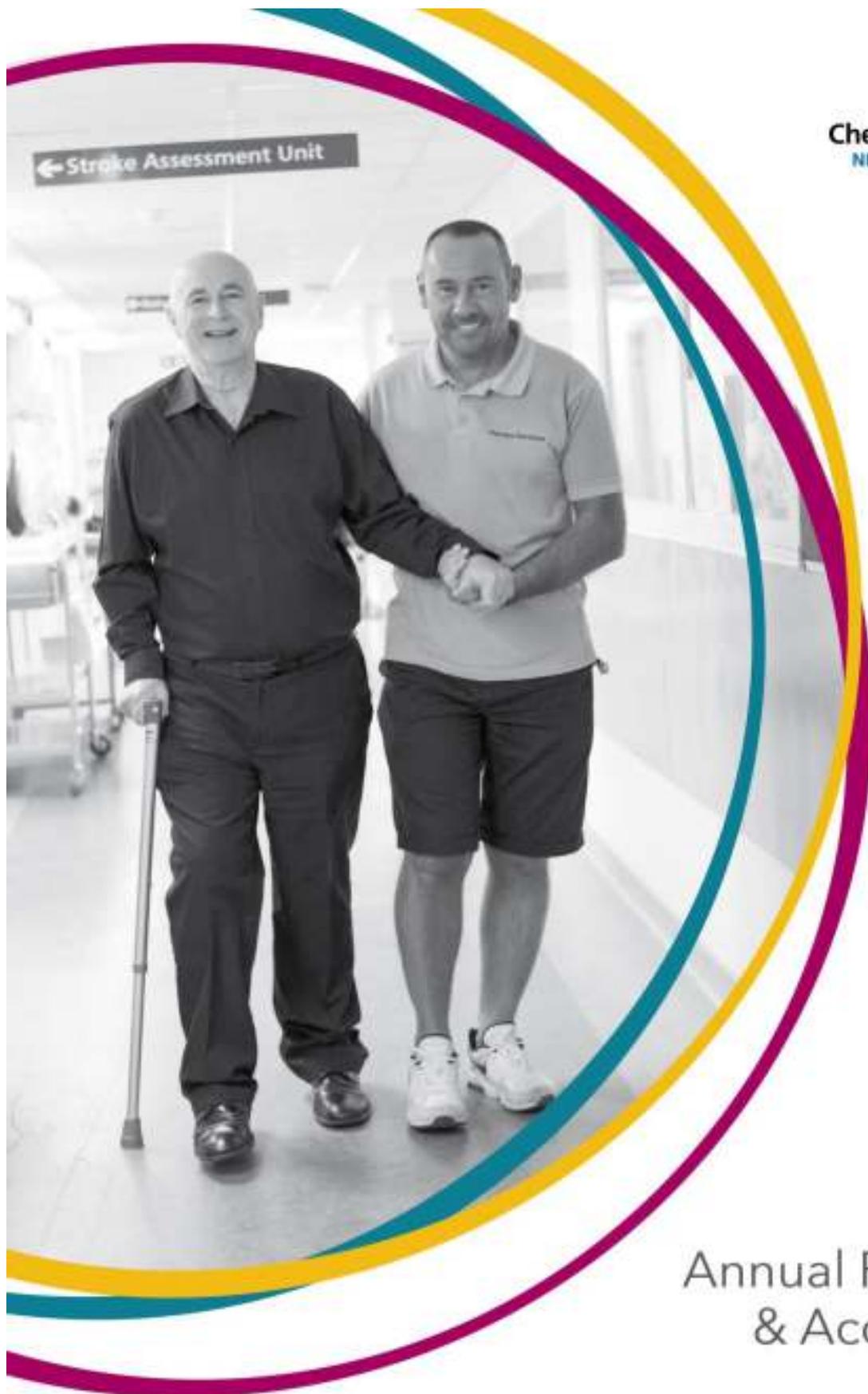


NHS

**Countess of
Chester Hospital**
NHS Foundation Trust



2016/17
**Annual Report
& Accounts**

safe kind effective

Annual Report & Accounts 2016/17

Presented to Parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the National Health Service Act 2006.

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Performance Overview

Statement from the Chairman & Chief Executive

Welcome to the 2016/17 Annual Report of the Countess of Chester Hospital NHS Foundation Trust. Our vision is to deliver NHS care locally that makes our staff and our community proud by being safe, kind and effective in everything that we do. Looking back on our highlights from the year, we have much to reflect on in terms of our achievements during a challenging 12 months for the NHS.

Being safe

We started our year awaiting the results of our formal Care Quality Commission inspection. The Countess of Chester Hospital NHS Foundation Trust has achieved a 'good' rating from the Care Quality Commission following an inspection of services in February 2016. In the report, a letter from the Chief Inspector of Hospitals Professor Sir Mike Richards stated: "There was a very positive culture throughout the trust. Staff felt well supported, able to raise concerns and develop professionally. Staff were proud of their services and proud of the Trust."

To see the pride that Countess staff have for their work and this hospital recognised and reiterated throughout this report is truly uplifting. This inspection took place during our busiest and most challenging winter months. Throughout it all our workforce maintained focus, morale, professionalism and dedication to their patients. While we have been rated as 'good' overall – the report has also reinforced our own sense of what we need to strengthen and improve. It provides a spotlight for patient flow, access and end of life care across the health system which we are doing all we can to address.

Our ability to meet the national target of 95% of patients seen within four hours of arriving in the Emergency Department has been compromised in 2016-17 due to continued increases in demand and reduced bed availability due to discharge delays. Our busiest winter months have seen us trying out new approaches in partnership with GPs for faster streaming and treatment of those patients in need of urgent care. We continue to rollout the Cheshire Care Record to ensure joined up working and ease of information sharing across providers. We have elderly care consultant specialists based with the emergency team to help manage the numbers of frail patients, many living with dementia facing additional confusion and stress when not in a familiar setting. The frequency with which consultants are reviewing patients for discharge in both our Chester and Ellesmere Port hospitals has been increased. Our wards have been re-organised, and we have even opened our first ever therapy-led ward providing additional support for patients who want to get home but need confidence building with the help of physiotherapy or occupational therapy. This is a whole hospital effort. The detail of our 2016/17 performance, including quality, can be viewed in both the Performance Analysis section that follows and in the *Quality Report*.

Being kind

Our hospitals cost more than £210m each year to run. Most of this money is to pay our people – the talented doctors, surgeons, nurses, midwives, therapists, pharmacists, healthcare assistants, domestics and porters as well as the vast range of highly experienced support staff in corporate or administrative roles. We are a service industry, and it is our people who make our care and our hospital great. So it makes sense that we all share a role in looking after each other - be this through supporting, nurturing or developing colleagues to help us each be the best version of ourselves that we can be.

Over the last year, as we have moved forward with our plans to be *The Model Hospital* more than 2,000 colleagues contributed towards focus groups, team discussions and surveys to revisit the strengths of our Team Countess culture. We want to 'bottle' the specialness that makes this hospital so friendly and dependable for our patients. Collectively we have agreed the new standards of behaviour we want to see and encourage in everyone. These standards are working together, being respectful and fair, having a positive attitude, achieving excellence and leading our people. Work is now taking place to align our leadership development as well as our performance and appraisal systems to embed the standards.

At the same time our people are our ambassadors for attracting new talent to the Trust. Over the last year we've been involved in a range of initiatives to support ongoing recruitment pressures including a calendar of recruitment events, attendance at job fairs, new recruitment materials showcasing very personal staff experiences of working at The Countess and development of our apprenticeship opportunities, with closer links to our schools and colleges.

The kindness of our governors and our patients continues to keep us going, giving us the insight and motivation to do more and be better. Dad of two Miles Negus spent 57 days in a coma from having caught flu. This year he shared his story and fronted our annual flu vaccination campaign. We had a record uptake. Meanwhile in our Ellesmere Port hospital the family of Kathleen Herbert prompted the development of Kate's Corner. Relatives or carers can now stay in this room alongside patients to learn relevant techniques under the supervision of hospital staff, and gain confidence in providing continued care for a loved one at home – instead of them needing a care home. Win, a 93 year old lady, was a patient at The Countess for 106 days following a fall in sheltered housing. While we thought we were doing our best by Win, there were aspects of her care that were not good enough. This year, she has inspired a whole programme of transformational change to be 'The Model Hospital'.

Being effective

During 2016/17 we have generated savings of nearly £10.6m and met our financial plans to deliver a deficit of £3.6m (prior to the reversal of impairment of £3.9m) by the end of the year. We continue to manage our finances and our estates to the best of our ability. While capital funding is limited, this year we opened our new theatre capacity in our Jubilee Day Centre. This allows more patients to return home on the same day following surgery. We have also seen our maternity services open a new labour suite to support women with higher risk births, and a state of the art Hot Reporting room has transformed the way radiology is working, with faster turnaround of diagnostic reports.

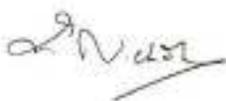
Our *Model Hospital* efficiency programme, based on the recommendations of Lord Carter following his national review of productivity in the NHS, is gathering momentum and preparing us for the future. It places a greater emphasis on using transparency of data to inform decision-making that benefits patients. We are investing in two new systems to fundamentally change the way we work, electronic rostering and TeleTracking.

Electronic rostering is helping ward managers and their teams plan rotas weeks in advance, in an automated way that reduces dependency on paper based systems and frees up more time for patient care. Early indications are that the system is also reducing spend on bank and agency staff (i.e. variable pay). At the same time, this information is being enhanced with use of real time data of patient acuity on the ward. It supports the allocation of staffing based on the complexity of the patient conditions on a ward at any given time, and can inform decision making around whether staff are distributed appropriately across all areas.

As part of our work with Teletracking Technologies, we are installing more than 4,000 infra-red sensors above hospital beds and doorways that read from small devices on patients, staff and equipment. This provides real time information for live ward electronic bed boards and a centralised Care Coordination Centre that supports staff in getting patients to the right beds more efficiently. The technology also automates workflows, certain domestic duties and discharge processes to allow NHS staff to spend more time with patients instead of on administrative tasks. It is a flagship project in turning around our approach to patient flow and providing faster, safer care by increasing the responsiveness of our NHS workforce. The visibility of data will put a stop to nurses wasting valuable time searching for equipment, and limit duplication of efforts in clinical admission staff repeatedly chasing updates on patient status to understand bed availability.

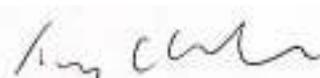
Looking ahead

There is much to look ahead to in 2017/18. We are clear this hospital has a future and those choosing to work here have rewarding NHS careers ahead. In fact our plans for next year are even more ambitious and innovative. We will see significant investment in our infrastructure as we implement new technology. As The Babygrow Appeal draws to a close, work will begin on developing new neonatal facilities at our Chester site. At the same time we will move forward with plans to refurbish our main operating theatres, invest in new MRI and CT scanners and explore how our Emergency Department can be reconfigured, subject to securing capital funding. There is so much to keep us busy and focused. We must keep ourselves grounded in these facts and maintain a sense of optimism. We can all look forward to contributing to the continued success of our hospitals for the people of Cheshire and North Wales who depend on our care, treatment and services.



Sir Duncan Nichol CBE
Chairman

Date: 23rd May 2017



Tony Chambers
Chief Executive



About the Countess of Chester Hospital NHS Foundation Trust

The Trust comprises the Countess of Chester Hospital, a 600 bed hospital, providing the full range of acute and a number of specialist services, and also Ellesmere Port Hospital, a rehabilitation, intermediate care and outpatient facility. The Trust was authorised as a Foundation Trust by Monitor in 2004.

The Trust employs over 3,600 whole time equivalent staff and provides acute emergency and elective services, primary care direct access services and obstetric services to a population of approximately 260,000 residents mainly in Chester and surrounding rural areas, Ellesmere Port and Neston and also to patients from the Deeside area of Flintshire which has a population of approximately 152,000. There are more than 500,000 patient attendances at the hospital every year, ranging from a simple outpatient appointment to major cancer surgery.

We are the main Trust serving West Cheshire and provide services to Welsh patients covered by Betsi Cadwaladr University Local Health Board. Welsh patients represent approximately one fifth of the workload of the Trust.

Foundation trusts are established as public benefit corporations and operate as independent public institutions which are not subject to direction by the Secretary of State for Health or the performance management requirements of the Department of Health. As a Foundation Trust we set our own strategy within the framework of contracts with our commissioners and other regulatory regimes to continually improve the quality and safety of patient care. Our Trust provides acute emergency and elective services, primary care direct access services and obstetric services to our local population. The Trust works closely with our local health system partners in the Wirral and Cheshire area and our local communities.

The Trust is arranged into three clinical Divisions: Urgent Care, Planned Care and Diagnostics and Pharmacy, plus support services which include Estates and Facilities.



Strategic Context

Our vision at The Countess of Chester Hospital NHS Foundation Trust is to deliver NHS care locally that makes our staff and our community proud by being **Safe, Kind and Effective**.



The Trust has set out to achieve this vision through three key strategic objectives.

- **The West Cheshire Way** sees us working with local healthcare partners to drive service re-design, accountable care and integrated care for the residents of Western Cheshire.
- **Integrated Specialist Services** sees our hospital developing services both as a specialist centre in its own right (e.g. Vascular Surgery), or through clinical networks in partnership with our neighbouring hospitals. Our acute care collaborations will support the delivery of this objective.
- **Countess 20:20** is how we review our core services to make sure they deliver the outcomes and quality our patients deserve. This is our internal approach to

innovating and improving. Our *Model Hospital* work will support the delivery of this objective.

We will continue to play a key role, with our health partners, in stabilising and rebalancing the West Cheshire health system and the Trust will see the hospital emerge as a front runner for defining what a model hospital should be. Our work to date supporting 'The Carter Review' into NHS productivity, as commissioned by The Department of Health, has raised our national profile as pioneers in this field. We were chosen as a test-bed site to become The Model Hospital and are now in our second year of implementing the programme to realise this vision. This has opened our door to some of the most informed, experienced and highly regarded efficiency experts in the country.

We have been embedding the value of a dedicated programme office for the involvement, planning, governance and ownership of change projects. The principle here is about gaining momentum, getting *The Model Hospital* off the ground in a supportive way that does not disrupt staff focus on patient care and safety. However, at some point it will impact on our time at all levels through what we prioritise, the way we work and what we do here at The Countess.

There remain risks and pressures that have the potential to impact on our ability to deliver the model hospital. We know that we need to act quickly, so this means that we need to dedicate time, people and money to make these changes happen.

National planning guidance to the NHS this year set the expectation of a two-year planning process covering the period 17/18 and 18/19, and as such this year we have developed plans for this period incorporating the work of the Model Hospital and our role in the local Sustainability and Transformation plan.

Model Hospital

The Model Hospital will show how good clinical practice, workforce management and careful spending will lead to measurable efficiency improvements while retaining and improving quality.

- We will be *The Model Hospital*: re-writing the manual for a new-look NHS
- Safe, kind and effective in everything that we do
- Finding faster, better, cheaper ways of doing things
- Making change easier and working as one team
- Focusing on how we spend what we have differently
- Knowing how we are doing to help us understand how we can be better

Through a programme based approach, we will drive progress and accelerate delivery, focusing on three main elements of:

- (1) Organisational Culture
- (2) Operational Excellence, and
- (3) Organisational Renewal.



The Model Hospital - Changing our Culture

Our early priorities have been to embed a high performance culture by laying the foundations for the next two years. We are launching a new approach to medical management, taking clinical leadership to a totally different level. It is a step change in how we run the organisation. Revamped standards of behaviour and accountability are now also in place. This will affect everyone at all levels of the organisation. As well as expectations around behaviour, the goals we are working towards and our role in delivery will be even clearer.

This work will then be enabled by a greater use of technology to support our clinical teams in driving increased levels of transparency to improve our operational efficiencies, and releasing more clinical time to care. This will be delivered through the use of technology such as acuity based e-rostering and real time patient and asset tracking.

The Model Hospital Programme has evolved over the last period into the following key work streams:

	Workstream	Description
Organisational Culture	Medical Management	Restructuring our medical leadership to enable leaders to be leaders
	Performance, Culture & Management	Ensuring personal accountability to enable us to be successful
Operational Excellence	Theatres Efficiency Outpatients Efficiency Length of stay	Reviewing and setting clear standards for services. Reducing delays for patients and freeing up hospital capacity through theatre and outpatient efficiencies and reducing inpatient length of stay.
	Patient and Asset Tracking system and organisational dashboards	Enabling change through the use of technology and responding to real time information on hospital status
Organisational Renewal	Acuity Based Workforce	Matching staffing levels to patient need through electronic based rostering
	Workforce (Pay & Variable Pay)	Reviewing our workforce options with the aims in particular to reduce further our variable pay spend

The overall objective of the Operational Excellence programme will be to move our performance into the top 25% of trusts for the main performance indicators which will affect spend and costs, whilst maintaining safe, kind and effective patient care. The main projects that will help to reduce our cost base will fall within the following overarching work streams:

Efficiency on wards and across our hospital bed base – Reduce non-elective and elective length of stay in line with national benchmarking, decreasing the number of medically optimised patients and reduce elective cancellations. We want to explore different models of care within our inpatient settings, and build on our successful transformation this year.

Theatre efficiency – Improve session utilisation and improve day case theatre utilisation in line with national benchmarking in order to reduce costs. This work will be enabled by improved pre-assessment processes, better reminder services for patients and scheduling of both staff and patients.

Outpatient efficiency – Improve booking processes to reduce DNA rates and maximise clinic capacity. Progress specialty performance reviews in order to review different ways of working to reduce the need for face to face follow up appointments in line with patient need and based on national benchmarking.

Acuity Based Workforce – Our e-rostering system will be the first of its kind in the country that draws from real time information on patient acuity to support decision making. As well as releasing more time for nursing care through switching from paper to electronic systems, it is estimated that this will generate significant savings in aligning staff to acuity of our patients.

Patient and Asset Tracking System (TeleTracking) – we are the first Acute Trust in the UK to fully implement a patient and asset tracking system which will completely change the way in which we all work to match our workforce to patient need, and manage flow through the hospital. The system will provide real time mapping information about our patients' status and our operational position at any given time.

Workforce (Pay & variable Pay) – through continued effort to reduce our spend levels to below 14/15 levels – we will be focussed on locum payments, overtime, medical agency spend, job planning for our medical workforce and will consider the benefits of medical rostering to support this workstream.

Business As Usual – The traditional way of departments finding their own internal efficiencies.

We do not underestimate the amount of change required to continue to deliver safe, kind and effective services over the next two years within challenging financial constraints. We do, however, believe the work we have done over the last year within our Model Hospital Programme has set us up to be in the best position to deliver these challenging, but achievable plans.

Sustainability & Transformation Plan

During 2016/17 the Trust participated in the development of the Cheshire and Mersey (C&M) Sustainability & Transformation Plan (STP) as part of the Five Year Forward View. Our locality is that of the Wirral and Cheshire Local Delivery System (LDS) – one of three in our STP region.

To transform our services and become sustainable, we need to reduce demand, unwarranted variation, and cost. To achieve this we have supported the three work streams across the STP and LDS footprints –

- ***Improve the health of the C&M population*** (previously referred to as 'Demand Management' and 'Prevention at Scale')
- ***Improve the quality of care in hospital settings*** (previously referred to as 'Reducing variation and improving quality through hospital reconfiguration')

- **Optimise direct patient care** (previously referred to as productive back office and clinical support services collaboration)

The Trust recognises the need to pursue the models of care that will deliver the greatest benefits to our local population, therefore, together with our *Model Hospital* programme and the West Cheshire Way system programme, the Trust will focus on further local collaborations as part of the STP.

Principal risks faced by the Trust

The following table shows the Trust's 2016/17 strategic risks from our assurance framework:

Strategic Risk in 2016/17	Board Committee	Risk score at quarter 4*
Failure to maintain and enhance the quality and safety of the patient experience and ensure compliance with CQC standards	Quality, Safety and Patient Experience	4x2=8
Inability to effectively stabilise acute patient flow	Finance and Integrated Governance	4x3=12
Failure to maintain, innovate and transform the Trust's clinical services	Finance and Integrated Governance	4x3=12
Failure to develop and deliver the Trust's culture, values and staff engagement plan	People and Organisational Development	4x3=12
Failure to deliver in year financial plan and manage consequences of delivering a deficit budget	Finance and Integrated Governance	4x4=16
Failure to develop and deliver a robust long-term whole health economy service, workforce and financial savings and recovery plan	Finance and Integrated Governance	4x4=16
Failure to comply with Monitor's Compliance Framework - Governance	Finance and Integrated Governance	4x4=16
Failure to maintain robust corporate governance and overall assurance	Board of Directors	3x1=3
Failure to maintain Information Governance standards	Finance and Integrated Governance	3x4=12
Failure to provide appropriate Informatics infrastructure, systems and services that support the business objectives of the Trust	Finance and Integrated Governance	4x3=12
Failure to recruit and retain professional staff	People and Organisational Development	4x3=12

* The risk score is formed based on 'likelihood' and 'severity/impact rating' as follows:

Severity/Impact: 5-Catastrophic, 4-Major, 3-Moderate, 2-Minor, 1-Insignificant

Likelihood: 5-Almost certain, 4-Likely, 3-Possible, 2-Unlikely, 1-Rare

The grading bands of risks are: 1-5 Very low, 6-8 Low, 9-15 Moderate, 16-25 High.

2016/17 has been a demanding year for the Trust, as we have operated below the emergency standards access measure of four hours. Acute patient flow, with slow development of capacity outside the hospital, continues to be a risk and concern into 2017/18. Financial plan risks along with financial and recovery plans have been a high risk in 2016-17 and will continue into 2017-18.

Going Concern Overview

International Accounting Standard (IAS) 1 requires management to assess, as part of the accounts preparation process, the NHS Foundation Trust's ability to continue as a going concern. In accordance with the Department of Health Group Accounting Manual the financial statements have been prepared on a going concern basis as we do not either intend to apply to the Secretary of State for the dissolution of the NHS Foundation Trust without the transfer of the services to another entity, or consider that this course of action will be necessary.

However, there are material uncertainties in respect of events or conditions that cast doubt upon the financial viability of the NHS Foundation Trust and these are set out below.

The Trust's performance in-year showed a deficit of £3.6m (before an impairment reversal of £3.9m) which is better than the original plan submitted to NHS Improvement at the start of the year.

The current forecasts show a (pre-impairments) planned deficit of £2.2m (2017/18) and a surplus of £0.9m (2018/19) and assume £5.2m of STF funding each year. To achieve this the Trust will need to deliver cost reductions of £12.4m (equivalent to 5.4% of expenditure), which includes £2.5m which has yet to be identified.

In addition, the Trust has applied for an interim capital loan of £8.4m, to finance its 2017/18 capital program, and the Trust's latest operating and cash flow forecasts currently show that the Trust should be able to finance its revenue requirements from internal sources until March 2018 when interim revenue support will be required. Further capital financing will be required for 2018/19 and beyond.

