RUH

Royal United Hospital Bath NHS
NHS Trust

# Annual Report

## 2011/12

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# Operating and Financial Review 2011/12

## 1 Management Commentary

### 1.1 Trust overview

The Royal United Hospital Bath NHS Trust (RUH) provides general acute and emergency treatment and care for a catchment area of Bath and North East Somerset, Wiltshire (West and North) and Somerset (Mendip). Our catchment population is 410,000 people for emergency care, and 320,000 people for planned care.

We became a National Health Service Trust in 1992 and we occupy a 52-acre site about one-and-a-half miles from Bath city centre. All acute services are provided on the RUH site and we also provide a range of outpatient and diagnostic services from 10 community sites.

Our lead commissioner is the Primary Care Trust (PCT) cluster of NHS Wiltshire and NHS Bath and North East Somerset (BaNES), which commissions on behalf of seven other PCTs and one Specialised Commissioning Group.

### 1.2 Vision and strategy

We have developed a five year strategic vision based on delivering high quality, sustainable patient care for our existing population, which is:

*"The Royal United Hospital, Bath will be recognised for delivering the highest quality hospital care for the people of Bath & North East Somerset, Wiltshire and Somerset as assessed by patient safety and clinical outcomes and evidenced by patient surveys."*

This vision will be delivered in relation to the core service offerings of:

- acute unplanned care, e.g. attendance at our Emergency Department
- planned care for those with complex health issues or requiring complex care, including pathway management, e.g. for patients with diabetes
- less complex planned care, e.g. day surgery
- specialist services, in particular care for people with cancer.

Our strategy has been developed in response to the forecast needs of the local population which we serve. Consultation on the strategy was undertaken through a comprehensive series of public meetings and publication of our plans. Staff were also asked to consider the proposals, and feedback from both groups was fed into the strategy. There was unanimously positive feedback on our strategic direction from all quarters of the community. A summary report of the responses is published on our website, www.ruh.nhs.uk

The fundamental principle which underpins our strategy is the recognition that the RUH of the future is likely to have fewer beds, as services move into community settings, demand management initiatives reduce the number of patients accessing acute services, and there is more competition for less complex elective services. This also recognises that we are operating within a very competitive market which includes:

- local NHS Trusts
- independent sector treatment centres (ISTCs) at Devizes, Wiltshire; Emerson's Green, Bristol; and Shepton Mallet, Somerset
- private hospitals
- GPs (including Assura Minerva)
- social care services.

Whilst the market is competitive we recognise that the patient must receive the highest quality, seamless care and therefore we must work with other providers to ensure this is delivered. For example, we have developed new tests for potential heart problems, alongside GPs, to minimise the number of tests and procedures patients are subject to. We will continue to develop these relationships, particularly with Clinical Commissioning Groups, in the years to come.

The key principles of our strategy are to:

- improve the quality, efficiency and productivity of the services we provide for patients
- reduce our overall bed base, releasing direct and indirect costs to deliver our Quality, Innovation, Productivity and Prevention (QIPP) programme
- increase our market share, collaborating with local independent providers to secure additional capacity when required
- work effectively as a partner within the health community through integration and development of working and contractual arrangements.

## 1.3 Objectives, priorities and key performance indicators

In order to deliver our strategy we set annual priorities as detailed in the annual business plan. In April 2011 our Trust Board approved the RUH Business Plan Summary 2011/12. This described our Vision, as well as the objectives and priorities split by the five Strategic Pillars. This document is available on our website, www.ruh.nhs.uk

Our Trust Board monitors key performance information at each of its meetings through the Integrated Balanced Scorecard. This includes the Acute Trust Performance Framework (ATPF) which describes how we are performing against the National Priorities as set out in the NHS Operating Framework. For 2011/12 we achieved a rating of 'Performing' against the ATPF indicators. This rating is based on performance against individually weighted indicators.

The Trust Board also monitors our performance against the financial position, which is laid out in more detail within the Annual Accounts section of this report.

Trust Board papers, including both the Integrated Balanced Scorecard and the Finance Report are published on our website.

Our future focus will be on continuing to deliver the National Priorities as set out in the annual Operating Framework and, once authorised as an NHS Foundation Trust, to deliver against the Monitor Governance Rating, which covers both operational performance and financial performance.

## 1.4 Benefits from capital investment

In order to deliver our vision and annual priorities, we have considered how our physical assets need to change in order to be appropriate for future service delivery. We invest in our estate and equipment through our capital investment programme. This programme is aligned to our overall five year business plan, which has identified the key priorities for investment as:

- 2012/13 – construction of a new Pathology Laboratory and new IM&T and Medical Records Building
- 2013/14 – replacing one of our linear particle accelerators, more commonly known as a "Linac" which is used in radiation therapy, and commencing the new Oncology development (three year development)
- 2014/15 – continuation of the Oncology development, and further estates maintenance programmes and supporting the IM&T replacement programmes.

The focus of the programme is both on reducing backlog maintenance but also ensuring that services can be delivered in high quality accommodation. One of our strategic pillars is improving our buildings and environment. Key objectives linked to this pillar relate to improved sustainability, increasing the number of single ensuite rooms, and reducing the value of backlog maintenance. This pillar is led by the Director of Estates and Facilities, but requires the input of all Directors to ensure that the estate meets the needs of the whole organisation.

One of the key developments during 2011/12 was the new Neonatal Intensive Care Unit (NICU) which was opened by HRH Duchess of Cornwall on 23 February 2012. The new-build accommodates all of the clinical, support and reception functions into one unit.
The refurbished element, which was the old NICU, comprises staff and parents' facilities. The two elements are linked by a new 'umbilicus' which also provides an access point for emergency vehicles. The new building encloses an external courtyard space which provides both vista and breakout from reception and parent's areas. The grouping of the care rooms forms a route around the staff base which is the heart of the unit.

The new NICU was jointly funded from statutory and charitable sources – 50/50 from the Trust and The Forever Friends Appeal, the charitable arm of the hospital.

Some of the other investment during 2011/12 was focused on improved signage around our site and the updating of thoroughfares and other transit routes for patients and visitors. This was done to improve the patient experience for those using the hospital and provide a more welcoming and easily accessible estate, within which to deliver care.

Other considerations in the future development of the estate are linked to our required capacity. It is likely that we will operate with fewer beds and therefore the ward structure needs to accurately reflect our needs. We will also be required to be more efficient in terms of staff, flow of resources and sustainability.

## 1.5 Description of significant relationships

We have a number of significant relationships which are described below:

**Education and Research and Development**
We have key relationships with a number of universities as follows:

- the University of the West of England, which primarily undertakes training of nurses and other allied health professionals, such as physiotherapists
- the University of Bristol, which undertakes the training of doctors
- the University of Bath, with whom we have key links around research and development.

We have developed these relationships both to support the education of future professionals and also to ensure that we have adequate resource to manage our activity. We are subject to inspection by the Severn Deanery, in relation to our education of junior doctors, and its latest review confirms that we are delivering high quality training and education to our trainees.

To recognise these key relationships we have identified the universities as stakeholders as recognised within our draft Constitution as an NHS Foundation Trust. As such each university will be asked to nominate a Governor to serve on our Council of Governors for a two year term, rotated between the universities.

**NHS Foundation Trust membership**
We have built a membership of over 5,000 public members, as part of our application to become an NHS Foundation Trust. These members will ensure that a representative Council of Governors is formed, through independent election, during 2012/13. In addition the membership

will become a key source of information and resource for consultation on key service changes and decision making. Examples include inviting members to take part in the public consultation for the new Pathology Laboratory and IM&T and Medical Records building. We have also started a series of events called Caring for You, where members are invited to learn more about what's going on in our organisation. These events have included theatre tours, and discussion about issues such as Seasonal Affective Disorder, and Infection Control.

**Commissioners**
We continue to work with our cluster PCT of NHS Wiltshire and NHS Bath and North East Somerset (lead commissioner), as well as with NHS Somerset and NHS South Gloucestershire, to agree contracts for the provision of services to the local population. A key element of this contract is to ensure that our capacity is in line with predicted activity levels. These activity levels are based on the population, demographic profiling, forecasting and the prevalence of conditions.

Another part of this relationship links to the need for the NHS to deliver the Quality, Innovation, Productivity and Prevention (QIPP) agenda. We have developed robust plans to improve pathways for patients throughout the local health community and deliver savings. In order to achieve the targets we are working closely with all of the members of the local health community and our commissioners.

**Strategic Health Authority**
During 2011/12, NHS South West merged with NHS South Central and NHS South East to form the NHS South of England strategic health authority (SHA). We have maintained strong links with the SHA and have worked together to ensure that our application to become an NHS Foundation Trust was developed and ultimately supported. Our Trust Board met with the SHA Board to discuss our application and test our readiness to progress to the next stage of the application process. The SHA confirmed that the Trust would progress to the Department of Health from 1 April 2012, and in August 2012 the Secretary of State approved our application and we were passed to Monitor, the economic regulator of NHS Foundation Trusts, for assessment.

**Local councils**
We also have important relationships with the two councils who cover the majority of our catchment area; Wiltshire County Council and Bath and North East Somerset Council. The main relationships are those with social care to ensure that discharge arrangements are appropriate for the local population and that delays to discharge are minimised. Relationships continue to be developed at all management tiers to ensure effective communication, planning and operational effectiveness is maintained.

However the relationship is also wider as we play a significant role, both as a major employer within the City of Bath, and as a focal point for the community. We take this role very seriously and actively partake in local governance arrangements to ensure our views and resources are taken into account, and that the needs of the community are addressed through effective joint working. For example, the Chief Executive attends the Wiltshire Shadow Health and Wellbeing Board.

