not necessary to apply any further indexation since the valuation on the 30th September 2011.

As part of the review of high value, long life equipment, the Trust has considered whether the lives for these assets was reflective of their usefulness to the Trust and amended if appropriate.

16.1 Intangible non-current assets

2011-12	Software internally generated	Software purchased	Licences & trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000	**£000**
Cost or valuation:						
At 31 March 2011	127	2,906	116	0	0	**3,149**
Prior period adjustments	0	0	0	0	0	**0**
Merger adjustments	0	0	0	0	0	**0**
At 1 April 2011 restated	127	2,906	116	0	0	**3,149**
Additions - purchased	0	89	17	0	0	**106**
Additions - internally generated	0	0	0	0	0	**0**
Additions - donated	0	0	0	0	0	**0**
Additions - government granted	0	0	0	0	0	**0**
Reclassifications	0	169	40	0	0	**209**
Reclassified as held for sale	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	**0**
Revaluation & indexation gains	0	0	0	0	0	**0**
Impairments charged to reserves	0	0	0	0	0	**0**
Reversal of impairments charged to reserves	0	0	0	0	0	**0**
Transfers to Foundation Trusts	0	0	0	0	0	**0**
Cumulative amortisation adjustment following revaluatio	0	0	0	0	0	**0**
At 31 March 2012	127	3,164	173	0	0	**3,464**
Amortisation						
At 31 March 2011	60	1,358	61	0	0	**1,479**
Prior period adjustments	0	0	0	0	0	**0**
Merger adjustments	0	0	0	0	0	**0**
At 1 April 2011	60	1,358	61	0	0	**1,479**
Reclassifications	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	**0**
Revaluation or indexation gains	0	0	0	0	0	**0**
Impairments charged to operating expenses	0	0	0	0	0	**0**
Reversal of impairments charged to operating expenses	0	0	0	0	0	**0**
Charged during the year	25	487	49	0	0	**561**
Transfers to Foundation Trusts	0	0	0	0	0	**0**
Cumulative amortisation adjustment following revaluatio	0	0	0	0	0	**0**
At 31 March 2012	85	1,845	110	0	0	**2,040**
NBV at 31 March 2012	42	1,319	63	0	0	1,424
Net book value at 31 March 2012 comprises:						
Purchased	42	1,290	63	0	0	**1,395**
Donated	0	29	0	0	0	**29**
Government Granted	0	0	0	0	0	**0**
Total at 31 March 2012	42	1,319	63	0	0	**1,424**

Revaluation reserve balance for intangible non-current assets

	£000's	£000's	£000's	£000's	£000's	£000's
At 31 March 2011	0	0	0	0	0	**0**
Prior period adjustments	0	0	0	0	0	**0**
Merger adjustments						
At 1 April 2011 restated	0	0	0	0	0	0
Movements	0	0	0	0	0	**0**
At 31 March 2012	0	0	0	0	0	0

16.2 Intangible non-current assets

2010-11	Software internally generated	Software purchased	Licences & trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000	**£000**
Cost or valuation:						
At 1 April 2010	127	2,195	0	0	0	**2,322**
Additions - purchased	0	165	0	0	0	**165**
Additions - internally generated	0	0	0	0	0	**0**
Additions - donated	0	0	0	0	0	**0**
Additions - government granted	0	0	0	0	0	**0**
Reclassifications	0	581	116	0	0	**697**
Reclassified as held for sale	0	0	0	0	0	**0**
Disposals other than by sale	0	(35)	0	0	0	**(35)**
Revaluation & indexation gains	0	0	0	0	0	**0**
Impairments	0	0	0	0	0	**0**
Reversal of impairments	0	0	0	0	0	**0**
Transferred to Foundation Trusts	0	0	0	0	0	**0**
At 31 March 2011	127	2,906	116	0	0	**3,149**
Amortisation						
At 1 April 2010	35	997	0	0	0	**1,032**
Reclassifications	0	(28)	28	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	**0**
Disposals other than by sale	0	(34)	0	0	0	**(34)**
Revaluation or indexation gains	0	0	0	0	0	**0**
Impairments charged to operating expenses	0	0	0	0	0	**0**
Reversal of impairments charged to operating expenses	0	0	0	0	0	**0**
Charged during the year	25	423	33	0	0	**481**
Transfers to Foundation Trusts	0	0	0	0	0	**0**
At 31 March 2011	60	1,358	61	0	0	**1,479**
Net book value at 31 March 2010	67	1,548	55	0	0	**1,670**
Net book value at 31 March 2010 comprises:						
Purchased	67	1,493	55	0	0	**1,615**
Donated	0	55	0	0	0	**55**
Government Granted	0	0	0	0	0	**0**
Total at 31 March 2011	67	1,548	55	0	0	**1,670**

Revaluation reserve balance for intangible non-current assets

	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2010	0	0	0	0	0	0
Movements	0	0	0	0	0	**0**
At 31 March 2011	0	0	0	0	0	0

16.3 Intangible non-current assets

Economic lives of Non-Current Assets	Minimum Life	Maximum life
Intangible Assets		
Software Licences	3	5
Licences and Trademarks	3	5
Patents	0	0
Development expenditure	0	0

