Maidstone and Tunbridge Wells NHS
NHS Trust

Annual Report and Accounts 2013/14

PRIDE

About this Annual Report

The National Health Service and Community Care Act 1990 requires NHS Trusts to produce an Annual Report. The content and format of such Annual Reports is required to adhere to the guidance issued by the Department of Health (in the form of a 'Manual for Accounts'). The specific requirements for Annual Reports for 2013/14 are that NHS bodies must publish, as a single document, the following:

- The Annual Report comprising the:
  - Strategic Report (replaces the business review),
  - Directors' report,
  - Remuneration report
- A statement of the Accountable Officer's responsibilities
- A Governance Statement
- The audit opinion and report
- The Primary Financial Statements and notes to the accounts.

The Department of Health's guidance sets out the minimum content of the Annual Report. Beyond this however, the Trust is expected to take ownership of the Report and ensure that additional information is included where necessary to reflect the position of the Trust within the community and give sufficient information to meet the requirements of public accountability. This Report contains the content mandated by the Department of Health, but also includes details of events and developments that, when read with the mandated content, give an accurate picture of how the Trust performed during 2013/14. This document is divided into several sections:

- The "Strategic Report for Maidstone and Tunbridge Wells NHS Trust for 2013/14". This includes business information about the Trust; the Chairman and Chief Executive's report; Performance against our 2013/14 plans; a Summary of the Trust's Quality Accounts 2013/14; details of the Trust's employees; and environmental issues (sustainability report).
- The "Directors' Report for Maidstone and Tunbridge Wells NHS Trust for 2013/14". This includes details of the Trust Board; a Statement as to disclosure to auditors; details of Directors' interests; the Trust's application of the 'Principles for Remedy' guidance; disclosure of "incidents involving data loss or confidentiality breaches"; details of the Trust's emergency preparedness arrangements; the Trust's performance against the 'Better Payments Practice' and 'Prompts Payment' Codes; details of counter fraud arrangements'; details of the Trust's health and safety performance; staff sickness absence data; and details of off-payroll engagements;
- The "Remuneration Report for Maidstone and Tunbridge Wells NHS Trust for 2013/14"
- A "Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust"
- A "Governance Statement for 2013/14"
- The Primary Financial Statement and Notes for 2013/14. These are appended at the end of the report.
- Details of the external Audit opinion and report

The Annual Report was approved by the Trust Board of Maidstone and Tunbridge Wells NHS Trust on 28th May 2014.

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About Maidstone and Tunbridge Wells NHS Trust

Maidstone and Tunbridge Wells NHS Trust (the Trust) is a large acute hospital Trust in the south east of England. The Trust was legally established on 14th February 2000[1], and 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, and works from two main clinical sites: Maidstone Hospital, and Tunbridge Wells Hospital at Pembury. Tunbridge Wells Hospital is a Private Finance Initiative (PFI) development [2] and provides wholly singled bedded en-suite accommodation for in-patients, the first of its kind in the country. The Trust employs a team of around 5000 full and part-time staff.

In addition, the Trust provides specialist Cancer services to circa 1.8 million people across Kent, Hastings and Rother, via the Kent Oncology Centre, which is sited at Maidstone Hospital and at Kent & Canterbury Hospital in Canterbury. The Trust also provides some services for community settings, including the provision of Stroke rehabilitation at the Tonbridge Cottage Hospital.

[1] The Maidstone and Tunbridge Wells National Health Service Trust (Establishment) Order 2000
[2] The PFI Project Company is Kent and East Sussex Weald Hospital Ltd (KESWHL)

Chairman and Chief Executive's report

We would like to jointly welcome you to our Annual Report for 2013/14. Our employees have once again provided high standards of care throughout the year for hundreds of thousands of people who were seen and treated in our hospitals, community-based clinics and increasingly in their own homes.

Despite continuing pressure on our health services and the NHS in general, including a 10 year high locally in A&E attendances, many of our employees continue to work above and beyond the call of duty to help:

- Meet the vast majority of our patient access standards. We achieved some of the best A&E treatment times (top quartile) in the country
- Reduce patient harms with improvements in many quality indicators. This includes a 39% reduction in cases of hospital-acquired Clostridium difficile

Over 3,000 (2%) more people sought treatment from our emergency care professionals in 2013/14 than the previous year. As well as placing additional pressure on all our services and staff, this worrying trend is financially unsustainable. The funding we receive to see and treat patients in our A&E departments reduces by 70% once our attendances exceed 2008/9 levels. Over two-thirds of the funding we should have received to provide the additional A&E care – around £7m - was used to help reduce A&E attendances rather than pay for them. All parties in the local health economy need to address this issue, and we will play a full part in this process.

While reducing costly hospital attendances by improving people's health is absolutely crucial to the sustainability of the NHS as a whole, the rise in attendances and reduction in payments continues to have an adverse impact on the Trust.

Whilst our quality and performance is high, and we managed to reduce our costs by £18m, we nevertheless ended the year with a deficit of £12.4m. While this is disappointing, our plan is to reduce this overspend sensibly over the next few years without impacting on patient care. Part of this overspend was caused by increasing our use of expensive agency doctors and nurses to meet unplanned spikes in demand. We also saw a fall in funding to treat patients using some of our biggest and busiest services. Other cost pressures emerged during the year that we couldn't quickly and fully address in a measured and planned way, without compromising care.

We have a recruitment plan in place to reduce our agency costs as part of our wider efficiency savings during 2014/15. We need to make efficiency savings in excess of £20 million this year. This is a challenging figure for the Trust and includes contributions to both local and national productivity savings. Our Foundation Trust process will be slowed down until we achieve financial balance.

Looking further ahead, West Kent Clinical Commissioning Group (CCG) has calculated that the local health economy could have a funding gap of up to £60 million in five years' time if the rate of hospital attendances and demand for NHS services in general continues to grow. NHS England is predicting a £30 billion funding gap nationally in five to 10 years' time based on similar growth indicators.

The Trust is working with West Kent CCG and other healthcare partners to help lead in the development of new and innovative ways of providing the same or higher standards of care for patients at a much lower cost. We collectively agree that more care needs to take place outside of hospitals in the community or in

people's own homes and that much of this should be provided to ensure people stay well for longer and do not need potentially avoidable hospitalisation.

The NHS is also developing new national standards for the treatment of acutely unwell patients in dedicated centres of expertise. We will continue to look at the benefits of these as national and local thinking in these important areas continues to develop this year.

Whilst the Trust's financial position reflects the demands made on the NHS in general, and are, to some degree, exacerbated by on-going PFI costs, we are continuing to invest in services and improving outcomes for patients.

Quality and safety have to be, and will continue to be, at the centre of everything we do as an NHS Trust. We will continue to work in partnership with other organisations during 2014/15, such as the Care Quality Commission, and most importantly continue to seek the views of our patients to find more ways in which we can improve on patient experience.

We hope you enjoy the Report.

Glenn Douglas, Chief Executive

Anthony Jones, Chairman

National recognition for endoscopy

In February 2014, the Endoscopy Unit at Tunbridge Wells Hospital received national accreditation for its high standards of quality, safety, patient care and professionalism of its staff. The Endoscopy Unit at Maidstone Hospital achieved the same accreditation in March 2014. 'JAG' accreditation (which stands for the 'Joint Advisory Group on Gastrointestinal Endoscopy') is the quality mark for endoscopic services in England. It is so prestigious and of such a high standard just one in three of all endoscopy units in the country, including NHS and independent providers, hold the title. Just one in 10 units are usually accredited following inspection. The Units at both hospitals treat patients from Maidstone and Tunbridge Wells and surrounding areas including Sevenoaks, Tonbridge and Malling, and parts of north East Sussex. JAG accreditation means the Unit at Maidstone Hospital can continue to participate in the national bowel scope screening service, as well as scoping symptomatic patients on fast track pathways from local GPs.

JAG assessment reviews the patient environment, the patient journey, the clinical standards of care, patient privacy and dignity, the decontamination processes and the patient satisfaction with the service. It also ensures that high standards of nursing and clinical training are delivered and reviews the clinical governance of the Units.

1000th baby for Maidstone Birth Centre!

The Birth Centre at Maidstone Hospital celebrated a significant milestone in March 2014, after the 1000th baby to be born there arrived on 14th of that month.

Nylah Jenna Peerbux was born at 5.20pm and weighed in at 6lbs 8oz. Her family, Mum – Emma, Dad – Shafick and 20-month-old sister Aaliyah, live in Maidstone and are thrilled with their new arrival. Emma said: "Everyone at the Birth Centre was lovely, they looked after us all so well and it was a really nice experience."

The midwife-led, state-of-the-art Birth Centre at Maidstone Hospital opened in 2011 and doubled the predicted number of births in its first year alone. Consultant midwife, Sarah Gregson said: "We are absolutely delighted to welcome Nylah as our one thousandth baby to be born at the Birth Centre. It is fantastic that parents from across the Maidstone and Tunbridge Wells areas, and everywhere in between, are still so keen to use the Birth Centre, and we believe the fact that we have already had 1000 babies born here is testament to our fantastic staff and facilities, as well as the warm and welcoming environment".

Performance against our 2013/14 plans

The Trust's annual objectives for 2013/14 were based upon 4 aims, as follows:

1. To become a truly patient and customer centred organisation;
2. To deliver services that are viable and sustainable;
3. To take the system leadership role to deliver integrated care in our locality; and
4. To operate at high levels of quality and efficiency to generate long-term financial sustainability

The Trust's performance under each of these aims is outlined below.

To become a truly patient and customer centred organisation

The Trust experienced some challenges in the year, which are elaborated on throughout this Report, but some positive developments occurred during the year. These include introducing new or re-developed services (Endobronchial Ultrasound, Endoscopy and Urology Investigation Units); and achieving external quality accreditation. Further details of these are provided in the Annual Report.

To deliver services that are viable and sustainable

The Trust achieved some notable successes in relation to its performance against the key national targets, including the A&E 4-hour wait target; the 18-week referral to treatment target; and the cancer treatment waiting time targets. Further details of these are provided in the Annual Report (and in particular the summary of the Quality Accounts).

To take the system leadership role to deliver integrated care in our locality

The Trust is taking a leading role with our stakeholders in the local health economy with regards to patient pathways (i.e. the route followed by a patient through and out of the NHS and social care services). This important role will be taken forward further within 2014/15.

To operate at high levels of quality and efficiency to generate long-term financial sustainability

The Trust failed to deliver its main financial target for the year, and returned a deficit of £12.4m. The reasons for this are described elsewhere in this Report, but there were some positive financial achievements despite this disappointing overall performance. In particular, the Trust's efficiency programme delivered £23.5m, against a target of £23.6m, which reflected the significant efforts made by staff across the Trust

EBUS & EUS join forces

A new Endobronchial Ultrasound (EBUS) service started at the Trust in October 2013. The new service was largely made possible thanks to a generous donation by the Peggy Wood Cancer Charity which assisted in purchasing the required equipment. EBUS can help with carrying out an accurate biopsy of lymph glands, via a Bronchoscope with Ultrasound processor, which not only assists in diagnosing and accurately staging lung cancer, but also other cancers. Currently, patients have to travel to London to receive the service, which can result in a 2-3 week delay in examination and further weeks lost in getting results back.

This new service is unique in that it will complement the Endoscopic Ultrasound (EUS) service already run by the Trust and the combination of the two will mean that the Trust is the only one in the region to provide both these modalities of investigation for lymph gland biopsies, which is great news for patients across Kent. Dr Syed Arshad Husain, Trust Respiratory Consultant said, 'Patients across the county, particularly those receiving cancer treatment, will benefit greatly from the introduction of the new service. They will no longer have to travel into London for the service, making it far more convenient, and will experience shorter waiting times both for the procedure and the results.'

The service also means that fewer patients will require general anaesthetic and it will help to reduce unnecessary and time consuming investigations. It will also help with investigating other chest conditions, such as; TB, Sarcoidosis and other fungal infections, promptly and accurately. Dr Husain added, 'As of now, the service is available to patients locally but as we are the only site in the region to offer both EBUS and EUS we look forward to being able to assist patients from across the county and even further afield, ensuring that as many people as possible receive appropriate, convenient and timely care.'.

Dr Jones, Dr Jones...

In July 2013, as part of the NHS 65th Anniversary Celebrations, Tunbridge Wells Hospital welcomed the crew from the ITV breakfast TV show, 'Daybreak', for a live link-up.

Investment in Maidstone Hospital

From June 2013, patients at Maidstone Hospital started to benefit from newly refurbished and redeveloped Endoscopy and Urology Investigation Units. The £2.4 million initiative enhanced and improved our patients' experiences with new, more modern, larger facilities, which have been designed by the hospital's doctors and nurses. The new Endoscopy Unit also allows the hospital to undertake more endoscopic therapeutic treatments, with dedicated facilities and also provide sigmoidoscopies as part of Kent's bowel cancer screening.

Re-developed Endoscopy and Urology Investigation Units

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Clinical Lead for Endoscopy, for the Trust, Dr Laurence Maiden, said: "This is an exciting time for the Trust. We are very much looking forward to working in the brand new, state-of-the-art Endoscopy Unit and we will now have all Endoscopy services centralised in one department and offer a high-quality, comprehensive service for all our patients. The unit has been planned with the patient's journey, from start to finish, at the forefront of the department's design."

The new design also enabled the department to achieve Joint Advisory Group (JAG) accreditation for Gastroenterology later in the year (see earlier in the Annual Report). The new Urology Investigation Unit will provide patients with greater privacy and dignity, than when it was in its previous location.

Improved 'ins' and 'outs'

The newly refurbished Admissions Lounge at Maidstone Hospital opened in 2013. The facility can be found in the same location as it was originally – in the main corridor on the first floor, on the way to Oncology through the hospital. However, changes have been made to the Lounge in direct response to feedback received, particularly around patients' privacy and dignity. There is a new reception area, private changing cubicles, a redecorated and improved waiting area, and consultation rooms.

In addition, The Discharge Lounge at Maidstone Hospital has moved to a new purpose built facility. The new unit is situated on the ground floor, between Clinic 4 and the helipad site (near A&E). It is a modern and comfortable room which is available for patients awaiting transport home following discharge from a ward. In the new facility, there are reclining chairs and beds available to ensure our patients are kept comfortable while they wait. Patients can be supplied with refreshments and meals/snacks during their stay in the lounge, which is always staffed. The Discharge Lounge also accommodates patients waiting transfer to care homes, discharge medications to be dispensed, collection by relatives and a final input from services that will not stop discharge for example, a dietician review or advice.

Summary of Quality Accounts 2013/14

Quality Accounts are intended to aid the public's understanding of what the Trust does well; where improvements in service quality are required; and what the priorities for improvement are for the coming year. This section contains a summary of the Quality Account for 2013/14, but the full Quality Account, including the quality priorities for 2013/14, can be found on the Trust's website (www.mtw.nhs.uk), or the Trust's pages on the NHS Choices website (www.nhs.uk).

The Trust's two main hospital sites continued to see and treat hundreds of thousands of people throughout the year. In the last year, 2% more people sought treatment from our emergency care professionals. Our aim throughout has been to do this with the utmost care and compassion. This has been reflected in our patient feedback, particularly in our Family & Friends 'Net Promoter' score, which has been consistently above the national average for both in-patient care and Accident & Emergency Care. We have also seen improvements in all areas of our national NHS inpatient survey, scoring higher than previous years in 13 areas. Infection prevention has also seen some significant improvements with the lowest rate of clostridium difficile for several years.

Whilst we provided high quality care to the majority of our patients, we failed to do this consistently in all areas, in particular; we had three cases of MRSA bacteraemia, and did not do as well as planned with the provision of care for our Stroke patients. Patient falls remain a challenge for us throughout the year. However we have seen some improvements in the overall rate of falls towards the end of the year.

Performance against key priorities for 2013/14

Performance against the priorities for 2013/14, as stated in the Trust's Quality Accounts for 2012/13, is detailed below.

Reducing the number of avoidable healthcare associated infections

- Our rates of Clostridium difficile infection have continued to fall, having had 35 cases against a limit of 42 for the year. This represents a 39% reduction with zero cross infection.
- The Trust did not achieve its standard for post 48 hour MRSA bacteraemia, with 3 cases occurring, against a Trust standard of zero avoidable cases.

Prevention of blood clots or venous thromboembolism (VTE)

- The Trust was compliant with the national goal for VTE that 95% of patients had been risk assessed and managed accordingly.

Reducing the number of patient falls

- The Trust has achieved a 13% improvement with a year-end rate of 7.1 (the target was to achieve a 10% reduction)
- Falls prevention is one of our key priorities for 2014/15 (see below)

Continue our focus on improving care for patients who have had a stroke

- The Trust did not achieve its target that 80% of patients should spend 90% of their time in the Stroke Unit. However, work is underway to address the patient flow challenges and to consider how the boundaries of a Stroke Unit can be effectively safely extended.
- Stroke care is one of our key priorities for 2014/15 (see below)

Continue to improve the care we provide for patients who are suffering from dementia

- The Trust made considerable improvements within 2013/14 to ensure patients suffering from dementia receive the appropriate care, and the key criterion within the national dementia CQUIN has been met.

Improving the management of discharge planning

- The Trust has taken a number of initiatives to improve discharge planning for our patients, including:
  - Closer working with partner organisations in the community to ensure that patients receive appropriate care in the community following discharge
  - Further training for staff in relation to the required information sharing to facilitate the required care.
  - Discharge planning is one of our key priorities for 2014/15 (see below)

Complaints management

- The Trust's complaints handling process was revised in 2013/14, and liaison with Directorates has seen a positive impact on the overall number of complaints in relation to several metrics (numbers responded to within agreed time frames, number of re-opened complaints and a reduction in the overall number of new complaints received).
- New complaints are monitored by rate per 1,000 episodes. The national benchmark is a rate of 6.26. Over the course of the year we had 573 new complaints (a rate of 5.07).

Patient Surveys

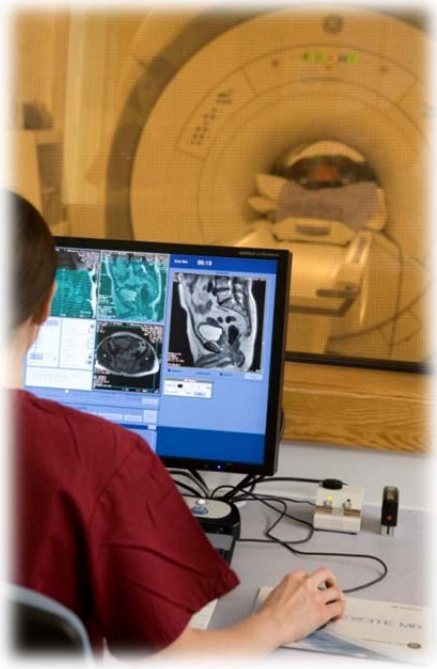
- The Trust took the following actions in 2013/14:
  - Two surveys were undertaken relating to enhancing quality measures for patients undergoing hip and knee surgery and those being treated for heart failure.
  - The national 'Friends and Family' question was introduced across all inpatient wards and A&E departments.
  - Improvements were made in all 5 targeted areas in the national NHS inpatient survey, as shown below

	Areas target for improvement on the National NHS Inpatient Survey	2012	2013
1	Were you involved as much as you wanted to be in decisions about your care and treatment?	88.9%	91.2
2	Did you find someone on the hospital staff to talk to about your worries and fears?	44.3%	45.5
3	Were you given enough privacy when discussing your condition or treatment	97.7%	97.4
4	Did a member of staff tell you about medication side-effects to watch for when you went home?	36.5%	43.7
5	Did hospital staff tell you who to contact if you were worried about your condition or treatment after you left hospital?	65.3%	73.6

Learning from Serious Incidents / Never Events

- To minimise any risks to our patients we have a robust reporting system for incidents. All incidents that are classified as serious are reported to an Executive-led review panel to ensure we have identified the root cause of the incident & appropriate action is being taken to prevent a similar situation arising again
- A number of actions have been taken to minimise risks over the last year. These include:
  - Revised processes within maternity and gynaecological theatres for the identification of post-operative packs; and implementation of 'pack ID bands' for patients who have a surgical pack in situ
  - Review of systems and processes for the reporting of radiological investigations to ensure timely reporting to requesting clinician, including daily review of potential backlog and outsourcing if and where appropriate.
- The Trust had one 'Never Event' in 2013/14. This is described in the "Governance Statement for 2013/14" section below

Our key priorities for 2014/15 are as follows:



- To reduce the number of avoidable harms with a focus on hospital acquired infections; hospital acquired pressure ulcers; falls; and enhancing the emergency care provision for children in our Accident & Emergency Department
- To reduce the length of stay for patients
- To provide an integrated approach to care with our community colleagues with a specific focus on Dementia, discharge planning, and enhancing the Stroke Care pathway
- To improve our ward environments, with particular focus on day rooms and communal areas between wards at Tunbridge Wells Hospital
- To improve management and actions in response to complaints to ensure each is used as an opportunity from which we can learn
- To improve the quality of written information, particularly in relation to patient information leaflets and letters to General Practitioners.
- To ensure all patients (in-patients, out-patients and maternity) are offered the opportunity to feedback to the Trust using the Friends & Family Test.