# 2 Sustainability Report

## 2.1 Background

We are committed to sustainability and reducing our carbon footprint. We have described this through the following Strategic Objective:

*"We will improve the efficiency of our estate through improved utilisation, functionality and sustainability of our buildings."*

This is reinforced by the more specific measures of reducing our carbon footprint (tonnes $CO_2$ excluding business miles) to 9,000 by 2016/17, and of decreasing energy consumption from 70 GJ/100$m^3$ to 40 GJ/100$m^3$ by 2015/16.

To deliver this key strategic priority we have identified the Director of Estates and Facilities as the lead Executive Director and have also allocated a Non-Executive Director, Moira Brennan, as our Sustainability Champion.

We also recognise the importance of sustainability reporting and have adopted the HM Treasury Guidance in presenting this information in this report. We will continue to develop our sustainability reporting and will ensure that it meets the requirements of presenting at least three years of information, as soon as possible.

## 2.2 Summary of performance

We are on track to reduce our carbon footprint and increase energy efficiency to the target levels by 2016/17. During 2011/12 the key action was the installation of a new combined heat and power (CHP) plant to provide both heating and electricity to our estate. This CHP plant replaced old gas-fired boilers which were approximately 30 years old and were very inefficient compared to current standards. This will have a significant impact on our carbon footprint and will also generate significant financial savings. Smaller CHP plants have been installed in the staff accommodation blocks, with further efficiencies and savings.

In addition we have a programme to replace old single glazed windows with new double glazing and ensure there is adequate lagging in all areas. This will again improve the energy efficiency of the buildings and deliver financial savings.

We are actively managing and reducing the amount of waste that we generate on site and ensuring as much waste can be recycled as possible. A programme to introduce local recycling points around our site and clearer notices on waste bins is aimed at reducing waste sent to landfill. There are numerous benefits for us, including reducing the impact on the environment, but also by reducing the costs associated with managing waste. For example, the cost of disposing of clinical waste is far in excess of normal domestic waste, and through a programme of labelling and awareness raising, we have generated significant savings by staff correctly disposing of waste.

## 2.3 Summary of future strategy

We will work to improve the environmental impact of our activities, working with local businesses and public organisations and benefiting from the support of our local community in delivering our services. We do not work with only one community, but engage with many, from local support groups and specific patient groups to the global community.

We are committed to the sustainability agenda and we recognise that we have an important role to play, both as a large employer in Bath and as part of the wider NHS, in reducing carbon emissions and continually improving our sustainability performance. People are increasingly aware of the need to reduce energy consumption at home and it is important that we educate, encourage and enable staff to do the same at work, as well as being a responsible public sector organisation.

## 2.4 Greenhouse gas emissions

We have not set definitive targets in relation to greenhouse gas emissions, but follow a policy of continual improvement. It is envisaged that in due course, targets will be discussed and set.

The European Union Emissions Trading Scheme (EU ETS) and the CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment) are the principle forms of statutory legislation that actively drives the progress to reduce our carbon emissions. Various initiatives have also been set up to achieve reductions. Emissions relating to purchased electricity have decreased significantly from 2011 to 2012 due to a combination of factors: the addition of a new 2 Mega Watt Combined Heat and Power system which reduced our consumption of purchased electricity, increased awareness of the need to switch off appliances and lights amongst staff, improved power management across our IT infrastructure, and energy efficiency improvements on existing and new buildings.

The estates team regularly read gas, electricity and water meters across the site, and all invoices are scrutinised to ensure they are correct before payment. In this way potential problems can be identified and investigated.

We have carried out several projects to improve our environmental performance in recent years, including:

- inefficient and failing heating systems were replaced in the central labs, medical physics and central pre-operative assessment suite
- the pharmacy heating system was upgraded
- a continuing programme of window replacement which gives a better environment both by reducing draughts and heat loss but also, when appropriate, reducing solar gain
- automatic doors were installed into the Emergency Department to better control the environment and allow the existing systems to operate to heat or cool more effectively
- LED lighting was installed in the north corridor and in the Princess Anne Wing link corridor
- modern lighting controls have been incorporated into the schemes. LED lighting can reduce energy usage by as much as 40% compared to fluorescent lighting and they also last significantly longer, so they are a sound investment to save on our electricity usage and reduce carbon emissions.

Further work was carried out on improving and extending the Building Management System across the site. This can monitor and control heating, cooling, and ventilation systems, reducing energy usage through better control, managing set points and time schedules.

Further work for 2012 and beyond includes:

- LED lighting to be fitted in corridor and 24-hour areas
- increased levels of roof insulation in West ward block, residences and Bath and Wessex House. A thermal survey is programmed for the whole site in the winter to identify problem areas
- further work on measuring and metering – to assist with running energy awareness campaigns.

In November 2011 we commissioned the new 2 Mega Watt Combined Heat and Power plant (CHP) online. This involved a complete refurbishment of the boiler house and is saving £60k per month on utility costs against an investment of approximately £4.8m. This is reducing our reliance on purchased electricity, and surplus electricity that is generated is sold back to the National Grid.

| **Greenhouse Gas Emissions** | | **2009/10[1]** | **2010/11[2]** | **2011/12[3]** |
|---|---|---|---|---|
| Non-Financial Indicators (tCO2e) | **Total Gross Emissions** | **14214** | **13848** | **13587** |
| | Gross emissions Scope 1 (direct) | 6420 | 6330 | 8146 |
| | Natural gas | 6265 | 6242 | 7742 |
| | Fuel oil | 155 | 88 | 310 |
| | Fugitive refrigerant | Data unavailable | Data unavailable | 84 |
| | Business travel (owned and leased road vehicles) | 16.53 | 5.41 | 9.8 |
| | Gross emissions Scope 2 & 3 (indirect) | 7794 | 7518 | 5441 |
| | Scope 2 (energy indirect) purchased electricity | 7794 | 7518 | 5432 |
| | Scope 3 Business travel (in vehicles not owned or operated by us) | Data unavailable | Data unavailable | 99.461[4] |
| Related energy consumptions (millions kWh) | **Total** | **49.52** | **48.64** | **53.47** |
| | Electricity non-renewable | 11.14 | 10.75 | 7.64 |
| | Electricity renewable | 3.71 | 3.58 | 2.55 |
| | Natural gas | 34.12 | 34.00 | 42.17 |
| | Fuel oil | 0.55 | 0.31 | 1.11 |
| Financial Indicators (£ '000s) | **Total** | **2149** | **1991** | **2301** |
| | Electricity | 1292 | 1158 | 1017 |
| | Natural gas | 819 | 811 | 1207 |
| | Fuel oil | 38 | 22 | 77 |

[1] During 2009/2010 we surrendered 6,287 European Union Emissions Trading Scheme (EUETS) allowances. No surrender was required under the CRC scheme

[2] During 2010/2011 we surrendered 6,651 EUETS allowances. No surrender was required under the CRC scheme

[3] During 2011/12 we surrendered 6,799 European Union Emissions Trading Scheme allowances at a value of £38k as required under the scheme. We expected to have to surrender allowances for 5,613 tonnes under the CRC scheme, with an approximate value of £67k.

[4] 5.41 tonnes CO2e (trains - National Rail Services and London Underground) + 94.051 tonnes CO2e (motor vehicles)

The table on the previous page shows that there was an increase in gross emissions Scope 1 (direct) from 2010/11 to 2011/12, primarily due to an increase in emissions from natural gas usage, and a corresponding drop in Scope 2 (energy indirect) purchased electricity emissions. These changes relate to the commissioning of the new Combined Heat and Power plant which uses natural gas to produce both heat and power, thus increasing our emissions from burning natural gas but also reducing our need to import electricity. In fact we are able to export electricity we have produced but not used to the national grid via our electricity supplier. Since its commissioning we have exported, and received payment for, 440,005kWh of electricity.

## 2.5 Waste

The waste data shown in the table below includes all waste produced directly by us. It does not include waste which has been produced by building contractors involved in new builds and building refurbishment projects.

We are committed to continually reducing the amount of waste sent to landfill and increase the amount of waste recycled. The year-on-year reduction in the amount of waste sent to landfill from 2009 onwards has been due to increased recycling, and staff are making extensive use of 'AnyTakers', our furniture and assorted item re-use distribution system.

Significant year-on-year cost savings have resulted from improved clinical waste segregation and recycling awareness training. In 2009, we set ourselves a target to reduce the amount of waste sent to landfill by 10% relative to the 2009-2010 landfill figures. We did not manage to meet this target for 2010-2011 (we achieved a 2.5% reduction). This was due to the process of developing the recycling infrastructure (purchasing of new bins, awareness training, etc). However, in 2011-2012 we achieved an 11.2% reduction in the amount of waste sent to landfill in comparison with the 2010-2011 figures. In addition to this, our recycled waste output has increased significantly from 482.3 tonnes (2010-2011) to 722.7 tonnes (2011-2012). We are also due to be installing a food waste biodigester machine which will further reduce our waste sent to landfill.

| **Waste** | | **2008/09** | **2009/10** | **2010/11** | **2011/12** |
|---|---|---|---|---|---|
| **Non-Financial Indicators (tonnes)** | Total waste | 1550.41 | 1466.5 | 1566.42 | 1719.60 |
| | Incinerated | 129.97 | 218.42 | 165.22 | 138.21 |
| | Alternative treatment | 213.51 | 220.53 | 228.45 | 221.72 |
| | Landfill | 784.16 | 708.36 | 690.45 | 613.02 |
| | Recycled | 372.77 | 319.19 | 482.3 | 722.69 |
| **Financial Indicators (£'000s)** | **Total waste disposal cost** | **382** | **436** | **430** | **319** |
| | Incinerated | 126 | 215 | 182 | 104 |
| | Alternative treatment | 110 | 92 | 89 | 78 |
| | Landfill | 99 | 82 | 110 | 84 |
| | Recycled | 47 | 48 | 67 | 64 |

## 2.6 Use of finite resources - water consumption

We are a major consumer of water and have actively been trying to reduce the volume of water we use year on year. From 2011 to 2012 we reduced our water consumption by 6.3% We have a programme to identify and repair water leaks, as well as replacing inefficient water systems across the site as part of on-going maintenance and refurbishment programmes. We are also working closely with our water supplier, Wessex Water, to carry out water saving awareness events to help our staff save water at the hospital and in their own homes.

| **Finite Resource Consumption** | | **2009/10[5]** | **2010/11[6]** | **2011/12[7]** |
|---|---|---|---|---|
| Non-Financial Indicator ('000$m^3$) | Water consumption | 167 | 189 | 177 |
| Financial Indicator (£'000s) | Water supply costs | 247 | 274 | 286 |

## 2.7 Biodiversity and natural environment

In 2009, we commissioned the Avon Wildlife Trust (AWT) to produce a Biodiversity Action Plan (BAP) and an Extended Phase 1 Habitat Survey. The reports were completed in July 2009 and April 2009 respectively. These two documents have been produced to meet the requirements of the Natural Environment and Rural Communities Act (NERC) 2006. Via AWT we are also currently undertaking a bat survey to investigate the potential of our site to harbour bats, often a pre-condition of planning applications.