17 Analysis of impairments and reversals recognised in 2011-12

	2011-12 Total £000
Property, Plant and Equipment impairments and reversals taken to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	19,945
Total charged to Annually Managed Expenditure	19,945
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve	
Loss or damage resulting from normal operations	0
Over Specification of Assets	0
Abandonment of assets in the course of construction	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	(582)
Total impairments for PPE charged to reserves	(582)
Total Impairments of Property, Plant and Equipment	19,363
No impairments to Intangible assets impairments and reversals charged to SoCI	
No impairments to Intangible Assets impairments and reversals charged to the Revaluation Reserve	
Non-current assets held for sale - impairments and reversals charged to SoCI.	
Loss or damage resulting from normal operations	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	3,700
Total charged to Annually Managed Expenditure	3,700
Total impairments of non-current assets held for sale	3,700
Total Impairments charged to Revaluation Reserve	-582
Total Impairments charged to SoCI - DEL	0
Total Impairments charged to SoCI - AME	23,645
Overall Total Impairments	23,063

The Trust engaged independent professional valuers (Montagu Evans) to undertake a valuation of the Land, Buildings and dwellings of the Trust estate at the Interim year in the Trust's five yearly full revaluations, in accordance with Trust policy. A revaluation of the asset held for sale was conducted at the same time. In addition, in accordance with Trust policy, a review was undertaken of high value, long life plant and machinery (Life 10 years or over and NBV 30/09/11 of over £100k). All three aspects to the valuation were effective 30th September 2011.The gross impairment of £16.7m in respect of Land, Building, Dwelling; £3.7m in respect of Asset Held for Sale and £2.6m relating to High Value, Long Life equipment.

18 Investment property

	31 March 2012	31 March 2011
	£000	£000
At fair value		
Balance at 31 March	**0**	0
Prior period adjustment	**0**	0
Merger adjustment	**0**	
Restated at 1 April 2011	**0**	0
Additions Through Subsequent Expenditure	**0**	0
Other Acquisitions	**0**	0
Disposals	**0**	0
Property Reclassified as Held for Sale	**0**	0
Loss from Fair Value Adjustments	**0**	0
Gain from Fair Value Adjustments	**0**	0
Transferred to Foundation trusts	**0**	0
Other Changes	**0**	0
Balance at 31 March 2012	**0**	0

19 Commitments

19.1 Capital commitments

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

	31 March 2012	31 March 2011
	£000	£000
Property, plant and equipment	**1,531**	30,523
Intangible assets	**14**	5
Total	**1,545**	30,528

19.2 Other financial commitments

	31 March 2012	31 March 2011
	£000	£000
Not later than one year	**0**	0
Later than one year and not later than five year	**0**	0
Later than five years	**0**	0
Total	**0**	**0**

20 Intra-Government and other balances

	Current receivables £000s	**Non-current receivables £000s**	**Current payables £000s**	**Non-current payables £000s**
Balances with other Central Government Bodies	8,723	0	2,846	0
Balances with Local Authorities	288	0	4	0
Balances with NHS Trusts and Foundation Trusts	2,630	0	2,641	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	5,542	8,436	17,420	0
At 31 March 2012	**17,183**	**8,436**	**22,911**	**0**
prior period:				
Balances with other Central Government Bodies	10,468	10	5,116	0
Balances with Local Authorities	0	0	43	0
Balances with NHS Trusts and Foundation Trusts	3,686	0	1,292	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	10,061	0	27,473	0
At 31 March 2011	**24,215**	**10**	**33,924**	**0**

21 Inventories

	Drugs £000	Consumables £000	Energy £000	Work in progress £000	Loan Equipment £000	Other £000	Total £000
Balance at 1 April 2011	2,336	543	123	0	0	3,642	**6,644**
Prior period adjustment	0	0	0	0	0	0	**0**
Merger adjustment	0	0	0	0	0	0	**0**
Restated at 1 April 2011	2,336	543	123	0	0	3,642	**6,644**
Additions	24,486	125	0	0	0	9,902	**34,513**
Inventories recognised as an expense in the period	(24,304)	0	(6)	0	0	(8,028)	**(32,338)**
Write-down of inventories (including losses)	0	0	0	0	0	0	**0**
Reversal of write-down previously taken to SoCI	0	0	0	0	0	0	**0**
Transfers (to)/from other bodies	0	0	0	0	0	0	**0**
Transfers (to) Foundation Trusts	0	0	0	0	0	0	**0**
Balance at 31 March 2012	2,518	668	117	0	0	5,516	**8,819**

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
NHS receivables - revenue	**10,223**	14,173	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**0**	0	**0**	10
Non-NHS receivables - revenue	**2,019**	2,708	**0**	0
Non-NHS receivables - capital	**104**	0	**8,415**	0
Non-NHS prepayments and accrued income	**2,533**	4,809	**0**	0
Provision for the impairment of receivables	**(905)**	(832)	**0**	0
VAT	**1,130**	963	**0**	0
Current part of PFI and other PPP arrangements prepayments and acc	**0**	0	**21**	0
Interest receivables	**0**	0	**0**	0
Finance lease receivables	**0**	0	**0**	0
Operating lease receivables	**0**	0	**0**	0
Other receivables	**2,079**	2,394	**0**	0
Total	**17,183**	24,215	**8,436**	10
Total current and non current	**25,619**	24,225		
Included in NHS receivables are prepaid pension contributions:	**0**	0		

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

Other receivables is primarily injury cost recovery unit debtor, 2011/12 £1,944k (2010/11 £2,258k).

