Brighton and Sussex University Hospitals NHS Trust

Annual Report 2016-17

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Message from the Chair and Chief Executive

Welcome to our 2016/17 Annual Report. For the period covered in this Report Dr Gillian Fairfield was Chief Executive and Accountable Officer from 1 April 2016. Evelyn Barker became Chief Executive and Accountable Officer on 23 January 2017 and remained in post until 1 April 2017 when the Executive Team from Western Sussex Hospitals NHS Foundation Trust (WSH), led by Chief Executive Marianne Griffiths, took on the management of Brighton and Sussex University Hospitals (BSUH).

In April 2016 the Care Quality Commission (CQC) inspected BSUH and found significant failings. In June 2016 the CQC issued a warning notice in respect of their findings and detailed the work the Trust was required to do to address them by the end of August 2016. In August 2016, when the CQC published its full inspection report the Trust received an overall rating of 'inadequate' and NHS Improvement (NHSI) placed the Trust in Special Measures for quality.

Subsequently, in October 2016, NHSI also placed the Trust in financial special measures and revised the 2016/17 end-of-year deficit from the original plan of £15.5m to £59.7m. The Trust will remain in financial Special Measures until the detailed recovery plan which has been put in place delivers significant and sustained improvements to our financial position.

As illustrated above, 2016/17 was an extremely challenging year for the Trust and we struggled to meet a number of national waiting time standards including the 4-hour Accident and Emergency standard and the 18 week referral-to-treatment (RTT) standard for both admitted and non-admitted patients.

However, despite these challenges, many staff, teams and services have continued to deliver excellent care for patients and make real and lasting improvements to the quality of care we provide, and this report also highlights much of this work too - including a section on the *Best of BSUH* which showcases some of the most inspiring innovations and achievements of the last twelve months.

WSH has an excellent track record of delivering high quality, patient-centred services, and supporting and engaging with its workforce. The new management arrangement described above will be in place for a minimum of three years to enable the consistency of leadership and approach, which is needed to deliver a comprehensive period of recovery and improvement, to deliver the same benefits for BSUH.

By building on the many positives that are already happening across BSUH and the experience and successes of WSH, as well as focusing on the areas where we are clear that we have to do better for our staff and patients, we look forward to 2017/18 being a turning point for BSUH and a year of positive change, development and progress.

To the best of our knowledge the information in this document is accurate

Marianne Griffiths
Chief Executive

Mike Viggers
Chair

Overview

Strategic Review

About the Trust

Brighton and Sussex University Hospitals (BSUH) is an acute teaching hospital working across two main sites: the Royal Sussex County Hospital in Brighton and the Princess Royal Hospital in Haywards Heath. The Brighton campus includes the Royal Alexandra Children's Hospital and the Sussex Eye Hospital and is also the Major Trauma Centre for the region.

We provide District General Hospital services to our local populations in and around Brighton and Hove, Mid Sussex and the western part of East Sussex and more specialised and tertiary services for patients from across Sussex and the south east of England.

The Princess Royal Hospital has a 24/7 Emergency Department for its local population and is also our centre for elective surgery. The Royal Sussex County Hospital is our centre for emergency and tertiary care. Our specialised and tertiary services include neurosciences, arterial vascular surgery, neonatal, paediatrics, cardiac, cancer, renal, infectious diseases and HIV medicine. In addition to our two main hospital sites we also provide services from Brighton General Hospital, Hove Polyclinic, Lewes Victoria Hospital, the Park Centre for Breast Care and a renal dialysis satellite services in Bexhill, East Sussex.

Central to our ambition is our role as an academic centre, provider of high quality teaching, and a host hospital for cutting edge research and innovation. On this we work in partnership with Brighton and Sussex Medical School, Health Education England, Kent, Surrey and Sussex Postgraduate Deanery and the Universities of Brighton and Sussex.

Ten Facts about the Trust

In 2016-17 the Trust:

1. Employed **8200** members of staff
2. Received the help of **457** volunteers who gave **1472** hours of their time per week
3. Delivered **5,585** babies
4. Saw **161,974** A&E patient attendances
5. Treated **55,087** patients for unplanned procedures and **14,902** patients for planned procedures.
6. Treated **50,378** patients as day cases
7. Cared for patients in **840** acute beds
8. Received **609** compliments and plaudits from patients and relatives
9. Had **2,338,000** hits on the public website from **473,300** unique users and **3250** Twitter followers
10. Received **£1.7 million** in donations through the BSUH Charity

Overview

Vision, Approach, Priorities and Objectives

Our vision is to set the standard for great care by working together; adapting, improving and innovating; and acting with fairness, kindness and compassion.

Our approach is to be positive and proud of what we do well; be open and honest about the things we need to do better; and be clear about what we are doing about them.

In September 2016, the Board approved the Trust's Integrated Recovery Plan. The plan was required by NHS Improvement as a result of the Trust being put into Special Measures for Quality, and subsequently for Finance. The recovery plan was aimed at addressing issues across the Trust related to quality and safety, financial, clinical services, workforce and leadership, governance, communications, performance management, information and technology, and strategy and transformation.

The recovery plan has been built upon four transformation programmes with a range of enabling programmes. The four transformation programmes are:

- Quality and Safety
- Financial Improvement
- Clinical Services Transformation
- Workforce and Leadership

The Trust also established a Programme Management Office (PMO) to support the delivery of these programmes.

The Trust has introduced new Trust governance and committee structures and processes with a number of changes to executive and non-executive personnel. The Executive Director roles were also reviewed to ensure clear accountability. In order to provide clarity to the Board, a new Trust Programme Board was introduced, chaired by a non-executive Director. The Programme Board has met monthly to review progress against each of the four transformation programmes, supported by the PMO.

Progress in 2016-17

The Trust has made significant progress against these programmes since their inception in September. The Board has received regular reports from the Programme Board, the Quality and Performance Committee and the Finance, Business and Investment Committee highlighting progress. The key issues which the Trust has sought to address under each of the programmes are:

Quality and Safety

The Quality and Safety improvement programme (QSIP) has focused on the following key areas:

- Develop and deliver an action plan in response to the CQC findings – both to the warning notice issued in April 2016 and the wider report;
- As part of these ensure that there is robust follow-up to the CQC must do's and should do's;
- Develop a wider quality and safety improvement plan, working closely with the Directorates to improve the quality of care.

The Trust has made significant improvements across the range of issues initiated by the CQC report, which have been closely monitored and managed through the Programme Board and the Quality and Performance Committee, putting the Trust in a much stronger position for the forthcoming CQC visit in April 2017.

Financial Improvement

The Financial Improvement Programme was initiated in advance of the Trust being placed into financial special measures; the Trust participated in the national Financial Improvement Programme in Quarter 1 of 2016/17. The key aims of the programme were:

- Rapidly identify in year savings to minimise the 16/17 deficit position;
- Develop further future financial improvements to improve productivity and increase efficiency;
- Implementation of changes needed to sustain the improvement in the Trust's financial improvement.

Given the criticality of achieving an agreed year-end financial position with NHS Improvement, the focus of the programme has been on ensuring that shorter term financial grip is established and maintained. This has been done through the Trust Programme Board and the Finance, Business and Investment Committee.

Clinical Service Transformation

Established under both the Chief Operating Officer and the Director of Strategy, the Clinical Service Transformation programme was established with the following aims:

- Create a programme aimed at improving patient flow through the system;
- Develop and deliver site clinical reconfiguration projects;
- Work with partners through the Sustainability and Transformation Plan (STP) to develop a more comprehensive strategy for the Trust;
- Work with NHS England to review the Trust against the national standards for Major Trauma Centres.

Through both NHS Improvement and the STP, the Trust was asked to ensure, through its patient flow programme, that the Trust had sufficient capacity to ensure that services would be safe and manageable through the winter period. A detailed 'winter planning' programme was developed and agreed with NHS Improvement. The Trust successfully introduced a range of measures to increase capacity, including Newhaven Community beds and Hospital at Home.

Workforce and Leadership

The Workforce and Leadership programme was established to achieve the following key objectives:

- Improve Statutory and Mandatory training across the Trust and increase the appraisal rate;
- Accelerate the Health and Well Being strategy;
- Develop a programme to address the CQC findings around the culture at the Trust;
- Develop a Trust-wide leadership programme.

These programmes of work have been closely monitored through the Workforce and Leadership Programme Board and the Trust Programme Board.

Overview

Enabling programmes

To support these main programmes a number of enabling programmes have been established. These have included:

- The BSUH Improvement Academy, which has seen a wide number of senior managers and clinicians trained in and applying improvement techniques in their working environment;
- The introduction of a new, more streamlined, Governance structure which gives greater visibility and control to the Board;
- The establishment of a PMO to manage the programmes of work and ensure progress is monitored and managed through the Trust;
- Revising the Trust's Performance Management framework to ensure clear accountability and to ensure that the Board has visibility across a balanced range of performance indicators.

Conclusion

Following the CQC inspection in April 2016 and the placing of the Trust in 'Special Measures' from August 2016, the Trust developed and approved an Integrated Recovery Plan in September 2016. This plan, with its four key transformational programmes, has been managed and monitored through the Board and Committees, and directly by the Trust Programme Board.

Progress has been most apparent in areas which have dealt with immediate quality, finance and performance measures. These have included addressing the concerns in the CQC warning notice and the must and should dos in the CQC report, significantly expanding our winter capacity to enable flow, improving our statutory and mandatory training and stabilising our financial figures.

Key strategic achievements in 2016-17

- The Trust has made significant strides in developing additional capacity away from the main Hospital sites, which allows patients to be treated in a more appropriate environment, closer to home. In Autumn 2016, the Trust launched its 'Hospital at Home' service, which allows patients to be treated under the care of a consultant in their own home for certain conditions. In January 2017, the Trust opened Newhaven Community ward, which allows patients to be discharged from the Royal Sussex County site to continue their treatment in a step down facility. This has created extra capacity equivalent to 31 beds, which has reduced the pressure on bed capacity on the Royal Sussex County site
- The Trust has continued with the modernisation of its Radiotherapy services, with the Preston Park Radiotherapy Unit opening in May 2016, and the Eastbourne Radiotherapy Unit due to open in June 2017. This will allow patients to receive cancer care in new modern facilities, closer to home.
- Approval has been given to reconfigure Stroke Services across Brighton & Sussex University Hospitals in order to provide stroke care to the highest standards. Stroke services have been centralised on the Royal Sussex County site (which was recognised as outstanding by the CQC visit in 2016) and are being further developed to ensure that they are fully compliant with the standards set out for a Hyper Acute Stroke Unit.

Operational Performance

National Standards and Waiting Times

Indicator	Standard/Threshold	2016-17	2015-16
18w RTT - Percentage of admitted RTT pathways completed within 18 weeks	90%	66.1%	67.7%
18w RTT - Percentage of non-admitted RTT pathways completed within 18 weeks	95%	78.3%	82%
18w RTT - Percentage of incomplete pathways waiting less than 18 weeks	92%	84.16%	73%
18w RTT - Numbers of over 52 week waiters at month end	0	95	85
Diagnostic Tests waiting longer than six weeks - percentage of all waiters	1%	0.35%	5.1%
Operations cancelled on the day not re-booked within 28 days	5%	10.47%	14.4%
Number of urgent operations being cancelled for the second time	0	14	0
A&E - Percentage of patients who spent four hours or less in A&E	95%	82.69%	83.3%
A&E - Numbers of patients who have waited >12 hours in A&E from decision to admit	0	50	118
Cancer: Two week wait referral to date first seen	93%	93.3%	91.3%
Cancer: Two week wait referral to date first seen - breast symptomatic	93%	97.18%	98%
Cancer: 31 day wait from diagnosis to first treatment	96%	98.1%	96.7%
Cancer: 62 day wait for first treatment from urgent GP referral	85%	76.69%	76.9%
Cancer: 31 day wait for second or subsequent treatment - surgery	94%	95%	94.9%
Cancer: 31 day wait for second or subsequent treatment - chemotherapy	98%	99.18%	99.9%
Cancer: 31 day wait for second or subsequent treatment - radiotherapy	94%	97.99%	97.7%
Cancer: 62 day wait for first treatment from referral from NHS cancer screening service	90%	76.23%	81.5%
Cancer: 62 day wait for first treatment from referral following consultant decision to upgrade	90%	86.1%	89.5%
Emergency re-admissions within 30 days of discharge (%)	10.5%	11.96%	12.7%
Stroke: % of patients who spend > 90% of time on stroke unit	80%	85.71%	85.7%
Stroke: % admitted directly to stroke unit	90%	67.52%	71.5%
Stroke: % scanned in less than one hours of hospital arrival	50%	67.31%	62.6%
Stroke: % of patients scanned within 24 hours	100%	98.95%	90.5%

Overview

Indicator	Standard/Threshold	2016-17	2015-16
Stroke: % of high risk TIA cases treated in 24 hours	60%	85.31%	87.4%
Stroke: % of low risk TIA patients seen in seven days	100%	98.76%	96.7%
Delayed Transfers of Care (DToC)	3.5%	8.05%	4.6%
Number of falls resulting in moderate or severe injury, or death	-	19	18
Number of cases of MRSA bloodstream infections	0	2	1
Number of C. Difficile infections	46	51	47
"Never Events" reported	0	5	8
Summary Hospital Mortality Indicator (SHMI)	100	97.59	94.65
Hospital Standardised Mortality Ratio (HSMR) - all week	100	93.75	90.67
Hospital Standardised Mortality Ratio (HSMR) - weekends	100	102.58	
Emergency Caesarean Section rate	13%	14.52%	
Percentage of completed VTE risk assessments	95%	91.49%	82.6%
Number of single sex accommodation breaches	0	923*	2

* Prior to May 2016 the Trust reported in line with a local agreement that was established between NHS Sussex and BSUH in 2011, and is now out of date. This stated that if there was a screen dividing women and men, they could sleep in the same bays. In the reporting year NHSI, our CCG and deputy chief nurse agreed that this did not address the issue and we began reporting all incidents of mixed sex, if not for clinical reasons, hence the significant increase in numbers reported. There is an ongoing piece of work across Sussex to look at how this is reported, as each Trust seems to use different criteria. Ongoing work is being undertaken across the Trust to reduce the frequency of mixed sex accommodation breaches which are largely attributable to poor patient flow, but which are unacceptably high.

Performance Report

Performance Report

Best of BSUH

Family thanks outstanding staff

A family who devastatingly lost two babies to an extremely rare lung condition have praised the "outstanding" staff who saved their son's life. Sean and Sophie's eldest daughters were both treated in the Trevor Mann Baby Unit (TMBU) after being born prematurely. They then had the heartbreak of losing two children in the space of nine months due to severe lung damage. The couple's worst fears came true when their son Buzby was diagnosed with the same condition last year at just three days old, but TMBU staff saved him and he is well on the way to making a full recovery.

National recognition

A pioneering initiative to support trainee doctors and benefit patients has been shortlisted for a Health Service Journal Value in Healthcare Award. Specially selected Healthcare Assistants are now supporting trainee doctors with paperwork and routine clinical tasks such as taking blood and inserting cannulas. The project has been praised for improving services for patients, easing the pressure on junior doctors and providing experience and career development opportunities for healthcare workers.

Cardiac Rehabilitation Team wins gold

The BSUH cardiac rehabilitation team were awarded the gold standard by the British Association of Cardiovascular Prevention and Rehabilitation – one of only 14 out of 300 services in the country to receive this.

Midwife gets Royal approval

Mitch Denny, a BSUH midwife who provides specialist support to pregnant teenagers, was recognised for the support she provided to one young mum at an event to mark World Mental Health Day hosted by the Duke and Duchess of Cambridge and Prince Harry. The young royals were launching their "Heads Together" campaign at an exclusive event where they met young people who have struggled with mental health issues and the people who have supported them.

Call the Midwife writer opens new midwifery hub

Co-writer of the hit BBC One show *Call the Midwife* opened BSUH's new Midwifery Hub in Hove and told those assembled how the hub had already helped her and her partner before and after the birth of their baby Greta. The hub is the first of its kind in the South East and will see up to 1,000 women each year for their ante and post natal care in an environment which is designed to be comfortable and calm.

Dame Judi Dench opens Park Radiotherapy Centre

The Sussex Cancer Centre at BSUH cares for cancer patients from across Sussex providing more than 17,000 oncology outpatient appointments, 9,000 chemotherapy episodes and 33,000 radiotherapy treatments every year. The Park Radiotherapy Centre, with its modern equipment and new facilities, is part of a plan to increase the availability of radiotherapy across Sussex, so that patients have shorter journeys during this critical time in their treatment. The new Centre was officially opened by star of the stage and screen Dame Judi Dench in June 2016.


REAL
SuperDry

Equality, Diversity and Inclusion

BSUH is committed to delivering fair and equitable services for our patients and service users, and to providing a workplace that is free from discrimination for our staff and where everyone is given equal opportunity to develop and progress. This commitment is underpinned by the principles set out in the Equality Act 2010, the NHS Constitution and the Care Quality Commission's regulatory standards.

Some notable achievements we have delivered in 2016/17 include:

- BrowseAloud accessibility tools on the Trust's website, enabling a wider demographic of service users to interact with the Trust.
- The Hospital Communication Book available on all wards, an aid that enables greater communication for people with Learning Disabilities or cognitive impairment
- Sonido Listening Devices (portable amplifiers for hard of hearing patients). Helps to ensure greater privacy in ward areas.
- Comprehensive interpretation and translation service
- Through the Equality and Inclusion Partnership (EQUIP), working with the public sector and third sector organisations in Brighton and Hove to drive forward collaborative working to reduce inequalities and foster community resilience and activity
- Reviewing and replacing way finding and signage at the RSCH site

During 2016/17 a number of areas for improvement and challenges have been identified and these provide part of the work plan for 2017/18, these include:

- Review and replace way finding and signage at PRH site
- Continued working with JobCentre Plus to encourage more people with Disabilities to work with BSUH
- The newly formed Equality and Diversity in Service Committee will work to ensure that assurance is provided to the Board on how we are meeting our duties in relation to patients and service users
- Working with local providers relating to Learning Disability employment

Performance Report

Our Commitment to Sustainability

Environmental Sustainability

Led by Sussex Community NHS Foundation Trust, BSUH is working with colleagues from other NHS organisations within the Sussex and East Surrey STP to produce a collective "Sustainable Development Management Plan" to address the environmental impact of our activities.

The STP's collective carbon footprint is estimated at 100,000 tonnes CO2e per annum, (BSUH accounts for just over a quarter of the total). This is primarily driven by energy consumption across the estate but it is also estimated the system produces over 10,000 tonnes of physical waste with staff driving over 20 million business miles each year.

Following an initial review to merge data and existing plans, 5 key environmental sustainability work streams will be established:

1. Utilities: Options for driving energy & water efficiency across estate (including water industry deregulation options) and scope centralised Energy Bureau function. Investigate opportunity to create single investment vehicle to achieve cost and carbon savings across estate.
2. Waste & Resources: Assess potential for harmonised waste policy, targets and operational procedures, collective contract tendering and centralised Waste Bureau service to manage service.
3. Staff Travel: Scope opportunity for single Travel Transformation Plan to reduce staff travel time, cost and carbon across system and centralised Travel Bureau function to implement project work and support staff.
4. Commercial Transport: Assess potential for consolidation of commercial courier services delivered by and provided to all STP organisations.
5. Culture: Assess opportunity to roll out successful staff engagement programme developed by SCFT to reduce costs, save carbon and improve workplace wellbeing.

Additional resources and skills required to deliver work stream will then be assessed and a business case produced to secure necessary funding.

Our continuing commitment to sustainability

"Care without Carbon" – BSUH Sustainable Development Management Plan 2017

Cutting carbon emissions as part of the fight against climate change and the significant impacts on human health is a key priority for the Trust. Below is a graph showing the Trust's carbon footprint.

As a follow-on to the Trust's 'Carbon Management Plan 2011-2015', during 2015/2016 the Trust commissioned Sussex Community NHS Foundation Trust (SCFT) to assist developing a draft 'Sustainable Development Management Plan' (SDMP). Its purpose is to update and broaden the scope of the previous plan. We are working in conjunction within the STP to develop sustainability across the county

The SDMP is based on SCFT's own award winning model. It outlines seven key areas of activity to define our overall objectives and action plans:

1. Buildings – reducing the environmental impact of our estate. As part of this we are looking at undertaking research work on our water systems management and control, using state of the art electronic monitoring to provide us will 'real time data hopefully reducing water consumption, water waste, heating costs and labour costs We are reviewing LED technology and with the

removal of the 19th Century Jubilee building and older parts of the RSCH estate and replacing it with the new 3T's building, our environmental impact and carbon footprint will be greatly reduced

2. Journeys – minimising the health and environmental impact of travel.

   As part of our ongoing efforts to reduce our environmental impact through our green travel policy we will again be reviewing what we do in this area in 2017

3. Procurement – creating an ethical and resource efficient supply chain.

   As part of this we are tendering a majority of the Facilities and Estates contract this year, part of these procurement processes will be to ensure that we source materials from ethical suppliers and through the tendering process ensure an efficient supply chain

4. Engagement – informing, empowering and motivating people to achieve sustainable healthcare.

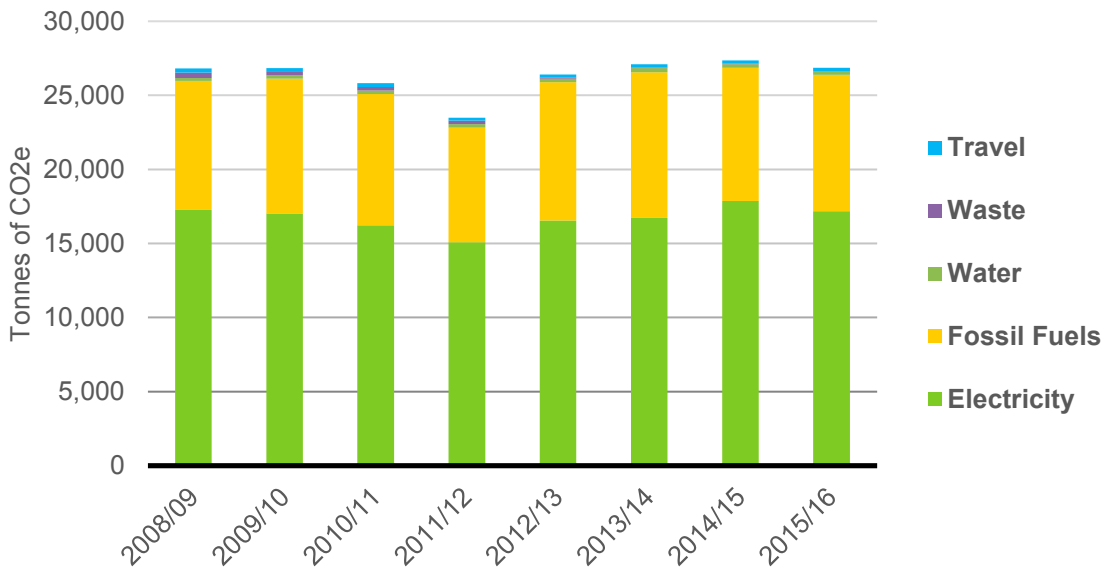
5. Wellbeing – enhancing the wellbeing of our workforce.

6. Adaption – ensuring our infrastructure and operations are resilient to climate change.

7. Governance – embedding sustainability in corporate governance structures.

Whilst a draft plan is in place we are currently working with other As stated above the Trusts within the STP group are now working together to broaden the activities across the county in this way multiplying the impact of our activities in this area.

Annual Carbon Emissions by source per year



Performance Report

Staff Travel Survey 2016

The Trust's 2016 Travel Plan outlined the importance of reducing the use of the private car as the common mode of travel to work due to the impact of vehicle emissions on health and the environment. The Plan outlined measures such as discounted bus passes, pool cars, cycling promotions and the RSCH-PRH inter-site bus; which have been implemented and continue to be promoted.

To measure the ongoing impact of these initiatives, a repeat staff travel survey was carried out between November and December 2016.

The results show that 31% of staff travel to their respective hospital buildings as bus passengers, which is the most popular mode of travel. This compares very favourably to the national average of 4.7% travelling to work via bus. The existing discounted bus pass scheme was seen as being very important.

Car Driver (Single Occupancy) is the second most popular mode of travel with a 31% mode share of employees.

Walking (16%) and cycling (11%) also feature with a relatively high proportion compared with the combined average for walkers and cyclists nationally at 8.2%. To encourage more cycling/ walking, the provision of showers/lockers and changing facilities were identified by staff as 'very important'. Phase 1 of the 3Ts redevelopment will incorporate additional facilities.

The results are summarised as follows:

Main Mode of Travel to Work	2011	2014	2015	2016	Difference
Car driver (alone)	42.2%	29.0%	31.0%	30.8%	-11.4%
Car Share (as driver)	5.0%	4.0%	3.2%	2.8%	-2.2%
Car Share (as passenger)	3.5%	4.0%	4.1%	2.8%	-0.7%
Bus	21.7%	28.0%	33.0%	31.0%	9.3%
Walk	12.0%	14.0%	12.9%	15.7%	3.7%
Cycle	9.1%	15.0%	8.3%	11.1%	2.0%
Motorcycle	3.5%	3.0%	1.4%	1.1%	-2.4%
Train	2.4%	3.0%	3.0%	2.0%	-0.4%
Other	0.6%	0.0%	3.2%	2.6%	2.0%
(Number of responses)	(341)	(235)	(591)	(612)	

Emergency Preparedness

BSUH continues to be committed to developing and maintaining prepared and resilient services by taking a proactive approach to Emergency Preparedness, Resilience and Response (EPRR).

In June 2015 the Trusts Emergency Planning, Resilience and Response Policy was approved by the board. This policy outlines how the Trust will develop and maintain prepared and resilient services that meet the statutory and mandatory duties as set out in the Civil Contingencies Act 2004 and the NHS England Emergency Preparedness Framework 2013. In June 2016 The BSUH Command and Control Framework was published. The purpose of this document is to provide a framework for establishing a structured approach to leadership during incidents.

During 2016/2017 the Head of Resilience attended a number of external meetings including safety advisory groups for events, the Sussex Health Responders Group and Sussex Resilience Forum planning meetings. The Trust has an appointed Executive Lead for Emergency Preparedness and nominated Accountable Emergency Officer (AEO) who attends the Local Health Resilience Partnership meetings and provides strategic leadership for resilience to the Trust.

Training was provided throughout the year including for major incident loggists, command and control training for on call directors and managers, EPRR awareness training sessions at the Royal Alexandra Children's Hospital, for Theatres, Women's and Children's' and Theatre staff and Decontamination training in the Emergency Department. The training awareness workbook continues to be completed by members of staff and we continue to have very positive feedback following the resilience presentation at Trust induction.

On the 8th August 2016 and the 9th February 2017 BSUH undertook our 6 monthly communication exercises which tested the ability of our Switchboard teams to contact members of staff with critical roles in a major incident. The 8th August 2016 exercise highlighted some minor delays in contacting a small number of on call staff. Actions were out in place to address these and the 9th of February 2017 exercise was very successful.

The Emergency Planning Team has also supported the Trust's response to a number of critical incidents and business continuity incidents. Staff activated plans and responded very well under significant pressure and learning from these incidents has driven reviews and amendments to current plans and procedures.

Performance Report

Research, Innovation and Teaching

BSUH continues to be a highly active NHS research site with a population of patients that is willing to participate in clinical studies across the range of services provided in both of our hospitals. For the third year running more than 3000 patients participated in research studies and clinical trials. There were more than 250 projects actively recruiting patients or monitoring them on long term follow up.

Much of the research carried out in the Trust originates from the National Institute of Health Research (NIHR) portfolio of national and international multi-centre trials. Without the commitment of our patients who give up valuable time many important questions that could change the face of healthcare would not be answered.

Working jointly with our medical school, we have continued to develop a local integrated research strategy that focuses more closely on children's medicine cardiovascular disease, HIV and infectious disease, musculoskeletal medicine, hepatology and neurosciences. We have received grant funding from a range of sources including charities, research councils and collaborations with the Life Sciences Industry. Including core income from the NIHR the Trust secured £5 million during the year to support research delivery.

We continue to perform well in respect of recruitment to the NIHR portfolio of clinical trials maintaining our position in the top performing 10% of NHS Trusts nationally and leading acute Trust in the regional clinical research network. We continue to perform efficiently in setting up complex clinical trials. The Trust's average set-up time is ten days (against a national benchmark of 45 days). This in turn leads to more patients being offered the opportunity to access innovative healthcare in Sussex. We have improved our total recruitment rates to randomised controlled trials, now achieving recruitment to total target in a higher percentage of projects.

Six grants were awarded to our researchers in year. We are hosting and leading one two EU funded programme grants in the field of Neonatal Medicine and Emerging technologies to support the treatment of HIV patients. We are also supporting 8 PhD fellowships across a range of academic disciplines.

Researchers from BSUH published over 400 research papers on projects either led from the Trust or conducted in collaboration with other universities and hospitals. All together this will add to the body of evidence that aims to transform healthcare quality, delivery and outcomes.

Our Future

The 3Ts Redevelopment has brought about major changes at the County Hospital site over the last year.

The on-site preparations for the redevelopment's Stage 1 Building started on 4 January 2016. From May 2016 the handover of the Stage 1 construction area to the contractors, Laing O'Rourke, began in earnest. Between May 2016 and March 2017 eight entire buildings, two extensions and all the land that surrounded them became part of the construction area. By the end of March 2017 only two small buildings and one extension remained to be deconstructed. The Stage 1 Building will open towards the end of 2020.

In April 2016 a tower crane was installed on the roof of the Thomas Kemp Tower. It is being used in the construction of the helideck on top of the tower. Part of the cladding on the building's south face has been removed ready for the helideck's lift to be installed. The helideck will begin operations in the middle of 2018.

To clear the redevelopment's Stage 1 site the decant team has moved enough staff and services to fill eight floors of the Thomas Kemp Tower. The eight clinical services that had to move went into two new modular facilities on site, the Courtyard Building that opened in November 2016 and the Hanbury Building that opened in December 2016.

These buildings offer a significant improvement in quality for patients and staff over the services' previous accommodation. The Hanbury Building has given Nuclear Medicine enough room to install a cutting edge Spect-CT scanner alongside their existing gamma cameras. The Courtyard Building has given the wards three times as much space per patient and the opportunity to model how their wards will work in the main redevelopment.

The next step in the redevelopment is the start of piling works for the Stage 1 Building in May 2017.

Performance Report

Our Patients

In 2016/17 over 800,000 patients came through our doors. We are committed to working in partnership with patients and members of the local community to achieve the best possible experience and outcomes for everyone who uses our services. We have a Patient Experience Panel which acts as 'critical friend'. Through this we have built a constructive working relationship with patients, carers and representatives from patient groups who are helping us to develop a more patient-centered approach to developing and improving the Trust's services. This panel has wide representation and the CEO of Brighton and Hove Healthwatch is the independent chair. In 2016/17 Healthwatch has reviewed our Emergency Department and Outpatient Departments, their recommendations have formed the basis of actions to improve the patient's experience in these areas; led our PLACE assessments and undertaken monthly 'walk arounds' to assess the estates and environment where we care for patients

In Autumn 2016 BSUH, has worked closely with the Transgender community to improve their experience of hospital care. We are working with the 'Possibility People' who campaign for disabled people's rights to improve access and availability of information in different formats. In April 2016 we ran the first Public Engagement Event *'Looking Forward to the Future of Your Hospital'*, the aim of which is to let people know about the hospital now and this has enabled a more diverse cross section of patients to become involved in changing our services.

We are constantly striving to give our patients the best possible treatment and a positive experience whilst they are in our care. We actively encourage patient feedback and use this to make improvements to our services whenever possible. We seek patients' feedback proactively through our ongoing patient satisfaction survey Patient's Voice, which is offered to all patients admitted to our hospitals and outpatient clinics. Feedback from the survey is reported to the Board monthly and to individual ward leaders allowing them to respond quickly to any areas of concern or issues requiring immediate attention. As a result of patient feedback we are improving the pathways for patients with Learning Disabilities and those patients who are very overweight, who are admitted as an emergency.

In addition the Friends and Family Test is an initiative to provide a national benchmark for all NHS hospitals. All adult inpatients who have stayed at least one night in hospital, attended out patients or attended A&E are asked the question: "How likely are you to recommend your ward/Outpatients or A&E Department to friends or family if they needed similar care or treatment." They can respond with one of six options ranging from 'extremely likely' to 'extremely unlikely' and the results of this are also reported to the Trust Board each month. During 2016/17 our A&E departments have consistently scored above the national average:

Percentage Recommending		
	BSUH	National
Apr-16	88%	86%
May-16	87%	85%
Jun-16	90%	86%
Jul-16	87%	85%
Aug-16	87%	87%
Sep-16	87%	86%
Oct-16	86%	86%
Nov-16	88%	86%
Dec-16	87%	86%
Jan-17	88%	87%
Feb-17	89%	87%

For 2016/17 our overall Friends and Family Test results for inpatients were:

	Total responses in each category for each ward						Total Number of people eligible to respond	% Response Rate	New scoring Inpatient Percentage Measures	
	1 - Extremely Likely	2 - Likely	3 - Neither likely nor unlikely	4 - Unlikely	5 - Extremely unlikely	6 - Don't Know		Inpatient	Recommend %	**Not** Recommend %
Apr-16	962	189	27	9	6	7	7775	15.4%	95.9%	1.3%
May-16	1043	137	19	4	6	0	7842	15.4%	97.6%	0.8%
Jun-16	822	237	31	5	16	6	8283	13.5%	94.8%	1.9%
Jul-16	780	210	17	7	9	8	8150	12.7%	96.0%	1.6%
Aug-16	668	194	22	3	9	8	7991	11.3%	95.4%	1.3%
Sep-16	740	195	25	7	2	6	7942	12.3%	95.9%	0.9%
Oct-16	896	210	28	8	11	8	8048	14.4%	95.3%	1.6%
Nov-16	714	206	31	11	10	9	8477	11.6%	93.8%	2.1%
Dec-16	579	182	25	10	5	9	7722	10.5%	94.0%	1.9%
Jan-17	793	192	19	10	4	9	7852	13.1%	95.9%	1.4%
Feb-17	473	133	26	7	9	4	7787	8.4%	92.9%	2.5%
Mar-17	664	193	19	11	9	6	8979	10.0%	95.0%	2.2%
YTD 2016-17	5015	1162	141	35	48	35	47983	13.4%	96.0%	1.3%
Q1	1715	570	72	21	19	40	22987	10.6%	93.8%	1.6%
Q2	2188	599	64	17	20	22	24083	12.1%	95.8%	1.3%
Q3	1610	416	59	19	21	17	16525	13.0%	94.6%	1.9%
Q4	793	192	19	10	4	9	7852	21.5%	188.9%	3.8%

Performance Report

Annual NHS Inpatient Survey results

On an annual basis BSUH surveys a selection of adult inpatients; this survey is undertaken on our behalf by a company called Picker, who also provides this service for around 2/3rds of NHS trusts. In 2016 we surveyed 1190 adult inpatients in the month of July and 488 patients returned a completed questionnaire. As this survey is nationally undertaken every year we are able to compare how we have improved care over a long period of time. The survey looks at eight key areas:

- Admission to Hospital
- The Hospital and Ward
- Doctors
- Nurses
- Your care and treatments
- Operations and procedures
- Leaving Hospital
- Overall

Overall BSUH was the 9th most Improved Trust of those surveyed by Picker and when we look at historical trends of our own performance, our patients have told us that the care has not worsened significantly on any of the questions asked and has improved significantly on four questions. This demonstrates we are listening and learning from what our patients tell us year-on-year and improving their care. When we compare ourselves with other NHS Trusts surveyed by picker our patients are rating the care as significantly better than the 'Picker average' in five questions (in 2015 there were none that we were better than the average). These areas are:

- Having confidence and trust in our nurses
- Knowing which nurse was in charge of their care
- The time it takes to answer a call bell was less than 5 minutes
- The number of patients who were delayed by an hour or more from going home
- How well looked after patients felt

There are always areas where we can improve and our patients tell us we are significantly worse than the 'Picker average' in the 8 questions listed below (in 2015 BSUH was significantly worse in 18 questions).

- The time it takes for patients to receive elective treatment (RRT)
- Sharing sleeping facilities with members of the opposite sex
- Spending time in more than one ward during their stay in hospital
- Sharing bathroom and toilet facilities with members of the opposite sex
- Hospital food being of poor quality
- Not always being involved in planning their discharge from hospital
- Not given notice of when they will be discharged from hospital
- Surgical operations not fully explained.

As part of the survey Picker asks which questions the patient feels are the most important and then correlate this with our overall rating for that question. This helps us to identify the areas that matter the most to patients, which are not always the ones that have the lowest scores. None of the areas where BSUH did worse than the Picker average were flagging as of high importance from a patient perspective. The areas that we will focus on improving in the year ahead are:

- The time it takes for patients to receive elective treatment (RRT)
- Improving single sex accommodation and facilities
- Improving the quality of patient food and mealtime assistance
- Providing better Information to our patients on their surgery and/or procedure

We also receive feedback reactively through our Patient Advocacy Liaison Service (PALS), formal complaints and national patient surveys.

Complaints

	2014/15	2015/16	206/17
Total number of complaints	1305	1036	1347
Number of contacts to the Ombudsman	11	32	18
Ombudsman referrals upheld against the Trust	1	2	3
Ombudsman referrals partially upheld against the Trust	5	4	10

Compliments

2014/15	2015/16	2016/17
500	540	609

Website redevelopment

We completely redeveloped our website in 2016 to improve ease of access and navigation for patients, visitors and the general public.

The new site is responsive to different screen sizes and has improved navigation and search tools. The site has a clean and simple design, which is accessible and user-friendly. The overhaul of the design, structure and content of the site was informed by the good practice of the Government Digital Service and the NHS communication principles.

The site is AA compliant with the Web Content Accessibility Guidelines (WCAG). Conformance with these guidelines helps to make the site more accessible to users with disabilities and benefits all users.

Performance Report

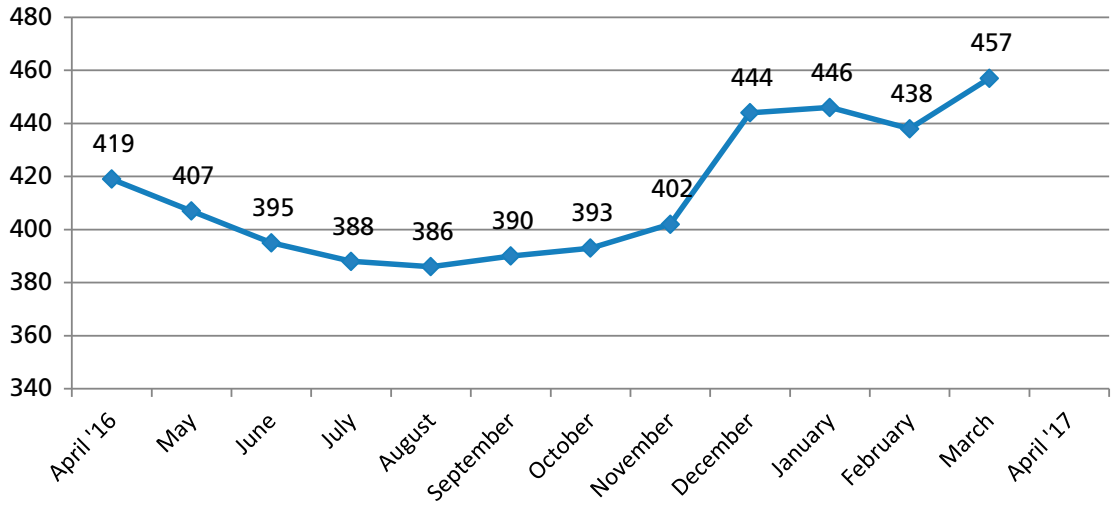
Our Volunteers

We have around 450 local people who volunteer their time to help BSUH maintain quality of care for patients. Collectively devoting almost 1500 hours of time each week, the volunteers work in a variety of roles on wards, in outpatient clinics, and across all the sites and locations from which we provide services.