As a result of the BAP, several action points were produced, some of which have been completed:

- leave fallen dead wood in place where possible
- removal of Japanese knotweed (by our grounds contractor using a long term herbicide injection technique)
- not dumping piles of chippings on site in wild areas – this is now mostly stored in the compost bins or used very soon after it has been produced
- investigate potential for trees and buildings to support bats.

Going forward, there are many recommendations for us to consider that seek to conserve biodiversity by creating new habitats and improving the management of our existing habitats:

- installation of bat boxes on mature trees
- promotion of badger awareness and protection of setts
- adapting grounds maintenance operations (minimise mechanical cutting and flailing, less frequent mowing in some areas on site, introduction of native plant species)
- include elements of this plan in our contractor's handbook to raise awareness of their potential impact

[5] The figures for 2009/2010 do not include charges for sewerage of £124k
[6] The figures for 2010/2011 do not include charges for sewerage of £134k
[7] The figures for 2011/12 do not include charges for sewerage of £127k

- to raise awareness amongst staff, patients, and visitors of our notable veteran trees and other important wildlife stock.

We will ensure that the importance of the NERC Act is brought to the attention of builders, developers and planners with regards to protecting and maximising the nature conservation value of new developments and renovations (e.g. informing about presence of badgers, slow worms, bats, nesting birds, etc).

## 2.8 Procurement (general overview)

To ensure that our procurement policy reflects our desire to reduce our carbon footprint, we are viewing our approach to commissioning, sourcing and buying. This includes whether a product should be purchased in the first place, the level of use, the most appropriate stock levels and reviewing whether an item can be reused or recycled prior to ordering new items.

The drive to constantly reduce costs often favours the cheapest short term option, but this can have a disproportionately high lifetime carbon cost.

Delivering sustainable procurement will help us to:

- stimulate innovation in the supply chain to deliver viable sustainable options for both goods and services
- identify any opportunities for greater efficiency in the supply chain, such as sourcing products from local suppliers or cooperatives
- reduce sustainability risks posed to us through the practices of supply chain partners, the sourcing of materials and design of goods
- meet stakeholder expectations in a marketplace that is looking increasingly at the origins and ethical nature of products.

We have already made sustainable gains in relation to procurement in a number of areas and we are now working with our suppliers to develop this on a more formal basis. An example of this is the move to electronic trading where tenders, quotations and purchase orders no longer need paper copies. We are also committed to maximising opportunities for local suppliers to compete for NHS contracts, thus reducing transport mileage and our carbon footprint as a result.

In addition we are working hard to ensure we purchase more products derived from renewable sources, and encouraging our suppliers to develop and innovate suitable products for our use.

## 2.9 Food procurement

We work with local suppliers who can demonstrate lower carbon forms of production and transport to reduce food miles. The number of supplier deliveries per week is also closely managed to ensure the minimum number of journeys are carried out. Measures to reduce the carbon footprint of food procurement are a strong consideration in food supplier tenders.

We are working with local farmers and food suppliers to increase the amount of sustainable produce we use. Using more assured foods from fairly traded and organic sources results in healthier meals for patients, staff and visitors as well as benefiting the environment and the local economy. This includes items such as free range ‘Lion’ quality eggs, free range organic chicken, Rainforest Alliance coffee and organic ice cream.

Where possible we will seek to purchase food from smaller suppliers, giving local businesses the opportunity to provide good quality, fresh local food to the hospital at a competitive price. This initiative also reduces the amount of food miles.

## 2.10 Sustainable construction

We are committed to ensuring all new developments are sustainable and meet the highest standards of sustainability whilst ensuring that all schemes are affordable. Our new NICU was built to achieve the highest standard of BRE's Environmental Assessment Methodology. The building achieved a rating of 'excellent'.

The principles from the building of the NICU are now being translated into current planned developments including a new Pathology Laboratory and Information Management and Technology and Medical Records Building.

## 2.11 People

Improving the health and well-being of our workforce not only ensures we are a 'healthy employer' with low sickness rates and high levels of motivation; it also helps to improve the general health of the communities in which our staff live. We provide subsidised travel passes for park and ride schemes, and discounted parking for those who car share. We encourage staff to join the national cycle scheme under the Cycle to Work initiative, and over the last two years we have also invested in new and improved cycle parking facilities.

Staff can also make use of the gym on site. Healthy food is offered in the staff restaurants. We offer a free counselling service and our occupational health department operates a smoking cessation service.

Flexible working is also encouraged. E-learning, class room, remote learning and work based learning are all available.

## 2.12 Governance

Our sustainability agenda is managed by regular meetings of 'Team Green', whose membership includes heads of departments, staff, the Environment Manager and Non-Executive Directors and the Director of Estates and Facilities. The information gained at these meetings is then reported to the Trust Board via the Director of Estates and Facilities. Ultimate responsibility for effective overall delivery of the agenda rests with the Trust Board.

Figures quoted in reports to the Trust Board on matters such as waste reduction figures, carbon emissions from energy use etc are taken from official Estates Return Information Collection (ERIC) reports. These reports are submitted to the Department of Health at the end of the financial year. Each staff member responsible for constructing the ERIC reports retains their raw data in the event of an external audit.

# 3 Information on social and community issues

## 3.1 Emergency preparedness

We have in place a Major Incident Plan which is fully compliant with the requirements of the NHS Emergency Planning Guidance 2005. We reviewed and tested the plan in September 2011 in line with the requirements of the Civil Contingencies Act 2004. The Trust Board approved the plan in December 2011.

## 3.2 Principles for remedy

We have adopted the Parliamentary and Health Service Ombudsman's Principles for Remedy. Where we have caused injustice or hardship by maladministration or service failure we will seek to remedy this in conjunction with the individual. This forms part of our complaint handling process which was reviewed during the year by the Clinical Governance Committee to ensure that it was fit for purpose. Our culture is to seek continuous improvement in all areas of our work and particularly in relation to the quality of our services, of which patient experience is a key component.

## 3.3 Employee consultation and engagement

We have formal structures to consult and negotiate with employee representatives; these continued throughout the year. The chair of staff side has joined the Strategic Workforce Forum which enables access to workforce data and decision making on key matters. Additionally other consultation processes took place including Listening into Action events, the annual staff survey and the involvement of staff side representatives in various working groups. We use a range of communication methods to provide information to staff including team briefing, open staff meetings led by the Chief Executive, emailed newsletters, printed magazines and social media sites such as Facebook and Twitter. The development of our Foundation Trust membership arrangements has further enabled employees access to information about a range of matters.

All employees with a permanent contract or a contract for greater than 12 months have become a member of our Trust. Members will be invited to put themselves forward for election as a Governor, with staff members due to elect five staff Governors during 2012/13. Staff Governors will then be asked to seek the views of the wider staff membership and help shape our forward direction. In addition, and as described in the Membership Strategy, the Council of Governors will be consulted on key changes including, where appropriate, ward moves, estates development and service changes.

## 3.4 Our policy in relation to disabled employees

Our policy is to actively implement the systems and processes required by the Equality Act 2010 to ensure that we meet our statutory duties. We have been accredited with the 'two ticks' disability standard which also demonstrates our commitment to disabled applicants. For several years we have worked with Project Search to support disabled young people into employment and have successfully recruited a number of former Project Search students into posts within our organisation.

With the advice of our on-site occupational health team, we make 'reasonable adjustments' for employees who are or become disabled including adjustments to roles or working hours and the provision of specialised equipment. We have a range of policies in place to support employees in their role as 'carers' of disabled people.

Health and safety risk assessments are in place to ensure that staff do not suffer disability through work and are supported by a range of training such as manual handling.

## 3.5 Our policy on equal opportunities

Our policy is to actively implement the systems and processes required by the Equality Act 2010 to ensure that we meet our statutory duties. In January 2012 we held a successful 'Showcasing Equality' conference which also enabled us to implement the NHS Equality Delivery System (EDS) self-assessment process and to set equality goals for 2012/13.

Our equality goals are:

- decisions about the way in way in which health needs are assessed and services provided for individual patients, are discussed with them to ensure they are appropriate and effective

- patients and carers report positive experiences of their treatment and care outcomes and of being listened to and respected and of how their privacy and dignity is prioritised

- staff are free from abuse, harassment, bullying and violence from both patients and their relatives and colleagues, with redress being open and fair to all

- middle managers and other line managers motivate their staff to work in culturally competent ways within a work environment free from discrimination.

We will be working to define clear actions to enable us to meet these goals and monitor achievement. Monitoring data will be published annually.

We recognise the important role that training has in the delivery of our equality goals and this is being embedded in a number of programmes.

# 4 Annual Accounts

## 4.1 Context

We met our objective of working within available financial resources for 2011/12. This year was the sixth consecutive year in which we have generated surpluses of income over expenditure. The surpluses have been used to repay our Workings Capital loan from the Department of Health.