22.2 Receivables past their due date but not impaired

	31 March 2012 £000	31 March 2011 £000
By up to three months	**3,000**	4,125
By three to six months	**608**	3,088
By more than six months	**989**	1,162
Total	**4,597**	8,375

The Trust does not hold any collateral against receivable balances.

22.3 Provision for impairment of receivables

	2011-12 £000	2010-11 £000
Balance at 1 April 2011	**(832)**	(538)
Adjustments	**0**	0
Restated balance at 1 April 2011	**(832)**	(538)
Amount written off during the year	**765**	108
Amount recovered during the year	**0**	0
(Increase)/decrease in receivables impaired	**(838)**	(402)
Transfer to NHS Foundation Trust	**0**	0
Balance at 31 March	**(905)**	**(832)**

The provision for impairment of receivables includes provision for all non NHS invoices over three months overdue plus any other invoices that are deemed to be a specific risk. In addition 10.5% of Injury cost recovery debt has been provided in accordance with the guidance from the compensation recovery unit.

23 NHS LIFT investments

	Loan £000	Share capital £000	Total £000
Balance at 31 March 2011	**0**	**0**	**0**
Additions	**0**	**0**	**0**
Disposals	**0**	**0**	**0**
Loan repayments	**0**	**0**	**0**
Revaluations	**0**	**0**	**0**
Loans repayable within 12 months	**0**	**0**	**0**
Balance as at 31 March 2012	**0**	**0**	**0**

The Trust has no lift investments.

24 Other financial assets

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
Financial assets carried at fair value through SoCI				
Embedded Derivatives at Fair Value through SoCI	**0**	0	**0**	0
Financial assets carried at fair value through SoCI	**0**	0	**0**	0
Subtotal	**0**	0	**0**	0
Held to maturity investments at amortised cost	**0**	0	**0**	0
Available for sale financial assets carried at fair value	**0**	0	**0**	0
Loans carried at amortised cost	**0**	0	**0**	0
Total	**0**	0	**0**	0
Total other financial assets (current and non-current)	**0**	**0**		

25 Other current assets

	31 March 2012 £000	31 March 2011 £000
EU Emissions Trading Scheme Allowance	**0**	0
Other Assets	**0**	0
Total	**0**	0

26 Cash and Cash Equivalents

	31 March 2012 £000	31 March 2011 £000
Opening balance at 1 April 2011	**1,810**	9,511
Opening balance adjustment	**0**	0
Merger adjustments	**0**	0
Restated	**1,810**	9,511
Net change in year	**458**	(7,701)
Closing balance at 31 March 2012	**2,268**	1,810
Made up of		
Cash with Government Banking Service	**2,231**	1,755
Commercial banks	**24**	55
Cash in hand	**13**	0
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**2,268**	1,810
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**2,268**	1,810
Patients' money held by the Trust, not included above	0	0

27 Non-current assets held for sale

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Construction and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	13,300	0	0	0	0	0	0	0	0	**13,300**
Merger adjustments	0	0	0	0	0	0	0	0	0	**0**
Restated at 1 April 2011	13,300	0	0	0	0	0	0	0	0	**13,300**
Plus assets classified as held for sale in the year	235	0	782	0	0	0	0	0	0	**1,017**
Less assets sold in the year	(9,600)	0	0	0	0	0	0	0	0	**(9,600)**
Less impairment of assets held for sale	(3,700)	0	0	0	0	0	0	0	0	**(3,700)**
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	**0**
Transfers (to)/from other bodies	0	0	0	0	0	0	0	0	0	**0**
Balance at 31 March 2012	**235**	**0**	**782**	**0**	**0**	**0**	**0**	**0**	**0**	**1,017**
Liabilities associated with assets held for sale at 31 March 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 1 April 2010	0	0	0	0	0	0	0	0	0	**0**
Plus assets classified as held for sale in the year	13,300	0	0	0	0	0	0	0	0	**13,300**
Less assets sold in the year	0	0	0	0	0	0	0	0	0	**0**
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	**0**
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	**0**
Balance at 31 March 2011	**13,300**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**13,300**
Liabilities associated with assets held for sale at 31 March 2011	0	0	0	0	0	0	0	0	0	0

Revaluation reserve balances in respect of non-current assets held for sale were:

At 31 March 2011	8,942
At 31 March 2012	653

The former Kent & Sussex hospital site was classified as an asset held for sale in 2010/11 accounts. During the year the net market value carrying value was reviewed by the Trust's professional advisers, in tandem with the Trust's periodic interim property revaluation, and the value was adjusted to reflect the updated valuation generating an impairment of £3.7m. The asset was tendered and a sale was contracted with the preferred bidder, leading to completion on the 29th March 2012. The competitive process generated a price that was in excess of the carrying value, after taking into account costs to sell, and a gain of £8.4m has been reported in the operating statement.

In March 2012 the Board approved a decision to declare 3 sets of domestic residences at Maidstone surplus to requirement. These have been actively marketed through Estate Agents, are immediately available for sale, and are expected to be realised within a year. They have therefore been reclassified from Dwellings to assets held for sale. The assets were held at market value, being non-specialised, and revalued as part of the Trust-wide interim valuation as at 30th September 2011. The valuations are not deemed to have materially changed by the point of reclassification, as confirmed in discussions with the Trust valuers, so no gain or loss has been reported in the reclassification.