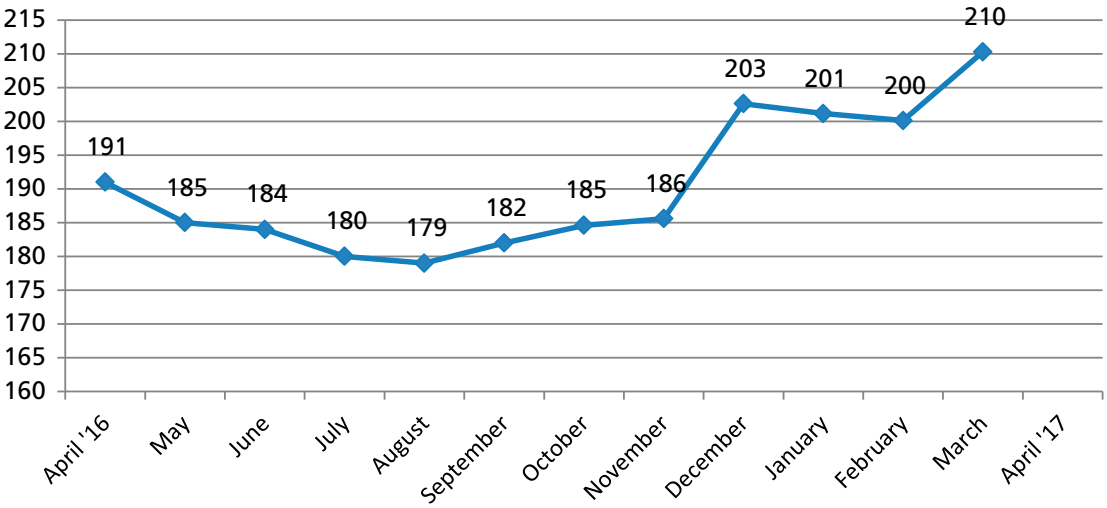
They range in age from 16 to 90 and individually and collectively the contribution they make to the smooth running of our hospitals, and the experience and wellbeing of our patients is invaluable.

In recent months we have undertaken a drive to increase the number of volunteer recruited and the graphs below illustrate the positive impact this has had on both the overall number of volunteers and the hours volunteered each week.

Total number of volunteers



Hours Volunteered/Day (average over 7 days/week)



Who are our volunteers?

The health and social care student

Asanti Ahmed is studying for a diploma in health and social care and volunteers on the Baily Ward at the Royal Sussex County Hospital. "I've always wanted to be a nurse and volunteering has helped me to find out what it's like. We do things at college but it's different when you're actually there on the ward talking to patients. I help them prepare for their meals and get them what they need. If they want to have a chat, I sit and talk to them. It has given me so much confidence. When you volunteer, you can make a real difference. It's good to see people smile. They're so thankful that you have helped them and seeing them happy makes me happy."

The retired nurse

Val Upton was a nurse for 44 years, 20 of them at the Princess Royal Hospital where she's still as active as ever – although now it's as a volunteer. Val joined the NHS at 16 and spent a distinguished nursing career working in London and West Sussex, as well as a stint in the US on a scholarship to learn about bone marrow transplants. At the PRH, she was a ward manager and senior nurse practitioner, frequently in charge, when "anything could happen".

So how does she cope now as a volunteer? "It's a much more relaxed environment," she explains. "You can really enjoy yourself as a volunteer. The most rewarding part of my role is that if someone wants a coffee, I can have one with them, and we can sit and listen and chat. It's not something we could do very much as a nurse because we were always under time pressure." Val helps in the day hospital physiotherapy gym. The balance class lasts for six weeks so she has time to get to know the patients. "It's good to get alongside people. As you give, you feel you're blessed, and what you get back is your reward. I think my age put me in a good position to get the best out of what was available. I've seen huge areas of change in the health service."

The job hunter

Adam Rea has his sights firmly set on a career in the media as a photographer. He's currently volunteering in the BSUH media centre helping to move and set up video equipment, assisting with filming, watching the editing and doing some of the paperwork.

"I've been studying photography for some years now and I'm hoping that volunteering will help me get a job in the future." Adam, who is deaf, said the BSUH team had been very supportive and friendly. "I've been helping while we make films about patients and staff and the work that's going on at the hospital. Volunteering helps you to get out and about and meet people, and you never know what it might lead to. It's good to be gaining experience that will help me in my career."

Our Charities

The BSUH Charity has existed in its current form for over 20 years and has received many kind donations over that time which have had a significant impact on the care we provide to our patients. Over the past 12 months, work has begun on developing the Charity to further raise awareness and accessibility for our supporters through the Board approval of a 5 year strategic plan which includes:

Our vision: Improving the experience of every patient

Our mission statement: We partner with the BSUH Trust in delivering great outcomes and experiences for patients by fundraising and investing in equipment, training and causes that have a clearly identifiable patient benefit

Our core priorities:

- Creating more patient friendly environments
- Provision of equipment for diagnosis and treatment
- Supporting staff development to provide even better care
- Research projects to advance our understanding

The BSUH charity supports fundraising for all wards and departments at BSUH, including the Royal Sussex County Hospital, the Royal Alexandra Children's Hospital, the Sussex Eye Hospital and the Princess Royal Hospital. This money can then be used to enhance the care and services provided to all BSUH patients and help us to go above and beyond what we can do with core government funding.

In addition to our own Trust Charity, BSUH has numerous partner charities that also work tirelessly to raise money to help us enhance our services, improve our buildings and facilities and make coming into hospital a more comfortable and less anxious experience.

This includes the Sussex Cancer Fund which has been giving invaluable assistance to the Sussex Cancer Centre at the Royal Sussex County Hospital for many years, providing additional equipment and building improvements for the treatment of cancer patients. This year saw the opening of the £5.96 million Sussex Macmillan Cancer Support Centre, designed with input from people affected by cancer and will provide a friendly, nonmedical environment to give specialist information, advice and support. It is located opposite the Sussex Cancer Centre at the Royal Sussex County Hospital and is a partnership between Macmillan Cancer Support, the Sussex Cancer Fund and BSUH.

Rockinghorse continues to do great work to support the Royal Alexandra Children's Hospital and the Trevor Mann Baby Unit, raising money for equipment and to help ensure children are treated in an environment in which they feel safe and comfortable and which best meets their needs.

We also receive kind support from the Leagues of Friends for Brighton and Hove Hospitals, the Princess Royal Hospital and Hurstwood Park to help improve the experience for BSUH patients at our hospitals.

Accountability Report

Accountability Report

Corporate Governance

The Trust is governed in accordance with its establishment order and *Standing Orders, Scheme of Reservation, Scheme of Delegation, Standing Financial Instructions.*

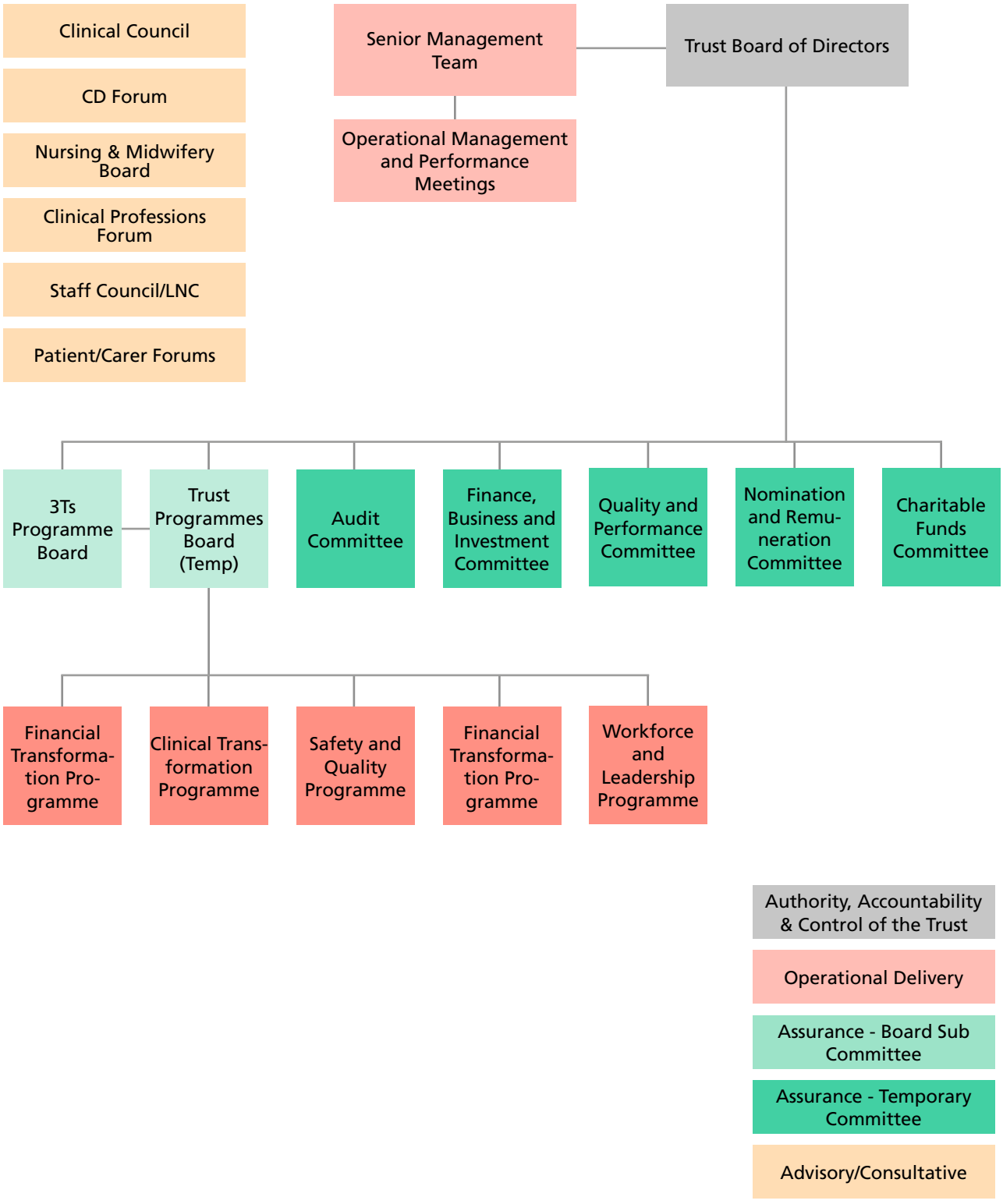
In seeking to ensure appropriate governance arrangements the Trust Board must critically appraise its systems, processes, skills and reporting mechanisms. The Trust's governance arrangements need to take into account guidance from the Department of Health, NHS Improvement and NHS Providers on integrated governance. Good governance is central to any successful organisation

The Board reviewed Board and Committee governance in April 2016 and implemented a revised Board Committee structure in June 2016. This is detailed in the Annual Governance Statement. Key elements in developing the revised arrangements were:

- That the Committee structures and governance arrangements take account of the NHS Foundation Trust Code of Governance, NHS Providers and other best practice guidance
- That all Committees of the Board should be chaired by a Non-Executive Director (including 3Ts Programme Board).
- Current committee purpose and terms of reference are revised
- Establishment of a new temporary committee to focus on the programmes approach within the Trust (Trust Programmes Board)
- That all committees other than statutory committees should be given time-limited objectives and that a lean, manageable and functional governance structure should be implemented.

Board of Directors Committee structure

The Board Committees were revised into the following structure to ensure that all governance domains and the business of the Trust are adequately assured. Each committee is be chaired by a Non-Executive Director, with strong Executive and Non-Executive membership and reporting directly to the Board of Directors.


Clinical Council
CD Forum
Nursing & Midwifery Board
Clinical Professions Forum
Staff Council/LNC
Patient/Carer Forums
Senior Management Team
Operational Management and Performance Meetings
Trust Board of Directors
3Ts Programme Board
Trust Programmes Board (Temp)
Audit Committee
Finance, Business and Investment Committee
Quality and Performance Committee
Nomination and Remuneration Committee
Charitable Funds Committee
Financial Transformation Programme
Clinical Transformation Programme
Safety and Quality Programme
Financial Transformation Programme
Workforce and Leadership Programme
Authority, Accountability & Control of the Trust
Operational Delivery
Assurance - Board Sub Committee
Assurance - Temporary Committee
Advisory/Consultative

Accountability Report

Board Meetings

The Board meetings are open to the public, subject to the proviso that the Board may go into confidential session as appropriate and in accordance with the Public Bodies, Admission to Meetings, Act 1960. Information about Board meetings, including agendas and papers, is posted on the Trust's website, www.bsuh.nhs.uk

It is also available from:

Dominic Ford, Director of Corporate Governance and Board Secretary, Brighton and Sussex University Hospitals, St Mary's Hall, Eastern Road, Brighton BN2 5JJ.

Annual General Meeting

The Trust had its Annual General Meeting on 24th September 2016, which was well attended by Trust staff and our partners. The AGM received presentations on the *Best of BSUH* including the award-winning Virtual Fracture Clinic; the Children's Services rated 'outstanding' by CQC and the excellent clinical outcomes in Stroke Services; together with the Annual Report and Annual Accounts.

Accountability

NHS Improvement is responsible for appointing Trust Chairs and other Non-Executive Directors. The Trust appointed 3 new Non-Executive Directors in 2016/17. The Trust has 6 independent Non-Executive Directors, one of whom is nominated by the Universities of Brighton and Sussex, in addition to the Chairman.

The Board Nomination and Remuneration Committee appoints the Trust Executive Directors.

Appraisal

All these appointments are subject to annual appraisal. The Chairman is appraised by NHS Improvement; the Non-Executive Directors by the Chairman; the Chief Executive by the Chairman; and Executive Directors by the Chief Executive.

Remuneration

The remuneration of Non-Executive Directors is determined nationally. All substantive Executive Directors and advisors to the Board are appointed through national advertisement. Any changes in remuneration for Executive Directors are agreed by the Nomination and Remuneration Committee.

Fit and Proper Persons Declaration

All members of the Board complete a *Fit and Proper Person* declaration on appointment, in addition to other employment checks. The Nomination and Remuneration Committee oversees this process.

Health and Safety Performance

Health and Safety in the Trust is managed through the Head of Risk Management and the Health and Safety Committee which is chaired by the Director of Clinical Governances. The Committee reports to the Executive Team and provides assurance to the Board Quality and Performance Committee against our Health and Safety Key Performance Indicators.

The Committee also receives an Annual Report measuring progress against the objectives we set ourselves.

Risk management

A thorough review and revision of the Trust's risk management systems was undertaken in 2016/17. A revised risk management strategy was approved by the Board in September 2016 and a systematic refresh of the Board Assurance Framework and Corporate Risk Register was also completed.

The key risks to the Trust strategic objectives are detailed in the Annual Governance Statement.

Directors' Report

All members of the BSUH Trust Board for 2016/17 are listed in the table of attendance below.

Attendance at the Board of Directors

Attendance of Board members at the Board of Directors in 2016/17 is detailed below

Name	Apr	May	Jun	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Poss	Actual
Julian Lee	✓											1	1
Antony Kildare	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	11
Malcolm Reed	✓	✓	X	✓	✓	✓	X	X	✓	✓	X	11	7
Christine Farnish	✓											1	1
Farine Clarke	✓	X	✓									3	2
Michael Edwards	✓											1	1
Kirit Patel	✓	✓										2	2
Martin Sinclair		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10	10
Kirstin Baker		✓	✓	✓	✓	✓	✓	X	✓	✓	✓	10	10
Graham Hodgson				✓	✓	✓	✓	✓	✓	✓	✓	8	8
Gillian Fairfield	✓	✓	✓	✓	✓	✓	✓	✓				9	9
Evelyn Barker									✓	✓	✓	3	3
Spencer Prosser	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	11
Steve Holmberg	✓	✓	✓	X	✓	✓	✓	✓	✓	✓	X	11	9
Sherree Fagge	✓	✓	X									3	2
Helen O'Dell				✓	✓	✓	✓	✓	✓	✓	✓	8	8
Mark Smith	✓	✓	✓	✓	✓	✓	✓	✓	✓			9	9
Rab McEwan										✓	✓	2	2
Amanda Fadero	X											1	0

Accountability Report

Julian Lee was the Trust Chair until May 2016, and Antony Kildare was the Interim Trust Chair from May 2016 to 31 March 2017.

Martin Sinclair was Chair of the Audit Committee in 2016/17 and Kirstin Baker was the other Non-Executive Director member of the Committee.

Declarations of interest

The Trust introduced an extended Declaration of Interests Policy in October 2015, which applies to the following groups of staff:

Group	Co-ordinator
Board of Directors	Director of Corporate Affairs
Other Directors	Director of Corporate Affairs
Clinical directors, clinical directorate managers, heads of nursing, clinical nurse specialists, nurse consultants, procurement nurse	Deputy Medical Director
Consultant medical staff, associate specialists, specialty doctors	Deputy Medical Director
Service managers and equivalent heads of department	Chief Operating Officer
Procurement (Band 6 and above)	Chief Procurement Officer
Pharmacy (Band 6 and above)	Chief Pharmacist
IT (Band 6 and above)	Director of Health Informatics
Estates & Facilities (Band 6 and above, plus Soft FM managers)	Chief Financial Officer
Finance (Band 6 and above)	Chief Financial Officer

Additional responsibilities fall on Trust Board Members who are required to declare interests which are relevant to the board of which they are a member. This is stated in 'The Code of Conduct: Code of Accountability in the NHS'. Interests are a standing item on the Board and Committee agendas and are declared as and when they arise.

No relevant or material interests were made by Board Directors in 2016/17 which might conflict with their management responsibilities.

In 2016-17 no personal data related incidents were formally reported to the information commissioner's office.

Accountability Report

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

The Chief Executive of NHS Improvement 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 NHS Improvement. 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.

Insert Signature

Marianne Griffiths
June 2017

Statement of Directors' Responsibilities in Respect of the Accounts

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

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

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

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts. As far as we are aware, there is no relevant audit information of which our auditors' are unaware, and the we have taken all steps we ought to have taken to make ourselves aware of any relevant audit information and to establish that our auditors are aware of that information.

By order of the Board

Insert Signature

Marianne Griffiths
June 2017

Insert Signature

Karen Geoghegan
June 2017

Accountability Report

Annual Governance Statement

Scope of responsibility

As Accountable Officer, the Chief Executive is responsible for maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which they are personally responsible, in accordance with the responsibilities assigned to them. The Chief Executive is also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Brighton and Sussex University Hospitals NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Brighton and Sussex University Hospitals NHS Trust for the year ended 31st March 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Chief Executive is accountable for the overall risk management activity within the Trust. In discharging these responsibilities the Chief Executive has been assisted by the following Directors:

- the Chief Financial Officer who had delegated responsibility for managing the Trust's principal risks relating to the delivery of financial plans agreed by the Board;
- the Medical Director, for managing the strategic development and implementation of safety and quality governance, and for reporting this to the Board, through its Quality & Performance Committee;
- the Chief Nurse who had delegated responsibility for managing the principal risks relating to infection control as Director of Infection Prevention and Control, and for Safeguarding Arrangements;
- the Director of HR for managing the Trust's principal risks relating to its Workforce;
- The Chief Operating Officer for managing the Trust's risks relating to operational performance; the Chief Financial Officer who had delegated responsibility for managing the Trust's risks relating to fire safety;
- the Director of Clinical Governance, who had delegated responsibility for ensuring that the Risk Management Strategy is implemented and evaluated effectively.

A complete description of the responsibilities, accountabilities and duties for risk management is described in the Trust risk management strategy. The risk management strategy was revised and approved by the Board in September 2016.

The Trust Governance framework

The Board of Directors approved a revised corporate governance framework in April 2016 which was implemented from the start of June 2016.

The Trust's corporate governance structure is designed to ensure appropriate oversight and scrutiny and to ensure good corporate governance practice is followed. There are six Committees of the Board of Directors:

Audit Committee

In line with the requirements of The NHS Audit Committee Handbook and the NHS Codes of Conduct and NHS Code of Accountability, which are consistent with Monitor's NHS Foundation Trust Code of Governance, the Audit Committee has provided the Board of Directors with an independent and objective review of its financial systems, financial information, system of internal control and compliance with laws, guidance and regulations governing the NHS.

The Audit Committee's membership is drawn exclusively from independent non-executive directors and has been supported by the work programmes of internal and external audit. This ensures independence from executive and operational management.

The Audit Committee has met quarterly in 2016/17 and has provided independent monitoring and scrutiny of the processes implemented in relation to governance, risk and internal control. The Committee has reported its proceedings to the Board of Directors following each of its meetings.

Quality and Performance Committee

The Quality and Performance Committee has delegated authority to assure the safety and quality of services within the Hospital, and operational performance. It is the lead Board Committee for the management of risk and reviews the risk register and Board Assurance Framework prior to submission to the Board.

The Chair of the Quality and Performance Committee, a Non-Executive Director, has reported on key issues to the Board of Directors after each meeting.

Finance, Business and Investment Committee

The Finance, Business and Investment Committee, which has met monthly, has provided assurance to the Board of Directors in the following areas: strategic financial matters; delivery of in-year financial plans and cost improvement plans; financial special measures; long-term financial sustainability, capital investment, and information management & technology.

The Chair of the Finance, Business and Investment Committee, a Non-Executive Director, has reported on key issues to the Board of Directors after each meeting.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee's role is to appoint, and, if necessary, dismiss the executive directors; establish and monitor the level and structure and reward of the Chief Executive and executive directors, ensuring transparency and fairness and consistency; develop and implement succession planning for key senior management posts; ensure that contractual terms on termination and any payments in respect of executive directors are lawful and represent value for money; and ensure all provisions regarding disclosure of remuneration, including pensions, are fulfilled.

The Committee also has responsibility for assurance around the Fit and Proper Persons Test for Board Directors, Non-Executive and Executive; and for monitoring any off-payroll and interim remuneration and compliance with Her Majesty's Treasury requirements.

Charitable Funds

The Trust is also the corporate trustee of the Brighton and Sussex University Hospitals NHS Trust Charitable Fund (Registered Charity 1050864), which is overseen by the Charitable Funds Committee, which is a Committee of the Board.

There are in addition, two time-limited Committees of the Board. The 3Ts Programme Board oversees the delivery of the 3Ts Programme and provides assurance to the Board in this regard.

The Programmes Board oversees the delivery of the four key Trust Programmes, which comprise the Trust Integrated Recovery Plan.

Both Committees are chaired by a Non-Executive Director who has reported key risks and issues to the Board after each meeting.

Accountability Report

Board of Directors Membership

Executive Directors

The Chief Executive of the Trust, was Dr Gillian Fairfield from 1st April 2016 until 23rd January 2017 and Evelyn Barker from 23rd January 2017 to 31st March 2017.

The Chief Nurse was Sherree Fagge until June 2016 when Helen O'Dell was appointed interim Chief Nurse.

Amanda Fadero was the Director of Strategy and Change and Deputy Chief Executive until May 2016.

Mark Smith was the Chief Operating Officer until the end of January 2017. Rab McEwan was interim Chief Operating Officer from 1st February 2017 to 31st March 2017.

Spencer Prosser was the Chief Financial Officer throughout 2016/17.

Steve Holmberg was the Medical Director throughout 2016/17.

Non-Executive Directors

Julian Lee was Chairman until May 2016 and Antony Kildare was appointed interim Chairman from May 2016 to March 2017.

The following Non-Executive Directors resigned in 2016/17: Christine Farnish in May 2016, Kirit Patel in June 2016 and Dr Farine Clarke in July 2016.

Martin Sinclair and Kirstin Baker were appointed as Non-Executive Directors from May 2016 and Graham Hodgson from June 2016.

Professor Malcolm Reed served as the University Non-Executive Director throughout 2016/17.

Corporate Governance Framework

The Board approved a revised corporate governance framework in April 2016, which was implemented in June 2016. The key changes are set out below:

Table 1: Board Committee Changes in 2016/17

Current Committees	Proposed Committees	Main changes
Audit Committee	Audit Committee	No change
Finance, People and Performance Committee	Finance, Business and Investment Committee	Expanded remit to cover investment and business development. Performance assurance now sits with Quality and Performance Committee. The Committee will no longer be responsible for assurance around People. A Workforce and Leadership Programme Board will be established reporting to the Board Programme Board
Quality and Risk Committee	Quality and Performance Committee	Combines the assurance roles of clinical governance and risk management committees and becomes the primary performance review committee for the Trust. Assumes responsibility for assurance regarding performance
Nomination and Remuneration Committee	Nomination and Remuneration Committee	No change
Charitable Funds Committee	Charitable Funds Committee	No change
3Ts Programme Board	3Ts Programme Board	Non-Executive Director Chair and members of the Committee
	Programmes Board	Established to monitor progress with the 4 Trust Programmes
EPR Programme Board		EPR Programme Board was dis-established as a Board Committee. An IM&T Committee was established reporting to the Finance, Business and Investment Committee

Corporate Governance Code

The Board is satisfied that it complies with the Corporate Governance Code. The Board is committed to continuous improvement and the further development of the Board is reflected in the Board development plan.

Audit Committee

The Audit Committee reviewed its effectiveness and terms of reference in March 2017, having completed the Audit Committee handbook self-assessment. The Trust re-tendered for its external audit service, and the contract of the existing external audit provider was extended for 12 months in December 2016 on the recommendation of the audit panel to the Board.

The Chairman and Members of the Committee meet external and internal audit prior to each meeting of the Audit Committee.

Charitable Funds Committee

The Committee is overseeing the strategic development of the BSUH Charity. The strategic plan for the Charity was approved by the Board in October 2016.

The Annual Plan for 2017/18 was approved by the Charitable Funds Committee in March 2017.

Executive oversight of risk framework

As part of the implementation of the revised Risk Management Strategy, a Risk Committee meets monthly to review the risk register and Board Assurance Framework prior to its submission to the Quality and Performance Committee.

Clinical Directorates

The day-to-day business of the Trust is managed by twelve Clinical Directorates. Each Directorate has its own leadership team comprising the Clinical Director, Directorate Manager and Directorate Lead Nurse who have clear delegated responsibilities for key objectives and

Accountability Report

risk management. They are supported by the Corporate Directorates of Human Resources, Finance, IT, Estates and Facilities and 3Ts.

Quality Governance

The Trust has appointed a Director of Clinical Governance responsible for Safety and Quality who will further develop the Trust quality governance arrangements, with the Medical Director.

Never Events

Five Never Events have been reported in 2016/17. The Quality and Performance Committee received reports on the actions and learning from the investigation of these Never Events at its meetings in April and August 2016 and February 2017.

The Trust commissioned a review of Theatre Safety and Culture in respect of the reported Never Events which was discussed at the Quality and Performance Committee in August 2016.

Serious Incidents

All Board members are notified of Serious Incidents, which are also reported in the Board performance dashboard. The Board has also received assurance of learning from Serious Incidents, from patient stories which are discussed in the public and private parts of the Board, as appropriate.

The Trust has sought to improve learning from Serious Incidents through an increase in its capacity for incident investigations, which also supports its duty of candour obligations; and through the publication of audio recordings of the key findings and lessons learned from serious incident investigations.

A quarterly report on Patient Safety, including Serious Incidents, is reported to the Quality and Performance Committee.

Quality Accounts

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year.

In developing the Quality Account 2016/17, quality improvement priorities for 2017/18 have been identified following discussion in the Trust and with Commissioner and patient representatives. The Quality Account will be considered by the Quality and Performance Committee prior to submission to the Board for approval in June 2017.

Care Quality Commission (CQC) Registration

The Care Quality Commission (CQC) conducted an inspection of the Trust in April 2016.

The Trust was rated *inadequate* overall and a section 29a Warning Notice was served on the Trust in June 2016. The Warning Notice identified significant failings in the 3 areas below and required significant improvements to be made by 30th August 2016.

Your systems to assess, monitor and mitigate risks to people receiving the care as inpatients and outpatients are not operated effectively.

Your systems to assess, monitor, and improve the care and, privacy and dignity of people attending your hospitals as inpatients and outpatients are not operated effectively.

Your systems to ensure patients are seen in line within national timescales for treatment are not operating effectively.

The CQC inspection report ratings are summarised in the table below.

A detailed action plan which addresses the findings of the Warning Notice and inspection reports has been reported monthly to the Quality and Performance Committee and Board.

Table 2: CQC inspection report ratings

	Safe	Effective	Caring	Responsive	Well led
RSCH Urgent & emergency Services	Inadequate	Requires Improvement	Requires improvement	Inadequate	Inadequate
PRH Urgent & Emergency Services	Inadequate	Requires Improvement	Good	Requires Improvement	Inadequate
RSCH Critical Care	Inadequate	Requires Improvement	Good	Requires Improvement	Inadequate
PRH Critical Care	Requires Improvement	Requires Improvement	Good	Good	Requires Improvement
RSCH Medical care	Inadequate	Requires Improvement	Good	Requires Improvement	Requires Improvement
PRH Medical care	Requires Improvement	Requires Improvement	Good	Requires Improvement	Requires Improvement
RSCH Surgery	Good	Requires Improvement	Good	Requires Improvement	Requires Improvement
PRH Surgery	Good	Good	Good	Requires Improvement	Requires Improvement
RSCH Maternity	Requires Improvement	Requires Improvement	Good	Requires Improvement	Requires Improvement
PRH Maternity	Requires Improvement	Requires Improvement	Good	Requires Improvement	Requires Improvement
RSCH Outpatients and Diagnostics	Inadequate	Inspected but not rated	Requires improvement	Inadequate	Requires Improvement
PRH Outpatients and Diagnostics	Requires Improvement	Not rated	Good	Requires Improvement	Requires Improvement

Accountability Report

Quality Summit

A Quality Summit was held on 15th August. This was attended by Trust Executive Directors and representatives of CQC, NHS Improvement, NHS England, the CCGs and Health Overview and Scrutiny Committees and the Trust presented its action Plan in response to the CQC inspection report findings.

Special Measures

Subsequent to the CQC inspection, NHSI placed the Trust in Special Measures in August 2016.

Recovery Plan

The Trust developed an integrated recovery plan in response to the findings of the CQC report which was approved by the Board in September 2016.

The plan addressed issues related to quality and safety, financial, clinical services, and workforce and leadership, governance, communications, performance management, information and technology, and strategy and transformation. The Recovery Plan aimed to provide a single view to regulators, staff, and the public of the Plan to address the issues the Trust faced.

This plan, with its four key transformational programmes, has been managed and monitored through the Board and Committees, and directly by the Trust Programme Board.

Progress has been most apparent in areas which have dealt with immediate quality, finance and performance measures. These have included addressing the concerns in the CQC warning notice and the must and should dos in the CQC report, significantly expanding our winter capacity to enable flow, improving our statutory and mandatory training and stabilising our financial figures.

Progress has been less rapid in addressing the longer term improvements in quality and safety, efficiency and productivity and producing a revised clinical and workforce strategy.

CQC Assessment January 2017

CQC carried out an assessment of progress with the requirements of the Warning Notice in January 2017 and agreed that no further enforcement action was required. A full re-inspection will take place in April 2017.

Risk assessment

Risk management strategy

The Risk Management Strategy and supporting policies and procedures set out the key responsibilities for managing risk within the organisation, including ways in which the risk is identified, evaluated and controlled.

Risk management training

The Trust requirements for Risk Management Training, based on the Training Needs Analysis are described in the Mandatory Training Policy. This includes the frequency of training, requirements for different groups of staff, and processes for managing non-attendance. This policy was revised and re-approved in September 2017.

Statutory compliance

Arrangements are in place for the discharge of the Trust statutory functions, following a comprehensive review of those functions and their assurance.

Risk management, Board Assurance Framework and key risks

Risk management is taken into account in the organisation in a variety of ways. All staff are responsible for responding to incidents, hazards, complaints and near misses in accordance with the appropriate policies. Local management teams develop and maintain local risk registers and oversee the management of adverse incidents. Risk processes are monitored and reviewed by the Risk Committee, Quality and Performance Committee, Board, Finance, Business and Investment Committee and Audit Committee.

Board Assurance Framework (BAF)

The BAF provides the Board with a mechanism for satisfying itself that its responsibilities are being discharged effectively; and informs the Board where the delivery of principal objectives are at risk due to a gap in control and/or assurance.

The BAF is reviewed quarterly by the Board. The BAF identifies the principal risks facing the Trust and informs the Board how each of these risks is being managed and monitored effectively. Each principal risk has an identified risk owner who is responsible for managing and reporting on the overall risk. The identified risk owner is an Executive, or other, Director. An Assurance Committee is also identified to assure the Board that each principal risk is being monitored, gaps in controls identified, and processes put in place to minimise the risk to the Trust.

For each of the risks below, the Board Assurance Framework describes the processes and controls in place to manage the risk, and what further action is necessary to control the risk.

Table 3: The current high rated risks on the BAF

	Risk	Risk owner	Risk rating
1.	Estates/fabric of buildings	Director of Facilities and Estates	
2.	Overall patient flow through hospital	Chief Operating Officer	
3.	Absence of strategic vision	Chief Executive	
4.	Recruitment and retention of staff	Director of HR	
5	Widespread/key IT systems failure	Chief Operating Officer	
6	Unexpected service interruption or disruption	Chief Operating Officer	
7.	Loss of Major Trauma Centre status	Director of Strategy	
8.	Leadership capacity	Director of HR	
9.	Staff not appropriately supported in terms of release time to undertake statutory and mandatory training or being effectively appraised	Director of HR	
10.	Poor staff engagement, low morale and reports of a culture of bullying, discrimination and favouritism	Director of HR	
11.	Lack of accountability framework	Chief Operating Officer	
12.	Failure of 3Ts programme to deliver per plan	Director of 3Ts	
13.	Poor organisational reputation	Chief Executive	
14.	Performance reporting and management	Chief Executive	
15.	Clinical equipment maintenance/ replacement programme	Chief Operating Officer	
16.	Impact of changes in commissioning practice	Chief Financial Officer	
17.	Failure to set up the PMO	Director of Strategy	
18.	Missed targets due to inability to cope with increased demand through change in NICE criteria for cancer referral	Clinical Director for Cancer Services	
19.	Regulatory intervention	Director of Facilities and Estates	

Accountability Report

Risk and control framework

The Trust responsibilities and accountabilities for risk management are described in the Risk Management Strategy.

Performance

The Board integrated performance report is reported to the Board of Directors at each of its meeting. The Board performance report has been extensively reviewed and amended to consolidate key metrics used by NHS Improvement, NHS England and Commissioners in evaluating Trust performance.

The IPR is framed around the 5 CQC Domains: safe, effective, responsive, caring and well-led.

The key areas of under-performance in 2016/17 are identified below.

- Emergency care related indicators, primarily performance against the 4 hour A&E standard;
- Performance against the Referral to Treatment (RTT) standards;
- Performance against the cancer standard for 62 day wait for first treatment from urgent GP referral;
- Delayed transfers of care (DTOCs);
- Never Events – with 5 reported in 2016/17;
- Histology turnaround times and;
- Mixed sex accommodation breaches

Performance against the 4 hour Accident and Emergency standard

The year –end position for the 4 hour Accident and Emergency standard was 83.3%.

Fifty-five 12-hour trolley waits have also been reported in 2016/17.

Referral to Treatment (RTT) performance

Performance against the RTT standards has been significantly below the national targets. The Trust has developed detailed specialty level trajectories, including the re-alignment of capacity and demand to improve delivery against the nationally reported standard.

The plan is supported by pathway and waiting list management and continued improvements in operational data quality.

The performance against the *Referral to Treatment – Admitted* standard was 66.05% in March 2017 against the standard of 90%.

Information Governance

2 Information Governance Serious Incidents were reported in 2016/17 concerning:

- The temporary loss of an admission and discharge book; and of an
- ENT handover sheet

Both were subsequently returned. Full investigations into the incidents were undertaken.

The Information Governance toolkit submission in March 2017 demonstrated achievement of level 2 against the 2016/17 Information Governance Toolkit.

Review of economy, efficiency and effectiveness of the use of resources

The Board receives a monthly report from the Chief Financial Officer on financial performance. Financial performance is reviewed at the Senior Management Team and by the Finance, Business and Investment Committee. The Chair of the Committee, in turn, provides a formal monthly report to the Board of Directors.

In May 2016 it was announced that the Trust was one of 16 NHS providers to be placed through the Financial Improvement Programme (FIP). As part of this work, NHS Improvement appointed McKinsey & Company (McKinsey) to support the Trust, by identifying and assuring areas for financial improvement, and commencing a programme to improve the financial situation in response to the challenges identified.

The outcome of the FIP Phase 1 review indicated that the Trust would be challenged to deliver its £15.6m deficit budget in 2016/17, and a "do nothing" scenario would lead to a £69m deficit budget.

In September 2016, the Trust Board approved an updated forecast outturn position of £59.7m and agreed a set of financial controls and strengthened financial governance to stabilise the financial position.

The Trust's external auditor, Ernst and Young LLP (EY) has concluded that it is not satisfied that, in all significant respects, Brighton and Sussex University Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

This qualification of the 2016/17 value for money conclusion was based on the following:

- The Trust was subject to an inspection by the Care Quality Commission in August 2016 that rated the Trust as 'inadequate' for 'well-led' and 'inadequate' overall, with significant failings in leadership and control. As a consequence the Trust was placed in special measures. After a significant deterioration in the Trust's forecast financial outturn for 2016/17 the Trust was placed in financial special measures in October 2016.
- The Trust reported a deficit of £68.5 million in its draft financial statements for the year ending 31 March 2017, thereby breaching its duty under paragraph 2 (1) of Schedule 5 the National Health Service Act 2006, to break even. The Trust has not yet succeeded in addressing the underlying deficit in its budget and is forecasting a further deficit of £65.4 million for 2017/18.
- The Trust's own risk assessment processes recognise weaknesses in strategic planning, leadership capacity, risk management, financial and performance reporting, contract management and working effectively with commissioners, data quality and asset management.

The auditors have therefore concluded there is evidence of weaknesses in proper arrangements for informed decision making, sustainable resource deployment and working with partners and other third parties.

Financial Special Measures

The revised forecast outturn position was reported to NHS Improvement and the Trust was consequently placed in Financial Special Measures on the 18th October 2016 and asked to develop a Financial Recovery Plan (FRP).