Due to the significant reduction in capital funding available to the sector, NHS Improvement are currently reviewing the interim capital loan application, to ensure that it meets its requirements of being 'urgent and necessary' only. The Trust believes that this is the case, but it is possible that not all of the capital loan will be approved, in which case the relevant capital expenditure would need to be deferred until a later date, when funding would be made available.

Contracts for 2017/18 (and provisional for 2018/19) have been agreed with all English Commissioners, securing over 80% of our clinical income. Our contract with Betsi Cadwaladr LHB remains outstanding but with no significant issues to resolve we anticipate agreement will be reached by the end of June.

Performance Analysis

The Board receives the Integrated Performance Report each month centered round Safe, Kind and Effective care which includes detailed exception reports and performance against key quality indicators. This includes actions being undertaken to address any risks and uncertainties.



Key Performance Indicators, by quarter, 2016-17

	Target	Q1	Q2	Q3	Q4
Infection Control Targets					
Clostridium Difficile	24	6	5	3	9
MRSA (avoidable cases)	0	0	0	0	0
Waiting Times					
% RTT incomplete Pathway	92%	89.9%	92.0%	91.1%	92.2%
Total time in A&E	95%	89.75%	90.17%	83.58%	85.42%
Diagnostic 6 week	99%	97.1%	93.8%	89.8%	97.2%
Cancer Targets					
14 days – all cancers	93%	96.34%	95.81%	96.45%	97.92%
14 days - breast symptomatic	93%	95.92%	96.45%	94.92%	96.39%
31 day – decision to treat to treatment	96%	99.64%	97.37%	99.04%	97.88%
31 days – subsequent surgical treatment	94%	100%	94.34%	92.59%	96.67%
31 days - subsequent non-surgical treatment	98%	100%	100%	100%	100%
62 days – first treatment from urgent GP referral	85%	86.74%	83.19%	82.90%	86.67%
62 days – first treatment from screening referral	90%	100%	100%	95.35%	87.23%

Infection control

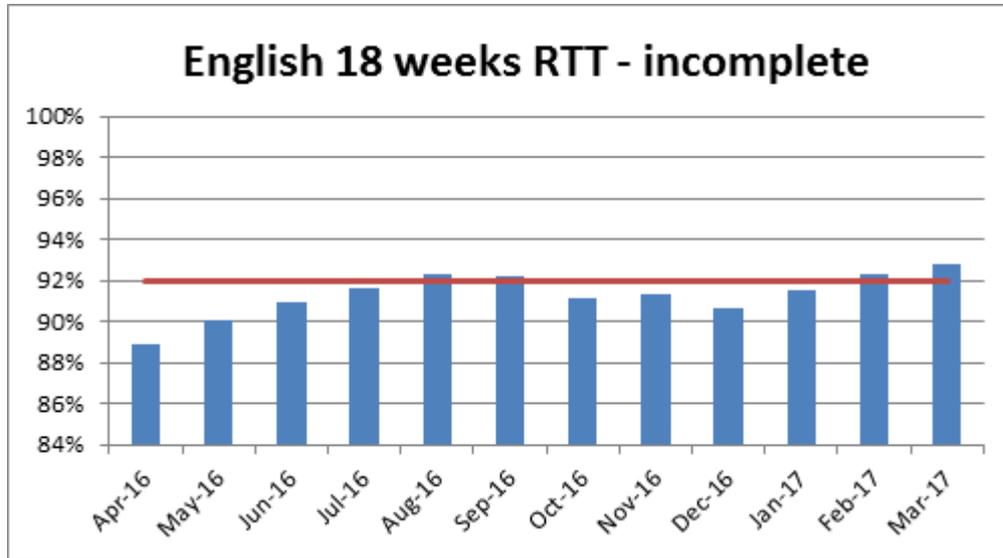
The Trust was successful in achieving the *Clostridium difficile* infection objective of no more than 24 cases within the year. 23 cases of *Clostridium difficile* infection were reported during 2016-17. There was also success in achieving zero avoidable MRSA bacteraemia infections during the year.

18 weeks Referral to Treatment (RTT)

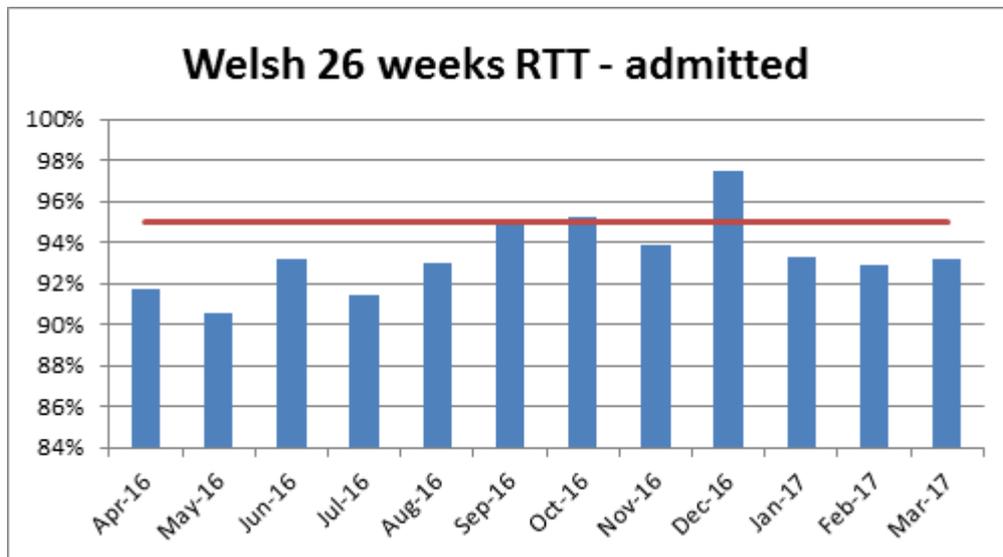
The threshold for this target is 92% and monitors the percentage of incomplete pathways for English patients within 18 weeks of referral to treatment. We achieved this target in quarter two and quarter four. Increases in demand in particular specialities has been experienced in year, along with capacity pressures, which have required close monitoring and intervention throughout the year. Rigorous data validation work has been undertaken, along with an

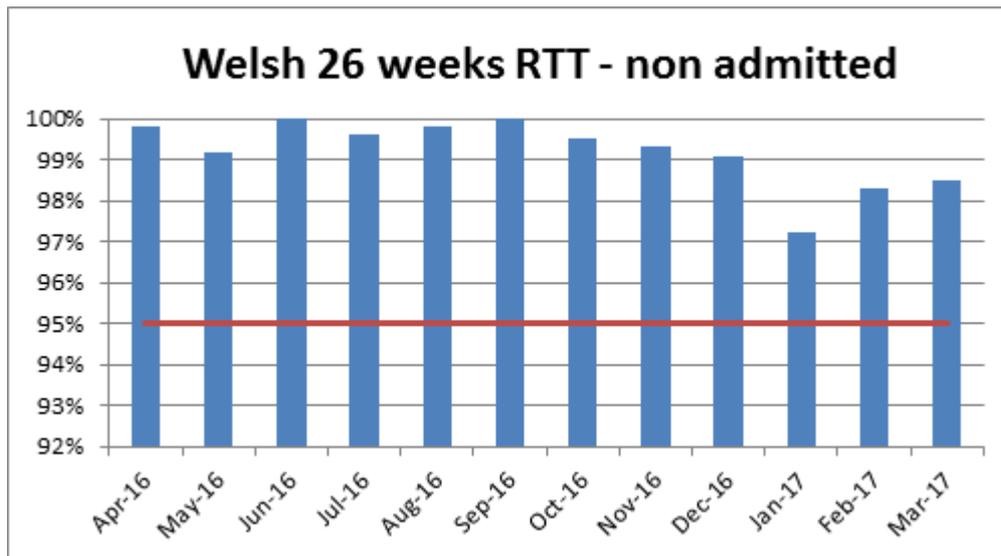
investment into our Appointments Hotline to improve the experience for patients and process high referral levels.

The following graph shows the English referral to treatment performance by month.



The RTT target in Wales of 26 weeks is different to the English target and Welsh patients are normally seen within the contractual target. The graphs showing the Welsh target performance for admitted and non-admitted patients, by month, can be seen as follows.





Emergency Department/A&E access measure

This access measure is to achieve a maximum wait time of four hours in A&E from patient arrival to admission, transfer or discharge. Performance has remained below the 95% target this year. Along with other trusts nationally, we have found this a challenging year, despite the use of escalation beds throughout the winter and into March. The number of medically optimised patients and Delayed Transfers of Care has led to significant escalation to our external partners. The Trust participated in an A&E improvement event at the end of March and is currently working to deliver revised A&E streaming with primary care clinicians. In addition, a GP presence within the Primary Care Unit is being assessed, along with a review of staffing pressures.

Diagnostics six week standard

This standard is for diagnostic tests to be carried out within six weeks of the request being received. The national target is 99% which we have not managed to achieve, although performance has improved again in quarter four, following a dip over the winter period. We have had a number of breaches within echocardiography and work has been undertaken this year to improve data quality, with future work planned to undertake a full capacity and demand review. Demand for imaging services continues to grow, despite this growth the Trust has again achieved the six week standard within the radiology modalities of CT, MRI and non-obstetric ultrasound.

Cancer 62 day standard

The 62 Day cancer standard continues to be a challenge, although the Trust is working collaboratively with primary care to improve patient pathways. Certain specialities have been prioritised and we are monitoring outcomes against agreed actions. A new national/network reallocation policy comes into effect on the 1st April 2017 and the Trust has been shadow-monitoring performance against these new measures. Continued improvement work is planned with Primary Care and the Cancer Network in 2017-18.

Activity

	2014-15	2015-16	2016-17	% change
Elective inpatients	5,133	4,900	4,905	0.1%
Elective day case patients (Same day)	33,267	32,834	32,902	0.2%
Non-elective (urgent) inpatients	31,260	31,916	31,991	0.2%
Outpatients - first attendance	82,203	69,243	67,767	-2.1%
A&E	65,219	69,254	70,743	2.2%

2016/17 has seen a further increase in A&E attendances. Whilst non-elective admissions did not increase, a more complex case-mix was seen in this activity.

Summary Hospital Mortality Indicator (SHMI)

The SHMI values published in the last year are:

Year	COCH SHMI	Best Trust	Worst Trust
Oct 15-Sep 16	1.09	0.69	1.16
Jul 15-Jun 16	1.07	0.69	1.17
Apr 15-Mar 16	1.07	0.67	1.17
Jan 15-Dec 15	1.05	0.67	1.17

Note: These values were all within the “as expected” range.

The most recent available Hospital Standardised Mortality Ratios (HSMR) is for the period February 2016 – January 2017 and is 100. Within this, the HSMR for weekday admissions was 98.86 and for weekend admissions 105.29. There have been no mortality outlier alerts in the past year.

During 2017/18, a focus will be on developing and strengthening our processes for reviewing patient deaths in line with national guidance.

Equality, Diversity and Human Rights

We have a well-developed equality governance framework, which includes patients and third sector organisations, from across the full range of protected characteristics.

There are inclusion and engagement activities with protected groups, for example, disabled people, who are a key element to effective equality governance.

This is supported by our Equality, Diversity and Human Rights Strategy Group and the equality sub groups that report into it.

The following achievements in 2016-2017 are a consequence of our transparent, inclusive and engaging equality, diversity and human rights agenda.

We are proud to say we have:

- Retained a very high equality performance rating in the NHS equality delivery system 2 assessment, with 14 out of 18 individual outcomes being rated as “Achieving” and the remaining four outcomes being rated as “Excelling”
- Set in place new systems and reasonable adjustments to meet the Accessible Information Standard for Health and Social Care (AIS) before the mandatory implementation date of 31st July 2016
- Continued partnership working with agencies, co-facilitating health and wellbeing forums with a range of seldom heard protected groups, in order to obtain stakeholder feedback on services and health needs
- Been selected to join the NHS Employers Diversity and Inclusion Partners programme for 2016 to 2017
- Introduced an expanded reasonable adjustments flagging system and reasonable adjustment resources, to support patients with learning disabilities or who lack mental capacity
- Attained Disability Confident Level One status (Formerly referred to as the Two Ticks: Positive about Disabled People Charter mark)
- Published our year two Workforce Race Equality Standard (WRES) submission.

Going forward, the hospital will continue with its engagement and collaboration with stakeholder groups representing the protected characteristics.

Health & Safety

A full review of the Trust’s Health and Safety Policies has been undertaken and approved by the Health & Safety Committee in 2017.

Modern Slavery Statement

The Countess of Chester recognises that healthcare professionals have an essential role in the identification, referral and care of trafficked people who come into our care. Staff have an awareness of human trafficking and are trained at all levels to recognise and respond appropriately through the process of safeguarding.

Progress against our Sustainable Development Plan

Introduction

As an NHS organisation, and as a spender of public funds, we have an obligation to work in a way that has a positive effect on the communities we serve. Sustainability means spending public money well, the smart and efficient use of natural resources and building healthy, resilient communities. By making the most of social, environmental and economic assets we will continue to improve health both in the immediate and long term. We will do this even in the context of the rising cost of natural resources. The Trust ensured that the social and environmental impacts embedded in the legal requirements of the Public Services (Social Value) Act (2012) were met.

Economic Contribution

The Trust employs over 3,600 whole time equivalent staff. Over the last four years the Trust has made a major contribution to the economic growth of the community and the prosperity of its people. Year on year the Trust makes a significant contribution to the training and development of doctors and nurses. It has strong links with Chester and Liverpool Universities. In 2017 the Trust plans to meet its public sector target of 109 apprentices.

Good Corporate Citizenship (GCC)

One of the ways in which we measure our impact as an organisation on corporate social responsibility is through the use of the Good Corporate Citizenship (GCC) self-assessment tool. The last time we used the tool we scored 53%. In 2016 the Trust's reporting was graded as poor by the NHS's Sustainable Development Unit and we were placed in twenty first position in our peer group of 37 Small Acute Trusts. The Trust aims to improve on its poor rating and progress to excellent within the next five years; achieving, at least, a minimum rating this year.

The Trust's linen services team have supported Kisizi Hospital (Africa) by donating sheets that don't meet exacting NHS standards (maximum number of washes). Regular exchange visits continue featuring infection control improvements and the provision of soap, towels and flannels.

Travel

In partnership with CWaC we introduced a more accessible direct bus route (20,000 passengers per year) and a 'park & ride' option to encourage more staff and patients to use public transport.

However, there has been little shift away from car use by patients and staff at the hospital. The travel action plan therefore includes the following objectives for the next three years:-

1. To reduce the proportion of single occupancy car use by promoting car sharing
2. To increase the proportion of staff using public transport including the new Park & Ride
3. To increase levels of walking and cycling amongst staff
4. Cut staff travel to meetings by 6% making greater use of teleconferencing, webinars and the like. In 2017/18 staff will phone into a quarter of the Special Interest Group meetings

(Technical Issues Group, National Payment System, Charitable Funds, Leadership Academy, Pensions).

The Trust has doubled the number of charging points for electric cars. More staff are using them and there are more electric cars in the hospital's own fleet. Demand for electric vehicle charging points is predicted to continue to increase, and so we are planning to install more car charging points at the Countess in 2017/2018.

Catering

The Trust buys as much fresh food as possible on a daily basis and all its main food items, such as fresh meat, bread, dairy products, fruit vegetables and frozen and chilled items are sourced locally. Tuna is responsibly fished and the Trust offers an excellent range of fair trade products. Craig Hough, head of catering, maintains: "We believe using high-quality local products offers our patients the best quality food. It also helps us to work with our suppliers to cut down on transport: saving cost and reducing air pollution. Our ingredients cost just under £3 per patient per day due to our waste being very low at around 3% - we monitor all our food and waste continually. The 3% waste is collected and converted to Bioenergy."

Procurement

The Trust has sustainability principles within the procurement process so that they have become an integral part of all relevant contracts, at pre-tender, tender and post-contract award stages (including monitoring and evaluation), through to the end of the life of the contract and including any disposal of equipment.

Waste Management

Trust waste management has improved and the installation of a cardboard compactor on site has helped to reduce the number of journeys and save costs. Batteries, mobile phones, computers and light fittings are all recycled as the Trust's drive to reduce land fill continues.

Energy Management

As a key component of our Environmental Strategy, the Trust has continued to promote responsible Energy Management. We are committed to operate in the most energy efficient manner possible in our use of buildings, plant and equipment wherever this is cost-effective.

We have gained more control over energy consumption through review and improvement of purchasing, operating, motivation and training practices. We have invested in a rolling programme of energy saving measures to generate returns for reinvestment in further Energy Management activities. More effective measurement and monitoring of consumption has led to better decisions.

The Countess of Chester Country Park

The Countess of Chester Country Park is now a thriving 29 hectare public space having been transformed from a derelict brownfield site. The Trust continues to work with partners, led by the Land Trust, to sustain and enhance the Country Park through appropriate maintenance whilst maximising opportunities for community engagement through a range of health and wellbeing, educational and environmental initiatives. Events introduced this year

include Health Walks and a Walk to Run programme. Building on these initiatives a cycle programme with 'Learn to Cycle' and 'Cycle with Confidence' schemes is planned for next year. The Trust is also looking forward to the expansion of its Green Gym on site and further educational initiatives with local schools and Chester University.



Long term climate change

The Trust has worked with partners to understand how climate change may impact on the hospital and has included appropriate provisions in contingency planning and major incident responses.

In the long term, summers may get hotter. The hospital has emergency plans to address the extremes of both summer and winter conditions. There may also be impacts from floods due to more extreme weather fluctuations. The hospital is built on relatively high ground. The risk of high water levels causing building damage is, therefore, low. Our most recent new build project includes a swale to allow storm water to drain into a natural water course. By working with the Environment Agency the Trust was able to avoid a high volume plastic holding tank involving a deep excavation, transport and disposal to off-site land fill.

Other Measures

In 2017 the Trust will switch to electronic payslips and P60s. This will save the equivalent of 50,000 sheets of A4 heavy duty paper and printing per annum.

Financial review for 2016/17

Overview

The Trust reported a deficit position of £3.6m (before the reversal of impairments) at the end of the 2016/17 financial year, being £1.9m better than the NHS Improvement (NHSI) agreed plan for the year due to additional allocation of Sustainability and Transformation monies. Delivery of NHSI's compliance regime and associated financial metrics are summarised below.

Use of Resources Rating	Q3 2016/17		Q4 2016/17	
	Metric	Rating	Metric	Rating
Capital Service Cover	- 0.25	4	0.27	4
Liquidity	- 19.20	4	- 18.71	4
I&E Margin	-3.24%	4	-1.52%	4
I&E Margin Variance from Plan	0.13%	1	0.24%	1
Agency	-24.40%	1	-29.03%	1
Overall weighted average		3		3

This will keep the Trust in NHS Improvement's Segment 2: providers offered targeted support.

Whilst 2016/17 was a challenging year, it was an improvement on the £10.3m deficit in 2015/16. We ensured that the cost saving programme was delivered, and that clinical services were delivered in a safe, kind and effective manner.

In addition, the Board continues to assert that the organisation remains a going concern, and the accounts have been prepared on this basis.

Income and Expenditure

The following summary table shows a deficit position of £3.6m before a net reversal of impairments of £3.9m. The Trust's income increased in 2016/17 to £230.2m, which was mainly attributable to Sustainability and Transformation funding of £7.6m. The majority of our income comes from our main commissioner NHS West Cheshire Clinical Commissioning Group (CCG) at £144m, with £26m received from Betsi Cadwaladr University Health Board (BCUHB), and £10m from NHS England.

In 2016/17 the trust entered into a block contract arrangement with its main commissioner, Western Cheshire CCG, to facilitate system wide working. The main area of pressure on the block contract in year related to Non Elective activity. This was driven by a more complex case mix.

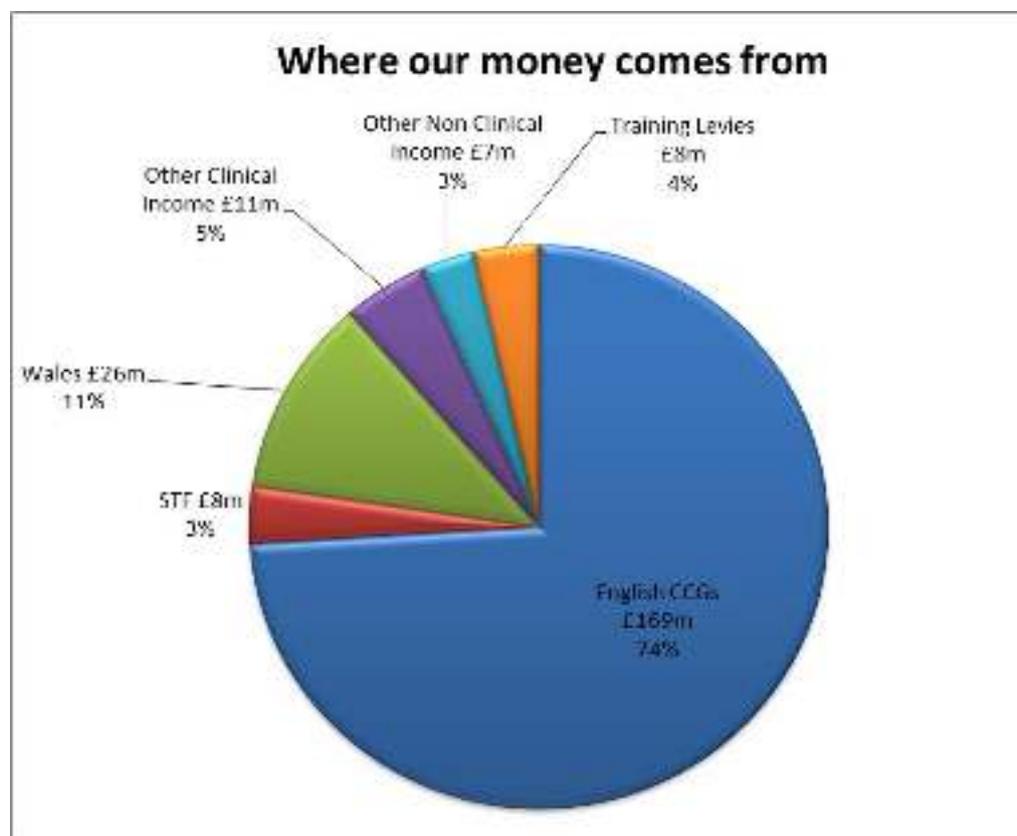
The Trust experienced a number of expenditure pressures on its budget within the year, with medical pay continuing to exceed planned levels. This was due to the continuing pressure of

covering rota gaps for junior medical staff in training due to lack of trainees allocated to the Trust and the cover of other vacancies and sickness. The consequent spend on medical agency remains significant at £2.7m for the year, though it has reduced by £1.2m from the spend incurred in 2015/16. Consumable costs were generally in line with the increased demand.