A summary of our financial performance over the past four years is set out below. Information since 2008/09 is based on International Financial Reporting Standards (IFRS). This is in response to the Department of Health's requirement that the NHS is compliant with the requirements of IFRS as applicable to the NHS.

| Historical financial information | 2008/09 £m | 2009/10 £m | 2010/11 £m | 2011/12 £m |
|---|---|---|---|---|
| Revenue[1] | 209.2 | 222.3 | 215.6 | 223.7 |
| Pay expenditure | (127.4) | (137.6) | (136.3) | (139.9) |
| Non pay expenditure | (59.4) | (64.4) | (61.8) | (63) |
| **Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)** | **22.4** | **20.3** | **17.5** | **20.8** |
| Depreciation, amortisation and impairments | (11.7) | (12.7) | (8.0) | (8.6) |
| Net finance costs and dividends | (4.9) | (6.2) | (5.4) | (5.6) |
| **Net surplus** | **5.8** | **1.4** | **4.1** | **6.6** |
| **Adjustments to arrive at our Statutory Breakeven Duty** | | | | |
| Impact of transfer to IFRS | (0.2) | 0 | 0 | 0 |
| Reversal of impairments | 1.8 | 4.4 | 0.1 | 0.9 |
| Changes to Donated asset accounting | | | | (1.3) |
| **Position against Breakeven duty** | **7.4** | **5.8** | **4.2** | **6.2** |

[1] Revenue excludes transfers from the Donated Asset reserve relating to depreciation charged on donated assets. This has been offset directly against depreciation.

*Figure 1: Our financial performance 2008-2012*

Our continued financial performance is a huge achievement for us and credit must go to all our staff for the part they have played in this.

The change in our surplus from 2010/11 to 2011/12 is explained by Figure 2. The surplus of £6.6m is in line with the position agreed with the strategic health authority for the financial year.

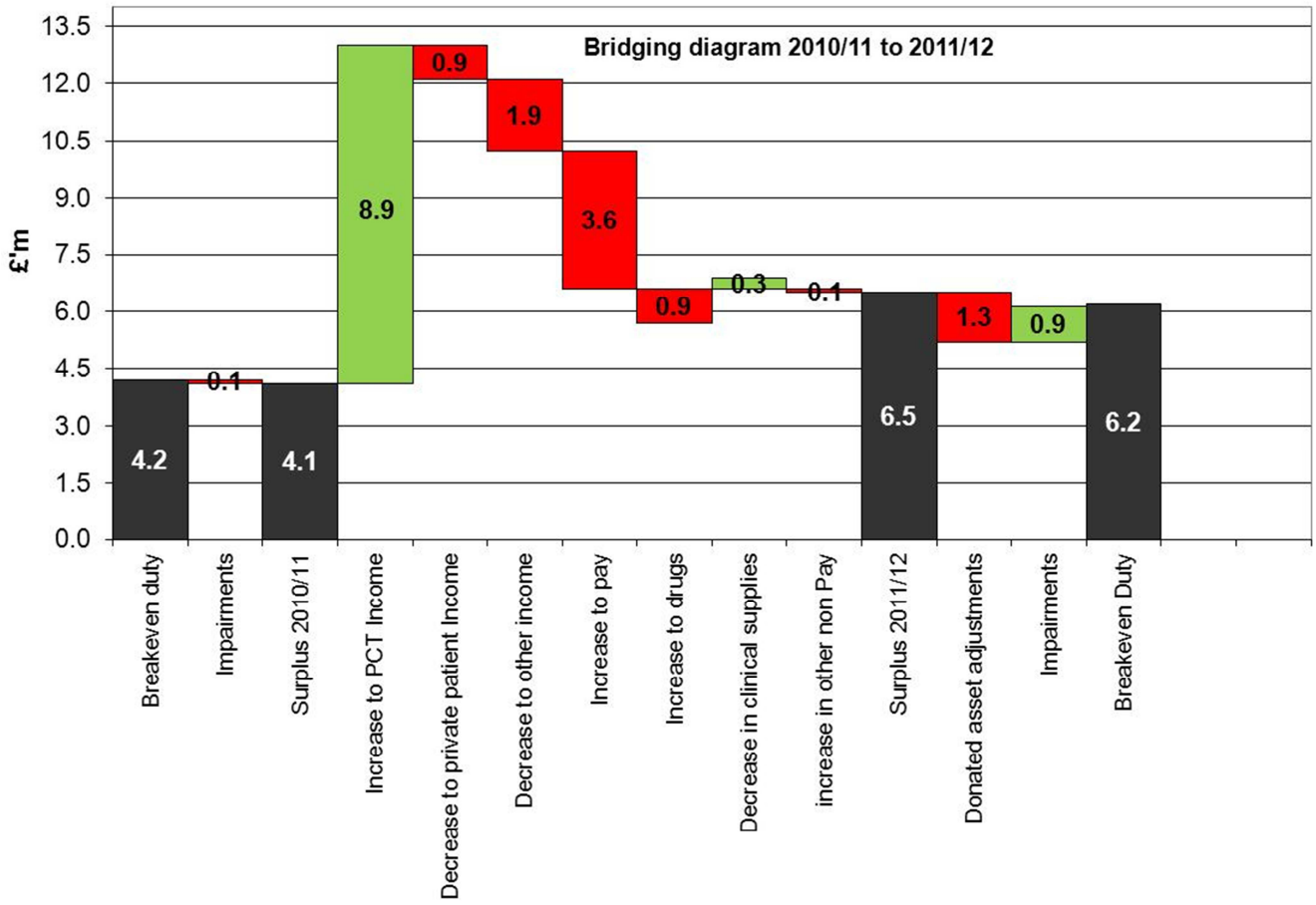


*Figure 2: Changes contributing to our surplus in 2011/12*

For 2012/13, we are aiming to make a surplus of £4.6m in order to make our planned loan repayment to the Department of Health. We must implement and deliver our planned savings in 2012/13 in order to achieve this.

Details of our financial plans are closely monitored by the Trust Board every month, and have been regularly reviewed by the strategic health authority.

## 4.2 Financial duties and measures in 2011/12

We met out statutory financial duties in 2011/12 as follows:

### 4.2.1 Meeting the planned surplus

We achieved our target of a planned revenue surplus of £6.6m (in 2010/11 we achieved our planned surplus of £4.2m).

Our final reported surplus is adjusted to remove the effect of impairments and the impact of changes in accounting for donated assets, before calculating our planned surplus or our break-even duty.

By achieving this target, we achieved our statutory breakeven duty and ensured that our in-year expenditure did not exceed our income.

### 4.2.2 External financing limit (EFL)

The EFL sets out how we must manage our cash flow and borrowing requirements. During 2011/12 we were able to manage within our cash requirements, and met this target (2010/11: target met).

### 4.2.3 Capital resource limit (CRL)

The CRL is the maximum amount that we can invest in fixed assets during the year. In 2011/12 we did not exceed our CRL (2010/11: CRL not exceeded).

In addition, we are measured against the following targets:

#### 4.2.3.1 Capital cost absorption rate

We are required to make a return on the assets we employ of 3.5% based on actual assets held through the year; we then pay 3.5% of this value as a dividend payment. We achieved this requirement (2010/11: achieved).

#### 4.2.3.2 Management costs

We are required to record our management costs according to parameters set by the Department of Health and to state these in relation to relevant income.

| | 2011/12 | 2010/11 |
|---|---|---|
| | £000 | £000 |
| Management Costs | 9,655 | 8,876 |
| Income | 223,678 | 215,806 |
| Cost as a percentage of income | 4.3% | 4.1% |

Management costs and related income figures are as defined by the Department for Health. We are actively reviewing our management costs to ensure that they remain low.

## 4.3 Better payment practice code – measure of compliance

| | 2011/12 Number | 2010/11 Number |
|---|---|---|
| Total Non-NHS trade invoices paid in the year | 61,500 | 60,926 |
| Total Non NHS trade invoices paid within target | 41,553 | 57,902 |
| Percentage of Non-NHS trade invoices paid within target | 68% | 95% |
| | | |
| Total NHS trade invoices paid in the year | 2,230 | 2,418 |
| Total NHS trade invoices paid within target | 1,583 | 2,189 |
| Percentage of NHS trade invoices paid within target | 71% | 91% |

*Figure 3: 2011/12 performance under the Better Payment Practice Code*

The Better Payment Practice Code requires us 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. We place great importance on ensuring that valid invoices are paid quickly, and are a signatory to the Prompt Payment Code. The Prompt Payment Code requires that at least 95% of valid invoices are paid within 30 days of receipt.

Our Better Payment Practice Code performance in 2011/12 was lower than expected due to a setback in securing the capital funding for the Pathology project and reflects the delay in signing the 2011/12 contract with our main commissioners. Cash flow is expected to improve through 2012/13. To ensure that compliance is achieved, we have a signed contract in place and the final part of the capital loan is secured for June 2012 receipt. We are also focusing on developing our cash flow forecasting to ensure that there are earlier warnings of potential issues and necessary mitigating actions are implemented.

## 4.4 Historic Deficit, Breakeven Duty and Legacy Debt

We have demonstrated financial stability since 2006/07, but have a substantial historic accumulated deficit within Retained Earnings (formerly, the Income and Expenditure Reserve), standing at £33.7m at 31 March 2012.

Legislation requires us to break even 'taking one year with another'. In 1997, guidelines were issued by the Department of Health on how this should be measured in practice. Adjustments are required to remove certain transactions from the in-year financial surplus or deficit to compare against our breakeven duty.