The FRP described the worsening deficit position as being attributable to:

- £10.8m of STF income not received;
- Estimated commissioner income challenges and fines provision totalling to £8.2m;
- £4.0m less of SIFT income than plan;
- Above plan pay spend from interim staff costs with continued vacancies and the need for interim staff to address financial and quality special measures; and
- Increased non-pay costs from slippage in CIP delivery .

The FRP was expected to:

- Deliver rapid financial recovery;
- Set out actions that would move the Trust significantly towards the control total proposed for 2016/17, recognising the current financial position of the Trust;
- Demonstrate quarter on quarter improvement in Income & Expenditure run rate in 2016/17.
- Demonstrate a quarter 4 Income & Expenditure run rate to deliver a materially lower deficit for 2017/18 than the 2016/17 position.

The FRP was submitted to NHS Improvement on 30th November 2016 and monthly progress reviews have been held since.

Accountability Report

However the year-end financial position was a deficit of **£65.6m** and notwithstanding the additional controls which were established, an internal audit review of the delivery of the financial improvement plans assessed the programme as red.

Internal audit also assessed the Trust's financial reporting and forecasting as red.

Going concern

The Trust has agreed a revision to the financial control totals for the next two years with NHSI. The basis upon which these have been agreed will limit the financial efficiency requirement upon the Trust over this period. It is expected the Trust will deliver a deficit of £65.4m in 2017/18. The plans reflect agreed continued revenue deficit support funding from DH for both years. The deficit support funding is authorised by the DH monthly in advance and is conditional on the achievement of the agreed financial control total for the year. Deficit support funding totalling £12.8m for April and May 2017 has been provided to the Trust. The healthcare contracts with local Clinical Commissioning Groups and NHS England for 2017/18 have been agreed. These are all on a Payment by Results basis and amount to approximately £xxxm . The Trust's 2017/18 cash flow forecast is based on the assumptions in the 2017/18 financial plan. The key assumptions underpinning the cash flow are:

a) Receipt of £59.7m revenue support loan from the DH to finance the revenue deficit.

b) Receipt of £98m PDC from DH to fund the 3Ts capital build.

The cash flow position is reported to the Finance and Investment Committee and the Board monthly and this is based on the Trust's detailed 12 month cash flow forecast which is updated daily. The Trust's financial priority for the next two years is to deliver its control total deficit as agreed with NHS Improvement. This includes the development and embedding of robust and transparent processes for financial improvement and control as well as a new infrastructure to support delivery of a sustainable efficiency programme. Taking into account all these factors, the assumption that the healthcare and other services will continue to be provided by the public sector for the foreseeable future and that the DH will continue to provide financial support, the Directors consider the Trust will continue to operate as a going concern. The conditions described above do, however, indicate the existence of material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern.

Counter-fraud

The Trust is required under the terms of the Standard NHS Contract (as it was previously required under Secretary of State's Directions) to ensure appropriate counter fraud measures are in place.

The LCFS adopts a risk-based approach to counter fraud work, using the NHS Protect Risk Assessment Tool (RAT) and the incidence of local frauds to identify areas of potential vulnerability. Relevant local proactive exercises (LPEs) are consequently built into the Trust's annual counter fraud work plan, which is overseen by the Audit Committee. In common with other large acute hospitals, staff members working elsewhere while on sick leave remains among the most common fraud types at BSUH.

The LCFS & Compliance Manager helps to foster an anti-fraud culture within the Trust through delivery of an ongoing training programme across a wide range of staff groups. This features regular presentations on counter fraud and on compliance with the UK Bribery Act 2010. The LCFS attends each meeting of the Audit Committee to present a report on his work.

The Trust has implemented a significantly enhanced Declaration of Interests Policy extending the requirement to declare material interests to senior medical, nursing and managerial staff, together with senior staff working in procurement, Pharmacy, IT, Estates & Facilities and Finance.

Internal audit

An annual audit plan is undertaken by Internal Audit and monitored by the Audit Committee. The table below describes the internal audit reviews undertaken in 2016/17 and the level of assurance provided.

Table 3: internal audits 2016/17

Audit	Assurance Level Provided
Temporary staffing	
Statutory and mandatory training and appraisal	
Review of capital expenditure	
Financial improvement part 1	
Financial Reporting and Forecasting	
Core financial systems	
CQC follow up	
Waiting list management	
3Ts	

Special Measures

The Trust was placed in Special Measures in August 2016 and Financial Special Measures in October 2016.

Integrated Recovery Plan

The Trust developed an Integrated Recovery Plan, in response to being placed in Special Measures which was approved by the Board in September 2016.

Within the Plan, the following root causes of poor quality and financial performance were identified.

Accountability Report

Management contract with Western Sussex Hospitals NHS Foundation Trust

Following the Trust being placed in quality and financial special measures, and to provide leadership from an outstanding Trust, BSUH, Western Sussex Hospitals NHS Foundation Trust (WSH) and NHS Improvement made an interim agreement in November 2016 to provide support from WSH to BSUH, with the intention of developing a Long Term Arrangement from April 2017.

The 3 parties made a Long Term Agreement in March 2017 for a period of 3 years and the WSH leadership team, Executive and Non-Executive, was appointed to lead the Trust from 1st April 2017. This Agreement identified 5 key priorities:

- delivering the improvements necessary to enable BSUH to exit Financial Special Measures;
- delivering the improvements necessary to enable BSUH to exit Quality Special Measures;
- addressing the underlying issues at BSUH relating to leadership and culture which were inhibiting the delivery of improvements to services;
- effective implementation of a three year plan to improve accident and emergency performance; and
- effective oversight of the 3Ts Programme.

Review of effectiveness of risk management and control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the quality report attached to this Annual Report and other performance information available to me.

My review is also informed by comments made by the external auditors in their management letter and reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, the Quality and Performance committee, and the Finance, Business and Investment Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit Opinion is:

Our overall opinion, for the period 1 April 2016 to 31 March 2017 is that based on the scope of reviews undertaken and the sample tests completed during the period, nothing came to our attention which suggests that controls were not suitably designed and operating effectively in the Trust's systems of internal control; governance; and risk management except in the following areas of financial reporting and forecasting; financial improvement planning; waiting list management and risk management where some weaknesses in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

My review is also informed by executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board of Directors and its committees meet regularly and, as part of their consideration, keep arrangements for internal control under review through discussion and approval of policies and

practice. The Audit Committee has provided the Board of Directors with an independent and objective review of financial and corporate governance, and internal financial control within the Trust.

The Audit Committee has received reports from external and internal audit including reports relating to the Trust's counter fraud arrangements. The Trust's Executive Directors and managers, and the Chairs of the Quality and Performance Committee and Finance, Business and Investment Committee, have provided the Board of Directors with reports on risk management, performance management and safety and quality governance.

I have also been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors, Audit Committee and Executive Directors. These groups each receive regular reports and updated action plans to manage or monitor progress on major risks, as defined in their respective terms of reference. A plan to address weaknesses and ensure continuous improvement of the system is in place.

A number of external agencies, measure and report on the Trust's performance against statutory requirements, or best practice. These groups examine many potentially high risk areas. The results of their work are considered and acted on where necessary by the relevant executive director. All significant external scrutiny reports are also reported to the appropriate Committee for monitoring in line with the Trust policy on External Agency Visits, Inspections and Accreditations.

I have also considered the NHS Improvement guidance on the Annual Governance Statement of February 2017.

Accountability Report

Significant issues

I have considered the factors described in the NHS Improvement guidance on the 2016/17 annual governance statement in respect of *significant issues.*

I have identified **significant** issues in this statement, which prejudice the achievement of Trust priorities, in respect of operational performance, financial delivery and safety and quality as follows:

- Performance against the 4 hour Accident & Emergency standard;
- Performance against Referral to Treatment (RTT) standards;
- Delivery of the Financial Plan and;
- Risks to patient safety and patient experience.

I have also identified **control** issues in relation to:

- Never Events, and;
- Financial Reporting and Forecasting and Budgetary Control

These control issues are also associated with the areas of non-compliance with CQC regulations identified in this statement, and the Trust being placed in Quality and Financial Special Measures.

The Trust's external auditor, Ernst and Young LLP (EY) has concluded that it is not satisfied that, in all significant respects, Brighton and Sussex University Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

The external auditor has therefore concluded there is evidence of weaknesses in proper arrangements for informed decision making, sustainable resource deployment and working with partners and other third parties.

Significant further work is required to address the issues above, in respect of the adequacy of financial controls, performance and safety and quality. Progress will be monitored by the Board Finance and Investment and Quality and Risk Committees and the Board of Directors

Accountable Officer

The Accountable Officer is Marianne Griffiths, who is the signatory to the Annual Governance Statement.

Accountable Officer: Organisation:
Brighton and Sussex University Hospitals NHS Trust

Insert Signature

Marianne Griffiths
June 2017

Remuneration and Staff Report


THE ROYAL
SUSSEX COUNTY HOSPITAL.

Remuneration and Staff Report

The Nomination and Remuneration Committee is a committee of the Trust Board and comprises the Chair of the Trust, the Non- Executive Directors and the Chief Executive. The committee is supported by the Director of Workforce and Organisational Development. The Director of Corporate Affairs attends meetings in an advisory capacity. The committee is chaired by the Chair of the Trust. No member is involved in any decision as to their own remuneration. The committee is responsible for:

- The appointment and remuneration of the Chief Executive and Executive Directors
- Ensuring that contractual terms on termination and any payments made are lawful, consistent with the requirements of the Public Interest Disclosure Act (PIDA), contain no inappropriate restrictions and are otherwise within the powers of the Trust
- Approving severance payments as defined within the committee terms of reference, consistent with NHS Improvement guidance
- Ensuring that all provisions regarding disclosure of remuneration, including pensions, are fulfilled
- Ensuring compliance with Fit and Proper Person requirements

Pay multiples *(Subject to audit)*

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 Brighton and Sussex University Hospitals NHS Trust in the financial year 2016-17 was £220K-£225K (2015-16 - £245K-£250K). This was 9 times (2015-16 – 10.4 times) the median remuneration of the workforce, which was £24.5K (2015-16 - £23.8K). Total remuneration includes salary, nonconsolidated performance related pay, benefits in kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

In 2016-17 0 (2015-16 - 0) employees received remuneration in excess of the highest paid director. Remuneration ranged from £9.0K to £221K (2015-16 - £9.0K - £248K)

Remuneration policy

The Nomination and Remuneration Committee carries out an annual pay review for all senior staff and staff on ad hoc salaries (staff not on Agenda for Change terms and conditions). It was agreed that those staff would forego any pay increase in 2016/17.

Performance related pay

No directors received performance related pay.

Remuneration and Staff Report

Salary and Pension entitlements of senior managers *(Subject to audit)*

Non-Executive		2016-17					
Name & Title		Salary	Expense payments (taxable)	Perfor-mance pay and bonuses	Long term perfor-mance pay and bonuses	All pension related benefits	TOTAL
		(bands of £5000)	total to nearest £100	(bands of £5000)	(bands of £5000)	(bands of £2500)	(bands of £5000)
		£000		£000	£000		£000
Julian Lee	Chair (to 17th May 2016)	0 - 5				-	0 - 5
Malcolm Reed	Non-Executive	5 - 10				-	5 - 10
Antony Kildare	Non-Executive - Interim Chairman from 18th May 2016	35 - 40				-	35 - 40
Christine Farnish **	Non-Executive (to 18th May 2016)	0 - 5				-	0 - 5
Farine Clarke	Non-Executive (to 28th July 2016)	0 - 5				-	0 - 5
Kirit Patel	Non-Executive (to 28th June 2016)	0 - 5				-	0 - 5
Martin Sinclair	Non-Executive (from 15th May 2016)	5 - 10				-	5 - 10
Kirstin Baker	Non-Executive (from 15th May 2016)	0 - 5					0 - 5
Graham Hodgson	Non-Executive (from 1st July 2016)	0 - 5					0 - 5

** Audit Committee member

Non-Executive		2015-16					
Name & Title		Salary	Expense payments (taxable)	Perfor-mance pay and bonuses	Long term perfor-mance pay and bonuses	All pension related benefits	TOTAL
		(bands of £5000)	total to nearest £100	(bands of £5000)	(bands of £5000)	(bands of £2500)	(bands of £5000)
		£000		£000	£000		£000
Julian Lee	Chair (to 17th May 2016)	20-25				-	20 - 25
Malcolm Reed	Non-Executive	5 - 10				-	5 - 10
Antony Kildare	Non-Executive - Interim Chairman from 18th May 2016	5 - 10				-	5 - 10
Christine Farnish **	Non-Executive (to 18th May 2016)	5 - 10				-	5 - 10
Farine Clarke	Non-Executive (to 28th July 2016)	5 - 10				-	5 - 10
Kirit Patel	Non-Executive (to 28th June 2016)	5 - 10				-	5 - 10
Martin Sinclair	Non-Executive (from 15th May 2016)						
Kirstin Baker	Non-Executive (from 15th May 2016)						

** Audit Committee member

Remuneration and Staff Report

Salary and Pension entitlements of senior managers – continued

(Subject to audit)

Executive		2016-17					
Name & Title		Salary	Expense payments (taxable)	Perfor-mance pay and bonuses	Long term perfor-mance pay and bonuses	All pension related benefits	TOTAL
		(bands of £5000)	total to nearest £100	(bands of £5000)	(bands of £5000)	(bands of £2500)	(bands of £5000)
		£000		£000	£000		£000
Gillian Fairfield	Chief Executive (1st April 2016 to 28th February 2017)	220 - 225					220 - 225
Evelyn Barker	Chief Executive (from 23rd January 2017)	35 - 40				17.5 - 20	55 - 60
Spencer Prosser	Chief Financial Officer	155 - 160					155 - 160
Mark Smith	Chief Operating Officer (to 27th January 2017)	120 -125				32.5 -35	155 - 160
Sheree Fagge	Director of Nursing (to 4th September 2016)	55-60				15 - 17.5	75 - 80
Helen O'Dell	Chief Nurse (from 11th July 2016)	85 - 90				107.5 - 110	195 - 200
Robert McEwan	Chief Operating Officer (from 17th February 2017)	25 - 30				0 - 2.5	30 - 35
Dr Steve Holmberg	Medical Director (to 11th March 2017)	175 - 180				-	175 - 180

Executive		2015-16					
Name & Title		Salary	Expense payments (taxable)	Perfor-mance pay and bonuses	Long term perfor-mance pay and bonuses	All pension related benefits	TOTAL
		(bands of £5000)	total to nearest £100	(bands of £5000)	(bands of £5000)	(bands of £2500)	(bands of £5000)
		£000		£000	£000		£000
Gillian Fairfield	Chief Executive (1st April 2016 to 28th February 2017)						
Evelyn Barker	Chief Executive (from 23rd January 2017)						
Spencer Prosser	Chief Financial Officer	155 - 160					155 - 160
Mark Smith	Chief Operating Officer (to 27th January 2017)	135 - 140					135 - 140
Sheree Fagge	Director of Nursing (to 4th September 2016)	115-120				30 - 32.5	150 - 155
Helen O'Dell	Chief Nurse (from 11th July 2016)						
Robert McEwan	Chief Operating Officer (from 17th February 2017)						
Dr Steve Holmberg	Medical Director (to 11th March 2017)	190 - 195		55 - 60		-	245 - 250

Remuneration and Staff Report

Salary and Pension entitlements of senior managers – continued

(Subject to audit)

Pension Benefits

	Real increase in pension at pension age	Real increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2017	Lump sum at pension age related to accrued pension at 31 March 2017	Cash Equivalent Transfer Value at 1 April 2016	Real Increase/(Decrease) in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2017	Employers Contribution to Stakeholder Pension
Name and title	(bands of £2500) £000	(bands of £2500) £000	(bands of £5000) £000	(bands of £5000) £000	£000	£000	£000	To nearest £100
Evelyn Barker - from 23/1/17	0-2.5	2.5-5.0	50-55	155-160	1,205	(9)	1,159	
Helen O'Dell from 11/7/16	2.5-5.0	12.5-15.0	40-45	120-125	684	112	839	
Sheree Fagge to 4/9/16	0-2.5	0-2.5	55-60	165-170	1,155	30	1,226	
Mark Smith to 27/1/17	0-2.5	2.5-5.0	30-35	95-100	583	58	653	
Robert McEwan from 17/1/17	0-2.5	0-2.5	25-30	75-80	511	4	532	

Staff Report

Brighton and Sussex University Hospitals employs **8,216** people, including:

3,489 nursing and midwifery staff

1,232 medical staff

1,281 scientific, therapeutic and technical staff

2,214 administrative, clerical and estates staff

24.0% of staff are aged 30 or less.

25% of staff are aged over 50.

Sickness absence rate = **4.3%**

A total of **31%** of staff are male

A total of **69%** of staff are female

A total of **7%** of staff define themselves as Disabled

A total of **6%** of staff define themselves as Gay, Lesbian or Bisexual

A total of **19%** of staff define themselves as BME.

16% of staff have worked at BSUH for less than a year.

42% of staff have worked at BSUH for over five years.

41% of non-medical staff are AfC Bands 1 to 4

6% of non-medical staff are AfC Band 8a or higher.

89% of staff are permanent (with the rest being fixed term).

76% of staff are full time

Remuneration and Staff Report

Gender distribution of staff

Total staff

5,652 or 69% of our staff are female
2,564 or 31% of our staff are male

Senior managers

249 or 67% of our (non-medical) senior managers are female
126 or 33% of our (non-medical) senior managers are male

Board members

3 or 30% of our Board members (as of 31 March 2017) are female
7 or 70% of our Board members are male

Staff policies applied during the financial year

BSUH has been a 'Two Tick' employer since 2002 (now Disability Confident Employer Level 2). All new employees are given the opportunity to indicate if they need additional support under these schemes. We widely advertise this on our website, in our recruitment literature and on our Equality information/site. Our commitment is also highlighted within our Equality, Diversity and Human Rights Policy. This applies equally for current staff moving from one position to another and external candidates.

For those staff who have become disabled during their employment we apply the Equality, Diversity and Human Rights Policy, Sickness Absence Policy and, if required, the Disability and Reasonable Adjustments guidelines to support our staff member. They would work with their line manager and HR (sometimes Equality Team) to ensure that modifications to role/hours still enable the department/service to function whilst supporting the staff member to continue to be a valued employee.

Staff costs (*Subject to audit)*

	Costs (£000's)		
	Permanent	Other	Total
Nursing & Midwifery	97,962	9,330	**107,292**
Healthcare assistants and other support staff	20,094	4,882	**24,976**
Medical	99,354	5,188	**104,542**
Scientific, Therapeutic,and Technical	24,941	1,695	**26,636**
Healthcare Science	20,132	359	**20,491**
Administration and Estates	46,445	2,942	**49,387**
Other	13,859	1,842	**15,701**
	322,787	**26,238**	**349,025**

Number of senior managers by pay band - AFC 8a, 8b, 8c, 8d, 9 and Very Senior Managers (VSM).

	WTE	Heads
Band 8a	191	211
Band 8b	96	103
Band 8c	38	39
Band 8d	18	19
Band 9	15	15
VSM	16	19

Consultancy staff

In 2016-17 our total spend on consultancy staff was £4,459,000.

Exit packages *(Subject to audit)*

		Maincode 01	Maincode 02	Maincode 03	Maincode 04	Maincode 05	Maincode 06	Maincode 07	Maincode 08
Exit package cost band (including any special payment element)	Sub code	*Number of compulsory redundancies	*Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages	Number of departures where special payments have been made	Cost of special payment element included in exit packages
		WHOLE NUMBERS ONLY	£s	WHOLE NUMBERS ONLY	£s	WHOLE NUMBERS ONLY	£s	WHOLE NUMBERS ONLY	£s
Less than £10,000	100					0	0		
£10,000 - £25,000	110					0	0		
£25,001 - £50,000	120					0	0		
£50,001 - £100,000	130	1	73,317			1	73,317		
£100,001 - £150,000	140					0	0		
£150,001 - £200,000	150					0	0		
>£200,000	160					0	0		
Total	**170**	**1**	**73,317**	**0**	**0**	**1**	**73,317**	**0**	**0**

Remuneration and Staff Report

National NHS Staff Survey 2016

The results of the 2016 NHS Staff Survey were published at the beginning of March 2017. For the first year every eligible member of BSUH staff (7,961) received the survey and 40% (3,155) of these responded. The national response rate across NHS Acute Trusts was 44%.

The aim of the survey is to gather information that will help Trusts across the NHS improve the working lives of their staff and provide better care for patients. The 32 key findings of the survey are now structured around nine themes: appraisals and support for development; equality and diversity; errors and near misses; health and wellbeing; job satisfaction; managers; patient care and experience; violence, harassment and bullying; and working patterns.

As well as the detailed information which can be used by clinical/corporate directorates in relation to the 32 key findings, the survey also provides us with an overall staff engagement score which is based on the three key findings of: would recommend the Trust as a place to work or receive treatment; staff motivation at work; ability to contribute towards improvements at work. The table below illustrates that our overall engagement score was in the lowest 20% of acute Trusts.

The survey took place in September/October last year, just after we had been placed in special measures by the Care Quality Commission (CQC) and our overall findings reflect what a difficult and challenging period 2016 was for our staff.

The results showed that 92% of staff felt trusted to do their job and 90% felt that their role makes a difference to patients/service users – both of which were in line with the national average for all acute Trusts. However, in all other areas BSUH scored below the national average and in the bottom 20% for the majority of the key findings. For example:

- Care of patients / service users is my organisation's top priority
  64% of our staff agreed compared to a national average of 76%
- My organisation acts on concerns raised by patients /service users
  61% of our staff agreed compared to a national average of 74%
- I would recommend my organisation as a place to work
  42% of our staff agreed compared to a national average of 62%
- If a friend or relative needed treatment, I would be happy with the standard of care provided by this organisation
  55% of our staff agreed compared to a national average of 70%

Working with the incoming Executive Team from Western Sussex Hospitals, who have a proven and impressive track record of staff engagement and positive organisational development, we will use these findings to help us make some very real and necessary improvements in how we engage with, take care of and develop our staff in the year ahead.

Lowest score attained	BSUH score	Threshold for lowest 20%	Average	Threshold for highest 20%	Highest score attained
3.58	3.62	3.73	3.81	3.89	3.97

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Financial Performance

Overall

The Trust is reporting a deficit of £68.5m in 2016/17 compared with an initial planned control total deficit of £15.6m. The planned deficit assumed receipt of £14.4m of Sustainability and Transformation Funding, the delivery of £24.5m of savings. The deficit position reflects the pressures faced by the Trust during the year and the adverse variance of £52.9m can be summarised as follows:

	£m
2016/17 Control Total Deficit	15.6
SIFT Income reduction	4.0
2015/16 Income Arbitration	9.0
Clinical Directorate Adverse Variance	21.9
STF Funds Not Earned	10.8
Turnaround Consultancy	3.9
Additional Loan Interest	0.8
Movements in provisions	3.5
Other Net Movements	(1.0)
Deficit	68.5

The Trust was fully engaged with the national Financial Improvement Programme during the year – at first with McKinsey and then with FTI Consulting. This external support was focussed on developing sustainable plans to address areas of overspend and on identifying and delivering further efficiencies.

As part of Quarter 2 reporting the Trust formally revised its year end forecast so that it was no longer forecasting that the control total would be met. At this point, in October 2016, the Trust was forecasting a deficit of £59.7m and was placed in Financial Special Measures, and continues to be in this position.

As of April 1st 2017 the Trust is now managed under a Management Arrangement with Western Sussex Hospitals NHS Foundation Trust. Part of this arrangement is that a planned deficit for 2017/18 of £65.4m has been agreed with NHS Improvement. *(subject to confirmation)* This level of deficit requires cost improvements of £20m but also allows for investment in improving services.

Going Concern

These accounts have been prepared on the basis the Trust is a going concern as there is no indication that that the healthcare and other services will not continue to be provided by the public sector for the foreseeable future and that continuing financial support will be provided by DH.

The Trust is aware, however, of the following conditions which may cast significant doubt about the Trust's ability to continue as a going concern. This year the Trust has struggled to meet its financial targets against a backdrop of increased financial pressure across the NHS. The Trust has returned a control total deficit of £68.5m but has achieved £20.8m savings through the Cost Improvement Programme. The DH provided deficit funding of £69.5m as revenue support loans in year bringing the total revenue support loan funding to £107.2m at 31 March 2017.

The Trust has entered into a management contract with Western Sussex Hospitals NHS FT and NHS Improvement for a minimum of three years. From 1 April 2017 the Executive Team and Chairman of Western Sussex Hospitals NHS Foundation Trust are also the Executive Team and Chairman of the Trust. This is to provide some strong and stable leadership to the Trust

for at least three years. New regulatory oversight arrangements have also been agreed which will provide a focus on supporting the Trust to exit from Financial Special Measures and Quality Special Measures.

The Trust has agreed a revision to the financial control totals for the next two years with NHSI. The basis upon which these have been agreed will limit the financial efficiency requirement upon the Trust over this period. It is expected the Trust will deliver a deficit of £65.4m in 2017/18. The plans reflect agreed continued revenue deficit support funding from DH for both years. The deficit support funding is authorised by the DH monthly in advance and is conditional on the achievement of the agreed financial control total for the year. Deficit support funding totalling £12.8m for April and May 2017 has been provided to the Trust.

The healthcare contracts with local Clinical Commissioning Groups and NHS England for 2017/18 have been agreed. These are all on a Payment by Results basis and amount to approximately £471m.

The Trust's 2017/18 cash flow forecast is based on the assumptions in the 2017/18 financial plan. The key assumptions underpinning the cash flow are:

a) Receipt of £65.4m revenue support loan from the DH to finance the revenue deficit.

b) Receipt of £98m PDC from DH to fund the 3Ts capital build.

The cash flow position is reported to the Finance and Investment Committee and the Board monthly and this is based on the Trust's detailed 12 month cash flow forecast which is updated daily.

The Trust's financial priority for the next two years is to deliver its control total deficit as agreed with NHS Improvement. This includes the development and embedding of robust and transparent processes for financial improvement and control as well as a new infrastructure to support delivery of a sustainable efficiency programme.

The new Executive leadership of the Trust has agreed the following priorities with NHS Improvement over the next 3 years:

- Moving out of Quality Special Measures
- Improvement and delivery of A&E performance
- Moving out of Financial Special Measures
- Addressing underlying Leadership and Cultural challenges
- Assuring delivery of 3Ts programme and integration into the Trust

Taking into account all these factors, the assumption that the healthcare and other services will continue to be provided by the public sector for the foreseeable future and that the DH will continue to provide financial support, the Directors consider the Trust will continue to operate as a going concern. The conditions described above do, however, indicate the existence of material uncertainty.

Financial Statements

Income and Expenditure

The Trust is reporting income of £550.4m in 2016/17 increased from the £529.5m reported in 2015/16. The majority of the Trust's income is for patient care services and this income grew from £479.5m to £496.6m. The table below shows the sources of the Trust's income.

Income	2016/17	2015/16
	£'000	£'000
Clinical Commissioning Groups	275,617	269,859
NHS England	173,825	160,756
Non-NHS	39,166	40,874
Education, training and research	33,385	37,255
Income generation (other fees and charges)	7,052	7,185
NHS Trusts	3,090	3,080
Recoveries in respect of employee benefits	2,785	2,885
Foundation Trusts	3,000	2,430
Non-patient care services to other bodies	5,736	1,992
Department of Health	1,545	1,777
NHS Other	340	721
Rental revenue from operating leases	515	575
Receipt of donations for capital acquisitions	88	86
Sustainability and Transformation Fund Income	3,600	0
Other Revenue	625	0
Total Operating Revenue	**550,369**	**529,475**

Total operating expenses in 2016/17 were £627.3m an increase from £587.5m in 2015/16.

Operating Expenses	2016/17	2015/16
	£'000	£'000
Employee Costs	349.025	330,433
Supplies and services - clinical	138,343	124,955
Impairments and reversals of property, plant and equipment	19,969	23,963
Depreciation	19,830	21,586
Premises	17.074	16,765
Clinical Negligence	19,276	16,257
Supplies and services - general	8,228	11,650
Services from NHS bodies	8,481	8,190
Purchase of healthcare from non-NHS bodies	7,162	7,366
Impairments and reversals of receivables	11,791	6,237
Education and training	4,067	5,599
Establishment	4,016	4,396
Business rates paid to local authorities	2,377	2,184
Research and development (excluding staff costs)	2,542	1,887
Legal fees	2,137	1,579
Service charges - PFI	1,407	1,539
Transport	1,745	1,059
Consultancy services	4,459	901
Insurance	416	445
Amortisation	165	154
Audit fees	122	132
Internal audit fees	121	120
Trust Chair and Non-Executive Directors	67	72
Inventories Write down	175	45
Change in discount rate	233	-14
Other	4,044	0
	627,272	**587,501**

Financial Statements

Efficiency

The Trust achieved efficiencies of £20.8m in 3016/17 against a target of £25.1m. Operational pressures experienced by the Trust, the same pressures that led to overspends, led to delays in the development and implementation of savings schemes.

Cost Improvement		Plan	Actual	Variance
		£'000	£'000	£'000
Back Office & Commercial	Income	2,560	4,480	1,920
Back Office & Commercial	Non Pay	7,164	4,709	(2,455)
Clinical Workforce	Pay Skill	3,776	4,115	339
Major IT Programme	Non Pay	108	-	(108)
Medical Workforce	Pay Skill	2,604	-	(2,604)
Medical Workforce	Pay WTE	237	3,230	2,993
Operational Estate	Non Pay	50	50	0
Operational Productivity	Income	257	324	67
Operational Productivity	Pay WTE	3,890	3,814	(75)
Operational Productivity	Non Pay	3,663	58	(3,605)
Transformation	Income	18	-	(18)
Workforce	Pay Skill	316	36	(280)
Workforce	Pay WTE	500	-	(500)
		25,143	**20,816**	**(4,327)**

Better Payments Practice Code

The Better Payments Practice Code requires that the Trust pays all invoices within 30 days of the receipt of a valid invoice. The performance target is 95% compliance with actual performance below this. Delays to the receipt of payment from debtors and to receipt of funding to support the deficit position reduced the Trusts ability to pay suppliers promptly.

Measure of Compliance	2016/17	2016/17	2015/16	2015/16
	Number	£'000	Number	£'000
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid In The Year	151,449	424,709	125,098	302,352
Total Non-NHS Trade Invoices Paid Within Target	52,790	210,711	60,235	155,943
Percentage of Non-NHS Trade Invoices Paid Within Target	34.9%	49.6%	48.2%	51.6%
NHS Payables				
Total NHS Trade Invoices Paid In The Year	2,794	44,931	1,974	49,663
Total NHS Trade Invoices Paid Within Target	956	22,123	919	28,884
Percentage of NHS Trade Invoices Paid Within Target	34.2%	49.2%	46.6%	58.2%

The Late Payment of Commercial Debts (Interest) Act 1998	2016/17	2015/16
	£'000	£'000
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	24	3
Total	**24**	**3**

Revaluations and impairments

Revaluations and impairments led to a decrease in asset values of £20.0m.

Capital expenditure

Additions to tangible fixed assets in 2016/17 were £69.3m.

Liquidity, cash and working capital

The Trust remained within its external financial limit (EFL) and its year end cash balance increased from £3.3m to £7.4m. The deficit position creates a significant liquidity challenge for the trust and this is reflected in the worsening payment record shown above, Working capital support continues to be received from the Department of Health at interest rates of up to 6%.

Financial outlook

The expected plan for 2017/18 is a deficit of £65.4m and this reflects the continuing challenges around delivering activity, maintaining staffing levels and limiting other costs. The financial risks to achieving the planned level of performance and the recovery actions being taken are noted below.

Underlying financial position

The deficit plan for 2017/18 reflects the operational pressures that persisted during 2016/17 and that are expected to continue during the first half of the year and beyond.

Commissioning arrangements

The Trust secures the majority of its income from NHS England and local Clinical Commissioning Groups. The Trust works collaboratively with these organisations to ensure that its services meet the needs of the population and are affordable. Pressures on funding do lead to differences of opinion on the amount of income earned by the Trust so there are risks inherent in the commissioner relationship.

Financial efficiency programme

As the Trust is faced with a rise in tariff prices that is less than the increases in pay and non-pay costs the need for a financial efficiency programme remains.

The additional financial efficiency programme for 2017/18 is £20.0m across a number of work streams covering both pay and non-pay spend and all areas of spend such as back office, clinical and medical. The focus of the programme is to improve operational efficiency with this leading to cost savings. At the beginning of the year the majority of the schemes are classified as high risk so delivery is not certain.

Financial Statements

Capital plans and cash position

The initial capital plan for 2017/18 is £126.5m including £98.0m for the 3Ts project and £28.5m for a range of estates, IT and medical equipment projects. The cash plan that backs these projects is supported by both loan and public dividend funding from the Department of Health. The planned deficit is being supported by a revolving credit facility from the Department of Health that ensures that the Trust has adequate working capital.

Financial risks

The main financial risks to the delivery of the financial plan are:

- Matching capacity to demand and delivering activity efficiently.
- Risks to payment for activity undertaken.
- Achievement of the efficiency programme
- Availability and cost of staff

Recovery actions

To ensure delivery of the plan the financial risks are being managed and the actions include:

- Working in partnership with commissioners to ensure that patient care pathways operate efficiently across the health economy.
- Development of performance management systems within the Trust.
- Continued focus on transformational change so that efficiency programmes are embedded and deliver improvement in the patient care pathway.
- Enhanced focus on recruitment and retention to meet staffing needs.

Summary

2016/17 was a challenging year and these challenges will continue into 2017/18. The Trust continues to accept and seek to meet the financial targets set for it. There are significant risks to the delivery of these targets and there are actions in place that are designed to mitigate these risks.

Appendices

Appendix 1

Appendix 1: Consolidated Financial Statements

Report from the Executive Director of Finance

During 2016/17 the Trust delivered a deficit of £68.5m after technical adjustments. These technical adjustments relate to the revaluation of hospital estate in advance of a number of significant capital projects. The deficit position reflected the challenging financial environment faced by the NHS as a whole. The Trust met the External Financial Limit and Capital Resource Limit statutory duties.

We received income of £550.3m of which £496.6m came from patient care and £53.8m came from research, education, commercial and non-clinical services to other organisations. Although there was a reduction in the national tariff total patient care income increased by 3.6%.

Operating expenditure was £627.3m with our productivity and efficiency programme delivering £20.8m savings through a number of initiatives that were driven through the Trust's clinical and corporate divisions. During the year we invested significant amounts of capital expenditure totalling £69.3m including the following areas: 3Ts redevelopment £44.5m, Sussex Cancer Centre East project £8.9m, IT equipment £2.5m and Plant and Equipment £4.4m.

BSUH acts as a Trustee for charitable funds of £12.3m. Income from donations, legacies and grants totalled £1.8m in 2015/16. During the year £1.6m was spent on clinical research, patient and staff welfare. The annual accounts for charitable funds have been consolidated with the accounts of the Trust in accordance with national reporting requirements relating to common control. We continue to be extremely grateful for the continuing support we receive from our volunteers, supporters, Friends and other providers of charitable funds and for the additional facilities they enable us to provide.

The Trust is operating in a challenging financial environment. Pressures exist around investing in clinical staff ratios, providing services seven days a week and responding to service demand.

Overall, 2016/17 was a challenging year financially with pressures continuing into 2017/18.

[insert signature]

Karen Geoghegan
Executive Director of Finance

June 2017

Statement of Comprehensive Income for year ended 31 March 2017

		2016-17	2015-16	Consolidated 2016-17	Consolidated 2015-16
	NOTE	£000s	£000s	£000s	£000s
Gross employee benefits	10.1	(349,025)	(330,433)	(349,507)	(330,840)
Other operating costs	8	(278,247)	(257,068)	(278,380)	(258,684)
Revenue from patient care activities	5	496,583	479,497	496,690	479,588
Other operating revenue	6	53,786	49,978	54,504	52,001
Operating deficit		**(76,903)**	**(58,026)**	**(76,693)**	**(57,935)**
Investment revenue	12	31	48	370	609
Other gains	13	76	75	1,415	(111)
Finance costs	14	(6,127)	(4,399)	(6,132)	(4,399)
Deficit for the financial year		**(82,923)**	**(62,302)**	**(81,040)**	**(61,836)**
Public dividend capital dividends payable		(6,201)	(7,678)	(6,201)	(7,678)
Tax		0	0	(144)	(14)
Retained deficit for the year		**(89,124)**	**(69,980)**	**(87,385)**	**(69,528)**

Other Comprehensive Income		2016-17	2015-16	2016-17	2015-16
		£000s	£000s	£000s	£000s
Impairments and reversals taken to the revaluation reserve		(2,347)	(3,249)	(2,347)	(3,249)
Net gain on revaluation of property, plant & equipment		9,586	7,306	9,586	7,306
Total comprehensive income for the year*		**(81,885)**	**(65,923)**	**(80,146)**	**(65,471)**

* This sums the rows above and the deficit for the year.

Appendix 1

Financial performance for the year		2016-17 £000s	2015-16 £000s
Retained deficit for the year		(89,124)	(69,980)
IFRIC 12 adjustment (including IFRIC 12 impairments)		1,397	1,646
Impairments (excluding IFRIC 12 impairments)		18,572	22,789
Adjustments in respect of donated asset reserve elimination		654	726
Adjusted retained deficit		**(68,501)**	**(44,819)**

A trust's reported financial performance position is derived from it's retained surplus/(deficit), but adjusted for the following:

a) The incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, is reported as technical. This additional cost is not considered part of the organisation's operating position.

b) The Treasury FReM for 2011-12 changed the accounting treatment for the funding element of charitable donations so that NHS bodies no longer hold Donated Asset Reserves. Where assets are funded by donations the financing element of the transaction is recognised as income and taken through the statement of income and expenditure. The impact of the change in policy is not considered part of the organisation's operating position.

c) Prior year performance is not re-assessed following accounting restatements.

The notes on pages 82-132 form part of this account.