28 Trade and other payables

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
Interest payable	**0**	0		
NHS payables - revenue	**3,420**	2,789	**0**	0
NHS payables - capital	**27**	0	**0**	0
NHS accruals and deferred income	**1,927**	0	**0**	0
Non-NHS payables - revenue	**4,296**	6,994	**0**	0
Non-NHS payables - capital	**3,916**	7,249	**0**	0
Non_NHS accruals and deferred income	**6,771**	7,567	**0**	0
Social security costs	**0**	0	**0**	0
VAT	**0**	0	**0**	0
Tax	**111**	4,449	**0**	0
Payments received on account	**0**	0	**0**	0
Other	**2,443**	4,876	**0**	0
Total	**22,911**	33,924	**0**	0
Total payables (current and non-current)	**22,911**	33,924		
Included above:				
to Buy Out the Liability for Early Retirements Over 5 Years	0	0		
number of Cases Involved (number)	0	0		
outstanding Pension Contributions at the year end	28	2422		

29 Other liabilities

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
PFI/LIFT deferred credit	**0**	0	**0**	0
Lease incentives	**0**	0	**0**	0
Other	**0**	0	**0**	0
Total	**0**	0	**0**	0
Total other liabilities (current and non-current)	**0**	0		

30 Borrowings

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
Bank overdraft - Government Banking Service	**0**	0	**0**	0
Bank overdraft - commercial banks	**0**	0	**0**	0
Loans from Department of Health	**2,174**	2,174	**23,198**	25,372
Loans from other entities	**0**	0	**0**	0
PFI liabilities:				
Main liability	**3,871**	863	**222,113**	92,633
Lifecycle replacement received in advance	**0**	0	**0**	0
LIFT liabilities:				
Main liability	**0**	0	**0**	0
Lifecycle replacement received in advance	**0**	0	**0**	0
Finance lease liabilities	**0**	0	**0**	0
Other	**0**	0	**0**	0
Total	**6,045**	**3,037**	**245,311**	**118,005**
Total other liabilities (current and non-current)	**251,356**	**121,042**		

Loans - repayment of principal falling due in:

	31 March 2012		
	DH £000	**Other £000**	**Total £000**
0 - 1 Years	2,174	3,871	6,045
1 - 2 Years	2,174	4,531	6,705
2 - 5 Years	6,522	14,322	20,844
Over 5 Years	14,502	203,260	217,762
TOTAL	25,372	225,984	251,356

The Department of Heath Loans totalling £29m were taken out to finance the Trust capital programme. The £11m loan received on the 15th March 2010 has a final repayment date of 15th March 2025 with a fixed interest rate of 3.91%, the further loan of £12m taken out on the 15th September 2010 has a final repayment date of 15th September 2020 with a fixed interest rate of 2.02%. The latest loan taken out on the 15th December 2010 has a final repayment date of 15th September 2035 at a fixed interest rate of 4.73%.

The PFI liabilities relate to the PFI contract that the Trust signed in March 2008. The contract is a standard form PFI contract with a concession that completes in 2042, when the building reverts to the Trust. Further information is set out in note 37.

31 Other financial liabilities

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
Embedded Derivatives at Fair Value through SoCNI	**0**	0	**0**	0
Financial liabilities carried at fair value through SoCNI	**0**	0	**0**	0
Amortised Cost	**0**	0	**0**	0
Total	**0**	0	**0**	0
Total other liabilities (current and non-current)	**0**	0		

32 Deferred income

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
Opening balance at 01/04/11	**3640**	4144	**0**	0
Deferred income addition	**4582**	3600	**0**	0
Transfer of deferred income	**-5576**	-4104	**0**	0
Current deferred Income at 31 March 2012	**2,646**	3,640	**0**	0
Total other liabilities (current and non-current)	**2,646**	3,640		

33 Finance lease obligations as lessee

The Trust has not entered into any finance lease arrangements as lessee

34 Finance lease receivables as lessor

The Trust has not entered into any finance lease arrangements as lessor

35 Provisions

Comprising:

	Total	Pensions to Former Directors	Pensions Relating to Other Staff	Legal Claims	Restructuring	Continuing Care	Equal Pay	Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at "01/04/11"	3,397	0	255	224	0	0	0	0	2,918	0
Prior period adjustment	0	0	0	0	0	0	0	0	0	0
Merger adjustments	0	0	0	0	0	0	0	0	0	0
Restated Balance 01/04/11	3,397	0	255	224	0	0	0	0	2,918	0
Arising During the Year	1,611	0	18	1,070	0	0	0	0	339	184
Utilised During the Year	(509)	0	(15)	(211)	0	0	0	0	(283)	0
Reversed Unused	(154)	0	0	(121)	0	0	0	0	(33)	0
Unwinding of Discount	7	0	7	0	0	0	0	0	0	0
Change in Discount Rate	0	0	0	0	0	0	0	0	0	0
Balance as at "31/03/12"	**4,352**	**0**	**265**	**962**	**0**	**0**	**0**	**0**	**2,941**	**184**
Expected Timing of Cash Flows:										
No Later than One Year	**2,297**	**0**	**16**	**962**	**0**	**0**	**0**	**0**	**1,135**	**184**
Later than One Year and not later than Five Years	**858**	**0**	**63**	**0**	**0**	**0**	**0**	**0**	**795**	**0**
Later than Five Years	**1,197**	**0**	**186**	**0**	**0**	**0**	**0**	**0**	**1,011**	**0**

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:	
As at "31/03/12"	64,732
As at "31/03/11"	59,267