Plans to INSPIRE

It is the role of Health Informatics to support and enable the delivery of the Trust's clinical strategy; from procurement to go-live, all clinical and corporate systems must ensure that the focus is on supporting our patients on their care pathway. Our strategy is a simple one – delivering

INtegrated systems to **S**upport our **P**atients **I**n **RE**al time – It will be through the deployment of appropriate technologies that INSPIRE will:

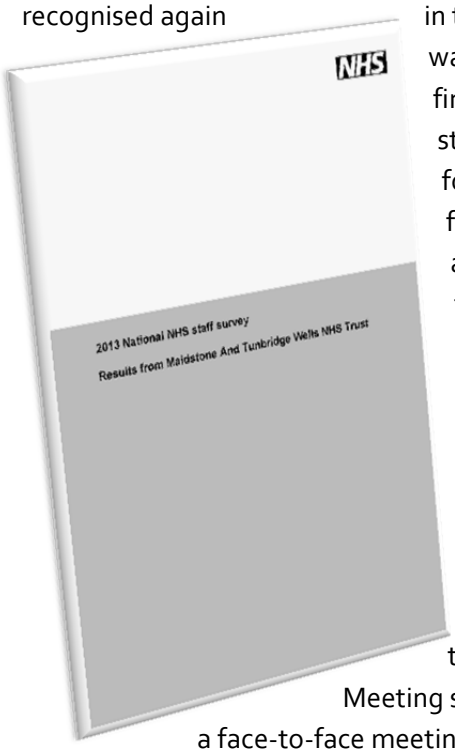
- enable the creation, shaping and the secure sharing of patient data across care settings;
- enable the application of health and corporate intelligence to inform service reform and delivery;
- allow us to reduce the burden of paper on clinicians by transitioning away from paper to digital records;
- Enable our clinicians to access patient information from anywhere in the Trust using any device
- Ensure that our systems focus on supporting patients on their care pathway through integration using open standards

Health Informatics has a major role to play in ensuring safe, successful treatment of patients and empowering them to make decisions about their care by making their medical record visible to them. There are a number of established projects within the Trust that will help us achieve our INSPIRE strategy – one such example is called "Project Gladstone" and relates to capturing nursing observations. All patients who are admitted to the Trust's hospitals have their vital signs monitored at regular intervals. The Trust uses an early warning scoring system (called Patient At Risk or 'PAR') to monitor changes in a patient's physiology, track their progress and trigger appropriate clinical intervention. The observations are converted into a score; the higher the score the more abnormal the physiology. If a patient's score reaches a certain threshold an agreed escalation protocol is followed. The aim is to help healthcare professionals determine whether a patient is improving or deteriorating. PAR score is not however a predictor of outcome nor is it a replacement for clinical judgment.

All the information is captured on paper (other than in a small number of clinical areas). The Trust wanted to create the equivalent of a digital clinical utility bag to assist our doctors and nurses in their day to day clinical activities. Project Gladstone was established to oversee a pilot on our Foster Clark and Mercer wards at Maidstone Hospital, where we captured nursing observations digitally and tracked our patients' progress on a hand held device. The PAR scores are produced automatically based on the observations recorded. Its key functionality includes sophisticated cascading escalation, with deteriorating patients' vital signs being relayed to the most appropriate clinician in order for a "recognise and rescue" plan to be put in place. In addition, the solution offers the Trust the ability to take advantage of specialist handover and 'Hospital at Night' modules on the same platform. These modules ensure there is a transition from recording of information for handover, to continuous care and will allow escalations out of hours. Over 100 staff were trained and 14,000 sets of observations taken and recorded for over 400 patients during the pilot.

Our staff

Although providing the best possible healthcare to our population is, and always will be, our primary focus, we take our responsibilities as an employer seriously, and the efforts we have made in this area were recognised again in the 11th annual National NHS Staff Survey. The Trust's entire workforce was surveyed for the first time (rather than just a sample), and the findings showed that the Trust was above national average for overall staff engagement. The Trust was also better than the national average for acute Trusts in 8 of the 28 'key findings', and at the average for a further 17. For 3 of the 28, the Trust was found to be worse than average, and these will be the focus of detailed actions in 2014/15. Although there is always work to be done to improve things further, the findings were particularly pleasing, as they arose during a time of transformation in the Trust, which resulted in, for example, changes in the way we approach clinical administration and a detailed review of workforce productivity.



Employee consultation

The Trust meets with local trade union representatives formally, via the Joint Staff Consultative Committee. A bi-monthly Open Staff Meeting system also operates, to cascade information to all staff, which involves a face-to-face meeting with two Executive Directors (including the Chief Executive) at both hospital sites. A weekly Chief Executive's update ("Glenn's update") is also issued to all staff via email, enabling key messages to be given on matters of note. An in-house staff newsletter, "Pride", is also produced and distributed. The Trust also conducts 'pulse' surveys throughout the year to ask staff their views. Two such surveys were undertaken in 2014/15.

The Trust has a range of support mechanisms for staff, beyond that provided by their line manager. This includes counselling services, and full Occupational Health services.

Equal opportunities

The Trust is committed to being an organisation within which equality and human rights are valued and appreciated, which recognises that everyone is different, valuing the unique contribution that individual experience, knowledge and skills can make in delivering service goals and that this is visible at all levels of the organisation.

The Trust is committed to continuous development of services, which are open, equally accessible and meet the needs of all sections of the community served. We continue to strive to provide an environment in which people want to work and to be a model employer leading in good employment practices. The Trust is also committed to enabling each member of staff to achieve their full potential in an environment characterised by dignity and mutual respect.

The gender distribution of staff employed at the end of 2013/14 is as follows:

	Male		Female	
Trust Board members *	8	57%	6	43%
Employees (head count)	1471	26%	4141	74%

* Includes non-voting Board members (refer to the 'Trust Board' section earlier in the Report for details)

Staff Sickness absence

This information is contained in the 'Financial performance' section below.

Disabled employees

The Trust has continued its commitments as a 'Two Ticks' Disability Symbol employer. The symbol was awarded in recognition of the Trust's positive commitments regarding the employment, retention, training and career development of disabled people. In 2013/14 the Trust:

- Interviewed all applicants with a disability who met the minimum short-listing criteria;
- Ensured there was a mechanism in place to annually discuss with disabled employees what we can do to ensure they develop and use their abilities;
- Made every effort when employees become disabled to make sure they stay in employment;
- Took action to ensure that all employees develop disability awareness; and
- Reviewed the achievements against each of the 5 commitments to identify ways to continuously improve and maintain 'Two Tick' recognition

Taking PRIDE in our work

The five Trust values are represented as the word PRIDE:

- **P**atient First: We always put the patient first;
- **R**espect: We respect and value our patients, visitors and staff;
- **I**nnovation: We take every opportunity to improve services;
- **D**elivery: We aim to deliver high standards of quality and efficiency in everything we do;
- **E**xcellence: We take every opportunity to enhance our reputation

Environmental issues (sustainability report)

Sustainability has become increasingly important as the impact of peoples' lifestyles and business choices are changing the world in which we live. In order to fulfil our responsibilities for the role we play, Maidstone and Tunbridge Wells NHS Trust has the following sustainability mission statement located in our Sustainable Development Management Plan (SDMP): *"Working with the SDU the Trust aims to provide a health care system that is as sustainable as it can be - it will consider all of the environmental impacts of providing this health care, not just carbon."*

Policies

In order to embed sustainability within our business it is important to explain where in our process and procedures sustainability features. One of the ways in which an organisation can embed sustainability is through the use of an SDMP. The Trust Board approved our SDMP in the last 12 months so our plans for a sustainable future are well known within the organisation and clearly laid out. However, we do not currently use the Good Corporate Citizenship (GCC) tool.

Climate change brings new challenges to our business both in direct effects to the healthcare estates, but also to patient health. Examples of recent years include the effects of heat waves, extreme temperatures and prolonged periods of cold, floods, droughts etc. The organisation has identified the need for the development of a Board-approved plan for future climate change risks affecting our area. The Trust Board approved our SDMP in April 2013.

Reducing the amount of energy used in our organisation contributes to this goal of reducing carbon emissions. There is also a financial benefit which comes from reducing our energy bill. However, our energy costs have increased by 8% in 2013/14, the equivalent of 19 hip operations. This is because of an unusually long winter which led to increased heating costs, increased activity at the hospital and unavoidable rises in energy prices.

Performance

Organisation

Since the 2007 baseline year, the NHS has undergone a significant restructuring process and one which is still on-going. Therefore in order to provide some organisational context, the following table may help explain how both the organisation and its performance on sustainability has changed over time. It should however be noted that the Trust's estate has changed significantly in the recent past. Pembury Hospital and Kent and Sussex Hospital closed and were replaced by a new Private Finance Initiative (PFI) hospital at Tunbridge Wells in 2011. These changes have resulted in a larger estate and different travel patterns. A shuttle bus has been introduced, significantly reducing staff car mileage. These changes mean there is no purpose in setting an emissions base year line prior to these changes. The Trust's operation stabilised in 2012/13, as by then the new hospital was fully occupied and the old hospital closed. In addition to the above, Maidstone Hospital has had significant additions to its estate e.g. the Birthing Centre, the transfer of Cellular Pathology across Kent, the Academic Centre and more recently the opening of the Urgent Medical and Ambulatory Unit (UMAU). The Trust is therefore vastly different to how it was pre-2012 and any comparisons are therefore not relevant.

Context info	2007/08	2011/12	2012/13	2013/14
Floor Space (m^2)	109,896	124,635	122,475	122,475
Number of Staff	3,969	4,962	5,607	5,607

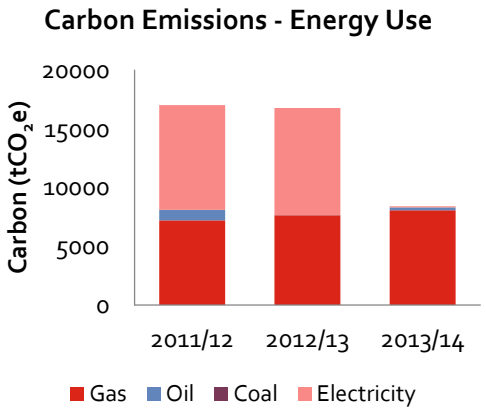
Energy

Resource		2011/12	2012/13	2013/14
Gas	Use (kWh)	35,324,667	37,430,130	38,047,035
	tCO_2e	7,218.595701	7,648.847066	8,071.298005
Oil	Use (kWh)	2,805,759	22,536	769,989
	tCO_2e	894.6162572	7.1856036	245.8959872
Coal	Use (kWh)	£0	£0	£0
	tCO_2e	£0	£0	£0
Electricity	Use (kWh)	21,195,948	21,260,601	22,215,487
	tCO_2e	8,908.656944	9125.646782	89.5856
Total Energy CO_2e		17,021.8689	16,781.67945	8406.779592
Total Energy Spend		£3,337,435	£3,463,985	£3,792,844

The Trust spent £3,792,844.04 on energy in 2013/14, which is a 9.5% increase on last year. This is due to increases in energy cost and increases in consumption, especially electricity.

N.B. tCO2e = Tonnes of CO_2 equivalent. This is used to measure the equivalent CO_2 concentration which causes the same level of absorption in the atmosphere for other greenhouse gases.

The drastic reduction in electricity emissions for 2013/14 can be explained by the fact that the Trust's Hospital sites and the Laundry have been granted a 100% exemption from the Climate Change Levy (CCL) for electricity supply. This is because we have been deemed to receive all of these supplies from renewables (there is a local 'Energy from Waste' plant in Aylesford.).

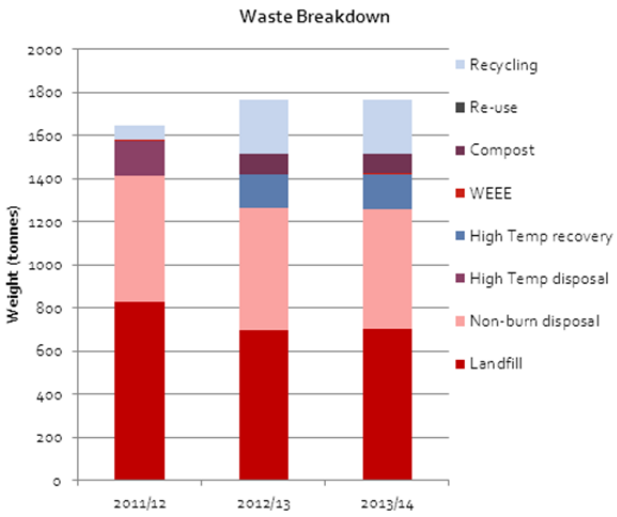


There have been many small scale projects to improve energy efficiency but there has been no capital available for projects for whole of 2013/14. Projects undertaken have been to install thermal insulation, optimise building management system (BMS) controls, energy awareness campaigns and at the Laundry to install heat recovery plant and better steam plant.

Waste

Waste		2011/12	2012/13	2013/14
Recycling	(tonnes)	66	249	250
	tCO_2e	1.386	5.229	5.25
Re-use	(tonnes)	0	2	2
	tCO_2e	0	0.042	0.042
Compost	(tonnes)	0	91	90
	tCO_2e	0	0.546	0.54
WEEE	(tonnes)	5	5	5
	tCO_2e	0.105	0.105	0.105
High Temp recovery	(tonnes)	0	153	160
	tCO_2e	0	3.213	3.36
High Temp disposal	(tonnes)	162.87	0	0
	tCO_2e	3.42027	0	0
Non-burn disposal	(tonnes)	587	568	560
	tCO_2e	12.327	11.928	11.76
Landfill	(tonnes)	826	695	700
	tCO_2e	201.8890671	169.870341	171.0924298
Total Waste (tonnes)		1646.87	1763	1767
% Recycled or Re-used		0.000841596	0.00298979	0.002994907
Total Waste tCO_2e		219.1273371	190.933341	192.1494298

The Trust waste management team have improved staff awareness, and increased recycling. Much of our waste is now recycled, and volumes of waste reduced. Paper and cardboard is recycled in more areas at Maidstone Hospital & the amount of recycling is increasing as more recycling bins are introduced.



Water

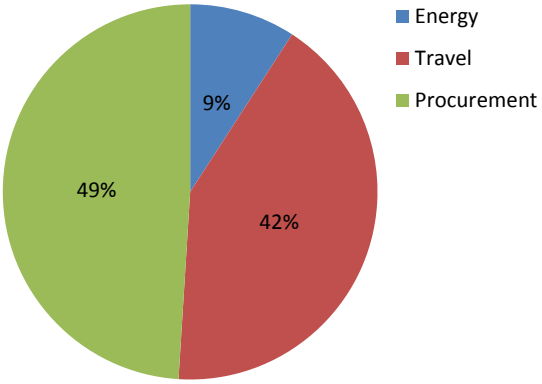
Water		2011/12	2012/13	2013/14
Mains	m^3	168,324	158,728	177,004
	tCO_2e	153	145	161
Water & Sewage Spend		£505,257	£496,029	£500,000

Hospital water consumption is stable and within parameters. Drastic improvements have been made at the Laundry where installation of new steam plant and water controls has reduced consumption by 40%. A recent third party audit of water metering and billing confirms that our water use is normal and with the appropriate billing structure. The number of staff employed by the Trust has increased, and so has the range of services provided, therefore water demand has increased.

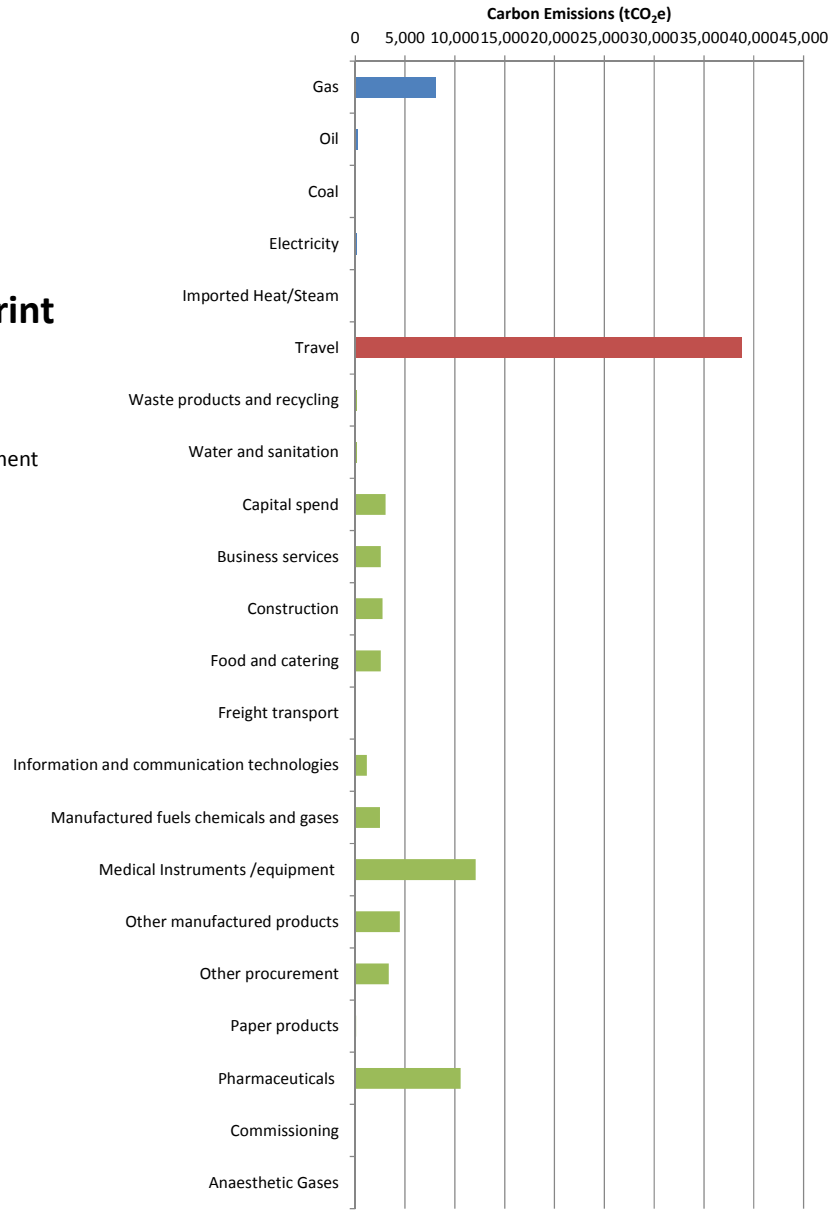
Modelled Carbon Footprint

The information provided in the previous sections of this sustainability report uses the ERIC returns as its data source. However, we are aware that this does not reflect our entire carbon footprint. Therefore, the following information uses a scaled model based on work performed by the NHS Sustainable Development Unit (SDU) in 2009/10.

Proportions of Carbon Footprint



Organisation Carbon Emissions Profile



Maidstone and Tunbridge Wells NHS
NHS Trust

Directors' Report 2013/14

PRIDE

The Trust Board

The role of the Trust Board is to determine strategy and policy for the Trust, to monitor in-year performance against its plans and ensure the Trust is well managed and governed. The Trust Board comprises a Chairman, appointed by the Secretary of State, five other Non-Executive Directors, and seven Executive Directors (only five of whom have voting rights), led by the Chief Executive. The Non-Executive Directors bring a range of skills and expertise from outside the NHS. Their role is to hold Executive Directors to account. The Trust Board meets every 2 months, in public. The times and venues are advertised in the hospital and on the Trust's internet site (www.mtw.nhs.uk).

The Trust Board formally operates in accordance with its own Terms of Reference; the Trust's Standing Orders; Scheme of Matters Reserved for the Board and Scheme of Delegation; and Standing Financial Instructions.

Trust Board Members

In April 2014, the Trust Board had the following members:

Anthony Jones
Chairman*
Joined the Trust Board in March 2008, and was appointed Chairman in January 2009

Glenn Douglas
Chief Executive*
Became Chief Executive in October 2007

Sylvia Denton CBE
Non-Executive Director*
Joined the Board in March 2008

Sarah Dunnett OBE
Non-Executive Director*
Joined the Board in January 2014

Kevin Tallett
Non-Executive Director*
Joined the Board in June 2008

Steve Tinton
Non-Executive Director*
Joined the Board in April 2013

Paul Bentley
Director of Workforce and Communications
Joined the Board in February 2011

Avey Bhatia
Chief Nurse*
Joined the Board in July 2013

* denotes Board members with voting rights

Jayne Black
Director of Strategy & Transformation
Joined the Board in September 2013

Angela Gallagher
Chief Operating Officer*
Joined the Board in October 2011

Sara Mumford
Director of Infection Prevention and Control
Joined the Board in November 2007

Steve Orpin
Director of Finance*
Joined the Board in April 2014

Paul Sigston
Medical Director*
Joined the Board in March 2010

Stephen Smith
Associate Non-Executive Director
Joined the Board in April 2012

The following persons also served on the Trust Board during 2013/14:

- Terry Coode, Director of Corporate Affairs (joined the Board in 2006 (as Director of Human Resources). Became Director of Corporate Affairs in February 2011)
- Beverley Evans, Non-Executive Director* (joined the Board in April 2012, and left on 3rd April 2013)
- John Headley, Director of Finance* (joined the Board in May 2012, and left in October 2013)
- John Kennedy, acting Director of Nursing* (joined the Board in September 2012, in an 'acting' capacity, and left in July 2013)
- Ian Miller, Director of Finance* (joined the Board in November 2013, as an interim, and left in April 2014)
- Jenny Whittle, Non-Executive Director* (joined the Board in May 2013, and left in May 2013)
- Phil Wynn-Owen, Non-Executive Director* (joined the Board in March 2008 & left in December 2013)

* denotes Board members with voting rights

Statement as to disclosure to auditors

Each Director can confirm that as far as they are aware there is no relevant audit information of which the Trust's auditors are unaware; and that they have taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information, and to establish that the Trust's auditors are aware of that information.