Statement of Financial Position as at 31 March 2017

		31 March 2017	31 March 2016	Consolidated 31 March 2017	Consolidated 31 March 2016
	NOTE	£000s	£000s	£000s	£000s
Non-current assets:					
Property, plant and equipment	16	388,164	351,401	388,394	351,687
Intangible assets	17	681	758	681	758
Other Investments - Charitable				11,780	10,441
Other financial assets	23	1,101	1,101	0	0
Trade and other receivables	22.1	3,048	1,644	3,048	1,644
Total non-current assets		**392,994**	**354,904**	**403,903**	**364,530**
Current assets:					
Inventories	21	8,109	7,118	8,816	7,692
Trade and other receivables	22.1	50,477	53,312	48,406	61,356
Cash and cash equivalents	25	7,407	3,344	8,639	4,970
Sub-total current assets		**65,993**	**63,774**	**65,861**	**74,018**
Non-current assets held for sale	26	0	63	0	63
Total current assets		**65,993**	**63,837**	**65,861**	**74,081**
Total assets		**458,987**	**418,741**	**469,764**	**438,611**
Current liabilities					
Trade and other payables	27	(70,471)	(72,875)	(68,568)	(81,793)
Other liabilities	28	0	0	0	0
Provisions	32	(4,136)	(236)	(4,136)	(236)
Borrowings	29	(3,020)	(3,146)	(3,020)	(3,146)
DH revenue support loan	29	0	(1,500)	0	(1,500)
DH capital loan	29	(4,357)	(2,969)	(4,357)	(2,969)
Total current liabilities		**(81,984)**	**(80,726)**	**(80,081)**	**(89,644)**
Net current liabilities		**(15,991)**	**(16,889)**	**(14,220)**	**(15,563)**
Total assets less current liabilities		**377,003**	**338,015**	**389,683**	**348,967**

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		31 March 2017	31 March 2016	Consolidated 31 March 2017	Consolidated 31 March 2016
	NOTE	£000s	£000s	£000s	£000s
Non-current liabilities					
Trade and other payables	27	(687)	0	(687)	0
Other liabilities	28	0	0	0	0
Provisions	32	(1,937)	(1,786)	(1,983)	(1,843)
Borrowings	29	(28,344)	(29,761)	(28,344)	(29,761)
Other financial liabilities	30	0	0	0	0
DH revenue support loan	29	(107,181)	(37,685)	(107,181)	(37,685)
DH capital loan	29	(59,739)	(54,807)	(59,739)	(54,807)
Total non-current liabilities		**(197,888)**	**(124,039)**	**(197,934)**	**(124,096)**
Total assets employed:		**179,115**	**213,976**	**191,749**	**224,871**
FINANCED BY:					
Public Dividend Capital		294,776	247,752	294,776	247,752
Retained earnings		(167,019)	(79,400)	(167,019)	(81,268)
Revaluation reserve		51,358	45,624	51,358	45,624
Charitable Funds Reserve				12,251	12,435
Other reserves		0	0	0	0

The notes on pages 82 to 132 form part of this account.

The financial statements on pages 73 to 81 were approved by the Audit Committee and signed on its behalf by XX (with delegated authority by the Board) on XX

Chief Executive
Date

Statement of Changes in Taxpayers' Equity for the year ending 31 March 2017

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**247,752**	**(79,400)**	**45,624**	**0**	**213,976**
Changes in taxpayers' equity 2016-17					
Retained deficit for the year		(89,124)			(89,124)
Net gain on revaluation of property, plant, equipment			9,586		9,586
Impairments and reversals			(2,347)		(2,347)
Transfers between reserves		1,505	(1,505)	0	0
Reclassification Adjustments					
Temporary and permanent PDC received - cash	47,024				47,024
Net recognised revenue/(expense) for the year	**47,024**	**(87,619)**	**5,734**	**0**	**(34,861)**
Balance at 31 March 2017	**294,776**	**(167,019)**	**51,358**	**0**	**179,115**

Balance at 1 April 2015	**236,123**	**(17,866)**	**50,013**	**0**	**268,270**
Changes in taxpayers' equity for 2015-16					
Retained deficit for the year		(69,980)			(69,980)
Net gain on revaluation of property, plant, equipment			7,306		7,306
Impairments and reversals			(3,249)		(3,249)
Transfers between reserves		8,446	(8,446)	0	0
Reclassification Adjustments					
New PDC received - cash	11,629				11,629
Net recognised revenue/(expense) for the year	**11,629**	**(61,534)**	**(4,389)**	**0**	**(54,294)**
Balance at 31 March 2016	**247,752**	**(79,400)**	**45,624**	**0**	**213,976**

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Consolidated						
	Public Dividend capital	Retained earnings	Revaluation reserve	Charitable Funds Reserve	Pharm@Sea Reserve	Total reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**247,752**	**(81,268)**	**45,624**	**12,435**	**328**	**224,871**
Changes in taxpayers' equity for 2016-17						
Retained (deficit)/surplus for the year		(89,124)		1,684	55	(87,385)
Net gain on revaluation of property, plant, equipment			9,586			9,586
Impairments and reversals			(2,347)			(2,347)
Transfers between reserves		1,505	(1,505)			0
Reclassification Adjustments						
Permanent PDC received - cash	47,024					47,024
Consolidation Adjustment		1,868		(1,868)	0	0
Net recognised revenue/(expense) for the year	**47,024**	**(85,751)**	**5,734**	**(184)**	**55**	**(33,122)**
Balance at 31 March 2017	**294,776**	**(167,019)**	**51,358**	**12,251**	**383**	**191,749**

Balance at 1 April 2015	**236,123**	**(19,734)**	**50,013**	**12,157**	**154**	**278,713**
Changes in taxpayers' equity for 2015-16						
Retained (deficit)/surplus for the year		(69,980)		278	174	(69,528)
Net gain on revaluation of property, plant, equipment			7,306	0	0	7,306
Impairments and reversals			(3,249)			(3,249)
Other gains / (loss)					0	0
Transfers between reserves		8,446	(8,446)		0	0
Reclassification Adjustments						
New PDC received - cash	11,629					11,629
Consolidation Adjustment						0
Net recognised revenue/(expense) for the year	**11,629**	**(61,534)**	**(4,389)**	**278**	**174**	**(53,842)**
Balance at 31 March 2016	**247,752**	**(81,268)**	**45,624**	**12,435**	**328**	**224,871**

Information on reserves

1. Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities. Additional PDC may also be issued to NHS trusts by the Department of Health. A charge, reflecting the cost of capital utilised by the NHS trust, is payable to the Department of Health as the public dividend capital dividend.

2. Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of the Trust.

3. Revaluation Reserve

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

4. Charitable Funds Reserve.

This balance represents the ring-fenced funds held by the Charity consolidated within these accounts. These reserves are classified as restricted or unrestricted.

5. Pharm@Sea Reserve.

This balance represents the accumulated reserves of the Trust's wholly owned subsidiary, Pharm@Sea Limited.

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Statement of Cash Flows for the Year ended 31 March 2017

				Consolidated	Consolidated
		2016-17	2015-16	2016-17	2015-16
	NOTE	£000s	£000s	£000s	£000s
Cash Flows from Operating Activities					
Operating deficit		(76,903)	(58,026)	(76,697)	(57,935)
Depreciation and amortisation	8	19,995	21,740	20,051	21,796
Impairments and reversals	18	19,969	23,963	19,969	23,963
Other gains on foreign exchange	13	84	54	84	54
(Increase)/Decrease in Inventories		(991)	60	(1,124)	241
Decrease/(Increase) in Trade and Other Receivables		1,431	(17,482)	11,546	(26,541)
(Decrease)/Increase in Trade and Other Payables		(5,137)	5,216	(15,451)	14,161
Provisions utilised		(93)	(356)	(93)	(1,702)
Increase in movement in non cash provisions		4,138	4,753	4,138	6,142
Corporation Tax paid		0	0	26	0
Net Cash Outflow from Operating Activities		**(37,507)**	**(20,078)**	**(37,551)**	**(19,821)**
Cash Flows from Investing Activities					
Interest Received		31	48	31	48
Payments for Property, Plant and Equipment		(65,815)	(55,169)	(66,502)	(55,169)
Payments for Intangible Assets		(88)	(421)	(88)	(421)
Proceeds of disposal of assets held for sale (PPE)		0	575	0	575
NHS Charitable Funds - net cash flows relating to investing activities				339	561
Net Cash Outflow from Investing Activities		**(65,872)**	**(54,967)**	**(66,220)**	**(54,406)**
Net Cash Outflow before Financing		**(103,379)**	**(75,045)**	**(103,771)**	**(74,227)**

				Consolidated	Consolidated
		2016-17	2015-16	2016-17	2015-16
	NOTE	£000s	£000s	£000s	£000s
Cash Flows from Financing Activities					
Gross Temporary and Permanent PDC Received		47,024	11,629	47,024	11,629
Loans received from DH - New Capital Investment Loans		9,289	22,963	9,289	22,963
Loans received from DH - New Revenue Support Loans		69,496	45,628	69,496	45,628
Loans repaid to DH - Capital Investment Loans Repayment of Principal		(2,969)	(2,233)	(2,969)	(2,233)
Loans repaid to DH - Working Capital Loans/ Revenue Support Loans		(1,500)	(10,943)	(1,500)	(10,943)
Capital Element of Payments in Respect On-SoFP PFI		(1,543)	(1,220)	(1,543)	(1,220)
Interest paid		(6,121)	(4,326)	(6,123)	(4,326)
PDC Dividend paid		(6,234)	(8,504)	(6,234)	(8,504)
Net Cash Inflow from Financing Activities		**107,442**	**52,994**	**107,440**	**52,994**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,063**	**(22,051)**	**3,669**	**(21,233)**
Cash and Cash Equivalents at Beginning of the Period		**3,344**	**25,395**	**4,970**	**26,203**
Effect of exchange rate changes in the balance of cash held in foreign currencies		0	0	0	0
Cash and Cash Equivalents at year end	**25**	**7,407**	**3,344**	**8,639**	**4,970**

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Notes to the Accounts

1 Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the Department of Health Group Accounting Manual 2016-17 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 Department of Health Group Accounting permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Group 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.

Going concern

These accounts have been prepared on the basis the Trust is a going concern as there is no indication that that the healthcare and other services will not continue to be provided by the public sector for the foreseeable future and that continuing financial support will be provided by DH.

The Trust is aware, however, of the following conditions which may cast significant doubt about the Trust's ability to continue as a going concern. This year the Trust has struggled to meet its financial targets against a backdrop of increased financial pressure across the NHS. The Trust has returned a control total deficit of £68.5m but has achieved £20.8m savings through the Cost Improvement Programme. The DH provided deficit funding of £69.5m as revenue support loans in year bringing the total revenue support loan funding to £107.2m at 31 March 2017.

The Trust has entered into a management contract with Western Sussex Hospitals NHS FT and NHS Improvement for a minimum of three years. From 1 April 2017 the Executive Team and Chairman of Western Sussex Hospitals NHS Foundation Trust are also the Executive Team and Chairman of the Trust. This is to provide some strong and stable leadership to the Trust for at least three years. New regulatory oversight arrangements have also been agreed which will provide a focus on supporting the Trust to exit from Financial Special Measures and Quality Special Measures.

The Trust has agreed a revision to the financial control totals for the next two years with NHSI. The basis upon which these have been agreed will limit the financial efficiency requirement upon the Trust over this period. It is expected the Trust will deliver a deficit of £65.4m in 2017/18. The plans reflect agreed continued revenue deficit support funding from DH for both years. The deficit support funding is authorised by the DH monthly in advance and is conditional on the achievement of the agreed financial control total for the year. Deficit support funding totalling £12.8m for April and May 2017 has been provided to the Trust.

The healthcare contracts with local Clinical Commissioning Groups and NHS England for 2017/18 have been agreed. These are all on a Payment by Results basis and amount to approximately £471m.

The Trust's 2017/18 cash flow forecast is based on the assumptions in the 2017/18 financial plan. The key assumptions underpinning the cash flow are:

a) Receipt of £65.4m revenue support loan from the DH to finance the revenue deficit.

b) Receipt of £98m PDC from DH to fund the 3Ts capital build.

The cash flow position is reported to the Finance and Investment Committee and the Board monthly and this is based on the Trust's detailed 12 month cash flow forecast which is updated daily.

The Trust's financial priority for the next two years is to deliver its control total deficit as agreed with NHS Improvement. This includes the development and embedding of robust and transparent processes for financial improvement and control as well as a new infrastructure to support delivery of a sustainable efficiency programme.

The new Executive leadership of the Trust has agreed the following priorities with NHS Improvement over the next 3 years:

- Moving out of Quality Special Measures
- Improvement and delivery of A&E performance
- Moving out of Financial Special Measures
- Addressing underlying Leadership and Cultural challenges
- Assuring delivery of 3Ts programme and integration into the Trust

Taking into account all these factors, the assumption that the healthcare and other services will continue to be provided by the public sector for the foreseeable future and that the DH will continue to provide financial support, the Directors consider the Trust will continue to operate as a going concern. The conditions described above do, however, indicate the existence of material uncertainty.

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 SOCI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

1.4 Consolidation

Material entities over which the Group 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.

The results of Brighton and Sussex University Hospitals NHS Charitable Funds, over which the Group considers it has the power to exercise control in accordance with IFRS10 requirements,

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and the results of the wholly owned subsidiary, Pharm@Sea Limited, have been consolidated.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated in full on consolidation.

Separate notes have not been prepared for the Trust.

1.5 Pooled Budgets

The Group has not entered into any pooled budget arrangements during the Financial Year 2016-17

1.6 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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.

1.6.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Assets Under Construction

The costs of the 3T's project (the redevelopment of the Royal Sussex County Hospital), which represent costs capitalised on assets not currently complete, are included in Assets Under Construction. At 31 March 2017 these amounted to £90.1m (2015-16 - £68.32m). The project, which has a cost of £486m, was approved by HMT in December 2015 with an expected completion date of 2024. The project is estimated to be completed in 2024. There are three phases to the build. The Group has taken the judgement that capitalised expenditure will be classified as Assets Under Construction until completion of each stage of the phases of the build, at which point the assets will be reclassified as operational buildings. Changes in the valuation basis between cost and fair value, when these reclassifications occur, may result in significant changes in the carrying value of the assets.

1.6.2 Key sources of estimation uncertainty

Fully Depreciated Plant and Equipment

The Group is in the process of reviewing fully depreciated items of plant and equipment held on the capital asset register which may no longer exist. Based on the work undertaken the Group continues to estimate that it holds approximately £17m of fully depreciated assets of its capital asset register which no longer exist that are excluded from the financial statements.

Software Development

During the year the Group decided to discontinue development of a software system. Negotiations are ongoing with the main software provider to terminate the contract early. Full provision has been made for the costs of early termination at £3.5m.

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 Group is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end is measured at the price per day for each patient spell apportioned across the financial years.

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

The Group 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 Group 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. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pension Schemes. These schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The schemes are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they were defined contribution schemes: the cost to the NHS body of participating in a 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 Group commits itself to the retirement, regardless of the method of payment.

[Some employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the NHS trust's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the Income and Expenditure reserve and reported as an item of other comprehensive income.]

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

Past and present employees unable to join the NHS Pension Schemes are covered by the National Employers Savings Trust ("NEST). NEST is a defined contribution pension scheme.

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 Group;
- it is expected to be used for more than one financial year;

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- the cost of the item can be measured reliably; and either
- the item cost at least £5,000; or
- Collectively, a number of items have a total 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.

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

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost, modern equivalent asset basis.

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.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowing costs. Assets are revalued and depreciation commences when they are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful economic lives or low values or both, as this is not considered to be materially different from current value in existing use.

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

Subsequent expenditure

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

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 Group'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 Group; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at cost. Software that is integral to the operation 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; and
- 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 current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.12 Depreciation, amortisation and impairments

Freehold land, assets under construction or development, and assets held for sale are not depreciated/amortised.

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight line basis over their estimated useful lives. The estimated useful life of an asset is the period over which the Group expects to obtain economic benefits or service potential from the asset. This is specific to the Group 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 the shorter of the lease term and the estimated useful lives.

The estimated useful lives are:

	Years
Buildings	1-90
Medical equipment and engineering plant and equipment	5-16
Furniture	5-15
Soft furnishings	5-15
Office and information technology equipment	5-10

At each financial year-end, the Group checks whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to

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determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year end.

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 are 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.

1.13 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at 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 treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.14 Government grants

Government grant funded assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

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 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 Group 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 of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Group's 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 Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group'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 Group'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.

1.17 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 Group therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

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

a) Payment for the fair value of services received;

b) Payment for the PFI asset, including finance costs; and

c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

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

PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

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 initial 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.

Appendix 1

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Group'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 accrual 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 operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Group 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 Group's Statement of Financial Position.

Other assets contributed by the Group to the operator

Assets contributed (e.g. cash payments, surplus property) by the Group 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 Group, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1.18 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.

1.19 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.

1.29 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group 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.

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.24% (2015-16: positive 1.37%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:

- A short term rate of negative 2.70% (2015-16: negative 1.55%) for expected cash flows up to and including 5 years
- A medium term rate of negative 1.95% (2015-16: negative 1.00%) for expected cash flows over 5 years up to and including 10 years
- A long term rate of negative 0.80% (2015-16: negative 0.80%) for expected cash flows over 10 years.

All percentages are in real terms.

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.

A restructuring provision is recognised when the Group 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.

1.21 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Group 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 Group. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Group is disclosed at Note 32.

1.22 Non-clinical risk pooling

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

1.23 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 Group 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.

1.24 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 Group, 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 Group. 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.

1.25 Financial assets

Financial assets are recognised when the Group 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.

Appendix 1

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 Group's deficit for the year. The net gain or loss incorporates any interest earned on the financial asset. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and where 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.

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. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

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.

Financial assets are initially recognised at fair value. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised costs using the effective interest method, less impairment. Interest is recognised using the effective interest method.

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 Group 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 that occurred after the initial recognition of the asset and that have 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.

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.

1.26 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Group 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 historic cost. Otherwise, financial liabilities are initially recognised at fair value.

Financial guarantee contract liabilities

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

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets;* and
- The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

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 Group's deficit. The net gain or loss incorporates any interest payable on the financial liability. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from the 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.

1.27 Value Added Tax

Most of the activities of the Group 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.

1.28 Foreign currencies

The Group's functional 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 Group's surplus/deficit in the period in which they arise.

1.29 Third party assets

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

1.30 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the Group. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Group. PDC is

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

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

1.31 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 the Group not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

1.32 Subsidiaries

Material entities over which the Group has the power to exercise control are classified as subsidiaries and are consolidated. The Group has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary 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 Group 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'.

1.33 Associates

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

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

1.34 Joint arrangements

Material entities over which the Group has joint control with one or more other entities are classified as joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement. A joint arrangement is either a joint operation or a joint venture.

A joint operation exists where the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Where the Group is a joint operator it recognises its share of, assets, liabilities, income and expenses in its own accounts.

A joint venture is a joint arrangement whereby the parties that have joint control of the

arrangement have rights to the net assets of the arrangement. Joint ventures are recognised as an investment and accounted for using the equity method.

1.35 Research and Development

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

1.36 Charitable Funds Structure

Charitable Funds are classified into three categories, Restricted, Unrestricted and Endowment Funds.

Restricted funds are those which are to be sued in accordance with specific restrictions imposed by the donor and/or Trustee at the inception of the fund. Unrestricted funds are those which the Trustee is free to use for any purpose in furtherance of the charitable objectives. Unrestricted funds include designated funds which are not legally restricted but which the Trustee has chosen to earmark for set purposes. Endowment funds are funds where the capital is held in perpetuity to generate income for charitable purposes and cannot itself be spent.

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

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

1.38 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

2. Pooled budget

The Group has not entered into any pooled budget arrangements during the Financial Year 2016-17

3. Operating segments

The nature of the Group's services is the provision of healthcare. Similar methods are used to provide services across all locations and all policies, procedures and governance arrangements are Group wide. As an NHS Group, all services are subject to the same regulatory environment and standards set by the Group's external performance managers. Accordingly, the Group operates one segment and in 2016-17 reported to the Board in this format. No discrete activities of the business have individual revenue exceeding 10% of the total combined revenue, profit or assets.

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Income from transactions with a single external customer which amount to 10% or more of total income is as follows:

	2016-17	2015-16
	£m's	£m's
CCG *	276	270
NHS England	177	163
	453	433

This income all relates to patient activity.

* As commissioners are under common control they are classed as a single customer for this purpose.

4. Income generation activities

The Group undertakes income generation activities with an aim of achieving profit, which is then used in patient care, but has not undertaken any income generation activities whose full cost exceeded £1m.

5. Revenue from patient care activities

	2016-17	2015-16
	£000s	£000s
NHS Trusts	3,090	3,080
NHS England	173,825	160,756
Clinical Commissioning Groups	275,617	269,859
Foundation Trusts	3,000	2,430
Department of Health	1,545	1,777
NHS Other (including Public Health England and Prop Co)	340	721
Additional income for delivery of healthcare services	0	0
Non-NHS:		
Local Authorities	4,490	4,419
Private patients	4,496	4,534
Overseas patients (non-reciprocal)	338	234
Injury costs recovery	2,625	1,663
Other Non-NHS patient care income	27,217	30,024
Total Revenue from patient care activities	**496,583**	**479,497**

6. Other operating revenue

	2016-17	2015-16
	£000s	£000s
Recoveries in respect of employee benefits	2,785	2,885
Patient transport services	0	0
Education, training and research	33,385	37,255
Receipt of charitable donations for capital acquisitions	88	86
Non-patient care services to other bodies	5,736	1,992
Sustainability & Transformation Fund Income	3,600	0
Income generation (Other fees and charges)	7,052	7,185
Rental revenue from operating leases	515	575
Other revenue	625	0
Total Other Operating Revenue	**53,786**	**49,978**
Total operating revenue	**550,369**	**529,475**

7. Overseas Visitors Disclosure

	2016-17	2015-16
	£000s	£000s
Income recognised during 2016-17 (invoiced amounts and accruals)	338	234
Cash payments received in-year (re receivables at 31 March 2016)	20	39
Cash payments received in-year (iro invoices issued 2016-17)	42	82
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	0	0
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	130	62
Amounts written off in-year (irrespective of year of recognition)	5	12

8. Operating expenses

	2016-17	2015-16
	£000s	£000s
Services from other NHS Trusts	2,151	5,945
Services from CCGs/NHS England	114	0
Services from other NHS bodies	14	363
Services from NHS Foundation Trusts	6,202	1,882
Total Services from NHS bodies*	**8,481**	**8,190**
Purchase of healthcare from non-NHS bodies	7,162	7,366
Trust Chair and Non-executive Directors	67	72
Supplies and services - clinical	138,343	124,955
Supplies and services - general	8,228	11,650
Consultancy services	4,459	901
Establishment	4,016	4,396
Transport	1,745	1,059
Service charges - ON-SOFP PFIs and other service concession arrangements	1,407	1539
Business rates paid to local authorities	2,377	2,184
Premises	17,074	16,765
Hospitality	0	0
Insurance	416	445
Legal Fees	2,137	1,579
Impairments and Reversals of Receivables	11,791	6,237
Inventories write down	175	45
Depreciation	19,830	21,586
Amortisation	165	154
Impairments and reversals of property, plant and equipment	19,969	23,963
Internal Audit Fees	121	120
Audit fees	122	132
Other auditor's remuneration	0	1
Clinical negligence	19,276	16,257
Research and development (excluding staff costs)	2,542	1,887
Education and Training	4,067	5,599
Change in Discount Rate	233	(14)
Other	4,044	0
Total Operating expenses (excluding employee benefits)	**278,247**	**257,068**
Employee Benefits		
Employee benefits excluding Board members	348,106	329,447
Board members	919	986
Total Employee Benefits	**349,025**	**330,433**
Total Operating Expenses	**627,272**	**587,501**

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

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9. Operating Leases

The Group leases four properties which are for periods of between ten and twenty years. The leases cannot be cancelled unless through agreed break clauses. There are no contingent rents and the Group may not assign any of the leases without the landlord's permission.

Details of the leases are set out below:

	Term Yrs	Start Date	End Date	Break Clause	Break Clause Notice
Sussex House, Brighton	18	29.03.07	28.03.25	N/A	N/A
Freshfield, Brighton	19	24.06.03	23.06.22	23.06.2017	12 months
Preston Road, Brighton	20	21.05.13	10.02.33	11.02.2022	6 months
Bloomsbury, Brighton	10	29.05.09	28.05.19	N/A	N/A

The Group has entered into service level agreements with other local NHS organisations for use of facilities on their sites. The service level agreements are renegotiated annually and include cancellation clauses of between 0 and 1 year.

There are four other properties that the Group uses where the terms of a lease are under negotiation and are currently agreed annually. Two of these expire in 17-18.

9.1 "Group as lessee"

	Land £000s	Buildings £000s	Other £000s	2016-17 Total £000s	2015-16 £000s
Payments recognised as an expense					
Minimum lease payments				4,024	5,133
Contingent rents				0	0
Sub-lease payments				0	0
Total				4,024	5,133
Payable:					
No later than one year	0	3,539	27	3,566	4,019
Between one and five years	0	4,650	0	4,650	5,106
After five years	0	5,726	0	5,726	7,994
Total	0	13,915	27	13,942	17,119
Total future sublease payments expected to be received:				0	0

The comparative figures for 2015-16 have been restated to exclude costs that had incorrectly been categorised as lease payments. The impact of this is a decrease in the 2015-16 lease costs payable in future years of £5,363.

9.2 Group as lessor

The Group leases space to third parties to provide food, beverages and newspapers, the swimming pool on the St Mary's Hall site in Brighton, office space and use of sites for the location of aerials. The terms of these leases vary between one and fifteen years.

	2016-17	2015-16
	£000s	£000s
Recognised as revenue		
Rental revenue	515	575
Contingent rents	0	0
Total	**515**	**575**

Receivable:		
No later than one year	522	435
Between one and five years	1,458	1,313
After five years	157	88
Total	**2,137**	**1,836**

10. Employee benefits

10.1 Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
Employee Benefits - Gross Expenditure		
Salaries and wages	288,048	278,910
Social security costs	28,367	20,652
Employer Contributions to NHS BSA - Pensions Division	33,002	31,284
Other pension costs	0	5
Termination benefits	73	144
Total employee benefits	**349,490**	**330,995**
Employee costs capitalised	**465**	**562**
Gross Employee Benefits excluding capitalised costs	**349,025**	**330,433**

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10.2 Retirements due to ill-health

	2016-17	2015-16
	Number	Number
Number of persons retired early on ill health grounds	5	6

	£000s	£000s
Total additional pensions liabilities accrued in the year	429	339

10.3 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme

Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this "employer cap" assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

NEST

The Pensions Act 2008 and 2001 Automatic Enrolment Regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. Employees who are unable to join the NHS Pensions Scheme are covered by the National Employers Savings Trust ("NEST").

The auto enrolment "staging" date for the Group compliance was 1 April 2013. This was followed by a re-enrolment date of 1 April 2016. For those staff not entitled to join the NHS Pension Scheme, the Group utilised an alternative pension scheme called NEST to fulfil its automatic enrolment obligations. NEST stands for National Employment Savings Group and is a defined contribution pension scheme established by law to support the introduction of auto enrolment.

Contributions are taken from qualifying earnings, which are currently from £5,832 up to £42,384, but will be reviewed every year by the government. The initial contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1st March 2013	1%	1%	2%
1st October 2017	3%	2%	5%
1st October 2018	5%	3%	8%

Pension members can make additional contributions to their pension fund at any time up to the annual limit.

Pension members can choose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Group they can continue to pay into NEST.

NEST pension members can take their money out of NEST at any time from age 55. If suffering from ill health or incapable of working due to illness members can request to take their money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run but NEST Corporation, a trustee body which is a non-department public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

Appendix 1

11. Better Payment Practice Code

11.1 Measure of compliance

	2016-17	2016-17	2015-16	2015-16
	Number	£000s	Number	£000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	151,449	424,709	125,098	302,352
Total Non-NHS Trade Invoices Paid Within Target	52,790	210,711	60,235	155,943
Percentage of Non-NHS Trade Invoices Paid Within Target	**34.86%**	**49.61%**	**48.15%**	**51.58%**

NHS Payables				
Total NHS Trade Invoices Paid in the Year	2,794	44,931	1,974	49,663
Total NHS Trade Invoices Paid Within Target	956	22,123	919	28,884
Percentage of NHS Trade Invoices Paid Within Target	**34.22%**	**49.24%**	**46.56%**	**58.16%**

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

	0	0
	£000s	£000s
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	24	3
Total	**24**	**3**

12. Investment Revenue

	2016-17	2015-16
	£000s	£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		
Bank interest	31	48
Other loans and receivables	0	0
Other financial assets	0	0
Subtotal	**31**	**48**
Total investment revenue	**31**	**48**

13 Other Gains and Losses

	2016-17	2015-16
	£000s	£000s
Gain on disposal of assets other than by sale (PPE)	(8)	(74)
Gain on disposal of assets held for sale	0	95
Gain/(loss) on foreign exchange	84	54
Total	**76**	**75**

14. Finance Costs

	2016-17	2015-16
	£000s	£000s
Interest		
Interest on loans and overdrafts	3,522	1,811
Interest on obligations under PFI contracts:		
- main finance cost	1,774	1,844
- contingent finance cost	825	669
Interest on late payment of commercial debt	0	0
Total interest expense	**6,121**	**4,324**
Other finance costs	0	2
Provisions - unwinding of discount	6	73
Total	**6,127**	**4,399**

Appendix 1

15. Finance Costs

15.1 Other auditor remuneration

	2016-17	2015-16
	£000s	£000s
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	0	0
2. Audit-related assurance services	0	0
3. Taxation compliance services	0	0
4. All taxation advisory services not falling within item 3 above	0	0
5. Internal audit services	0	0
6. All assurance services not falling within items 1 to 5	0	0
7. Corporate finance transaction services not falling within items 1 to 6 above	0	0
8. Other non-audit services not falling within items 2 to 7 above	0	1
Total	**0**	**1**


DO NOT
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Appendix 1

16.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	
2016-17	£000's	£000's	£000's	
Cost or valuation:				
At 1 April 2016	28,350	188,683	544	
Additions of Assets Under Construction	0	0	0	
Additions Purchased	0	0	0	
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	
Additions - Purchases from Cash Donations & Government Grants	0	0	0	
Additions Leased (including PFI/LIFT)	0	0	0	
Reclassifications	5	33,937	(5)	
Reclassifications as Held for Sale and reversals	9	0	54	
Disposals other than for sale	0	(28)	0	
Revaluation	151	9,380	55	
Impairments/reversals charged to operating expenses	187	(14,434)	(22)	
Impairments/reversals charged to reserves	(179)	(2,150)	(18)	
At 31 March 2017	**28,523**	**215,388**	**608**	
Depreciation				
At 1 April 2016	0	0	0	
Reclassifications	0	0	0	
Reclassifications as Held for Sale and reversals	0	0	0	
Disposals other than for sale	0	(28)	0	
Revaluation	0	0	0	
Impairment/reversals charged to reserves	0	0	0	
Impairments/reversals charged to operating expenses	0	0	0	
Charged During the Year	0	7,325	15	
At 31 March 2017	0	7,297	15	
Net Book Value at 31 March 2017	28,523	208,091	593	

Asset financing:				
Owned - Purchased	28,423	176,269	593	
Owned - Donated	100	1,207	0	
On-SOFP PFI contracts	0	30,615	0	
Total at 31 March 2017	28,523	208,091	593	

Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
£000's	£000's	£000's	£000's	£000's	£000's
97,720	88,426	217	33,085	4,317	**441,342**
67,379	0	0	0	0	**67,379**
0	1,037	0	764	0	**1,801**
0	0	0	0	0	**0**
88	0	0	0	0	**88**
0	0	0	0	0	**0**
(52,071)	10,655	0	7,479	0	**0**
0	0	0	0	0	**63**
0	0	0	(8)	0	**(36)**
0	0	0	0	0	**9,586**
0	0	0	(5,700)	0	**(19,969)**
0	0	0	0	0	**(2,347)**
113,116	**100,118**	**217**	**35,620**	**4,317**	**497,907**
0	64,981	217	20,724	4,019	**89,941**
0	(7)	0	7	0	**0**
0	0	0	0	0	**0**
0	0	0	0	0	**(28)**
0	0	0	0	0	**0**
0	0	0	0	0	**0**
0	0	0	0	0	**0**
0	9,197	0	3,162	131	**19,830**
0	74,171	217	23,893	4,150	**109,743**
113,116	25,947	0	11,727	167	**388,164**

113,084	25,519	0	11,697	136	**355,721**
32	428	0	30	31	**1,828**
0	0	0	0	0	**30,615**
113,116	25,947	0	11,727	167	**388,164**

Appendix 1

	Land	Buildings excluding dwellings	Dwellings	
2016-17	£000's	£000's	£000's	
Revaluation Reserve Balance for Property, Plant & Equipment				
At 1 April 2016	5,631	39,136	169	
Movements (specify)	(22)	5,729	56	
At 31 March 2017	**5,609**	**44,865**	**225**	
Additions to Assets Under Construction in 2016-17				
Land				
Buildings excl Dwellings				
Dwellings				
Plant & Machinery				
Balance as at YTD				

	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's
	0	660	0	0	0	45,596
	0	0	0	0	0	5,763
	0	**660**	**0**	**0**	**0**	**51,359**

	0
	59,658
	0
	7,721
	67,379

Appendix 1

16.2 Property, plant and equipment prior-year

	Land	Buildings excluding dwellings	Dwellings	
2015-16	£000's	£000's	£000's	
Cost or valuation:				
At 1 April 2015	30,998	206,945	345	
Additions of Assets Under Construction	0	0	0	
Additions Purchased	0	0	0	
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	
Additions - Purchases from Cash Donations & Government Grants	0	0	0	
Additions Leased (including PFI/LIFT)	0	0	0	
Reclassifications	0	7,478	0	
Reclassifications as Held for Sale and Reversals	77	0	143	
Disposals other than for sale	0	0	0	
Revaluation	1,102	(2,346)	56	
Impairment/reversals charged to reserves	(578)	(23,394)	0	
Impairments/reversals charged to operating expenses	(3,249)	0	0	
At 31 March 2016	28,350	188,683	544	
Depreciation				
At 1 April 2015	0	0	0	
Reclassifications	0	0	0	
Reclassifications as Held for Sale and Reversals	0	0	0	
Disposals other than for sale	0	0	0	
Revaluation	0	(8,476)	(18)	
Impairment/reversals charged to reserves	0	0	0	
Impairments/reversals charged to operating expenses	0	0	0	
Charged During the Year	0	8,476	18	
At 31 March 2016	**0**	**0**	**0**	
Net Book Value at 31 March 2016	**28,350**	**188,683**	**544**	

Asset financing:				
Owned - Purchased	28,250	153,312	544	
Owned - Donated	100	1,039	0	
On-SOFP PFI contracts	0	34,332	0	
Total at 31 March 2016	**28,350**	**188,683**	**544**	

	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's
	49,910	89,712	236	35,472	4,317	417,935
	55,193	0	0	0	0	55,193
	0	3,718	0	4,173	0	7,891
	0	0	0	0	0	0
	86	0	0	0	0	86
	0	0	0	0	0	0
	(7,478)	0	0	0	0	0
	0	0	0	0	0	220
	0	(5,004)	(19)	(6,560)	0	(11,583)
	0	0	0	0	0	(1,188)
	9	0	0	0	0	(23,963)
	0	0	0	0	0	(3,249)
	97,720	88,426	217	33,085	4,317	441,342
	0	60,114	232	24,062	3,810	88,218
	0	0	0	30	0	30
	0	0	0	0	0	0
	0	(4,837)	(16)	(6,546)	0	(11,399)
	0	0	0	0	0	(8,494)
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	9,704	1	3,178	209	21,586
	0	**64,981**	**217**	**20,724**	**4,019**	**89,941**
	97,720	**23,445**	**0**	**12,361**	**298**	**351,401**

	97,645	22,418	0	12,302	298	314,769
	75	1,027	0	59	0	2,300
	0	0	0	0	0	34,332
	97,720	**23,445**	**0**	**12,361**	**298**	**351,401**

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16.3 Property, plant and equipment

The Group undertakes a full estates revaluation annually. This year an initial valuation was carried out on 31 March 2017 by the external valuers GERALD EVE. The valuations were carried out in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6 Edition, insofar as these terms are consistent with the requirements of the HM Treasury, the National Health Service and the Department of Health.

The valuations were carried out on the basis of fair value. Fair value is determined at the amount which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. The fair value of land and buildings is determined from market based evidence and is therefore on the basis of Market Value. For non specialised operational assets this equates to Existing Use Value and for specialised operational assets fair value. It is estimated using Depreciated Replacement Cost subject to the assumption of continuing use.

Most of the Group's assets qualify as specialised operational assets and therefore fall to be assessed using the Depreciated Replacement Cost approach and have been valued on an optimal site modern equivalent asset basis. That is the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Non operational assets, including surplus land, are valued on the basis of Market Value on the assumption that the property is no longer required for existing operations, which have ceased.

The estimated remaining lives of the buildings have been adjusted in line with the GERALD EVE's valuation. The lives range from 1 year to 89 years. The estimated remaining lives of the other assets are as follows:

	Years
Medical equipment and engineering plant and equipment	1-16
Furniture	1-5
Soft furnishings	1-8
Office and information technology equipment	1-13

The Group has fully depreciated assets with a gross book value of £30.4m that are still in use and remain on the capital asset register.

17. Intangible non-current assets

17.1 Intangible non-current assets

2016-17	IT -in-house and 3rd party software	Computer Licenses	Total
	£000's	£000's	£000's
At 1 April 2016	**980**	**679**	**1,659**
Additions of Assets Under Construction	0	0	0
Additions Purchased	88	0	88
At 31 March 2017	**1,068**	**679**	**1,747**
Amortisation			
At 1 April 2016	**262**	**639**	**901**
Charged During the Year	135	30	165
At 31 March 2017	**397**	**669**	**1,066**
Net Book Value at 31 March 2017	**671**	**10**	**681**
Asset Financing: Net book value at 31 March 2017 comprises:			
Purchased	671	10	681
Donated	0	0	0
Total at 31 March 2017	**671**	**10**	**681**
Revaluation reserve balance for intangible non-current assets			
At 1 April 2016	**0**	**0**	**0**
Movements (specify)	0	0	0
At 31 March 2017	**0**	**0**	**0**

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17.2 Intangible non-current assets prior year

2015-16	IT -in-house and 3rd party software	Computer Licenses	Total
	£000's	£000's	£000's
Cost or valuation:			
At 1 April 2015	**645**	**679**	**1,324**
Additions - purchased	421	0	421
Disposals other than by sale	(86)	0	(86)
At 31 March 2016	**980**	**679**	**1,659**
Amortisation			
At 1 April 2015	**286**	**577**	**863**
Reclassifications	(30)	0	(30)
Disposals other than by sale	(86)	0	(86)
Charged during the year	92	62	154
At 31 March 2016	**262**	**639**	**901**
Net book value at 31 March 2016	**718**	**40**	**758**
Net book value at 31 March 2016 comprises:			
Purchased	718	40	758
Donated	0	0	0
Total at 31 March 2016	**718**	**40**	**758**

17.3 Intangible non-current assets

The estimated remaining lives of the other intangible non-current assets ranges from 5 to 10 years.

The Group has fully depreciated assets with a gross book value of £801,361 that are still in use and remain on the capital asset register.