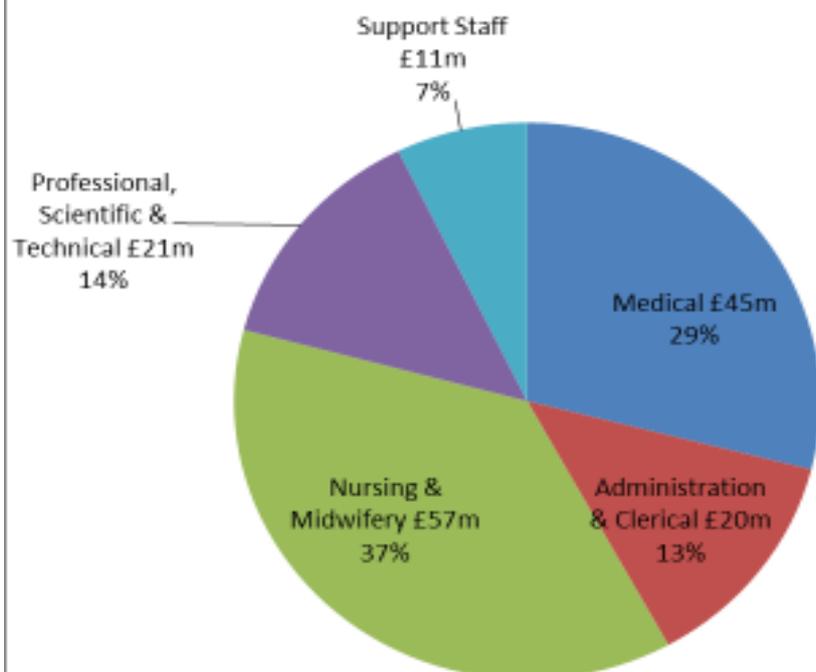
Income & Expenditure	2012/13	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m	£m
Income	193.2	200.7	213.2	215.2	230.2
Expenses (before reversal of impairment & re-organisation costs)	(185.3)	(193.6)	(209.7)	(219.6)	(228.5)
EBITDA	7.9	7.1	3.5	(4.4)	1.7
Interest, depreciation & dividend	(7.1)	(6.3)	(6.5)	(5.9)	(5.3)
Surplus / (Deficit) prior to exceptional items	0.8	0.8	(2.9)	(10.3)	(3.6)
Impairments & re-organisation costs	(6.8)	(9.9)	2.3	(3.8)	3.9
Surplus / (Deficit) for the year	(6.0)	(9.1)	(0.6)	(14.1)	0.3

The majority of Trust expenditure is spent on clinical care with staff representing the largest proportion of spend at £155m.

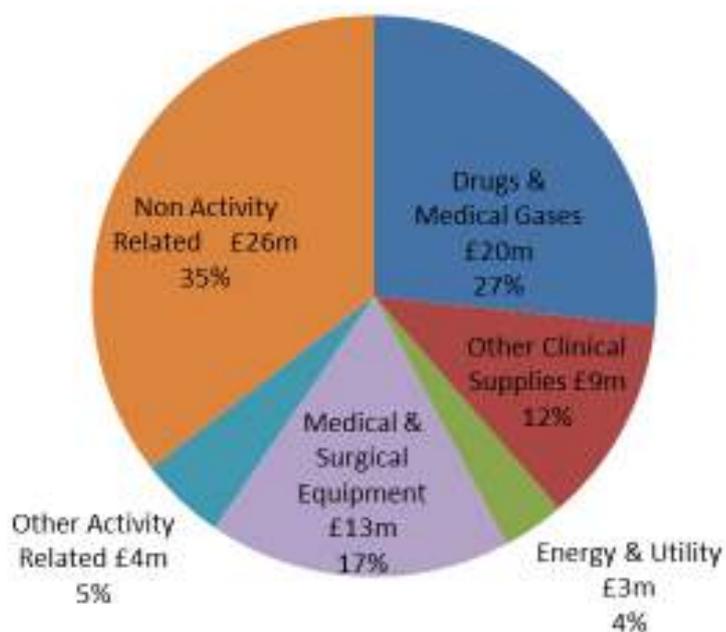
The following charts summarise income and expenditure by category:-



Break-down of Pay Expenditure



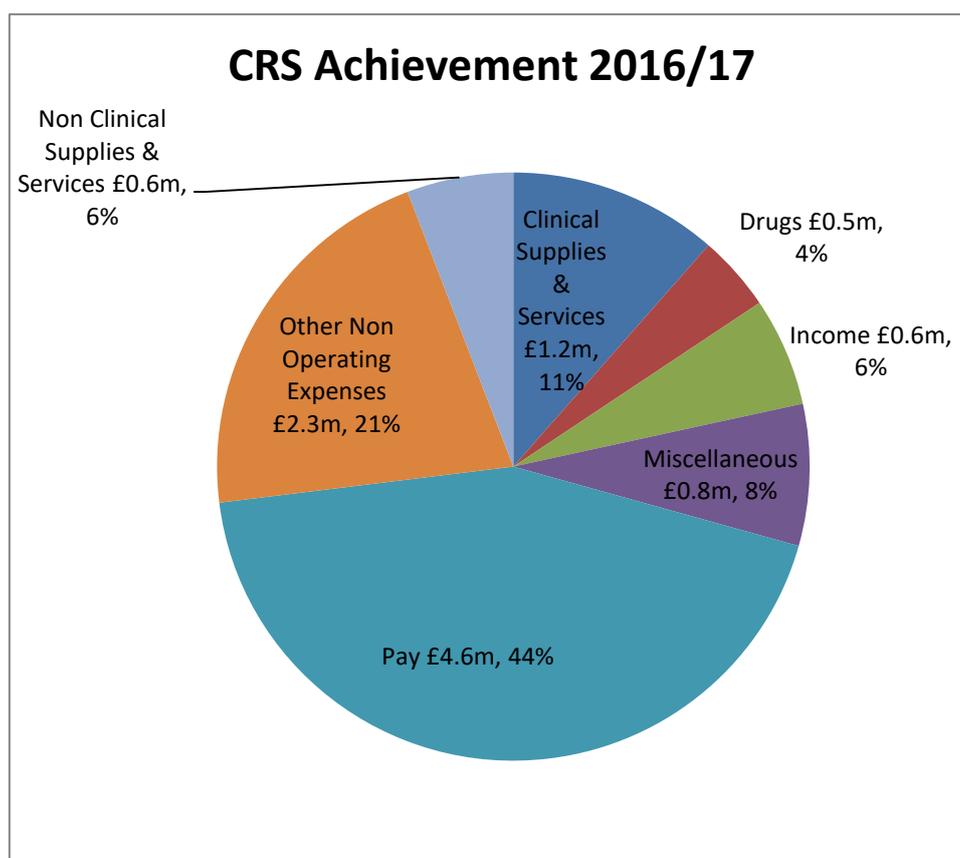
Break-down of Non Pay Expenditure



Cost Reduction and Efficiency (CRS)

The efficiency target for 2016/17 year was £10.4m, with £10.6m being delivered in year, a small over achievement in year. However, only £7.4m savings (63%) were achieved on a recurrent basis against a recurrent target of £11.9m, resulting in a pressure of £4.5m being carried forward to 2017/18. The in-year efficiency target is lower than the recurrent target due to a non-recurrent adjustment of £1.5m to the Control Total in year.

The following chart shows the breakdown of where the savings have been delivered within the year:



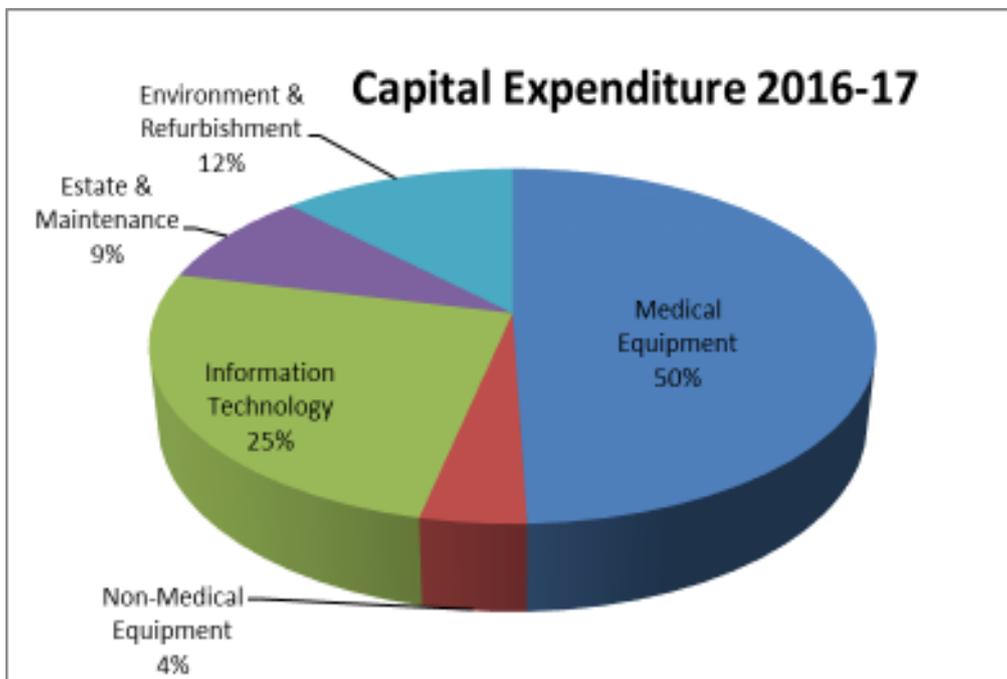
The Trust will be required to continue to deliver significant savings annually for the foreseeable future. This can no longer be achieved in isolation due to an ageing population with increased demands yet less funding available. We will need the continued support of our commissioners, along with partnership working to continue to reconfigure and transform services within the local health system, so that we can continue to care for our patients in the most appropriate setting.

Capital Investment

Being a Foundation Trust allows us to manage our finances so that we can invest in the infrastructure and estate of the hospital.

£4.34m was spent during 2016/17 in the following areas:

- Medical equipment (£2.15m) including the replacement of a number of anaesthetic machines, ultrasound scanners, endoscopes, ventilators, and patient monitors.
- Information technology (£1.1m) which was predominantly spent on upgrading the wireless network, the storage area network (SAN), and investing in the general IT infrastructure of the hospital.
- Environment and refurbishment (£0.54m) relating a number of ward refurbishments, alterations and improvements.
- Estate maintenance (£0.38m) spent on improving the essential infrastructure of the hospital, including electrical and heating systems and controls.



Signature

Tony Chambers - Chief Executive

23rd May 2017

The Accountability Report

Directors' Report

Quality Governance and Governance Structures

The Trust governance structures ensure that the Board has an overarching responsibility through its leadership and oversight, to ensure and be assured that the organisation operates with openness, transparency and candour particularly in relation to its patients, the wider community and staff. The Board holds itself to account through a wide range of stakeholders and the overall effectiveness and performance of the organisation.

Quality Governance includes our values and behaviours and structures and processes that enable the board to discharge its responsibilities for quality. Our responsibilities include ensuring essential CQC standards for quality and safety are met, striving for continuous quality improvement and ensuring that every member of staff that has contact with our patients is motivated and enabled to deliver safe, kind and effective care. We monitor key quality standards and receive assurance on them via the Quality, Safety and Patient Experience Committee and the committees that feed into it. We also report to our Commissioner on quality standards such as CQUINs. We seek and use feedback from patients via the Friends and Family Test, along with national surveys, and have recently launched our Patient Experience & Involvement Strategy within the Trust. To support listening to staff, the Trust has a number of well embedded formal and informal systems including a programme of Executive 'walk-rounds'.

Our quality of care is incorporated into the new national *Single Oversight Framework* that the trust is assessed against. Our quality reporting also forms part of our Trust integrated performance board report which triangulates quality, workforce and financial indicators and gives the board visibility of all key areas of performance. This report is produced and reviewed monthly, with the metrics of the report structured across the five CQC areas of: safe, effective, caring, responsive to people's needs and well-led. The implementation of our overarching CQC action plan following our 2016 inspection provides visibility of actions required whilst providing an opportunity to further improve standards and quality of our governance.

The Board has developed a culture across the organisation which supports open dialogue and includes directors and senior managers personally listening to complaints, concerns and suggestions from partners, patients and staff.

The three sub-committees of the Board of Directors, which comprise of Finance and Integrated Governance Committee, Quality, Safety and Patient Experience Committee and People and Organisational Development Committee, have strengthened over the past year. All three are chaired by a Non-Executive Director and clinical and managerial representatives make up the membership. The Audit Committee is a standalone statutory committee of the Trust which reports to the Board, chaired by a Non-Executive Director and the composition includes two further Non-Executive Directors.

The Board receives the minutes of each of the sub-committees which provide timely and accurate information to facilitate an overarching and durable framework. This allows the Board to make sense of the effective use of the information to gain further assurance of good governance practice and provide confidence that the organisation provides safe, effective and patient focused care. To further support the Board, each of the sub-committees receive regular updates and minutes from operational groups who are chaired by the Executive Directors. There is an opportunity at each meeting for the relevant group's minutes to be questioned and where needed, further details can be requested and clarified.

The Board and its sub-committees demonstrate leadership and the rigour of oversight of the Trust's performance by having formulated an effective strategy for the organisation. This ensures accountability by robustly challenging the control systems in place and where appropriate, seeking further intelligence on the current trend analysis with the Trust's performance indicators to further understand the wider health system needs. These are also informed by feedback from the Council of Governors and their links with members of the public, patients and staff.

The Trust has a risk management strategy in place and supporting procedures set out the key responsibilities for managing risk within the organisation, including ways in which the risk is identified, evaluated and controlled. This has further supported the assurance processes within the Trust over the past year, especially demonstrating alignment with the Board Assurance Framework. The continued use of the Health and Safety Executive's "five steps to risk assessment" model ensures that a consistent approach is applied to assessing and responding to clinical and non-clinical risks and incidents. In year, the Trust has further strengthened this role, this includes the introduction of a medical management model with an identified medical lead for risk.

The Trust is able to ensure itself of the validity of its corporate governance statement by engaging with its external auditors throughout the year to gain assurance that it is fully compliant with the requirements of the Care Quality Commission and Monitor Provider License with appropriate reports to the Board and Council of Governors.

The Foundation Trust is fully compliant with the registration requirements of the Care Quality Commission. During 2016/17 the Trust received its formal Care Quality Commission (CQC) report, this reported a rating for the Countess of Chester hospital site 'Requires Improvement' and Ellesmere Port hospital site reporting 'Good'; this culminated in an overall rating of 'Good'. The implementation of the recommendations made in the report have been closely monitored and assurance is provided via the operational divisions up to the Quality, Safety and Patient Experience Committee.

In respect of quality, safety and patient experience, work has continued from the previous year, this continues to support the Trust's Quality Improvement Strategy, further details of aspects focused upon during the year can be found in the *Quality Report* section of this document.



Focusing on Governance

The NHS Foundation Trust Code of Governance

The Board of Directors places much emphasis on ensuring our governance is effective and robust and is reflective of best practice; the Code of Governance provides the structure to support the many aspects of an effective Board. During the year the Director of Corporate and Legal Service reviews our compliance against the Code taking action as required to confirm ongoing compliance.

Council of Governors

The foundation for effective relationship building between directors and Governors is a clear understanding by both groups of the responsibilities and boundaries of their respective roles. The Board of Directors provide active leadership of the Trust within a governance framework of prudent and effective controls which enables risk to be assessed and managed. The Governors act in the best interests of the Trust and adhere to its values and code of conduct. The Council of Governors holds the Board of Directors to account by analysis of the integrated performance reports that they receive, challenging assumptions and raising

questions as appropriate. In addition to the formal quarterly meetings of the Council of Governors and the Annual Members' meeting the Governors hold a Governors' Quality Forum meeting every three weeks, which the Chairman and Director of Corporate and Legal Services attend on every occasion. Non-Executive Directors and Executive Directors attend these meetings on a regular basis. At these meetings the Governors receive an update on Trust matters in relation to quality and operational information and have the opportunity to raise any issues on behalf of the Trust membership.

There is a standing agenda item at all Board of Directors' meetings for the Director of Corporate and Legal Services to report on any Council of Governors matters.

At the Council of Governors' meetings which are also attended by members of the Board of Directors, there are interactive sessions where Governors hold the Board to account and provide feedback from the membership on the quality of our services received by members.

The types of decision taken by each of the Boards together with any delegated powers are set out below:

The Board of Directors may delegate any of its powers to a Committee of Directors or to an Executive Director. The Board has reserved the issues set out in its Scheme of Reservation and Delegation and further guidance on the operation of the Trust is set out in the Standing Orders and Standing Financial Instructions. The main decisions taken by the Board of Directors include those relating to:

- Strategic direction and policy determination.
- The quality agenda.
- Actions required to address significant performance issues.
- Governance and compliance arrangements.
- Major business cases for capital or revenue investment.
- The annual plan, financial strategy and annual report.
- The acquisition, disposal or change of land or buildings.
- Private Finance Initiative proposals.
- Major contracts.
- Risk, clinical governance standards and policies.
- The constitution, terms of authorisation and working arrangements of its committees.
- Approval of standing orders, standing financial instructions and schemes of reservation and delegation.
- Arrangements for the Trust's responsibilities as a corporate trustee for its charitable funds.

The types of decisions taken by the Council of Governors include:-

- Appoint and if appropriate remove the Chair,
- Appoint and if appropriate remove the other Non-Executive Directors.
- Decide the remuneration and allowances, and the other terms and conditions of office, of the chair and the other Non-Executive Directors.

- Approve the appointment of the Chief Executive.
- Appoint and, if appropriate, remove the NHS Foundation Trust's External Auditor.
- Decide on a quality of care issue to be reviewed for the Quality Account.
- Determine a local quality measure for auditing internally and externally for the Quality Account; and
- To agree the Trust's membership strategy, and its policy for the composition of the Council of Governors.

Composition of Council of Governors

The total number of Governors is 29 as follows:

Chester & Rural Cheshire	8
Ellesmere Port & Neston	4
Flintshire	3
Out of area	1
Staff	5
Partnership organisations	8

There are two vacancies to be filled in respect of the partnership organisations.

The membership of the Council of Governors during 2016/17, for both elected and appointed, their length of tenure, is as follows:

<u>Governor</u>	<u>Term of Office</u>
Public – Chester and Rural Cheshire	
Mr Thomas Bateman (Lead Governor)	Re-elected for 3 rd term of office until October 2018 Appointed as Lead Governor with effect from 1 st January 2017
Mrs Elizabeth Bott	Re-elected for 3 rd term of office - 3 years until October 2017
Mrs Helen Clifton (Deputy Lead Governor)	Re-elected for 2 nd term of office until October 2018

Mrs Sue Elphick	Re-elected for a 3 rd term of office - 3 years until October 2017
Mrs Marilyn King	Term of office expired October 2016
Mr Geoffrey Lloyd	Term of office expired October 2016
Ms Caroline Stein	Elected October 2014 for 3 years until October 2017
Ms Sue McClelland-Sheldon	Re-Elected October 2016 for 3 years until October 2019
Mr Roger Howells	Elected October 2016 for 3 years until October 2019
Ms Karen Newbury	Elected October 2016 for 3 years until October 2019
Public - Ellesmere Port & Neston	
Mrs Pat Clare	Elected October 2014 for 3 years until October 2017
Mr Brian Ellingham	Term of office expired October 2016
Ms Sue Bagby	Elected October 2015 for 3 years until October 2018
Cllr Brian Jones	Elected October 2015 for 3 years until October 2018
Mr Peter Folwell	Elected October 2016 for 3 years until October 2019
Public – Flintshire	
Ms Fran Parry	Elected October 2014 for 3 years until October 2017
Mr Russell Jackson	Re-Elected for 2 nd term of office for 3 years until October 2019
Mrs Liz Kevan	Term of office expired October 2016
Ms Ruth Overington	Elected October 2016 for 3 years until October 2019
Partnership Organisations	
Mr Michael Hemmerdinger (Lead Governor)	Term of office expired 31 st December

Voluntary Services	2016
Mrs Dorothy Marriss University of Chester	Appointed February 2011
Ms Chris Hannah Western Cheshire CCG	Term of office expired July 2016
Mr Keiran Timmins Western Cheshire CCG	Appointed August 2016
Cllr Matt Bryan Cheshire West and Chester Council	Term of office expired May 2016
Ms Linda Harper Flintshire Community Health Council	Term of office expired August 2016
Mr Michael Boyle Flintshire Community Health Council	Appointed September 2016
Staff	
Dr Ian Benton	Elected October 2014 for 3 years until October 2017
Dr Chris Green	Term of office expired October 2016
Mrs Chris Price	Elected October 2016 for 3 years until October 2019
Ms Carole Jones	Term of office expired October 2016
Ms Katie Greenhalgh	Term of office expired October 2016
Ms Karen Woodcock	Term of office expired October 2016
Ms AnneMarie Lawrence	Elected October 2016 for 3 years until October 2019
Ms Lisa Myers	Elected October 2016 for 3 years until October 2019
Mr Steve Bridge	Elected October 2014 for 3 years until October 2017
Mrs Sarah Balogh	Elected October 2014 for 3 years until October 2017



Election of Council of Governors

Notice of elections were published in July 2016 in the following public constituencies:

Chester & Rural Cheshire

Ellesmere Port & Neston

Flintshire

An election was held in September 2016 in the Chester & Rural Cheshire, Ellesmere Port & Neston and Flintshire Constituencies.

The election turnout was as follows:

Chester and Rural Cheshire – 19.47%

Ellesmere Port & Neston – 17.37%

Flintshire – 19.13%

Chester & Rural Cheshire	1 Governor re-elected, 2 Governors elected
Ellesmere Port & Neston	1 Governor elected
Flintshire	1 Governor re-elected, 1 Governor elected

The Board confirm that elections are held in accordance with the election rules stated in the Trust constitution and undertaken by UK Engage.

Attendance at Council of Governors' Meetings

There have been five Council of Governors' meetings held during 2016/17 and the attendance by Governors are given below:

No. of meetings held in 2016/17	5	Governors Expenses for 2016/17 £
<u>Council of Governors</u>		
Mr Thomas Bateman	4	
Mrs Elizabeth Bott	3	
Mrs Pat Clare	4	325.60
Mrs Helen Clifton	5	
Mrs Sue Elphick	3	
Mrs Marilyn King	3/3	
Cllr Brian Jones	1	
Ms Sue Bagby	2	
Mr Michael Hemmerdinger	4/4	144.40
Mrs Dorothy Marriss	5	
Ms Sue McClelland-Sheldon	3	
Ms Fran Parry	1	
Dr Chris Green	0/3	
Ms Chris Hannah	0/2	
Mr Michael Boyle	0/2	

No. of meetings held in 2016/17	5	Governors Expenses for 2016/17 £
Ms Linda Harper	0/1	
Mrs Liz Kevan	2/3	83.20
Mr Brian Ellingham	0/3	
Mr Geoffrey Lloyd	3/3	
Mr Russell Jackson	4	
Dr Caroline Stein	4	280.80
Dr Ian Benton	0/3	
Ms Carole Jones	0/3	
Ms Karen Woodcock	0/3	
Mr Steve Bridge	3	
Mrs Sarah Balogh	1	
Ms Katie Greenhalgh	0/3	
Roger Howells	2/2	
Chris Price	1/2	
Annemarie Lawrence	2/2	
Lisa Myers	1/2	
Board of Directors attendance at Council of Governors' meetings		Director Expenses for 2016/17 £
Sir Duncan Nichol, Chairman	4	1,300.10
Mr Tony Chambers, Chief Executive	4	598.08
Mrs Alison Kelly, Director of Nursing and Quality	4	70.00
Mr I Harvey, Medical Director	3	-

Board of Directors attendance at Council of Governors' meetings		Director Expenses for 2016/17 £
Mrs Debbie O'Neill, Chief Finance Officer	4/4	132.28
Mrs Sue Hodgkinson, Director of People & Organisational Development	4	-
Ms L Burnett, Director of Operations	3	158.19
Mr Stephen Cross, Director of Corporate and Legal Services	5	-
Mr Simon Holden, Interim Chief Finance Officer	3/3	-
Mr James Wilkie, Non-Executive Director	4	-
Mrs Ros Fallon, Non-Executive Director	3/4	-
Mrs Rachel Hopwood, Non-Executive Director	3	-
Mr Andrew Higgins, Non-Executive Director	2	-
Mr Ed Oliver, Non-Executive Director	3	-

Summary of Declaration of Interests of Governors

The register of Declaration of Interests is held by the Director of Legal and Corporate Services, and can be accessed by contacting Mr Stephen Cross.