Attendance at Board meetings

There were 6 Board meetings in 2013/14. Board members' attendance at each meeting is shown below:

Board member (see above for the time served on the Board during 2013/14)	May 2013	July 2013	September 2013	November 2013	January 2014	March 2014
Anthony Jones, Chairman	✓	✓	✓	✓	✓	✓
Glenn Douglas, Chief Executive	✓	✓	✓	✓	✓	✓
Avey Bhatia, Chief Nurse	N/A	✓	✓	✓	✓	✓
Angela Gallagher, Chief Operating Officer	✓	✓	✓	✓	✓	✓
John Headley, Director of Finance	✓	✓	✓	N/A	N/A	N/A
John Kennedy, Director of Nursing	✓	N/A	N/A	N/A	N/A	N/A
Ian Miller, Director of Finance	N/A	N/A	N/A	✓	✓	✓
Paul Sigston, Medical Director	✓	✓	✓	✓	✓	✓
Sylvia Denton, Non-Executive Director	✓	✓	✓	✓	Apologies	✓
Sarah Dunnett, Non-Executive Director	N/A	N/A	N/A	N/A	✓	✓
Beverly Evans, Non-Executive Director	N/A	N/A	N/A	N/A	N/A	N/A
Kevin Tallett, Non-Executive Director	✓	✓	✓	✓	✓	✓
Steve Tinton, Non-Executive Director	✓	✓	✓	✓	Apologies	Apologies
Phil Wynn-Owen, Non-Executive Director	✓	✓	✓	✓	N/A	N/A
Jenny Whittle, Non-Executive Director	✓	N/A	N/A	N/A	N/A	N/A
Paul Bentley, Director of Workforce and Communications	✓	Apologies[3]	Apologies[1]	✓	✓	✓
Jayne Black, Director of Strategy & Transformation	N/A	N/A	N/A	✓	✓	Apologies
Terry Coode, Director of Corporate Affairs	✓	✓	✓	✓	✓	✓
Sara Mumford, Director of Infection Prevention & Control	✓	✓	✓	✓	✓	✓
Stephen Smith, Associate Non-Executive Director	Apologies	✓	✓	✓	✓	Apologies

Aerial view of Maidstone Hospital (left)

Aerial view of Tunbridge Wells Hospital (right)

[3] The Assistant Director of Human Resources attended in place of the Director of Strategy and Workforce

Directors' interests

The Trust Board, Audit and Governance Committee and Finance Committee ask for any conflicts of interests to be declared at each meeting. In addition, a Register of interests is maintained by the Trust Secretary. The notifiable interests of those who served on the Trust Board in 2013/14 were as follows:

Director (see above for the time served on the Board during 2013/14)	Details of notifiable interest
Anthony Jones, Chairman	▪ Vice Chair of the Midland heart Housing Association, which provides housing and general needs (www.midlandheart.org.uk / company number 05665384) ▪ Trustee of Groundwork Kent and Medway, an environmental charity (charity number 1050417) ▪ Justice of the Peace (JP) – Central Kent Branch
Glenn Douglas, Chief Executive	None (though Mr Douglas is a member of the Independent Reconfiguration Panel)
Avey Bhatia, Chief Nurse	None
Angela Gallagher, Chief Operating Officer	None
John Headley, Director of Finance	None recorded
John Kennedy, Director of Nursing	None recorded
Ian Miller, Director of Finance	None (though Mr Miller is a member of the PricewaterhouseCoopers LLP (PwC) Turnaround Panel. This was declared at the time the Trust went to tender to engage external support for the Trust to develop a recovery plan. This Panel membership is a list of suitably qualified recovery experts - it does not pay any remuneration of any kind and provides no obligation on panel members to promote PwC and no obligation on PwC to promote the members. Other firms and banks also retain such lists and I am also a member of some of those panels)
Paul Sigston, Medical Director	Partner in a private practice LLP (Tunbridge Wells Group of Anaesthetists), which performs clinical work for Private and NHS patients. One of 14 partners.
Sylvia Denton, Non-Executive Director	▪ Trustee (unremunerated) of the Brendoncare Foundation, a charity dedicated to improving the quality of life for older people (www.brendoncare.org.uk / charity number 326508 / company number 01791733). ▪ Trustee (unremunerated) of the PSP Association, a charity dedicated to the support of people with Progressive Supranuclear Palsy (PSP) and the related disease Cortico Basal Degeneration (CBD), and those who care for them (charity number 1037087)
Sarah Dunnett, Non-Executive Director	▪ Trustee of The Sevenoaks Almhouse Charity (charity number 226418) ▪ Governor of Sevenoaks School (www.sevenoaksschool.org / charity number 1101358). ▪ "Expert by Experience" inspector for the Care Quality Commission, of behalf of Age UK.
Beverly Evans, Non-Executive Director	Director of White House Consultancy & Accounting Services Ltd., which provides services to NHS organisations
Kevin Tallett, Non-Executive Director	Enterprise & Corporate Change Director at EDF Energy PLC, an energy provider (company number 02366852).
Steve Tinton, Non-Executive Director	▪ Lay Governor School of Orient and African Studies London University. ▪ Trustee of Educare Small School (www.educaresmallschool.org.uk) ▪ Member of the Independent Expert Oversight Advisory Committee of the World Health Organisation (effectively the audit committee of WHO), based in Geneva.
Phil Wynn-Owen, Non-Executive Director	None
Jenny Whittle, Non-Executive Director	None recorded (though when Ms Whittle was appointed, she was a member of Kent County Council, where she was the Cabinet Member for Specialist Children's Service)
Paul Bentley, Director of Workforce and Communications	▪ Mr Bentley's spouse is the Director and owner of Nishana Enterprises Ltd (company number 06671417), which contracts with a number of health organisations in the UK and overseas ▪ Non-Executive Director of NHS Innovations South-East Ltd (www.innovationssoutheast.nhs.uk / company number 05210174), which provides support to innovations in health. No equity is held in the company and Mr Bentley is the nominated Non-Executive Director from Maidstone and Tunbridge Wells NHS Trust.
Jayne Black, Director of Strategy & Transformation	None
Terry Coode, Director of Corporate Affairs	None
Sara Mumford, Director of Infection Prevention & Control	None
Stephen Smith, Associate Non-Executive Director	▪ Partner of KPMG LLP (company number OC301540) ▪ Trustee of Combat Stress, the Veterans' Mental Health Charity (charity number 206002)

Pension Liabilities, exit packages and severance payments

Details of how the Trust treats pension liabilities are outlined in the Principal Financial Statements, within Note 10.6. Details of Exit Packages agreed in 2013/14are outlined in the Principal Financial Statements, within Notes 10.4 & 10.5.

Board sub-committees

The Board has a number of sub-committees, to assist it in meetings its role and duties. Further details of these can be found in the 'Governance Statement' section, later in the Annual Report.

The Trust's Management Structure

The Trust is organised into a number of corporate and clinical Directorates. The Clinical Directorates are as follows:

- Acute and Emergency Medicine;
- Cancer and Haematology;
- Children's Services;
- Critical Care;
- Diagnostics, Therapies and Pharmacy;
- Speciality and Elderly Medicine;
- Surgery, General Surgery, Urology, Head & Neck and Gynae Oncology;
- Trauma and Orthopaedics; and
- Women's and Sexual Health

myMTW

Each clinical area has a designated Clinical Director, General Manager and Matron, whilst Assistant Directors of Operations also provide oversight. Corporate departments are each responsible to an Executive Director.

'Principles for Remedy'

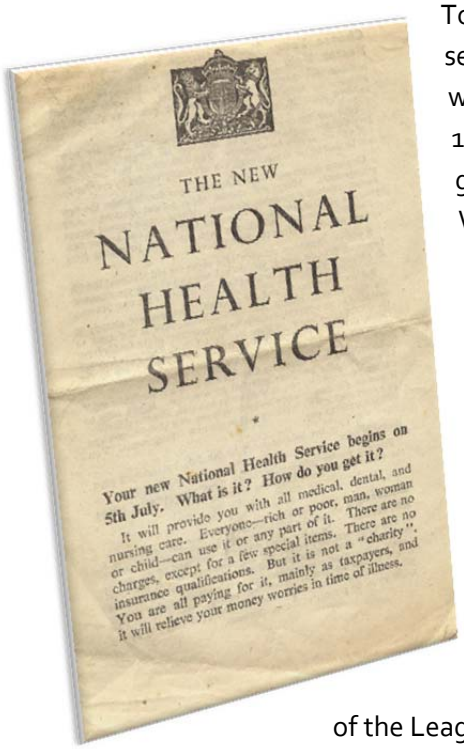
The Trust applies the 'Principles for Remedy' guidance issued by the Parliamentary and Health Service Ombudsman as part of its complaints handling policy and procedure. Under the Trust's policy, financial recompense is only considered when a complaint is upheld and the complainant has clearly suffered a financial loss as a result of a service failure or breach of a Trust policy. In such circumstances, the Trust will consider paying a sum that restores the person to the position they would have been in prior to the circumstances which necessitated the complaint. The amount of compensation is agreed by the Legal Department and the Associate Director of Operations for the relevant Directorate. During 2013/14, the Trust made 6 such payments, totalling £5,087. Financial redress was also offered in a further 3 cases, but had not been finalised at the time of this Annual Report. This process excludes any claims for clinical negligence, which are pursued under the Trust's Claims Management Policy.

Disclosure of "serious incidents requiring investigation" (formerly "serious untoward incidents") involving data loss or confidentiality breaches and policy on setting charges

The Trust had no notifiable information-related incident (according to Annex A of David Nicholson's letter to NHS Chief Executives and Finance Directors, 20/05/08, "Information Governance Assurance Programme") during the year.

The Trust has complied with Treasury's guidance on setting charges for information, as set out in Appendix 6.3 to Treasury's "Managing Public Money" guidance.

When I'm 65


THE NEW
NATIONAL HEALTH SERVICE

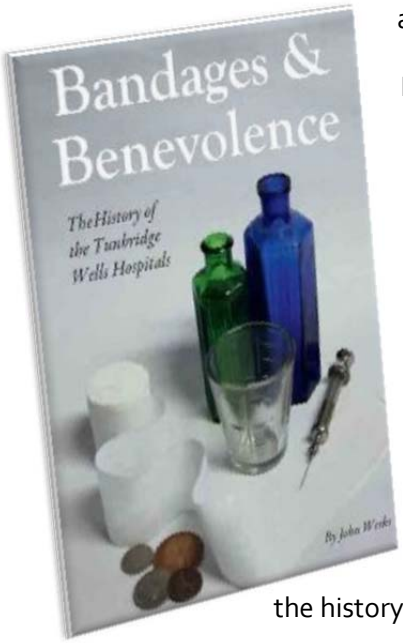
Your new National Health Service begins on 5th July. What is it? How do you get it?

It will provide you with all medical, dental, and nursing care. Everyone—rich or poor, man, woman or child—can use it or any part of it. There are no charges, except for a few special items. There are no insurance qualifications. But it is not a "charity". You are all paying for it, mainly as taxpayers, and it will relieve your money worries in time of illness.

To mark the 65th Anniversary of the NHS on 5th July 2013, the Trust held a series of events at Tunbridge Wells Hospital. The day started at 10.30am with guests being invited to the chapel on-site. The chapel was built in 1863 as a Victorian Workhouse housing 300 inmates and sat in the grounds of the old Pembury Hospital, and now, the new Tunbridge Wells Hospital.

After a welcome and speeches, The Marquess of Abergavenny unveiled an original stone tablet from the Kent & Sussex Hospital which his, and another family (the Camden family), gave to the hospital in 1948. It has now been laid in the ground in front of the chapel for staff and visitors to enjoy.

Shortly after, two monkey puzzle trees, donated by Bedgebury Pinetum, were planted in the same area by Lady De L'Isle, President of the League of Friends, and members of the Grasby family. Dr Grasby was the last Medical Officer of the Workhouse and Medical Superintendent during the war, and in 1935, his young daughter Janet helped plant a tree at Pembury Hospital to commemorate the Jubilee of King George V and Queen Mary – she returned today to help us, 78 years later, along with her brother, Richard (a copy of the original photo of her planting the tree as a child is available).



Following on, The Baroness Emerton laid a time capsule within the original foundation stone of the old hospital. The capsule contains various items, including copies of the Trust's staff and patient magazines, drawings done by local children and a copy of the Courier newspaper from the day the new hospital opened. The Baroness Emerton is a former Ward Sister at the Kent & Sussex Hospital and Chief Nursing Officer at Tunbridge Wells and Pembury. She is now a Peer and speaks in the House of Lords on nursing issues.

Lastly, was the official launch of a new book, 'Bandages & Benevolence', written by the Trust's Emergency Planning Manager, John Weeks, about the history of the Tunbridge Wells Hospitals.

Emergency preparedness

The Civil Contingencies Act 2004 designates the Trust as a Category 1 responder with the highest level of duties. Despite significant organisational changes in the NHS and continued new demands, the Trust's Major Incident Plan remained fully compliant with the requirements of the NHS Emergency Planning Guidance, and maintained a high level of preparedness for Major Incidents.

A number of such incidents occurred in the year, which put this preparedness to the test. In September 2013, there was a multi-vehicle Road Traffic Accident at the A249 Sheppey Crossing. There were considerable numbers of casualties and they were transferred to hospitals right across the County including Maidstone. Then, in December 2013, a North Sea Tidal Surge with the real potential to be as bad as the 1953 surge was forecast. An emergency was declared for Kent and the Trust was in communication with NHS England's Incident Command Centre throughout the emergency, preparing to support NHS organisations nearer the coast and support any staff affected. The Trust also worked closely with partner agencies during the unprecedented flooding over the winter period. The power failure that occurred in February 2014 further tested the Trust's business continuity plans.

After an incident occurs, debrief meetings are always held, to try and learn from the experience, and improve the Trust's future response. Such learning is then incorporated into future training exercises, for which the Trust has taken part in and organised a variety within the year:

- Exercise RAGDOLL was organised jointly between the Trust and Kent Police in May 2013. It centred on a child-abduction and tested all Directorates and the interface between the Trust and the Police.
- Exercise POLAR took place in September 2013, where all Directorates, Kent Community Healthcare NHS Trust and the CCG worked through scenarios around winter pressures and Surge Capacity Plans.
- Exercise PALEDIN took place in October 2013 at Reading. The exercise was organised by NHS England (South) where organisations across the South of England looked at a range of scenarios in particular how the new NHS organisational changes affect the way incidents are co-ordinated.
- Exercise ADVENT was a Communications Exercise that took place in December 2013.

The Trust has been working on improving its resilience, with all Directorates reviewing and testing their business continuity arrangements. The Trust continues to be a leader in the area of preparedness for Chemical, Biological, Radiological & Nuclear (CBRN) incidents. During the year we were consulted by NHS London and members of the national working group on aspects of our plans and training. The Trust also supported the development of a Kent-wide standard for CBRN preparedness across the county. A practical demonstration of procedures was held for the Courier Newspaper allowing a journalist to go through decontamination (see picture).

Improved Dementia care

November 2013 saw the opening of a new dementia café in Ward 20, at Tunbridge Wells Hospital. The café has been specially designed and is situated in the entrance to the ward. It has tables and chairs, and other comfortable seating for patients, where they can socialise and spend time in an area which feels a little less clinical. The café was paid for from South of England Dementia Challenge Fund money, which is provided by the government for the improvement of wards and hospital environments. Sister Eileen Allison, Ward Manager for Ward 20, said: "It's a huge improvement and we hope it will give them somewhere nice to sit and chat, away from the more clinical areas. Many of our patients enjoy, and benefit from, being able to socialise and take part in activities so this new area will be the ideal place for them to do exactly that.

The dayroom on Mercer ward at Maidstone Hospital has also benefited from new equipment in order to not only provide an area for patients to socialise and eat their meals but also to undertake activities to provide further cognitive stimulation and additional physiotherapy. The dementia activity co-ordinator working on Mercer ward has been partly funded through the money received and the role is currently being piloted, and proving hugely successful.

A dementia buddy scheme is being planned to commence in the future, in conjunction with ADSS, which will provide volunteers with specific training in dementia the ability to spend time with our patients to provide further stimulation whilst they are in hospital. Further work that has been undertaken includes a dementia leaflet for inpatients and their carers, providing information with regards to their stay in hospital as well as some useful links and resources within the community. Carer's association representatives are also available at both ends of the organisation to assist in providing support to unpaid carers of all patients as well as those with dementia. Further work is planned through the Dementia Strategy Group.

Extra, extra...

Visiting hours at Maidstone Hospital were extended during the year, to enable visitors to come and see patients from 8am until 8pm every day. Chief Nurse, Avey Bhatia, said: "I, along with the ward managers at Maidstone, have been keen to formally extend the visiting hours on our wards. The new hours give visitors much more flexibility to arrange to come and see a friend or loved one while enabling our patients to spend more time with friends and relatives - something we know can make a positive contribution to many people's recovery after an operation, injury or illness".

Taking health & safety seriously

The Trust values its employee's health and safety. Having a fit and healthy workforce is essential in delivering a safe and efficient service for our patients. The Trust monitors accidents to staff and members of the public. A key measure in such monitoring is the number of injuries (reportable to the Health & Safety Executive (HSE)) per 100,000 employees. This is benchmarked against other similar Trusts in the south east and against the HSE's national statistics for the previous year. In 2013/14 the Trust's rate was 232, which was significantly below both the average for other acute Trusts (321), and the health sector as a whole (419).

The causes of injury are also monitored and compared with previous years. An annual programme is then agreed and delivered, informed by this analysis. This allows best practice to be adopted and continuous improvement to be made, which is demonstrated via reductions in the Trust's accident rate (this rate has reduced each year for the last 4 years).

Nurse shortlisted for top award!

Student Nursing Times Awards 14

At the end of the year, Netsai Hubbard, a nurse on Ward 21 at Tunbridge Wells Hospital, was shortlisted for Mentor of the Year 2014 in the Student Nursing Times awards. Netsai was nominated by a student nurse. As a mentor, she helps student nurses learn new skills and provides practical support and assistance during their training.

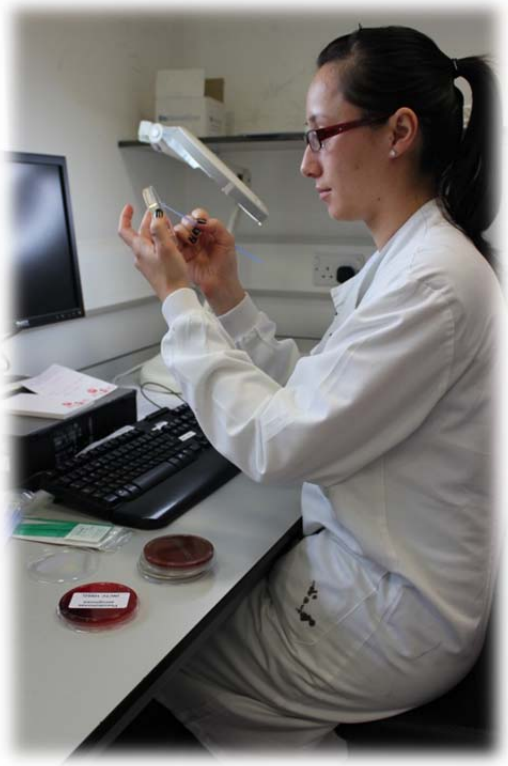
It was 20 years ago today...

In April 2013, Kent Oncology Centre celebrated its 20th anniversary. The purpose-built facility was one of the first Oncology Centres to be created for 25 years, and was built on the Maidstone Hospital site to meet the needs of patients from across Kent and parts of Sussex. The creation of the unit meant the smaller, 'old fashioned' departments at the old Pembury Hospital were merged to form the new Kent Oncology Centre. Equipment used within the centre was, and still is, state of the art - much of it not having been previously available in the UK.

When the Centre first opened, it had 3 linear accelerators (LINACs), which are used for Radiotherapy treatment, and 4 Consultants. Today, it has 9 LINACs and 22 Consultants and has a sister site, based at Canterbury Hospital. The Centre was one of the first in the country to have Macmillan Cancer Support working on-site. Now, there are 9 Macmillan specialist posts within the Centre, offering specialist advice, support and information to hundreds of our patients. They work alongside the 380 full time and part time members of staff who ensure Kent Oncology Centre continues to provide the best possible care for its patients.