18. Analysis of impairments and reversals recognised in 2016-17

	Property Plant & Equipment	Intangible Assets	Non-Current Assets Held for Sale	Total
				£000s
Impairments and reversals taken to SoCI				
Loss or damage resulting from normal operations	0	0	0	0
Over-specification of assets	0	0	0	0
Abandonment of assets in the course of construction	0	0	0	0
Total charged to Departmental Expenditure Limit	**0**	**0**	**0**	**0**
Unforeseen obsolescence	0	0	0	0
Loss as a result of catastrophe	0	0	0	0
Other	0	0	0	0
Changes in market price	19,969	0	0	19,969
Total charged to Annually Managed Expenditure	**19,969**	**0**	**0**	**19,969**
Total Impairments of Property, Plant and Equipment changed to SoCI	19,969	0	0	19,969
Donated and Gov Granted Assets, included above				
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL				(6)
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL				0

The impairments resulting from the revaluation exercises at the 31 March 2017 were spread across the whole estate. The largest impairments related to the Royal Sussex County Hospital site as follows:

	£000s
Barry Building	3,504
Park Centre	2,165
Hanbury Building	6,313
Courtyard Building	3,623

Appendix 1

19. Other Investments - Charitable

	31 March 2017	31 March 2016
	£000s	£000s
Market value at 31 March b/f	**0**	**0**
Less: Disposals at carrying value	0	0
Add: Acquisitions at cost	0	0
Add: Net gain on revaluation	0	0
Increase in cash	0	0
Market value at 31 March c/f	**0**	**0**
Historic cost at 31 March		

20. Commitments

20.1 Capital commitments

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

	31 March 2017	31 March 2016
	£000s	£000s
Property, plant and equipment	299,026	318,806
Intangible assets	0	0
Total	**299,026**	**318,806**

20.2 Other financial commitments

The Group has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements). The payments to which the Group is committed are as follows

	31 March 2017	31 March 2016
	£000s	£000s
Not later than one year	1,808	624
Later than one year and not later than five year	20,087	15,972
Later than five years	0	5,673
Total	**21,895**	**22,269**

21. Inventories

	Drugs	Consumables	Total	Of which held at NRV
	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**1,735**	**5,383**	**7,118**	**0**
Additions	74,588	38,624	113,212	0
Inventories recognised as an expense in the period	(74,111)	(37,935)	(112,046)	0
Write-down of inventories (including losses)	(175)	0	(175)	0
Balance at 31 March 2017	**2,037**	**6,072**	**8,109**	**0**

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
NHS receivables - revenue	12,314	14,776	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	24,585	29,163	0	0
Non-NHS receivables - revenue	9,029	5,073	423	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	9,016	8,001	2,625	1,644
PDC Dividend prepaid to DH	592	559	0	0
Provision for the impairment of receivables	(7,019)	(7,954)	0	0
VAT	794	1,661	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables	1,166	2,033	0	0
Total	**50,477**	**53,312**	**3,048**	**1,644**
Total current and non current	**53,525**	**54,956**		
Included in NHS receivables are prepaid pension contributions:	0			

The great majority of trade is with Clinical Commissioning Groups. As these bodies are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

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22.2 Receivables past their due date but not impaired

	31 March 2017	31 March 2016
	£000s	£000s
By up to three months	2,830	3,519
By three to six months	6,628	1,086
By more than six months	4,000	2,559
Total	**13,458**	**7,164**

22.3 Provision for impairment of receivables

	2016-2017	2015-2016
	£000s	£000s
Balance at 1 April 2016	**(7,954)**	**(3,205)**
Amount written off during the year	12,726	1,488
Amount recovered during the year	88	119
(Increase)/decrease in receivables impaired	(11,879)	(6,356)
Balance at 31 March 2017	**(7,019)**	**(7,954)**

The creation and release of provisions for impaired receivables has been included in Operating Expenses in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. Receivables are impaired based on the age of the debt and disputes with debtors. Full provision is made for all outstanding overseas debts.

23. Other Financial Assets - Non Current

	31 March 2017	31 March 2016
	£000s	£000s
Opening balance 1 April	1,101	1,101
Additions	0	0
Total Other Financial Assets - Non Current	**1,101**	**1,101**

24. Other current assets

	31 March 2017	31 March 2016
	£000s	£000s
EU Emissions Trading Scheme Allowance	0	0
Other Assets	0	0
Total	**0**	**0**

25. Cash and Cash Equivalents

	31 March 2017	31 March 2016
	£000s	£000s
Opening balance	**3,344**	**25,395**
Net change in year	4,063	(22,051)
Closing balance	**7,407**	**3,344**
Made up of		
Cash with Government Banking Service	7,341	3,321
Cash in hand	66	23
Cash and cash equivalents as in statement of cash flows	**7,407**	**3,344**
Third Party Assets - Bank balance (not included above)	0	1
Third Party Assets - Monies on deposit	0	0

26. Non-current assets held for sale

	Land	Dwellings	Total
	£000s	£000s	£000s
Balance at 1 April 2016	**9**	**54**	**63**
Plus assets classified as held for sale in the year	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(9)	(54)	(63)
Balance at 31 March 2017	**0**	**0**	**0**
Liabilities associated with assets held for sale a 31 March 2017	**0**	**0**	**0**
Balance at 1 April 2015	**134**	**519**	**653**
Plus assets classified as held for sale in the year	0	0	0
Less assets sold in the year	(48)	(322)	(370)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(77)	(143)	(220)
Balance at 31 March 2016	**9**	**54**	**63**
Liabilities associated with assets held for sale a 31 March 2016	0	0	0

The assets held for sale represent the remaining dwellings and buildings that were placed on the market as part of the Estates rationalisation strategy. The remaining property was taken off the market in the year and transferred back to Dwellings.

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27. Trade and other payables

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
NHS payables - revenue	6,149	2,897	0	0
NHS payables - capital	12	0	0	0
NHS accruals and deferred income	2,074	5,553	0	0
Non-NHS payables - revenue	18,561	23,100	0	0
Non-NHS payables - capital	11,841	9,087	687	0
Non-NHS accruals and deferred income	18,962	20,410	0	0
Social security costs	8,484	7,701		
PDC Dividend payable to DH	0	0		
Accrued Interest on DH Loans	837	220		
VAT	0	0	0	0
Tax	3,442	3,363		
Payments received on account	0	0	0	0
Other	109	544	0	0
Total	**70,471**	**72,875**	**687**	**0**
Total payables (current and non-current)	**71,158**	**72,875**		
Included above:				
outstanding Pension Contributions at the year end	**4,500**	**4,453**		

28. Other liabilities

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
Lease incentives	0	0	0	0
Other	0	0	0	0
Total	**0**	**0**	**0**	**0**
Total other liabilities (current and non-current)	**0**	**0**		

29. Borrowings

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
Loans from Department of Health	4,357	4,469	166,920	92,492
PFI liabilities - main liability	3,020	3,146	28,344	29,761
Total	**7,377**	**7,615**	**195,264**	**122,253**
Total other liabilities (current and non-current)	**202,641**	**129,868**		

Borrowings / Loans - repayment of principal falling due in:

		31 March 2017	
	DH	Other	Total
	£000s	£000s	£000s
0-1 Years	4,357	1,492	5,849
1 - 2 Years	22,280	542	22,822
2 - 5 Years	47,295	5,059	52,354
Over 5 Years	97,345	24,271	121,616
TOTAL	**171,277**	**31,364**	**202,641**

30. Other financial liabilities

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£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**		

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31. Deferred income

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
Opening balance at 1 April 2016	**7,872**	**9,061**	**0**	**579**
Deferred revenue addition	1,341	15,906	0	0
Transfer of deferred revenue	(7,666)	(17,095)	0	(579)
Current deferred income at 31 March 2017	**1,547**	**7,872**	**0**	**0**
Total deferred income (current and non-current)	**1,547**	**7,872**		

32. Provisions

Comprising:

	Total	Early departure costs	Legal claims	Equal Pay (incl. Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**2,022**	**1,821**	**201**	**0**	**0**	**0**
Arising during the year	3,975	0	76	0	3,500	399
Utilised during the year	(93)	(93)	0	0	0	0
Reversed unused	(70)	0	(70)	0	0	0
Unwinding of discount	6	6	0	0	0	0
Change in discount rate	233	233	0	0	0	0
Balance at 31 March 2017	**6,073**	**1,967**	**207**	**0**	**3,500**	**399**
Expected Timing of Cash Flows:						
No Later than One Year	4,136	98	139	0	3,500	399
Later than One Year and not later than Five Years	456	388	68	0	0	0
Later than Five Years	1,481	1,481	0	0	0	0
Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:						
As at 31 March 2017	**0**					
As at 31 March 2016	**236,470**					

The provision for Early Departure Costs is for the reimbursement of injury benefit allowances to the NHS Pensions Agency and the timing of these payments is based the on age of the recipients.

The provision for Legal Claims provides for the Liability to Third Party Schemes (LTPS) and Public & Employers Liability Scheme (PES). This provision covers the excess amount payable by the Group and not the full liability of claims which is covered by the NHSLA under the non-clinical risk pooling scheme. The timings of the cash flows are based on estimated dates for the finalisation of the claims.

33. Contingencies

	31 March 2017	31 March 2016
	£000s	£000s
Contingent liabilities		
NHS Litigation Authority legal claims	(132)	(107)
Employment Tribunal and other employee related litigation	0	0
Redundancy	0	0
Other	0	0
Net value of contingent liabilities	(132)	(107)
Contingent assets		
Contingent assets	0	0
Net value of contingent assets	**0**	**0**

34. Analysis of charitable fund reserves

	0	0
	£000s	£000s
Restricted / Endowment Funds	10,294	
Non-Restricted Funds	1,956	
	12,250	**0**

Non-restricted funds are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

Restricted funds may be accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity. Capital funds (e.g. endowments) are those funds where the assets are required to be invested, or retained for use rather than expended.

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35. PFI - additional information

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

	2016-17	2015-16
	£000s	£000s
Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI		
Total charge to operating expenses in year - Off SoFP PFI	0	0
Service element of on SOFP PFI charged to operating expenses in year	1,407	1,539
Total	**1,407**	**1,539**
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	918	896
Later than One Year, No Later than Five Years	3,910	3,814
Later than Five Years	14,637	15,651
Total	**19,465**	**20,361**
The estimated annual payments in future years are not expected to be materially different from those which the Group is committed to make during the next year.		
Imputed "finance lease" obligations for on SOFP PFI contracts due		
No Later than One Year	3,182	3,316
Later than One Year, No Later than Five Years	11,704	11,631
Later than Five Years	33,363	36,619
Subtotal	48,249	51,566
Less: Interest Element	(16,885)	(18,659)
Total	**31,364**	**32,907**
Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due		
Analysed by when PFI payments are due		
No Later than One Year	3,020	3,146
Later than One Year, No Later than Five Years	9,672	9,667
Later than Five Years	18,672	20,094
Total	**31,364**	**32,907**
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
Number of off SOFP PFI Contracts		
Total Number of off PFI contracts	0	0
Number of off PFI contracts which individually have a total commitments value in excess of £500m	0	0

36. Impact of IFRS treatment - current year

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

	2016-17		2015-16	
	Income	Expenditure	Income	Expenditure
	£000s	£000s	£000s	£000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)				
Depreciation charges		886		883
Interest Expense		1,774		1,844
Impairment charge - AME		1,397		1,174
Impairment charge - DEL		0		0
Other Expenditure		2,232		2,208
Revenue Receivable from subleasing	0		0	
Impact on PDC dividend payable		(162)		69
Total IFRS Expenditure (IFRIC12)	**0**	**6,127**	**0**	**6,178**
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)		5,548		4,532
Net IFRS change (IFRIC12)		**579**		**1,646**
Capital Consequences of IFRS : PFI and other items under IFRIC12				
Capital expenditure 2015-16		0		0
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		766		740

	2016-17	2016-17	2015-16	2015-16
	Income/ Expenditure IFRIC 12 YTD	Income/ Expenditure ESA 10 YTD	Income/ Expenditure IFRIC 12 YTD	Income/ Expenditure ESA 10 YTD
	£000s	£000s	£000s	£000s
Revenue costs of IFRS12 compared with ESA10				
Depreciation charges	886		883	
Interest Expense	1,774		1,844	
Impairment charge - AME	1,397		1,174	
Impairment charge - DEL	0		0	
Other Expenditure				
Service Charge	1,016	5,548	851	4,532
Contingent Rent	825		669	
Lifecycle	391		688	
Impact on PDC Dividend Payable	(162)		69	
Total Revenue Cost under IFRIC12 vs ESA10	**6,127**	**5,548**	**6,178**	**4,532**
Revenue Receivable from subleasing	0	0	0	0
Net Revenue Cost/(income) under IDRIC12 vs ESA10	**6,127**	**5,548**	**6,178**	**4,532**

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37. Financial Instruments

37.1 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 Group has with commissioners and the way those commissioners are financed, the Group 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 Group 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 Group in undertaking its activities.

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

Currency risk

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

Interest rate risk

The Group may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

The Group therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Group's revenue comes from contracts with other public sector bodies, the Group has low exposure to credit risk. The maximum exposures as at 31 March 2017 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

37.2 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0	0	0	0
Receivables - NHS	0	12,315	0	12,315
Receivables - non-NHS	0	6,389	0	6,389
Cash at bank and in hand	0	7,407	0	7,407
Other financial assets	1,100	0	0	1,100
Total at 31 March 2017	**1,100**	**26,111**	**0**	**27,211**
Embedded derivatives	0	0	0	0
Receivables - NHS	0	14,776	0	14,776
Receivables - non-NHS	0	1,355	0	1,355
Cash at bank and in hand	0	3,344	0	3,344
Other financial assets	1,100	0	0	1,100
Total at 31 March 2016	**1,100**	**19,475**	**0**	**20,575**

37.3 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
Embedded derivatives	0	0	0
NHS payables	0	6,159	6,159
Non-NHS payables	0	32,034	32,034
Other borrowings	0	171,277	171,277
PFI & finance lease obligations	0	19,134	19,134
Other financial liabilities	0	0	0
Total at 31 March 2017	**0**	**228,604**	**228,604**
Embedded derivatives	0	0	0
NHS payables	0	2,897	2,897
Non-NHS payables	0	32,951	32,951
Other borrowings	0	96,961	96,961
PFI & finance lease obligations	0	20,095	20,095
Other financial liabilities	0	0	0
Total at 31 March 2016	**0**	**152,904**	**152,904**

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38. Events after the end of the reporting period

There are no events after the reporting period that have a material effect on these accounts.

39. Related party transactions

There were no related party transactions with individuals reported during the year.

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

NHS England
Public Health England
Health Education England
NHS Blood & Transplant
NHS Litigation Authority
NHS Business Services Authority
Brighton & Hove City CCG
Coastal West Sussex CCG
Crawley CCG
East Surrey CCG
East Sussex Healthcare NHS Trust
Eastbourne Hailsham & Seaford CCG
Frimley Park Hospitals NHS FT
Guys & St Thomas NHS Trust
Hastings and Rother CCG
High Weald Lewes & Haven CCG
Horsham & Mid Sussex CCG
Kings College Hospitals NHS FT
Oxford Health NHS FT
Pennine Acute Hospitals NHS Trust
Portsmouth CCG
Queen Victoria Hospital NHS FT
Royal Surrey County NHS FT
South East Coast Ambulance NHS FT
Surrey Downs CCG
Surrey & Sussex Healthcare NHS Trust
Sussex Community NHS Foundation Trust
Sussex Partnership NHS FT
Wandsworth CCG
West Kent CCG
Western Sussex Hospitals NHS FT

In addition, the Group has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Brighton and Hove City Council, East Sussex County Council and West Sussex Council in respect of clinical services.

40. Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

	Total Value of Cases	Total Number of Cases
	£s	
Losses	40,492	4
Special payments	24,705	81
Gifts	0	0
Total losses and special payments and gifts	**65,197**	**85**

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

	Total Value of Cases	Total Number of Cases
	£s	
Losses	11,760	4
Special payments	26,509	94
Total losses and special payments	**38,269**	**98**

There were no cases exceeding £300,000.

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41. 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.

41.1. Breakeven performance

	2006-07	2007-08	2008-09	2009-10
	£000s	£000s	£000s	£000s
Turnover	326,320	352,694	398,447	415,950
Retained surplus/(deficit) for the year	(5,278)	106	9,925	4,603
Adjustment for:				
– Timing/non-cash impacting distortions:				
– Pre FDL(97)24 agreements	0	0	0	0
– Prior Period Adjustments	0	0	0	0
– Adjustments for impairments	0	0	1,161	5,414
– Adjustments for impact of policy change re donated/government grants assets				
– Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				210
– Other agreed adjustments	0	0	0	0
Break-even in-year position	(5,278)	106	11,086	10,227
Break-even cumulative position	(29,026)	(28,920)	(17,834)	(7,607)

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

	2006-07	2007-08	2008-09	2009-10
	%	%	%	%
Materiality test (i.e. is it equal to or less than 0.5%):				
Break-even in-year position as a percentage of turnover	-1.62	0.03	2.78	2.46
Break-even cumulative position as a percentage of turnover	-8.89	-8.20	-4.48	-1.83

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.

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	439,750	574,218	606,074	558,555	520,765	529,475	550,369
	(11,860)	(16,245)	(22)	(9,572)	(1,309)	(69,980)	(89,124)
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
	15,972	16,022	3,213	14,272	190	23,963	19,969
		469	134	414	669	726	654
	400	(204)	0	0	0	472	0
	0	0	0	0	0	0	0
	4,512	42	3,325	5,114	(450)	(44,819)	(68,501)
	(3,095)	(3,053)	272	5,386	4,936	(39,883)	(108,384)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	%	%	%	%	%	%	%
	1.03	0.01	0.55	0.92	-0.09	-8.46	-12.45
	-0.70	-0.53	0.04	0.96	0.95	-7.53	-19.69

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41.2 Capital cost absorption rate

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

41.3 External financing

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

	2016-17	2015-16
	£000s	£000s
External financing limit (EFL)	118,187	88,060
Cash flow financing	115,734	87,875
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	115,734	87,875
Under spend against EFL	**2,453**	**185**

41.4 Capital resource limit

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

	2016-17	2015-16
	£000s	£000s
Gross capital expenditure	69,348	63,591
Less: book value of assets disposed of	0	(554)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(88)	(86)
Charge against the capital resource limit	**69,260**	**62,951**
Capital resource limit	72,885	67,516
Underspend against the capital resource limit	**3,625**	**4,565**

42. Third party assets

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

	31 March 2017	31 March 2016
	£000s	£000s
Third party assets held by the Group	0	1


EXFLOW90

Appendix 2

Appendix 2: Glossary of terms and acronyms

Accident and Emergency (A&E) Service
A responsive service for patients in an emergency situation with a broad spectrum of illnesses and injuries, some of which may be life-threatening and require immediate attention.

ABI Acute Brain Injury.

ACU Ambulatory Care Unit.

Allied Health Professionals (AHP)
Allied Health Professionals (such as Physiotherapists, Occupational Therapists, Speech and Language Therapists, Podiatrists) provide treatment and help rehabilitate adults and children who are ill, have disabilities or special needs, to live life as fully as possible. They often manage their own caseloads.

AIDS Acquired Immunodeficiency Syndrome

Any Qualified Provider (AQP)
When a service is opened up to choice of 'Any Qualified Provider', patients can choose from a range of providers, all of whom meet NHS standards and price.

AMU Acute Medical Unit.

Annual Governance Statement
The means by which the Accountable Officer declares his or her approach to, and responsibility for, risk management, internal control and corporate governance. It is also the vehicle for highlighting weaknesses which exist in the internal control system within the organisation. It forms part of the Annual Report and Accounts.

Bare Below the Elbows
An NHS dress code to help with infection, prevention and control.

BAU Business as usual.

Better Payment Practice Code (BPPC)
The BPPC was established to promote a better payment culture within the UK and urges all organisations to adopt a responsible attitude to paying on time. The target is to pay all invoices within 30 days of receipt.

BGH Brighton General Hospital.

Board Assurance Framework (BAF)
The Board Assurance Framework provides a record of the principal strategic risks to the Trust achieving its objectives. It identifies the controls in place, the methods of assurance and the control and assurance gaps.

Board Governance Assurance Framework (BGAF)
The Board Governance Assurance Framework assists Boards through a combination of self and independent assessment processes to ensure they are appropriately skilled and prepared to achieve FT authorisation.

British National Formulary (BNF)
The British National Formulary provides UK healthcare professionals with authoritative and practical information on the selection and clinical use of medicines in a clear, concise and accessible manner.

BSMS Brighton and Sussex Medical School.

Caldicott Guardian
A senior member of staff appointed to protect patient information.

CAMHS Child and Adult Mental Health Service.

CAPEX Capital Expenditure.

Cardio-pulmonary Resuscitation (CPR)
A procedure used to help resuscitate a patient when their heart stops beating and breathing stops.

Care Bundle
A care bundle is a group of interventions (practices) related to a disease process that, when carried out together, result in better outcomes than when implemented individually.

CCGs Clinical Commissioning Groups.

Care Quality Commission (CQC)
An independent regulator responsible for monitoring and performance measuring all health and social care services in England.

Catheter-acquired Urinary Tract Infection (CAUTI)
A bladder infection that has occurred as a direct result of the presence of an indwelling catheter (a mechanism used initially to help the bladder).

Central Sterile Service Department (CSSD)
A service that provides equipment sterilisation services.

Centre for Maternal And Child Enquiries (CMACE)
Aims to improve the health of mothers, babies and children by carrying out confidential enquiries and related work on a nationwide basis.

Chartered Society of Physiotherapy (CSP)
The Chartered Society of Physiotherapy is the professional, educational and trade union body for the UK's 50,000 chartered physiotherapists, physiotherapy students and support workers.

Chairman
The Chairman provides leadership to the Trust Board and chairs all Board meetings. The Chairman ensures key and appropriate issues are discussed by the executive and non-executive directors.

Chief Executive
The highest-ranking officer in the Trust, who is the Accountable Officer responsible to the Department of Health for the activities of the organisation.

Chronic Obstructive Pulmonary Disease (COPD)
Chronic obstructive pulmonary disease (COPD) is the name for a collection of lung diseases, including chronic bronchitis, emphysema and chronic obstructive airways disease. People with COPD have trouble breathing in and out. This is referred to as airflow obstruction.

CIRU Clinical Investigation and Research Unit.

Clinical Commissioning Groups (CCGs)
Clinical Commissioning Groups replaced primary care trusts in April 2013; they are responsible for planning and designing local health services in England. They do this by 'commissioning' or buying health and care services.

Clinical Hub
A team of clinical advisors based within the Emergency Operations Centres providing support for patients with non-life threatening conditions.

Clinical Pathways
The standardisation of care practices to reduce variability and improve outcomes for patients.

Clinical Performance Indicators (CPIs)
CPIs were developed by ambulance clinicians and are used nationally to measure the quality of important areas of clinical care. They are designed to support the clinical care we provide to patients by auditing what we do.

Clinical Supervisor
Works on the frontline as part of the operational management team and facilitates the development of clinical staff and helps them to practise safely and effectively by carrying out regular assessment and revalidations.

Appendix 2

Clostridium Difficile (C.Diff)
A form of bacteria that is present naturally in the gut of around 2/3s of children and 3% of adults. On their own they are harmless, but under the presence of some antibiotics they will multiply and produce toxins (poisons) which cause illness such as diarrhoea and fever. At this point, a person is said to be infected with C. difficile.

CNS Central Nervous System.

Community Alcohol and Drug Service (CADS)
The main aim of the service is to reduce problems related to drugs and alcohol misuse, and support recovery. In order to do this CADS provides a range of modalities including advice and information, community and specialist prescribing, structured psychosocial interventions, structured treatments, harm reduction interventions and aftercare.

Community Equipment Store (CES)
This service provides all types of equipment to patients who are managed at home or in care homes, e.g. hospital beds, mattresses, commodes, toilet raisers, chair raisers and Telehealth systems.

Community First Responders (CFRs)
Volunteers in their local communities, who respond from their home addresses or places of work to patients suffering life-threatening emergencies.

Community Nursing and Therapy (CN&T)
Home delivered nursing, therapy services and interventions for Adults, such as wound dressings, end of life care and rehabilitation programmes.

Comprehensive Local Research Networks (CLRNs)
Coordinate and facilitate the conduct of clinical research and provide a wide range of support to the local research community.

Commissioning for Quality and Innovation (CQUIN)
The Commissioning for Quality and Innovation (CQUIN) payment framework enables commissioners to reward excellence by linking a proportion of providers' income to the achievement of local quality improvement goals.

Corporate Risk Register (CRR)
The Corporate Risk Register is the aggregation of the local team and corporate department risk registers where the residual risk is more than 12. It includes any additional sources of risk such as external or internal reviews.

Cost Improvement Plan / Programme (CIP)
The formal identification of an action which reduces the budgeted cost base of the organisation. It can relate to either pay or non-pay costs.

COTE Care of The Elderly.

CSIC Cancer Support and Information Centre.

CT Computed Tomography.

DASH Disability and Specialist Health Pathway.

Data Protection Act 1998 (DPA)
The Data Protection Act 1998 requires every organisation processing personal data to register with the Information Commissioner's Office, unless they are exempt.

Datix
A paperless risk management monitoring tool that aids staff in the reporting and management of incidents and risks.

DDA Disability Discrimination Act.

Department of Health (DH)
The government department which provides strategic leadership for public health, the NHS and social care in England.

Deprivation of Liberty (DoL)
DoL originates from case law rather than definitive acts of parliament. However, under the Mental Capacity Act (MCA) it is now clear that someone cannot be made to do something that they are resisting and a full assessment should be made to enable decisions to deprive someone from a liberty for their own safety or well-being.

Electrocardiograms (ECG)
An interpretation of the electrical activity of the heart. This is done by attaching electrodes to the patient which record the activity of the different sections of the heart.

Electroencephalogram (EEG)
An electroencephalogram is a recording of brain activity.

Emergency Department (ED)
A hospital department responsible for assessing and treating patients with serious injuries or illnesses.

Emergency Preparedness, Resilience and Response (EPRR)
In April 2013, NHS England introduced the EPRR Core Standards detailing the roles and responsibilities involved in EPRR, Major Incident and Service Continuity planning, partnership working, resource allocation and staff competencies.

ENT Ear, Nose and Throat.

Equality and Diversity
Equality legislation protects people from being discriminated against on the grounds of their sex,

race, disability, etc. Diversity is about respecting individual differences such as race, culture, political views, religious views, gender, age, etc.

EVAR Endovascular Aneurysm Repair.

FEVAR
Fenestrated Endovascular Aortic Aneurysm Repair

FM Facilities Management.

Freedom of Information (FOI) Act 2000
The Freedom of Information Act 2000 is an Act of Parliament that creates a public 'right of access to information held by public authorities.

FFT Family and Friends Test.

Foundation Trust (FT)
NHS organisations which operate more independently under a different governance and financial framework.

Foundation Trust Network (FTN)
The Foundation Trust Network is the membership organisation for NHS public provider trusts. It represents every variety of trust, from large acute and specialist hospitals through to community, ambulance and mental health trusts. Members provide the full range of NHS services in hospitals, the community and at home.

General Practitioner (GP)
A doctor who is based in the community and manages all aspects of family health.

Governance
The systems and processes by which health bodies lead, direct and control their functions in order to achieve organisational objectives and by which they relate to their partners and wider community.

GUM Genito-Urinary Medicine.

HCA Health Care Assistant.

HDU High Dependency Unit.

Healthwatch
Healthwatch England is the independent consumer champion for health and social care in England.

HIV Human Immunodeficiency Virus.

HPNC Hurstwood Park Neurological Centre.

Human Resources (HR)
A function with responsibility for implementing strategies and policies relating to the management of individuals.

Appendix 2

ICU Intensive Care Unit.

Independent Mental Capacity Advocate (IMCA)
A service introduced by the MCA 2005 that helps particularly vulnerable people who lack the capacity to make important decisions about serious medical treatment and changes of accommodation, and who have no family or friends that it would be appropriate to consult about those decisions. The role of the Independent Mental Capacity Advocate (IMCA) is to work with and support people who lack capacity and to represent their views to those who are working out their best interests.

IM&T Information Management and Technology.

Information Governance (IG)
Information Governance allows organisations and individuals to ensure that personal information is dealt with legally, securely, efficiently and effectively, in order to deliver the best possible care.

IG Toolkit
The Information Governance Toolkit is an online system which allows NHS organisations and partners to assess themselves against Department of Health Information, Governance policies and standards. It also allows members of the public to view information of participating organisations. Governance Toolkit assessments.

Institute of Healthcare and Development (IHCD)
A body responsible for the content of some ambulance staff training which is then delivered through ambulance trusts.

Integrated Business Plan (IBP)
An IBP sets out an organisation's vision and plans to achieve that vision in the future.

Integrated Performance Report (IPR)
A report used to assure the Trust Board of organisational performance; to flag exceptions to the achievement of performance standards and corrective action as appropriate.

International Normalised Ratio (INR)
A laboratory measurement of how long it takes blood to form a clot. It is used to determine the effects of oral anticoagulants (an anticoagulant is a substance that prevents clotting of blood) on the clotting system.

ISO International Standards Organisation.

ITU Intensive Therapy Unit.

Key Performance Indicator (KPI)
A measure of performance.

Knowledge and Skills Framework (KSF)
A competence framework to support personal development and career progression within the NHS.

Learning Disability (LD)
A learning disability affects the way a person learns new things in any area of life. It affects the way they understand information and how they communicate.

Local Involvement Network (LINk)
A network of individuals and community groups, such as faith groups and residents' associations, working together to improve health and social care services. A new consumer champion called Healthwatch has started to replace LINks from October 2012.

LPA Local Planning Authority.

Major Trauma
Major trauma is serious injury and generally includes such injuries as:
- traumatic injury requiring amputation of a limb
- severe knife and gunshot wounds
- major head injury
- multiple injuries to different parts of the body e.g. chest and abdominal injury with a fractured pelvis
- spinal injury
- severe burns

Major Trauma Centre (MTC)
A network of 22 new centres throughout the UK, specialising in treating patients who suffer from major trauma.

Malnutrition Universal Screening Tool (MUST)
A five-step screening tool to identify adults who are malnourished, at risk of malnutrition or obese. It also includes management guidelines which can be used to develop a care plan.

Mental Capacity Act (MCA)
Legislation designed to protect and empower people who cannot make decisions for themselves or lack the mental capacity to do so. The Act states that:

- you should have as much help as possible to make your own decisions;
- people should assess if you can make a particular decision;
- even if you cannot make a complicated decision for yourself, this does not mean that you cannot make more straightforward decisions;
- even if someone has to make a decision on your behalf you must still be involved in this as much as possible;
- anyone making a decision on your behalf must do so in your best interests.

MCA often applies to people with a learning disability, dementia, mental health problem, brain injury or stroke.

Methicillin-resistant Staphylococcus Aureus (MRSA)
A bacterium responsible for several difficult-to-treat infections in humans due to its resistance to methicillin and other beta-lactam antibiotics. MRSA is especially troublesome in hospitals and nursing homes, where patients with open wounds, invasive devices and weakened immune systems are at greater risk of infection than the general public.

Monitor
The independent regulator of NHS foundation trusts.

MRI Magenetic Resonance Imaging.

Myocardial Infarction (MI)
Commonly known as a heart attack, an MI is the interruption of blood supply to part of the heart, causing heart cells to die.

Myocardial Ischemia National Audit Project (MINAP)
A national database gathering information on all patients who have had a heart attack or who have acute coronary syndromes.

National Early Warning Score (NEWS)
NEWS is designed to capture and bring together all of the factors that could impact on the quality and safety of clinical services; to identify services that may be at risk and to help prevent serious incidents and patient safety issues in the future.

National Health Service (NHS)
Provides healthcare for all UK citizens based on their need for healthcare rather than their ability to pay for it. It is funded by taxes.

National Health Service Litigation Authority (NHSLA)
The NHSLA handles negligence claims and works to improve risk management practices in the NHS.

National Infarct Angioplasty Project (NIAP)
An audit of patients referred for an angioplasty surgical procedure.

National Institute for Health and Clinical Excellence (NICE)
The National Institute for Health and Clinical Excellence provides independent, authoritative and evidence-based guidance on the most effective ways to prevent, diagnose and treat disease and ill health, reducing inequalities and variation.

Appendix 2

National Learning Management System (NLMS)
Provides NHS staff with access to a wide range of national and local NHS eLearning courses, as well as access to an individual's full training history.

National Patient Safety Agency (NPSA)
The National Patient Safety Agency leads and contributes to improved, safe patient care by informing, supporting and influencing the health sector.

National Reporting and Learning System (NRLS)
The National Reporting and Learning System (NRLS) is a central database of patient safety incident reports. Clinicians and safety experts help analyse these reports to identify common risks and opportunities to improve patient safety.

Net Promoter Score (NPS)
The net promoter score is a key measure of individual, team and corporate performance and is used to drive up positive patient experience.

NHS Property Services (Prop Co)
A Government-owned limited company that will take ownership of, and manage, that part of the existing primary care trust estate that will not transfer to NHS community care providers under the healthcare reform plans set out in the Health and Social Care Bill.

Non-Executive Director (NED)
A Non-Executive Director is a member of the Board of Directors, drawn from the local community served by the trust and appointed by the Trust Development Authority. NEDs hold the Executive Directors to account, bring independence, external skills and perspectives, provide challenge on strategy development, risk management, shaping culture, and the integrity of financial and quality intelligence. They also contribute to plans to improve and develop services which meet the area's particular needs.

OPD Out-patients Department.

OT Occupational Therapy.

Overview and Scrutiny Committee (OSC)
Local authority bodies that provide scrutiny of health provision in their local area.

PACS
Picture Archiving and Communications System.

Paramedic
Senior ambulance service healthcare professionals at an accident or medical emergency. Working alone or with an assistant practitioner or emergency care technician, they assess a patient's condition and provide essential treatment.

Patient Administration System (PAS)
An information collection system that acute and community hospitals use to collect patient related data.

Patient Advice and Liaison Service (PALS)
The Patient Advice and Liaison Service assists patients, their relatives, carers and friends, answering questions and resolving concerns as quickly as possible.

Patient-Led Assessments of the Care Environment (PLACE)
The Patient-Led Assessments of the Care Environment (PLACE) programme replaced the former Patient Environment Action Team (PEAT) programme from April 2013. These self-assessments are undertaken by teams of NHS and private/independent health care providers, and include at least 50 per cent members of the public (known as patient assessors). They focus on the environment in which care is provided, as well as supporting non-clinical services such as cleanliness, food, hydration, and the extent to which the provision of care with privacy and dignity is supported.

Patient Report Form (PRF)
A comprehensive record of the care provided to patients.

Patient Transport Service (PTS)
A non-emergency medical transport service used, for example, to and from out-patient appointments.

PEAT Patient Environment Action Team

Personal Development Reviews (PDRs)
The PDR process provides a framework for identifying staff development and training needs and agreeing objectives.

Personal Digital Assistants (PDAs)
Small computer units which help to capture more accurate data on Patient Transport Service performance and journey times and identify areas which require improvements.

PICU Paediatric Intensive Care Unit.

PGMC Post Graduate Medical Centre.

PPM Planned Preventative Maintenance.

PPU Private Patients Unit.

PRH Princess Royal Hospital.

Primary Care Trust (PCT)
PCTs worked with local authorities and other agencies providing health and social care locally to ensure community health needs were being met. They were replaced by Clinical Commissioning Groups (CCGs) in April 2013.

Primary Percutaneous Coronary Intervention (pPCI)
A surgical treatment for heart attack patients which unblocks arteries which carry blood to the heart.

QGAF
Quality Governance Assurance Framework.

Quality Innovation, Productivity and Prevention
Quality, Innovation, Productivity and Prevention is a large scale transformational programme for the NHS, involving all NHS staff, clinicians, patients and the voluntary sector. It will improve the quality of care the NHS delivers while making up to £20billion of efficiency savings by 2014-15, which will be reinvested in frontline care.

RACH Royal Alexandra Children's Hospital.

Rapid Access Team (RAT)
A team of nurses, therapists and social workers who respond quickly to patients who are admitted to accident and emergency to find alternative solutions to enable patients to be cared for at home.

RACOP
Rapid Assessment Clinic for Older People.

Root Cause Analysis (RCA)
RCA is a process designed for use in investigating and categorising the root causes of events. When incidents happen, it is important that lessons are learned across the NHS to prevent the same incident occurring elsewhere. RCA investigation is a well recognised way of doing this.

Safeguarding
Processes and systems for the protection of vulnerable adults, children and young people.

Safety Thermometer
The NHS Safety Thermometer is a tool designed to help hospitals understand where they can potentially cause harm to patients and reduce the risk of this.

Serious Case Reviews (SCRs)
Establish whether there are any lessons to be learnt about the way in which staff and agencies work together to safeguard vulnerable people.

Serious Incidents (SIs)
Something out of the ordinary or unexpected. It is an incident – or a series of incidents – that, if left unattended, may pose a risk to service users or the health and safety of staff, visitors and others.

SAU Surgical Assessment Unit.

Appendix 2

Sexual Assault Referral Centre (SARC)
SARCs are specialist medical and forensic services for anyone who has been raped or sexually assaulted. They aim to be a one-stop service, providing medical care and forensic examination following assault/rape and, in some locations, sexual health services. Medical Services are free of charge and provided to women, men, young people and children.

Stakeholders
All those who may use the service, be affected by or who should be involved in its operation.

ST Elevation Myocardial Infarction (STEMI)
A type of heart attack.

Serious Incident Requiring Investigation (SIRI)
The National Patient Safety Agency has developed a national framework for serious incidents in the NHS, entitled 'National Framework for Reporting and Learning from Serious Incidents requiring Investigation'. An incident or event or circumstance that could have resulted, or did result, in unnecessary damage, loss or harm such as physical or mental injury to a patient, staff, visitors or members of the public. A serious incident requiring investigation is defined as an incident that occurred in relation to NHS-funded services and care resulting in, for example, unexpected or avoidable death of one or more patients, staff, visitors or members of the public; serious harm to one or more patients, staff, visitors or members of the public.

Solihull Model (SM)
The Solihull Approach is an integrated model of working; open learning resource packs and training programme for care professionals working with families, babies, children and young people who are affected by emotional and behavioural difficulties.

Strategic Executive Information System (STEIS)
A system to collect data for the Department of Health.

SOP Standard Operating Procedure.

SSPAU Short Stay Paediatric Assessment Unit.

SystmOne
SystmOne is a centralised clinical system that provides healthcare professionals with a complete management system.

Trust Development Authority (TDA)
The NHS Trust Development Authority (TDA) is responsible for providing leadership and support to the non-Foundation Trust sector of NHS providers. This includes 99 NHS Trusts, providing around £30bn of NHS funded care each year. The TDA oversees the performance management of these NHS Trusts, ensuring they provide high quality sustainable services, and provides guidance and support on their journey to achieving Foundation Trust status.

To Take Out (TTO)
'To take out' is the literal meaning for the medications patients take home.

Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE)
The purpose of the Transfer of Undertakings (Protection of Employment) Regulations is to protect employees if ownership of their employer changes hands.

UCC Urgent Care Centre

Venous Thromboembolism (VTE)
A blood clot that forms within a vein.

Waterlow
The Waterlow pressure ulcer risk assessment/ prevention policy tool is, by far, the most frequently used system in the UK and is also the most easily understood and used by nurses dealing directly with patient/clients to assess risks of the individual.