Telephone – 01244 365816 or email stephen.cross1@nhs.net

The Council of Governors have individually signed to confirm that they meet the fit and proper persons test.

The Board of Directors have received information on the views of the Governors and Members about the Trust and its services in the following ways:

- Regular attendance at the Council of Governors' meetings.
- Joint workshops of the Board and Council
- Regular attendance at Governors' Quality Forum meetings.
- Discussion at Annual Members' Meetings.

- Receipt of reports from the Director of Corporate and Legal Services at each of the Board of Directors' meetings.
- Joint presentations to and feedback from organisations in the local community.
- Receipt of reports from the Governors' Quality Forum.

Board of Directors

The composition of the Board of Directors during 2016/17 was as follows:

Non-Executive Directors (Independent)

Chairman – Sir Duncan Nichol CBE

Re-Appointed 1st November 2015 for a 3 year term of office

Andrew Higgins – Senior Independent Director

Re-appointed 1st November 2014 for a 3 year term of office

Rachel Hopwood – Deputy Chairman

Re-appointed 1st December 2014 for a 3 year term of office

James Wilkie

Re-appointed 1st April 2016 for a 3 year term of office

Mr Ed Oliver

Re-Appointed 1st September 2016 for a 3 year term of office

Mrs Ros Fallon

Appointed 1st May 2016 for a 3 year term of office

Executive Directors

Mr Tony Chambers – Chief Executive

Mr Ian Harvey – Medical Director/Deputy Chief Executive

Mrs Alison Kelly – Director of Nursing & Quality

Mrs Debbie O'Neill – Chief Finance Officer (Stepped down from Board from 31st January 2017)

Mr Simon Holden – Interim Chief Finance Officer (from January 2016 – July 2016 and from 1st February 2017)

Mrs Sue Hodgkinson – Director of People and Organisational Development

Ms Lorraine Burnett – Director of Operations (Appointed substantively 5th May 2016)

Attendance at Board of Directors and Board Committee meetings

Attendance at the Board meetings held during 2016/17 and Board Committees were as follows:

	Board of Directors	Audit Committee	Finance & Integrated Governance Committee	Remuneration Committee	Quality, Safety & Patient Experience Committee	People & Organisational Development Committee	Charitable Funds
No of Meetings held for 2016/17	7	5	5	2	10	7	4
Sir Duncan Nichol	7	-	5	2	6	1	2
Tony Chambers	7	-	5	2	-	-	3
Debbie O'Neill	5/6	4/4	4	-	-	-	3
Ian Harvey	6	-	4	-	9	3	0
Alison Kelly	6	-	5	-	8	7	-
Sue Hodgkinson	6	-	4	2	9	7	-
Lorraine Burnett	7	-	4	-	-	5	-
Simon Holden	5/5	3/3	5	-	-	-	1
Stephen Cross	7	4	5	2	-	-	4
Andrew Higgins	6	4	5	1	9	-	-
Rachel Hopwood	7	5	4	2	6	-	-
James Wilkie	7	5	5	2	-	-	-
Ed Oliver	7	-	5	2	-	6	4
Ros Fallon	6	-	3	1	7/9	5	-

Background of the Board Members

Sir Duncan Nichol - Chairman



Sir Duncan was re-appointed as Chairman on 1st November 2015 for a second three year term of office. He spent most of his NHS managerial career in the North-West of England, becoming CEO of the NHS in 1989, before his appointment as Professorial Fellow at the University of Manchester. Since then he has divided his commitments between the public and private sectors, formerly as chairman of the Parole Board; HM Courts Service and deputy chairman of the Christie NHS FT and currently as Non-Executive Director of Steris, Deltex Medical Ltd and UKAS.

Tony Chambers – Chief Executive



Tony was appointed as Chief Executive in December 2012. His main interest has been to work with West Cheshire Health and Care partners to make the Countess of Chester Hospitals one of the best and safest organisations within the NHS. He led the successful reorganisation of regional vascular services which saw the South Mersey Arterial Network operate at the Countess from April 2014. From starting his career as a student nurse in Bolton in 1985 he has

worked in a variety of clinical and management roles in a range of sectors and has been a Director in the NHS for over 12 years; most recently as the Director of Planning in South Wales. Prior to this he held director roles in hospitals in Greater Manchester and West Yorkshire.

Mr Ian Harvey – Medical Director/Deputy Chief Executive



Ian commenced his role as Medical Director on 1st July 2012 and was also appointed Deputy Chief Executive in May 2016. Ian qualified in Medicine in Liverpool and, after completing specialist training in Sheffield, Liverpool and Wrightington, took up a post as Consultant Trauma and Orthopaedic Surgeon with an interest in upper limb and hand surgery in the Trust in August 1994. Prior to becoming Medical Director, Ian was Divisional Medical Director for Planned Care and his other managerial roles in the Trust have included Lead Clinician for Orthopaedics and Clinical Director for Orthopaedic and Plastic Surgery and Rheumatology. Ian's other current roles include Caldicott Guardian and Director of Infection Prevention and Control.

Debbie O'Neill – Chief Finance Officer



Debbie joined the Board in May 2011. Debbie started her career in the NHS at Wirral straight from school and moved into the world of finance in 1982 before moving to Chester in 1989. She undertook a number of roles within the finance department, but took a break in her studies after starting a family and finally qualified in 2003. Debbie was appointed as Assistant Director of Finance in 2007 and in May 2011 was subsequently appointed as Acting Director of Finance until June 2013 following the secondment of previous post holder to NHS North West. Debbie stood down from her role as Chief Finance Officer on 31st January 2017. Debbie is married with two daughters.

Simon Holden – Interim Chief Finance Officer



Simon joined the Board in January 2016 for an initial interim period of 6 months and later re-joined the Board, following the previous post holder standing down from the Board. Simon is an experienced Senior NHS Leader, having held both Chief Executive & Director of Finance posts and is financially qualified with a successful track record of delivery and achievement.

Simon is a Chartered Certified Accountant (FCCA) and also a

Chartered Surveyor (FRICS) and has held a number of senior roles during his 34 years within the NHS.

Simon has been the Chief Executive of NHS Property Services Limited from its outset, Director of Finance for Bedfordshire CCG and has previously been the Director of Finance for NHS Cheshire, Warrington and Wirral. He is also Treasurer of the Cheshire Centre for Independent Living (CCIL), a user led charitable organisation empowering disabled people to have independence, and also Chairman of the Pear Tree Primary School Academy Trust in Nantwich, Cheshire.

Alison Kelly – Director of Nursing and Quality



Alison joined the Countess in March 2013 having previously been the Deputy Chief Nurse at the University Hospital of South Manchester since 2008. Alison has a background in critical care nursing and also has a wide range of experience as a senior nurse in managerial, educational and clinical positions in a number of Trusts in the North West, including Salford, Blackpool and East Cheshire. She is particularly interested and passionate about driving the patient experience agenda and identifying how patient feedback can enhance service development and improvement. Alison was appointed as the Governing Body Nurse at Salford CCG which gives an important wider view on the role of nursing across the health economy and also contributes income for the Corporate Nursing budget at the Countess. Alison is married with two teenage daughters.

Sue Hodkinson - Director of People & Organisational Development



Sue joined the Countess in February 2011 and was appointed to the post of Director of People & Organisational Development in November 2014. Having worked in a number of senior HR posts in the NHS for over 10 years and as a Chartered Member of the Chartered Institute of Personnel Development (CIPD), she brings extensive healthcare and private sector HR experience & knowledge to the Executive Team,

Sue is passionate about taking the Trust's People Strategy forward, with particular emphasis on staff engagement, partnership working and workforce development. She works very closely with other members of the executive team to focus on the staff experience and culture within our Trust and the links to improving the patient experience. Sue is executive lead for staff health & wellbeing, in addition to being the Chair of the collaborative HR & Wellbeing Business Service (www.hrwbbs.com), which the Trust operates in conjunction with Wirral University Teaching Hospital NHS Foundation Trust. Sue has recently joined the Board of Governors at Upton Westlea Primary School, as the Local Community Governor.

Lorraine Burnett - Director of Operations



Lorraine joined the Countess in March 2013 as the Divisional Director for Urgent Care and was substantively appointed as Director of Operations from May 2016. She has recently taken up the post of Interim Director of Operations. She started her career as a paediatric nurse at the Royal Manchester Children's Hospital in 1990 and later spent 8 years as a nurse specialist. She has since held senior management roles in community services before moving to hospital management in 2011.

Lorraine is an advocate of empowering people to participate in their own care in the right place having previously developed home treatment services across the country.

Stephen Cross – Director of Corporate and Legal Services



Stephen joined the Countess in February 2007 as the Solicitor and Company Secretary for the Trust following a number of years in the public and private sectors. Stephen is involved in a number of community activities which links the Trust to the wider community and promotes the safe, kind and effective work of the hospital. Stephen is the executive lead for the Board of Directors and Council of Governors.

Andrew Higgins – Non-Executive Director/Senior Independent Director



Andrew joined the Board in November 2011 and was re-appointed for a 2nd term of office with effect from November 2014. Andrew is a chartered accountant with a background in audit and advisory services. In 2010 he retired from KPMG, a major accounting and advisory firm, after a career spanning 33 years in the UK and overseas. Andrew has experience of working with a variety of commercial and not-for-profit organisations, with particular emphasis on the financial services and housing sectors. From 2008 to 2010 Andrew worked in Japan in an international liaison role and advised US and European multi-nationals with interests in the Far East. Now settled south of Tarporley, Andrew pursues a variety of interests including a Non-Executive Director post with a West Midlands building society.

Rachel Hopwood – Non-Executive Director/Deputy Chairman



Rachel joined the Board in December 2011 and was re-appointed for a 2nd term of office with effect from December 2014. Rachel was appointed as Deputy Chairman at the Board of Directors meeting in July 2016. Rachel is a chartered accountant, qualifying with Ernst & Young, a major accounting and advisory firm. After a career in finance and investment banking in the City of London, latterly as an Executive Director at ABN AMRO, she relocated with her family back to Cheshire in 2008. Prior to joining the Board, Rachel was a Non-Executive Director of Western Cheshire PCT and Lay Advisor to West Cheshire Clinical Commissioning Group. She is also a Director in a company providing management and financial consultancy services in the region. Brought up locally, Rachel was educated at The Queen's School, Chester. She now lives in Tarporley with her husband and two children, the youngest of whom was born at the Countess of Chester Hospital.

James Wilkie – Non-Executive Director



James joined the Board in April 2013 for a 3 year term of office and was re-appointed for a 2nd term of office with effect from 1st April 2016. James retired following a long career in local government. He worked for several local authorities and held a series of senior management positions, including that of Chief Executive. James has experience of managing many aspects of local authority activity and has a particular interest in regeneration and economic development. James has lived in Neston for many years, and is married with two grown daughters.

Ed Oliver – Non-Executive Director



Ed joined the Trust in September 2013 and was re-appointed for a 2nd term office with effect from 1st September 2016. A Graduate Electrical Engineer from the University of Strathclyde, Glasgow. Following this he had a 28 year career with Marks and Spencer before retiring in 2000 as the Regional Manager for Merseyside. Joined a family business in 2001 called Tops Estates who owned a number of Shopping Centres around the UK. This was to develop the operational side of the business, before finally retiring in 2009.

Ed has always, during his business career, been involved in outside agency's such as: Prince's Trust on Merseyside - Vice Chairman 1991-2000; Liverpool Chamber of Commerce and Industry - Vice Chairman and Chairman 2001 – 2010; Ronald McDonald Family House, Alder Hey Children's Hospital, Liverpool - Board member and Chairman; 1994 –

2014 Liverpool Business Improvement District Co. - He founded the business in 2003 and was Chairman of the Exec Board. Non-Executive Director, Alder Hey Children's Hospital NHS Foundation Trust. 2004 – 2013. Current Chairman of the CH1 Chester City BID Co. Ed is married with three children and main interests are traveling, golf and watching most sports.

Ros Fallon – Non-Executive Director



Ros joined the Trust in May 2016 and was appointed for a 3 year term of office with effect from 1st May 2016. Ros Fallon was born in Liverpool and qualified there as a Registered Nurse in 1980. Ros then moved to Manchester to work in cardiothoracic surgery and subsequently qualified as a Registered Midwife. Ros practiced as a clinical midwife for 17 years in Manchester, Cheshire and Warrington before undertaking an MSc in Health Informatics and moving into strategic leadership roles.

Ros has experience of whole system strategic planning, operational delivery and performance improvement. Ros has led transformational change programmes both locally and nationally and has held executive director positions in the NHS in Cumbria and Liverpool. Ros retired from permanent NHS employment in 2013, however, she still undertakes some ad hoc improvement assignments within the NHS. This is Ros' first Non-Executive Director position.

The Trust recognises that the Board of Directors has to provide a portfolio of skills and expertise to reflect the patient care and experience and the Trust's sustainable clinical services to ensure a high performing and effective organisation. The Board members provide a breadth of public and private sector expertise which has been strengthened further in year with the re-appointment of the Chairman which continues to provide a mix of gender and age profiles.

The Board of Directors have developed a robust review process for evaluating its committees. The Chair of each committee prepares an annual evaluation of the work undertaken during the year end, and review attendance at each meeting; additionally the terms of reference are reviewed annually and updated to reflect changes in the operating environment and best practice. These reviews are presented to the Board of Directors. The process for evaluating the performance of the Board of Directors has been developed, drawing on a number of models used in the private and public sectors. Following the robust review of the Trust Governance Framework for the Board and its committees undertaken in March 2015, the new arrangements are now well embedded and continue to provide robust assurance to the Board. Each of the Board committees are chaired by a Non-Executive Director with updates and minutes provided to each Board meeting.

The Directors of the Board undergo an annual performance assessment, reviewing performance against agreed objectives, personal skills and competencies and progress with personal development plans. In year, the Executive Team have held a number of

development days to support the innovative Model Hospital programme, which is linked to the Trust's vision to deliver NHS care locally that make staff and the local community proud by being safe, kind and effective. The Board has also incorporated the Trust's lead in the Lord Carter Review of Operational Productivity in the NHS. The Board also work collectively as a team to support effective unitary working of the Board of Directors. To complement the on-going Board development, regular informal Board sessions are also held as required.

Summary of Declaration of Interests of Directors

The register of Declaration of Interests is held by the Director of Corporate and Legal Services and can be accessed by contacting Mr Stephen Cross. Telephone – 01244 365816 or email stephen.cross1@nhs.net

The Board of Directors have individually signed to confirm that they meet the fit and proper persons test.

The Chairman has the following other significant commitments:

Chairman of Steris
Chairman of Deltex Medical Ltd
Chairman of UKAS

These three other significant commitments do not in any way impact on his role as Chairman of the Trust.

Audit Committee

The Audit Committee consists of three independent Non-executive Directors, two of whom are qualified accountants, of whom one is Chair (Rachel Hopwood). Other Executive Directors and senior staff regularly attend the committee as do the internal and external auditors. The overall purpose of the Trust's Audit Committee is to review the organisation's effectiveness and maintenance of the Trust's system of internal control and risk management. Private meetings with either the internal or external auditors are held after each committee meeting.

Audit Committee Attendance 2016/17

Date of meeting	Chairman of Audit Committee	Non-Executive Director	Non-Executive Director
	Mrs R Hopwood	Mr A Higgins	Mr J Wilkie
18.04.16	✓	✓	✓
24.05.16	✓	✓	✓
04.10.16	✓	✓	✓
10.01.17	✓	x	✓
20.03.17	✓	✓	✓

During the year the Audit Committee undertook the following in discharging its responsibilities:

- Reviewed the statement on internal control and supporting assurance processes in conjunction with the audit opinion.
- Approved a risk based internal audit plan and actively reviewed the findings of all audits.
- Approved the plan and reviewed the work of the Trust's local counter fraud specialist;
- Reviewed the significant issues for the Trust;
- Reviewed and approved the updated corporate governance manual covering standing orders, standing financial instructions and scheme of delegation;
- Agreed the nature and scope of the external audit plan and reviewed the reports, recommendations and management responses;
- Reviewed the Trust's annual financial statements and recommended their adoption to the Board of Directors;
- Reviewed the effectiveness of the Committee using an independent framework;
- Approved bad debt write offs and contract extensions/tender waivers;
- Review the data quality of the Quality Account;
- Review any significant issues that the committee considered in relation to the financial statements, operations and compliance, and how these issues were addressed;
- Review the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, the value of external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and
- Review the effectiveness of internal audit process;

- Reviewed scope of external auditor providing non-audit services, the value of the non-audit services provided and an explanation of how audit objectivity and independence are safeguarded;
- Received details of the process for the escalation of risks up through to the Board Assurance Framework.

The Audit Committee has considered significant issues in respect of the following:

- The Trust has posted a deficit of £3.6m before an impairment reversal against a planned deficit of £4.0m, a favourable variance of £0.3m. It was noted that this was before the final distribution of Sustainability & Transformation funding (STF) that the Trust is eligible for. The implications of the financial performance on the application of the going concern principle in the preparation of the accounts – this is set out in more detail in the Going Concern section;
- The Committee considered the areas of significant judgement in respect of the preparation of the annual accounts:
 - The recognition and treatment of the STF funding due;
 - Principles and approach to valuation of the Trust property;
 - Provisions for impairment of receivables; and
 - Other Provisions, including Permanent Injury Benefits and legal claims

The Audit Committee were satisfied that the significant issues considered were addressed by the evidence presented to them by the Directors of the Trust and further assurance gained from MIAA audit reports.

The external audit firm provided some advisory and review work during the year, specifically a pensions tax seminar (£3,000) and a VAT advisory services (£10,000). Any work agreed outside the audit plan is subject to approval by the Audit Committee in accordance with the non-audit services policy and all additional work provided in year was undertaken in accordance with this policy.

The appointment of the Foundation Trust external auditors is one of the statutory powers of the Council of Governors. Monitor sets out the audit criteria for a Foundation Trust. An Audit Review Panel was formed in October 2015 to oversee the procurement process and to then make a recommendation to the Council of Governors. The panel comprised of Governors, Non-Executive Directors including the Chair of Audit Committee, Interim Chief Finance Officer, Assistant Director of Finance and a senior Procurement Officer. A robust procurement and tendering process was undertaken which include evaluation and review of the tenders returned.

The Chair of the Panel, Mr Russell Jackson, Public Governor for Flintshire on behalf of the Audit Review Panel, recommended to the Council of Governors on 29th April 2016 that KPMG are to be awarded the external audit contract for the Countess of Chester Hospital NHS Foundation Trust. The Council of Governors approved the appointment of KPMG as the Countess of Chester Hospital NHS Foundation Trust's external auditors with effect from

1st July 2016 for a period of 3 years with an option for the Trust to extend this a further 2 years.

There has been no change in year to the internal audit provider which is MIAA.

The Directors acknowledge their responsibility for preparing the Annual Accounts for the organisation.

Governors' Nominations Committee

Non-Executive Directors including the Chairperson are appointed by the Council of Governors for the specified terms subject to re-appointment thereafter at intervals of no more than three years and are subject to the 2006 Act provisions relating to the removal of a director.

Expressions of interest from Governors to serve on the Nominations Committee were invited from Governors and the Nominations Committee met three times in 2016/17.

The Nominations Committee held an extensive recruitment and interview process during April 2016 to consider the appointment of a Non-Executive Director. The process was run in house having regard to the expertise available within the Trust following previous recruitment processes together with the obvious cost savings that could be made to the Trust. The Trust placed an advert for the vacancy in the local free newspapers, covering the three Trust constituencies. Further information about the vacancy was available on the Trust's website. Candidates were invited to submit a CV, and 18 applications were received by the closing date.

The Nominations Committee met on 19th April 2017 and undertook a robust shortlisting process against a number of key requirements and skill sets. Three candidates were invited for interview. A vigorous interview process was undertaken which included an informal panel interview and a formal panel interview. Members of both panels included the Chairman, Lead Governor, Public Governors and Executive Directors with HR support.

The Nominations Committee recommended to the Council of Governors that Mrs Ros Fallon should be appointed as a Non-Executive Director at the Countess of Chester Hospital NHS Foundation Trust with effect from 1st May 2016. At the Council of Governors meeting on 29th April 2016, Mrs Ros Fallon was unanimously approved as a Non-Executive Director of the Trust for a three year term of office with effect from 1st May 2016.

The Governors' Nominations Committee met again in year, to agree the process for the re-appointment of a Non-Executive Director, Mr Ed Oliver, whose term of office was due to expire in September 2016. The process was run in house having regard to the expertise available within the Trust. The Nominations Committee held an extensive review process regarding the performance of Mr Ed Oliver and took views from the Lead Governor, Chairman, Senior Independent Director, Chief Executive and Governors.

The Governors Nominations Committee met on 2nd September 2016 to consider the re-appointment of Mr Ed Oliver. The Nominations Committee recommended to the Council of Governors that Mr Ed Oliver should be re-appointed as a Non-Executive Director of the Trust for a 2nd term of office for three years with effect from 1st September 2016. At the Council of

Governors meeting on 2nd September 2016 Governors approved that Mr Ed Oliver should be re-appointed as a Non-Executive Director of the Trust for a 2nd term of office for three years with effect from 1st September 2016.

The attendance at Nominations Committee meeting was as follows:

Date	19.04.16	22.04.16	02.09.16
Michael Hemmerdinger	✓	✓	✓
Sue Elphick	✓	x	x
Elizabeth Bott	✓	✓	✓
Tom Bateman (Chair)	✓	✓	✓
Pat Clare	✓	✓	✓
Russell Jackson	✓	✓	x
Steve Bridge	x	x	✓

Board of Directors' Nominations Committee

There was no requirement for the Board of Directors' Nomination Committee to meet during 2016/17.