Consequently, there are differences between the historic accumulated deficit and the breakeven duty deficit, as detailed below. The position stated for years up to 2008/09 are on a UK GAAP basis, and since then are on an IFRS basis.

| | In Year (Deficits)/ Surpluses £'000 | Breakeven Duty £'000 |
|---|---|---|
| 1992/93 | (2,724) | - |
| 1993/94 | (676) | - |
| 1994/95 | (2,545) | - |
| 1995/96 | (586) | - |
| 1996/97 | (777) | - |
| 1997/98 | (722) | - |
| 1998/99 | (478) | - |
| 1999/00 | (543) | - |
| 2000/01 | (336) | - |

| | In Year (Deficits)/ Surpluses £'000 | Breakeven Duty £'000 |
|---|---|---|
| 2001/02 | 1,242 | - |
| 2002/03 | (24,784) | (24,784) |
| 2003/04 | (1,968) | (1,968) |
| 2004/05 | (946) | 1,022 |
| 2005/06 | (7,339) | (6,393) |
| 2006/07 | 144 | 144 |
| 2007/08 | 1,900 | 1,900 |
| Impact of transition to IFRS | (10,285) | - |
| 2008/09 | 5,600 | 7,405 |
| 2009/10 | 1,398 | 5,800 |
| 2010/11 | 4,143 | 4,195 |
| 2011/12 | 6,562 | 6,215 |
| **Accumulated Deficit** | **(33,698)** | **-** |
| **Breakeven duty** | **-** | **(6,464)** |

*Figure 4: Our cumulative breakeven duty as at 31 March 2012*

At the end of 2006/07, we entered into a loan agreement with the Department of Health and NHS South West for £38m repayable over 20 years. In March 2008, the strategic health authority negotiated a revised repayment structure for both the loan and breakeven duty. These negotiations with the Department of Health and local commissioners were concluded in March 2008. The loan is based on an interest rate which has been fixed by agreement with HM Treasury at an annual rate of 5.05%.

We will repay our legacy debt and recover our remaining deficit over the next four years, ending in 2016. We will make surpluses in each of these years to achieve this.

# 5 Future financial plans

Our financial forecasts are shown in Figure 5. This is based on the terms of the loan agreement, along with income, expenditure and capital projections.

The forecast for the next four years is part of our long term financial plan, and is shown below:

| Future Financial Forecast | 2011/12 £m | 2012/13 £m | 2013/14 £m | 2014/15 £m | 2015/16 £m |
|---|---|---|---|---|---|
| Revenue | 223.7 | 219.1 | 211.3 | 208.8 | 208.2 |
| Pay expenditure | (139.9) | (137.7) | (130.7) | (129.2) | (128.3) |
| Non pay expenditure | (62.1) | (61.7) | (58.9) | (57.4) | (56.3) |
| **Earnings before Interest, Tax, Depreciation and Amortisation** | **21.7** | **19.7** | **21.7** | **22.2** | **23.6** |
| Depreciation, Amortisation and Impairments | (9.5) | (8.9) | (11.5) | (11.5) | (12.5) |
| Net finance costs and dividends | (5.6) | (5.3) | (5.1) | (5.5) | (5.7) |
| **Net surplus** | **6.6** | **5.5** | **5.1** | **5.2** | **5.4** |
| **Adjustments to arrive at the Trust's Statutory Breakeven Duty** | | | | | |
| Reversal of Impairments | 0.9 | 0 | 0.8 | 0.5 | 0.5 |
| Adjustment for changes in accounting for donated assets | (1.3) | (0.9) | (0.9) | (0.9) | (0.9) |
| **Position against Breakeven duty** | **6.2** | **4.6** | **5.0** | **4.8** | **5.0** |
| Historic breakeven duty at beginning of year | (12.7) | (6.5) | (1.9) | 3.1 | 7.9 |
| **Historic breakeven duty at end of year** | **(6.5)** | **(1.9)** | **3.1** | **7.9** | **12.9** |
| Working capital loan outstanding at beginning of year | (13.7) | (6.5) | (4.6) | (2.7) | (0.8) |
| Repayment from surplus | 6.2 | 1.9 | 1.9 | 1.9 | 0.8 |
| Additional cash repayment | 1.0 | | | | |
| **Working capital loan outstanding at end of year** | **(6.5)** | **(4.6)** | **(2.7)** | **(0.8)** | **0.0** |

*Figure 5: Rescheduled loan repayments and recovery of breakeven duty*

Our future financial plans do require us to ensure that key financial risks are addressed. The main financial risks which are anticipated to affect us in 2012/13 and beyond are:

- the delivery of the required surpluses each year to meet the terms of the loan and recovery of the historic deficit
- the delivery of efficiency savings to meet the financial targets
- the level of income we may earn from commissioned activity, in an environment of increasing competition, and health economy pressures
- that capital expenditure addresses the requirements of an affordable long-term Estates strategy and that the revenue implications can be offset by additional savings.

We have identified a number of factors which will strengthen our ability to manage financial risks:

- we are working in partnership with our commissioning primary care trusts and have agreed a contract for 2012/13 which minimises uncertainties around our income position
- we will spend less if we deliver less activity; savings in variable costs will help offset changes in income
- we have in place plans for the delivery of efficiency savings, and the requirements of the Department of Health's work programme: Quality, Innovation, Productivity and

Prevention. The plans are monitored through our performance framework and by our Efficiency Board and Transformation Board

- business plans for the 2012/13 financial year were reviewed by the Trust Board.

## 5.1 Capital investment

Our Trust Board has approved a long term Capital Investment Strategy which will significantly reduce the longstanding backlog maintenance issues affecting us over the coming five years. To realise this strategy we took a capital loan from the Department of Health for £6m in 2011/12 and will draw down a further £4m in 2012/13, this is to support the Pathology development and to continue to address the backlog maintenance liability.

## 6 Trust Board Membership

The membership of our Trust Board in 2011/12 is outlined below. The terms and conditions of appointment of the Non-Executive Directors are available for inspection by contacting us. Contact details can be found at the end of this document. The Non-Executive Directors are all considered to be independent in their character and judgement. To be considered independent the Non-Executive Directors must meet a number of criteria which includes not having any pecuniary or material interest in organisations with whom the Trust contracts, not having been an employee of the Trust in the preceding five years, and have not served on the Board for more than nine years.

| Name | Position | Tenure | Voting | Board sub-committees | Attendance at Board during 2011-12 |
|---|---|---|---|---|---|
| Brian Stables | Chairman | 4 years | Yes | *Ex-officio member of all Trust Board Committees*<br>*Remuneration Committee* | 11/11 |
| Moira Brennan | Non-Executive Director (Independent)[8] | 4 years | Yes | Audit Committee<br>Charities Committee<br>Remuneration Committee | 9/11 |
| Michael Earp | Non-Executive Director, Vice Chairman and Senior Independent Director | 4 years | Yes | Audit Committee<br>Remuneration Committee<br>Clinical Governance Committee<br>Charities Committee | 11/11 |
| Stephen Wheeler | Non-Executive Director (Independent) | 4 years | Yes | Charities Committee<br>Audit Committee<br>Remuneration Committee<br>Non-Clinical Governance Committee<br>Whistle blowing contact | 11/11 |
| Roger Newton[9] | Non-Executive Director (Independent) | 4 years | Yes | Remuneration Committee<br>Clinical Governance Committee<br>Charities Committee | 11/11 |

[8] All Non-Executive Directors are considered to be independent in character and judgement

[9] From 1 April 2011

| Name | Position | Tenure | Voting | Board sub-committees | Attendance at Board during 2011-12 |
|---|---|---|---|---|---|
| Joanna Hole[10] | Non-Executive Director (Independent) | 4 years | Yes | Remuneration Committee<br>Non-Clinical Governance Committee | 11/11 |
| James Scott | Chief Executive | Substantive | Yes | Management Board<br>*Ex-officio member of all other Trust Board Committees* | 11/11 |
| Tim Craft | Medical Director | Substantive | Yes | Management Board<br>Clinical Governance Committee | 9/11 |
| Howard Jones | Director of Estates and Facilities | Substantive | No | Management Board<br>Non-Clinical Governance Committee | 11/11 |
| Brigid Musselwhite[11] | Director of Strategy | Substantive | No | Management Board<br>Non-Clinical Governance Committee | 7/8 |
| Catherine Phillips | Director of Finance | Substantive | Yes | Charities Committee<br>Management Board<br>Audit Committee | 10/11 |
| James Rimmer[12] | Director of Operations | Substantive | Yes | Management Board<br>Non-Clinical Governance Committee | 4/4 |

[10] From 1 April 2011
[11] Until 30 November 2011
[12] Until 3 July 2011

| Name | Position | Tenure | Voting | Board sub-committees | Attendance at Board during 2011-12 |
|---|---|---|---|---|---|
| Francesca Thompson | Director of Nursing | Substantive | Yes | Management Board<br>Charities Committee<br>Clinical Governance Committee | 10/11 |
| Lynn Vaughan | Director of Human Resources | Substantive | No | Management Board<br>Non-Clinical Governance Committee | 10/11 |
| Lisa Hunt[13] | Chief Operating Officer and Deputy Chief Executive | Substantive | Yes | Management Board<br>Non-Clinical Governance Committee | 7/7 |

[13] From 1 August 2011

# 7 Remuneration Report

## 7.1 Membership of the Remuneration Committee

All, and only, Non-Executive Directors are members of the committee. The committee is quorate with four members.

During 2011/12 the following individuals were Non Executive Directors:

- Brian Stables
- Stephen Wheeler
- Michael Earp
- Moira Brennan
- Roger Newton
- Joanna Hole

## 7.2 Statement on the policy on the remuneration of senior managers for current and future years

Starting salaries for Executive Directors are determined by the committee by reference to independently obtained NHS salary survey information, internal relativities and equal pay provisions and other labour market factors where relevant, e.g. for cross-sector, functional disciplines such as human resources.

Progression is determined by the committee for:

- annual inflation considerations in line with nationally published indices (RPI/CPI), DH guidance and other nationally determined NHS pay settlements
- specific review of individual salaries in line with independently obtained NHS salary survey information, other labour market factors where relevant, e.g. for cross sector, functional disciplines, internal relativities and equal pay provisions. Such review is only likely where an individual director's portfolio of work or market factors change substantially.