Nick Jenkins, Head of Radiotherapy Physics says: "I have greatly enjoyed working in the Centre because the work is interesting and my colleagues are all keen and hardworking. In 1993, I was transferred to the new Mid-Kent Oncology Centre at Maidstone when the Radiotherapy Department in the old Pembury Hospital closed. Back then, I was a junior member of a small team of 6 scientists who worked across all areas of the centre. Now, there are more than 20 scientists and technologists working in the Radiotherapy Physics section, across both sites, and because of the increasing complexity of treatments and imaging modalities, many of them specialise rather than working in all areas. While many things have changed in the last 20 years from my perspective, 2 things have not - the first is the unseen need for scientific and technical staff to ensure the safe planning and delivery of radiotherapy, and to facilitate the introduction of new treatment techniques and equipment; the second is that Kent Oncology Centre remains a very enjoyable place to work.

Financial performance in 2013/14



The Income & Expenditure out-turn for the year was £12.4m deficit (3.3% of turnover) on an NHS breakeven duty basis equating to an International Reporting Financial Reporting Standards (IFRS) deficit of £30.9m.

Of the difference, £17.2m was in respect of impairment of Property, Plant and Equipment and £1.3m relating to the difference between the PFI 'on balance sheet' accounting and the off balance sheet equivalent.

The key drivers for the deficit were the increased costs associated with both permanent and temporary staff to meet the additional demand for Trust services, and the impact of reductions in the income the Trust received from its commissioners.

Some of the drivers of this deficit can be addressed in the short term by ensuring we deliver the most efficient and effective use of resources and reduction of waste. Plans are already in place to reduce the temporary workforce by increasing the recruitment and retention of clinical staff employed directly by the Trust. This is more cost effective and provides better quality and patient experience. Some of the drivers are more structural in nature and will require the Trust working with partner organisations and commissioners to deliver its longer term strategy.

The Trust needs to meet the continued requirement to become more efficient. In 2013/14 £23.5m of cost savings were delivered whilst treating a higher number of patients and improving patient care. To assist with managing the in-year cost pressures of financing the PFI hospital, the Trust continued to receive central financial support from the Department of Health and the local commissioners. This totalled £20.8m in 2013/14 and will reduce to £16.3m in 2014/15. Additional Public Dividend Capital (PDC) of £16m was granted by the Department of Health to support the Trusts working capital requirements and due to its financial position further working capital support will be needed in 2014/15.

Capital investments totalling £11.1m were made on medical equipment, IT and improvements to the estate which enhanced the patient experience and facilities.

Our Statutory duties

As an NHS Trust, Maidstone and Tunbridge Wells has a number of statutory duties in managing its finances. All of these duties are explained below.

Break-even duty

The statutory break even duty is formally measured over a three year period, or a five year period if agreed with the Department of Health. The requirement is to achieve break-even on an income and expenditure basis. In 2013/14, the Trust has delivered a NHS breakeven duty deficit of £12.4m. A formal recovery plan has been developed which aims to bring the Trust back into financial balance.

Capital Cost Absorption Duty

The Trust is required to achieve a rate of return on capital employed of 3.5% and has met that target, achieving a return of 3.5% for the year to March 2014.

External Finance Limit

The Trust is required to demonstrate that it has managed its cash resources effectively by staying below an agreed limit on the amount of cash drawn from the Department of Health. In 2013/14, the Trust met its target by managing the year end position to an under shoot against the EFL of £0.3m, actual closing cash balance £1.3m

Capital Resource Limit

The Trust is expected to manage its capital expenditure within its agreed Capital Resource Limit (CRL). For 2013/14, the CRL was set at £12.5m. The Trust invested £10.7m (net of donated grants) in the year and disposed of assets totalling £2.0m. This resulted in an under spend against the CRL of £3.9m.

Prudential Borrowing Loans

The Trust did not take out any additional loans in 2013/14 but was granted £16m of additional PDC to support its working capital requirements.

Better Payment Practice Code and Prompt Payments Code

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:

	2013/14	2013/14	2012/13	2012/13
	Number	**£'000**	Number	£'000
Total bills paid in the year	101,715	183,587	81,323	151,501
Total bills paid within target	45,717	103,166	47,788	106,670
% paid within target	45%	56%	59%	70%

The decline against this target in year was mainly driven by the deficit financial position and cash-flow issues' arising from funding that was received in the last quarter.

The Trust made three payments totalling £415.60 interest and one £80 compensation during the year under the 'Late Payment of Commercial Debt Act'.

Staff Sickness absence

The Trust has seen an improvement in the number of days lost to sickness.

	2013/14[4]	2012/13
Total days lost	42,116	42,305
Total staff years	4,990	4,940
Average working days lost	8%	9%

[4] N.B. The number of FTE-days available has been estimated by multiplying the average FTE for 2013 (from March 2014 Workforce publication) by 225. The number of FTE-days lost to sickness absence has been estimated by multiplying the estimated FTE-days available by the average sickness absence rate. The average number of sick days per FTE has been estimated by dividing the estimated number of FTE-days sick by the average FTE. There may be inconsistencies between these data and the statutory basis for accounts, in terms of the organisation against which staff are reported for a particular month. Sickness absence rate is calculated by dividing the sum total sickness absence days (including non-working days) by the sum total days available per month for each member of staff).

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 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.

External Auditors

The Trust external auditors are Grant Thornton; their charge for the year was £0.13m (2012/13 £0.13m) which includes the audit of the Quality Accounts. An addition £38k was paid to Grant Thornton in respect of a review of the Finance Function.

Looking forward to 2014/15

- The Trust has prepared and implemented a Recovery Plan which ensures that resources deliver the best value for money without adversely impacting on patient services and the quality of care. The Plan shows that 2014/15 and 2015/16 will remain challenging years financially with a deficit expected as implementation of change is carried out against a backdrop of reducing income and increasing demand.
- The drivers of the deficit in 2014/15 include a reduction in financial support for the PFI from £20m to £16m (£4m); the national deflator on tariffs of 1% - 1.5% (£3m - £4m); change in tariff for the specialist cancer network; continued levels of non-elective activity that impact upon the ability of the organisation to run efficiently and effectively, and generate a reduced level of income through application of national tariff guidance; and other inflationary factors such as pay awards.

- The Trust has developed a £22.4m efficiency programme in 2014/15 to save in excess of 6% of turnover. These cost savings schemes have been developed within Clinical Directorates and are subject to a Quality Impact Assessment process. In addition, the delivery of the Trust's financial plan is dependent on a continued focus on operational cost control across the organisation. This includes ensuring the Trust's procurement processes optimise available value as much as possible.
- Capital investment to improve buildings, medical equipment and IT infrastructure are planned for 2014/15 totalling £14.3m. This will be funded via internally generated deprecation and disposal of assets.
- The outlook past 2014/15 sees the Trust continue to deliver on the long-term aims of improving quality, reducing cost and maintaining or increasing income.

Reporting relating to the review of tax arrangements of public sector appointees

As part of the Review of Tax arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23rd May 2012, the Trust, in common with all public bodies, is required to publish information in relation to the number of off-payroll arrangements meeting three specific criteria set by the Treasury.

1. All off-payroll engagements as of 31st March 2014, for more than £220 per day and lasting for longer than 6 months
   - The Trust identified 21 arrangements of which;
   - 7 arrangements are new or have reached 6 months duration in year;
   - 14 have existed for between one and two years at the date of reporting (this reporting requirement has been in place since 2012, therefore the Trust has not recorded arrangements existing in earlier periods)

2. New off-payroll engagements, or those that have reached six months in duration, between 1st April 2013 and 31st March 2014, for more than £220 per day lasting longer than 6 months
   - The Trust identified 7 new arrangements, or those that reached 6 months in duration, in the reporting period
   - Of these arrangements, 7 include contractual clauses giving the Trust the right to request assurance in relation to income tax and national insurance obligations
   - Assurance has been requested and received from 2 of these new arrangements
   - Assurance is due to be requested from the remaining 5 new arrangements arising this year

3. Off payroll engagements of board members and / or senior officials with significant financial responsibility, between 1st April 2013 and 31st March 2014
   - The Trust identified 1 off payroll arrangement of a Board member and / or senior official with significant financial responsibility
   - The details of the exceptional circumstances that led to this arrangement were the resignation of the Trust's substantive Director of Finance in year, and the need to appoint an interim Director of Finance
   - The arrangement had been in place for 5 months at the balance sheet date
   - The Trust has received assurance that while the amount paid was off the Trust payroll the full amount paid was paid to the interim Director of Finance via the payroll of his employer
   - At 31st March there are 5 posts, on-payroll and off-payroll, that meet the criteria of Board member or senior official with significant financial responsibility

Maidstone and Tunbridge Wells NHS
NHS Trust

Remuneration Report 2013/14

PRIDE

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 Board has established a Remuneration Committee to advise and assist it 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 Board Chairman and all Non-Executive Directors (further details are provided earlier in the Annual Report). 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, as set by the NHS Trust Development Authority (TDA). Remuneration for the Chairman is also set by the TDA. 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 the TDA and HM Treasury as appropriate.

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.

Salaries and allowances for year ending 31st March 2014 (audited)

Comparatives for year ending 31st March 2013 in ( ) below current year

Name and title (Dates of service full year unless otherwise disclosed)	Note	(a) Salary (bands of £5,000) £000	(b) Taxable expense payments, other benefits in kind to nearest £100 £00	(c) Performance pay and bonuses (bands of £5,000) £000	(d) Other remuneration (for other offices held alongside senior officer role) £000	(e) All pension-related benefits (bands of £2,500) £000	(f) TOTAL (columns a - e) (bands of £5.000) £000	(g) Payments or compensation for loss of office (see notes 10.4 and 10.5 of full accounts) £000
Anthony Jones, Chairman		40 – 45 (40 – 45)	0 (0)	0 (0)	N/A	N/A	40 – 45 (40 – 45)	
Kevin Tallett, Non-Executive Director		5 -10 (5 – 10)	0 (0)	0 (0)	N/A	N/A	5 -10 (5 – 10)	
Sylvia Denton, Non-Executive Director		5 - 10 (5 – 10)	0 (0)	0 (0)	N/A	N/A	5 - 10 (5 – 10)	
Sarah Dunnett, Non-Executive Director (from 01.01.14)		0 – 5 (N/A)	0 (N/A)	0 (N/A)	N/A	N/A	0 – 5 (N/A)	
Steve Tinton, Non-Executive Director		5 – 10 (N/A)	0 (N/A)	0 (N/A)	N/A	N/A	5 – 10 (N/A)	
Beverly Evans, Non-Executive Director (to 03.04.13)		0 – 5 (5 – 10)	0 (0)	0 (0)	N/A	N/A	0 – 5 (5 – 10)	
Philip Wynn-Owen, Non-Executive Director (to 31.12.13)		Waived						
Stephen Smith, Associate Non-Executive Director (from 30.05.13)		Waived						
Glenn Douglas, Chief Executive		200 – 205 (200 – 205)	70 (71)	0 (10 – 15)	N/A	27.5 – 30.00 (0)	235 – 240 (215 – 220)	
Angela Gallagher, Chief Operating Officer		115 -120 (100 -105)	0 (34)	0 (0)	N/A	175 – 177.5 (65 – 67.5)	290 - 295 (170 – 175)	
Paul Sigston, Medical Director	(3)	150 – 155 (85 -90)	0 (0)	0 (0)	50 - 55 (105 - 110)	47.5 – 50 (0)	250 - 255 (195 – 200)	
John Headley, Director of Finance (to 27.10.13)		85 – 90 (130 -135)	35 (49)	0 (0)	N/A	0 – 2.5 (67.5 – 70)	90 – 95 (205 – 210)	
Ian Miller, interim Director of Finance (from 01.11.13)	(1)	180 – 185 (N/A)	0 (N/A)	0 (N/A)	N/A	N/A	180 – 185 (N/A)	
Terry Coode, Director of Corporate Affairs		90 -95 (90 – 95)	0 (0)	0 (0)	N/A	10 – 12.5 (5 – 7.5)	105 - 110 (95 – 100)	79
Pau Bentley, Director of Workforce and Communications		130 – 135 (130 – 135)	0 (0)	0 (0)	N/A	7.5 – 10 (12.5 – 15)	135 – 140 (145 – 150)	
Sara Mumford, Director of Infection Prevention and Control	(2)(3)	15 – 20 (15 – 20)	0 (0)	0 (0)	115 - 120 (100 - 105)	0 (122.5 – 125)	130 - 135 (240 – 245)	
Avey Bhatia, Chief Nurse (from 01.7.13)		80 – 85 (N/A)	0 (N/A)	0 (N/A)	N/A	102.5 – 105 (N/A)	185 – 190 (N/A)	
Jayne Black, Director of Strategy & Transformation (from 19.09.13)		50 – 55 (N/A)	8 (N/A)	0 (N/A)	N/A	125 – 127.5 (N/A)	175 -180 (N/A)	
John Kennedy, acting Director of Nursing (to 30.06.13)		20 – 25 (45 – 50)	0 (0)	0 (0)	N/A	0 (45 – 47.5)	20 - 25 (90 – 95)	

Notes:

- None of the Trust senior officers received any 'Long term performance pay and bonuses' for the financial years 2013/14 or 2012/13, this column has been omitted from the above table
- £ hundreds are used for column (b), all other columns are in £ thousands
- Column (e) Pension related benefits represents an estimation of the increase in pension benefits accrued in year, adjusted for inflation, multiplied by a representative 20 years and reduced by employees' pension contribution, as required by the 2013/14 NHS Manual for Accounts, for all officers except for Mr Douglas; Column (e) value for Mr Douglas represents the Trust contribution to a personal stakeholder pension.
- Specific Notes
  - (1) For comparative purposes this is the equivalent salary payment net of VAT and employer national Insurance; payments totalling £209,300 (plus VAT) were made for the secondment of Mr I Miller, as Interim Director of Finance, to a company he controls - Maxentius & Co.
  - (2) Column (e) - There is no increase in pension related benefits for 2013/14 due to the move of benefits from the 1995 Section to the 2008 Section of the NHS Pension Scheme
  - (3) Mr P Sigston and Dr S Mumford hold clinical roles in the Trust alongside their responsibilities as Senior Officers disclosed in column (d)

Table of pension benefits for year ending 31st March 2014 (audited)

Name and title	(a) Real increase in pension at age 60 (bands of £2,500) £000	(b) Real increase in pension lump sum at aged 60 (bands of £2,500) £000	(c) Total accrued pension at age 60 at 31 March 2014 (bands of £5,000) £000	(d) Lump sum at age 60 related to accrued pension at 31 March 2014 (bands of £5,000) £000	(e) Cash Equivalent Transfer Value at 1 April 2013 £000	(f) Cash Equivalent Transfer Value at 31 March 2014 £000	(g) Real increase in Cash Equivalent Transfer Value £000	(h) Employer's contribution to stakeholder pension £000
Glenn Douglas Chief Executive (Note 3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	29
Angela Gallagher, Chief Operating Officer	7.5 - 10	25 - 27.5	40 - 45	130 - 135	616	998	369	0
Paul Sigston, Medical Director	2.5 - 5	7.5 -10	40 - 45	125 - 130	660	746	71	0
John Headley, Director of Finance (to 27.10.13) (Note 1)	0 – 2.5	0	10 -15	0	128	139	8	0
Ian Miller, interim Director of Finance (from 01.11.13)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Terry Coode, Director of Corporate Affairs	0 – 2.5	2.5 - 5	10 - 15	35 - 40	238	273	30	0
Pau Bentley, Director of Workforce and Communications	0 – 2.5	2.5 - 5	45 - 50	135 - 140	715	771	40	0
Sara Mumford, Director of Infection Prevention and Control (Note 2)	0	70 – 72.5	35 – 40	70 - 75	497	511	4	0
Avey Bhatia, Chief Nurse (from 01.7.13)	12.5 - 15	42.5 - 45	30 - 35	90 - 95	237	479	237	0
Jayne Black, Director of Strategy & Transformation (from 19.09.13)	5 - 7.5	15 – 17.5	30 - 35	90 - 95	449	578	119	0
John Kennedy, acting Director of Nursing (to 30.06.13)	0 – 2.5	0 – 2.5	30 - 35	95 – 100	548	577	17	0

Notes

- As Non-Executive Directors do not receive pensionable remuneration, there will be no entries in respect of pensions for Non- Executive Directors
- Cash Equivalent Transfer Values (CETV) - 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. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 2008.
- 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 scheme or arrangement) and uses common market valuation factors for the start and end of the period.
- Note 1 - Please note Lump Sum =£0 as member is in the 2008 Section of the NHS Pension Scheme
- Note 2 - Please note that the member has opted to move their benefits from the 1995 Section to the 2008 Section of the NHS Pension Scheme and that the Lump Sum is the mandatory amount that must be taken.
- Note 3 – Mr Douglas ceased payments into the NHS Pensions scheme in 2012/13; In 2013/14 the Trust made a contribution to a personal stakeholder pension as disclosed above in column (h)

Pay multiples (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid Director in Maidstone and Tunbridge Wells NHS Trust in the financial year 2013/14 was £200k to £205k (2012/13 £210k to £215k). This was 7.3 times (2012/13, 7.6 times) the median remuneration of the workforce, which was £27.9k (2012/13, £27.6k). In 2013/14, one employee received remuneration in excess of the highest paid Director (in 2012/13 there were no employees). Remuneration ranged from £6k to £208k (2012/13, £6k to £210k). Total remuneration includes salary, non-consolidated performance related pay and benefits in kind, but does not include severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The calculation of the median pay included in this analysis is based on the month 12 remuneration on an annualised basis (remuneration divided by whole time equivalent multiplied by 12). The ratio of median remuneration to the highest paid Director for 2013/14 has decreased marginally. The highest paid Director in the financial year 2013/14 was the Medical Director (in 2012/13 this was the Chief Executive).

Glenn Douglas,
Chief Executive, 28th May 2014

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

The Chief Executive of the NHS Trust Development Authority 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 Chief Executive of the NHS Trust Development Authority. 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.

Glenn Douglas, Chief Executive,

28th May 2014

Governance Statement for 2013/14

1. Scope of responsibility

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

This statement describes the governance framework that has been in place for the period 1st April 2013 to 31st March 2014.

2. The governance framework of the organisation

The Trust Board meets in public every 2 months, and its agenda is focused around the key aspects of Quality; Performance; Strategy and Planning; and Assurance. A programme of agenda items is actively managed throughout the year to ensure the Board receives the information, and considers the matters it requires to perform its duties efficiently and effectively. A key tenet of the information the Board receives at each meeting in public is a comprehensive performance report, which contains up to date details of performance across a range of indicators, including the national priorities set for 2013/14. In the intervening months, 'Board Forum' meetings are held, focusing on Board development and strategy formulation.

The Board operates with the following sub-committees:

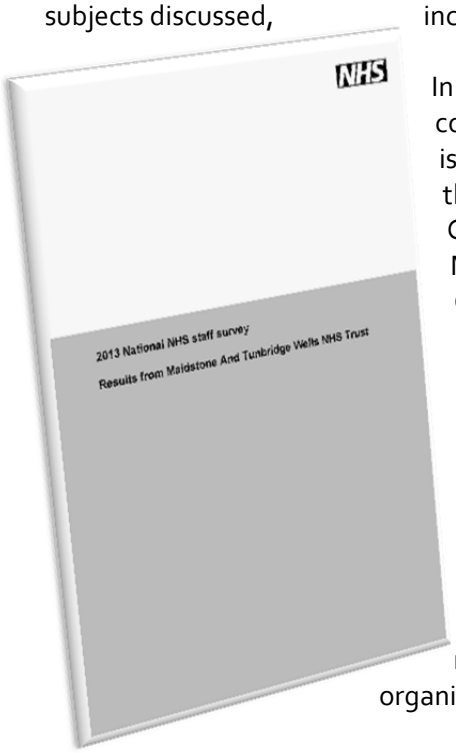
- The Quality & Safety Committee (which provides assurance to the Trust Board that risks to achieving excellence in clinical and organisational operation are being effectively understood, managed and mitigated). The Committee is chaired by a Non-Executive Director.
- The Patient Experience Committee (which presents the patient and public perception of services, via engagement with a range of external stakeholders). The Committee is chaired by a Non-Executive Director.
- The Audit and Governance Committee (which provides assurance to the Board in relation to the effectiveness of controls to minimise or mitigate the principal risks to the Trust; and its regulatory compliance obligations). The Committee is chaired by a Non-Executive Director, and all other Non-Executive Directors (apart from the Chairman of the Trust Board) are members.

- The Finance Committee (which seeks assurance on the effectiveness of financial management, treasury management, investment and capital expenditure and financial governance). The Committee is chaired by a Non-Executive Director.
- The Workforce Committee (which works to assure the Board that the Trust has the necessary strategies, policies and procedures in place to ensure a high performing and motivated workforce that is supporting business success). The Committee is chaired by a Non-Executive Director.
- The Trust Management Executive (This oversees and directs the effective operational management of the Trust including achievement of standards, targets and other obligations; and the identification, mitigation and escalation of assurance and risk issues as the Trust's designated integrated risk management committee). The Committee is chaired by the Chief Executive.