Pensions class relates to ill health injury benefits calculated by current payment made by NHS pensions agency adjusted for average life expectancy using tables published by the National statistics office
Legal claims is estimates notified by NHS Litigation authority or Trust solicitor
Other includes onerous contract provision £1.2m and provision for dilapidations of leased properties / equipment £1.7m

36 Contingencies

	31 March 2012	31 March 2011
	£000	£000
Contingent liabilities		
Equal Pay	**0**	0
Other	**(45)**	(47)
Amounts Recoverable Against Contingent Liabilities	**0**	0
Net Value of Contingent Liabilities	**(45)**	(47)
Contingent Assets		
Contingent Assets *[give details]*	**0**	0
Net value of contingent assels/(liabilities)	**(45)**	(47)

Legal claims under the liabilities to third parties scheme administered by the NHS Litigation Authority £45k (2010/11 £47k)

37 PFI and LIFT - additional information

The Trust signed a PFI project Agreement on 26th March 2008 for a 512 bedded hospital. The concession is due to run until 2042 when the building will revert to the Trust. The annual unitary payment was contracted at £16.9m at 2005/06 prices, and is subject to an annual uplift by Retail Price Index which for the 2011/12 year was 5.5%. The arrangement covers the provision of buildings, hard facilities management services and lifecycle replacement. It excludes soft facilities management services, medical and ICT equipment. The land remains the Trust's asset throughout the concession. In line with the Department of Health accounting guidance, the asset is recognised when the contract achieves practical completion. As the scheme is phased in nature, there have been several key points of asset recognition:

Phase 1a of the building - Handed over to Trust from December 2010 and recognised in the 2010/11 accounts
Phase 1b of the building - Handed over to Trust from May 2011 and recognised in this year's accounts
Phase 2 top site Car parks & landscaping - Handed over in 3 parts, August 2011, December 2011 and January 2012 and recognised in this year's accounts.
Phase 2 was handed over earlier than programmed by joint agreement of the Trust and its PFI partner. Although
early handover has occurred there is no change to the contractual practical completion date and so the
Unitary Payment remains in line with the Project Agreement phasing.

Under IFRIC 12 the Trust the has determined that its PFI scheme should be treated as an On-Statement of Financial Position (SOFP) and therefore no entries are included for Off SOFP as this is not appropriate.

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	**2011-12 £000**	2010-11 £000
Total charge to operating expenses in year - OFF SOFP PFI	**0**	0
Service element of on SOFP PFI charged to operating expenses in year	**3,691**	1,141
Total	**3,691**	1,141
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	**3,867**	1,732
Later than One Year, No Later than Five Years	**17,429**	6,472
Later than Five Years	**197,668**	77,487
Total	**218,964**	85,691

The estimated annual payments in future years are not expected to be materially different. There will be a incremental increase as the part year phasing becomes full year payments. The payments are subject to annual indexation at RPI. Therefore the likely financial effect is zero.

Estimated Capital Value of Project - off SOFP PFI (not applicable to M&TW)
Value of Deferred Assets - off SOFP PFI (not applicable to M&TW)
Value of Reversionary Interest - off SOFP PFI (not applicable to M&TW)

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2011-12 £000**	2010-11 £000
No Later than One Year	**15,748**	6,433
Later than One Year, No Later than Five Years	**64,000**	26,431
Later than Five Years	**368,072**	157,341
Subtotal	**447,820**	190,205
Less: Interest Element	**(221,836)**	(96,709)
Total	**225,984**	93,496

38 Impact of IFRS treatment - current year

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

	Total £000
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)	
Depreciation charges	3,138
Interest Expense	12,515
Impairment charge - AME	4,826
Impairment charge - DEL	0
Other Expenditure	3,691
Revenue Receivable from subleasing	0
Impact on PDC dividend payable	(122)
Total IFRS Expenditure (IFRIC12)	24,048
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease income)	(15,779)
Net IFRS change (IFRIC12)	8,269
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12	
Capital expenditure 2011-12	134,436
Average net assets relating to IFRIC12 schemes - IFRS	(3,472)
Average net assets relating to IFRIC12 schemes - UKGAAP	1,203
UK GAAP capital expenditure 2011-12 (Reversionary Interest)	2,416
Revenue costs of IFRS: all other expenditure associated with IFRS (e.g. finance leases)	
Depreciation charge	0
Interest expense	0
Impairment charge - AME	0
Impairment charge - DEL	0
Other expenditure	0
Impact on PDC dividend payable	0
Total IFRS expenditure (non IFRIC12)	**0**
Revenue consequences under UK GAAP	0
Net IFRS change (non IFRIC12)	**0**
Capital consequences of IFRS all other expenditure associated with IFRS	
Capital expenditure 2011-12	0
Net assets relating to non-IFRIC12 IFRS - IFRS basis	0
Net assets relating to non-IFRIC12 IFRS - UKGAAP basis	0
UK GAAP capital expenditure 2011-12 (Reversionary Interest)	0

39 Financial Instruments

39.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in activities. Because of the continuing service provider relationship that the NHS Trust has with primary care Trusts and the way those primary care Trusts are financed, the N 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 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 ar day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructio agreed by the Trust 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 o 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 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 income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 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 Trusts, which are financed from resources voted annually by Parliament . The Trust funds its cap from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