A discretionary performance-related payment system for Executive Directors exists. The arrangement provides for directors to receive an annual inflation uplift provided that performance is judged to be satisfactory. Additionally, a non-consolidated bonus of up to five per cent may be paid to individuals whose performance exceeds expectation. For individuals judged to have outstanding performance a non-consolidated bonus of up to 10 per cent may be paid.

Other senior managers are paid in accordance with the national NHS Agenda for Change pay system.

## 7.3 Contracts

Contracts are normally substantive (permanent) contracts subject to termination by written notice of six months, by either party.

On occasion as required by the needs of the organisation appointments may be of a temporary or 'acting' nature in which case a lesser notice period may be agreed.

## 7.4 Termination liabilities for Executive Directors

There are no provisions for compensation for early termination for any Executive Directors, as detailed in the table below.

Other termination liabilities for all executive directors are the entitlements under the NHS Whitley Council and/or Agenda for Change and the NHS Pension scheme. Statutory

entitlements also apply in the event of unfair dismissal. The balance of annual leave earned but untaken would be due to be paid on termination.

## 8 Details of service contracts

| Name | Post Title | Date of Contract | Unexpired Term | Notice period | Provision for Compensation for Early Termination | Other Termination Liability |
|---|---|---|---|---|---|---|
| James Scott | Chief Executive | 01/06/2007 | Substantive | 6 months | None | See text above |
| Tim Craft | Medical Director[1] | 01/04/2004 | | 6 months | None | As above with respect to Medical Director responsibilities |
| Howard Jones | Director of Estates and Facilities | 03/11/2008 | Substantive | 6 months | None | As above |
| Lisa Hunt | Chief Operating Officer and Deputy Chief Executive | 01/08/2011 | Substantive | 6 months | None | As above |
| Catherine Phillips | Director of Finance | 03/09/2007 | Substantive | 6 months | None | As above |
| Francesca Thompson | Director of Nursing | 25/09/2006 | Substantive | 6 months | None | As above |
| Lynn Vaughan | Director of Human Resources | 01/07/2004 | Substantive | 6 months | None | As above |
| Brigid Musselwhite[2] | Director of Planning & Strategic Development<br>Deputy Chief Executive | 01/03/2004<br>01/09/2007 | Substantive | 6 months | None | As above |
| James Rimmer[3] | Director of Operations | 05/06/2009 | Substantive | 6 months | None | As above |

[1] Tim Craft's substantive appointment is as a Medical Consultant, to which Consultant Contract termination liabilities apply.
[2] Brigid Musselwhite left the Trust on 30 November 2011.
[3] James Rimmer left the Trust on 3 July 2011

# 9 Emoluments Disclosure

The remuneration of the Chairman and the Non-Executive Directors is set by the Appointments Commission.

| | | 2011-12 | | | | 2010-11 | | |
|---|---|---|---|---|---|---|---|---|
| Name | Title | Salary (bands of £5,000) £000 | Other Remuneration* (bands of £5,000) £000 | Benefits in Kind (rounded to the nearest £000) £000 | Date of Starting (S) or Leaving (L) | Salary (bands of £5,000) £000 | Other Remuneration (bands of £5,000) £000 | Benefits in Kind (rounded to the nearest £000) £000 |
| Brian Stables | Chairman | 20-25 | | | | 20-25 | | |
| Moira Brennan | Non-Executive Director | 5-10 | | | | 5-10 | | |
| Michael Earp | Non-Executive Director | 5-10 | | | | 5-10 | | |
| Stephen Wheeler | Non-Executive Director | 5-10 | | | | 5-10 | | |
| Roger Newton[6] | Non-Executive Director | 5-10 | | | 01/04/11 (S) | | | |
| Joanna Hole[7] | Non-Executive Director | 5-10 | | | 01/04/11 (S) | | | |
| James Scott | Chief Executive | 155-160 | 5-10 | | | 155-160 | | |
| Howard Jones | Director of Estates and Facilities | 95-100 | 0-5 | | | 95-100 | | |
| Lisa Hunt[1] | Chief Operating Officer and Deputy Chief Executive | 75-80 | | | 01/08/11 (S) | | | |
| Brigid Musselwhite[2] | Deputy Chief Executive and Director of Planning and Strategic Development | 60-65 | 0-5 | | 30/11/11 (L) | 95-100 | | |
| Catherine Phillips | Director of Finance | 115-120 | 5-10 | | | 110-115 | | |
| James Rimmer[3] | Director of Operations | 20-25 | 0-5 | | 03/07/11 (L) | 95-100 | | |
| Francesca Thompson | Director of Nursing | 90-95 | 0-5 | | | 90-95 | | |
| Lynn Vaughan | Director of Human Resources | 85-90 | 0-5 | | | 85-90 | | |
| Tim Craft[4] | Medical Director | 30-35 | 140-145 | | | 20-25 | 95-100 | |
| John Waldron[5] | Medical Director | | | | | 25-30 | 80-85 | |

* A performance related payment was paid in 2011/12 which related to performance in 2010/11. The Other Remuneration for the Medical Director is explained below.
[1] Lisa Hunt started on 1 August 2011
[2] Brigid Musselwhite left the Trust on 30 November 2011.
[3] James Rimmer left the Trust on 3 July 2011
[4] Tim Craft's substantive appointment is as a Medical Consultant. His remuneration is therefore split between his responsibilities as Medical Director (Salary) and that earned in his substantive appointments (Other remuneration). He took up the post on 1 August 2010; therefore the 2010/11 value is part year.
[5] John Waldron was Medical Director until 31 October 2010.
[6] Roger Newton started on 1 April 2011
[6] Joanna Hole started on 1 April 2011

## 10 Pensions Disclosure

| Name | Title | Real increase in pension at age 60 (bands of £2,500) £000 | Real increase in pension lump sum at age 60 (bands of £2,500) £000 | Total accrued pension at age 60 at 31st March 2012 (bands of £5,000) £000 | Lump sum at age 60 related to accrued pension at 31st March 2012 (bands of £5,000) £000 | Cash Equivalent Transfer Value at 31st March 2012 £000 | Cash Equivalent Transfer Value at 31st March 2011 £000 | Real increase in Cash Equivalent transfer Value £000 | Employer's contribution to stakeholder pension £000 |
|---|---|---|---|---|---|---|---|---|---|
| James Scott | Chief Executive | 0 - 2.5 | 0 - 2.5 | 50 – 55 | 160 – 165 | 1,003 | 888 | 88 | |
| Howard Jones | Director of Estates and Facilities | 0 - 2.5 | 0 - 2.5 | 45 – 50 | 135 – 140 | 0 | 1,019 | - | |
| Lisa Hunt[1] | Chief Operating Officer and Deputy Chief Executive | - | - | - | - | - | - | - | |
| Brigid Musselwhite[2] | Deputy Chief Executive and Director of Planning and Strategic Development | 0 - 2.5 | 0 - 2.5 | 30 – 35 | 90 – 95 | 519 | 433 | 49 | |
| Catherine Phillips | Director of Finance | 0 - 2.5 | 5.0 – 7.5 | 30 – 35 | 90 – 95 | 445 | 328 | 106 | |
| James Rimmer[3] | Director of Operations | 0 - 2.5 | 2.5 – 5.0 | 30 – 35 | 90 – 95 | 491 | 342 | 36 | |
| Francesca Thompson | Director of Nursing | 0 - 2.5 | 0 - 2.5 | 20 – 25 | 70 – 75 | 471 | 419 | 39 | |
| Lynn Vaughan | Director of Human Resources | 0 - 2.5 | 0 - 2.5 | 20 – 25 | 60 – 65 | 468 | 423 | 32 | |
| Tim Craft | Medical Director | 0 - 2.5 | 0 - 2.5 | 55 - 60 | 175 - 180 | 1,118 | 991 | 97 | |

Non-Executive directors do not receive pensionable remuneration (2010/11: nil). The Trust did not contribute to any Director's stakeholder pension scheme (2010/11: nil).

Pension details have only been disclosed for those Directors in post during 2011/12. Balances for those in post during 2010/11 can be obtained from the 2010/11 Annual Report.

**Cash Equivalent Transfer Values**

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

**Real Increase or decrease 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.

James Scott, Chief Executive, 31 May 2012

[1] Lisa Hunt is not a member of the NHS Pension Scheme
[2] Brigid Musselwhite left the Trust on 30 November 2011
[3] James Rimmer left the Trust on 3 July 2011

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## 11 Pay multiples

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

The banded remuneration of the highest paid director in the RUH in the financial year 2011-12 was £175,000-£180,000 (2010-11:£175,000-£180,000). This was 6.4 times (2010-11:6.7) the median remuneration of the workforce, which was £27,625 (2010-11:£26,650). In 2011-12, two (2010-11: three) employees received remuneration in excess of the highest-paid director.

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

| **2011/12** | | **2010/11** | |
|---|---|---|---|
| Band of Highest Paid Director's Total Remuneration (£'000) | 175-180 | Band of Highest Paid Director's Total Remuneration (£'000) | 175-180 |
| Median Total Remuneration (£) | 27,625 | Median Total Remuneration (£) | 26,650 |
| Ratio | 6.4 | Ratio | 6.7 |

## 12 Reporting of staff exit packages

We are required, in line with Department of Health guidelines, to report exit packages which have been agreed with former staff as part of this report.

| | 2011/12 | | | | 2010/11 | | | |
|---|---|---|---|---|---|---|---|---|
| Exit package cost band (including any special payment element) | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band (total cost) | Of which, number where special payments have been made (totalled) | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band (total cost) | Number of departures where special payments have been made (totalled) |
| <£20,001 | 3 | 5 | 8 (£29,000) | 0 | 0 | 11 | 11 (£49,000) | 0 |
| £20,001-£40,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £40,001-£100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,001-£150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,001-£200,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total number of exit packages by type (total cost) | 3 (£20,000) | 5 (£9,000) | 8 (£29,000) | 0 | 0 | 11 (£49,000) | 11 (£49,000) | 0 |

# 13 Annual accounts 2011/12

The summary financial statements which follow do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Trust and its policies and arrangements as provided by the full set of annual accounts.