- The Foundation Trust Committee (which oversees the development of the Trust in order to submit a successful application to become a NHS Foundation Trust). The Committee is chaired by the Chairman of the Trust Board.
- The Remuneration & Terms of Service Committee (which sets appropriate remuneration and terms of service for the Chief Executive, other Executive Directors, and other senior employees). The Committee is chaired by the Chairman of the Trust Board.
- The Charitable Funds Committee (which aims to ensure that the Maidstone and Tunbridge Wells NHS Trust Charitable Fund is managed efficiently and effectively in accordance with the directions of the Charity Commission and the wishes of donors). The Committee is chaired by a Non-Executive Director.

Attendance records are maintained for the Trust Board and its main sub-committees. The attendance record for the Board is reported within the body of the Trust's Annual Report (see earlier).

The Board receives a summary report from each meeting of the aforementioned sub-committees in a timely manner, supplemented by a verbal report from each sub-committee chair, which highlights the main subjects discussed, including any matters requiring escalation to the Board.



In addition to the above sub-committees, there are a range of other committees, structures and processes in place to oversee and manage any issues relevant to particular aspects of risk and governance. In this respect, the Trust has, for example, an Infection Prevention and Control Committee, a Standards Committee, a Health and Safety Committee, a Medicines Management Committee, an Information Governance Committee, and a Clinical Governance Committee.

The Board assesses its own effectiveness via independent review, facilitated by a third party organisation. The latest such review was undertaken in the autumn of 2013, and was discussed in detail during a Board Forum meeting in December 2013. The discussion considered the findings from a survey of Board members, to understand the areas of strength and areas of further development; identify what actions to take to improve Board working; and identify areas for the Board's development programme. A number of actions were agreed at the meeting, and the Board will continue to engage with the third party organisation in 2014/15, as part of its continued development.

In November 2013, the Trust was successful in appointing to a new role of Trust Secretary, who supports the Trust Board in the discharge of its statutory functions and duties, and ensures that any issues regarding legal compliance, as well as best practice in corporate governance, are drawn to the Board's attention. To the best of my knowledge, the Board, and the wider organisation, has complied with its legal obligations during 2013/14, and is, in general, compliant with the principles within the HM Treasury / Cabinet Office code of good practice on Corporate Governance.

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 HIS governance arrangements are underpinned by formal agreements with all HIS customers. There are explicit risk-sharing arrangements, which share risks or liabilities in a transparent and equitable way, and provide fair protection to the Trust as the host. These include explicit arrangements in respect of any member requiring exit. Each customer organisation has an individual Service Level Agreement to reflect the range of services they wish to commission. There is a regular HIS Board meeting which is attended by a senior representative of each customer organisation which acts as a decision making forum. The CLRN is covered by a host agreement. There are regular review meetings, and regular CLRN Board meetings where all stakeholders attend.

In January 2014, the Trust Board approved the Full Business Case (FBC) for the reconfiguration of its Pathology Services, via the implementation of the Kent Pathology Partnership (KPP). The KPP is a contractual joint venture between the Trust and East Kent Hospitals University NHS Foundation Trust (EKHUFT), which aims to create an efficient and innovative diagnostic service. The Partnership will progress further within 2014/15, during which the Trust Board will be asked to approve the Collaboration Agreement.

3. Risk assessment

All risks are identified, analysed and controlled in accordance with the Trust's Risk Management Policy and Strategy. The Trust has a Board Assurance Framework (BAF), and a comprehensive Risk Register. The BAF records the principal risks to the Trust's strategic aims, assigns individual accountability to specific Executive Directors, and monitoring to specific Board Committees. When risks require action outside the remit of the responsible manager, the risk is escalated in line with agreed policy. Risks deemed appropriate to be either managed, or made known, to the Board, form the Board-level Risk Register. Executive Directors meet individually with the Trust's Risk Manager every two months, to review their Board Assurance Framework and Board-level Risk Register entries.

A number of new risks were identified in-year, but mitigated to an acceptable level. The risks recorded on the Board-level Risk Register at the end of the 2013/14 year that were rated as 'red' or 'amber' are described below. These risks will continue to be managed and monitored during 2014/15.

- "Quality of Health Records does not meet required standards". This relates to the fact that the Trust does not have contemporaneous complete healthcare records. This has been managed via the Medical Records Committee (under the leadership of the Medical Director). A policy and procedure has been published, and all doctors have received communication and training. In addition, as noted earlier in this Annual Report, the Trust's IT strategy, INSPIRE, aims to allow us to reduce the burden of paper on clinicians by transitioning away from paper to digital records.
- "Inability to provide a timely legal service". This risk relates to difficulties in ensuring that the Trust's legal department undertakes essential work within the timescales required by the Pre-Action Protocol for the Resolution of Clinical Disputes. The underlying issue related to staffing problems within the Legal Department, and these are being addressed.
- "Failure to ensure consistently safe, patient discharges which are promptly communicated to the patient's GP". This relates to difficulties in planning the discharge of patients leaving hospital, which could result in unsafe discharge. A number of committees have been reviewing the risk and the controls, including the "Improving Discharge Group", and revised condition-specific pathways for admission and discharge have been developed.
- "Whole Site infrastructure Maidstone". This relates to the fact that Condition Appraisals have rated elements of the engineering infrastructure at Maidstone Hospital as condition 'D' in accordance with NHS Estate Code. A large-scale re-development programme is underway to address this, which will continue into 2014/15 and beyond. Further details of this are provided earlier in the Annual Report.
- "Radiology RIS Migration and Deployment". The Trust, along with other Trusts in Kent and Medway, implemented a new Radiology Information System (RIS) within the year. The implementation identified a number of issues that the Trusts worked together to resolve. However, due to the complexity of the implementation, the 'go-live' date was significantly delayed, which had a major operational impact on the work of the Radiology department, and wider hospital services. The impact received significant

managerial attention, and by the year-end, the system was operating more efficiently than the previous one that had been in place.

- "Need to be assured that there is control over the budget for temporary staff employment" and "Need to strengthen the process for managing temporary medical staff". These two risks relate to the large expenditure on temporary staff for 2013/14 which was not forecast nor budgeted for. As a result, a Nursing and Midwifery recruitment and retention group was established, which implemented a series of controls to address the underlying issue.
- "Failure to achieve financial sustainability and a multi-year Cost Improvement Programme". This relates to the financial situation the Trust faced in the year, which is described in the 'significant issues' section below.
- "Inability to provide evidence of safe stroke care". This related to the Trust's underperformance against the main national performance indicators for 2 consecutive quarters in 2013/14. A Stroke Improvement Group has been established to address the key issues, and an action plan to address the key issues has been developed. This issue will be the subject of significant clinical and managerial attention within 2014/15.
- "Lack of an effective and efficient non-emergency transport service". This related to the unsatisfactory experience, following the transfer of the patient transport service to NSL Care Services in July 2013. The contract for patient transport services is held by West Kent Clinical Commissioning Group (CCG) on behalf of all Kent and Medway CCGs and provider organisations. The Trust is working closely with the CCG and its neighbouring Trusts to resolve the underlying issues, and is aware that a recovery plan has been agreed with NSL which should see their performance hit all contract Key Performance Indicators (KPIs) by June 2014.

The Trust had no notifiable Information Governance Serious Incidents Requiring Investigation (SIRI) in-year.

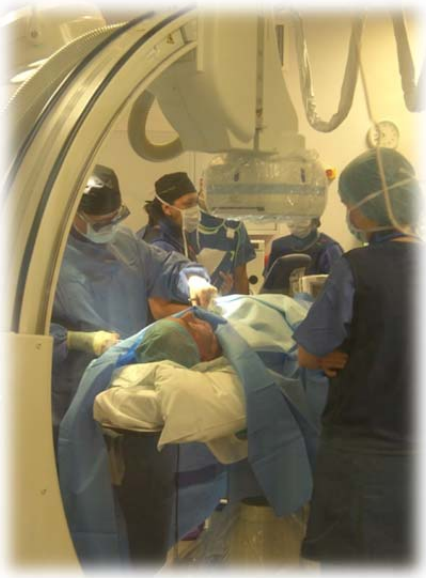
Regrettably, one 'Never Event' occurred at the Trust in 2013/14. In July 2013, a patient underwent a radical prostatectomy to treat their cancer. The specimen from the procedure revealed that there was no cancer present. A review of the patient's original biopsies was therefore carried out, and this revealed that the biopsy slides had been mislabelled with the details of another patient. The biopsies of the patient undergoing the prostatectomy were in fact benign, and therefore the patient was subjected to an unnecessary procedure. The biopsies of the other patient were malignant, and therefore their cancer treatment was delayed. Both patients were from Medway NHS Foundation Trust (MFT), for which the Trust provides a Histology service under a Service Level Agreement. The incident was discovered in August 2013. Both patients were seen in person later that month (at MFT), and advised of the incident and of the future treatment plans for each of them. The patient with the malignancy has subsequently received treatment, and although there was a delay in their diagnostic pathway, this has not resulted in a change in treatment intent or the treatment delivered. The Trust carried out a detailed investigation (Root Cause Analysis), and identified a number of lessons to prevent the incident recurring. An action plan was developed in response, and implementation of the actions has been actively monitored since.

The Trust welcomed the Care Quality Commission's (CQC) new 'Intelligent Monitoring' process, which was introduced in October 2013. The Trust was delighted to be allocated to Band 5 (of 6) of the Commission's new acute rating system, but the CQC identified 4 risks and 1 'elevated risk' in its report of the Trust. The CQC updated its bandings and Intelligent Monitoring reports in March 2014. The Trust was again allocated to Band 5, and this time, the report for the Trust identified 6 'risks', but no 'elevated risk'. The Trust recognises the issues covered by the risks listed under the Intelligent Monitoring process, and these have been subject to internal scrutiny. Some of the risks reflect past performance (such as compliance and data capture in

relation to the National Hip Fracture database) which has since improved, and the Trust therefore expects the next update from the CQC to recognise this.

4. The risk and control framework

In addition to the Trust's Risk Management Policy and Strategy, a full range of risk management policies and guidance is available to staff, via the Intranet. This includes the procedures for incident reporting, managing complaints, risk assessment, investigation of incidents, health and safety, and 'being open' to staff and patients. Additional advice on good practice can be obtained from a range of professional and specialist staff. The Trust has a Governance team whose remit includes clinical risk management; clinical governance (including clinical audit and effectiveness); complaints; PALS contacts; staff health and safety; claims handling; and the management of all clinical and non-clinical incident reporting. In addition, Directorates and sub-specialities have identified clinical governance and risk leads. There is a forum for clinical governance and risk management within each Directorate and the majority of clinical sub-specialties.



Trust staff are involved in risk management processes in a variety of ways, including being aware of their responsibility to report and act upon any incidents that occur; being involved in risk assessments; and attending regular training updates.

Reported incidents, including complaints, are managed via Directorate meetings. More significant incidents are discussed and monitored at a corporate level via the Serious Incident Panel, and for clusters of incidents, Risk Summits are held, to identify root causes, and identify remedial action.

Certain types of risk are addressed via the engagement of external expertise. For example, the risk of fraud is managed via the appointment of a Local Counter Fraud Specialist (LCFS). Similarly, the Trust obtains advice from an external Dangerous Goods Safety Advisor (DGSA).

In addition to the Auditor's report on the Trust's Annual Report and (Financial) Accounts, the Trust receives the Auditor's report on the Trust's Quality Accounts. This audit assesses whether the performance information reported in the Quality Accounts is reliable and accurate, and the audit of the 2012/13 Quality Accounts resulted in an unqualified limited assurance report in respect of the contents.

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

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of risk management and internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the BAF and on the controls reviewed as part of the internal audit work. The Head of Internal Audit Opinion for 2013/14 states that "Except for the Trust's ability to control its financial position within its planned budget, significant assurance, at the lower end of the scale, can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently". The reference to the variance against planned budget is explained in the 'significant issues' section below.

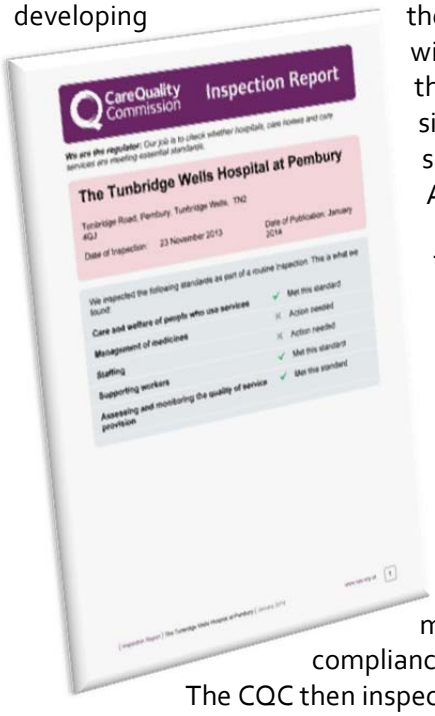
Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control also provide me with assurance, via regular meetings and submission of reports to the aforementioned committees. The BAF and Risk Register processes also provide me with evidence that the effectiveness of controls to manage the risks to the organisation have been reviewed, and scrutinised appropriately. Further evidence is provided by a range of sources including reports from internal audit (include counter fraud) and external audit, and reports from external agencies, following inspections and/or accreditation visits.

The Audit and Governance Committee approves the Internal Audit plan for the year and receives details of the findings from each of the Internal Audit reviews that are undertaken. Although a number of the Internal Audit reviews completed in 2013/14 resulted in a 'significant assurance' conclusion, a number also led to a conclusion of 'limited assurance'. These reviews have, or will be, considered at the Audit and Governance Committee, and actions to address the weaknesses identified in controls have been taken (or will be taken during 2014/15).

6. Significant issues

In addition to the risks referred to above, the following issues are considered significant, and warrant disclosure in this Statement.

The Trust ended 2013/14 with a significant financial deficit, of £12.4 million. The overspend occurred for different reasons, but mainly as a consequence of the Trust being paid less for treating patients using some of our biggest and busiest services, while increasing our own use of expensive agency doctors and nurses to meet demand. The scale of the problem only became apparent in the late summer of 2013, and its occurrence called into question the Trust's financial reporting processes and procedures. A significant review of such processes, and of the Trust's Finance Department, was therefore undertaken, and a number of lessons have been learned, particularly in relation to the need to ensure that the intricacies of the Trust's contracts with its commissioners need to be fully understood by the Trust's Clinical Directorates. Significant effort has therefore been made to ensure that such Directorates were fully engaged in the process of developing the Trust's financial plans for 2014/15. The Trust recognises that the deficit will be carried forward into 2014/15, and all staff will need to contribute to the efforts to ensure the Trust returns to financial balance. This will require significant focus, discipline, and innovative solutions, as well as the support of the Trust's commissioners and the NHS Trust Development Authority.


CareQuality Commission Inspection Report

The Tunbridge Wells Hospital at Pembury

The Care Quality Commission (CQC) carried out unannounced inspections at the Trust's two hospital sites during the year. In November 2013, the CQC inspected the out- of -hour service provided at Tunbridge Wells Hospital. The Commission concluded that 3of the 5 standards they inspected were being met ("Care and welfare of people who use services", "Supporting workers", and "Assessing and monitoring the quality of service provision"), but further action was required in order for 2 other standards ("Management of medicines" and "Staffing") to be deemed compliant. The Trust developed an action plan to address the concern identified, and progress is being made with the actions. It is anticipated that the Trust will achieve full compliance with these 2 standards within 2014/15.

The CQC then inspected Maidstone Hospital in February 2014, and identified further

concerns, regarding "Care and welfare of people who use services", "Staffing" and "Assessing and monitoring the quality of service provision". The Trust has also developed an action plan, to address the issues raised.

In April 2013, the Trust asked the Royal College of Surgeons to review the Trust's Upper Gastrointestinal Cancer Resection practice, following the Trust's concerns regarding surgical outcomes and clinical practice. The Trust has performed the operations for this service (Oesophagectomy and Gastrectomy) for the whole of Kent and Medway for a number of years. The Trust suspended Oesophagectomy operations for a short period in December 2012, and then again from July 2013, following a number of poor outcomes. The Trust received the final report of the Invited Review in December 2013. The review was critical of many processes that were operating within the surgical team, including the functioning of the Multi-Disciplinary Meetings (MDMs), where patient's treatments are decided. In response, and to ensure patient safety, the Trust suspended Gastrectomy operations, and asked Guy's and St Thomas' NHS Foundation Trust to provide care and treatment for the patients requiring this service. In addition, the Trust established a Clinical Advisory Group (CAG) to ensure the recommendations of the Invited Review report were responded to in a systematic and transparent manner. The membership of the CAG consists of representatives from all relevant external stakeholders, including local NHS provider Trusts, Specialist Commissioners and the NHS Trust Development Authority. The CAG has met at least monthly since January 2014, and the minutes of its meetings are submitted to the Trust Board. The CAG will continue to meet monthly in 2014.

On 15th February 2014, a power cut and generator failure occurred. Power was restored within 2 hours, but IT issues meant that both hospital sites were without support for the main clinical IT systems, or the bleep & telephone systems for approximately 7 hours. However, the Trust maintained services throughout using our business continuity plans, and no patients suffered harm as a result of the incident.

In November 2013, the Health and Safety Executive (HSE) wrote to the Trust, regarding its continuing investigation into a burn injury suffered by a patient, in September 2012. The injury related to the use of a resistive polymer warming blanket, and resulted in significant burns to the patient's hip. Subsequent correspondence from the HSE confirmed their intention to prosecute the Trust for breaches of the Health and Safety at Work etc. Act 1974. The Trust maintains that the injury was unforeseeable and that the root cause was a design fault with the equipment, though the Trust also recognises that its own systems and processes required improvement. The HSE investigation and intended prosecution is likely to be concluded within 2014/15, though the HSE has charged the Trust £86,000 for its investigation under "fees for intervention" (FFI), which will be repaid if the Trust wins the case.

Glenn Douglas,
Chief Executive, 28th May 2014

Care & Compassion

In January 2014, the Trust launched its new Quality Strategy for 2013-16 - the first of its kind for the Trust. The new document sets out what we will do to improve quality over the next 3 years and outlines what and how we will measure to demonstrate achievement. The Strategy's aims and objectives are aligned across the Care Quality Commission's 5 domains (Safety, Effectiveness, Caring, Responsiveness, and Well-led).

1. To ensure that quality drives the Trust's clinical strategy.
2. To ensure all staff within the organisation are aware of potential risks to quality & that they also take a pro-active part in improving it.
3. For the Board and Trust Management Executive to have and demonstrate the necessary leadership, skills and knowledge to ensure delivery of the quality agenda and promote a quality focussed culture throughout the Trust.
4. For all staff to have clear roles, responsibilities and accountabilities in relation to quality governance.
5. For the Trust to be able to demonstrate effective engagement of patients, staff and other key stakeholders on quality.
6. To have clear, well defined and understood processes for escalating and resolving issues and managing quality performance.
7. To ensure appropriate quality information is being analysed and challenged to drive improvement.
8. Regularly review and audit the robustness of information on quality.
9. To be transparent in all aspects of quality.

Alongside the strategy will sit the programme for quality improvement and how it will be measured for specific quality improvement goals.

However, the Trust also recognises that 2014/15 will be a very challenging year, in which progress will need to be made to address the underlying financial issues that led to the deficit in 2013/14. The Trust will adopt a phased approach to its plans in this regard, as follows:

- Ensuring the Trust is as efficient as possible within the current structure and commissioning intentions
- Ensuring there is clarity on the financial challenge and structural elements outside of the Trust's control
- Focusing on the wider options outside of the current structure and commissioning intentions

At the same time, the Trust will be developing and implementing a refreshed clinical strategy, via a Clinical Strategy Transformation Group, a small but committed group of Consultant medical staff. The Group will be reviewing the Trust's aims and values in relation to the future, with particular focus on Emergency care, Centres of excellence, integration and collaboration, and 7-day working. The work will form the basis of a strategy that will be agreed and implemented by the Trust Board, in 2014/15 and beyond.

Thank you all for your support

The Trust continues to be very grateful to all those who make charitable donations[5] that support the Trust's work. Several significant purchases of equipment were only possible during 2013/14 because of the kindness of such donors. One example is the brand new bladder scanner now in use at the A&E at Maidstone Hospital, which was paid for by the Maidstone Hospital League of Friends.

The new equipment cost £7000 and will allow staff to accurately assess (in a non-evasive way) if a patient needs to be catheterised.

The Trust also would like to recognise the support and commitment to all our Volunteers, who work on the hospital wards, in offices and other departments, and meet and greet patients and visitors on their arrival

The Trust also recognises the undocumented hours given by a whole range of others from our communities, including those who give their time as lay members of Trust committees, and as fundraisers.

[5] To the Maidstone and Tunbridge Wells NHS Trust Charitable Fund. Charity Number: 1055215

Independent auditor's report to the Directors of Maidstone and Tunbridge wells NHS Trust

We have audited the financial statements of Maidstone and Tunbridge Wells NHS Trust for the year ended 31 March 2014 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.