39.2 Financial Assets

	At 'fair value through profit and loss' £000	Loans and receivables £000	Available for sale £000
Embedded derivatives	0	0	0
Receivables - NHS	0	10,223	0
Receivables - non-NHS	0	12,229	0
Cash at bank and in hand	0	2,268	0
Other financial assets	0	0	0
Total at 31 March 2012	**0**	**24,720**	**0**
Embedded derivatives	0	0	0
Receivables - NHS	0	13,545	0
Receivables - non-NHS	0	7,388	0
Cash at bank and in hand	0	1,810	0
Other financial assets	0	0	0
Total at 31 March 2011	0	22,743	0

39.3 Financial Liabilities

	At 'fair value through profit and loss' £000	Other £000	Total £000
Embedded derivatives	0	0	**0**
NHS payables	0	3,447	**3,447**
Non-NHS payables	0	16,707	**16,707**
Other borrowings	0	25,372	**25,372**
PFI & finance lease obligations	0	225,984	**225,984**
Other financial liabilities	0	0	**0**
Total at 31 March 2012	**0**	**271,510**	**271,510**
Embedded derivatives	0	0	0
NHS payables	0	5,466	5,466
Non-NHS payables	0	23,879	23,879
Other borrowings	0	27,546	27,546
PFI & finance lease obligations	0	93,496	93,496
Other financial liabilities	0	2,556	2,556
Total at 31 March 2011	0	152,943	152,943

Included in other financial liabilities for 31 March 2011 was provisions of £2,556. The figure at 31 March 2012 £3,903 has been excluded, this is due to there being no contrac provision is for a potential future liability, therefore it doesn't met the criteria for finanical instruments so it is excluded.

40 Events after the end of the reporting perioc

The Trust had no events after the reporting period

41 Related party transactions

During the year none of the Department of Health Ministers, trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Maidstone and Tunbridge Wells NHS Trust

The Department of Health is regarded as a related party. During the year, Maidstone and Tunbridge Wells NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are:

£000's	2011-12 Receivables	2011-12 Payables	2011-12 Income	2011-12 Expenditure	2010-11 Receivables	2010-11 Payables	2010-11 Income	2010-11 Expenditure
Bromley PCT	0	1	399	0	8	0	296	0
Brighton & Sussex University Hospitals NHS Trust	29	654	7,447	23	4	20	92	19
Bexley PCT	160	0	512	0	12	0	378	0
Dartford & Gravesham NHS Trust	89	9	1,581	234	1,442	67	1,455	316
Eastern & Coastal Kent PCT	0	401	18,289	1	606	0	20,555	0
Kent Community NHS Trust	502	456	3,063	1,531	158	0	548	144
East Kent University Hospitals Foundation Trust	988	439	5,645	1,944	415	321	5,431	1,461
East Sussex Downs and Weald PCT	413	75	129	75	413	0	987	240
Guys and St Thomas NHS Trust	41	130	0	103	43	107	18	145
Kent and Medway NHS & Social Care NHS Trust	607	4	1,982	136	270	11	1,760	128
Kings College London	27	243	61	541	61	156	38	544
London Strategic Health Authority	7	0	351	0	1	0	354	2
Medway NHS Foundation Trust	285	368	3,309	1,115	1,199	224	3,027	1,410
Medway PCT	431	33	15,577	95	1,097	31	15,326	54
NHS Pension Agency	0	0	0	28,243	17	2,422	0	2,256
The NHS Litigation Authority	0	4	0	6,951	0	0	0	6,129
Queen Victoria NHS Foundation Trust	35	111	541	163	219	148	843	233
Surrey PCT	70	0	714	14	75	0	651	134
South East Coast SHA	9	0	1,497	68	16	92	9,006	212
West Kent PCT	5,065	39	238,162	189	6,839	613	220,125	996
West Sussex PCT	756	0	24,624	0	1,939	0	23,087	95

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the Trust board. The audited accounts of the Funds Held on Trust will be available later in the year.

42 Losses and special payments

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	118,314	211
Special payments	20,229	23
Total losses and special payments	138,543	234

The total number of losses cases in 2010-11and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	483,873	1,980
Special payments	11,997	36
Total losses and special payments	495,870	2,016

Details of cases individually over £250,000
The Trust has no cases exceeding £250,000

The reduction in value and number of cases of losses in 2011/12 as compared to 2010/11 is primarily due to the Trust now reporting bad debt losses at write off not provision. This is consistant with the treatment applied by other local NHS acute hospital trusts.

43. Financial performance targets

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

43.1 Breakeven performance	**2005-06 £000**	**2006-07 £000**	**2007-08 £000**	**2008-09 £000**	**2009-10 £000**	**2010-11 £000**	**2011-12 £000**
Turnover	241,329	243,218	272,939	297,888	311,889	322,176	345,101
Retained surplus/(deficit) for the year	1,696	(4,932)	131	143	(21,667)	(20,474)	(27,113)
Adjustment for:							
Timing/non-cash impacting distortions:							
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0	0	0	0	0	0	0
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0	0	0	0	0	0
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	(5,441)	0	0	0	0
Adjustments for Impairments	0	0	0	0	21,856	21,430	23,646
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*	0	0	0	0	0	754	3,443
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	324
Other agreed adjustments	0	0	0	4,952	0	0	0
Break-even in-year position	1,696	(4,932)	(5,310)	5,095	189	1,710	300
Break-even cumulative position	1,887	(3,045)	(8,355)	(3,260)	(3,071)	(1,361)	(1,061)

* 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.