Notes

Notes

Brighton and Sussex University Hospitals NHS Trust

https://www.bsuh.nhs.uk

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BRIGHTON AND SUSSEX UNIVERSITY HOSPITALS NHS TRUST

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

Statement of Comprehensive Income for year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s
Gross employee benefits	10.1	**(349,025)**	(330,433)
Other operating costs	8	**(278,247)**	(257,068)
Revenue from patient care activities	5	**496,583**	479,497
Other operating revenue	6	**53,786**	49,978
Operating deficit		**(76,903)**	(58,026)
Investment revenue	12	**31**	48
Other gains	13	**76**	75
Finance costs	14	**(6,127)**	(4,399)
Deficit for the financial year		**(82,923)**	(62,302)
Public dividend capital dividends payable		**(6,201)**	(7,678)
Retained deficit for the year		**(89,124)**	(69,980)

Other Comprehensive Income

	2016-17 £000s	2015-16 £000s
Impairments and reversals taken to the revaluation reserve	**(2,347)**	(3,249)
Net gain on revaluation of property, plant & equipment	**9,586**	7,306
Total comprehensive income for the year*	**(81,885)**	(65,923)

* This sums the rows above and the deficit for the year.

Financial performance for the year

Retained deficit for the year	**(89,124)**	(69,980)
IFRIC 12 adjustment (including IFRIC 12 impairments)	**1,397**	1,646
Impairments (excluding IFRIC 12 impairments)	**18,572**	22,789
Adjustments in respect of donated asset reserve elimination	**654**	726
Adjusted retained deficit	**(68,501)**	(44,819)

A trust's reported financial performance position is derived from it's retained surplus/(deficit), but adjusted for the following:

a) The incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, is reported as technical. This additional cost is not considered part of the organisation's operating position.

b) The Treasury FReM for 2011-12 changed the accounting treatment for the funding element of charitable donations so that NHS bodies no longer hold Donated Asset Reserves. Where assets are funded by donations the financing element of the transaction is recognised as income and taken through the statement of income and expenditure. The impact of the change in policy is not considered part of the organisation's operating position.

c) Prior year performance is not re-assessed following accounting restatements.

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

Statement of Financial Position as at 31 March 2017

	NOTE	31 March 2017 £000s	31 March 2016 £000s
Non-current assets:			
Property, plant and equipment	16	**388,164**	351,401
Intangible assets	17	**681**	758
Other financial assets	22	**1,101**	1,101
Trade and other receivables	21.1	**3,048**	1,644
Total non-current assets		**392,994**	354,904
Current assets:			
Inventories	20	**8,109**	7,118
Trade and other receivables	21.1	**50,477**	53,312
Other current assets	23	**0**	0
Cash and cash equivalents	24	**7,407**	3,344
Sub-total current assets		**65,993**	63,774
Non-current assets held for sale	25	**0**	63
Total current assets		**65,993**	63,837
Total assets		**458,987**	418,741
Current liabilities			
Trade and other payables	26	**(70,471)**	(72,875)
Other liabilities	27	**0**	0
Provisions	31	**(4,136)**	(236)
Borrowings	28	**(3,020)**	(3,146)
DH revenue support loan	28	**0**	(1,500)
DH capital loan	28	**(4,357)**	(2,969)
Total current liabilities		**(81,984)**	(80,726)
Net current liabilities		**(15,991)**	(16,889)
Total assets less current liablilities		**377,003**	338,015
Non-current liabilities			
Trade and other payables	26	**(687)**	0
Other liabilities	27	**0**	0
Provisions	31	**(1,937)**	(1,786)
Borrowings	28	**(28,344)**	(29,761)
Other financial liabilities	29	**0**	0
DH revenue support loan	28	**(107,181)**	(37,685)
DH capital loan	28	**(59,739)**	(54,807)
Total non-current liabilities		**(197,888)**	(124,039)
Total assets employed:		**179,115**	213,976
FINANCED BY:			
Public Dividend Capital		**294,776**	247,752
Retained earnings		**(167,019)**	(79,400)
Revaluation reserve		**51,358**	45,624
Total Taxpayers' Equity:		**179,115**	213,976

The notes on pages 6 to 44 form part of this account.

The financial statements on pages *2 to 5* were approved by the Audit Committee and signed on its behalf by ... (with delegated authority by the Board) on ...

Chief Executive: Date:

Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2017

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**247,752**	**(79,400)**	**45,624**	**0**	**213,976**
Changes in taxpayers' equity for 2016-17					
Retained deficit for the year		(89,124)			**(89,124)**
Net gain on revaluation of property, plant, equipment			9,586		**9,586**
Impairments and reversals			(2,347)		**(2,347)**
Transfers between reserves		1,505	(1,505)	0	**0**
Reclassification Adjustments					
Permanent PDC received - cash	47,024				**47,024**
Net recognised revenue/(expense) for the year	**47,024**	**(87,619)**	**5,734**	**0**	**(34,861)**
Balance at 31 March 2017	**294,776**	**(167,019)**	**51,358**	**0**	**179,115**
Balance at 1 April 2015	**236,123**	**(17,866)**	**50,013**	**0**	**268,270**
Changes in taxpayers' equity for the year ended 31 March 2016					
Retained deficit for the year		(69,980)			(69,980)
Net gain on revaluation of property, plant, equipment			7,306		7,306
Impairments and reversals			(3,249)		(3,249)
Transfers between reserves		8,446	(8,446)	0	0
Reclassification Adjustments					
New PDC received - cash	11,629				11,629
Net recognised revenue/(expense) for the year	**11,629**	**(61,534)**	**(4,389)**	**0**	**(54,294)**
Balance at 31 March 2016	**247,752**	**(79,400)**	**45,624**	**0**	**213,976**

Information on reserves

1. Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities. Additional PDC may also be issued to NHS trusts by the Department of Health. A charge, reflecting the cost of capital utilised by the NHS trust, is payable to the Department of Health as the public dividend capital dividend.

2. Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of the Trust.

3. Revaluation Reserve

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Statement of Cash Flows for the Year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s
Cash Flows from Operating Activities			
Operating deficit		**(76,903)**	(58,026)
Depreciation and amortisation	8	**19,995**	21,740
Impairments and reversals	18	**19,969**	23,963
Other gains on foreign exchange	13	**84**	54
(Increase)/Decrease in Inventories		**(991)**	60
Decrease/(Increase) in Trade and Other Receivables		**1,431**	(17,482)
(Decrease)/Increase in Trade and Other Payables		**(5,137)**	5,216
Provisions utilised		**(93)**	(356)
Increase in movement in non cash provisions		**4,138**	4,753
Net Cash Outflow from Operating Activities		**(37,507)**	(20,078)
Cash Flows from Investing Activities			
Interest Received		**31**	48
Payments for Property, Plant and Equipment		**(65,815)**	(55,169)
Payments for Intangible Assets		**(88)**	(421)
Proceeds of disposal of assets held for sale (PPE)		**0**	575
Net Cash Outflow from Investing Activities		**(65,872)**	(54,967)
Net Cash Outflow before Financing		**(103,379)**	(75,045)
Cash Flows from Financing Activities			
Gross Temporary and Permanent PDC Received		**47,024**	11,629
Loans received from DH - New Capital Investment Loans		**9,289**	22,963
Loans received from DH - New Revenue Support Loans		**69,496**	45,628
Loans repaid to DH - Capital Investment Loans Repayment of Principal		**(2,969)**	(2,233)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		**(1,500)**	(10,943)
Capital Element of Payments in Respect On-SoFP PFI		**(1,543)**	(1,220)
Interest paid		**(6,121)**	(4,326)
PDC Dividend paid		**(6,234)**	(8,504)
Net Cash Inflow from Financing Activities		**107,442**	52,994
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,063**	(22,051)
Cash and Cash Equivalents at Beginning of the Period		**3,344**	25,395
Effect of exchange rate changes in the balance of cash held in foreign currencies		**0**	0
Cash and Cash Equivalents at year end	**24**	7,407	3,344

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual 2016-17, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the Department of Health Group Accounting Manual 2016-17 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 Department of Health Group Accounting Manual 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.

Going concern

These accounts have been prepared on the basis the Trust is a going concern as there is no indication that that the healthcare and other services will not continue to be provided by the public sector for the foreseeable future and that continuing financial support will be provided by DH.

This year the Trust has struggled to meet its financial targets against a backdrop of increased financial pressure across the NHS. The Trust has returned a control total deficit of £68.5m but has achieved £20.8m savings through the Cost Improvement Programme. The DH provided deficit funding of £69.5m as revenue support loans in year bringing the total revenue support loan funding to £107.2m at 31 March 2017.

The Trust has entered into a management contract with Western Sussex Hospitals NHS FT and NHS Improvement for a minimum of three years. From 1 April 2017 the Executive Team and Chairman of Western Sussex Hospitals NHS Foundation Trust are also the Executive Team and Chairman of the Trust. This is to provide some strong and stable leadership to the Trust for at least three years. New regulatory oversight arrangements have also been agreed which will provide a focus on supporting the Trust to exit from Financial Special Measures and Quality Special Measures.

The Trust has agreed a revision to the financial control totals for the next two years with NHSI. The basis upon which these have been agreed will limit the financial efficiency requirement upon the Trust over this period. It is expected the Trust will deliver a deficit of £65.4m in 2017/18. The plans reflect agreed continued revenue deficit support funding from DH for both years. The deficit support funding is authorised by the DH monthly in advance and is conditional on the achievement of the agreed financial control total for the year. Deficit support funding totalling £12.8m for April and May 2017 has been provided to the Trust.

The healthcare contracts with local Clinical Commissioning Groups and NHS England for 2017/18 have been agreed. These are all on a Payment by Results basis and amount to approximately £471m .

The Trust's 2017/18 cash flow forecast is based on the assumptions in the 2017/18 financial plan. The key assumptions underpinning the cash flow are:
a) Receipt of £65.4m revenue support loan from the DH to finance the revenue deficit.
b) Receipt of £98m PDC from DH to fund the 3Ts capital build.

The cash flow position is reported to the Finance and Investment Committee and the Board monthly and this is based on the Trust's detailed 12 month cash flow forecast which is updated daily.

The Trust's financial priority for the next two years is to deliver its control total deficit as agreed with NHS Improvement. This includes the development and embedding of robust and transparent processes for financial improvement and control as well as a new infrastructure to support delivery of a sustainable efficiency programme.

The new Executive leadership of the Trust has agreed the following priorities with NHS Improvement over the next 3 years:

- Moving out of Quality Special Measures
- Improvement and delivery of A&E performance
- Moving out of Financial Special Measures
- Addressing underlying Leadership and Cultural challenges
- Assuring delivery of 3Ts programme and integration into the Trust

Taking into account all these factors, the assumption that the healthcare and other services will continue to be provided by the public sector for the foreseeable future and that the DH will continue to provide financial support, the Directors consider the Trust will continue to operate as a going concern. The conditions described above do, however, indicate the existence of material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern.

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.

NOTES TO THE ACCOUNTS

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 SOCI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

1.4 Charitable Funds

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 entity's financial statements.

1.5 Pooled Budgets

The Trust has not entered into any pooled budget arrangements during the Financial Year 2016-17

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.

1.6.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Valuation of Buildings

Department of Health guidance specifies that the Trust's land and buildings should be valued on the basis of depreciated replacement cost, applying the Modern Equivalent Asset (MEA) concept. The MEA is defined as "the cost of a modern replacement asset that has the same productive capacity as the property being valued." Therefore the MEA is not a valuation of the existing land and buildings that the Trust holds, but a theoretical valuation for accounting purposes of what the Trust could need to spend in order to replace the current assets. In determining the MEA, the Trust has to make assumptions that are practically achievable, however the Trust is not required to have any plans to make such changes.

The Trust is satisfied that the assumptions underpinning the MEA valuation are practically achievable, would not change the services provided by the Trust, and would not impact on service delivery or the level and volume of service provided. The Trust does not intend to implement any of the theoretical assumptions that underpin the MEA valuation.

For the purpose of the MEA valuation, the Trust has defined all of the Royal Sussex County Hospital, The Royal Alexandra Children's Hospital, the Sussex Eye Hospital and the Royal Princess Royal Hospital as buildings that provide specialist health care services. The MEA valuation in the accounts assumes that the Brighton based hospitals could theoretically be provided from a location on the outskirts of Brighton.

The MEA valuations used by the Trust have been provided to the Trust by the external valuers, GERLADEVE. The Trust has used component lives based upon contractual information provided by the GERALDEVE to depreciate buildings and dwellings on a component basis.

PFI

The Trust uses the standard Department of Health model to account for its PFI scheme.

Assets Under Construction

The costs of the 3T's project (the redevelopment of the Royal Sussex County Hospital), which represent costs capitalised on assets not currently complete, are included in Assets Under Construction. At 31 March 2017 these amounted to £90.1m (2015-16 - £68.32m). The project, which has a cost of £486m, was approved by HMT in December 2015 with an expected completion date of 2024. The project is estimated to be completed in 2024. There are three phases to the build. The Trust has taken the judgement that capitalised expenditure will be classified as Assets Under Construction until completion of each stage of the phases of the build, at which point the assets will be reclassified as operational buildings. Changes in the valuation basis between cost and fair value, when these reclassifications occur, may result in significant changes in the carrying value of the assets.

Provision for Pensions

The Trust has estimated the provision for pensions relating to former staff using estimates provided by the NHS Pension Agency provided at the time of the member's early retirement. These are updated annually using national life expectancy tables and if the if it becomes apparent that the provision is not sufficient to meet the liability.

NOTES TO THE ACCOUNTS

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

1.6.2 Key sources of estimation uncertainty

Fully Depreciated Plant and Equipment
The Trust is in the process of reviewing fully depreciated items of plant and equipment held on the capital asset register which may no longer exist. Based on the work undertaken the Trust continues to estimate that it holds approximately £17m of fully depreciated assets of its capital asset register which no longer exist that are excluded from the financial statements.

Software Development
During the year the Trust decided to discontinue development of a software system. Negotiations are ongoing with the main software provider to terminate the contract early. Full provision has been made for the costs of early termination at £3.5m.

Revenue
The basis of calculation for partially completed spells is detailed in note 1.7 below.

Depreciation
The reported amounts for depreciation of property, plant and equipment and amortisation of non-current intangible assets can be materially affected by the judgements exercised in determining their estimated economic lives. Economic lives are determined in a number of different ways such as valuations (external professional opinion) and physical asset verification exercises.

The estimated economic lives of each class of asset are disclosed in note 1.12, and the carrying values of property, plant and equipment and intangible assets in note 16.1 and 17.1 respectively.

Land and Buildings Valuations
All land and buildings are restated at current value by way of annual professional valuations carried out by an independent external valuer.

Provision for impairment of receivables

Provisions are based on a combination of the age of the debt and disputes with debtors. The Trust follows the guidance issued in the Department of Health Group Accounting Manual 2016-17 in relation to the recommended rate for Injury Cost Recovery receivables.

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. Revenue relating to patient care spells that are part-completed at the year end is measured at the price per day for each patient spell apportioned across the financial years.

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. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs
Past and present employees are covered by the provisions of the NHS Pension Schemes. These schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The schemes are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they were defined contribution schemes: the cost to the NHS body of participating in a 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.

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

Past and present employees unable to join the NHS Pension Schemes are covered by the National Employers Savings Trust ("NEST). NEST is a defined contribution pension scheme.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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 either
- the item cost at least £5,000; or
- Collectively, a number of items have a total 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.

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

Valuation
All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:
- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost, modern equivalent asset basis.

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.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowing costs. Assets are revalued and depreciation commences when they are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful economic lives or low values or both, as this is not considered to be materially different from current value in existing use.

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

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

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 £5,000.

Intangible assets acquired separately are initially recognised at cost. Software that is integral to the operation 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;

NOTES TO THE ACCOUNTS

- 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; and
- 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 current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.12 Depreciation, amortisation and impairments

Freehold land, assets under construction or development, and assets held for sale are not depreciated/amortised.

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight line basis over their estimated useful lives. 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 the shorter of the lease term and the estimated useful lives.

The estimated useful lives are:

	Years
Buildings	1-90
Medical equipment and engineering plant and equipment	5-16
Furniture	5-15
Soft furnishings	5-15
Office and information technology equipment	5-10

At each financial year-end, the Trust checks whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of such an impairment, 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 at the financial year end.

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 are 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.

1.13 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at 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 treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.14 Government grants

Government grant funded assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

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.

NOTES TO THE ACCOUNTS

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 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.

NOTES TO THE ACCOUNTS

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 of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Trust's 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.

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

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

PFI Asset
The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

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 initial 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 accrual or prepayment is recognised respectively.

NOTES TO THE ACCOUNTS

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 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.

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.

1.18 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.

1.19 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.

1.20 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.

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.24% (2015-16: positive 1.37%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:
- A short term rate of negative 2.70% (2015-16: negative 1.55%) for expected cash flows up to and including 5 years
- A medium term rate of negative 1.95% (2015-16: negative 1.00%) for expected cash flows over 5 years up to and including 10 years
- A long term rate of negative 0.80% (2015-16: negative 0.80%) for expected cash flows over 10 years.

All percentages are in real terms.

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.

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.

1.21 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 31.

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

1.23 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 Trust 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.

NOTES TO THE ACCOUNTS

1.24 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.

1.25 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 deficit for the year. The net gain or loss incorporates any interest earned on the financial asset. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

Held to maturity investments

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

NOTES TO THE ACCOUNTS

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. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

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

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

Financial assets are initially recognised at fair value. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised costs using the effective interest method, less impairment. Interest is recognised using the effective interest method.

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 that occurred after the initial recognition of the asset and that have 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.

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.

1.26 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 historic cost. Otherwise, financial liabilities are initially recognised at fair value.

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

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

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 deficit. The net gain or loss incorporates any interest payable on the financial liability. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

Other financial liabilities
After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from the 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.

1.27 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.

NOTES TO THE ACCOUNTS

1.28 Foreign currencies

The Trust's functional 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.

1.29 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.

1.30 Public Dividend Capital (PDC) and PDC dividend

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

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

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

1.31 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 the Trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

1.32 Subsidiaries

Material entities over which the Trust has the power to exercise control are classified as subsidiaries and are consolidated. The Trust has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary 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 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'.

1.33 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.

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

1.34 Joint arrangements

Material entities over which the Trust has joint control with one or more other entities are classified as joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement. A joint arrangement is either a joint operation or a joint venture.

A joint operation exists where the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Where the Trust is a joint operator it recognises its share of, assets, liabilities, income and expenses in its own accounts.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are recognised as an investment and accounted for using the equity method.

NOTES TO THE ACCOUNTS

1.35 Research and Development

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

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

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

1.37 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

2. Pooled budget

The Trust has not entered into any pooled budget arrangements during the Financial Year 2016-17

3. Operating segments

The nature of the Trust's services is the provision of healthcare. Similar methods are used to provide services across all locations and all policies, procedures and governance arrangements are Trust wide. As an NHS Trust, all services are subject to the same regulatory environment and standards set by the Trust's external performance managers. Accordingly, the Trust operates one segment and in 2016-17 reported to the Board in this format. No discrete activities of the business have individual revenue exceeding 10% of the total combined revenue, profit or assets.

Income from transactions with a single external customer which amount to 10% or more of total income is as follows:

	2016-17 £m's	2015-16 £m's
CCG *	276	270
NHS England	177	163
	453	433

This income all relates to patient activity.

* As commissioners are under common control they are classed as a single customer for this purpose.

4. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care, but has not undertaken any income generation activities whose full cost exceeded £1m.

5. Revenue from patient care activities

	2016-17 £000s	2015-16 £000s
NHS Trusts	**3,090**	3,080
NHS England	**173,825**	160,756
Clinical Commissioning Groups	**275,617**	269,859
Foundation Trusts	**3,000**	2,430
Department of Health	**1,545**	1,777
NHS Other (including Public Health England and Prop Co)	**340**	721
Non-NHS:		
Local Authorities	**4,490**	4,419
Private patients	**4,496**	4,534
Overseas patients (non-reciprocal)	**338**	234
Injury costs recovery	**2,625**	1,663
Other Non-NHS patient care income	**27,217**	30,024
Total Revenue from patient care activities	**496,583**	479,497

6. Other operating revenue

	2016-17 £000s	2015-16 £000s
Recoveries in respect of employee benefits	**2,785**	2,885
Patient transport services	**0**	0
Education, training and research	**33,385**	37,255
Receipt of charitable donations for capital acquisitions	**88**	86
Non-patient care services to other bodies	**5,736**	1,992
Sustainability & Transformation Fund Income	**3,600**	0
Income generation (Other fees and charges)	**7,052**	7,185
Rental revenue from operating leases	**515**	575
Other revenue	**625**	0
Total Other Operating Revenue	**53,786**	49,978
Total operating revenue	**550,369**	529,475

7. Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	**338**	234
Cash payments received in-year (re receivables at 31 March 2016)	**20**	39
Cash payments received in-year (iro invoices issued 2016-17)	**42**	82
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	**0**	0
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	**130**	62
Amounts written off in-year (irrespective of year of recognition)	**5**	**12**

8. Operating expenses

	2016-17 £000s	2015-16 £000s
Services from other NHS Trusts	**2,151**	5,945
Services from CCGs/NHS England	**114**	0
Services from other NHS bodies	**14**	363
Services from NHS Foundation Trusts	**6,202**	1,882
Total Services from NHS bodies*	**8,481**	8,190
Purchase of healthcare from non-NHS bodies	**7,162**	7,366
Trust Chair and Non-executive Directors	**67**	72
Supplies and services - clinical	**138,343**	124,955
Supplies and services - general	**8,228**	11,650
Consultancy services	**4,459**	901
Establishment	**4,016**	4,396
Transport	**1,745**	1,059
Service charges - ON-SOFP PFIs and other service concession arrangements	**1,407**	1539
Business rates paid to local authorities	**2,377**	2,184
Premises	**17,074**	16,765
Hospitality	**0**	0
Insurance	**416**	445
Legal Fees	**2,137**	1,579
Impairments and Reversals of Receivables	**11,791**	6,237
Inventories write down	**175**	45
Depreciation	**19,830**	21,586
Amortisation	**165**	154
Impairments and reversals of property, plant and equipment	**19,969**	23,963
Internal Audit Fees	**121**	120
Audit fees	**109**	132
Other auditor's remuneration	**13**	1
Clinical negligence	**19,276**	16,257
Research and development (excluding staff costs)	**2,542**	1,887
Education and Training	**4,067**	5,599
Change in Discount Rate	**233**	(14)
Other	**4,044**	0
Total Operating expenses (excluding employee benefits)	**278,247**	257,068
Employee Benefits		
Employee benefits excluding Board members	**348,106**	329,447
Board members	**919**	986
Total Employee Benefits	**349,025**	330,433
Total Operating Expenses	**627,272**	587,501

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

9. Operating Leases

The Trust leases four properties which are for periods of between ten and twenty years. The leases cannot be cancelled unless through agreed break clauses. There are no contingent rents and the Trust may not assign any of the leases without the landlord's permission.

Details of the leases are set out below:

	Term Yrs	Start Date	End Date	Break Clause	Break Clause Notice
Sussex House, Brighton	18	29.03.07	28.03.25	N/A	N/A
Freshfield, Brighton	19	24.06.03	23.06.22	23.06.2017	12 months
Preston Road, Brighton	20	21.05.13	10.02.33	11.02.2022	6 months
Bloomsbury, Brighton	10	29.05.09	28.05.19	N/A	N/A

The Trust has entered into service level agreements with other local NHS organisations for use of facilities on their sites. The service level agreements are renegotiated annually and include cancellation clauses of between 0 and 1 year.

There are four other properties that the Trust uses where the terms of a lease are under negotiation and are currently agreed annually. Two of these expire in 17-18.

9.1. Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2016-17 Total £000s	2015-16 £000s
Payments recognised as an expense					
Minimum lease payments				**4,024**	5,133
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**4,024**	5,133
Payable:					
No later than one year		3,539	27	**3,566**	4,019
Between one and five years	0	4,650	0	**4,650**	5,106
After five years	0	5,726	0	**5,726**	7,994
Total	**0**	**13,915**	**27**	**13,942**	17,119
Total future sublease payments expected to be received:				0	0

The comparative figures for 2015-16 have been restated to exclude costs that had incorrectly been categorised as lease payments. The impact of this is a decrease in the 2015-16 lease costs payable in future years of £5,363.

9.2. Trust as lessor

The Trust leases space to third parties to provide food, beverages and newspapers, the swimming pool on the St Mary's Hall site in Brighton, office space and use of sites for the location of aerials. The Trust also leases space to the wholly owned subsidiary, Pharm@Sea Limited. The terms of these leases vary between one and fifteen years.

	2016-17 £000s	2015-16 £000s
Recognised as revenue		
Rental revenue	515	575
Contingent rents	0	0
Total	**515**	575
Receivable:		
No later than one year	522	435
Between one and five years	1,458	1,313
After five years	157	88
Total	**2,137**	1,836

10. Employee benefits

10.1. Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
Employee Benefits - Gross Expenditure		
Salaries and wages	**288,048**	278,910
Social security costs	**28,367**	20,652
Employer Contributions to NHS BSA - Pensions Division	**33,002**	31,284
Other pension costs	**0**	5
Termination benefits	**73**	144
Total employee benefits	**349,490**	330,995
Employee costs capitalised	**465**	562
Gross Employee Benefits excluding capitalised costs	**349,025**	330,433

10.2. Retirements due to ill-health

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	**5**	6
	£000s	£000s
Total additional pensions liabilities accrued in the year	**429**	339

10.3. Pension costs

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

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

a) Accounting valuation
A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this "employer cap" assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

NEST

The Pensions Act 2008 and 2001 Automatic Enrolment Regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. Employees who are unable to join the NHS Pensions Scheme are covered by the National Employers Savings Trust ("NEST").

The auto enrolment "staging" date for the Trust compliance was 1 April 2013. This was followed by a re-enrolment date of 1 April 2016. For those staff not entitled to join the NHS Pension Scheme, the Trust utilised an alternative pension scheme called NEST to fulfil its automatic enrolment obligations. NEST stands for National Employment Savings Trust and is a defined contribution pension scheme established by law to support the introduction of auto enrolment.

Contributions are taken from qualifying earnings, which are currently from £5,832 up to £42,384, but will be reviewed every year by the government. The initial contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1st March 2013	1%	1%	2%
1st October 2017	3%	2%	5%
1st October 2018	5%	3%	8%

Pension members can make additional contributions to their pension fund at any time up to the annual limit.

Pension members can choose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Trust they can continue to pay into NEST.

NEST pension members can take their money out of NEST at any time from age 55. If suffering from ill health or incapable of working due to illness members can request to take their money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run but NEST Corporation, a trustee body which is a non-department public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

11. Better Payment Practice Code

11.1. Measure of compliance

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**151,449**	**424,709**	125,098	302,352
Total Non-NHS Trade Invoices Paid Within Target	**52,790**	**210,711**	60,235	155,943
Percentage of Non-NHS Trade Invoices Paid Within Target	**34.86%**	**49.61%**	48.15%	51.58%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**2,794**	**44,931**	1,974	**49,663**
Total NHS Trade Invoices Paid Within Target	**956**	**22,123**	919	**28,884**
Percentage of NHS Trade Invoices Paid Within Target	**34.22%**	**49.24%**	46.56%	58.16%

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

	2016-17 £000s	2015-16 £000s
Amounts included in finance costs from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**24**	3
Total	**24**	3

12. Investment Revenue

	2016-17 £000s	2015-16 £000s
Interest revenue		
Bank interest	**31**	48
Other loans and receivables	**0**	0
Other financial assets	**0**	0
Subtotal	**31**	48
Total investment revenue	**31**	48

13. Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Gain on disposal of assets other than by sale (PPE)	**(8)**	**(74)**
Gain on disposal of assets held for sale	**0**	**95**
Gain/(loss) on foreign exchange	**84**	**54**
Total	**76**	75

14. Finance Costs

	2016-17 £000s	2015-16 £000s
Interest		
Interest on loans and overdrafts	**3,522**	**1,811**
Interest on obligations under PFI contracts:		
- main finance cost	**1,774**	**1,844**
- contingent finance cost	**825**	**669**
Interest on late payment of commercial debt	**0**	**0**
Total interest expense	**6,121**	4,324
Other finance costs	**0**	**2**
Provisions - unwinding of discount	**6**	**73**
Total	**6,127**	4,399

15. Finance Costs

15.1. Other auditor remuneration

	2016-17 £000s	2015-16 £000s
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	**0**	0
2. Audit-related assurance services	**0**	0
6. All assurance services not falling within items 1 to 5	**0**	0
7. Corporate finance transaction services not falling within items 1 to 6 above	**0**	0
8. Other non-audit services not falling within items 2 to 7 above	**13**	1
Total	**13**	**1**

16.1. Property, plant and equipment

2016-17	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 2016	28,350	188,683	544	97,720	88,426	217	33,085	4,317	**441,342**
Additions of Assets Under Construction	0	0	0	67,379	0	0	0	0	**67,379**
Additions Purchased	0	0	0	0	1,037	0	764	0	**1,801**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	88	0	0	0	0	**88**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	0	0	**0**
Reclassifications	5	33,937	(5)	(52,071)	10,655	0	7,479	0	**0**
Reclassifications as Held for Sale and reversals	9	0	54	0	0	0	0	0	**63**
Disposals other than for sale	0	(28)	0	0	0	0	(8)	0	**(36)**
Revaluation	151	2,083	40	0	0	0	0	0	**2,274**
Impairments/reversals charged to operating expenses	187	(14,434)	(22)	0	0	0	(5,700)	0	**(19,969)**
Impairments/reversals charged to reserves	(179)	(2,150)	(18)	0	0	0	0	0	**(2,347)**
At 31 March 2017	**28,523**	**208,091**	**593**	**113,116**	**100,118**	**217**	**35,620**	**4,317**	**490,595**
Depreciation									
At 1 April 2016	0	0	0	0	64,981	217	20,724	4,019	**89,941**
Reclassifications	0	0	0	0	(7)	0	7	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	(28)	0	0	0	0	0	0	**(28)**
Revaluation	0	(7,297)	(15)	0	0	0	0	0	**(7,312)**
Impairment/reversals charged to reserves	0	0	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	7,325	15	0	9,197	0	3,162	131	**19,830**
At 31 March 2017	**0**	**0**	**0**	**0**	**74,171**	**217**	**23,893**	**4,150**	**102,431**
Net Book Value at 31 March 2017	**28,523**	**208,091**	**593**	**113,116**	**25,947**	**0**	**11,727**	**167**	**388,164**
Asset financing:									
Owned - Purchased	28,423	176,269	593	113,084	25,519	0	11,697	136	**355,721**
Owned - Donated	100	1,207	0	32	428	0	30	31	**1,828**
On-SOFP PFI contracts	0	30,615	0	0	0	0	0	0	**30,615**
Total at 31 March 2017	**28,523**	**208,091**	**593**	**113,116**	**25,947**	**0**	**11,727**	**167**	**388,164**

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 2016	5,631	39,136	169	0	660	0	0	0	**45,596**
Movements (specify)	(22)	5,729	56	0	0	0	0	0	**5,763**
At 31 March 2017	**5,609**	**44,865**	**225**	**0**	**660**	**0**	**0**	**0**	**51,359**

Additions to Assets Under Construction in 2016-17

Land	0
Buildings excl Dwellings	59,658
Dwellings	0
Plant & Machinery	7,721
Balance as at YTD	**67,379**

16.2. Property, plant and equipment prior-year

2015-16	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 2015	30,998	206,945	345	49,910	89,712	236	35,472	4,317	**417,935**
Additions of Assets Under Construction	0	0	0	55,193	0	0	0	0	**55,193**
Additions Purchased	0	0	0	0	3,718	0	4,173	0	**7,891**
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	86	0	0	0	0	**86**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	7,478	0	(7,478)	0	0	0	0	**0**
Reclassifications as Held for Sale and Reversals	77	0	143	0	0	0	0	0	**220**
Disposals other than for sale	0	0	0	0	(5,004)	(19)	(6,560)	0	**(11,583)**
Revaluation	1,102	(2,346)	56	0	0	0	0	0	**(1,188)**
Impairment/reversals charged to reserves	(578)	(23,394)	0	9	0	0	0	0	**(23,963)**
Impairments/reversals charged to operating expenses	(3,249)	0	0	0	0	0	0	0	**(3,249)**
At 31 March 2016	**28,350**	**188,683**	**544**	**97,720**	**88,426**	**217**	**33,085**	**4,317**	**441,342**
Depreciation									
At 1 April 2015	0	0	0	0	60,114	232	24,062	3,810	**88,218**
Reclassifications	0	0	0	0	0	0	30	0	**30**
Reclassifications as Held for Sale and Reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(4,837)	(16)	(6,546)	0	**(11,399)**
Revaluation	0	(8,476)	(18)	0	0	0	0	0	**(8,494)**
Impairment/reversals charged to reserves	0	0	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	8,476	18	0	9,704	1	3,178	209	**21,586**
At 31 March 2016	**0**	**0**	**0**	**0**	**64,981**	**217**	**20,724**	**4,019**	**89,941**
Net Book Value at 31 March 2016	**28,350**	**188,683**	**544**	**97,720**	**23,445**	**0**	**12,361**	**298**	**351,401**
Asset financing:									
Owned - Purchased	28,250	153,312	544	97,645	22,418	0	12,302	298	**314,769**
Owned - Donated	100	1,039	0	75	1,027	0	59	0	**2,300**
On-SOFP PFI contracts	0	34,332	0	0	0	0	0	0	**34,332**
Total at 31 March 2016	**28,350**	**188,683**	**544**	**97,720**	**23,445**	**0**	**12,361**	**298**	**351,401**

16.3. (cont). Property, plant and equipment

The donor of the donated assets is Brighton and Sussex University Hospitals NHS Trust Charitable Funds.

The Trust undertakes a full estates revaluation annually. This year an initial valuation was carried out on 31 March 2017 by the external valuers GERALD EVE. The valuations were carried out in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6 Edition, insofar as these terms are consistent with the requirements of the HM Treasury, the National Health Service and the Department of Health.

The valuations were carried out on the basis of fair value. Fair value is determined at the amount which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. The fair value of land and buildings is determined from market based evidence and is therefore on the basis of Market Value. For non specialised operational assets this equates to Existing Use Value and for specialised operational assets fair value. It is estimated using Depreciated Replacement Cost subject to the assumption of continuing use.

Most of the Trust's assets qualify as specialised operational assets and therefore fall to be assessed using the Depreciated Replacement Cost approach and have been valued on an optimal site modern equivalent asset basis. That is the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Non operational assets, including surplus land, are valued on the basis of Market Value on the assumption that the property is no longer required for existing operations, which have ceased.

The estimated remaining lives of the buildings have been adjusted in line with the GERALD EVE's valuation. The lives range from 1 year to 89 years. The estimated remaining lives of the other assets are as follows:

	Years
Medical equipment and engineering plant and equipment	1-16
Furniture	1-5
Soft furnishings	1-8
Office and information technology equipment	1-13

The Trust has fully depreciated assets with a gross book value of £30.4m that are still in use and remain on the capital asset register.

17. Intangible non-current assets

17.1. Intangible non-current assets

2016-17	IT - in-house & 3rd party software	Computer Licenses	Total
	£000's	£000's	£000's
At 1 April 2016	**980**	**679**	**1,659**
Additions of Assets Under Construction	0	0	**0**
Additions Purchased	88	0	**88**
At 31 March 2017	**1,068**	**679**	**1,747**
Amortisation			
At 1 April 2016	**262**	**639**	**901**
Charged During the Year	**135**	**30**	**165**
At 31 March 2017	**397**	**669**	**1,066**
Net Book Value at 31 March 2017	**671**	**10**	**681**
Asset Financing: Net book value at 31 March 2017 comprises:			
Purchased	671	10	**681**
Donated	0	0	**0**
Total at 31 March 2017	**671**	**10**	**681**

Revaluation reserve balance for intangible non-current assets

	£000's	£000's	£000's
At 1 April 2016	0	0	**0**
Movements (specify)	0	0	**0**
At 31 March 2017	**0**	**0**	**0**

17.2. Intangible non-current assets prior year

2015-16	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Total £000's
Cost or valuation:			
At 1 April 2015	645	679	**1,324**
Additions - purchased	421	0	**421**
Disposals other than by sale	(86)	0	**(86)**
At 31 March 2016	980	679	1,659
Amortisation			
At 1 April 2015	286	577	**863**
Reclassifications	(30)	0	**(30)**
Disposals other than by sale	(86)	0	**(86)**
Charged during the year	92	62	**154**
At 31 March 2016	262	639	901
Net book value at 31 March 2016	718	40	**758**
Net book value at 31 March 2016 comprises:			
Purchased	718	40	**758**
Donated	0	0	**0**
Total at 31 March 2016	718	40	758

17.3. Intangible non-current assets

The estimated remaining lives of the other intangible non-current assets ranges from 5 to 10 years.

The Trust has fully depreciated assets with a gross book value of £801,361 that are still in use and remain on the capital asset register.

18. Analysis of impairments and reversals recognised in 2016-17

	Property Plant and Equipment	Intangible Assets	Non-Current Assets Held for Sale	Total £000s
Impairments and reversals taken to SoCI				
Loss or damage resulting from normal operations	0	0	0	**0**
Over-specification of assets	0	0	0	**0**
Abandonment of assets in the course of construction	0	0	0	**0**
Total charged to Departmental Expenditure Limit	**0**	**0**	**0**	**0**
Unforeseen obsolescence	0	0	0	**0**
Loss as a result of catastrophe	0	0	0	**0**
Other	0	0	0	**0**
Changes in market price	19,969	0	0	**19,969**
Total charged to Annually Managed Expenditure	**19,969**	**0**	**0**	**19,969**
Total Impairments of Property, Plant and Equipment changed	**19,969**	**0**	**0**	**19,969**

Donated and Gov Granted Assets, included above	**£000s**
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**(6)**
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**0**

The impairments resulting from the revaluation exercises at the 31 March 2017 were spread across the whole estate. The largest impairments related to the Royal Sussex County Hospital site as follows:

	£000s
Barry Building	3,504
Park Centre	2,165
Hanbury Building	6,313
Courtyard Building	3,623

19. Commitments

19.1. Capital commitments

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

	31 March 2017 £000s	31 March 2016 £000s
Property, plant and equipment	**299,026**	318,806
Intangible assets	**0**	0
Total	**299,026**	318,806

19.2. Other financial commitments

The Trust has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements). The payments to which the Trust is committed are as follows

	31 March 2017 £000s	31 March 2016 £000s
Not later than one year	**1,808**	624
Later than one year and not later than five year	**20,087**	15,972
Later than five years	**0**	5,673
Total	**21,895**	**22,269**

20. Inventories

	Drugs	Consumables	Total	Of which held at NRV
	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**1,735**	**5,383**	**7,118**	0
Additions	74,588	38,624	**113,212**	0
Inventories recognised as an expense in the period	(74,111)	(37,935)	**(112,046)**	0
Write-down of inventories (including losses)	(175)	0	**(175)**	0
Balance at 31 March 2017	**2,037**	**6,072**	**8,109**	**0**

21.1. Trade and other receivables

	Current		Non-current	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	£000s	£000s	**£000s**	£000s
NHS receivables - revenue	**12,314**	14,776	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**24,585**	29,163	**0**	0
Non-NHS receivables - revenue	**9,029**	5,073	**423**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**9,016**	8,001	**2,625**	1,644
PDC Dividend prepaid to DH	**592**	559	**0**	0
Provision for the impairment of receivables	**(7,019)**	(7,954)	**0**	0
VAT	**794**	1,661	**0**	0
Interest receivables	**0**	0	**0**	0
Finance lease receivables	**0**	0	**0**	0
Operating lease receivables	**0**	0	**0**	0
Other receivables	**1,166**	2,083	**0**	0
Total	**50,477**	53,312	**3,048**	1,644
Total current and non current	**53,525**	54,956		
Included in NHS receivables are prepaid pension contributions:	**0**			

The great majority of trade is with Clinical Commissioning Groups. As these bodies are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

21.2. Receivables past their due date but not impaired

	31 March 2017	31 March 2016
	£000s	£000s
By up to three months	**2,830**	3,519
By three to six months	**6,628**	1,086
By more than six months	**4,000**	2,559
Total	**13,458**	7,164

21.3. Provision for impairment of receivables

	2016-17 £000s	2015-16 £000s
Balance at 1 April 2016	**(7,954)**	(3,205)
Amount written off during the year	**12,726**	1,488
Amount recovered during the year	**88**	119
(Increase)/decrease in receivables impaired	**(11,879)**	(6,356)
Balance at 31 March 2017	**(7,019)**	(7,954)

The creation and release of provisions for impaired receivables has been included in Operating Expenses in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. Receivables are impaired based on the age of the debt and disputes with debtors. Full provision is made for all outstanding overseas debts.