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

- the table of salaries and allowances of senior managers and related narrative notes
- the table of pension benefits of senior managers and related narrative notes
- the pay multiple disclosures.

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 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2014. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's directors and the Trust as a body, for our audit work, for this report, or for opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in respect of the accounts, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us 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, we read all the financial and non-financial information in the annual report, which comprises the Strategic Report, Directors' Report (excluding Looking forward to 2014/15) and Governance Statement for 2013/14, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our 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 2014 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 our opinion:

- the part of the Remuneration Report subject to audit 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 we report by exception

We report to you if:

- in our opinion the governance statement does not reflect compliance with the Trust Development Authority's Guidance
- we refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have 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
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

We 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 auditors

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our 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 2013, as to whether the Trust has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Basis for qualified conclusion

In seeking to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered the following matters in relation to financial resilience:

- In 2013/14 the Trust recorded a deficit of £12.4 million after delivering savings plans of £23.5 million
- The Trust has been unable to set a balanced budget for 2014/15
- The Trust's draft 2014/15 Financial Plan, which is subject to approval by the Trust Development Authority, forecasts a deficit of £14 million and includes a cost improvement plan of £22 million.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are 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 2014.

Delay in certification of completion of the audit

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

Andy Mack

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

Grant Thornton House, Melton Street, Euston Square, London NW1 2EP

29th May 2014

Primary Financial Statement and Notes for 2013/14

The Trust's Primary Financial Statements, and the accompanying notes, are contained in the pages that follow this page.

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

Statement of Comprehensive Income for year ended 31 March 2014

	NOTE	2013-14 £000s	2012-13 £000s
Gross employee benefits	10.1	**(227,421)**	(220,134)
Other operating costs	8	**(160,746)**	(131,761)
Revenue from patient care activities	5	**331,394**	326,254
Other Operating revenue	6	**44,320**	41,137
Operating surplus/(deficit)		**(12,453)**	15,496
Investment revenue	12	**29**	30
Other gains and (losses)	13	**1,322**	(98)
Finance costs	14	**(14,286)**	(13,982)
Surplus/(deficit) for the financial year		**(25,388)**	1,446
Public dividend capital dividends payable		**(5,558)**	(6,150)
Retained surplus/(deficit) for the year		**(30,946)**	(4,704)

Other Comprehensive Income

	2013-14 £000s	2012-13 £000s
Impairments and reversals taken to the Revaluation Reserve	**(4,961)**	0
Net gain/(loss) on revaluation of property, plant & equipment	**6,732**	0
Net gain/(loss) on revaluation of intangibles	**0**	0
Other gain /(loss)	**0**	0
Net Gain/(loss) on Asset Held for sale	**0**	(136)
Total Comprehensive Income for the year	**(29,175)**	(4,840)

Financial performance for the year

Retained surplus/(deficit) for the year	**(30,946)**	(4,704)
Prior period adjustment to correct errors and other performance adjustments	**0**	0
IFRIC 12 adjustment (including IFRIC 12 impairments)	**10,573**	2,041
Impairments (excluding IFRIC 12 impairments)	**7,942**	2,610
Adjustments in respect of donated gov't grant asset reserve elimination	**57**	182
Adjusted retained surplus/(deficit)	**(12,374)**	129

The IFRIC 12 adjustment relates to the difference in accounting for the PFI between IFRS and UK Gaap of £1.3m and impairments relating to the PFI of £9.3m. Impairments on non PFI assets are £7.9m. Adjustments in respect of donated and government grant assets relate to the difference between income received and depreciation of assets.

The notes on pages 5 to 45 form part of this account.

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

Statement of Financial Position as at 31 March 2014

	NOTE	31 March 2014 £000s	31 March 2013 * Restated £000s
Non-current assets:			
Property, plant and equipment	15	**390,278**	411,838
Intangible assets	16	**1,366**	2,179
Investment property	18	**0**	0
Other financial assets		**0**	0
Trade and other receivables	22.1	**1,075**	1,204 *
Total non-current assets		**392,719**	415,221
Current assets:			
Inventories	21	**7,009**	8,773
Trade and other receivables	22.1	**37,661**	33,957 *
Other financial assets	24	**0**	0
Other current assets	25	**0**	0
Cash and cash equivalents	26	**1,287**	2,792
Total current assets		**45,957**	45,522
Non-current assets held for sale	27	**0**	1,500
Total current assets		**45,957**	47,022
Total assets		**438,676**	462,243
Current liabilities			
Trade and other payables	28	**(31,734)**	(36,141)
Other liabilities	29	**0**	0
Provisions	35	**(1,996)**	(1,477)
Borrowings	30	**(4,772)**	(4,531)
Other financial liabilities	31	**0**	0
Working capital loan from Department	30	**0**	0
Capital loan from Department	30	**(2,174)**	(2,174)
Total current liabilities		**(40,676)**	(44,323)
Net current assets/(liabilities)		**5,281**	2,699
Non-current assets plus/less net current assets/liabilities		**398,000**	417,920
Non-current liabilities			
Trade and other payables	28	**0**	0
Other Liabilities	29	**0**	0
Provisions	35	**(1,798)**	(1,982)
Borrowings	30	**(212,810)**	(217,582)
Other financial liabilities	31	**0**	0
Working capital loan from Department	30	**0**	0
Capital loan from Department	30	**(18,850)**	(21,024)
Total non-current liabilities		**(233,458)**	(240,588)
Total Assets Employed:		**164,542**	177,332
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**198,453**	182,068
Retained earnings		**(97,010)**	(66,876)
Revaluation reserve		**63,099**	62,140
Other reserves		**0**	0
Total Taxpayers' Equity:		**164,542**	177,332

The notes on pages 5 to 45 form part of this account.

The financial statements on pages 1 to 4 were approved by the Board on 28th May 2014 and signed on its behalf by

Chief Executive: Date:

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2014

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**182,068**	**(66,876)**	**62,140**	**0**	**177,332**
Changes in taxpayers' equity for 2013-14					
Retained surplus/(deficit) for the year	0	(30,946)	**0**	**0**	**(30,946)**
Net gain / (loss) on revaluation of property, plant, equipment	0	**0**	6,732	**0**	**6,732**
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 available for sale financial assets	0	**0**	0	**0**	**0**
Impairments and reversals	0	**0**	(4,961)	**0**	**(4,961)**
Other gains/(loss) (provide details below)	0	**0**	**0**	0	**0**
Transfers between reserves	0	812	(812)	0	**0**
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	**0**	**0**	**0**
Transfers under Modified Absorption Accounting - Other Bodies	0	0	**0**	**0**	**0**
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	**0**
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption	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 established in year	0	0	0	0	**0**
New PDC Received - Cash	32,385	0	0	0	**32,385**
New PDC Received/(Repaid) - PCTs and SHAs Legacy items paid for by Department of Health	0	0	0	0	**0**
PDC Repaid In Year	(16,000)	0	0	0	**(16,000)**
PDC Written Off	0	0	0	0	**0**
Transferred to NHS Foundation Trust	0	0	0	0	**0**
Other Movements	0	0	0	0	**0**
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	**0**
Other Pensions Remeasurement	0	0	0	0	**0**
Net recognised revenue/(expense) for the year	**16,385**	**(30,134)**	**959**	**0**	**(12,790)**
Transfers between reserves in respect of modified absorption - PCTs & SHAs	0	0	0	0	**0**
Transfers between reserves in respect of modified absorption - Other Bodies	0	0	0	0	**0**
Balance at 31 March 2014	**198,453**	**(97,010)**	**63,099**	**0**	**164,542**
Balance at 1 April 2012	**181,568**	**(63,304)**	**63,408**	**0**	**181,672**
Changes in taxpayers' equity for the year ended 31 March 2013					
Retained surplus/(deficit) for the year	0	(4,704)	0	0	(4,704)
Net gain / (loss) on revaluation of property, plant, equipment	0	0	0	0	0
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	(136)	0	(136)
Impairments and reversals	0	0	0	0	0
Movements in other reserves	0	0	0	0	0
Transfers between reserves	0	1,132	(1,132)	0	0
Release of reserves to Statement of Comprehensive Income	0	0	0	0	0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between Revaluation Reserve & Retained Earnings Reserve in respect of assets transferred under absorption	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 established in year	0	0	0	0	0
New PDC Received	500	0	0	0	500
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	**500**	**(3,572)**	**(1,268)**	**0**	**(4,340)**
Balance at 31 March 2013	**182,068**	**(66,876)**	**62,140**	**0**	**177,332**

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2014

	2013-14 £000s	2012-13 £000s
Cash Flows from Operating Activities		
Operating Surplus/(Deficit)	**(12,453)**	15,496
Depreciation and Amortisation	**17,480**	19,118
Impairments and Reversals	**17,175**	2,610
Other Gains/(Losses) on foreign exchange	**0**	0
Donated Assets received credited to revenue but non-cash	**0**	0
Government Granted Assets received credited to revenue but non-cash	**0**	0
Interest Paid	**(14,279)**	(13,976)
Dividend (Paid)/Refunded	**(5,753)**	(6,250)
Release of PFI/deferred credit	**0**	0
(Increase)/Decrease in Inventories	**1,764**	46
(Increase)/Decrease in Trade and Other Receivables	**(9,635)**	(9,613)
(Increase)/Decrease in Other Current Assets	**0**	0
Increase/(Decrease) in Trade and Other Payables	**(628)**	12,317
Increase/(Decrease) in Other Current Liabilities	**0**	0
Provisions Utilised	**(292)**	(611)
Increase/(Decrease) in Provisions	**596**	(288)
Net Cash Inflow/(Outflow) from Operating Activities	**(6,025)**	18,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	**29**	30
(Payments) for Property, Plant and Equipment	**(14,671)**	(12,508)
(Payments) for Intangible Assets	**(135)**	(850)
(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)	**1,187**	459
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	**(13,590)**	(12,869)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	**(19,615)**	5,980
CASH FLOWS FROM FINANCING ACTIVITIES		
Public Dividend Capital Received	**32,385**	500
Public Dividend Capital Repaid	**(16,000)**	0
Loans received from DH - New Capital Investment Loans	**0**	0
Loans received from DH - New Revenue Support Loans	**0**	0
Other Loans Received	**0**	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal	**(2,174)**	(2,174)
Loans repaid to DH - Revenue Support Loans	**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	**(4,531)**	(3,871)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)	**8,430**	89
Net Cash Inflow/(Outflow) from Financing Activities	**18,110**	(5,456)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,505)**	524
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	**2,792**	2,268
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	**1,287**	2,792

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

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 2013-14 NHS 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 Movement of assets within the DH Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE/SOCNI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS20 and similarly give rise to income and expenditure entries.

For transfers of assets and liabilities from those NHS bodies that closed on 1 April 2013, Treasury has agreed that a modified absorption approach should be applied. For these transactions only, gains and losses are recognised in reserves rather than the SOCNE/SOCNI.

1.4 Charitable Funds

For 2013-14, the divergence from the FReM that NHS Charitable Funds are not consolidated with bodies' own returns is removed. Under the provisions of IAS 27 *Consolidated and Separate Financial Statements* , those Charitable Funds that fall under common control with NHS bodies are consolidated within the entities' returns. In accordance with IAS 1 *Presentation of Financial Statements* , restated prior period accounts are presented where the adoption of the new policy has a material impact. The Charitable Funds for this Trust are not material for 2013-14 and have not been consolidated, see also policy note 1.33.

1.5 Pooled Budgets

The Trust does not have any pooled budgets.

1.6 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.

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

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

1.6.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below 1.6.2) 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.

For 2013/14 the Trust has not identified any critical judgements that are required to be disclosed under IAS 1 paragraph 122. All of the material judgements within this financial year relate to estimations and are disclosed in the relevant notes.

The accounts have been prepared on a going concern basis, in accordance with the guidance in the NHS Manual for Accounts. This defines the interpretation for the public sector context as being the anticipated continuation of the provision of the service in the future.

1.6.2 Key sources of estimation uncertainty

Key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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 expectation of changes to past assumptions if the uncertainty remains unresolved.

1.7 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 agreement (NHS Contracts). Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of 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 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.

1.8 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, except for bonuses earned but not yet taken which, like leave earned but not yet taken is not accrued for at the year end, on the grounds of immateriality.

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 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.

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

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

1.9 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.

1.10 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 building 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 profile 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

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.

Financial year 2013/14 is year 4 in the 5 year cyclical valuation period. A full valuation was undertaken in September 2009 with an interim valuation in 2011/12. In keeping with the Trust policies and to ensure that the appropriate values are recorded at 31st March 2014, the Trust has commissioned professional valuers, Montagu Evans to carry out a desktop valuation of the Trust Land, Building and Dwelling assets. The results 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.

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

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

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 annually, 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. IT assets will also be subject to annual review (commencing 2013-14).

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

1.11 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 £5000.

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.

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

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

1.12 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.

Estimated useful lives for fixed assets are adopted as follows:	Years
Plant and Machinery	5 - 15
Furniture and Fittings	7 - 10
Information Technology	3 - 5
Vehicles	5 - 15

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

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

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

1.13 Donated assets

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

1.14 Government grants

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.

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

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

1.15 Non-current assets held for sale

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

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

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

1.16 Borrowing Costs

Borrowing costs are recognised as expenses as they are incurred.

1.17 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.

1.18 Private Finance Initiative (PFI) transactions

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

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

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

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 as items of property, plant and equipment in the Trust's Statement of Financial Position.

Maidstone & Tunbridge Wells NHS Trust - Annual Accounts 2013-14

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.

1.19 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.

1.20 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.

1.21 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 rates of -1.9% short term (1-5 years), -0.65% medium term (6-10 years) and +2.20% long term (over 10 years).1.80% real (2.35% 2012-13) is the rate used for employee early retirements and injury benefits.

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 arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.22 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.

1.23 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.

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

1.24 Carbon Reduction Commitment Scheme (CRC)

CRC and similar 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.

1.25 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.

1.26 Financial assets

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

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

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. The Trust has no financial assets held at fair value.

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. The Trust has no held to maturity investments.

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. The Trust has no financial assets available for sale.

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 trust has issued no loans, receivables are held at cost as this is believed to be not materially different to fair value for current asset, to the initial fair value of the financial asset.

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 through a provision for impairment of receivables.

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

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.

1.27 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. The Trust's liabilities are held at cost as this is not believed to be materially different to fair value in respect of current liabilities.

Financial guarantee contract liabilities

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

The premium received (or imputed) 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. The Trust has no financial guarantee contract liabilities.

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. The Trust does not have any financial liabilities at fair value.

Other financial liabilities

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

1.28 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.

1.29 Foreign currencies

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

1.30 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 44 to the accounts.

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

1.31 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, net assets transferred from NHS bodies dissolved on 1 April 2013 and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

1.32 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 Trust 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.

1.33 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 not co-terminus.

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

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1st April 2013, the Trust has established that as the Trust is the corporate trustee of the linked NHS charity - Maidstone and Tunbridge Wells NHS Charity (Charity registration 1055215), it effectively has the power to exercise control so as to obtain economic benefit. However the transactions are immaterial in the context of the group and transactions have not been consolidated. Details of the transactions with the charity are included in the related parties notes.

The Trust has no subsidiaries.

1.34 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 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. The Trust has no Associates.

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

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

1.35 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'.

1.36 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.

1.37 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 SOCNE/SOCI on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

1.38 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year:

IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 9 Financial Instruments - subject to consultation - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

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2. Pooled budget

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

3. Operating segments

Maidstone and Tunbridge Wells NHS Trust reports under a single segment of Healthcare. The Trust has considered the possibility of reporting two segments, relating to Healthcare and Non Healthcare Income, but this does not reflect the current Trust Board reporting practice which is reporting on both an aggregate Trust position and by directorate. Each of the significant directorates are deemed to have similar economic characteristics under the healthcare banner and can therefore be aggregated in accordance with the requirements of IFRS8. On this basis the potential requirement to report more than one segment is not applicable to the Trust at this time.

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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 - aggregate of all schemes	**2013-14 £000s**	2012-13 £000s
Income	**4,063**	3,589
Full cost	**2,961**	2,726
Surplus/(deficit)	**1,102**	863
Car Parking		
Income	1,963	1,607
Full cost	1,770	1,675
Surplus/(deficit)	193	-68
Catering		
Income	1,495	1,330
Full cost	880	748
Surplus/(deficit)	615	582

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

	2013-14 £000s	2012-13 £000s
NHS Trusts	**725**	1,038
NHS England	**74,633**	0
Clinical Commissioning Groups	**244,830**	0
Primary Care Trusts	**0**	316,791
Strategic Health Authorities	**0**	0
NHS Foundation Trusts	**161**	233
Department of Health	**0**	0
NHS Other (including Public Health England and Prop Co)	**0**	0
Non-NHS:		
Local Authorities	**1,676**	0
Private patients	**8,076**	7,015
Overseas patients (non-reciprocal)	**3**	0
Injury costs recovery	**1,196**	1,086
Other	**94**	91
Total Revenue from patient care activities	**331,394**	326,254

Injury cost recovery income is subject to a provision for impairment of receivables of 15.8% (12.6% 2012-13) to reflect expected rates of collection.

Included within Revenue from Clinical Commissioning Groups (CCG's) for 2013/14 is £20.8m of financial support (2012/13 £28.8m support from PCT's). This includes the following -

	2013-14 £000s	2012-13 £000s
Central Support for PFI scheme	**8,000**	8,000
NHS England support for PFI Scheme (formally PCT)	**12,810**	16,700
Other	**0**	4,100
	20,810	28,800

The 2014/15 plan includes an assumption of £16.3m support with £12m assumed for 2015/16.

6. Other operating revenue

	2013-14 £000s	2012-13 £000s
Recoveries in respect of employee benefits	**0**	0
Patient transport services	**0**	0
Education, training and research	**14,637**	13,864
Charitable and other contributions to revenue expenditure - NHS	**0**	0
Charitable and other contributions to revenue expenditure -non- NHS	**0**	0
Receipt of donations for capital acquisitions - NHS Charity	**403**	318
Receipt of Government grants for capital acquisitions	**0**	0
Non-patient care services to other bodies	**13,058**	11,001
Income generation	**3,847**	3,190
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**29**	23
Other revenue	**12,346**	12,741
Total Other Operating Revenue	**44,320**	41,137
Total operating revenue	**375,714**	367,391

Other revenue includes £10.4m (£9.7m 2012/13) additional income for Health Informatics Services hosted by the Trust.

7. Revenue

	2013-14 £000	2012-13 £000
From rendering of services	**375,714**	367,391
From sale of goods	**0**	0

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

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8. Operating expenses

	2013-14 £000s	2012-13 £000s * Restated
Services from other NHS Trusts	**2,416**	2,080
Services from CCGs/NHS England	**67**	0
Services from other NHS bodies	**137**	21
Services from NHS Foundation Trusts	**4,478**	3,383
Services from Primary Care Trusts	**0**	130
Total Services from NHS bodies**	**7,098**	5,614
Purchase of healthcare from non-NHS bodies	**3,434**	593
Trust Chair and Non-executive Directors	**70**	68
Supplies and services - clinical	**69,431**	61,025
Supplies and services - general	**5,437**	5,421
Consultancy services	**3,230**	1,310
Establishment	**4,080**	3,791
Transport	**2,395**	2,982
Premises	**19,028**	18,516
Hospitality	**0**	0
Insurance	**377**	305
Legal Fees	**280**	184
Impairments and Reversals of Receivables	**173**	212
Inventories write down	**0**	0
Depreciation	**16,833**	18,538
Amortisation	**647**	580
Impairments and reversals of property, plant and equipment	**16,757**	154
Impairments and reversals of intangible assets	**418**	0
Impairments and reversals of non current assets held for sale	**0**	2,456
Impairments and reversals of investment properties	**0**	0
Audit fees	**134**	132
Other auditor's remuneration - Review of Finance Department	**38**	0
Clinical negligence	**8,554**	7,496
Research and development (excluding staff costs)	**0**	0
Education and Training	**1,032**	973
Change in Discount Rate	**24**	0
Other	**1,276**	1,411
Total Operating expenses (excluding employee benefits)	**160,746**	131,761
Employee Benefits		
Employee benefits excluding Board members	**226,342**	219,335
Board members	**1,079**	799
Total Employee Benefits	**227,421**	220,134
Total Operating Expenses	**388,167**	351,895

* Restated to provide additional analysis to match 2013/14 requirements

** Services from NHS bodies does not include expenditure which falls into other categories

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9 Operating Leases

The four main operating leases are highlighted below:-

Danwood - Lease of photocopiers and printers under a managed service arrangement £720k (£522k 2012/13), This arrangement completes in December 2017

Ash Corporate Finance - lease of the laundry land, buildings and equipment £283k (£275k 2012/13). The lease is for 25 years and contains an opt out clause in December 2020.

Roche Diagnostic Ltd - lease of equipment to support the pathology and clinical chemistry managed service £253k (£250k 2012/13). This arrangement completes in June 2017 with an option to extend for a further 3 years.

Telewest - lease of telephony equipment £616k (£551k 2012/13). There are 2 years remaining

There are no purchase options or escalation clauses and there are no restriction imposed by the lease arrangements.