Note that prior year performance is not re-assessed following accounting restatements

The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2013.

	2005-06 %	**2006-07 %**	**2007-08 %**	**2008-09 %**	**2009-10 %**	**2010-11 %**	**2011-12 %**
Materiality test (I.e. is it equal to or less than 0.5%):							
Break-even in-year position as a percentage of turnover	0.70	-2.03	-1.95	1.71	0.06	0.53	0.09
Break-even cumulative position as a percentage of turnover	0.78	-1.25	-3.06	-1.09	-0.98	-0.42	-0.31

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.

43.2 Capital cost absorption rate

Until 2008/09 the trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital bears to the actual average relevant net assets.

From 2009/10 the dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

43.3 External financing

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

	2011-12	2010-11
	£000	£000
External financing limit	**9,078**	24,876
Cash flow financing	**8,420**	25,203
Finance leases taken out in the year	**0**	0
Other capital receipts	**0**	(551)
External financing requirement	**8,420**	24,652
Undershoot/(overshoot)	**658**	224

43.4 Capital resource limit

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

	2011-12	2010-11
	£000	£000
Gross capital expenditure	**156,443**	125,515
Less: book value of assets disposed of	**(10,093)**	(434)
Less: capital grants	**(32)**	(160)
Less: donations towards the acquisition of non-current assets	**(189)**	(391)
Charge against the capital resource limit	**146,129**	124,530
Capital resource limit	**161,653**	124,940
(Over)/underspend against the capital resource limit	**15,524**	410

In year the Trust agreed a revised outturn target of £5.9m underspend on the CRL with the SHA to support the Trust's liquidity position and this was achieved. In addition the Trust realised the sale of the former Kent & Sussex hospital site at the end of the financial year, earlier than originally planned. The sale was fully agreed by both SHA and DH. Therefore this has increased the reported CRL under-shoot by a further £9.6m. This has been agreed with the DH.

44 Third party assets

The Trust held cash and cash equivalents which relate to monies held by the NHS 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 2012 £000s	31 March 2011 £000s
Third party assets held by the Trust	0	0

At 31st March 2012 the Trust held £3 on behalf of patients (2010/11 £66)

18 July 2012

Board members
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Dear Board members

Maidstone and Tunbridge Wells NHS Trust Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Maidstone and Tunbridge Wells NHS Trust.

On 30 May 2012 I presented my Annual Governance Report (AGR) to the Trust's Audit Committee outlining the findings of my audit of the Trust's 2011/12 financial statements and my value for money conclusion. The key messages in my AGR were as follows:

Financial statements

- The financial statements submitted for audit were complete, consistent with the Trust summarisation schedules and in line with the Trust's forecast out-turn. The Trust did well to produce complete accounts three days before the deadline.

- The Trust provided supporting working papers for all figures and disclosures in the financial statements. Trust staff were very cooperative in dealing with audit queries and responded promptly to requests for further information. I am grateful for the Trust's support during the audit, which has enabled me to complete all planned audit work to the agreed timetable.

- During the audit I identified a small number of non material errors in the financial statements. Management agreed to adjust the statements for all the disclosure errors identified in the audit, but decided not to amend them for two errors which affected the reported financial performance. Management's reasons for not amending the statements were explained in their letter of representation, which I accepted. This did not have a material impact on the Trust's reported financial performance.

Following the Audit Committee I issued an unqualified opinion on the Trust's 2011/12 financial statements on 31 May 2012, in advance of the Department of Health's deadline of 11 June.

Value for money conclusion

I completed my work on the Trust's use of resources assessment at the same time as my work on the accounts. I concluded that the Trust's arrangements are sound and it has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The future financial outlook is however an extremely challenging one. The scale of savings required in 2012/13 and beyond far exceeds anything which the Trust has achieved before. The Board will need to be both energised and robust to ensure the Trust remains financially viable as a standalone organisation.

My key findings included the following:

Financial resilience

The Trust has robust systems and processes, with clear reporting lines which enable it to effectively manage its financial risks and opportunities. Governance arrangements are sound, with detailed performance information which promotes comprehensive interrogation of the financial position.

The Trust did well to achieve its planned surplus in 2011/12 and to secure a successful sale of the Kent & Sussex hospital site at the end of the year. The Trust achieved a small surplus for the year after receipt of planned support from the local health economy for the additional recurrent and non-recurrent costs of the new hospital development in Pembury.

Securing economy, efficiency and effectiveness

The Trust takes a strategic approach to planning considering how spending matches the priorities of the organisation and the needs of the people it serves. The Trust recognises that it needs to increase productivity and achieve better outputs from more limited resources to deliver its required levels of cost savings and help fund the increased costs of the new hospital development. It has included a 5.4 percent cost improvement plan target in its Medium Term Financial Plan for 2013/14 onwards.

The Trust takes effective action to deliver cost reductions and has a good track record of identifying and delivering cost savings over the last few years. In 2011/12 the Trust delivered £17.1 million of savings targets. There are proven arrangements in place for monitoring the implementation and impact of action taken to deliver financial savings, with active management and effective scrutiny.

Medium and long term financial planning

Whilst the Trust did well to achieve its targets for 2011/12, the outlook for the next twelve months and beyond is extremely challenging. For 2012/13 the Trust has set itself a £24 million efficiency savings target, which is a significantly higher target than it has faced in previous years. The Trust also needs to prepare for its planned move to Foundation Trust status, as well as securing the future funding for its new build PFI hospital.