22 Other Financial Assets - Non Current

	31 March 2017 £000s	31 March 2016 £000s
Opening balance 1 April	**1,101**	1,101
Additions	**0**	0
Total Other Financial Assets - Non Current	**1,101**	1,101

23. Other current assets

	31 March 2017 £000s	31 March 2016 £000s
EU Emissions Trading Scheme Allowance	**0**	0
Other Assets	**0**	0
Total	**0**	0

24. Cash and Cash Equivalents

	31 March 2017 £000s	31 March 2016 £000s
Opening balance	**3,344**	25,395
Net change in year	**4,063**	(22,051)
Closing balance	**7,407**	3,344
Made up of		
Cash with Government Banking Service	**7,341**	3,321
Cash in hand	**66**	23
Cash and cash equivalents as in statement of cash flows	**7,407**	3,344
Third Party Assets - Bank balance (not included above)	**0**	1
Third Party Assets - Monies on deposit	**0**	0

25. Non-current assets held for sale

	Land	Dwellings	Total
	£000s	£000s	£000s
Balance at 1 April 2016	9	54	**63**
Plus assets classified as held for sale in the year	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(9)	(54)	**(63)**
Balance at 31 March 2017	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2017	**0**	**0**	**0**
Balance at 1 April 2015	134	519	**653**
Plus assets classified as held for sale in the year	0	0	**0**
Less assets sold in the year	(48)	(322)	**(370)**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(77)	(143)	**(220)**
Balance at 31 March 2016	**9**	**54**	**63**
Liabilities associated with assets held for sale at 31 March 2016	0	0	0

The assets held for sale represent the remaining dwellings and buildings that were placed on the market as part of the Estates rationalisation strategy. The remaining property was taken off the market in the year and transferred back to Dwellings.

26. Trade and other payables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
NHS payables - revenue	**6,149**	2,897	**0**	0
NHS payables - capital	**12**	0	**0**	0
NHS accruals and deferred income	**2,074**	5,553	**0**	0
Non-NHS payables - revenue	**18,561**	23,100	**0**	0
Non-NHS payables - capital	**11,841**	9,087	**687**	0
Non-NHS accruals and deferred income	**18,962**	20,410	**0**	0
Social security costs	**8,484**	7,701		
PDC Dividend payable to DH	**0**	0		
Accrued Interest on DH Loans	**837**	220		
VAT	**0**	0	**0**	0
Tax	**3,442**	3,363		
Payments received on account	**0**	0	**0**	0
Other	**109**	544	**0**	0
Total	**70,471**	72,875	**687**	0
Total payables (current and non-current)	**71,158**	**72,875**		
Included above:				
outstanding Pension Contributions at the year end	**4,500**	4,453		

27. Other liabilities

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
Lease incentives	**0**	0	**0**	0
Other	**0**	0	**0**	0
Total	**0**	0	**0**	0
Total other liabilities (current and non-current)	**0**	**0**		

28. Borrowings

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
Loans from Department of Health	**4,357**	4,469	**166,920**	92,492
PFI liabilities - main liability	**3,020**	3,146	**28,344**	29,761
Total	**7,377**	**7,615**	**195,264**	**122,253**
Total other liabilities (current and non-current)	**202,641**	**129,868**		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2017		
	DH £000s	**Other £000s**	**Total £000s**
0-1 Years	4,357	1,492	**5,849**
1 - 2 Years	22,280	542	**22,822**
2 - 5 Years	47,295	5,059	**52,354**
Over 5 Years	97,345	24,271	**121,616**
TOTAL	**171,277**	**31,364**	**202,641**

29. Other financial liabilities

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £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		

30. Deferred income

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
Opening balance at 1 April 2016	**7,872**	9,061	**0**	579
Deferred revenue addition	**1,341**	15,906	**0**	0
Transfer of deferred revenue	**(7,666)**	(17,095)	**0**	(579)
Current deferred Income at 31 March 2017	**1,547**	7,872	**0**	0
Total deferred income (current and non-current)	**1,547**	7,872		

31. Provisions

	Total	Comprising: Early Departure Costs	Legal Claims	Equal Pay (incl. Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**2,022**	1,821	201	0	0	0
Arising during the year	**3,975**	0	76	0	3,899	0
Utilised during the year	**(93)**	(93)	0	0	0	0
Reversed unused	**(70)**	0	(70)	0	0	0
Unwinding of discount	**6**	6	0	0	0	0
Change in discount rate	**233**	233	0	0	0	0
Balance at 31 March 2017	**6,073**	**1,967**	**207**	**0**	**3,899**	**0**
Expected Timing of Cash Flows:						
No Later than One Year	**4,136**	98	139	0	3,899	0
Later than One Year and not later than Five Years	**456**	388	68	0	0	0
Later than Five Years	**1,481**	1,481	0	0	0	0

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

As at 31 March 2017	0
As at 31 March 2016	236,470

The provision for Early Departure Costs is for the reimbursement of injury benefit allowances to the NHS Pensions Agency and the timing of these payments is based the on age of the recipients.

The provision for Legal Claims provides for the Liability to Third Party Schemes (LTPS) and Public & Employers Liability Scheme (PES). This provision covers the excess amount payable by the Trust and not the full liability of claims which is covered by the NHSLA under the non-clinical risk pooling scheme. The timings of the cash flows are based on estimated dates for the finalisation of the claims.

32. Contingencies

	31 March 2017 £000s	31 March 2016 £000s
Contingent liabilities		
NHS Litigation Authority legal claims	**(132)**	(107)
Employment Tribunal and other employee related litigation	**0**	0
Redundancy	**0**	0
Other	**0**	0
Net value of contingent liabilities	**(132)**	(107)
Contingent assets		
Contingent assets	**0**	0
Net value of contingent assets	**0**	0

33. Analysis of charitable fund reserves

	31 March 2017 £000s	31 March 2016 £000s
Restricted / Endowment Funds	10,294	9,172
Non-Restricted Funds	1,956	1,743
	12,250	10,915

Non-restricted funds are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

Restricted funds may be accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity. Capital funds (e.g. endowments) are those funds where the assets are required to be invested, or retained for use rather than expended.

34. PFI - additional information

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

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

	2016-17 £000s	2015-16 £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	**1,407**	1,539
Total	**1,407**	1,539

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

No Later than One Year	**918**	896
Later than One Year, No Later than Five Years	**3,910**	3,814
Later than Five Years	**14,637**	15,651
Total	**19,465**	20,361

The estimated annual payments in future years 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

	2016-17 £000s	2015-16 £000s
No Later than One Year	**3,182**	3,316
Later than One Year, No Later than Five Years	**11,704**	11,631
Later than Five Years	**33,363**	36,619
Subtotal	**48,249**	51,566
Less: Interest Element	**(16,885)**	(18,659)
Total	**31,364**	32,907

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due Analysed by when PFI payments are due	2016-17 £000s	2015-16 £000s
No Later than One Year	**3,020**	3,146
Later than One Year, No Later than Five Years	**9,672**	9,667
Later than Five Years	**18,672**	20,094
Total	**31,364**	32,907

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
Number of off SOFP PFI Contracts		
Total Number of off PFI contracts	**0**	0
Number of off PFI contracts which individually have a total commitments value in excess of £500m	**0**	0

35. Impact of IFRS treatment - current year

The information below is required by the Department of Heath for budget reconciliation purposes	2016-17 Income £000s	2016-17 Expenditure £000s	2015-16 Income £000s	2015-16 Expenditure £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)				
Depreciation charges		**886**		883
Interest Expense		**1,774**		1,844
Impairment charge - AME		**1,397**		1,174
Impairment charge - DEL		**0**		0
Other Expenditure		**2,232**		2,208
Revenue Receivable from subleasing	**0**		0	
Impact on PDC dividend payable		**(162)**		69
Total IFRS Expenditure (IFRIC12)	**0**	**6,127**	**0**	**6,178**
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)		**5,548**		4,532
Net IFRS change (IFRIC12)		**579**		**1,646**
Capital Consequences of IFRS : PFI and other items under IFRIC12				
Capital expenditure 2015-16		0		0
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		766		740

	2016-17 Income/ Expenditure IFRIC 12 YTD £000s	**2016-17 Income/ Expenditure ESA 10 YTD £000s**	2015-16 Income/ Expenditure IFRIC 12 YTD £000s	2015-16 Income/ Expenditure ESA 10 YTD £000s
Revenue costs of IFRS12 compared with ESA10				
Depreciation charges	**886**		883	
Interest Expense	**1,774**		1,844	
Impairment charge - AME	**1,397**		1,174	
Impairment charge - DEL	**0**		0	
Other Expenditure				
Service Charge	**1,016**	**5,548**	851	4,532
Contingent Rent	**825**		669	
Lifecycle	**391**		688	
Impact on PDC Dividend Payable	**(162)**		69	
Total Revenue Cost under IFRIC12 vs ESA10	**6,127**	**5,548**	**6,178**	**4,532**
Revenue Receivable from subleasing	**0**	**0**	**0**	**0**
Net Revenue Cost/(income) under IDRIC12 vs ESA10	**6,127**	**5,548**	**6,178**	**4,532**

36. Financial Instruments

36.1. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with commissioners and the way those commissioners are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

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

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

Interest rate risk
The Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. 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.

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2017 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 Clinical Commissioning Groups and NHS England, 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.

36.2. Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0	0	0	**0**
Receivables - NHS	0	12,315	0	**12,315**
Receivables - non-NHS	0	6,389	0	**6,389**
Cash at bank and in hand	0	7,407	0	**7,407**
Other financial assets	1,100	0	0	**1,100**
Total at 31 March 2017	**1,100**	**26,111**	**0**	**27,211**
Embedded derivatives	0	0	0	0
Receivables - NHS	0	14,776	0	14,776
Receivables - non-NHS	0	1,355	0	1,355
Cash at bank and in hand	0	3,344	0	3,344
Other financial assets	1,100	0	0	1,100
Total at 31 March 2016	1,100	19,475	0	20,575

36.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
Embedded derivatives	0	0	**0**
NHS payables	0	6,159	**6,159**
Non-NHS payables	0	32,034	**32,034**
Other borrowings	0	171,277	**171,277**
PFI & finance lease obligations	0	19,134	**19,134**
Other financial liabilities	0	0	**0**
Total at 31 March 2017	**0**	**228,604**	**228,604**
Embedded derivatives	0	0	0
NHS payables	0	2,897	2,897
Non-NHS payables	0	32,951	32,951
Other borrowings	0	96,961	96,961
PFI & finance lease obligations	0	20,095	20,095
Other financial liabilities	0	0	0
Total at 31 March 2016	0	152,904	152,904

37. Events after the end of the reporting period

There are no events after the reporting period that have a material effect on these accounts.

38. Related party transactions

There were no related party transactions with individuals reported during the year.

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

NHS England
Public Health England
Health Education England
NHS Blood & Transplant
NHS Litigation Authority
NHS Business Services Authority
Brighton & Hove City CCG
Coastal West Sussex CCG
Crawley CCG
East Surrey CCG
East Sussex Healthcare NHS Trust
Eastbourne Hailsham & Seaford CCG
Frimley Park Hospitals NHS FT
Guys & St Thomas NHS Trust
Hastings and Rother CCG
High Weald Lewes & Haven CCG
Horsham & Mid Sussex CCG
Kings College Hospitals NHS FT
Oxford Health NHS FT
Pennine Acute Hospitals NHS Trust
Portsmouth CCG
Queen Victoria Hospital NHS FT
Royal Surrey County NHS FT
South East Coast Ambulance NHS FT
Surrey Downs CCG
Surrey & Sussex Healthcare NHS Trust
Sussex Community NHS Foundation Trust
Sussex Partnership NHS FT
Wandsworth CCG
West Kent CCG
Western Sussex Hospitals NHS FT

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Brighton and Hove City Council, East Sussex County Council and West Sussex Council in respect of clinical services.

The Trust is the corporate trustee of Brighton and Sussex University Hospitals NHS Trust Charitable Fund and is the sole beneficiary of this charity. The Directors of The Trust act as agents on behalf of the corporate trustee. The charity, which has estimated accumulated funds of £12.2m, (2015-16 : £11.1m) has provided funding to the Trust for the approved expenditure made on behalf of the charity. This funding amounted to £1.6m (2015-16:£3.4m) of which £0.3m was outstanding at 31 March 2017 During the year none of the members of the Trust Board or senior Trust staff or parties related to them were beneficiaries of the charity. Neither the Corporate Trustee nor any member of the Trust Board has received honoraria, emoluments or expenses in the year.

The summary financial statements of the Funds Held on Trust are consolidated in the annual report and accounts.

The Trust has a wholly owned subsidiary, Pharm@Sea Limited, to deliver outpatient pharmacy services on behalf of the Trust. The board includes two directors of the Trust and three independent non executives. Pharm@Sea Limited charged the Trust £18.1m (2015-16 : £16.1m) for the prescription of drugs in the year. The Trust charged Pharma@Sea Limited £235,176 (2015-16 : £224,000 for back office support and office rental. The net amount outstanding from the Trust at 31 March 2017 is £2.2m (31 March 2016 : £1.2m).

39. Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	40,492	4
Special payments	24,705	81
Gifts	0	0
Total losses and special payments and gifts	65,197	85

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

	Total Value of Cases £s	Total Number of Cases
Losses	11,760	4
Special payments	26,509	94
Total losses and special payments	38,269	98

There were no cases exceeding £300,000.

40. 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.

40.1. Breakeven performance

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s
Turnover	326,320	352,694	398,447	415,950	439,750	574,218	606,074	558,555	520,765	529,475	550,369
Retained surplus/(deficit) for the year	(5,278)	106	9,925	4,603	(11,860)	(16,245)	(22)	(9,572)	(1,309)	(69,980)	(89,124)
Adjustment for:											
Timing/non-cash impacting distortions:											
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	1,161	5,414	15,972	16,022	3,213	14,272	190	23,963	19,969
Adjustments for impact of policy change re donated/government grants assets						469	134	414	669	726	654
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				210	400	(204)	0	0	0	472	0
Other agreed adjustments	0	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	(5,278)	106	11,086	10,227	4,512	42	3,325	5,114	(450)	(44,819)	(68,501)
Break-even cumulative position	(29,026)	(28,920)	(17,834)	(7,607)	(3,095)	(3,053)	272	5,386	4,936	(39,883)	(108,384)

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

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Materiality test (i.e. is it equal to or less than 0.5%):											
Break-even in-year position as a percentage of turnover	-1.62	0.03	2.78	2.46	1.03	0.01	0.55	0.92	-0.09	-8.46	-12.45
Break-even cumulative position as a percentage of turnover	-8.89	-8.20	-4.48	-1.83	-0.70	-0.53	0.04	0.96	0.95	-7.53	-19.69

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.

40.2. Capital cost absorption rate

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

40.3. External financing

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

	2016-17 £000s	2015-16 £000s
External financing limit (EFL)	118,187	88,060
Cash flow financing	115,734	87,875
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	**115,734**	87,875
Under spend against EFL	**2,453**	185

40.4. Capital resource limit

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

	2016-17 £000s	2015-16 £000s
Gross capital expenditure	69,348	63,591
Less: book value of assets disposed of	0	(554)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(88)	(86)
Charge against the capital resource limit	**69,260**	62,951
Capital resource limit	72,885	67,516
Underspend against the capital resource limit	**3,625**	4,565

41. Third party assets

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

	31 March 2017 £000s	31 March 2016 £000s
Third party assets held by the Trust	**0**	1

BRIGHTON AND SUSSEX UNIVERSITY HOSPITALS NHS TRUST

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

Statement of Comprehensive Income for year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s	Consolidated 2016-17 £000s	Consolidated 2015-16 £000s
Gross employee benefits	10.1	**(349,025)**	(330,433)	**(349,507)**	(330,840)
Other operating costs	8	**(278,247)**	(257,068)	**(278,380)**	(258,684)
Revenue from patient care activities	5	**496,583**	479,497	**496,690**	479,588
Other operating revenue	6	**53,786**	49,978	**54,504**	52,001
Operating deficit		**(76,903)**	(58,026)	**(76,693)**	(57,935)
Investment revenue	12	**31**	48	**370**	609
Other gains	13	**76**	75	**1,415**	(111)
Finance costs	14	**(6,127)**	(4,399)	**(6,132)**	(4,399)
Deficit for the financial year		**(82,923)**	(62,302)	**(81,040)**	(61,836)
Public dividend capital dividends payable		**(6,201)**	(7,678)	**(6,201)**	(7,678)
Tax		**0**	0	**(144)**	(14)
Retained deficit for the year		**(89,124)**	(69,980)	**(87,385)**	(69,528)

Other Comprehensive Income

	2016-17 £000s	2015-16 £000s	2016-17 £000s	2015-16 £000s
Impairments and reversals taken to the revaluation reserve	**(2,347)**	(3,249)	**(2,347)**	(3,249)
Net gain on revaluation of property, plant & equipment	**9,586**	7,306	**9,586**	7,306
Total comprehensive income for the year*	**(81,885)**	(65,923)	**(80,146)**	(65,471)

* This sums the rows above and the deficit for the year.

Financial performance for the year

Retained deficit for the year	**(89,124)**	(69,980)
IFRIC 12 adjustment (including IFRIC 12 impairments)	**1,397**	1,646
Impairments (excluding IFRIC 12 impairments)	**18,572**	22,789
Adjustments in respect of donated asset reserve elimination	**654**	726
Adjusted retained deficit	**(68,501)**	(44,819)

A trust's reported financial performance position is derived from it's retained surplus/(deficit), but adjusted for the following:

a) The incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, is reported as technical. This additional cost is not considered part of the organisation's operating position.

b) The Treasury FReM for 2011-12 changed the accounting treatment for the funding element of charitable donations so that NHS bodies no longer hold Donated Asset Reserves. Where assets are funded by donations the financing element of the transaction is recognised as income and taken through the statement of income and expenditure. The impact of the change in policy is not considered part of the organisation's operating position.

c) Prior year performance is not re-assessed following accounting restatements.

The notes on pages 7 to 49 form part of this account.

Statement of Financial Position as at 31 March 2017

	NOTE	31 March 2017 £000s	31 March 2016 £000s	Consolidated 31 March 2017 £000s	Consolidated 31 March 2016 £000s
Non-current assets:					
Property, plant and equipment	16	**388,164**	351,401	**388,394**	351,687
Intangible assets	17	**681**	758	**681**	758
Other Investments - Charitable				**11,780**	10,441
Other financial assets	23	**1,101**	1,101	**0**	0
Trade and other receivables	22.1	**3,048**	1,644	**3,048**	1,644
Total non-current assets		**392,994**	354,904	**403,903**	364,530
Current assets:					
Inventories	21	**8,109**	7,118	**8,816**	7,692
Trade and other receivables	22.1	**50,477**	53,312	**48,406**	61,356
Cash and cash equivalents	25	**7,407**	3,344	**8,639**	4,970
Sub-total current assets		**65,993**	63,774	**65,861**	74,018
Non-current assets held for sale	26	**0**	63	**0**	63
Total current assets		**65,993**	63,837	**65,861**	74,081
Total assets		**458,987**	418,741	**469,764**	438,611
Current liabilities					
Trade and other payables	27	**(70,471)**	(72,875)	**(68,568)**	(81,793)
Other liabilities	28	**0**	0	**0**	0
Provisions	32	**(4,136)**	(236)	**(4,136)**	(236)
Borrowings	29	**(3,020)**	(3,146)	**(3,020)**	(3,146)
DH revenue support loan	29	**0**	(1,500)	**0**	(1,500)
DH capital loan	29	**(4,357)**	(2,969)	**(4,357)**	(2,969)
Total current liabilities		**(81,984)**	(80,726)	**(80,081)**	(89,644)
Net current liabilities		**(15,991)**	(16,889)	**(14,220)**	(15,563)
Total assets less current liablilities		**377,003**	338,015	**389,683**	348,967
Non-current liabilities					
Trade and other payables	27	**(687)**	0	**(687)**	0
Other liabilities	28	**0**	0	**0**	0
Provisions	32	**(1,937)**	(1,786)	**(1,983)**	(1,843)
Borrowings	29	**(28,344)**	(29,761)	**(28,344)**	(29,761)
Other financial liabilities	30	**0**	0	**0**	0
DH revenue support loan	29	**(107,181)**	(37,685)	**(107,181)**	(37,685)
DH capital loan	29	**(59,739)**	(54,807)	**(59,739)**	(54,807)
Total non-current liabilities		**(197,888)**	(124,039)	**(197,934)**	(124,096)
Total assets employed:		**179,115**	213,976	**191,749**	224,871
FINANCED BY:					
Public Dividend Capital		**294,776**	247,752	**294,776**	247,752
Retained earnings		**(167,019)**	(79,400)	**(167,019)**	(81,268)
Revaluation reserve		**51,358**	45,624	**51,358**	45,624
Charitable Funds Reserve				**12,251**	12,435
Pharm@Sea Reserve				**383**	328
Total Taxpayers' Equity:		**179,115**	213,976	**191,749**	224,871

The notes on pages 7 to 49 form part of this account.

The financial statements on pages *2 to 6* were approved by the Audit Committee and signed on its behalf by ... (with delegated authority by the Board) on ...

Chief Executive: Date:

Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2017

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**247,752**	**(79,400)**	**45,624**	**0**	**213,976**
Changes in taxpayers' equity for 2016-17					
Retained deficit for the year		(89,124)			**(89,124)**
Net gain on revaluation of property, plant, equipment			9,586		**9,586**
Impairments and reversals			(2,347)		**(2,347)**
Transfers between reserves		1,505	(1,505)	0	**0**
Reclassification Adjustments					
Temporary and permanent PDC received - cash	47,024				**47,024**
Net recognised revenue/(expense) for the year	**47,024**	**(87,619)**	**5,734**	**0**	**(34,861)**
Balance at 31 March 2017	**294,776**	**(167,019)**	**51,358**	**0**	**179,115**
Balance at 1 April 2015	**236,123**	**(17,866)**	**50,013**	**0**	**268,270**
Changes in taxpayers' equity for 2015-16					
Retained deficit for the year		(69,980)			(69,980)
Net gain on revaluation of property, plant, equipment			7,306		7,306
Impairments and reversals			(3,249)		(3,249)
Transfers between reserves		8,446	(8,446)	0	0
Reclassification Adjustments					
New PDC received - cash	11,629				11,629
Net recognised revenue/(expense) for the year	**11,629**	**(61,534)**	**(4,389)**	**0**	**(54,294)**
Balance at 31 March 2016	**247,752**	**(79,400)**	**45,624**	**0**	**213,976**

Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2017

Consolidated

	Public Dividend capital	Retained earnings	Revaluation reserve	Charitable Funds Reserve	Pharm@Sea Reserve	Total reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**247,752**	**(81,268)**	**45,624**	**12,435**	**328**	**224,871**
Changes in taxpayers' equity for 2016-17						
Retained (deficit)/surplus for the year		(89,124)		1,684	55	**(87,385)**
Net gain on revaluation of property, plant, equipment			9,586			**9,586**
Impairments and reversals			(2,347)			**(2,347)**
Transfers between reserves		1,505	(1,505)			**0**
Reclassification Adjustments						
Permanent PDC received - cash	47,024					**47,024**
Consolidation Adjustment		1,868		(1,868)	0	**0**
Net recognised revenue/(expense) for the year	**47,024**	**(85,751)**	**5,734**	**(184)**	**55**	**(33,122)**
Balance at 31 March 2017	**294,776**	**(167,019)**	**51,358**	**12,251**	**383**	**191,749**
Balance at 1 April 2015	**236,123**	**(19,734)**	**50,013**	**12,157**	**154**	**278,713**
Changes in taxpayers' equity for 2015-16						
Retained (deficit)/surplus for the year		(69,980)		278	174	(69,528)
Net gain on revaluation of property, plant, equipment			7,306	0	0	7,306
Impairments and reversals			(3,249)			(3,249)
Transfers between reserves		8,446	(8,446)		0	0
Reclassification Adjustments						
New PDC received - cash	11,629					11,629
Consolidation Adjustment						0
Net recognised revenue/(expense) for the year	**11,629**	**(61,534)**	**(4,389)**	**278**	**174**	**(53,842)**
Balance at 31 March 2016	**247,752**	**(81,268)**	**45,624**	**12,435**	**328**	**224,871**

Information on reserves

1. Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities. Additional PDC may also be issued to NHS trusts by the Department of Health. A charge, reflecting the cost of capital utilised by the NHS trust, is payable to the Department of Health as the public dividend capital dividend.

2. Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of the Trust.

3. Revaluation Reserve
Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

4. Charitable Funds Reserve.
This balance represents the ring-fenced funds held by the Charity consolidated within these accounts. These reserves are classified as restricted or unrestricted.

5. Pharm@Sea Reserve.
This balance represents the accumulated reserves of the Trust's wholly owned subsidiary, Pharm@Sea Limited.

Statement of Cash Flows for the Year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s	Consolidated 2016-17 £000s	Consolidated 2015-16 £000s
Cash Flows from Operating Activities					
Operating deficit		**(76,903)**	(58,026)	**(76,697)**	(57,935)
Depreciation and amortisation	8	**19,995**	21,740	**20,051**	21,796
Impairments and reversals	18	**19,969**	23,963	**19,969**	23,963
Other gains on foreign exchange	13	**84**	54	**84**	54
(Increase)/Decrease in Inventories		**(991)**	60	**(1,124)**	241
Decrease/(Increase) in Trade and Other Receivables		**1,431**	(17,482)	**11,546**	(26,541)
(Decrease)/Increase in Trade and Other Payables		**(5,137)**	5,216	**(15,451)**	14,161
Provisions utilised		**(93)**	(356)	**(93)**	(1,702)
Increase in movement in non cash provisions		**4,138**	4,753	**4,138**	6,142
Corporation Tax paid		**0**	0	**26**	0
Net Cash Outflow from Operating Activities		**(37,507)**	(20,078)	**(37,551)**	(19,821)
Cash Flows from Investing Activities					
Interest Received		**31**	48	**31**	48
Payments for Property, Plant and Equipment		**(65,815)**	(55,169)	**(66,502)**	(55,169)
Payments for Intangible Assets		**(88)**	(421)	**(88)**	(421)
Proceeds of disposal of assets held for sale (PPE)		**0**	575	**0**	575
NHS Charitable Funds - net cash flows relating to investing activities				**339**	561
Net Cash Outflow from Investing Activities		**(65,872)**	(54,967)	**(66,220)**	(54,406)
Net Cash Outflow before Financing		**(103,379)**	(75,045)	**(103,771)**	(74,227)
Cash Flows from Financing Activities					
Gross Temporary and Permanent PDC Received		**47,024**	11,629	**47,024**	11,629
Loans received from DH - New Capital Investment Loans		**9,289**	22,963	**9,289**	22,963
Loans received from DH - New Revenue Support Loans		**69,496**	45,628	**69,496**	45,628
Loans repaid to DH - Capital Investment Loans Repayment of Principal		**(2,969)**	(2,233)	**(2,969)**	(2,233)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		**(1,500)**	(10,943)	**(1,500)**	(10,943)
Capital Element of Payments in Respect On-SoFP PFI		**(1,543)**	(1,220)	**(1,543)**	(1,220)
Interest paid		**(6,121)**	(4,326)	**(6,123)**	(4,326)
PDC Dividend paid		**(6,234)**	(8,504)	**(6,234)**	(8,504)
Net Cash Inflow from Financing Activities		**107,442**	52,994	**107,440**	52,994
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,063**	(22,051)	**3,669**	(21,233)
Cash and Cash Equivalents at Beginning of the Period		**3,344**	25,395	**4,970**	26,203
Effect of exchange rate changes in the balance of cash held in foreign currencies		**0**	0	**0**	0
Cash and Cash Equivalents at year end	**25**	**7,407**	3,344	**8,639**	4,970

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the Department of Health Group Accounting Manual 2016-17 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 Department of Health Group Accounting permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Group 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.

Going concern

These accounts have been prepared on the basis the Trust is a going concern as there is no indication that that the healthcare and other services will not continue to be provided by the public sector for the foreseeable future and that continuing financial support will be provided by DH.

This year the Trust has struggled to meet its financial targets against a backdrop of increased financial pressure across the NHS. The Trust has returned a control total deficit of £68.5m but has achieved £20.8m savings through the Cost Improvement Programme. The DH provided deficit funding of £69.5m as revenue support loans in year bringing the total revenue support loan funding to £107.2m at 31 March 2017.

three years. From 1 April 2017 the Executive Team and Chairman of Western Sussex Hospitals NHS Foundation Trust are also the Executive Team and Chairman of the Group. This is to provide some strong and stable leadership to the Group for at least three years. New regulatory oversight arrangements have also been agreed which will provide a focus on supporting the Group to exit from Financial Special Measures and Quality Special Measures.

The Trust has agreed a revision to the financial control totals for the next two years with NHSI. The basis upon which these have been agreed will limit the financial efficiency requirement upon the Trust over this period. It is expected the Trust will deliver a deficit of £65.4m in 2017/18. The plans reflect agreed continued revenue deficit support funding from DH for both years. The deficit support funding is authorised by the DH monthly in advance and is conditional on the achievement of the agreed financial control total for the year. Deficit support funding totalling £12.8m for April and May 2017 has been provided to the Trust.

The healthcare contracts with local Clinical Commissioning Groups and NHS England for 2017/18 have been agreed. These are all on a Payment by Results basis and amount to approximately £471m .

The Trust's 2017/18 cash flow forecast is based on the assumptions in the 2017/18 financial plan. The key assumptions underpinning the cash flow are:
a) Receipt of £65.4m revenue support loan from the DH to finance the revenue deficit.
b) Receipt of £98m PDC from DH to fund the 3Ts capital build.

The cash flow position is reported to the Finance and Investment Committee and the Board monthly and this is based on the Trust's detailed 12 month cash flow forecast which is updated daily.

The Trust's financial priority for the next two years is to deliver its control total deficit as agreed with NHS Improvement. This includes the development and embedding of robust and transparent processes for financial improvement and control as well as a new infrastructure to support delivery of a sustainable efficiency programme.

The new Executive leadership of the Trust has agreed the following priorities with NHS Improvement over the next 3 years:

- Moving out of Quality Special Measures
- Improvement and delivery of A&E performance
- Moving out of Financial Special Measures
- Addressing underlying Leadership and Cultural challenges
- Assuring delivery of 3Ts programme and integration into the Trust

Taking into account all these factors, the assumption that the healthcare and other services will continue to be provided by the public sector for the foreseeable future and that the DH will continue to provide financial support, the Directors consider the Trust will continue to operate as a going concern. The conditions described above do, however, indicate the existence of material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern.

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

NOTES TO THE ACCOUNTS

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 SOCI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

1.4 Consolidation

Material entities over which the Group 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.

The results of Brighton and Sussex University Hospitals NHS Charitable Funds, over which the Group considers it has the power to exercise control in accordance with IFRS10 requirements, and the results of the wholly owned subsidiary, Pharm@Sea Limited, have been consolidated.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated in full on consolidation.

Separate notes have not been prepared for the Trust.

1.5 Pooled Budgets

The Group has not entered into any pooled budget arrangements during the Financial Year 2016-17

1.6 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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.

1.6.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Valuation of Buildings
Department of Health guidance specifies that the Group's land and buildings should be valued on the basis of depreciated replacement cost, applying the Modern Equivalent Asset (MEA) concept. The MEA is defined as "the cost of a modern replacement asset that has the same productive capacity as the property being valued." Therefore the MEA is not a valuation of the existing land and buildings that the Group holds, but a theoretical valuation for accounting purposes of what the Group could need to spend in order to replace the current assets. In determining the MEA, the Trust has to make assumptions that are practically achievable, however the Group is not required to have any plans to make such changes.

The Group is satisfied that the assumptions underpinning the MEA valuation are practically achievable, would not change the services provided by the Group, and would not impact on service delivery or the level and volume of service provided. The Group does not intend to implement any of the theoretical assumptions that underpin the MEA valuation.

For the purpose of the MEA valuation, the Group has defined all of the Royal Sussex County Hospital, The Royal Alexandra Children's Hospital, the Sussex Eye Hospital and the Royal Princess Royal Hospital as buildings that provide specialist health care services. The MEA valuation in the accounts assumes that the Brighton based hospitals could theoretically be provided from a location on the outskirts of Brighton.

The MEA valuations used by the Group have been provided to the Group by the external valuers, GERLADEVE. The Group has used component lives based upon contractual information provided by the GERALDEVE to depreciate buildings and dwellings on a component basis.

PFI
The Group uses the standard Department of Health model to account for its PFI scheme.

Assets Under Construction

NOTES TO THE ACCOUNTS

The costs of the 3T's project (the redevelopment of the Royal Sussex County Hospital), which represent costs capitalised on assets not currently complete, are included in Assets Under Construction. At 31 March 2017 these amounted to £90.1m (2015-16 - £68.32m). The project, which has a cost of £486m, was approved by HMT in December 2015 with an expected completion date of 2024. The project is estimated to be completed in 2024. There are three phases to the build. The Group has taken the judgement that capitalised expenditure will be classified as Assets Under Construction until completion of each stage of the phases of the build, at which point the assets will be reclassified as operational buildings. Changes in the valuation basis between cost and fair value, when these reclassifications occur, may result in significant changes in the carrying value of the assets.

Provision for Pensions
The Group has estimated the provision for pensions relating to former staff using estimates provided by the NHS Pension Agency provided at the time of the member's early retirement. These are updated annually using national life expectancy tables and if the if it becomes apparent that the provision is not sufficient to meet the liability.

NOTES TO THE ACCOUNTS

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

1.6.2 Key sources of estimation uncertainty

Fully Depreciated Plant and Equipment
The Group is in the process of reviewing fully depreciated items of plant and equipment held on the capital asset register which may no longer exist. Based on the work undertaken the Group continues to estimate that it holds approximately £17m of fully depreciated assets of its capital asset register which no longer exist that are excluded from the financial statements.

Software Development
During the year the Group decided to discontinue development of a software system. Negotiations are ongoing with the main software provider to terminate the contract early. Full provision has been made for the costs of early termination at £3.5m.

Revenue
The basis of calculation for partially completed spells is detailed in note 1.7 below.

Depreciation
The reported amounts for depreciation of property, plant and equipment and amortisation of non-current intangible assets can be materially affected by the judgements exercised in determining their estimated economic lives. Economic lives are determined in a number of different ways such as valuations (external professional opinion) and physical asset verification exercises.

The estimated economic lives of each class of asset are disclosed in note 1.12, and the carrying values of property, plant and equipment and intangible assets in note 16.1 and 17.1 respectively.

Land and Buildings Valuations
All land and buildings are restated at current value by way of annual professional valuations carried out by an independent external valuer.

Provision for impairment of receivables

Provisions are based on a combination of the age of the debt and disputes with debtors. The Group follows the guidance issued in the Department of Health Group Accounting Manual 2016-17 in relation to the recommended rate for Injury Cost Recovery receivables.

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 Group is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end is measured at the price per day for each patient spell apportioned across the financial years.

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

The Group 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 Group 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. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs
Past and present employees are covered by the provisions of the NHS Pension Schemes. These schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The schemes are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they were defined contribution schemes: the cost to the NHS body of participating in a 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 Group commits itself to the retirement, regardless of the method of payment.

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

Past and present employees unable to join the NHS Pension Schemes are covered by the National Employers Savings Trust ("NEST"). NEST is a defined contribution pension scheme.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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 Group;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and either
- the item cost at least £5,000; or
- Collectively, a number of items have a total 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.

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

Valuation
All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:
- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost, modern equivalent asset basis.

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.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowing costs. Assets are revalued and depreciation commences when they are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful economic lives or low values or both, as this is not considered to be materially different from current value in existing use.

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

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

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 Group'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 Group; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at cost. Software that is integral to the operation 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;

NOTES TO THE ACCOUNTS

- 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; and
- 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 current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.12 Depreciation, amortisation and impairments

Freehold land, assets under construction or development, and assets held for sale are not depreciated/amortised.

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight line basis over their estimated useful lives. The estimated useful life of an asset is the period over which the Group expects to obtain economic benefits or service potential from the asset. This is specific to the Group 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 the shorter of the lease term and the estimated useful lives.

The estimated useful lives are:

	Years
Buildings	1-90
Medical equipment and engineering plant and equipment	5-16
Furniture	5-15
Soft furnishings	5-15
Office and information technology equipment	5-10

At each financial year-end, the Group checks whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of such an impairment, 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 at the financial year end.

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 are 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.

1.13 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at 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 treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.14 Government grants

Government grant funded assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

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.

NOTES TO THE ACCOUNTS

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 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.

NOTES TO THE ACCOUNTS

The Group 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 of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Group's 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 Group as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group'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 Group'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.

1.17 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 Group therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

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

PFI Asset
The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

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 initial 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 Group'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 accrual or prepayment is recognised respectively.

NOTES TO THE ACCOUNTS

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 operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Group 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 Group's Statement of Financial Position.

Other assets contributed by the Group to the operator
Assets contributed (e.g. cash payments, surplus property) by the Group 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 Group, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1.18 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.

1.19 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.

1.20 Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group 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.

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.24% (2015-16: positive 1.37%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:
- A short term rate of negative 2.70% (2015-16: negative 1.55%) for expected cash flows up to and including 5 years
- A medium term rate of negative 1.95% (2015-16: negative 1.00%) for expected cash flows over 5 years up to and including 10 years
- A long term rate of negative 0.80% (2015-16: negative 0.80%) for expected cash flows over 10 years.

All percentages are in real terms.

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.

A restructuring provision is recognised when the Group 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.

1.21 Clinical negligence costs
The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Group 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 Group. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Group is disclosed at Note 32.

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

1.23 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 Group 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.

1.24 Contingencies

NOTES TO THE ACCOUNTS

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 Group, 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 Group. 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.