9.1 Trust as lessee

	Land £000s	**Buildings £000s**	**Other £000s**	**Total £000s**	2012-13 £000s
Payments recognised as an expense					
Minimum lease payments				**2,329**	2,077
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**2,329**	2,077
Payable:					
No later than one year	0	630	1,674	**2,304**	2,011
Between one and five years	0	1,720	1,851	**3,571**	4,538
After five years	0	564	0	**564**	710
Total	**0**	**2,914**	**3,525**	**6,439**	7,259
Total future sublease payments expected to be received:				0	0

9.2 Trust as lessor

	2013-14 £000	2012-13 £000s
Recognised as revenue		
Rental revenue	29	23
Contingent rents	0	0
Total	**29**	23
Receivable:		
No later than one year	23	23
Between one and five years	92	92
After five years	207	229
Total	**322**	344

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10 Employee benefits and staff numbers

10.1 Employee benefits

	2013-14 Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	**193,413**	169,580	23,833
Social security costs	**14,075**	13,614	461
Employer Contributions to NHS BSA - Pensions Division	**20,883**	20,583	300
Other pension costs	**2**	2	0
Termination benefits	**326**	326	0
Total employee benefits	**228,699**	**204,105**	**24,594**
Employee costs capitalised	**1,278**	555	723
Gross Employee Benefits excluding capitalised costs	**227,421**	**203,550**	**23,871**

Employee Benefits - Gross Expenditure 2012-13	**Total £000s**	**Permanently employed £000s**	**Other £000s**
Salaries and wages	187,588	164,675	22,913
Social security costs	13,977	13,275	702
Employer Contributions to NHS BSA - Pensions Division	19,180	18,751	429
Other pension costs	0	0	0
Termination benefits	381	381	0
TOTAL - including capitalised costs	221,126	197,082	24,044
Employee costs capitalised	992	553	439
Gross Employee Benefits excluding capitalised costs	220,134	196,529	23,605

In 2012-13 there were rows for 'other post-employment benefits' and 'other employment benefits'. These are now included within the 'Salaries and Wages' row.

10.2 Staff Numbers

	2013-14 Total Number	Permanently employed Number	Other Number	2012-13 Total Number
Average Staff Numbers				
Medical and dental	**650.3**	615.4	34.9	629
Ambulance staff	**0.0**	0.0	0.0	0
Administration and estates	**1,175.3**	1,091.4	83.9	1,202
Healthcare assistants and other support staff	**1,322.1**	1,189.5	132.6	1,355
Nursing, midwifery and health visiting staff	**1,558.7**	1,412.1	146.6	1,546
Nursing, midwifery and health visiting learners	**18.2**	18.2	0.0	19
Scientific, therapeutic and technical staff	**662.4**	642.4	20.0	618
Social Care Staff	**0.0**	0.0	0.0	0
Other	**1.1**	1.1	0.0	0
TOTAL	**5,388.1**	**4,970.1**	**418.0**	5,369
Of the above - staff engaged on capital projects	**17.8**	8.3	9.5	20

10.3 Staff Sickness absence and ill health retirements

	2013-14 Number	2012-13 Number
Total Days Lost	42,116	42,305
Total Staff Years	4,990	4,940
Average working Days Lost	8	9

	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	**4**	4

	£000s	£000s
Total additional pensions liabilities accrued in the year	**51**	241

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10.4 Exit Packages agreed in 2013-14

	2013-14			2012-13		
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	0	1	1	0	6	6
£10,000-£25,000	2	0	2	0	12	12
£25,001-£50,000	0	0	0	0	3	3
£50,001-£100,000	1	1	2	0	0	0
£100,001 - £150,000	1	0	1	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages by type (total cost	**4**	**2**	**6**	0	21	21
Total resource cost (£'s)	**237,470**	**88,188**	**325,658**	0	380,683	380,683

Redundancy and other departure costs have been paid in accordance with the provisions of the Trust. 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.

There are two departures accounted for this financial year which relate to a M.A.R.S. scheme.

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

Compulsory redundancies were transacted in accordance with NHS Terms and Conditions.

10.5 Exit packages - Other Departures analysis

	2013-14		2012-13	
	Agreements	**Total value of agreements**	**Agreements**	**Total value of agreements**
	Number	**£000s**	**Number**	**£000s**
Voluntary redundancies including early retirement contractual costs	0	0	0	0
Mutually agreed resignations (MARS) contractual costs	2	59	21	381
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	1	29	0	0
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval	0	0	0	0
Total	3	88	21	381

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

As a single exit packages can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in Note 10.4 which will be the number of individuals

No non-contractual payments were made to individuals where the payment value was more than 12 months' of their annual salary.

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

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10.6 Pension costs

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

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

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015

c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

The Trust participates in the National Employees Savings Trust (NEST) scheme as an alternative to those employees who are not eligible to join the NHS Pension scheme. This came into effect in July 2013 for this Trust as part of the auto enrolment requirements introduced by the Government. NEST is a defined contribution scheme with a phased employer contribution rate, currently 1%. Trust contributions under the NEST scheme for the 2013-14 financial year totalled £2k.

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11 Better Payment Practice Code

11.1 Measure of compliance

	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**98,706**	**164,115**	78,446	132,548
Total Non-NHS Trade Invoices Paid Within Target	**44,797**	**92,119**	46,433	94,447
Percentage of Non-NHS Trade Invoices Paid Within Target	**45.4%**	**56.1%**	59.2%	71.3%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**3,009**	**19,472**	2,877	18,953
Total NHS Trade Invoices Paid Within Target	**920**	**11,047**	1,355	12,223
Percentage of NHS Trade Invoices Paid Within Target	**30.6%**	**56.7%**	47.1%	64.5%

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

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

	2013-14 £000s	2012-13 £000s
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
Total	**0**	0

The Trust made three payments totalling £415.60 interest (£17.62 2012-13) and one £80.00 compensation (£70.00 2012-13) during the year under the 'Late Payment of Commercial Debt Act'.

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12 Investment Revenue

	2013-14 £000s	2012-13 £000s
Rental revenue		
PFI finance lease revenue (planned)	**0**	0
PFI finance lease revenue (contingent)	**0**	0
Other finance lease revenue	**0**	0
Subtotal	**0**	0
Interest revenue		
LIFT: equity dividends receivable	**0**	0
LIFT: loan interest receivable	**0**	0
Bank interest	**29**	30
Other loans and receivables	**0**	0
Impaired financial assets	**0**	0
Other financial assets	**0**	0
Subtotal	**29**	30
Total investment revenue	**29**	30

13 Other Gains and Losses

	2013-14 £000s	2012-13 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	**(55)**	(98)
Gain/(Loss) on disposal of assets other than by sale (intangibles)	**0**	0
Gain/(Loss) on disposal of Financial Assets other then held for sale	**0**	0
Gain (Loss) on disposal of assets held for sale	**1,377**	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	**1,322**	(98)

14 Finance Costs

	2013-14 £000s	2012-13 £000s
Interest		
Interest on loans and overdrafts	**718**	778
Interest on obligations under finance leases	**0**	0
Interest on obligations under PFI contracts:		
- main finance cost	**11,658**	11,876
- contingent finance cost	**1,903**	1,322
Interest on late payment of commercial debt (see note 11.2)	**0**	0
Total interest expense	**14,279**	13,976
Other finance costs	**0**	0
Provisions - unwinding of discount	**7**	6
Total	**14,286**	13,982

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15.1 Property, plant and equipment

2013-14	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	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	£000's
Cost or valuation:									
At 1 April 2013	**38,433**	**328,726**	**4,202**	**2,646**	**80,222**	**960**	**29,258**	**3,052**	**487,499**
Additions of Assets Under Construction	**0**	**0**	**0**	**1,576**	**0**	**0**	**0**	**0**	**1,576**
Additions Purchased	2,098	2,124	1,827	**0**	1,676	0	1,194	18	**8,937**
Additions Donated	0	0	0	0	0	0	0	0	**0**
Additions Government Granted	0	0	0	0	403	0	0	0	**403**
Additions Leased	0	0	0	**0**	0	0	0	0	**0**
Reclassifications	0	578	0	(2,527)	887	0	945	0	**(117)**
Reclassifications as Held for Sale and reversals	(121)	0	(390)	0	0	0	0	0	**(511)**
Disposals other than for sale	0	0	0	0	(2,865)	0	(16,279)	(376)	**(19,520)**
Upward revaluation/positive indexation	479	6,216	37	0	0	0	0	0	**6,732**
Impairments/negative indexation	0	(7,925)	(175)	0	0	0	0	0	**(8,100)**
Reversal of Impairments	0	3,139	0	0	0	0	0	0	**3,139**
At 31 March 2014	**40,889**	**332,858**	**5,501**	**1,695**	**80,323**	**960**	**15,118**	**2,694**	**480,038**
Depreciation									
At 1 April 2013	**0**	**6,331**	**162**	**0**	**47,679**	**730**	**19,820**	**939**	**75,661**
Reclassifications	0	0	0	**0**	40	0	(40)	0	**0**
Reclassifications as Held for Sale and reversals	0	0	(27)	**0**	0	0	0	0	**(27)**
Disposals other than for sale	0	0	0	**0**	(2,809)	0	(16,279)	(376)	**(19,464)**
Upward revaluation/positive indexation	0	0	0	**0**	0	0	0	0	**0**
Impairments	0	20,048	0	0	721	0	3,891	0	**24,660**
Reversal of Impairments	0	(7,903)	0	0	0	0	0	0	**(7,903)**
Charged During the Year	0	6,535	142	**0**	7,704	105	2,050	297	**16,833**
At 31 March 2014	**0**	**25,011**	**277**	**0**	**53,335**	**835**	**9,442**	**860**	**89,760**
Net Book Value at 31 March 2014	**40,889**	**307,847**	**5,224**	**1,695**	**26,988**	**125**	**5,676**	**1,834**	**390,278**
Asset financing:									
Owned - Purchased	40,889	104,771	5,224	1,695	25,648	125	5,650	1,833	**185,835**
Owned - Donated	0	76	0	0	1,169	0	26	1	**1,272**
Owned - Government Granted	0	0	0	0	171	0	0	0	**171**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SOFP PFI contracts	0	203,000	0	0	0	0	0	0	**203,000**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2014	**40,889**	**307,847**	**5,224**	**1,695**	**26,988**	**125**	**5,676**	**1,834**	**390,278**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	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	£000's
At 1 April 2013	29,317	29,489	2,251	0	774	13	0	6	**61,850**
Movements									
Upward revaluation as part of interim review	478	6,217	37	0	0	0	0	0	**6,732**
Net reserve impairment as part of interim review	0	(4,787)	(174)	0	0	0	0	0	**(4,961)**
Release to retained earnings reserve on asset disposal	(210)	0	(214)	0	(94)	0	0	(4)	**(522)**
At 31 March 2014	**29,585**	**30,919**	**1,900**	**0**	**680**	**13**	**0**	**2**	**63,099**

Additions to Assets Under Construction in 2013/14

	£000's
Land	0
Buildings excl Dwellings	37
Dwellings	0
Plant & Machinery	1,539
Balance as at YTD	**1,576**

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15.2 Property, plant and equipment prior-year

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:									
At 1 April 2012	38,544	324,393	5,138	3,826	77,364	964	26,354	2,858	479,441
Additions - Assets Under Construction	0	0	0	1,995	0	0	0	0	1,995
Additions - purchased	1,254	4,245	586	0	3,694	32	1,290	73	11,174
Additions - donated	0	0	0	0	318	0	0	0	318
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	600	0	(3,175)	362	9	1,614	121	(469)
Reclassifications as Held for Sale and reversals	(1,365)	(512)	(1,522)	0	0	0	0	0	(3,399)
Disposals other than by sale	0	0	0	0	(1,516)	(45)	0	0	(1,561)
Revaluation & indexation gains	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0	0	0	0
At 31 March 2013	**38,433**	**328,726**	**4,202**	**2,646**	**80,222**	**960**	**29,258**	**3,052**	**487,499**
Depreciation									
At 1 April 2012	0	0	0	0	41,228	647	15,776	646	58,297
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	(5)	(13)	0	0	0	0	0	(18)
Disposals other than for sale	0	0	0	0	(1,265)	(45)	0	0	(1,310)
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
Impairments	0	0	47	0	0	0	107	0	154
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged During the Year	0	6,336	128	0	7,716	128	3,937	293	18,538
At 31 March 2013	**0**	**6,331**	**162**	**0**	**47,679**	**730**	**19,820**	**939**	**75,661**
Net book value at 31 March 2013	**38,433**	**322,395**	**4,040**	**2,646**	**32,543**	**230**	**9,438**	**2,113**	**411,838**
Purchased	38,433	322,292	4,040	2,646	31,164	230	9,389	2,107	**410,301**
Donated	0	103	0	0	1,104	0	49	6	**1,262**
Government Granted	0	0	0	0	275	0	0	0	**275**
Total at 31 March 2013	**38,433**	**322,395**	**4,040**	**2,646**	**32,543**	**230**	**9,438**	**2,113**	**411,838**
Asset financing:									
Owned	38,433	106,549	4,040	2,646	32,543	230	9,438	2,113	195,992
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	215,846	0	0	0	0	0	0	215,846
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2013	**38,433**	**322,395**	**4,040**	**2,646**	**32,543**	**230**	**9,438**	**2,113**	**411,838**

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15.3 (cont). Property, plant and equipment

Within the financial year 2013/14, the Trust received donations to purchase medical equipment totalling £403k

For 2013/14 The Trust contracted professional advisors, Montagu Evans LLP MRICS to carry out a desktop exercise to value Land, Buildings and Dwellings asset classes at 31st March 2014.

For details of impairments in the year please see notes 15.1 and 17

Included in Land is £3.4m in respect of Land associated with Dwellings

Economic lives of Non-Current Assets	Minimum Life	Maximum life
Property, Plant and Equipment		
Buildings exc Dwellings	1	60
Dwellings	28	33
Plant & Machinery	2	15
Transport Equipment	1	20
Information Technology	2	5
Furniture and Fittings	5	10

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16.1 Intangible non-current assets

2013-14	IT - in-house & 3rd party software *	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	**4,304**	**495**	**0**	**0**	**0**	**4,799**
Additions - purchased	41	94	0	0	0	**135**
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**
Additions - leased	0	0	0	0	0	**0**
Reclassifications	117	0	0	0	0	**117**
Reclassified as Held for Sale and Reversals	0	0	0	0	0	**0**
Disposals other than by sale	(1,096)	(131)	0	0	0	**(1,227)**
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**
At 31 March 2014	**3,366**	**458**	**0**	**0**	**0**	**3,824**
Amortisation						
At 1 April 2013	**2,470**	**150**	**0**	**0**	**0**	**2,620**
Reclassifications	0	0	0	0	0	**0**
Reclassified as Held for Sale and Reversals	0	0	0	0	0	**0**
Disposals other than by sale	(1,096)	(131)	0	0	0	**(1,227)**
Revaluation or indexation gains	0	0	0	0	0	**0**
Impairments charged to operating expenses	401	17	0	0	0	**418**
Reversal of impairments charged to operating expenses	0	0	0	0	0	**0**
Charged during the year	553	94	0	0	0	**647**
At 31 March 2014	**2,328**	**130**	**0**	**0**	**0**	**2,458**
Net Book Value at 31 March 2014	**1,038**	**328**	**0**	**0**	**0**	**1,366**
Asset Financing: Net book value at 31 March 2014 comprises:						
Purchased	1,038	328	0	0	0	**1,366**
Donated	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	**0**
Finance Leased	0	0	0	0	0	**0**
On-balance Sheet PFIs	0	0	0	0	0	**0**
Total at 31 March 2014	**1,038**	**328**	**0**	**0**	**0**	**1,366**

Revaluation reserve balance for intangible non-current assets

	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	0	0	0	0	0	**0**
Movements (specify)	0	0	0	0	0	**0**
At 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**

* in 2012/13 the assets disclosed were represented in 2 separate categories "Software internally generated" and "software purchased". For 2013/14 the Department of Health require these two categories to be merged. Note 16.2 has been revised to provide the 2012/13 comparative

16.2 Intangible non-current assets prior year

2012-13	IT - in-house & 3rd party software *	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:						
At 1 April 2012	3,291	173	0	0	0	3,464
Additions - purchased	612	254	0	0	0	866
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	401	68	0	0	0	469
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	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
At 31 March 2013	4,304	495	0	0	0	4,799
Amortisation						
At 1 April 2012	1,930	110	0	0	0	2,040
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	540	40	0	0	0	580
At 31 March 2013	2,470	150	0	0	0	2,620
Net book value at 31 March 2013	1,834	345	0	0	0	2,179
Net book value at 31 March 2013 comprises:						
Purchased	1,831	345	0	0	0	2,176
Donated	3	0	0	0	0	3
Government Granted	0	0	0	0	0	0
Total at 31 March 2013	1,834	345	0	0	0	2,179

* Reclassified - See note 16.1

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16.3 Intangible non-current assets

Economic lives of Non-Current Assets	Minimum Life	Maximum life
Intangible Assets		
Software Licences	2	5
Licences and Trademarks	3	5
Patents	0	0
Development expenditure	0	0

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17 Analysis of impairments and reversals recognised in 2013-14

	Total	Property Plant and Equipment	Intangible Assets	Financial Assets	Non-Current Assets Held for Sale
	£000s	£000s	£000s	£000s	£000s
Impairments and reversals taken to SoCI					
Loss or damage resulting from normal operations	**0**	0	0	0	0
Over-specification of assets	**0**	0	0	0	0
Abandonment of assets in the course of construction	**164**	38	126	0	0
Total charged to Departmental Expenditure Limit	**164**	**38**	**126**	**0**	**0**
Unforeseen obsolescence	**96**	96	0	0	0
Loss as a result of catastrophe	**0**	0	0	0	0
Other	**0**	0	0	0	0
Changes in market price	**16,915**	16,623	292	0	0
Total charged to Annually Managed Expenditure	**17,011**	**16,719**	**292**	**0**	**0**
Total Impairments of Property, Plant and Equipment changed to SoCI	**17,175**	**16,757**	**418**	**0**	**0**

Donated and Gov Granted Assets, included above	**£000s**
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI	**20**
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI	**4**

Changes in Market Price in respect of Property, Plant and Equipment contains £12,145k relates to net impairments charged to the statement of comprehensive income following an interim desktop valuation of Land, Building and Dwellings asset classes carried out by Trust professional advisors - Montagu Evans LLP MRICS (see also policy note 1.10 and movement in reserves disclosure note 15.1). The balance £4,770k represents the fair value assessment of Plant and machinery, IT tangible and intangible assets based on a valuation model as advised by Trust experts in the relevant asset classes.

Unforeseen Obsolescence £96k represents the impairment phase two relating to the change of provider of the Picture Archive Communication System (2012/13 £107k)

Abandonment of assets in the course of construction recognises the loss of economic value in respect of 2 IT related projects £164k that no longer meet the needs of the Trust

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18 Investment property

	31 March 2014 £000s	31 March 2013 £000s
At fair value		
Balance at 1 April 2013	**0**	0
Transfers under Modified Absorption Accounting - PCTs & SHAs	**0**	0
Transfers under Modified Absorption Accounting - Other Bodies	**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 - Impairments	**0**	0
Loss from Fair Value Adjustments - Reversal of Impairments	**0**	0
Gain from Fair Value Adjustments	**0**	0
Transfer to other NHS Foundation Trust	**0**	0
Transfers (to) / from Other Public Sector Bodies under absorption accounting	**0**	0
Other Changes	**0**	0
Balance at 31 March 2014	**0**	0

19 Commitments

19.1 Capital commitments

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

	31 March 2014 £000s	31 March 2013 £000s
Property, plant and equipment	**2,895**	548
Intangible assets	**0**	0
Total	**2,895**	548

19.2 Other financial commitments

The trust has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession

	31 March 2014 £000s	31 March 2013 £000s
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	22,499	0	9,100	0
Balances with Local Authorities	313	0	14	0
Balances with NHS bodies outside the Departmental Group	0	0	2	0
Balances with NHS Trusts and Foundation Trusts	6,777	0	3,694	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	8,072	1,075	18,924	0
At 31 March 2014	**37,661**	**1,075**	**31,734**	**0**
prior period:				
Balances with other Central Government Bodies	16,657	0	7,387	0
Balances with Local Authorities	147	0	97	0
Balances with NHS bodies outside the Departmental Group	20	0	0	0
Balances with NHS Trusts and Foundation Trusts	3,234	0	1,993	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	13,899	1,204	26,664	0
At 31 March 2013	**33,957**	**1,204**	**36,141**	**0**

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21 Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Other £000s	Total £000s	Of which held at NRV £000s
Balance at 1 April 2013	**2,097**	**609**	**69**	**5,998**	**8,773**	0
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	**0**	0	**0**	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	**0**	0
Additions	31,491	0	0	10,771	**42,262**	0
Inventories recognised as an expense in the period	(30,613)	0	0	(13,413)	**(44,026)**	0
Write-down of inventories (including losses)	0	0	0	0	**0**	0
Reversal of write-down previously taken to SOCI	0	0	0	0	**0**	0
Transfers (to) Foundation Trusts	0	0	0	0	**0**	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	**0**	0
Balance at 31 March 2014	**2,975**	**609**	**69**	**3,356**	**7,009**	**0**

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s * Restated
NHS receivables - revenue	**27,922**	17,250	**0**	0
NHS receivables - capital	**0**	15	**0**	0
NHS prepayments and accrued income	**0**	0	**0**	0
Non-NHS receivables - revenue	**2,261**	3,082	**0**	0
Non-NHS receivables - capital	**2,175**	8,415	**0**	0
Non-NHS prepayments and accrued income	**3,529**	3,124	**0**	0
Provision for the impairment of receivables	**(699)**	(683)	**0**	0
VAT	**1,355**	1,914	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**0**	0	**87**	44
Interest receivables	**0**	0	**0**	0
Finance lease receivables	**0**	0	**0**	0
Operating lease receivables	**0**	0	**0**	0
Other receivables *	**1,118**	840	**988**	1,160 *
Total	**37,661**	33,957	**1,075**	1,204
Total current and non current	**38,736**	35,161		
Included in NHS receivables are prepaid pension contributions:	**0**			

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

Movement in non NHS receivables - capital represents receipt of residual proceeds (£8,415k) in respect of the Kent & Sussex Hospital sale in March 2012. The balance at 31st March 2014 represents the proceeds (£2,175k) due in respect of the sale of the Nurses Home and Oakapple site.