Membership

The members of the Foundation Trust are those individuals whose names are entered in the register of members. Every member is either a member of one of the public constituencies or a member of one of the classes of staff constituency. Membership is open to any individual who is over sixteen years of age.

Public Membership

There are four public constituencies:

Chester & Rural Cheshire

Ellesmere Port & Neston

Flintshire

Out of Area

Membership of a public constituency is open to individuals:-

- Who live in the relevant area of the Foundation Trust;
- Who are not a member of another public constituency, and
- Who are not eligible to be members of any of the classes of the staff constituency.

Staff Membership

The staff constituency is divided into four classes as follows:

- Doctors
- Nursing and midwifery
- Allied healthcare professionals and technical/scientific
- Other staff groups

Membership of one of the classes of the staff constituency is open to individuals:

- Who are employed under a contract of employment by the Foundation Trust and who either:
- Are employed by the Foundation Trust under a contract of employment which has no fixed term or a fixed term of at least 12 months, or
 - Who have been continuously employed by the Foundation Trust or the NHS Trust for at least 12 months; or
 - Who are not so employed but who nevertheless exercise functions for the purposes of the Foundation Trust and who have exercised the functions for the purposes of the Foundation Trust for at least 12 months. For the avoidance of doubt, this does not include those who assist or provide services to the Foundation Trust on a voluntary basis.

A person may not become a member of the Foundation Trust if within the last five years they have been involved as a perpetrator in a serious incident of violence at the hospital or its facilities or against any of the Foundation Trust's employees or other persons who exercise functions for the purposes of the Foundation Trust, or against registered volunteers.

Membership size and movements

Membership changes in the previous year and those estimated for 2017/18 are shown in the following table:

Membership size and movements		
Public Constituency	Last year (2016/17)	Next year (estimated 2017/18)
At year start	7,004	6,980
New Members	35	200
Members Leaving	59	100
At year end	6,980	7,080
It is the Trust's intention to maintain public membership at its current levels. The Trust will focus on developing a quality membership by diversity, age and gender for 2017/18.		
Staff Constituency	Last year (2016/17)	Next year (estimated 2017/18)
At year start	4,589	4,690
New members	897	200
Members leaving	796	200
At year end	4,690	4,690

Membership Strategy

The 2016/17 target to maintain current levels of membership was achieved. The Trust is committed to ensuring the quality of data for the membership and therefore, a continuous thorough data cleanse of membership information was undertaken during 2016/17. It is the Trust's intention to continue to maintain public membership at its current levels. The strategy will focus on under-represented parts of our population during 2017/18. The Trust will also undertake a full data validation project of the membership to update member's details and communication preferences on an individual basis.

The Trust has also changed the provider of the membership database in year, which will give a greater oversight and interaction for Governors and members. This will include the ability for new members to register online and interact over social media, therefore enhancing the engagement and communication with the wider membership.

Membership Review

The mechanism by which the Board reviews membership plans, growth and engagement during the year is by a report of the Director of Corporate & Legal Services as appropriate at a Board meeting. These reports are also provided to each Council of Governors' meetings.

Current and Future Engagement with Members

The Trust has engaged with its members via the following:

- Governor roadshows in each constituency
- Countess Matters magazine – three times per year
- Local newspaper articles
- Patient interest groups
- Email surveys to members
- Surveys
- Trust website
- Presentations to community organisations
- Recruitment sessions
- Participating in Governor elections
- Drop in sessions for potential candidates
- Data validation project with membership
- Increased awareness via social media

Contact for members to communicate with Governors and Directors is available on the website and contact details are also available in the Foundation Trust's 'Countess Matters' magazine circulated to all members three times per year.

Other information

Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) requires that the income from the provision of goods and services for the purposes of the health service in England must be greater than its income from the provision of goods and services for any other purposes. The Trust met this requirement in 2016/17.

Accounting information

As far as the Directors are aware all relevant audit information has been fully disclosed to the auditors and no relevant audit information has been withheld or made unavailable nor have any undisclosed post balance sheet events occurred.

The management of risk is a key function of the Board; the Trust seeks to minimise all types of service, operational and financial risk through the Board Assurance Framework which is subject to regular review and audit.

Better Payment Practice Code

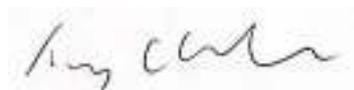
Better payment practice code		2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17
% Payment within 30 days of receipt of undisputed invoices - target 95%	Volume	99.1%	98.7%	94.6%	96.79%	94.78%
	Value	99.4%	98.7%	95.1%	95.86%	93.71%

No interest was paid to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998. The Trust works hard to maintain payment terms to suppliers, but has found it increasingly difficult to process and approve all invoices within the target of 95% during a period of significant financial challenge in the NHS, combined with an increase in the volume of invoices of around 8% since 2012/13. The Trust will continue to review working practices in an effort to improve its performance for the coming year.

Cost allocation & charging requirements

The Trust can confirm that it has complied with the cost allocation and charging requirements set out in HM Treasury and office of public sector information guidance.

Signature



Tony Chambers – Chief Executive

23rd May 2017

Remuneration Report

The remuneration committees are required to ensure levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the organisation successfully, but to avoid paying more than is necessary.

Remuneration and conditions of service of the Chief Executive and Executive Directors are determined by the Remuneration Committee, which comprised of the following members:

- Chair – Sir Duncan Nichol
- Andrew Higgins, Non-Executive Director
- Rachel Hopwood, Non-Executive Director
- James Wilkie, Non-Executive Director
- Ros Fallon, Non-Executive Director
- Ed Oliver, Non-Executive Director

The Remuneration Committee meets as and when required and the Director of Corporate and Legal Services is in attendance. The Chief Executive and Director of People and Organisational Development are invited to attend the meeting as appropriate, in particular to brief the Committee on the performance of the Executive Directors and benchmarking of Very Senior Managers across the NHS.

The Remuneration Committee met twice in the year to discuss Very Senior Managers (VSM) levels of pay and executive salaries which the Remuneration Committee ratified that the executive salaries remain unchanged. The attendance at each meeting is as follows:

Date	24.05.16	07.02.17
Sir Duncan Nichol	✓	✓
Andrew Higgins	✓	✘
Rachel Hopwood	✓	✓
James Wilkie	✓	✓
Ros Fallon	✓	✘
Ed Oliver	✓	✓

In considering the Executive Directors remuneration the Committee take into account the national inflationary uplifts recommended for other NHS staff, any variation in or change to the responsibility of Executive Directors and relevant benchmarking with other NHS and public sector posts. The performance of Executive Directors and the Chief Executive is discussed at the Remuneration Committee. Executive Directors are subject to annual appraisal by the Chief Executive who is himself appraised by the Chairman. Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality and with the skills and experience required to the Countess of Chester Hospital NHS Foundation Trust successfully.

At the meeting on 24th May 2016, the Committee reviewed and approved the level of salary for the Director of Operations. The Committee also considered the VSM levels of pay at the Countess of Chester Hospital NHS Foundation Trust. The Remuneration Committee ratified that the executive salaries remain unchanged.

At the meeting on 7th February 2017, the Committee reviewed the executive salaries and succession planning. The Remuneration Committee made a recommendation that there should be no change to VSM/Executive Director salaries for 2017/18.

The contracts of employment of all Executive Directors, including the Chief Executive, are permanent and are subject to six months' notice of termination. No performance-related pay scheme (e.g. pay progression or bonuses) is currently in operation within the Trust and there are no special provisions regarding early termination of employment.

All other senior managers are subject to Agenda for Change pay rates, terms and conditions of service, which are determined nationally.

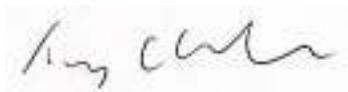
There are three executives who were paid more than £142,500 in 2016/17. For the purposes of this disclosure, pay is defined as salary and fees, all taxable benefits and any annual or long term performance related bonuses, of which there were none during the year. The Trust is satisfied that the remuneration is reasonable, following scrutiny by the Remuneration Committee.

Council of Governors' Remuneration Committee

There was no requirement for the Council of Governors' Remuneration Committee to meet during 2016/17.

The remuneration tables are included on the following pages.

Signature

A handwritten signature in black ink, appearing to read 'Tony Chambers', is written over a light grey rectangular background.

Tony Chambers – Chief Executive

23rd May 2017

	Real Increase in Pension at age 60 (bands of £2,500)	Real Increase in pension lumpsum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2016 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2016 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2016 (to nearest £1,000)	Cash Equivalent Transfer Value at 31 March 2016 (to nearest £1,000)	Real Increase in Cash Equivalent Transfer Value (to nearest £1,000)					
2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2015/16	2016/17					
Pension Benefits	£000	£000	£000	£000	£000	£000	£000					
Mr Tony Chambers - Chief Executive	5-7.5	7.5-10	55-60	150-155	959	850	108					
Mrs Debbie O'Neill - Chief Finance Officer (to 31/01/17)	0-2.5	2.5-5	45-50	145-150	907	856	51					
Mr Simon Holden - Chief Finance Officer (from 01/02/17)	0	0	0	0	0	0	0					
Mr Ian Harvey - Medical Director	0-2.5	5-7.5	75-80	225-230	1,672	1,579	94					
Mrs Susan Hodgkinson - Director of People & Organisation Development	0-2.5	0	10-15	30-35	188	169	19					
Mrs Alison Kelly - Director of Nursing & Quality	0-2.5	2.5-5	35-40	115-120	666	625	41					
Mr Stephen Cross - Director of Corporate and Legal Affairs	0-2.5	2.5-5	10-15	30-35	0	-	0					
Ms Lorraine Burnett (from 01/09/15)	7.5-10	22.5-25	30-35	80-85	487	326	161					
Name and Title	Salary (bands of £5,000)	Other Taxable Remuneration (bands of £5,000)	Benefits in kind (to nearest £100)	Pension related benefits (bands of £2,500)	Total (bands of £5,000)		Salary (bands of £5,000)	Other Taxable Remuneration (to nearest £100)	Benefits in kind (to nearest £100)	Pension related benefits (bands of £2,500)	Total (bands of £5,000)	
2016/17	2016/17	2016/17	2016/17	2016/17	2016/17		2015/16	2015/16	2015/16	2015/16	2015/16	
	£000	£000	£	£000	£000		£000	£000	£	£000	£000	
Mr Simon Holden - Interim Chief Finance Officer (from 26/01/2016 to 31/07/2016)	65-70	-	-	-	65-70		40-45	-	-	-	40-45	
<p>Debbie O'Neill (Chief Finance Officer) had a period of sickness leave during the financial year. As the position is a key board member it was decided to provide interim cover for the period of absence. The disclosure above relates to Simon Holden who provided interim cover for the role of Chief Finance Officer and the periods to which it relates.</p> <p>When Simon Holden's initial tenure as Chief Finance Officer came to an end, he agreed to undertake a shared role, working with a number of parties, supporting the West Cheshire Health Care System.</p> <p>Simon Holden has taken advice, and formally declined to rejoin the NHS Pension Scheme.</p> <p>During the year Mrs Debbie O'Neill left her post at the Trust, by mutual consent, due to extenuating personal circumstances. Whilst the total remuneration is disclosed (see note above) the Board has opted not to provide the granular makeup of this payment. The reason for this decision is that this payment has been previously sanctioned by both NHSI and HM Treasury and is reflective of all contractual commitments.</p> <p>The Board believes that such a decision limits any further distress that could be caused following detailed disclosure.</p> <p>The benefit in kind is for a lease car scheme and a home technology scheme which is open to all members of staff. It is a scheme whereby the Employee agrees to reduce their salary for the full cost of the benefit. If an employee withdraws from the schemes this will have an effect of increasing their pay as they are not then sacrificing it for a benefit.</p> <p>As Non-Executive members do not receive pensionable remuneration, there are no entries in respect of pensions for Non-Executive members.</p> <p>A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme.</p> <p>They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. The NHS Pension scheme will not make a cash equivalent transfer once a member reaches the age of 60 and is then therefore, not applicable.</p> <p>Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.</p>												

Staff Report

Our vision is to ***provide care that makes our patients and staff proud*** by being ***safe, kind and effective***. Therefore, our Trust strategy continues to be based upon adopting a future model of care where the Trust plays a key role as a locality based accountable provider of care for urgent acute and ambulatory patients, built on three key programmes.

- **The Model Hospital – Countess 20:20** - reviewing our core services to ensure they deliver the outcomes and quality our patients deserve.
- **Integrated Specialist Services** – Acute Care Collaboration - providing the right services to meet the needs of our patients, either as part of clinical network or as a specialist centre in our own right.
- **West Cheshire Way** – Partnership & Collaboration - working with our local healthcare and other partners to drive service re-design, accountable care and integrated care for the residents of Western Cheshire.



We introduced the Trust's People and Organisational Development Strategy in September 2016 and this has supported the work streams that underpin the Trust's three strategic pillars and this strategy details our plans for delivery over the next two years. The Strategy focuses on the following delivery plan:



Organisational Culture

During 2016/17, we have undertaken significant focus on the Trust's Values & Behaviours and as part of this we have introduced our new Trust Behavioural Standards. These behaviours have been designed by our staff and will be lived by us all and are focused on:

- **Working Together:** to get the best outcomes for patients and the Trust
- **Respectful and Fair:** so that everyone feels like a valued member of the Trust
- **Positive Attitude:** to create a great environment for our patients, my colleagues and myself
- **Achieving Excellence:** to continuously improve our care for patients, our people and our finances
- **Leading People:** by creating an environment in which everyone can do the best job possible.



To support our Values and Behaviours, and develop a High Performance Culture as part of our Model Hospital, we aim to have capable and confident leaders at all levels, who live our values and who act in line with our leadership behaviours in an ever changing, demanding and fast moving environment. As part of the high performance culture workstream, we have been delivering a leadership development programme, with a clear set of capabilities and competencies that will be used in selection and performance management. Our programme of master classes has continued to evolve as we endeavour to provide development that enables our leaders to keep pace with the far reaching changes that are necessary to enhance and improve models of care across health and social care.

Career Development Pathways (including Apprenticeships)

We aim to have a skilled, flexible and talented workforce, with individuals who are able to adapt to our future needs. Our policy is to train and develop all staff through training and staff development measures in order to ensure that they can undertake their current responsibilities as effectively as possible, to be fit and prepared to take on promotion opportunities and to enable them to develop to their full potential. The Trust accepts its wider responsibility to plan jointly with our staff their careers and recognises that the process will be most effective when members of staff are fully involved in their future. This is supported by the recently devised Apprenticeship Strategy and our first Apprenticeship Awards, recognising apprentices across the organisation, those who champion the value apprentices bring to our patients and colleagues and our providers.

We have also been devising learning pathways for development across bands, including opportunities for development for Nursing Assistants and other Band 1-4 including the Care Certificate, Pre Degree pathways, Widening Access, Assistant Practitioner, the new Nurse Associate roles and apprenticeship pathways, including working with schools and colleges.

Reward & Recognition

We want to provide a high quality and consistent service that is valued by our patients, their relatives and others who come in to contact with us. Our people can make this happen, supported by the right mechanisms for managing performance, rewarding and recognising excellence and recognising talent through career development. We are continuing to develop, promote and celebrate the achievements of our staff by rewards and recognition Schemes including the Outstanding Achievements Awards and the annual Celebration of Achievement Awards Ceremony.



Operational Excellence

We know there is more we can always do to make the day job easier, particularly through the introduction of new systems or processes or use of technology. Therefore, the second element of the Trust's People & Organisational Development Strategy focuses on Operational Excellence within the Countess. During 2016/17, we have specifically focused on the following areas:

Acuity based Workforce

The introduction of an acuity based staff deployment approach brings information on actual staff levels together with the numbers and needs of patients. It has provided a real-time shift-by-shift view of required versus actual staffing across the Trust. Accessible on a desktop

computer, tablet or phone, matrons, ward managers and nurses can now review patients' acuity & dependency, see who is rostered on a shift, track attendance and sickness of those staff, and request bank or agency cover if needed.

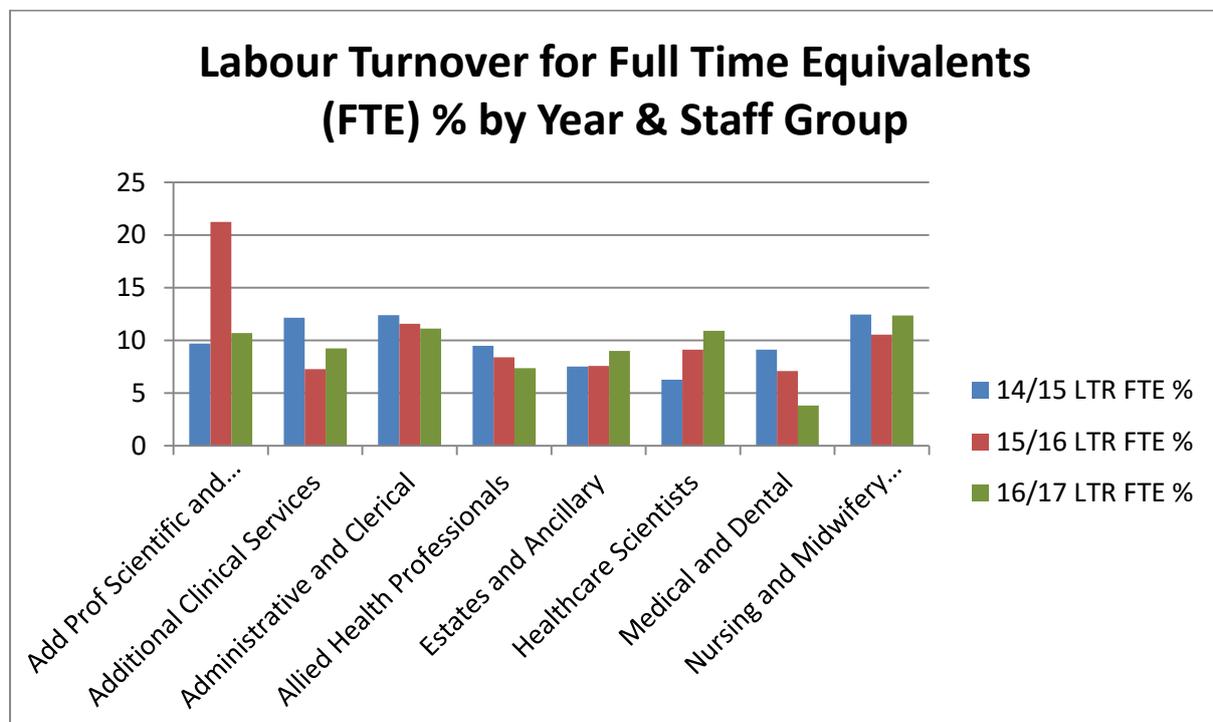
Recruitment to Values

As part of our organisational culture programme of work, we will be developing our Trust wide recruitment strategy. This particularly includes how we recruit to our values and behaviours. As part of this, we will be reviewing all recruitment processes to ensure that "Safe, Kind and Effective" and our new behavioural standards are the heart of how we attract, recruit and retain our staff.

Talent Management and Succession Planning

As a local organisation serving local people, it is important to maximise talent locally by encouraging local people to work for us, this benefits the local economy in terms of reduced unemployment rates. In addition where possible we support the recruitment of local people, particularly young people into apprenticeship roles. However it is not sufficient to simply attract individuals with high potential; developing, managing and retaining those individuals as part of a planned strategy for talent and succession planning is equally important and is a key element of the People & Organisational Development Strategy looking ahead.

Whilst the Trust recognises the need to retain staff and skills wherever possible, it acknowledges that circumstances and opportunities can arise that result in staff leaving. The Trust employs an exit interview process where it captures the reasons for staff leaving. Where patterns indicate potential concerns, the Equality and Diversity Manager, with support from Human Resources and Staff Side, will investigate.



Attendance Management

A combination of factors play into improving absence rates and is a particular focus of our value of Kind. These include the provision of up to date information, a consistently applied policy, management development and individual hotspot support from Human Resources and our accredited Occupational Health & Wellbeing Team.

Although sickness absence is currently above the Trust target, it compares favourably against our peers both regionally and nationally.

Trust Target	Trust Target FTE-Days Lost to Sickness Absence	Average % Over 12 Months (Apr. 16 To Mar.17)
3.65%	30,843	4.04%

Organisational Renewal

Supporting the wellbeing of our staff to enable safe, kind and effective care is delivered through the Trust's Health & Wellbeing Strategy. As part of this, the Trust has introduced a range of schemes for staff by offering physical activity with an emphasis on promoting active travel, building physical activity into working hours and reducing sedentary behavior. Opportunities available to all of our staff include the involvement in the NHS NW Games, joining the "Countess Choir", fitness classes, running and rounders' clubs. We have also introduced a range of mental health initiatives for staff. They offer support to staff such as, stress management courses, line management training, mindfulness courses and counseling services.



HR & Wellbeing Services – our Collaboration with Wirral University Teaching Hospital NHS Foundation Trust

The shared HR & Wellbeing Business Services continues to provide high quality and value for money support for Payroll, Pensions, Recruitment and Temporary Staffing. In operation for nearly six years, the service is not standing still and will be seen to lead on a number of technology-based developments in the coming months, for example, e-Vacancy tracking, recruitment via social media, electronic payslips and new Key Performance Indicators to improve our quality assurance monitoring.

Having a 100% client retention record, the service is now preparing for a period of significant change as our vision is to be the People-Based support service for the Cheshire & Wirral LDS, with a view to expanding our scope and client base. We have an opportunity to be a leading service provider that is unique in its design, but also a valuable asset for the Trust and our co-sponsor Wirral University Teaching Hospital NHS Foundation Trust.

Equality & Diversity

We have built on our regionally and nationally recognised programme of work to support Equality and Diversity within the Trust and we were recognised as an Equality and Diversity Partner by NHS Employers. One of 22 Trusts to have been approved to be part of this programme, we demonstrated that we are delivering against six measurable criteria:

- improving patient access and experience
- empowered, engaged and well supported staff
- inclusive leadership at all levels
- better health outcomes for all
- demonstration of commitment to the partners programme and benefits the organisation will receive from taking part.

We pride ourselves in communicating with stakeholders both internally and as part of our wider community in work around Equality and Diversity and our robust governance structure is headed up by the Equality Diversity and Human Rights Strategy Group, which reports into the People and Organisational Development Committee.

The Workforce Race Equality Standard (WRES)

Implemented by NHS England in July 2015, it is a set of key indicators outlining how the Trust can demonstrate data and engagement evidence on how Black and Minority Ethnic (BME). Staff are evidenced within recruitment, HR Formal procedures and leadership & development. It also sets standards to outline actions the Trust will undertake to improve ESR and training data capture and engage with its BME staff. The Trust met all 2015 WRES action plan objectives and published its 2016 WRES report on 29/7/2016 and has introduced a BME staff network and improvements in data analysis of the access to non-mandatory training and personal development.

The Equality Delivery System 2 (EDS2) is an equality performance assessment framework introduced in January 2012 by NHS England. It covers 18 outcomes around Patient Care, Quality, safety, Workforce and Leadership domains. The Countess has attained recurrent high grading from assessors, with 15 outcomes being rates as Achieving and the remaining three outcomes being rated as Excelling.