In the first two months of 2012/13 the Trust reported savings of £1.6 million, £1.2 million behind target. Pressure points include medical staffing and repatriation, both of which delivered significantly less savings than planned in 2011/12, as well as private patient income and agency staff costs. The Foundation Trust Improvement Programme Board (FTIP) has introduced a weekly review of performance in key areas to increase the scrutiny of savings and identify further actions required to improve their delivery.

The Trust recognises that there is a risk that the full £24 million savings target may not be achieved in 2012/13. Given this potential shortfall and general increases nationally in the level of expected savings, the Trust may need to increase its 5.4 per cent cost improvement target for 2013/14 onwards.

At a wider level the Trust is continuing to work with the Department of Health and partners in the local health economy to secure a stable financial position for the future. The Trust's Medium Term Financial Plan includes tapering levels of planned support for the Pembury PFI hospital over a number of years. The delivery of this plan depends on the receipt of the promised support, as well as the achievement of the Trust savings plans. Strong relationships with new commissioning bodies will also be key.

The Board has recognised that, alongside quality of care, delivering the change necessary to achieve its financial targets is one of its two over-riding objectives. This will be reflected in the time and profile given to financial reporting in future Finance Committee and Trust Board agendas.

Quality Accounts

I completed an external assurance review of the Trust's Quality Account and issued a separate report of my findings to Trust management on 20 June 2012. The main findings from my review were as follows:

- The Trust's Quality Account complies with the regulations.
- The Trust has responded positively to my feedback on the content and format of the Quality Accounts. It has also strengthened its Data Quality Policy and underlying procedures following feedback in previous years.

My team tested three indicators during the audit, which were selected following the audit approach and in consultation with the Trust:

- the maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers;
- the incidence of Clostridium difficile infections; and
- the cancer waiting time target of two weeks to initial appointment.

We found that the Trust had satisfactory arrangements for ensuring the robustness of data underpinning all three indicators.

Following the completion of my Quality Account review I certified completion of the audit on 27 June 2012.

Payment by Results (PbR) Data Assurance Framework

In May 2012 the Audit Commission released two PbR Data Assurance Framework reports on the Trust:

PbR National Data Assurance report

This review focused on the accuracy of clinical coding data and all data items that affect the price commissioners pay the Trust for a spell under PbR rules.

The review found that the Trust has a good track record of clinical validation in some specialities, where coded data is obtained from a Trust central information data base and any coding queries are raised with the Clinical Coding Manager. These focus on particular areas of interest e.g. Endoscopic Ultrasounds. This has ensured that these areas are accurately coded, including all diagnosis of stroke which are audited by the matron in charge of the Stroke Unit in conjunction with the Coding Manager.

Across the Trust as a whole, the review found an error rate, measured using the clinical coding HRG, of 13 per cent. This is higher than the 2009/10 national average error rate of nine per cent. The audit team could not audit 17 cases (eight per cent of the selected sample) because there was insufficient information regarding the episode in the source documentation provided for audit.

The Trust's HRG and coding error rates have increased since the last audit at the Trust in 2009/10. This appears to reflect the loss of three experienced and qualified coders from the team, replaced by trainees. Many of the errors identified in 2011/12 were due to this lack of clinical coding experience, with 93 per cent of the errors due to errors by the clinical coders. The review found several recurring errors which can be addressed by training.

The report recommended that Trust should focus on the following areas to improve the accuracy of clinical coding:

- addressing the completeness of information used for coding and the standard of case notes;
- quality and availability of discharge letters;
- clinical coder training needs, with refresher training provided to all coders; and
- implementing a process of regular internal audits across all specialties, to help identify and eliminate common recurring errors.

The Trust has agreed to set up a regular audit process, which will review 50 sets of randomly selected case notes in two specialties each month. The sample will be assessed against agreed criteria on a monthly basis to establish the completeness of the coding information and the overall standard of the case notes. In addition internal refresher training sessions are to be established by the Clinical coding manager for all coding staff.

PBR follow-up report

This report contained the findings from the follow-up of the implementation of the recommendations made in the most recent clinical coding audit, outpatients data quality review and reference costs review. The key findings of the review were as follows:

- The Trust has made satisfactory progress and addressed the majority of the recommendations made in the 2010/11 outpatients data quality review by the agreed implementation date. Four of the original recommendations have been assessed as not met, but two of these are in progress, with further work planned by the Trust in 2012.
- The Trust has made satisfactory progress to address the recommendations made in the 2010/11 reference cost audit. Three of the four recommendations have been implemented, with two completed by the agreed date.
- The Trust was not able to provide evidence to confirm that the recommendations made in the 2009/10 clinical coding audit have been implemented. As a result six of the ten recommendations have been assessed as not met.

The Trust agreed a number of recommendations in both these reports aimed at improving standards of data quality.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Director of Finance. While this has been another challenging year for the Trust I wish to thank the finance staff for the positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit Committee for their support and co-operation during the audit.

Yours sincerely

Andy Mack
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This annual report is also available in large print and can be produced in different languages on request.

Your views are important to us. Please tell us what you thought about this Annual Report. Contact our communications department on Tel: 01622 226428

The financial statements included within this report may not contain sufficient information for a full understanding of the trust's financial position and performance. Please contact us if you would like to receive a full set of accounts.