* Other receivables is primarily injury cost recovery unit debtor, £2,027k 2013-14 (£1,911k 2012-13). This debtor is recognised as a non current debtor on notification moving to current debtor after 12 months. NB In 2012/13 this debtor was classed as current from the outset - the 2012/13 note has been restated.

22.2 Receivables past their due date but not impaired

	31 March 2014 £000s	31 March 2013 £000s
By up to three months	**15,817**	2,480
By three to six months	**11,903**	980
By more than six months	**1,610**	634
Total	**29,330**	4,094

£0.4m of the £29.3m relates to non NHS debtors, the balance is due from other NHS organisations.

The Trust does not hold any collateral against receivable balances.

22.3 Provision for impairment of receivables

	2013-14 £000s	2012-13 £000s
Balance at 1 April 2013	**(683)**	(905)
Transfers under Modified Absorption Accounting - PCTs & SHAs	**0**	0
Transfers under Modified Absorption Accounting - Other Bodies	**0**	0
Amount written off during the year	**157**	434
Amount recovered during the year	**266**	234
(Increase)/decrease in receivables impaired	**(439)**	(446)
Transfer to NHS Foundation Trust	**0**	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	**0**	0
Balance at 31 March 2014	**(699)**	**(683)**

The provision 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 15.8% (12.6% 2012-13) of injury cost recovery debt has been provided in accordance with the guidance from the compensation recovery unit.

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23 NHS LIFT investments

The Trust does not have any Lift investments.

24.1 Other Financial Assets - Current

The Trust does not have any financial assets.

24.2 Other Financial Assets - Non Current

The Trust does not have any financial assets.

25 Other current assets

	31 March 2014 £000s	31 March 2013 £000s
EU Emissions Trading Scheme Allowance	**0**	0
Other Assets	**0**	0
Total	**0**	0

26 Cash and Cash Equivalents

	31 March 2014 £000s	31 March 2013 £000s
Opening balance	**2,792**	2,268
Net change in year	**(1,505)**	524
Closing balance	**1,287**	2,792
Made up of		
Cash with Government Banking Service	**1,221**	2,758
Commercial banks	**49**	10
Cash in hand	**17**	24
Current investments	**0**	**0**
Cash and cash equivalents as in statement of financial position	**1,287**	2,792
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**1,287**	2,792
Patients' money held by the Trust, not included above, see note 44	**1**	1

For 2013/14 the working capital position was supported with £16m PDC; a further £16m is included within the plans for 2014/15 and £15m for 2015/16.

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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	Financial Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	1,022	0	478	0	0	0	0	0	0	0	**1,500**
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	0	0	0	0	0	0	**0**
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0	0	0	0	0	**0**
Plus assets classified as held for sale in the year	121	0	363	0	0	0	0	0	0	0	**484**
Less assets sold in the year	(1,143)	0	(841)	0	0	0	0	0	0	0	**(1,984)**
Less impairment of assets held for sale	0	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	**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	**0**
Transfers to Foundation Trust	0	0	0	0	0	0	0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	0	0	**0**
Balance at 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 1 April 2012	235	0	782	0	0	0	0	0	0	0	**1,017**
Plus assets classified as held for sale in the year	1,365	507	1,509	0	0	0	0	0	0	0	**3,381**
Less assets sold in the year	(86)	0	(220)	0	0	0	0	0	0	0	**(306)**
Less impairment of assets held for sale	(465)	(507)	(1,484)	0	0	0	0	0	0	0	**(2,456)**
Plus reversal of impairment of assets held for sale	0	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	**0**
Transfers to Foundation Trust	0	0	0	0	0	0	0	0	0	0	**0**
Transfers (to)/from other public sector bodies	0	0	0	0	0	0	0	0	0	0	**0**
Revaluation	(27)	0	(109)	0	0	0	0	0	0	0	**(136)**
Balance at 31 March 2013	**1,022**	**0**	**478**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,500**
Liabilities associated with assets held for sale at 31 March 2013	0	0	0	0	0	0	0	0	0	0	0

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

	£000's
As at 31st March 2013	290
As at 31st March 2014	**0**

Of the 2 properties that were carried forward from 2012-13, these were both sold by the end of the reporting period, one additional property was transferred in the year and was sold by the end of the reporting period.

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28 Trade and other payables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
NHS payables - revenue	**5,272**	2,018	**0**	0
NHS payables - capital	**14**	156	**0**	0
NHS accruals and deferred income (Note 32)	**0**	0	**0**	0
Non-NHS payables - revenue	**8,594**	14,083	**0**	0
Non-NHS payables - capital	**1,169**	4,782	**0**	0
Non-NHS accruals and deferred income	**11,331**	9,272	**0**	0
Social security costs	**2,193**	2,198	**0**	**0**
VAT	**0**	0	**0**	0
Tax	**2,380**	2,466	**0**	**0**
Payments received on account	**0**	0	**0**	0
Other	**781**	1,166	**0**	0
Total	**31,734**	36,141	**0**	0
Total payables (current and non-current)	**31,734**	**36,141**		
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	**2,943**	2,542		

29 Other liabilities

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
PFI/LIFT deferred credit	**0**	0	**0**	0
Lease incentives	**0**	0	**0**	0
Other *[specify]*	**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 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
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	**18,850**	21,024
Loans from other entities	**0**	0	**0**	0
PFI liabilities:				
Main liability	**4,772**	4,531	**212,810**	217,582
Lifecycle replacement received in advance	**0**	0	**0**	0
Finance lease liabilities	**0**	0	**0**	0
Other	**0**	0	**0**	0
Total	**6,946**	**6,705**	**231,660**	**238,606**
Total other liabilities (current and non-current)	**238,606**	**245,311**		

Loans - repayment of principal falling due in:

	31 March 2014		
	DH £000s	**Other £000s**	**Total £000s**
0-1 Years	2,174	4,772	**6,946**
1 - 2 Years	2,174	4,776	**6,950**
2 - 5 Years	8,696	15,086	**23,782**
Over 5 Years	7,980	192,948	**200,928**
TOTAL	**21,024**	**217,582**	**238,606**

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.

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31 Other financial liabilities

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
Embedded Derivatives at Fair Value through SoCI	**0**	0	**0**	0
Financial liabilities carried at fair value through profit and loss	**0**	0	**0**	0
Amortised Cost	**0**	0	**0**	0
Total	**0**	0	**0**	0
Total other financial liabilities (current and non-current)	**0**	0		

32 Deferred revenue

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
Opening balance at 1 April 2013	**1,014**	2,646	**0**	0
Deferred revenue addition	**1,290**	838	**0**	0
Transfer of deferred revenue	**(964)**	(2,470)	**0**	0
Current deferred Income at 31 March 2014	**1,340**	1,014	**0**	0
Total deferred income (current and non-current)	**1,340**	1,014		

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

	Total	Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**3,459**	284	396	0	0	0	2,765	14
Arising During the Year	**628**	126	385	0	0	0	38	79
Utilised During the Year	**(292)**	(25)	(49)	0	0	0	(204)	(14)
Reversed Unused	**(32)**	0	(32)	0	0	0	0	0
Unwinding of Discount	**7**	7	0	0	0	0	0	0
Change in Discount Rate	**24**	24	0	0	0	0	0	0
Balance at 31 March 2014	**3,794**	**416**	**700**	**0**	**0**	**0**	**2,599**	**79**
Expected Timing of Cash Flows:								
No Later than One Year	**1,996**	22	700	0	0	0	1,195	79
Later than One Year and not later than Five Years	**1,024**	88	0	0	0	0	936	0
Later than Five Years	**774**	306	0	0	0	0	468	0

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

As at 31 March 2014	83,662
As at 31 March 2013	69,061

Early departure costs relates to two ill health injury benefits calculated by current payment made by the NHS pension agency adjusted for average life expectancy using tables published by the National Statistics Office. Legal claims are estimates notified by the NHS Litigation Authority or the Trust's solicitor.

Other includes onerous contract provision £855k and provision for dilapidations of leased properties/equipment £1,744k

36 Contingencies

	31 March 2014 £000s	31 March 2013 £000s
Contingent liabilities		
Equal Pay	**0**	0
Public liability claims (4 cases as notified by NHSLA)	**(3)**	(2)
Employer liability claims (11 cases as notified by NHSLA)	**(49)**	(34)
Potential claim under the tenancy deposit scheme	**(196)**	0
Amounts Recoverable Against Contingent Liabilities	**0**	0
Net Value of Contingent Liabilities	**(248)**	(36)
Contingent Assets		
Contingent Assets	**0**	0
Net Value of Contingent Assets	**0**	0

The sale of the Nurses Home on the 31st March 2014 contained several overage clauses within the sale agreement, however the potential proceeds in respect of these items cannot be reliably estimated at the end of the finanical reporting period.

37 PFI and LIFT - additional information

The Trust signed a PFI project agreement on 26th March 2008 for the new Tunbridge Wells Hospital at Pembury. The main building was handed over by the contractor in phases in December 2010 and May 2011 and recognised in the Trust's accounts accordingly. By joint agreement with the Trust's PFI partner the final phase of car parking & landscaping were completed and handed over early in January 2012, although contractual phasing and unitary payments were kept in line with the project agreement completion date of September 2012. The arrangement covers the provision of buildings, hard facilities management services and lifecycle replacement (building & engineering asset renewals). Under the project agreement the Trust has agreed expectations for the provision of these services and has termination options on default. The land remains the Trust's asset throughout the concession. The concession is due to run for 30 years 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 2013/14 year was 3.2%.

Under IFRIC 12 the Trust 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	**2013-14 £000s**	2012-13 £000s
Total charge to operating expenses in year - OFF SOFP PFI	**0**	0
Service element of on SOFP PFI charged to operating expenses in year	**3,957**	3,818
Total	3,957	3,818
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	**4,132**	3,964
Later than One Year, No Later than Five Years	**18,888**	17,994
Later than Five Years	**209,417**	222,220
Total	**232,437**	244,178

The estimated annual payments in future years will vary according to published RPI rates (February rates) but are not expected to be materially different from those which the Trust is committed to make during the next year.

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2013-14 £000s**	2012-13 £000s
No Later than One Year	**16,188**	16,189
Later than One Year, No Later than Five Years	**62,981**	63,496
Later than Five Years	**336,714**	352,388
Subtotal	**415,883**	432,073
Less: Interest Element	**(198,301)**	(209,960)
Total	**217,582**	222,113

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due Analysed by when PFI payments are due (discount rate applied is 3.5%)	**2013-14 £000s**	2012-13 £000s
No Later than One Year	**15,640**	16,189
Later than One Year, No Later than Five Years	**55,890**	58,335
Later than Five Years	**191,829**	205,025
Total	**263,359**	279,549
Number of on SOFP PFI Contracts		
Total Number of on PFI contracts	**1**	1
Number of on PFI contracts which individually have a total commitments value in excess of £500m	**0**	0

38 Impact of IFRS treatment - current year

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

	2013-14 £000s	2012-13 £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)		
Depreciation charges	**3,714**	3,714
Interest Expense	**13,562**	13,198
Impairment charge - AME	**9,233**	0
Impairment charge - DEL	**0**	0
Other Expenditure	**3,957**	3,818
Revenue Receivable from subleasing	**0**	0
Impact on PDC dividend payable	**(365)**	(223)
Total IFRS Expenditure (IFRIC12)	**30,101**	**20,507**
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)	**(19,528)**	(18,466)
Net IFRS change (IFRIC12)	**10,573**	**2,041**
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12		
Capital expenditure 2013-14	**101**	57
UK GAAP capital expenditure 2013-14 (Reversionary Interest)	**2,773**	2,595

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

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

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

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

Credit risk
Because the majority of the [organisation]'s revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2014 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 Trust's, which are financed from resources voted annually by Parliament . The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

39.2 Financial Assets

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
Embedded derivatives	0	0	0	**0**
Receivables - NHS	0	27,922	0	**27,922**
Receivables - non-NHS	0	7,486	0	**7,486**
Cash at bank and in hand	0	1,287	0	**1,287**
Other financial assets	0	0	0	**0**
Total at 31 March 2014	**0**	**36,695**	**0**	**36,695**
Embedded derivatives	0	0	0	0
Receivables - NHS	0	17,265	0	17,265
Receivables - non-NHS	0	14,093	0	14,093
Cash at bank and in hand	0	2,792	0	2,792
Other financial assets	0	0	0	0
Total at 31 March 2013	0	34,150	0	34,150

39.3 Financial Liabilities

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
Embedded derivatives	0	0	**0**
NHS payables	0	5,286	**5,286**
Non-NHS payables	0	20,535	**20,535**
Other borrowings	0	21,024	**21,024**
PFI & finance lease obligations	0	217,582	**217,582**
Other financial liabilities	0	0	**0**
Total at 31 March 2014	**0**	**264,427**	**264,427**
Embedded derivatives	0	0	0
NHS payables	0	2,173	2,173
Non-NHS payables	0	28,289	28,289
Other borrowings	0	23,198	23,198
PFI & finance lease obligations	0	222,113	222,113
Other financial liabilities	0	0	0
Total at 31 March 2013	0	275,773	275,773

40 Events after the end of the reporting period

The Trust has not identified any non-adjusting events requiring to be reported in accordance with IAS10.

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 (DoH) is regarded as a related party. During the year Maidstone and Tunbridge Wells NHS Trust received £16.4m external financing and the Trust also has loans with the DoH, interest paid within the year of £718k, capital repayment of £2,174k and the balance outstanding is £21,024k. The Trust has transactions with other entities for which the Department is regarded as the parent department. The following entities of material transactions of more than £1m are:

£000's	2013-14 Receivables	2013-14 Payables	2013-14 Income	2013-14 Expenditure	2012-13 Receivables	2012-13 Payables	2012-13 Income	2012-13 Expenditure
Ashford CCG	249	0	1,328	0	0	0	0	0
Brighton & Sussex University Hospitals NHS Trust	5	6	5,619	27	52	56	7,759	21
Dartford & Gravesham NHS Trust	734	105	3,423	289	340	37	1,714	165
Dartford, Gravesham & Swanley CCG	264	0	3,351	0	0	0	0	0
East Kent University Hospitals Foundation Trust	4,066	1,782	5,477	2,550	702	548	5,476	1,765
Eastern & Coastal Kent PCT	0	0	0	0	0	21	17,417	0
Hastings and Rother CCG	283	0	1,099	0	0	0	0	0
Health Education England	97	0	3,675	0	0	0	0	0
High Weald Lewes Havens CCG	1,529	0	17,580	0	0	0	0	0
Kent and Medway NHS & Social Care NHS Trust	365	38	1,990	265	251	163	1,919	961
Kent Community NHS Trust	515	561	3,075	1,704	503	233	3,242	1,424
Medway CCG	1,074	0	11,192	0	0	0	0	0
Medway PCT	0	0	0	0	677	30	16,815	61
Medway NHS Foundation Trust	669	345	3,797	1,187	1,196	433	3,501	972
NHS England	1,988	5	75,202	0	0	0	0	0
NHS Pension Agency	0	144	0	21,082	0	2,542	0	19,294
South East Coast SHA	0	0	0	0	60	1	1,208	3
Surrey PCT	0	0	0	0	116	0	3,122	0
Swale CCG	607	0	5,006	0	0	0	0	0
The NHS Litigation Authority	84	0	0	8,872	38	10	0	7,740
West Kent CCG	13,616	49	201,974	67	0	0	0	0
West Kent PCT	0	0	0	0	11,976	104	254,601	487
West Sussex PCT	0	0	0	0	408	0	26,517	0

The Trust has not consolidated the Charitable funds that it controls on the grounds of materiality to the Trust (see policy notes 1.4 and 1.33). The transactions between the Trust and the Charity (Maidstone and Tunbridge Wells NHS Charitable Fund - charity registration 1055215) are however material to the charity and therefore disclosed below. Please note this disclosure is based on the draft unaudited position of the Charity; the audited accounts of the Charity will be available later this year.

	2013-14	2012-13
	£000	£000
Total charitable resources expended with the Trust	**595**	386
Closing creditor (monies owed to the Trust by the charity)	**30**	20
Total income received by the Charity in the reporting period	638	337
Total Charitable Funds at end of the reporting period	1,110	1,037

42 Losses and special payments

The total number of losses cases in 2013-14 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	55,810	77
Special payments	68,919	80
Total losses and special payments	124,729	157

The total number of losses cases in 2012-13 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	84,212	128
Special payments	18,905	49
Total losses and special payments	103,117	177

Details of cases individually over £250,000

The Trust has no cases exceeding £250,000.

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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 £000s**	**2006-07 £000s**	**2007-08 £000s**	**2008-09 £000s**	**2009-10 £000s**	**2010-11 £000s**	**2011-12 £000s**	**2012-13 £000s**	**2013-14 £000s**
Turnover	241,329	243,218	272,939	297,888	311,889	322,176	345,101	367,391	**375,714**
Retained surplus/(deficit) for the year	1,696	(4,932)	131	143	(17,077)	(20,474)	(27,113)	(4,704)	**(30,946)**
Adjustment for:									
Timing/non-cash impacting distortions:									
Pre FDL(97)24 Agreements	0	0	0	0	0	0	0	0	**0**
2006/07 PPA (relating to 1997/98 to 2005/06)	0	0	0	0	0	0	0	0	0
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0	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	0	0
Adjustments for Impairments	0	0	0	0	17,266	21,430	23,646	2,610	**17,175**
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	324	182	**57**
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*	0	0	0	0	0	754	3,443	2,041	**1,340**
Adsorption Accounting Adjustment	0	0	0	0	0	0	0	0	**0**
Other agreed adjustments	0	0	0	4,952	0	0	0	**0**	**0**
Break-even in-year position	**1,696**	**(4,932)**	**(5,310)**	**5,095**	**189**	**1,710**	**300**	**129**	**(12,374)**
Break-even cumulative position	**1,887**	**(3,045)**	**(8,355)**	**(3,260)**	**(3,071)**	**(1,361)**	**(1,061)**	**(932)**	**(13,306)**

* 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.

	2005-06 %	**2006-07 %**	**2007-08 %**	**2008-09 %**	**2009-10 %**	**2010-11 %**	**2011-12 %**	**2012-13 %**	**2013-14 %**
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	0.04	-3.29
Break-even cumulative position as a percentage of turnover	0.78	-1.25	-3.06	-1.09	-0.98	-0.42	-0.31	-0.25	-3.54

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.

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43.2 Capital cost absorption rate

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.

	2013-14 £000s	2012-13 £000s
External financing limit (EFL)	**11,513**	(5,025)
Cash flow financing	**19,615**	(5,980)
Unwinding of Discount Adjustment	**7**	0
Finance leases taken out in the year	**0**	0
Other capital receipts	**(8,430)**	(89)
External financing requirement	**11,192**	(6,069)
Under/(Over) Spend against EFL	**321**	1,044

43.4 Capital resource limit

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

	2013-14 £000s	2012-13 £000s
Gross capital expenditure	**11,051**	14,353
Less: book value of assets disposed of	**(2,040)**	(557)
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(403)**	(318)
Charge against the capital resource limit	**8,608**	13,478
Capital resource limit	**12,480**	15,178
(Over)/underspend against the capital resource limit	**3,872**	1,700

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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 (note 27).

	31 March 2014	31 March 2013
	£000s	£000s
Third party assets held by the Trust	**1**	1

At 31st March 2014 the Trust held £1,147 on behalf of patients (2012/13 £1,041)

405,345 outpatient appointments
£23.5m of savings & efficiencies achieved
5488 babies delivered
£376m of income
123,581 A&E attendances
217 midwifes 629 doctors
90,569 inpatient admissions
747,885 patient meals served
166,756 x-ray tests carried out
5690 total employees
582 nurses
£11.1m spent on capital projects
Over 4 million pathology tests
608,932 vehicles through the visitor car parks

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