A full set of the accounts is available on request from the Director of Finance.

The following statements are attached in the Appendices:

- Summary Financial Statements
- Directors' Statements
- Independent Auditor's report

The Annual Governance Statement is available on our website. …

The summary financial statements do not include the results for the Royal United Hospital Bath Charitable Fund. The Charitable Fund is registered with the Charity Commission for England and Wales under registration number 1058323. Its principal office is at the Royal United Hospital NHS Trust, Combe Park, Bath BA1 3NG. Details of the charitable fund can be found on our website, www.ruh.nhs.uk. The main fundraising appeal of the fund, the Forever Friends Appeal, can be found at www.foreverfriendsappeal.co.uk

## 13.1 Administrative details

Trust contact: Director of Finance
Royal United Hospital Bath NHS Trust
Malvern House
Combe Park
Bath
BA1 3NG
Telephone: 01225 428331
Email: ruh-tr.FOIRequests@nhs.net

Solicitors: Bevan Brittan Solicitors
35 Colston Avenue
Bristol
BS1 4TT

Bankers: Government Banking Service
Sutherland House
Russell Way
Crawley
West Sussex
RH10 1UH

Auditors: Grant Thornton LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

## 13.2 Audit

The independent auditor's statement is included within the Summary Financial Statements.

The Trust, and our auditors, have processes in place to ensure that conflicts of interest are minimised and that the auditor's independence is not compromised. This includes providing the auditor with direct access to the Chair of the Audit Committee, and its other Non-Executive

Members. The Audit Committee seeks confirmation on an annual basis that the audit function is independent from management. During the year, the external auditor was paid £147,896 for their work (2010/11: £182,000). All of this work related to their statutory activities under the Audit Commission's 'Code of Audit Practice'.

In respect of the preparation of the accounts for 2011/12, as far as the Directors are aware there is no relevant audit information of which our auditors are unaware. Our Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

## 13.3 Going concern

The directors have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future, and for a period exceeding 12 months from the date of signing the accounts. For this reason, the accounts have been prepared on the going concern basis.

## 13.4 Counter fraud

We have taken all reasonable steps to comply with the requirements set out in the Code of Conduct for NHS managers, and have a named individual nominated to provide the lead local counter fraud specialist function: an accredited counter fraud specialist. If you suspect that fraud may have occurred, affecting either us or any other NHS organisation, please contact the counter fraud helpline on 0800 028 4060.

## 13.5 Openness and accountability

We are committed to ensuring that we operate within an open and transparent environment, where this does not conflict with our legal responsibilities. We are compliant with the requirements of the Freedom of Information Act. The Annual Report and Accounts provides the public with a comprehensive review of our annual performance and has been subject to audit scrutiny.

## 13.6 Pensions

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

## 13.7 Staff sickness absence

The Manual for Accounts requires that we disclose details of staff sickness absences. This disclosure is included below:

| | **2011/12 Number** | **2010/11 Number** |
|---|---|---|
| **Total days lost** | **26,755** | **26,945** |
| Total staff years[1] | 3,300 | 3,327 |
| **Average working days lost[2]** | **8.10** | **8.10** |

[1] The number of equivalent years of staff service worked during the current year based on the number of working days in a year.

[2] The number of working days lost on average for each employee. This is calculated by dividing the total number of days lost by the total of staff years.

Data used in this calculation is on a calendar year basis, for the years ended 31 December 2010 and 31 December 2011 and are used as approximations of the information related to the financial years.

## 13.8 NHS Trust Manual for Accounts

The operating and financial review has been prepared in accordance with the NHS Trust Manual for Accounts for 2011/12, as directed by the Secretary of State.

## 14 Directors' Interests

| Surname | First Name | Role | Declared Interest |
|---|---|---|---|
| Brennan | Moira | Non-Executive Director | Trustee of the Royal Mail Senior Executive Pension scheme (Until 30 November 2011) |
| Craft | Tim | Medical Director | Medical Director and shareholder of Anaesthetic Medical Systems (AMS) Ltd<br>Partner of Bath Anaesthetic Group LLP |
| Earp | Michael | Non-Executive Director | Board Consultant to Coalescence Consulting |
| Hole[14] | Joanna | Non-Executive Director | No interest currently declared |
| Hunt | Lisa | Chief Operating Officer | No interest currently declared |
| Jones | Howard | Director of Estates and Facilities (Non-Voting) | No interest currently declared |
| Musselwhite[15] | Brigid | Director of Strategy (Non-Voting) | President of Bath Chamber of Commerce |
| Newton[16] | Roger | Non-Executive Director | No interest currently declared |
| Phillips | Catherine | Director of Finance | No interest currently declared |
| Rimmer[17] | James | Director of Operations | No interest currently declared |
| Scott | James | Chief Executive | No interest currently declared |
| Stables | Brian | Chairman | Director of Profex Associates Ltd - Management Consultancy<br>Director and Trustee of Foundation Trust Network |
| Thompson | Francesca | Director of Nursing | No interest currently declared |
| Vaughan | Lynn | Director of Human Resources (Non-Voting) | No interest currently declared |
| Wheeler | Stephen | Non-Executive Director | Chair of Trustees of The Evaluation Trust |

[14] From 1 April 2011
[15] Until 30 November 2011
[16] From 1 April 2011
[17] Until 30 June 2011

# Appendix 1 - Summary Financial Statements

## Statement of Comprehensive Income

### Statement of Comprehensive Income for year ended 31 March 2012

| | **2011-12** | 2010-11 Restated |
|---|---|---|
| | **£000** | £000 |
| Employee benefits | **(139,892)** | (136,210) |
| Other costs | **(71,665)** | (70,626) |
| Revenue from patient care activities | **204,559** | 196,021 |
| Other Operating revenue | **19,119** | 21,478 |
| **Operating surplus** | **12,121** | 10,663 |
| Investment revenue | **23** | 29 |
| Other gains | **9** | 83 |
| Finance costs | **(740)** | (1,014) |
| **Surplus for the financial year** | **11,413** | 9,761 |
| Public dividend capital dividends payable | **(4,851)** | (4,480) |
| **Retained surplus for the year** | **6,562** | 5,281 |
| **Other Comprehensive Income** | | |
| Impairments and reversals | **(700)** | (786) |
| Net gain on revaluation of property, plant & equipment | **1,312** | 6,224 |
| **Total comprehensive income for the year** | **7,174** | 10,719 |
| **Financial performance for the year** | | |
| Retained surplus for the year | **6,562** | 5,281 |
| Impairments | **947** | 52 |
| Adjustments to donated asset/gov't grant reserve elimination | **(1,294)** | (1,138) |
| **Adjusted retained surplus** | **6,215** | **4,195** |

# Statement of Financial Position

**Statement of Financial Position as at 31 March 2012**

| | 31 March 2012 | 1 April 2011 | Opening balance adjustments | 31 March 2011 | 31 March 2010 (restated) |
|---|---|---|---|---|---|
| | **£000** | £000 | £000 | £000 | £000 |
| **Non-current assets:** | | | | | |
| Property, plant and equipment | **161,971** | 156,980 | 2,652 | 154,328 | 145,836 |
| Intangible assets | **638** | 706 | 0 | 706 | 760 |
| Other financial assets | **0** | 82 | 0 | 82 | 121 |
| Trade and other receivables | **1,584** | 1,626 | 0 | 1,626 | 1,762 |
| **Total non-current assets** | **164,193** | 159,394 | 2,652 | 156,742 | 148,479 |
| **Current assets:** | | | | | |
| Inventories | **3,296** | 3,182 | 0 | 3,182 | 3,139 |
| Trade and other receivables | **10,408** | 9,570 | 0 | 9,570 | 11,026 |
| Other financial assets | **0** | 82 | 0 | 82 | 61 |
| Other current assets | **33** | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | **6,068** | 2,000 | 0 | 2,000 | 690 |
| **Total current assets** | **19,805** | 14,834 | 0 | 14,834 | 14,916 |
| **Total assets** | **183,998** | 174,228 | 2,652 | 171,576 | 163,395 |
| **Current liabilities** | | | | | |
| Trade and other payables | **(14,497)** | (12,038) | 0 | (12,038) | (10,858) |
| Other liabilities | **0** | 0 | 0 | 0 | (24) |
| Provisions | **(1,517)** | (1,735) | 0 | (1,735) | (1,844) |
| Borrowings | **(103)** | (231) | 0 | (231) | (233) |
| Working capital loan from Department | **(1,900)** | (7,200) | 0 | (7,200) | (7,000) |
| Capital loan from Department | **(590)** | 0 | 0 | 0 | 0 |
| **Total current liabilities** | **(18,607)** | (21,204) | 0 | (21,204) | (19,959) |
| **Non-current assets plus/less net current assets/liabilities** | **165,391** | 153,024 | 2,652 | 150,372 | 143,436 |
| **Non-current liabilities** | | | | | |
| Provisions | (2,067) | (2,064) | 0 | (2,064) | (903) |
| Borrowings | (309) | (345) | 0 | (345) | (497) |
| Working capital loan from Department | (4,600) | (6,500) | 0 | (6,500) | (13,700) |
| Capital loan from Department | (5,315) | 0 | 0 | 0 | 0 |
| **Total non-current liabilities** | **(12,291)** | (8,909) | 0 | (8,909) | (15,100) |
| **Total Assets Employed:** | **153,100** | 144,115 | 2,652 | 141,463 | 128,336 |
| **FINANCED BY:** | | | | | |
| **TAXPAYERS' EQUITY** | | | | | |
| Public Dividend Capital | 137,356 | 135,545 | 0 | 135,545 | 130,445 |
| Retained earnings | (25,423) | (33,079) | (40) | (33,039) | (39,365) |
| Revaluation reserve | 41,167 | 41,649 | 2,692 | 38,957 | 37,256 |
| **Total Taxpayers' Equity:** | **153,100** | 144,115 | 2,652 | 141,463 | 128,336 |