1.25 Financial assets

Financial assets are recognised when the Group 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 Group's deficit for the year. The net gain or loss incorporates any interest earned on the financial asset. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

Held to maturity investments

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

NOTES TO THE ACCOUNTS

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. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

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

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

Financial assets are initially recognised at fair value. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised costs using the effective interest method, less impairment. Interest is recognised using the effective interest method.

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 Group 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 that occurred after the initial recognition of the asset and that have 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.

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.

1.26 Financial liabilities
Financial liabilities are recognised on the statement of financial position when the Group 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 historic cost. Otherwise, financial liabilities are initially recognised at fair value.

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

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

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 Group's deficit. The net gain or loss incorporates any interest payable on the financial liability. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

Other financial liabilities
After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from the 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.

1.27 Value Added Tax
Most of the activities of the Group 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.

NOTES TO THE ACCOUNTS

1.28 Foreign currencies

The Group's functional 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 Group's surplus/deficit in the period in which they arise.

1.29 Third party assets

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

1.30 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the Group. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Group. 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 Group, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

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

1.31 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 the Group not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

1.32 Subsidiaries

Material entities over which the Group has the power to exercise control are classified as subsidiaries and are consolidated. The Group has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary 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 Group 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'.

1.33 Associates

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

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

1.34 Joint arrangements

Material entities over which the Group has joint control with one or more other entities are classified as joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement. A joint arrangement is either a joint operation or a joint venture.

A joint operation exists where the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Where the Group is a joint operator it recognises its share of, assets, liabilities, income and expenses in its own accounts.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are recognised as an investment and accounted for using the equity method.

NOTES TO THE ACCOUNTS

1.35 Research and Development

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

1.36 Charitable Funds Structure

Charitable Funds are classified into three categories, Restricted, Unrestricted and Endowment Funds.
Restricted funds are those which are to be sued in accordance with specific restrictions imposed by the donor and/or Trustee at the inception of the fund. Unrestricted funds are those which the Trustee is free to use for any purpose in furtherance of the charitable objectives. Unrestricted funds include designated funds which are not legally restricted but which the Trustee has chosen to earmark for set purposes. Endowment funds are funds where the capital is held in perpetuity to generate income for charitable purposes and cannot itself be spent.

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

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

1.38 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

2. Pooled budget

The Group has not entered into any pooled budget arrangements during the Financial Year 2016-17

3. Operating segments

The nature of the Group's services is the provision of healthcare. Similar methods are used to provide services across all locations and all policies, procedures and governance arrangements are Group wide. As an NHS Group, all services are subject to the same regulatory environment and standards set by the Group's external performance managers. Accordingly, the Group operates one segment and in 2016-17 reported to the Board in this format. No discrete activities of the business have individual revenue exceeding 10% of the total combined revenue, profit or assets.

Income from transactions with a single external customer which amount to 10% or more of total income is as follows:

	2016-17 £m's	2015-16 £m's
CCG *	276	270
NHS England	177	163
	453	433

This income all relates to patient activity.

* As commissioners are under common control they are classed as a single customer for this purpose.

4. Income generation activities

The Group undertakes income generation activities with an aim of achieving profit, which is then used in patient care, but has not undertaken any income generation activities whose full cost exceeded £1m.

5. Revenue from patient care activities

	2016-17 £000s	2015-16 £000s
NHS Trusts	**3,090**	3,080
NHS England	**173,825**	160,756
Clinical Commissioning Groups	**275,617**	269,859
Foundation Trusts	**3,000**	2,430
Department of Health	**1,545**	1,777
NHS Other (including Public Health England and Prop Co)	**340**	721
Non-NHS:		
Local Authorities	**4,490**	4,419
Private patients	**4,496**	4,534
Overseas patients (non-reciprocal)	**338**	234
Injury costs recovery	**2,625**	1,663
Other Non-NHS patient care income	**27,217**	30,024
Total Revenue from patient care activities	**496,583**	479,497

6. Other operating revenue

	2016-17 £000s	2015-16 £000s
Recoveries in respect of employee benefits	**2,785**	2,885
Patient transport services	**0**	0
Education, training and research	**33,385**	37,255
Receipt of charitable donations for capital acquisitions	**88**	86
Non-patient care services to other bodies	**5,736**	1,992
Sustainability & Transformation Fund Income	**3,600**	0
Income generation (Other fees and charges)	**7,052**	7,185
Rental revenue from operating leases	**515**	575
Other revenue	**625**	0
Total Other Operating Revenue	**53,786**	49,978
Total operating revenue	**550,369**	529,475

7. Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	**338**	234
Cash payments received in-year (re receivables at 31 March 2016)	**20**	39
Cash payments received in-year (iro invoices issued 2016-17)	**42**	82
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	**0**	0
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	**130**	62
Amounts written off in-year (irrespective of year of recognition)	**5**	**12**

8. Operating expenses

	2016-17 £000s	2015-16 £000s
Services from other NHS Trusts	**2,151**	5,945
Services from CCGs/NHS England	**114**	0
Services from other NHS bodies	**14**	363
Services from NHS Foundation Trusts	**6,202**	1,882
Total Services from NHS bodies*	**8,481**	8,190
Purchase of healthcare from non-NHS bodies	**7,162**	7,366
Trust Chair and Non-executive Directors	**67**	72
Supplies and services - clinical	**138,343**	124,955
Supplies and services - general	**8,228**	11,650
Consultancy services	**4,459**	901
Establishment	**4,016**	4,396
Transport	**1,745**	1,059
Service charges - ON-SOFP PFIs and other service concession arrangements	**1,407**	1539
Business rates paid to local authorities	**2,377**	2,184
Premises	**17,074**	16,765
Hospitality	**0**	0
Insurance	**416**	445
Legal Fees	**2,137**	1,579
Impairments and Reversals of Receivables	**11,791**	6,237
Inventories write down	**175**	45
Depreciation	**19,830**	21,586
Amortisation	**165**	154
Impairments and reversals of property, plant and equipment	**19,969**	23,963
Internal Audit Fees	**121**	120
Audit fees	**109**	132
Other auditor's remuneration	**13**	1
Clinical negligence	**19,276**	16,257
Research and development (excluding staff costs)	**2,542**	1,887
Education and Training	**4,067**	5,599
Change in Discount Rate	**233**	(14)
Other	**4,044**	0
Total Operating expenses (excluding employee benefits)	**278,247**	257,068
Employee Benefits		
Employee benefits excluding Board members	**348,106**	329,447
Board members	**919**	986
Total Employee Benefits	**349,025**	330,433
Total Operating Expenses	**627,272**	587,501

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

9. Operating Leases

The Group leases four properties which are for periods of between ten and twenty years. The leases cannot be cancelled unless through agreed break clauses. There are no contingent rents and the Group may not assign any of the leases without the landlord's permission.

Details of the leases are set out below:

	Term Yrs	Start Date	End Date	Break Clause	Break Clause Notice
Sussex House, Brighton	18	29.03.07	28.03.25	N/A	N/A
Freshfield, Brighton	19	24.06.03	23.06.22	23.06.2017	12 months
Preston Road, Brighton	20	21.05.13	10.02.33	11.02.2022	6 months
Bloomsbury, Brighton	10	29.05.09	28.05.19	N/A	N/A

The Group has entered into service level agreements with other local NHS organisations for use of facilities on their sites. The service level agreements are renegotiated annually and include cancellation clauses of between 0 and 1 year.

There are four other properties that the Group uses where the terms of a lease are under negotiation and are currently agreed annually. Two of these expire in 17-18.

9.1. Group as lessee

	Land £000s	Buildings £000s	Other £000s	2016-17 Total £000s	2015-16 £000s
Payments recognised as an expense					
Minimum lease payments				**4,024**	5,133
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**4,024**	5,133
Payable:					
No later than one year		3,539	27	**3,566**	4,019
Between one and five years	0	4,650	0	**4,650**	5,106
After five years	0	5,726	0	**5,726**	7,994
Total	**0**	**13,915**	**27**	**13,942**	17,119
Total future sublease payments expected to be received:				0	0

The comparative figures for 2015-16 have been restated to exclude costs that had incorrectly been categorised as lease payments. The impact of this is a decrease in the 2015-16 lease costs payable in future years of £5,363.

9.2. Group as lessor

The Group leases space to third parties to provide food, beverages and newspapers, the swimming pool on the St Mary's Hall site in Brighton, office space and use of sites for the location of aerials. The terms of these leases vary between one and fifteen years.

	2016-17 £000s	2015-16 £000s
Recognised as revenue		
Rental revenue	515	575
Contingent rents	0	0
Total	**515**	575
Receivable:		
No later than one year	522	435
Between one and five years	1,458	1,313
After five years	157	88
Total	**2,137**	1,836

10. Employee benefits

10.1. Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
Employee Benefits - Gross Expenditure		
Salaries and wages	**288,048**	278,910
Social security costs	**28,367**	20,652
Employer Contributions to NHS BSA - Pensions Division	**33,002**	31,284
Other pension costs	**0**	5
Termination benefits	**73**	144
Total employee benefits	**349,490**	330,995
Employee costs capitalised	**465**	562
Gross Employee Benefits excluding capitalised costs	**349,025**	330,433

10.2. Retirements due to ill-health

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	**5**	6
	£000s	£000s
Total additional pensions liabilities accrued in the year	**429**	339

10.3. Pension costs

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

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

a) Accounting valuation
A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this "employer cap" assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

NEST

The Pensions Act 2008 and 2001 Automatic Enrolment Regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. Employees who are unable to join the NHS Pensions Scheme are covered by the National Employers Savings Trust ("NEST").

The auto enrolment "staging" date for the Group compliance was 1 April 2013. This was followed by a re-enrolment date of 1 April 2016. For those staff not entitled to join the NHS Pension Scheme, the Group utilised an alternative pension scheme called NEST to fulfil its automatic enrolment obligations. NEST stands for National Employment Savings Group and is a defined contribution pension scheme established by law to support the introduction of auto enrolment.

Contributions are taken from qualifying earnings, which are currently from £5,832 up to £42,384, but will be reviewed every year by the government. The initial contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1st March 2013	1%	1%	2%
1st October 2017	3%	2%	5%
1st October 2018	5%	3%	8%

Pension members can make additional contributions to their pension fund at any time up to the annual limit.

Pension members can choose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Group they can continue to pay into NEST.

NEST pension members can take their money out of NEST at any time from age 55. If suffering from ill health or incapable of working due to illness members can request to take their money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run but NEST Corporation, a trustee body which is a non-department public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

11. Better Payment Practice Code

11.1. Measure of compliance

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**151,449**	**424,709**	125,098	302,352
Total Non-NHS Trade Invoices Paid Within Target	**52,790**	**210,711**	60,235	155,943
Percentage of Non-NHS Trade Invoices Paid Within Target	**34.86%**	**49.61%**	48.15%	51.58%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**2,794**	**44,931**	1,974	**49,663**
Total NHS Trade Invoices Paid Within Target	**956**	**22,123**	919	**28,884**
Percentage of NHS Trade Invoices Paid Within Target	**34.22%**	**49.24%**	46.56%	58.16%

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

	2016-17 £000s	2015-16 £000s
Amounts included in finance costs from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**24**	3
Total	**24**	3

12. Investment Revenue

	2016-17 £000s	2015-16 £000s
Interest revenue		
Bank interest	**31**	48
Other loans and receivables	**0**	0
Other financial assets	**0**	0
Subtotal	**31**	48
Total investment revenue	**31**	48

13. Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Gain on disposal of assets other than by sale (PPE)	**(8)**	**(74)**
Gain on disposal of assets held for sale	**0**	**95**
Gain/(loss) on foreign exchange	**84**	**54**
Total	**76**	75

14. Finance Costs

	2016-17 £000s	2015-16 £000s
Interest		
Interest on loans and overdrafts	**3,522**	**1,811**
Interest on obligations under PFI contracts:		
- main finance cost	**1,774**	**1,844**
- contingent finance cost	**825**	**669**
Interest on late payment of commercial debt	**0**	**0**
Total interest expense	**6,121**	4,324
Other finance costs	**0**	**2**
Provisions - unwinding of discount	**6**	**73**
Total	**6,127**	4,399

15. Finance Costs

15.1. Other auditor remuneration

	2016-17 £000s	2015-16 £000s
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	**0**	0
2. Audit-related assurance services	**0**	0
6. All assurance services not falling within items 1 to 5	**0**	0
7. Corporate finance transaction services not falling within items 1 to 6 above	**0**	0
8. Other non-audit services not falling within items 2 to 7 above	**13**	1
Total	**13**	**1**

16.1. Property, plant and equipment

2016-17	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 2016	28,350	188,683	544	97,720	88,426	217	33,085	4,317	**441,342**
Additions of Assets Under Construction	0	0	0	67,379	0	0	0	0	**67,379**
Additions Purchased	0	0	0	0	1,037	0	764	0	**1,801**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	88	0	0	0	0	**88**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	0	0	**0**
Reclassifications	5	33,937	(5)	(52,071)	10,655	0	7,479	0	**0**
Reclassifications as Held for Sale and reversals	9	0	54	0	0	0	0	0	**63**
Disposals other than for sale	0	(28)	0	0	0	0	(8)	0	**(36)**
Revaluation	151	2,083	40	0	0	0	0	0	**2,274**
Impairments/reversals charged to operating expenses	187	(14,434)	(22)	0	0	0	(5,700)	0	**(19,969)**
Impairments/reversals charged to reserves	(179)	(2,150)	(18)	0	0	0	0	0	**(2,347)**
At 31 March 2017	**28,523**	**208,091**	**593**	**113,116**	**100,118**	**217**	**35,620**	**4,317**	**490,595**
Depreciation									
At 1 April 2016	0	0	0	0	64,981	217	20,724	4,019	**89,941**
Reclassifications	0	0	0	0	(7)	0	7	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	(28)	0	0	0	0	0	0	**(28)**
Revaluation	0	(7,297)	(15)	0	0	0	0	0	**(7,312)**
Impairment/reversals charged to reserves	0	0	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	7,325	15	0	9,197	0	3,162	131	**19,830**
At 31 March 2017	**0**	**0**	**0**	**0**	**74,171**	**217**	**23,893**	**4,150**	**102,431**
Net Book Value at 31 March 2017	**28,523**	**208,091**	**593**	**113,116**	**25,947**	**0**	**11,727**	**167**	**388,164**
Asset financing:									
Owned - Purchased	28,423	176,269	593	113,084	25,519	0	11,697	136	**355,721**
Owned - Donated	100	1,207	0	32	428	0	30	31	**1,828**
On-SOFP PFI contracts	0	30,615	0	0	0	0	0	0	**30,615**
Total at 31 March 2017	**28,523**	**208,091**	**593**	**113,116**	**25,947**	**0**	**11,727**	**167**	**388,164**

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 2016	5,631	39,136	169	0	660	0	0	0	**45,596**
Movements (specify)	(22)	5,729	56	0	0	0	0	0	**5,763**
At 31 March 2017	**5,609**	**44,865**	**225**	**0**	**660**	**0**	**0**	**0**	**51,359**

Additions to Assets Under Construction in 2016-17

Land	0
Buildings excl Dwellings	59,658
Dwellings	0
Plant & Machinery	7,721
Balance as at YTD	**67,379**

16.2. Property, plant and equipment prior-year

2015-16	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 2015	30,998	206,945	345	49,910	89,712	236	35,472	4,317	**417,935**
Additions of Assets Under Construction	0	0	0	55,193	0	0	0	0	**55,193**
Additions Purchased	0	0	0	0	3,718	0	4,173	0	**7,891**
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	86	0	0	0	0	**86**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	7,478	0	(7,478)	0	0	0	0	**0**
Reclassifications as Held for Sale and Reversals	77	0	143	0	0	0	0	0	**220**
Disposals other than for sale	0	0	0	0	(5,004)	(19)	(6,560)	0	**(11,583)**
Revaluation	1,102	(2,346)	56	0	0	0	0	0	**(1,188)**
Impairment/reversals charged to reserves	(578)	(23,394)	0	9	0	0	0	0	**(23,963)**
Impairments/reversals charged to operating expenses	(3,249)	0	0	0	0	0	0	0	**(3,249)**
At 31 March 2016	**28,350**	**188,683**	**544**	**97,720**	**88,426**	**217**	**33,085**	**4,317**	**441,342**
Depreciation									
At 1 April 2015	0	0	0	0	60,114	232	24,062	3,810	**88,218**
Reclassifications	0	0	0	0	0	0	30	0	**30**
Reclassifications as Held for Sale and Reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(4,837)	(16)	(6,546)	0	**(11,399)**
Revaluation	0	(8,476)	(18)	0	0	0	0	0	**(8,494)**
Impairment/reversals charged to reserves	0	0	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	8,476	18	0	9,704	1	3,178	209	**21,586**
At 31 March 2016	**0**	**0**	**0**	**0**	**64,981**	**217**	**20,724**	**4,019**	**89,941**
Net Book Value at 31 March 2016	**28,350**	**188,683**	**544**	**97,720**	**23,445**	**0**	**12,361**	**298**	**351,401**
Asset financing:									
Owned - Purchased	28,250	153,312	544	97,645	22,418	0	12,302	298	**314,769**
Owned - Donated	100	1,039	0	75	1,027	0	59	0	**2,300**
On-SOFP PFI contracts	0	34,332	0	0	0	0	0	0	**34,332**
Total at 31 March 2016	**28,350**	**188,683**	**544**	**97,720**	**23,445**	**0**	**12,361**	**298**	**351,401**

16.3. (cont). Property, plant and equipment

The Group undertakes a full estates revaluation annually. This year an initial valuation was carried out on 31 March 2017 by the external valuers GERALD EVE. The valuations were carried out in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6 Edition, insofar as these terms are consistent with the requirements of the HM Treasury, the National Health Service and the Department of Health.

The valuations were carried out on the basis of fair value. Fair value is determined at the amount which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. The fair value of land and buildings is determined from market based evidence and is therefore on the basis of Market Value. For non specialised operational assets this equates to Existing Use Value and for specialised operational assets fair value. It is estimated using Depreciated Replacement Cost subject to the assumption of continuing use.

Most of the Group's assets qualify as specialised operational assets and therefore fall to be assessed using the Depreciated Replacement Cost approach and have been valued on an optimal site modern equivalent asset basis. That is the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Non operational assets, including surplus land, are valued on the basis of Market Value on the assumption that the property is no longer required for existing operations, which have ceased.

The estimated remaining lives of the buildings have been adjusted in line with the GERALD EVE's valuation. The lives range from 1 year to 89 years. The estimated remaining lives of the other assets are as follows:

	Years
Medical equipment and engineering plant and equipment	1-16
Furniture	1-5
Soft furnishings	1-8
Office and information technology equipment	1-13

The Group has fully depreciated assets with a gross book value of £30.4m that are still in use and remain on the capital asset register.

17. Intangible non-current assets

17.1. Intangible non-current assets

	IT - in-house & 3rd party software	Computer Licenses	Total
2016-17			
	£000's	**£000's**	**£000's**
At 1 April 2016	**980**	**679**	**1,659**
Additions of Assets Under Construction	0	0	**0**
Additions Purchased	88	0	**88**
At 31 March 2017	**1,068**	**679**	**1,747**
Amortisation			
At 1 April 2016	**262**	**639**	**901**
Charged During the Year	**135**	**30**	**165**
At 31 March 2017	**397**	**669**	**1,066**
Net Book Value at 31 March 2017	**671**	**10**	**681**
Asset Financing: Net book value at 31 March 2017 comprises:			
Purchased	671	10	**681**
Donated	0	0	**0**
Total at 31 March 2017	**671**	**10**	**681**

Revaluation reserve balance for intangible non-current assets

	£000's	£000's	£000's
At 1 April 2016	0	0	**0**
Movements (specify)	0	0	**0**
At 31 March 2017	**0**	**0**	**0**

17.2. Intangible non-current assets prior year

2015-16	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Total £000's
Cost or valuation:			
At 1 April 2015	645	679	**1,324**
Additions - purchased	421	0	**421**
Disposals other than by sale	(86)	0	**(86)**
At 31 March 2016	980	679	1,659
Amortisation			
At 1 April 2015	286	577	**863**
Reclassifications	(30)	0	**(30)**
Disposals other than by sale	(86)	0	**(86)**
Charged during the year	92	62	**154**
At 31 March 2016	262	639	901
Net book value at 31 March 2016	718	40	**758**
Net book value at 31 March 2016 comprises:			
Purchased	718	40	**758**
Donated	0	0	**0**
Total at 31 March 2016	718	40	758

17.3. Intangible non-current assets

The estimated remaining lives of the other intangible non-current assets ranges from 5 to 10 years.

The Group has fully depreciated assets with a gross book value of £801,361 that are still in use and remain on the capital asset register.

18. Analysis of impairments and reversals recognised in 2016-17

	Property Plant and Equipment	Intangible Assets	Non-Current Assets Held for Sale	Total £000s
Impairments and reversals taken to SoCI				
Loss or damage resulting from normal operations	0	0	0	**0**
Over-specification of assets	0	0	0	**0**
Abandonment of assets in the course of construction	0	0	0	**0**
Total charged to Departmental Expenditure Limit	**0**	**0**	**0**	**0**
Unforeseen obsolescence	0	0	0	**0**
Loss as a result of catastrophe	0	0	0	**0**
Other	0	0	0	**0**
Changes in market price	19,969	0	0	**19,969**
Total charged to Annually Managed Expenditure	**19,969**	**0**	**0**	**19,969**
Total Impairments of Property, Plant and Equipment changed	**19,969**	**0**	**0**	**19,969**

Donated and Gov Granted Assets, included above	**£000s**
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**(6)**
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**0**

The impairments resulting from the revaluation exercises at the 31 March 2017 were spread across the whole estate. The largest impairments related to the Royal Sussex County Hospital site as follows:

	£000s
Barry Building	3,504
Park Centre	2,165
Hanbury Building	6,313
Courtyard Building	3,623

19. Other Investments - Charitable

	31 March 2017 £000s	31 March 2016 £000s
Market value at 31 March b/f	**0**	0
Less: Disposals at carrying value	**0**	0
Add: Acquisitions at cost	**0**	0
Add: Net gain on revaluation	**0**	0
Increase in cash	**0**	0
Market value at 31 March c/f	**0**	0
Historic cost at 31 March		

20. Commitments

20.1. Capital commitments

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

	31 March 2017 £000s	31 March 2016 £000s
Property, plant and equipment	**299,026**	318,806
Intangible assets	**0**	0
Total	**299,026**	318,806

20.2. Other financial commitments

The Group has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements). The payments to which the Group is committed are as follows

	31 March 2017 £000s	31 March 2016 £000s
Not later than one year	**1,808**	624
Later than one year and not later than five year	**20,087**	15,972
Later than five years	**0**	5,673
Total	**21,895**	**22,269**

21. Inventories

	Drugs	Consumables	Total	Of which held at NRV
	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**1,735**	**5,383**	**7,118**	0
Additions	74,588	38,624	**113,212**	0
Inventories recognised as an expense in the period	(74,111)	(37,935)	**(112,046)**	0
Write-down of inventories (including losses)	(175)	0	**(175)**	0
Balance at 31 March 2017	**2,037**	**6,072**	**8,109**	**0**

22.1. Trade and other receivables

	Current		Non-current	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	£000s	£000s	**£000s**	£000s
NHS receivables - revenue	**12,314**	14,776	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**24,585**	29,163	**0**	0
Non-NHS receivables - revenue	**9,029**	5,073	**423**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**9,016**	8,001	**2,625**	1,644
PDC Dividend prepaid to DH	**592**	559	**0**	0
Provision for the impairment of receivables	**(7,019)**	(7,954)	**0**	0
VAT	**794**	1,661	**0**	0
Interest receivables	**0**	0	**0**	0
Finance lease receivables	**0**	0	**0**	0
Operating lease receivables	**0**	0	**0**	0
Other receivables	**1,166**	2,033	**0**	0
Total	**50,477**	53,312	**3,048**	1,644
Total current and non current	**53,525**	54,956		
Included in NHS receivables are prepaid pension contributions:	**0**			

The great majority of trade is with Clinical Commissioning Groups. As these bodies are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

22.2. Receivables past their due date but not impaired

	31 March 2017	31 March 2016
	£000s	£000s
By up to three months	**2,830**	3,519
By three to six months	**6,628**	1,086
By more than six months	**4,000**	2,559
Total	**13,458**	7,164

22.3. Provision for impairment of receivables

	2016-17 £000s	2015-16 £000s
Balance at 1 April 2016	**(7,954)**	(3,205)
Amount written off during the year	**12,726**	1,488
Amount recovered during the year	**88**	119
(Increase)/decrease in receivables impaired	**(11,879)**	(6,356)
Balance at 31 March 2017	**(7,019)**	(7,954)

The creation and release of provisions for impaired receivables has been included in Operating Expenses in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. Receivables are impaired based on the age of the debt and disputes with debtors. Full provision is made for all outstanding overseas debts.

23 Other Financial Assets - Non Current

	31 March 2017 £000s	31 March 2016 £000s
Opening balance 1 April	**1,101**	1,101
Additions	**0**	0
Total Other Financial Assets - Non Current	**1,101**	1,101

24. Other current assets

	31 March 2017 £000s	31 March 2016 £000s
EU Emissions Trading Scheme Allowance	0	0
Other Assets	0	0
Total	0	0

25. Cash and Cash Equivalents

	31 March 2017 £000s	31 March 2016 £000s
Opening balance	3,344	25,395
Net change in year	4,063	(22,051)
Closing balance	7,407	3,344
Made up of		
Cash with Government Banking Service	7,341	3,321
Cash in hand	66	23
Cash and cash equivalents as in statement of cash flows	7,407	3,344
Third Party Assets - Bank balance (not included above)	0	1
Third Party Assets - Monies on deposit	0	0

26. Non-current assets held for sale

	Land	Dwellings	Total
	£000s	£000s	£000s
Balance at 1 April 2016	9	54	**63**
Plus assets classified as held for sale in the year	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(9)	(54)	**(63)**
Balance at 31 March 2017	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2017	**0**	**0**	**0**
Balance at 1 April 2015	134	519	**653**
Plus assets classified as held for sale in the year	0	0	**0**
Less assets sold in the year	(48)	(322)	**(370)**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(77)	(143)	**(220)**
Balance at 31 March 2016	**9**	**54**	**63**
Liabilities associated with assets held for sale at 31 March 2016	0	0	0

The assets held for sale represent the remaining dwellings and buildings that were placed on the market as part of the Estates rationalisation strategy. The remaining property was taken off the market in the year and transferred back to Dwellings.

27. Trade and other payables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
NHS payables - revenue	**6,149**	2,897	**0**	0
NHS payables - capital	**12**	0	**0**	0
NHS accruals and deferred income	**2,074**	5,553	**0**	0
Non-NHS payables - revenue	**18,561**	23,100	**0**	0
Non-NHS payables - capital	**11,841**	9,087	**687**	0
Non-NHS accruals and deferred income	**18,962**	20,410	**0**	0
Social security costs	**8,484**	7,701		
PDC Dividend payable to DH	**0**	0		
Accrued Interest on DH Loans	**837**	220		
VAT	**0**	0	**0**	0
Tax	**3,442**	3,363		
Payments received on account	**0**	0	**0**	0
Other	**109**	544	**0**	0
Total	**70,471**	72,875	**687**	0
Total payables (current and non-current)	**71,158**	**72,875**		
Included above:				
outstanding Pension Contributions at the year end	**4,500**	4,453		

28. Other liabilities

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
Lease incentives	**0**	0	**0**	0
Other	**0**	0	**0**	0
Total	**0**	0	**0**	0
Total other liabilities (current and non-current)	**0**	**0**		

29. Borrowings

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
Loans from Department of Health	**4,357**	4,469	**166,920**	92,492
PFI liabilities - main liability	**3,020**	3,146	**28,344**	29,761
Total	**7,377**	**7,615**	**195,264**	**122,253**
Total other liabilities (current and non-current)	**202,641**	**129,868**		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2017		
	DH £000s	**Other £000s**	**Total £000s**
0-1 Years	4,357	1,492	**5,849**
1 - 2 Years	22,280	542	**22,822**
2 - 5 Years	47,295	5,059	**52,354**
Over 5 Years	97,345	24,271	**121,616**
TOTAL	**171,277**	**31,364**	**202,641**

30. Other financial liabilities

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £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		

31. Deferred income

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
Opening balance at 1 April 2016	**7,872**	9,061	**0**	579
Deferred revenue addition	**1,341**	15,906	**0**	0
Transfer of deferred revenue	**(7,666)**	(17,095)	**0**	(579)
Current deferred Income at 31 March 2017	**1,547**	7,872	**0**	0
Total deferred income (current and non-current)	**1,547**	7,872		

32. Provisions

	Total	Comprising: Early Departure Costs	Legal Claims	Equal Pay (incl. Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**2,022**	1,821	201	0	0	0
Arising during the year	**3,975**	0	76	0	3,899	0
Utilised during the year	**(93)**	(93)	0	0	0	0
Reversed unused	**(70)**	0	(70)	0	0	0
Unwinding of discount	**6**	6	0	0	0	0
Change in discount rate	**233**	233	0	0	0	0
Balance at 31 March 2017	**6,073**	**1,967**	**207**	**0**	**3,899**	**0**
Expected Timing of Cash Flows:						
No Later than One Year	**4,136**	98	139	0	3,899	0
Later than One Year and not later than Five Years	**456**	388	68	0	0	0
Later than Five Years	**1,481**	1,481	0	0	0	0

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

As at 31 March 2017	0
As at 31 March 2016	236,470

The provision for Early Departure Costs is for the reimbursement of injury benefit allowances to the NHS Pensions Agency and the timing of these payments is based the on age of the recipients.

The provision for Legal Claims provides for the Liability to Third Party Schemes (LTPS) and Public & Employers Liability Scheme (PES). This provision covers the excess amount payable by the Group and not the full liability of claims which is covered by the NHSLA under the non-clinical risk pooling scheme. The timings of the cash flows are based on estimated dates for the finalisation of the claims.

33. Contingencies

	31 March 2017 £000s	31 March 2016 £000s
Contingent liabilities		
NHS Litigation Authority legal claims	**(132)**	(107)
Employment Tribunal and other employee related litigation	**0**	0
Redundancy	**0**	0
Other	**0**	0
Net value of contingent liabilities	**(132)**	(107)
Contingent assets		
Contingent assets	**0**	0
Net value of contingent assets	**0**	0

34. Analysis of charitable fund reserves

	31 March 2017 £000s	31 March 2016 £000s
Restricted / Endowment Funds	10,294	
Non-Restricted Funds	1,956	
	12,250	0

Non-restricted funds are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

Restricted funds may be accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity. Capital funds (e.g. endowments) are those funds where the assets are required to be invested, or retained for use rather than expended.

35. PFI - additional information

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

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

	2016-17 £000s	2015-16 £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	**1,407**	1,539
Total	**1,407**	1,539

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

No Later than One Year	**918**	896
Later than One Year, No Later than Five Years	**3,910**	3,814
Later than Five Years	**14,637**	15,651
Total	**19,465**	20,361

The estimated annual payments in future years are not expected to be materially different from those which the Group is committed to make during the next year.

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

	2016-17 £000s	2015-16 £000s
No Later than One Year	**3,182**	3,316
Later than One Year, No Later than Five Years	**11,704**	11,631
Later than Five Years	**33,363**	36,619
Subtotal	**48,249**	51,566
Less: Interest Element	**(16,885)**	(18,659)
Total	**31,364**	32,907

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due Analysed by when PFI payments are due	2016-17 £000s	2015-16 £000s
No Later than One Year	**3,020**	3,146
Later than One Year, No Later than Five Years	**9,672**	9,667
Later than Five Years	**18,672**	20,094
Total	**31,364**	32,907

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

Number of off SOFP PFI Contracts

Total Number of off PFI contracts	**0**	0
Number of off PFI contracts which individually have a total commitments value in excess of £500m	**0**	0

36. Impact of IFRS treatment - current year

The information below is required by the Department of Heath for budget reconciliation purposes	2016-17 Income £000s	2016-17 Expenditure £000s	2015-16 Income £000s	2015-16 Expenditure £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)				
Depreciation charges		**886**		883
Interest Expense		**1,774**		1,844
Impairment charge - AME		**1,397**		1,174
Impairment charge - DEL		**0**		0
Other Expenditure		**2,232**		2,208
Revenue Receivable from subleasing	**0**		0	
Impact on PDC dividend payable		**(162)**		69
Total IFRS Expenditure (IFRIC12)	**0**	**6,127**	**0**	**6,178**
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)		**5,548**		4,532
Net IFRS change (IFRIC12)		**579**		**1,646**
Capital Consequences of IFRS : PFI and other items under IFRIC12				
Capital expenditure 2015-16		0		0
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		766		740

	2016-17 Income/ Expenditure IFRIC 12 YTD £000s	**2016-17 Income/ Expenditure ESA 10 YTD £000s**	2015-16 Income/ Expenditure IFRIC 12 YTD £000s	2015-16 Income/ Expenditure ESA 10 YTD £000s
Revenue costs of IFRS12 compared with ESA10				
Depreciation charges	**886**		883	
Interest Expense	**1,774**		1,844	
Impairment charge - AME	**1,397**		1,174	
Impairment charge - DEL	**0**		0	
Other Expenditure				
Service Charge	**1,016**	**5,548**	851	4,532
Contingent Rent	**825**		669	
Lifecycle	**391**		688	
Impact on PDC Dividend Payable	**(162)**		69	
Total Revenue Cost under IFRIC12 vs ESA10	**6,127**	**5,548**	**6,178**	**4,532**
Revenue Receivable from subleasing	**0**	**0**	**0**	**0**
Net Revenue Cost/(income) under IDRIC12 vs ESA10	**6,127**	**5,548**	**6,178**	**4,532**

37. Financial Instruments

37.1. 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 Group has with commissioners and the way those commissioners are financed, the Group 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 Group 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 Group in undertaking its activities.

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

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

Interest rate risk
The Group borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. 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 Group therefore has low exposure to interest rate fluctuations.

The Group may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

The Group therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Group's revenue comes from contracts with other public sector bodies, the Group has low exposure to credit risk. The maximum exposures as at 31 March 2017 are in receivables from customers, as disclosed in the trade and other receivables note.

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

37.2. Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0	0	0	**0**
Receivables - NHS	0	12,315	0	**12,315**
Receivables - non-NHS	0	6,389	0	**6,389**
Cash at bank and in hand	0	7,407	0	**7,407**
Other financial assets	1,100	0	0	**1,100**
Total at 31 March 2017	**1,100**	**26,111**	**0**	**27,211**
Embedded derivatives	0	0	0	0
Receivables - NHS	0	14,776	0	14,776
Receivables - non-NHS	0	1,355	0	1,355
Cash at bank and in hand	0	3,344	0	3,344
Other financial assets	1,100	0	0	1,100
Total at 31 March 2016	1,100	19,475	0	20,575

37.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
Embedded derivatives	0	0	**0**
NHS payables	0	6,159	**6,159**
Non-NHS payables	0	32,034	**32,034**
Other borrowings	0	171,277	**171,277**
PFI & finance lease obligations	0	19,134	**19,134**
Other financial liabilities	0	0	**0**
Total at 31 March 2017	**0**	**228,604**	**228,604**
Embedded derivatives	0	0	0
NHS payables	0	2,897	2,897
Non-NHS payables	0	32,951	32,951
Other borrowings	0	96,961	96,961
PFI & finance lease obligations	0	20,095	20,095
Other financial liabilities	0	0	0
Total at 31 March 2016	0	152,904	152,904

38. Events after the end of the reporting period

There are no events after the reporting period that have a material effect on these accounts.

39. Related party transactions

There were no related party transactions with individuals reported during the year.

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

NHS England
Public Health England
Health Education England
NHS Blood & Transplant
NHS Litigation Authority
NHS Business Services Authority
Brighton & Hove City CCG
Coastal West Sussex CCG
Crawley CCG
East Surrey CCG
East Sussex Healthcare NHS Trust
Eastbourne Hailsham & Seaford CCG
Frimley Park Hospitals NHS FT
Guys & St Thomas NHS Trust
Hastings and Rother CCG
High Weald Lewes & Haven CCG
Horsham & Mid Sussex CCG
Kings College Hospitals NHS FT
Oxford Health NHS FT
Pennine Acute Hospitals NHS Trust
Portsmouth CCG
Queen Victoria Hospital NHS FT
Royal Surrey County NHS FT
South East Coast Ambulance NHS FT
Surrey Downs CCG
Surrey & Sussex Healthcare NHS Trust
Sussex Community NHS Foundation Trust
Sussex Partnership NHS FT
Wandsworth CCG
West Kent CCG
Western Sussex Hospitals NHS FT

In addition, the Group has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Brighton and Hove City Council, East Sussex County Council and West Sussex Council in respect of clinical services.

40. Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	40,492	4
Special payments	24,705	81
Gifts	0	0
Total losses and special payments and gifts	65,197	85

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

	Total Value of Cases £s	Total Number of Cases
Losses	11,760	4
Special payments	26,509	94
Total losses and special payments	38,269	98

There were no cases exceeding £300,000.

41. 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.

41.1. Breakeven performance

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s
Turnover	326,320	352,694	398,447	415,950	439,750	574,218	606,074	558,555	520,765	529,475	550,369
Retained surplus/(deficit) for the year	(5,278)	106	9,925	4,603	(11,860)	(16,245)	(22)	(9,572)	(1,309)	(69,980)	(89,124)
Adjustment for:											
Timing/non-cash impacting distortions:											
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	1,161	5,414	15,972	16,022	3,213	14,272	190	23,963	19,969
Adjustments for impact of policy change re donated/government grants assets						469	134	414	669	726	654
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				210	400	(204)	0	0	0	472	0
Other agreed adjustments	0	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	(5,278)	106	11,086	10,227	4,512	42	3,325	5,114	(450)	(44,819)	(68,501)
Break-even cumulative position	(29,026)	(28,920)	(17,834)	(7,607)	(3,095)	(3,053)	272	5,386	4,936	(39,883)	(108,384)

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

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Materiality test (i.e. is it equal to or less than 0.5%):											
Break-even in-year position as a percentage of turnover	-1.62	0.03	2.78	2.46	1.03	0.01	0.55	0.92	-0.09	-8.46	-12.45
Break-even cumulative position as a percentage of turnover	-8.89	-8.20	-4.48	-1.83	-0.70	-0.53	0.04	0.96	0.95	-7.53	-19.69

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.

41.2. Capital cost absorption rate

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

41.3. External financing

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

	2016-17 £000s	2015-16 £000s
External financing limit (EFL)	118,187	88,060
Cash flow financing	115,734	87,875
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	**115,734**	87,875
Under spend against EFL	**2,453**	185

41.4. Capital resource limit

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

	2016-17 £000s	2015-16 £000s
Gross capital expenditure	69,348	63,591
Less: book value of assets disposed of	0	(554)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(88)	(86)
Charge against the capital resource limit	**69,260**	62,951
Capital resource limit	72,885	67,516
Underspend against the capital resource limit	**3,625**	4,565

42. Third party assets

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

	31 March 2017 £000s	31 March 2016 £000s
Third party assets held by the Group	**0**	1