Equality and Diversity – Gender Breakdown

Gender - Employee			
	14/15	15/16	16/17
Female	3187	3186	3224
Male	729	741	741
Grand Total	3916	3927	3965

Gender - Directors			
	14/15	15/16	16/17
Female	3	4	3
Male	4	4	3
Grand Total	7	8	6

Gender - Senior Mangers			
	14/15	15/16	16/17
Female	7	7	5
Male	5	5	5
Grand Total	12	12	10

Staff Costs Analysis

Average number of persons employed

	Total 2016/17	Permanently Employed	Other	Total 2015/16
Medical and dental	425	186	240	426
Administration and estates	720	652	68	722
Healthcare assistants & other support staff	798	747	51	790
Nursing, midwifery & health visiting staff	1,039	935	103	1,039
Nursing, midwifery & health visiting learners	-	-	-	-
Scientific, therapeutic and technical staff	543	510	34	527
Bank Staff	109	-	109	115
Total	3,635	3,030	605	3,619

Employee Expenses	Total 2016/17 £000	Permanently Employed £000	Other £000	Total 2015/16 £000
Short term employee benefits - salaries and wages	125,567	102,248	23,319	122,738
Post employee benefits social security costs	11,064	9,879	1,185	8,598
Post employee benefits employer contributions to NHS Pensions Agency	13,859	12,375	1,484	13,335
Other Employment Benefits	5	5	0	6
Termination Benefits	-	0	0	0
Agency/contract staff	3,452	0	3,452	4,756
	<u>153,947</u>	<u>124,507</u>	<u>29,440</u>	<u>149,433</u>

The Trust spent £194,000 on consultancy during 2016/17 (2015/16 £149,000).

Staff Survey

One way that we monitor staff engagement is through the national NHS Staff Survey which is conducted each year by the Trust, the results of which are used by the Care Quality Commission, our commissioners and others to assess our performance. In partnership with our trade union colleagues, operational colleagues and medical representatives, with governance from the People and Organisational Development (OD) committee, we have developed an action plan to address areas of concern. Our results are published nationally on the website; In addition to this we also monitor the feelings of our staff via the National Staff Friends and Family Test.

For the sixth year running, we surveyed all of our staff, rather than a random sample. Our response rate for 2016 was 36% (a reduction of 4% on 2015) and was below average (41%), although we received almost 1400 responses. In part this may be down to the increased requirements for us to additionally survey staff through the Staff Friends and Family Test and other local surveys to test the temperature throughout the organisation, in addition we have increased our asking of feedback from staff to shape and inform our Model Hospital High Performance Culture work stream.

Of the 32 key findings:-

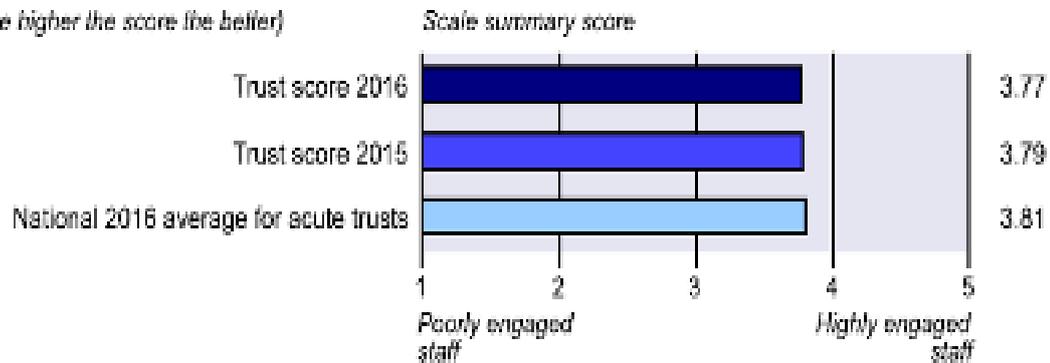
- 0 (compared against 4 in 2015) have shown improvement since 2015
- 32 (compared against 17 in 2015) have remained the same
- 0 (compared against 1 in 2015) has deteriorated
- 0 (compared against 10 in 2015) cannot be compared due to changes in the questions.

Our overall indicator for staff engagement for the Trust taken from the 2016 survey is detailed below.

Overall Staff Engagement

OVERALL STAFF ENGAGEMENT

(the higher the score the better)



Key Areas of Concern

In the 2016 survey, of the 32 Key Findings (KFs), the Trust has 6 areas where our ranking is in the worst 20% of acute trusts i.e. an increase of 2 from 2015. The areas are:-

- KF 7: Percentage of staff able to contribute towards improvements at work
- KF13: Quality of non- mandatory training, learning or development
- KF18: % feeling pressure in the last 3 months to attend work when feeling unwell
- KF23: Percentage of staff experiencing physical violence from staff in the last 12 months
- KF28: % witnessing potentially harmful errors, near misses or incidents in the last month
- KF32: Effective use of patient/service user feedback

Finally, of equal importance are Key Findings 23, 26 and 27; % of staff experiencing physical violence from staff in last 12 months; % of staff experiencing harassment, bullying or abuse from staff in the last 12 months and the % of staff/colleagues reporting most recent experience of harassment, bullying or abuse are areas, where further analysis is required so appropriate actions can be taken.

The survey results have been shared with the Board and the People and OD Committee (sub-committee of the Board), the Staff Partnership Forum, and will be shared across the organisation. An action plan is in place to address areas of concern and a communication plan has been developed to ensure that all members of staff are fully briefed on the results; the actions intended and '*you said we did*' briefings are part of our strategy. Once again this year, each section of the action plan has an Executive Lead and Service Lead to ensure progress is made and monitored against planned actions, with regular reports on progress to the People and OD Committee. Where we are able to we are also sharing the detailed results with individual areas to encourage ownership of the results and also encourage and empower our front line colleagues to look for ways to improve their working lives.

Response Rate 2016 compared with 2015

	2015		2016		Change
	Trust	National Average	Trust	National Average	
Response Rate	40%	41%	36%	40%	-4%

Summary of Performance

The top five ranking scores for 2016 and how they compare against the national average

	2015		2016		Trust improvement/ deterioration
	Trust		Trust	National Average	
*KF29 Percentage of staff reporting errors, near misses or incidents witnessed in the last month	95%		93%	90%	2% deterioration
*KF26 Percentage of staff experiencing harassment, bullying and abuse from staff in the last 12 months	25%		22%	25%	3% improvement
*KF20 Percentage of staff experiencing discrimination at work in the last 12 months	8%		8%	11%	No change
*KF24 Percentage of staff/colleagues reporting most recent experience of violence in the last 12 months	56%		73%	67%	17% improvement
* KF17 Percentage of staff suffering work-related stress in the last 12 months	32%		32%	35%	No change

Summary of the bottom five ranking scores for 2016 and how they compare against the national average

Bottom 5 ranking scores	2015		2016		Trust Improvement/ deterioration
	Trust		Trust	National Average	
KF28 Percentage of staff witnessing potentially harmful errors, near misses or incidents witnessed in the last month	36%		34%	31%	2% improvement
*KF 13 Quality of non-mandatory training, learning or development	3.96		3.94	4.05	0.02 deterioration
KK18 Percentage of staff feeling pressure in the last 3 months to attend work when feeling unwell	66%		64%	56%	2% improvement
KF32 Effective use of patient/service user feedback	3.56		3.52	3.72	0.04 deterioration
KF7 % of staff able to contribute towards improvements at work	68%		66%	70%	2% deterioration

Staff consultations

Reason/ Name	Planned Care – Jubilee Theatres Hours	Planned Care – Dental Nurse Structure	Planned Care – Westminster Eye Centre – Removal of on call	Courier role – removal of role from structure	Night Domestic Supervisor -	Night Domestics – removal of posts from structure
Staff Groups	A 4 C	A 4 C	A 4 C	A4C – Courier	A4C	A4C
No of Staff	41	9	12	1	1	17
Start Date	October 2016	September 2016	January 2017	August 2016	March 2017	March 2017
End Date	December 2016	On-going	February 2017	October 2016	TBC	March 2017
Outcome	Jubilee now able to cover 24/7 shifts in main Theatres	Consultation to be re-opened to consult over a structure of 1 x B6, 1 x B5 and the remainder B4	On call to be removed from May onwards		Post to absorb work and become working supervisor	Posts to be removed from night duty – for duties to be undertaken during the day.
Reason/ Name	Night Domestics/ Manager – removal/reduction of overtime	Intermediate Care Therapy Led Unit – Bluebell Ward, EPH				
Staff Groups	A4C	Therapists/ Nursing				
No of Staff	5					
Start Date	March 2017	March 2017				
End Date	TBC	TBC				
Outcome						

Equal Opportunities Policy

The Trust has policies in place to facilitate fair and non-discriminatory consideration for employment applications from disabled people and with regard to access to training, career development and promotion. The Trust sets this out in the Equal Opportunities Policy and in the Disability Equality Policy. Reasonable adjustment options with regard to learning and development are identified within the Learning and Development Strategy. The Trust also

publishes detailed data on its disabled employees and job applicants within its annual Workforce Equality Analysis Report, as per mandate of the specific duties of the Equality Act (2010).

To provide further assurance that it meets its duty towards people who have a disability as a Public Authority, in 2017 the Trust attained the Disability Confident Level One accreditation, formerly known as the '*Two Ticks: Positive about disabled people*', accreditation.

Countering Fraud & Corruption Policy

The Countess of Chester Hospital NHS Foundation Trust does not tolerate fraud, corruption or bribery within the NHS. The Trust has an overarching Anti-Fraud, Corruption and Bribery Policy and Response Plan in place, produced by the Trust's Anti-Fraud Specialist, which will be reviewed in 2017-18. The aim is to eliminate all NHS fraud, corruption and bribery as far as possible, freeing up public resources for better patient care.

NHS Protect is a business unit of the NHS Business Services Authority. It has responsibility for all policy and operational matters relating to the prevention, detection and investigation of fraud, corruption and bribery and the management of security in the NHS. All instances where fraud, corruption and bribery is suspected are properly investigated until their conclusion, by staff trained by NHS Protect. Any investigations will be handled in accordance with the *NHS Counter Fraud and Corruption Manual*.

III Health Retirements

During 2016/17 (prior year 2015/16) there were 4 (2) early retirement from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £270,000 (£140,000). The cost of these ill-health retirements will be borne by the NHS Pensions Agency. This information was supplied by NHS Pensions Agency.

Off Payroll Engagements

Off-payroll engagements are arrangements where an individual provides their services to the Trust, but, under HMRC rules, they are not paid through the Trust payroll. Typically, this is because the individual is working through a temporary staffing agency, or they are legitimately in business in their own right, and the legal nature of the arrangement between the Trust and the off-payroll individual is a commercial business arrangement, rather than one of employment.

From a legal perspective, for the year under review, the tax affairs of the individual are entirely the responsibility of the individual, and the main responsibility of ensuring that the individual pays the correct amount of tax rests with HMRC. However, the Treasury has directed that all public sector bodies must seek assurance about the off-payroll engagements that they enter into.

This potentially introduces a significant amount of additional bureaucracy to the engagement process for the Trust, and so the Treasury has set 'limits' below which assurance need only be sought if the Trust feels that it is appropriate. The following table shows the off-payroll engagements that exceed these limits.

The Trust makes use of off-payroll engagements in a number of circumstances:

- when there is a short term need that cannot be met from internal staffing resources, including bank staff
- when specialist expertise is required that is not available internally
- when there is difficulty recruiting to a post

Off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months

No. of existing engagements as of 31 March 2017	1
Of which:	
No. that have existed for less than one year at time of reporting.	0
No. that have existed for between one and two years at time of reporting.	0
No. that have existed for between two and three years at time of reporting.	0
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	1

All of the above arrangements have been subject to a risk based assessment as to whether assurance needs to be sought that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

New off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months

No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	0
No. of the above which include contractual clauses giving the trust the right to request assurance in relation to income tax and National Insurance obligations	0
No. for whom assurance has been requested	0
Of which:	
No. for whom assurance has been received	0
No. for whom assurance has not been received	0
No. that have been terminated as a result of assurance not being received.	0

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	1
No. of individuals that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year. This figure should include both off-payroll and on-payroll engagements.	14

It was necessary for the substantive Chief Finance Officer (CFO) to take a period of sick leave during the year and ultimately step down from the board on 31 January 2017. During the year, the post was filled on an interim basis to ensure that there was executive financial

expertise available for the Trust to continue to operate safely, kindly and effectively and crucially to meet its financial targets at the end of the year.

The post was filled on an interim basis for a period of six months ending 31 July 2017 and two months ending 31 March 2017.

Exit packages

A mutually agreed resignation scheme was open to all staff whereby they could apply to leave. These relate to actual departures during the financial year.

	2016/17	2016/17	2016/17
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	12	12
£10,000-25,000	-	3	3
£25,001-50,000	-	4	4
£50,001-100,000	-	-	-
£100,000-150,000	-	1	1
Total number of exit packages by type	<u>-</u>	<u>20</u>	<u>20</u>

	2015/16	2015/16	2015/16
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	10	10
£10,000-25,000	-	1	1
£25,001-50,000	-	-	-
£50,001-100,000	-	-	-
£100,000-150,000	-	-	-
Total number of exit packages by type	<u>-</u>	<u>11</u>	<u>11</u>

Exit packages: Non-Compulsory departure payments

	2016/17	2016/17	2015/16	2015/16
	Agreements	Total Value	Agreements	Total Value
	Number	of	Number	of
		Agreements		Agreements
		£000		£000
Mutually agreed resignations (MARS)				
contractual costs	9	188	2	22
Non-compulsory payments in lieu of notice	10	111	7	18
Exit payments following Employment Tribunals or court orders	1	6	2	3
Non-contractual payments requiring HMT approval	1	85	0	0
Total	<u>21</u>	<u>390</u>	<u>11</u>	<u>43</u>

Please see Salary and Pension Entitlements of Senior Managers table, for more detail regarding the Non-contractual payment requiring HM Treasury approval.

The Disclosures

The Countess of Chester Hospital NHS Foundation Trust has applied the principles of the *NHS Foundation Trust Code of Governance* on a comply or explain basis. Disclosures are included throughout the 2016/17 Annual Report on the comply or explain basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.

The Accountability report includes the following:

- Information about the composition of the Board of Directors and Council of Governors during 2016/17.
- The work of the Audit Committee in discharging its responsibilities
- Information about quality governance and quality of care.
- The Trust's work to ensure compliance with its registration with the Care Quality Commission
- The Annual Governance Statement.

The Performance Report includes:

- Financial Performance
- Strategic risks of the Trust
- Future developments of the Trust
- Overview of Going Concern

In addition:

- There were no political donations during 2016/17.
- In the field of Research and Development we continued a collaboration with the University of Chester in 2016/17 to create a Centre for Integrated Healthcare Science, which has research and innovation at its core.
- The Trust has no branches outside of the UK.
- The Trust holds monthly Open Forums to which staff are invited, at which the current financial performance and economic situation is presented. The Trust's performance report is a public document available to all employees.

NHS Improvement's Single Oversight Framework

NHS Improvement's Single Oversight Framework provides the framework for overseeing providers and identifying potential support needs. The framework looks at five themes:

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability (well-led)

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. A foundation trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

The Single Oversight Framework applied from Quarter 3 of 2016/17. Prior to this, Monitor's *Risk Assessment Framework* (RAF) was in place. Information for the prior year and first two quarters relating to the RAF has not been presented as the basis of accountability was different. This is in line with NHS Improvement's guidance for annual reports.

The Trust is in NHS Improvement's Segment 2: Providers offered targeted support.

This segmentation information is the trust's position as published on 21st October 2016. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

Finance and use of resources

The finance and use of resources theme is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the single Oversight Framework, the segmentation of the trust disclosed above might not be the same as the overall finance score here.

A table outlining the finance and use of resources scores for the Trust can be seen in the Financial Review section of the Performance Report.

Statement of Accounting Officer's Responsibilities

Statement of the Chief Executive's responsibilities as the Accounting Officer of Countess of Chester Hospital NHS Foundation Trust

The NHS Act 2006 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the *NHS Foundation Trust Accounting Officer Memorandum* issued by NHS Improvement.

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require the Countess of Chester Hospital NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Countess of Chester Hospital NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Department of Health Group Accounting Manual* and in particular to:

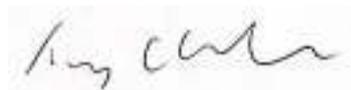
- Observe the Accounts Direction issued by NHS Improvement, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the *NHS Foundation Trust Annual Reporting Manual* (and the *Department of Health Group Accounting Manual*) have been followed, and disclose and explain any material departures in the financial statements
- Ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance; and
- Prepare the financial statements on a going concern basis.

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the

NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

Signed



Tony Chambers, Chief Executive

Date: 23rd May 2017

Annual Governance Statement 2016/17

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS foundation trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

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 Countess of Chester Hospital NHS Foundation 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 Countess of Chester Hospital NHS Foundation Trust for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

As Accounting Officer, supported by Board members, I have responsibility for the overall direction of the risk management systems and processes within the foundation trust. I have delegated the executive lead for risk management to the Director of Nursing & Quality who in turn is supported by a Head of Patient Safety and team of Risk and Patient Safety Leads.

The Trust's current Risk Management Strategy provides a framework for managing risk across the organisation. The roles and responsibilities of all staff in relation to the identification and management of risk are identified in this and other related policies, e.g. Incident Reporting. The strategy sets out the role of the Board of Directors and standing committees, including the Corporate Directors Group which is chaired by the Chief Executive and has delegated responsibility for overseeing and monitoring the risk management and assurance framework process. The operational Divisions manage their operational risks at a local level through their divisional boards. They escalate or request to de-escalate accordingly through the Corporate Directors Group.

The Group draws assurance from the Quality, Safety and Patient Experience Committee (QSPEC), Finance and Integrated Governance Committee (FIGC), People and Organisational Committee (POD) and other underpinning committees.

To support listening to staff, the Trust has a number of well embedded formal and informal systems including a programme of Executive 'walk-rounds' that happen as planned approach 'first of the month', alongside impromptu visits. The use of safety briefings, huddles and Executive presence within the induction process for all new starters and the roll-out of the Speak out Safely campaign are working effectively in practice. In the Trust's Speak out Safely policy there is an expectation that staff should be able to raise concerns at the earliest opportunity by the trust, creating an atmosphere where all staff can be open, honest and truthful in all their dealings with patients and with the public. There is a robust and supportive way to deal with issues raised to ensure supportive positive outcome for staff who use this process.

Risk Training

Staff are trained and equipped to manage risk in a way appropriate to their authority and duties. All new staff receive an overview of the Trust's risk management processes as part of the corporate induction programme, supplemented by local induction organised by line managers. Further education is provided with cyclical mandatory training undertaken by both clinical and non-clinical staff; the risk content for this programme was updated in year and is continually reviewed in light of any changes. There is a robust appraisal process which facilitates the identification of individual staff training needs. These are reviewed as part of the member of staffs annual performance and development appraisal. All relevant risk policies are available to staff via the Trust's document management system including:

- Risk management policy
- Incident reporting including serious incidents
- Complaints policy

The Trust has a supportive learning culture, as a learning organisation, using a range of mechanisms including clinical supervision, reflective practice, individual and peer reviews, performance management, continuing professional development, clinical audit and the application of evidence based practice . The revalidation process that a number of health professionals now have to do further support the learning and development.

Work continues to support the realisation of the Trust's vision, to further embrace the culture of embedding positive attitudes. Lessons learned and good practice is shared throughout the Trust via mechanisms such as the Quality, Safety & Patient Experience Committee, the Corporate Directors Group, alongside the monthly 'Safe, Kind and Effective' bulletins. The divisions also have a robust governance process for feedback.

The risk and control framework

Well embedded within the Trust is the risk management strategy and this supports procedures and sets out the key responsibilities for managing risk within the organisation, including ways in which the risk is identified, evaluated and controlled. The continued use of the Health & Safety Executive's "*5 steps to risk assessment*" model ensures that a consistent approach is applied to assessing and responding to clinical and non-clinical risks and incidents. In year, the Trust has further strengthened this role, this includes the introduction of a medical management model with an identified medical lead for risk.

There is a well-established process of identifying risks. Further reviewing this process has identified areas for improvement that will be introduced in the coming year.

Those 'high' risks not transferred onto the Executive Risk Register but managed at divisional level are reported at the Corporate Directors Group on a quarterly basis. Going forward, there will be a review of governance structures in respect of risk and with regard to this, a Risk and Performance Committee has been agreed. This will support and hold divisions to account and ensure the robust process of risk is embedded and will ensure the alignment of the Board Assurance Framework.

Following review of our corporate committee structures, it is felt that a specific Risk & Performance Committee is required to focus on both risk management, incorporating the Board Assurance Framework within the Trust and to monitor operational performance. The new Committee will hold Teams and leaders to account in the context of delivering the Trust's key objectives. The Risk and Performance Committee will be chaired by the Chief Executive and report up to the Finance & Integrated Governance Committee and thus up to the Board of Directors.

The Trust receives assurance from the National Reporting and Learning System on reporting performance. The assurance gained reflects the Trust has a positive reporting culture. Risk management is embedded in the organisation in a variety of ways. The Trust has an established process for learning from past harms and the review of incidents of concern, such as where a theme is evident or where serious harm has (or could have) occurred. This is supported by an electronic risk management system, which enables the linking of incidents for thematic review and also learning from complaints, claims and HM Coroners Inquests.

The Executive Serious Incident Panel, chaired by the Director of Nursing and Quality meets each week to review any incident in which a patient has sustained a moderate harm or greater, or incidents where a trend is evident. Agreement is reached regarding the level of investigation and, in line with the Serious Incident Framework, these are reported externally to StEIS (the National Framework for Reporting and Learning from Serious Incidents

requiring Investigation). These incidents, the quality of the review and report, and its subsequent action plan, are monitored internally via a monthly report to the Quality, Safety & Patient Experience Committee and via the monthly CCG serious incident meeting.

There is a six monthly aggregated analysis of incidents, complaints, claims and HM Coroner's Inquests. This contains trend data and through both qualitative and quantitative data analysis, provides assurance of lessons learnt from past harms together with the changes to clinical practice that have subsequently been put in place. This report demonstrates the link between patient safety, education and training to improve safety and assurance through clinical audit.

During 2016/17 the Trust reported 70 incidents to the CCG and NHS England – this equates to 0.6% of all incidents reported within the Trust within the year. There were five 'Never Events' reported during this period. This is five too many. The *Quality Account* covers this in more detail. Whilst we recognise there may always be human factors we also are revisiting our systems and processes to ensure learning and any necessary changes identified takes place.

The incidents are fed back to the Divisions through the QSPEC and Divisional Governance forums. In addition, lessons learnt are fed back through to nursing teams at Ward Managers' meetings and through safety briefs. Medical staff have presented their findings at whole hospital rolling half days as well as local Medicines Management reviews. There is a robust clinical audit programme. This forms part of the risk and patient safety team thus allowing the audit of changes following any incidents.