**James Scott, Chief Executive:**

## Statement of Changes in Taxpayers' Equity

**For the year ended 31 March 2012**

| | Public Dividend capital | Retained earnings | Revaluation reserve | Total reserves |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Balance at 1 April 2011** | 135,545 | (33,039) | 38,957 | **141,463** |
| Opening balance adjustments | 0 | (40) | 2,692 | **2,652** |
| **Restated balance at 1 April 2011** | 135,545 | (33,079) | 41,649 | **144,115** |
| **Changes in taxpayers' equity for 2011-12** | | | | |
| Retained surplus for the year | 0 | 6,562 | 0 | **6,562** |
| Net gain on revaluation of property, plant, equipment | 0 | 0 | 1,312 | **1,312** |
| Impairments and reversals | 0 | 0 | (700) | **(700)** |
| Transfers between reserves | 0 | 1,094 | (1,094) | **0** |
| New PDC Received | 1,811 | 0 | 0 | **1,811** |
| Net recognised revenue for the year | 1,811 | 7,656 | (482) | 8,985 |
| **Balance at 31 March 2012** | **137,356** | **(25,423)** | **41,167** | **153,100** |
| **Changes in taxpayers' equity for 2010-11** | | | | |
| **Balance at 1 April 2010** | 130,445 | (39,365) | 37,256 | 128,336 |
| Retained surplus for the year | 0 | 5,281 | 0 | 5,281 |
| Net gain on revaluation of property, plant, equipment | 0 | 0 | 3,532 | 3,532 |
| Impairments and reversals | 0 | 0 | (786) | (786) |
| Transfers between reserves | 0 | 1,045 | (1,045) | 0 |
| New PDC Received | 5,100 | 0 | 0 | 5,100 |
| Net recognised revenue for the year | 5,100 | 6,326 | 1,701 | 13,127 |
| **Balance at 31 March 2011** | **135,545** | **(33,039)** | **38,957** | **141,463** |

## Statement of Cash Flows

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**
**31 March 2012**

| | **2011-12** | 2010-11 |
|---|---|---|
| | **£000** | £000 |
| **Cash Flows from Operating Activities** | | |
| Operating Surplus | **12,121** | **10,663** |
| Depreciation and Amortisation | **8,618** | **8,748** |
| Impairments and Reversals | **947** | **52** |
| Donated Assets received credited to revenue but non-cash | **(2,053)** | **(1,892)** |
| Government Granted Assets received credited to revenue but non-cash | **0** | **(21)** |
| Interest Paid | **(715)** | **(990)** |
| Dividend paid | **(4,888)** | **(4,435)** |
| (Increase)/Decrease in Inventories | **(114)** | **(43)** |
| (Increase)/Decrease in Trade and Other Receivables | **(796)** | **2,268** |
| (Increase)/Decrease in Other Current Assets | **(33)** | **0** |
| Increase/(Decrease) in Trade and Other Payables | **2,210** | **1,480** |
| (Increase)/Decrease in Other Current Liabilities | **131** | **(24)** |
| Provisions Utilised | **(948)** | **(780)** |
| Increase/(Decrease) in Provisions | **709** | **1,870** |
| **Net Cash Inflow/(Outflow) from Operating Activities** | **15,189** | **16,896** |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest Received | **23** | **29** |
| (Payments) for Property, Plant and Equipment | **(11,478)** | **(14,654)** |
| (Payments) for Intangible Assets | **(105)** | **(131)** |
| Proceeds of disposal of assets held for sale (PPE) | **18** | **106** |
| **Net Cash Inflow/(Outflow) from Investing Activities** | **(11,542)** | **(14,650)** |
| | | |
| **NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING** | **3,647** | **2,246** |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Public Dividend Capital Received | 1,811 | 5,100 |
| Loans received from DH - New Capital Investment Loans | 6,000 | 0 |
| Loans repaid to DH - Capital Investment Loans Repayment of Principal | (95) | 0 |
| Loans repaid to DH - Working Capital Loans Repayment of Principal | (7,200) | (7,000) |
| Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT | (95) | (252) |
| Capital grants and other capital receipts | 0 | 1,216 |
| **Net Cash Inflow/(Outflow) from Financing Activities** | **421** | **(936)** |
| | | |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **4,068** | **1,310** |
| | | |
| **Cash and Cash Equivalents ( and Bank Overdraft) at Beginning of the Period** | 2,000 | 690 |
| **Cash and Cash Equivalents (and Bank Overdraft) at year end** | 6,068 | 2,000 |

## Appendix 2 - Statement of the Chief Executive's responsibility as the Accountable Officer of the Trust

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

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance
- value for money is achieved from the resources available to the Trust
- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities who govern them
- effective and sound financial management systems are in place
- annual statutory accounts are prepared in a format directed by the Secretary of State with 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.

James Scott, Chief Executive

6 June 2012

## Appendix 3 - Statement of Directors' responsibility in respect of the accounts

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

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

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

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

By order of the Board

James Scott, Chief Executive

6 June 2012

Catherine Phillips, Director of Finance

6 June 2012

## Appendix 4 - Independent auditor's statement to the Board of Directors of Royal United Hospital Bath NHS Trust

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

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

### Respective responsibilities of Directors and auditor

The Directors are responsible for preparing the Annual Report.

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

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

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

### Opinion

In our opinion the summary financial statement is consistent with the statutory financial statements of the Royal United Hospital Bath NHS Trust for the year ended 31 March 2012.

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

7 June 2012

## Glossary

| Term | Definition |
|---|---|
| Agenda for Change | Current NHS pay system (excluding doctors, dentists and some senior managers) implemented to standardise pay across various staff groups and across NHS organisations. |
| Amortisation | An amount which is charged to expenditure on a periodic basis to reflect the use of an intangible asset over more than one reporting period. |
| Asset | A balance which represents the value of finance benefit we will gain in future periods as a result of a past transaction or event. |
| Borrowings | Amounts which we have borrowed, either as a loan or as a finance lease. |
| Breakeven Duty | A statutory requirement for us to ensure that it balances income and expenditure over a period of three years (or in certain exceptions, five years). |
| Cash Equivalents | Assets that can be easily and quickly converted into cash. |
| Current Asset | An asset used or sold in the Trust's normal activities, such as stocks. |
| Depreciation | An amount which is charged to expenditure and which recognises the reduction in value of a non-current asset over its life due to wear and tear, technological changes or the general passing of time. |
| Donated Asset Reserve | An account which is credited with a balance to reflect assets donated to us. |
| Exit packages | A financial arrangement with an employee which will result in a termination of their contract of employment with us. This can be the result of a MARS scheme, redundancy, severance agreement, or pay in lieu of notice. |
| Finance Costs | A balance which represents interest costs, arising from borrowings and unwinding the discounts applied to future liabilities reflecting the time-value of money. |
| Finance Lease | A contractual agreement arising where an underlying asset is transferred to the lessee, but where legal ownership remains with the lessor. |
| IFRS | International Financial Reporting Standards, a set of rules that were set up to standardise accounting procedures and reporting processes across international boundaries. These have been applied for the first time in 2009/10. |
| Impairment | The reduction in value of an asset due to damage or obsolescence. |
| Independent Sector Treatment Centres | Privately owned treatment centres which perform procedures on behalf of the NHS. |
| Intangible Asset | An asset which cannot be seen or touched but which value, such as software licences. |
| Inventories | Stock. |
| Liabilities | A balance which represents an expected future financial outflow to us arising as a result of a past transaction or event. |
| MARS | Mutually Agreed Resignation Scheme. The Scheme enables individual employees - in agreement with their employer - to choose to leave their employment voluntarily, in return for a severance payment. It is not a redundancy. |
| Non-Current Asset | An asset which is held for more than one year and not sold during the normal course of our activities, such as medical equipment. |
| Operating Expenses | Costs incurred through carrying out our day to day activities i.e. |

| Term | Definition |
|---|---|
| | patient care activities. |
| Operating Revenue | Income received from our day to day activities i.e. patient care activities. |
| Payables | Balances owed to others. |
| PDC Dividend | An amount which represents a return on our net assets which is paid annually to HM Treasury. The net assets used for this calculation excludes the value of donated assets and cash held in Government Banking Services bank accounts. |
| Provision | A liability arising as a result of a past event which will be payable in future periods. |
| Public Dividend Capital (PDC) | Represents Central Government's investment in us. This is similar to the 'Share Capital' in a company. |
| Receivables | Balances owed by others. |
| Redundancy | Termination of employment of an employee or a group of employees for business reasons. |
| Revaluation Reserve | A reserve which is credited with historic increases in the value of assets as a result of changes in prices. Any reductions in values are also When assets are assessed and found to have increased in value the additional amount is recorded here |
| Taxpayers' Equity | A balance representing our net assets. |
| UK GAAP | UK Generally Accepted Accounting Practice represents the collective term for the standards, rules and practices which developed in the UK. From 2009/10 onward, these have been replaced by International Financial Reporting Standards in the NHS. |

We value your opinion and would like to ensure that future reports give you all the information you need on our services, so please tell us if you think we could improve.

If you would like to know more, or to comment on our existing reports, please write to:

Brian Stables, Trust Chairman or James Scott, Chief Executive at:
Royal United Hospital Bath NHS Trust
Combe Park
BATH
BA1 3NG
Telephone: 01225 824032
E-mail: ruh-tr.trustboard@nhs.net

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