Risk Management

The Foundation Trust is fully compliant with the registration requirements of the Care Quality Commission. During 2016/17 the Trust received its formal Care Quality Commission (CQC) report, this reported a rating for the Countess of Chester hospital site 'Requires Improvement' and Ellesmere Port hospital site reporting 'Good'; this culminated in an overall rating of 'Good'.

The implementation of the recommendations made in the report have been closely monitored and assurance is provided via the operational divisions up to the Quality, Safety and Patient Experience Committee.

In respect of ensuring quality and safety are considered in the context of the Cost Reduction Schemes (CRS), a robust quality impact assessment is undertaken for all schemes. The documentation is then reviewed and signed off accordingly by the Medical Director and Director of Nursing. The process of tracking the impact of schemes via metrics is monitored, however this process is being strengthened in the coming year. The new Risk and Performance Committee will support this process going forward.

As already articulated previously the Trust has a positive reporting culture and incident reporting continues to be encouraged at all levels of the organisation. During the year, 'Excellence Reporting' has been implemented – this promotes the reporting of positive events, such as excellent team work, individual performance or delivery of care as

examples. This is proving very impactful for staff in a positive way in gaining feedback on their contribution to services for patients. There is a process whereby these reports feed into the Trust's staff awards.

Involving patients is key to ensuring the Trust services meet the needs of patients. A Patient Experience Group is in place whereby patients groups feed into this. Further focus has been placed on this when the newly revised Patient Experience & Involvement Strategy was launched in April 2017 at the Board of Director's meeting. The Trust's Governors play a big part in providing feedback about how services can improve. There are numerous ways in which patients provide feedback to the Trust so that improvements can be made, in particular when a significant clinical incident has occurred or a complaint is received, patients and or their families are approached (if it is deemed appropriate at the time) to be involved in making improvements or sharing their experiences to support lessons learned. Some of these stories have been shared at the Board of Director's meeting during the year.

The Board receives the Integrated Performance Report each month centred round Safe, Kind and Effective care which includes detailed exception reports and performance against key quality indicators. This includes actions being undertaken to address any risks and uncertainties. Patient flow through our beds continues to be inhibited due to the number of medically optimised patients and increases in delayed transfers of care. A&E performance has been compromised within 2016-17 due to continued increases in demand and reduced bed availability due to the discharge delays.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The foundation trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Foundation trust governance

The foundation trust governance structures ensure that the Board has an overarching responsibility through its leadership and oversight, to ensure and be assured that the organisation operates with openness, transparency and candour particularly in relation to its patients, the wider community and staff. The Board holds itself to account through a wide range of stakeholders and the overall effectiveness and performance of the organisation.

The Governors also play a significant role in holding the Board, and in particular the Non-Executive Directors, to account in a challenging but constructive way. The Council of Governors meets quarterly and a meeting of the Governor's Quality Forum is held monthly. Governors are represented across a wide range of Trust organisational committees.

The Board has developed a culture across the organisation which supports open dialogue and includes directors and senior managers personally listening to complaints, concerns and suggestions from partners, patients and staff.

The Board of Directors have throughout the year regularly reviewed the relationship and responsibilities of the Board sub-committees and directors to ensure appropriate challenge and resilience across the organisation. All three sub-committees which comprise of the Finance and Integrated Governance Committee, Quality, Safety and Patient Experience Committee and People and Organisational Development Committee, have Non-Executive Director (NED) Chairs. The Partnership Forum is also chaired by a NED. The Audit Committee is a significant statutory committee of the Board that is covered later in this statement.

The Board receives the minutes of each of the sub-committees which provide timely and accurate information. This facilitates an overarching and durable framework that allows the Board to make sense of the effective use of the information and data to gain further assurance of good practice in governance and provide confidence that the organisation provides patient centred care. To further support the Board, each of the sub-committees receive regular updates and minutes from the operational groups which are chaired by the Executive Directors. There is an opportunity at each meeting for the relevant operational group minutes to be questioned and where needed further details requested and clarified.

The Board and its sub-committees demonstrates leadership and the rigour of oversight of the Trust's performance by having formulated an effective strategy for the organisation, ensuring accountability by robustly challenging the control systems in place and where appropriate seeking further intelligence on the current trend analysis with the Trust's performance indicators to further understand the wider communities health needs.

People & Organisational Development

This year the trust launched its 2016-18 People and Organisational Development Strategy & Delivery Plan, including new behavioural standards. These behavioural standards will help create the right organisational culture for clinical engagement and continuous improvement, which in turn will achieve our values of Safe, Kind & Effective to deliver the trust's strategic work programmes and vision.

The trust has also put in place the processes for junior doctors to transition over to the new contract, including the Guardian of Safe Working and the process for exception reporting. Any risks associated with the delivery of the action log to implement the junior doctors' contract have been monitored within the Human Resources & Organisational Development Divisional Risk Register.

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

The foundation trust's resources are managed within a sound financial governance framework defined in the Corporate Governance Manual and Standing Financial Instructions. The foundation trust is committed to ensuring value for money and continued with a challenging Cost Reduction Strategy whilst implementing its long-term programme of service transformation. The Trust's Model Hospital Team helps co-ordinate and facilitate the delivery of these schemes.

Overall performance is monitored by the Board of Directors, supported by the Finance and Integrated Governance Committee, QSPEC and the other sub-committees. The Board of Directors receive monthly integrated performance reports which provide data in respect of financial, quality, national and locally agreed contractual target performance. Any areas of risk are highlighted through the use of a Red, Amber, Green (RAG) rating.

The performance of individual divisions and wards is measured and monitored through budgetary control and service-line reporting systems, and a performance management framework which is linked to the delivery of operational plans. These plans incorporate financial as well as quality, efficiency and productivity targets. All plans are subject to scrutiny and monitoring on a monthly basis (via the Cost Releasing Savings meeting and Executive Directors Group).

The Trust had originally forecast a deficit, before Sustainability & Transformation Fund (STF) monies, of £9.85m for 2016/17. (with STF monies being allocated of £5.9m), giving a control total of £3.95m if the Trust was successful in achieving 100% of its Sustainability & Transformation Fund metrics. This position being very much based upon the Trust delivering £12.0m of Cost Reduction Savings (CRS).

However, as the year progressed the Trust's Control Total was amended, by a further £1.5m, to a £5.45m deficit (after STF monies). The Trust achieved an actual deficit of £3.55m (prior to the reversal of impairment of £3.9m), an improvement of £1.90m predominantly due to Incentive and Bonus STF monies.

This is a positive outcome for the year, especially given the uncertainties surrounding the delivery of an ambitious Cost Reduction Scheme program which delivered £10.6m in year, the block contract with Western Cheshire CCG, and the management of the hospital of the winter period. The Going Concern Overview in the Performance Overview section provides further details of the implications of the financial performance on the application of the going concern principle.

The Trust has been working with the Department of Health and Lord Carter of Coles on the national Procurement and Efficiency Savings programme, which has identified a number of cost-saving opportunities for NHS Trusts. The programme elected to provide specialist support initially to one Trust as a 'proof of concept' for a *Model Hospital*, whereby implementation methods can be tested and the right conditions created for sustained improvement. The Countess of Chester Hospital NHS Foundation Trust was chosen to be the test Trust because it is a good performer, but faces considerable cost control challenges and as a small to medium sized district general hospital can effect whole-of-enterprise

change within a shorter timescale. One year on, there has been significant progress which has seen the first phase of our patient asset and tracking system introduced, which enables greater operational transparency. The three elements of our focus are: Culture and Performance Management, Operational Excellence and Organisational Renewal. The new trust behavioural standards have been launched, the first cohort of High Performance workshops has been delivered and we have recruited to a new medical management structure.

We will build on the *Model Hospital* concept to develop a *Model System*, along with our health system partners. We have a non-statutory responsibility to the local health system and are committed to working with our partners and playing into Sustainability and Transformation Plans.

The foundation trust's internal and external auditors provide assurance in respect of the internal control environment and the use of the foundation trust's resources. Audit findings and recommendations are monitored and reported through the Audit Committee and the foundation trust's audit tracker.

Information governance

The Trust is required to undertake a mandatory annual Information Governance Toolkit (IGT) self-assessment. The Information Governance Toolkit draws together legislation and relevant guidance and presents them in a single standard as a set of requirements. The assessment enables the Trust to measure its compliance against 45 standards to provide assurance to the organisation, patients and staff that information is handled correctly and protected from unauthorised access, loss, damage and destruction.

The Information Governance Toolkit assesses compliance against the following areas:

- Information governance management;
- Confidentiality and data protection assurance;
- Information security assurance;
- Clinical information assurance;
- Corporate information assurance.

The Information Governance Toolkit assessment provides an overall compliance score with each standard measured between level 0 and 3, with 0 being the lowest score. The Trust's most recent IGT submission (2016/17) resulted in all requirements meeting at least Level 2 providing a 'Satisfactory' compliance rating with an overall score of 78%.

Further assurance is provided following a recent audit of 16 of the standards selected and independently reviewed by the Trust's auditors Mersey Internal Audit Agency (MIAA).

The 2016/17 audit was undertaken in January and the final report provides 'Significant Assurance'.

Information Governance Incident Report

SUMMARY OF SERIOUS INCIDENT(S) REQUIRING INVESTIGATIONS INVOLVING PERSONAL DATA AS REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2016-17				
Date of Incident (Month)	Nature of Incident	Nature of Data Involved	Number of data subjects potentially affected	Notification Steps
April 2016	Lost in Transit	Name, Age, Address, Clinical Information	9	Individuals notified by Telephone
Further Action on information risk	<p>The Trust will continue to monitor and assess its information risks, in light of the events noted, above, in order to identify and address any weaknesses and ensure continuous improvement of its systems and processes.</p> <p>The incident was fully investigated and the member of staff responsible was disciplined in-line with Trust policy.</p> <p>The ICO has reviewed the incident and concluded that no further action was required.</p>			
October 2016	Technical Security Failing	Name, Date of Birth, National Insurance Number	296	Individuals notified by Post Media Statement issued
Further Action on information risk	<p>The Trust will continue to review its supplier arrangements and information risks, in light of the events noted, above.</p> <p>The incident has been reported to the ICO and is under investigation. The supplier concerned has terminated its contract with the contractor who was responsible for the incident.</p>			
October 2016	Unauthorised Access	Name, contact information, CV Information, ID data, Observations, Concerns	Approximately 697	Individuals not notified
Further Action on information risk	<p>The Trust will continue to review its internal processes in light of the events noted, above.</p> <p>The incident was fully investigated and the member of staff responsible was disciplined in-line with Trust policy</p> <p>The ICO has reviewed the incident and concluded that no further action was required.</p>			

SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS IN 2016-17		
Category	Breach Type	Total
A	Corruption or inability to recover electronic data	
B	Disclosed in Error	8

C	Lost in Transit	
D	Lost or stolen hardware	
E	Lost or stolen paperwork	1
F	Non-secure Disposal – hardware	
G	Non-secure Disposal – Paperwork	
H	Uploaded to website in error	
I	Technical security failing (including hacking)	
J	Unauthorised access/disclosure	9
K	Other	

Annual Quality Report

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. NHS Improvement (in exercise of the powers conferred on Monitor) has issued guidance to NHS foundation trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the *NHS Foundation Trust Annual Reporting Manual*.

Steps which have been put in place to assure the board that the Quality Report presents a balanced view and that there are appropriate controls in place to ensure the accuracy of data is set out below:

- Lead roles for quality and the production of the Quality Accounts have been assigned. The Foundation Trust has an overarching Quality Improvement Strategy which articulates key priorities and links with the national quality and safety agenda.
- The Foundation Trust QSPEC is a sub-committee of the Board, chaired by a non-executive director, supported by the Director of Nursing and Quality. This Committee is charged with overseeing the production of the majority of the data and information relating to the Annual Quality Accounts and has non-executive board membership.
- The content of the quality report reflects both internal and external sources of information to ensure the consistency and accuracy of reported data. The priorities of safety, experience and effectiveness are derived from public and service users and from areas of concern that have been highlighted. Using governors, social media and Healthwatch, the public has also been asked to give views of what the Trust should be prioritising.
- The Board of Directors review safety and quality performance indicators monthly as part of the monthly Integrated Performance Report. This report provides trend as well as cumulative performance information and exception reports are provided on metrics/indicators requiring improvement. The metrics have been reviewed in year and will give further assurance that improvements are being made or areas for improvement are being monitored.
- The Board of Directors also receive more detailed qualitative and quantitative information through specific reports in respect of quality related areas such as complaints, patient experience, infection, prevention and control, safeguarding, clinical audit, clinical benchmark and mortality reports.

- The report accurately reflects the position and performance of the quality performance using nationally agreed metrics and standards. Some of the standards and metrics are subject to external audit in year. Three of the national indicators are audited at year end, two of which are mandated and the third is chosen by the Governors.
- Views of the completed account come from the public by way of the overview and scrutiny group as well as our commissioners.

Quality and accuracy of elective waiting time data assurance

The Trust's Access Policy provides the operational framework for the management of patients who are waiting for elective treatment. The policy reflects national guidance and is reviewed annually and agreed by NHS West Cheshire CCG.

The Trust produces routine elective waiting time data (both inpatient and outpatient), which is subject to review and analysis in-line with good standards of corporate governance.

Individual staff who are involved with the collection and recording of this data are made aware of their responsibilities and receive annual mandatory training.

The Trust has developed an operational management tool using Qlikview software to better support the management and analysis of patients on an elective pathway.

The Operational Data Quality Group is established to oversee key aspects of data quality. Reporting bi-annually to the Trust Informatics Board, the group monitors, analyses and addresses issues in relation to data quality, escalating issues as appropriate.

Review of effectiveness

As Accounting 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 Countess of Chester Hospital NHS Foundation 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 the 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 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, the Audit Committee and the Quality, Safety and Patient Experience Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board Assurance Framework has been subject to regular reviews at Board and Executive Director level and underpins the organisational strategy, decision making and the allocation of resources. The Board is satisfied that it has in place robust and effective risk identification and risk management processes to deliver its annual plan, comply with its registration and compliance with the terms of its licence. The Corporate Directors Group

reviews the significant risks as escalated by the divisions through this forum; these in turn inform the Executive Risk Register that is aligned to the Board Assurance Framework.

Following their independent assessment of the Trust Board Assurance Framework, our internal auditors concluded that it was fit for purpose and operating to meet the requirements of the Annual Governance Statement and provides significant assurance that there is an effective system of internal control to manage the principal risks identified by the organisation.

The Board Assurance Framework provides the Board with evidence based assurances on the way it manages the organisation at a strategic level and high level potential risks have been documented (mapped to objectives) and assurances identified.

The Audit Committee focus is to seek assurance that financial reporting and internal control principles are applied and to maintain an appropriate relationship with the Trust's auditors, both internal and external. Internal audit produced, with trust Executive engagement, an in-year risk based plan of assurance work which met with Audit Committee approval. Audit reports including assurance opinions have been provided to trust executive directors and to the Audit Committee. Executive directors and senior managers have been called to account throughout the Audit Committee's cycle of meetings.

The Audit Committee is positioned as an independent source of assurance to the Board and its independence is paramount, with a clearly defined challenge and scrutiny role.

The Audit Committee have reviewed risk and gained assurance on the effectiveness of controls through the work of the internal and external auditors.

The Head of Internal Audit provides me with an annual opinion, substantially derived from the conduct of risk based reviews within the internal audit plan, generated from and aligned to the risks identified in the Foundation Trust's Assurance Framework. The Director of Internal Audit Opinion for 2016/17 provides Significant Assurance that there is generally a sound system of internal control. I have also received positive internal audit assurance on the systems and processes operated for Financial Systems, Payroll, Medical Device Management, Medicines Management, Nursing Revalidation, Procurement, Information Governance and Estates Strategy. Actions have been undertaken within the Trust to implement some minor enhancements to internal controls and overall governance including demonstrating the transparency of these processes.

I have received limited assurance opinions in light of the processes operated for:

- Dealing with complaints received
- Cost Improvement Programme
- Mortality governance and reporting
- World Health Organisation (WHO) Checklist
- NICE quality standards
- IT Critical Applications
- Bariatrics

Actions have been taken by my Executive team to address the issues raised in the internal audit reports and these will be independently followed up in year by the Internal Audit team. All audit recommendations are tracked by Board sub-committees, Executive Director's Group and monitored by the Audit Committee to satisfactory completion.

Internal Audit provided me with a significant assurance opinion that *The Model Hospital* Programme of work is operating effective programme management and provided support to enhance the rigour of the risk management processes at programme and project level including giving consideration to the Trust's risk maturity and appetite. MIAA have agreed to facilitate a risk appetite workshop in the 2017-18 audit plan to the Board and continue to support the Model Hospital Board with their programme management and act as a critical friend. This is aligned to the delivery of audit assurance on key deliverables in the audit plan for 2017-18 (including the new eRostering and Tele Tracking systems).

In addition internal audit provided in year ad-hoc support and advice on the new eRostering system which went live in year. An action plan is in place at project level to maximise the potential of the new system and in particular to utilise the system intelligence and enhance the level of rigour and control on staff spend and the local processes being operated to "challenge and confirm" spend. This will help inform further roll-out across the wider Trust in 2017-18 and the audit team will be undertaking a post implementation review of the same.

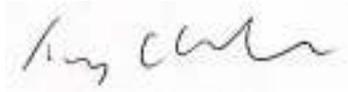
Conclusion

During the year, no significant control issues were identified. The Board of Directors remain committed to continuous improvement and enhancement of the systems of internal control. In the future the executive group and governance structures will continue to support and enhance the strong systems of internal control we have currently.

Collaborative working has progressed in 2016-17 with Wirral University Teaching Hospital NHS Foundation Trust (WUTH). The trust is currently pursuing an application to be an official 'fast follower' site, as part of a national digital programme. This reflects the *Next Steps on the NHS Five Year Forward View*, which recognises that digitising hospitals is an important step in delivering *better health, better care and better value*. A plan is also in place to procure a Joint Strategic Estates Partner (Countess of Chester Hospital NHS Foundation Trust and WUTH) to deliver transformation projects.

The governance challenges ahead have been recognised with the emerging new models of care, such as Accountable Care Organisations. The trust is contributing to the development of these new models, working as part of the System Strategic Leadership Group and an agreed Memorandum of Understanding.

Signed

A handwritten signature in black ink, appearing to read 'Tony Chambers', is written over a light grey rectangular background.

Tony Chambers, Chief Executive

Date: 23rd May 2017

Quality Report 2016-17



**Countess of
Chester Hospital**
NHS Foundation Trust



2016/17
**Quality
Accounts**

safe kind effective

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PART ONE

1.0 Summary Statement on Quality from the Chief Executive 2016/2017

Looking back on the last 12 months at The Countess, there is plenty for us to stop for a moment and reflect on as part of our review for this year's Quality Accounts.

This last year we had our formal inspection from regulators at the Care Quality Commission (CQC), who rated the Trust as 'good' overall, after speaking at length with staff and patients using services at The Countess and reviewing our performance information. Areas of outstanding practice recognised included our innovation in stroke services, the role of care and comfort workers in helping patients with nutrition and hydration needs and morning briefings in theatres to highlight safety concerns. The inspection took part during one of our busiest spells. To see the pride of our Countess workforce recognised and reiterated throughout our CQC report is truly uplifting – a credit to all those working here.

If you are wondering what a busy week looks like these days at The Countess it involves...

- Up to 1,537 people arriving for urgent care in our Emergency Department
- More than 10,069 drugs being prescribed and dispensed by our pharmacists for patients under our care
- A total of 1,631 X-rays being taken by our radiographers
- Fixing 216 broken bones in our fracture clinics
- Our midwives delivering 62 babies into the world
- Our skilled surgeons carrying out 561 operations in our theatres
- A total of 6,574 people being seen by our doctors and specialist nurses in outpatient appointment clinics

But anyone who knows The Countess will hopefully understand we aren't about the numbers. We are about the people and we have many patients that we would like to thank for providing us with strength, insight and inspiration to keep us going during what has been a particularly challenging 12 months. We don't always get it right, but we do try and learn. This was the case with Win, a 93 year old lady who was admitted to The Countess following a fall in sheltered housing. During her 106 day stay with us she developed pneumonia on four occasions, was moved ward 15 times, was sent for 11 x-rays and 174 pathology tests. While we thought we were doing our best by Win, there were aspects of her care that were not good enough. This year, she has inspired a whole programme of change and improving our efficiency... as part of our work to be *The Model Hospital*. We are focussing our efforts on operational transparency and better use of real time information about our patients to make more informed decisions about the treatment we provide for individuals like Win in the future.

Other examples of where we don't get it right are never events. Never events are serious incidents that are entirely preventable. Each never event type has the potential to cause serious patient harm or death. However, serious harm or death is not required to have happened as a result of a specific incident occurrence for that incident to be categorised as a never event. During the year 2016/17 the Trust reported five never events. All five never

events were subject to a robust investigation with an action plan to address any issues identified. Further details of these events are outlined later in this report.

We've also learnt a great deal from Dad of two Miles Negus and his wife Jackie. After spending 57 days in a coma from having caught flu, he shared his very personal story and fronted our annual flu vaccination campaign. We had a record uptake. Within just a couple of weeks of Miles sharing his experience with Countess colleagues (many of which had been involved with his treatment and care) queues were forming for people to get the flu vaccination. By the close of the year we were among the top performing Trusts for uptake. Meanwhile in our Ellesmere Port hospital the family of Kathleen Herbert prompted the development of Kate's Corner. Relatives or carers can now stay in this room alongside patients to learn relevant techniques under the supervision of hospital staff, and gain confidence in providing continued care for a loved one at home – instead of them needing a care home.

As well as our patients we'd like to express our gratitude to the 3,600 staff delivering NHS care at The Countess. Within the last year, we have seen a number of standout quality achievements for which we are extremely grateful...

- All the ward managers and nursing staff have embraced our new e-rostering system – making it easier to automate rotas and reduce dependency on paper systems freeing up more time for patient care and matching our workforce to patient need.
- The porters within just the last few weeks have been in the spotlight as the first to use Teletracking Technology here at The Countess.
- Many teams have supported us in our journey to implement an improved Picture Archiving and Communications system within the last year and establish our new hot reporting room facility in radiology, enabling faster turnaround of diagnostic reports.
- We continue to work with clinicians in Kisiizi Hospital Uganda, as part of an ongoing commitment to exchange learning and best practice around infection control and hand hygiene. Our most recent visit in October 2016 saw our deputy director of nursing Sian Williams, infection control lead Sam Walker, matron Clare Edwards and occupational health lead, Kathryn de Beger developing new mobile hand washing stations for use on the wards.
- The community is still embracing our programme of dementia friends training. Our lead dementia nurse specialist Andy Tysoe trained our 6,000th dementia friend locally within the last few weeks.
- The supporters of our charity The Babygrow Appeal remain committed – and we are within touching distance of starting work on a new neonatal facility later this year after raising more than £2m to date.
- The development of our Intermediate Care Unit and therapy lead model has been an exciting journey in supporting patients to be discharged in a timely way with intensive therapy support to aid their rehabilitation and recovery. This model will further be embedded during the coming year.
- A number of achievements have been experienced within our maternity service during the year, including, re-accreditation of the Baby Friendly Initiative (BFI) and a successful Quality Assurance assessment of our antenatal and newborn screening programmes.

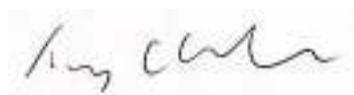
As we look ahead to 2017/18 there is plenty more for us to do. We are implementing a series of recommendations and actions from our Care Quality Commission report to improve how we address the following:

- Managing bed pressures to reduce the impact on hospital access and patient flow
- Strengthening our strategic approach to end of life care
- Addressing staffing shortages and reducing dependency on bank and agency spend in some areas
- Management of records, particularly in relation to detailing nutrition and hydration on surgical wards
- Compliance with safeguarding training in line with best practice

In addition we have a series of ambitious quality projects in place including the delivery of a new patient experience strategy and development of a recognition and performance framework to support our wards in the delivery of care. Of course, the combination of the implementation of electronic tracking, patient acuity monitoring and electronic rostering will support our Model Hospital programme of work in providing transparent and real time data to support care delivery. Engaging and working in partnership with our volunteers and carers is important to us and going forward this will be an area that will also support the delivery of the patient experience strategy mentioned above.

Our people, our patients and the support we have from the local community are what make our hospital special. We are grateful to everyone involved with The Countess for the continued support and look forward to maintaining our commitments to delivering safe, kind and effective care throughout 2017/18.

Kind regards



Tony Chambers, Chief Executive

23rd May 2017



1.1 Statement of Directors' Responsibilities in respect of Quality Report

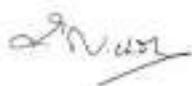
The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations to prepare Quality Accounts for each financial year. NHS Improvement has issued guidance to NHS Foundation Trust Boards on the form and content of annual quality reports (which incorporate the above legal requirements) and on the arrangements that NHS Foundation Trust Boards should put in place to support data quality for the preparation of the quality report.

In preparing the quality report, directors are required to take steps to satisfy themselves that:

- the content of the quality report meets the requirements as set out in the NHS Foundation Trust Annual Reporting Manual 2016/17 and supporting guidance
- the content of the quality report is not inconsistent with internal and external sources of information including:
 - ✓ Board minutes and papers for the period 1st April 2016 to 23rd May 2017
 - ✓ Papers relating to quality reported to the Board over the period 1st April 2016 to 23rd May 2017
 - ✓ Feedback from West Cheshire Clinical Commissioning Group (CCG) dated 10th May 2017
 - ✓ Feedback from Council of Governors dated 15th May 2017
 - ✓ Feedback from Healthwatch Cheshire West dated May 2017
 - ✓ Feedback from the Overview and Scrutiny Committee - requested on the 21st April 2017 but not received.
 - ✓ The Trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, 2016
 - ✓ The national patient survey, published 8th June 2016 (PICKER)
 - ✓ The 2016 national staff survey, published 7th March 2017
 - ✓ The head of internal audit's annual opinion of the Trust's control environment dated for the period of 2016/17
 - ✓ CQC inspection report dated 29th June 2016
- the quality report presents a balanced picture of the NHS Foundation Trust's performance over the period covered
- the performance information reported in the quality report is reliable and accurate
- there are proper internal controls over the collection and reporting of the measures of performance included in the quality report, and these controls are subject to review to confirm that they are working effectively in practice
- the data underpinning the measures of performance in the quality report is robust and reliable, conforms to specified data quality standards and prescribed definitions, and is subject to appropriate scrutiny and review
- The quality report has been prepared in accordance with NHS Improvement's annual reporting manual and supporting guidance (which incorporates the Quality Accounts Regulations) as well as the standards to support data quality for the preparation of the quality report.

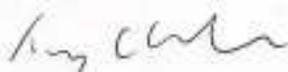
The Directors confirm to the best of their knowledge and belief that they have complied with the above requirements in preparing the quality report. By order of the Board.

23rd May 2017



Chairman

23rd May 2017



Chief Executive

PART TWO

2.0 Priorities for improvement in 2017/2018

The Model Hospital work streams are supporting the improvement of patient safety, quality and outcomes. Our choices and those of the local population we serve are reflected in our priorities going forward.

The Trust underwent the full CQC (Care Quality Commission) inspection in February 2016. We are pleased to report that the Trust was rated as **'Good'** overall.

Throughout the document you may see terminology that you are not familiar with. To help you, we have included a glossary of terms at the back of the document in **Appendix 1**.

After taking into account all of the above, our key priorities have been chosen to reflect the three domains of quality defined as:

Safety (Safe)

- Improving and increasing the safety of any care or service provided.

Experience (Kind)

- Improving the experience as described by 'you', our patient, when using the service for any reason.

Clinical Effectiveness (Effective)

- Improving the outcome of any assessment, treatment and care you receive in order to optimise health and wellbeing at all stages of illness.

Safety (Safe)

Aim	Rationale	Monitored	Measured
Improve the experience of colorectal patients	Improve patient pathway- introduce triage and straight to diagnostic test at first outpatient appointment	Divisional Board	By year end increase of numbers of patients going straight to tests
Enhance pathway for patients with head and neck cancer	Reducing patient delays by introducing a neck lump clinic	Divisional Board	Reduction in length of time between date of receipt of referral and diagnosis
Reduce the number of falls with harm	To improve patient safety whilst in our care	QSPEC	Reduction of falls with harm

Experience (Kind)

Aim	Rationale	Monitored	Measured
Implement a new model of care in the Urogynae department that offers support for patients suffering from incontinence	To improve patient experience by creating a support group for patients suffering from incontinence	Divisional Board	Measure numbers attending clinic and survey patients to assess benefits of new clinic format
Using the Governors to establish a peer review process to review redacted complaint responses	To ensure that complaints are answered in an understandable way	Patient Experience	Reduction in return rates
Increase the involvement of volunteers to support patient experience	To ensure patient and carer/family experience feedback is factored into service change	Patient Experience	Improvement in satisfaction

Effectiveness (Effective)

Aim	Rationale	Monitored	Measured
Increase effectiveness of the model of discharge to assess (D2A)	Ensure that patients spend only the minimum amount of time in acute hospital care	Divisional Board	The number of patients who return to their usual place of residence
Improve the efficiency of outpatient utilisation	Ensure we increase utilisation of outpatient clinics to ensure patients are seen to maximise patient flow	Outpatient Steering Group and Operational Excellence Board	Increase in slot utilisation per clinic and reduction in un-booked slots and patients that did not attend (DNAs).
Increase the effectiveness of theatres	Ensure we increase utilisation of our day case theatres to maximise patient flow	Divisional Board & Model Hospital Programme Board	Reduction in hospital/patient led cancellations and DNAs

Whilst focussing on the above areas, we will also continue to:

- Maintain high standards of infection prevention and control as detailed in the *Health Act 2009*
- Embed our 2016-2017 Commissioning for Quality and Innovation (CQUIN) initiatives so they become 'business as usual', and work to implement the new CQUIN programme to support the integrated model of care across West Cheshire
- Continue to develop our workforce to ensure they have the right skills and values to deliver quality care in the most effective and caring way
- Continue with our programme of development relating to new initiatives



2.1 Review of services

The Countess of Chester Hospital NHS Foundation Trust has reviewed all the data available on the quality of care in the form of audits, both local and national, and there are a number of local mechanisms in place to ensure that data regarding quality of care is monitored and improved in all of our services as follows:

- Service dimensions, such as population demographics, trading account position and whether or not the service is core
- Service delivery, which looks at aspects relating to meeting performance standards, targets and quality standards
- Service design, which reviews where the service is located, e.g. central or community
- Service development, which explores planned changes to services over the next five years

- Service decisions, which considers if the Trust is best placed to deliver the service in its current form

The clinical income generated by the NHS services in 2016/2017 represents 93.39% of the total income generated from the provision of NHS services by the Countess of Chester Hospital NHS Foundation Trust for 2016/2017.

Participation in Clinical Research

This year, we expect to increase recruitment to around 800 patients onto research studies. This is despite the increasing complexity of the studies and the more stringent requirements that are asked for by the study sponsors. Many thousands of patients each year are screened by our clinical staff, of which only a proportion are actually recruited successfully. We are also exploring collaborative opportunities for research with our local healthcare partners which should increase the potential for higher recruitment levels in the future.

Participation in Clinical Audits

During 2016/17, the Countess of Chester Hospital NHS Foundation Trust engaged in 47 national clinical audits including five National Confidential Enquiries into Patient Outcome and Death (NCEPOD).

This equates to participation in 95% of relevant national clinical audits and 100% of national confidential enquiries. The national clinical audits and national confidential enquiries that the Countess of Chester Hospital NHS Foundation Trust was eligible to participate in and for which data collection was completed or initiated (hence inclusion in the published Quality Accounts list) during 2016/17 are listed in the table, alongside the number of cases submitted to each audit or enquiry as a percentage of registered cases required by the terms of that audit or enquiry.

The reports of 23 national clinical audits, including two NCEPODs were reviewed by the Trust in 2016-17 and the Trust intends to take actions in the quality of healthcare provided in the following areas:

- Cardiology
- Stroke
- A&E
- Vascular Surgery
- Diabetes
- Obstetrics
- Neonatology
- Elderly Medicine
- Respiratory Medicine
- Gastroenterology

The reports of approximately 200 local and regional clinical audits were reviewed by the Trust in 2016/17. The Trust intends to take the following actions to improve the quality of healthcare, this includes:

- Development of a new training package for syringe driver management
- Commencement of early review of hip fracture patients by Orthogeriatric team
- Development of 'Ipad library' to enable virtual Skype clinics for surgical patients
- Parkinson's Champions scheme to be rolled out beyond nursing team to include other groups e.g. dietitians.

TABLE – National Clinical Audits, including NCEPODs

National Audits 2016-17	Participation	Data collection completed	Rate of case ascertainment (%)
Trauma Audit & Research Network	Yes	Rolling	58-83%
Head and Neck Cancer Audit	Yes	Rolling	Not available
Cardiac Rhythm Management	Yes	Rolling	Not available
Acute Myocardial Infarction (MINAP)	Yes	Rolling	Not available
Audit of Critical Care (ICNARC)	Yes	Rolling	Not available
National Core Diabetes Audit	Yes	Yes	100%
National Diabetes Inpatients Audit	Yes	Yes	100%
National Diabetes Foot Care Audit	Yes	Rolling	Not available
National Pregnancy in Diabetes Audit	Yes	Rolling	Not available
National Diabetes Transition	Yes	Yes	100%
National Heart Failure Audit	Yes	Rolling	Not available
National Joint Registry	Yes	Rolling	Not available
National Lung Cancer Audit	Yes	Rolling	Not available
National Neonatal Audit Programme	Yes	Rolling	Not available
National Ophthalmology Audit	No	NA	NA
National Prostate Cancer Audit	Yes	Rolling	60%
National Vascular Registry	Yes	Rolling	>70%
National Oesophago-gastric Cancer Audit	Yes	Rolling	>90%
BTS Paediatric Pneumonia	No	NA	NA
National Elective Surgery Patient Reported Outcome Measures (PROMs)	Yes	Rolling	Variable across four conditions

National Audits 2016-17	Participation	Data collection completed	Rate of case ascertainment (%)
National Emergency Laparotomy Audit	Yes	Rolling	100%
College of Emergency Medicine: Consultant Sign off	Yes	Yes	100%
College of Emergency Medicine: Asthma	Yes	Yes	100%
College of Emergency Medicine: Severe Sepsis and Septic Shock	Yes	Yes	100%
BTS Adult Asthma	Yes	Yes	100%
BAUS Urology Audits: Female Stress Urinary Incontinence Audit	Yes	Rolling	Not available
BAUS Urology Audits: Nephrectomy Audit	Yes	Rolling	Not available
BAUS Urology Audits: PCNL	Yes	Rolling	Not available
Bowel Cancer	Yes	Rolling	86%
National Paediatric Diabetes Audit	Yes	Rolling	
Inpatient Falls	Yes	Yes	100%
National Hip Fracture Database	Yes	Rolling	Not available
Inflammatory Bowel Disease Programme	Yes	Yes	Not available
Learning Disability Mortality Review Programme	Yes	Rolling	Not available
National Audit of Dementia	Yes	Yes	100%
National Cardiac Arrest Audit	Yes	Rolling	Not available
National Clinical Audit for Rheumatoid and Early Inflammatory Arthritis	Yes	Yes	Not available
National COPD Secondary Audit	Yes	Ongoing	Not available
National Comparative Audit of Blood Transfusion Programme	Yes	Rolling	Not available

National Audits 2016-17	Participation	Data collection completed	Rate of case ascertainment (%)
Renal Registry	Yes	Rolling	Not available
Sentinel Stroke National Audit Programme	Yes	Rolling	<90% (Apr-Nov 2016)
MBRRACE	Yes	Rolling	Not available
NCEPOD: Non-invasive Ventilation	Yes	Yes	100%
NCEPOD: Mental Health	Yes	Yes	100%
NCEPOD: Chronic Neurodisability	Yes	Yes	100%
NCEPOD: Young People's Mental Health	Yes	Yes	100%
NCEPOD: Cancer in Children, Teens and Young Adults	Yes	Yes	100%

Goals agreed with our commissioners via the Commissioning for Quality and Innovation framework (CQUIN)

In 2016/17, the Trust has achieved three of the CQUINs fully, and the rest were partially achieved, with the cancer 62 day wait performance achieving only two of the quarters of the year and narrowly missing the annual target. The Trust achieved two of the national CQUINs fully and partially achieved one. Work is underway to ensure the changes are embedded and improve going forward, as a number of the CQUINs have rolled over this year.

The local and national CQUIN schemes are described below with the achievements to date:

CQUIN	Outcome	Achieved
Cancer 62 Day Waits Urgent GP (GMP, GDP, or Optometrist) referral for suspected cancer to first treatment (62 Day Classic) Review of long waiters (>104 days)	Target not achieved overall for the year, but achieved in Quarters 1 and 4	The 2016-17 overall percentage achievement was 84.83% and the target was 85% All 104+ day long waiters have been reviewed.

CQUIN	Outcome	Achieved
<p>Learning Events</p> <p>To work with partners in undertaking peer reviews of selected incidents, to identify learning and implement improvements based on these</p>	<p>Jointly held and learning and actions taken away</p>	<p>Achieved</p>
<p>Cancer Network: Holistic Needs Assessment and Care Planning</p>	<p>Positive steps taken and now being used in a number of areas with plans in place to continue to use this helpful tool</p>	<p>Achieved</p>
<p>Cancer Network: Treatment Summaries</p>	<p>Implemented as agreed</p>	<p>Achieved</p>
<p>NHS Staff Health and Wellbeing</p> <p>1a - Introduction of health and wellbeing initiatives</p> <p>1b - Healthy Food for NHS Staff, visitors and patients</p> <p>1c - Improving the uptake of flu vaccinations for front line staff within providers</p>	<p>1a Achieved</p> <p>1b A number of initiatives have been initiated in-year.</p> <p>1c over 75% of our staff were vaccinated against Flu</p>	<p>Achieved</p>
<p>Timely Identification and Treatment of Sepsis</p> <p>2a - Timely identification and treatment for sepsis in emergency departments</p> <p>2b - Timely identification and treatment for sepsis in acute inpatient settings</p> <p>(there are two parts to each of the above Sepsis indicators)</p>	<p>Awaiting validation of full year-end position. We have reported the position up to Quarter 3 later in this document.</p>	<p>Partially</p>

CQUIN	Outcome	Achieved
<p>Antimicrobial Resistance and Antimicrobial Stewardship There are three parts to this indicator:</p> <ol style="list-style-type: none"> 1. Total antibiotic consumption per 1,000 admissions 2. Total consumption of carbapenem per 1,000 3. Total consumption of piperacillin-tazobactam per 1,000 admissions <p>Empiric review of antibiotic prescriptions Percentage of antibiotic prescriptions reviewed within 72 hours</p>	<p>Awaiting full year-end position, which comes following the publication of this document.</p> <p>Full implementation and targets met</p>	<p>Partially</p> <p>Achieved</p>

A proportion of the Trust's income in 2016/17 was conditional on achieving quality improvement and innovation (CQUIN) goals agreed between us and our commissioner and any person or body they entered into a contract, agreement or arrangement with for the provision of relevant health services, through the Commissioning for Quality and Innovation payment framework.

Further details of the agreed goals for 2016/17 and for the following 12 month period are available electronically at www.coch.nhs.uk

In 2015/16, the Trust achieved £2,825,357 of the £3,200,000 available for its CQUIN goals achievement. The 2016/17 final figure is not currently agreed.

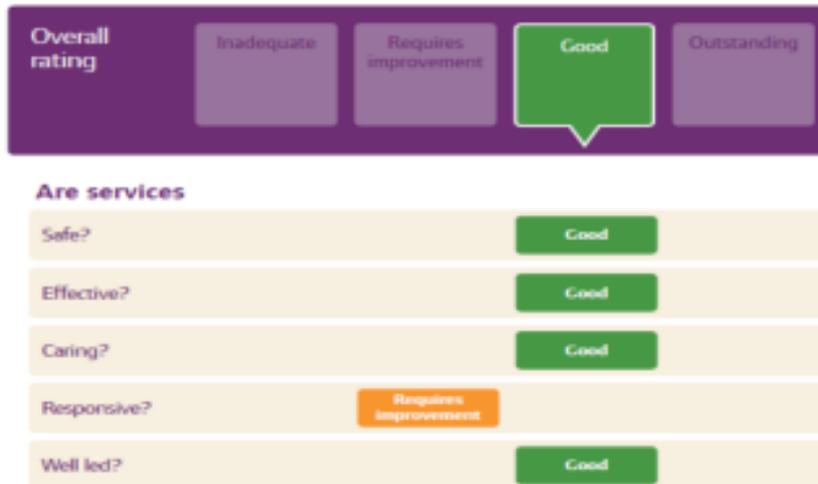
Care Quality Commission Registration (CQC)

The Trust is required to register with the Care Quality Commission and currently it is 'registered', with no conditions attached to registration.

During 2016/17 the Trust received the formal Care Quality Commission (CQC) report, which followed the visit and full inspection in February 2016. **The Trust was pleased with the overall rating of 'Good'.**

Our hospital was not required to participate in any special reviews by the Care Quality Commission in 2016/2017.

The Countess of Chester hospital site was given a 'Requires Improvement' and Ellesmere Port hospital site was rated as 'Good'.



Below is a breakdown of the areas inspected and rating:

	Safe	Effective	Caring	Responsive	Well led	Overall
Medical care (including older people's care)	Good	Good	Good	Requires improvement	Good	Good
Urgent and emergency services (A&E)	Good	Good	Good	Requires improvement	Good	Good
Surgery	Requires improvement	Good	Good	Good	Good	Good
Intensive/critical care	Good	Good	Good	Requires improvement	Good	Good
Maternity and gynaecology	Good	Good	Good	Good	Good	Good
Services for children & young people	Requires improvement	Good	Good	Good	Good	Good
End of life care	Good	Requires improvement	Good	Requires improvement	Requires improvement	Requires improvement
Outpatients	Good	Good	Good	Good	Good	Good

We acknowledge our areas for improvement and the Trust has a robust action plan to support the achievements of the improvements needed, as identified by the CQC as 'requires improvement', which are outlined as follows:

- **Medical care services**

The following areas were identified: patient flow across all medical services, medication safe storage, access to dementia services and equipment. All the areas identified have now

completed the action required to improve, with the exception of dementia service. The aim is for completion during 2017.

- **Urgent and emergency care services**

Three areas identified for improvement were cleanliness, patients own medication storage and the four hour Emergency Department (ED) standard. The outstanding action that continues to be progressed is the ED standard. Plans are in place to improve this. The aim is for continued improvement in the next year by the end of 2017.

- **Critical care**

The one area in Critical care identified for improvement was related to bed capacity from patients delayed in the unit. The department has reviewed its processes and the subsequent changes have been actioned. These will be monitored for effectiveness.

- **Surgery**

Significant work has already happened to ensure that the area identified has improved. The final areas identified are likely to be completed in June 2017

- **Children and young people's services**

Staffing on the neonatal unit (NNU) was identified as an area for improvement in relation to skill mix. Actions are underway to improve this. This should be completed by the end of 2017. In our children's ward staff with the specialist qualification of children's resuscitation needed to be increased. There is plan underway to ensure this is completed.

- **End of Life care**

Whilst the Trust has had very positive family feedback about the end of life care our staff provide to patients in their care in our wards on a daily basis, we acknowledge there are a number of areas that require improvement. These include mandated education with all disciplines of staff. This is supported by a full training needs analysis. A non-executive Board champion is in place to support the focus of this work within the Trust. The time frames of work vary, but these will be reviewed in year with an aim to have the actions completed by the end of 2017. The Trust is supporting and is involved in collaborative work with our community partners to support the end of life agenda across our local community.



Data Quality

During 2016/17, The Countess of Chester Hospital NHS Foundation Trust submitted data to the Secondary Uses Service (SUS) for inclusion in the nationally published Hospital Episode Statistics.

Based on the data submitted, the SUS Data Quality Dashboard reported at month ten (January 2017) that:

- The percentage of records which included a valid NHS number was:
 - 99.8% for admitted patient care;
 - 99.8% for outpatient care;
 - 98.5% for accident and emergency care.

- The percentage of records which included a valid general practice code was:
 - 99.9% for admitted patient care;
 - 99.8% for outpatient care;
 - 99.9% for accident and emergency care.

The following actions were undertaken during the period to improve overall Trust data quality:

- All administrative and clerical staff involved in the operational management of patients waiting to be seen, undertook a detailed revised programme of training relating to the key aspects of operational patient administration, helping to improve knowledge and data quality.
- The Healthcare Evaluation Data (HED) clinical benchmarking tool is being utilised to identify variation in clinical performance. Identified variations can sometimes relate to issues of data quality, when identified these are addressed accordingly.
- A weekly process for the updating of deceased patients on the Trust Electronic Patient Record system using the national Demographic Batch Service (DBS) continues to be used. This has enabled weekly updates to all patients on the Master Patient Index (MPI) improving the quality of the indices.
- The Performance Information System continues to be developed for a number of operational areas and is used to assist in the real-time identification and rectification of some aspects of poor data quality in Theatres and the Emergency Department.
- The Operational Data Quality Group is established to oversee key aspects of data quality. Reporting bi-annually to the Trust Informatics Board the group monitors, analyses and addresses issues in relation to data quality escalating issues as appropriate and ensuring that there is demonstrable year on year improvement.
- The Information Governance toolkit scores relating to data quality are all level 2 or level 3 (highest level of achievement). Four out of the seven measures are now rated at level three.

Clinical Coding Error Rate

The most recent independent Clinical Coding audit was undertaken by Mersey Internal Audit Agency (MIAA) in December 2016. This annual audit is a mandatory requirement of the Information Governance Toolkit (IGT). The audit checks the accuracy of clinical coding across all specialities, based on a randomised sample of 200 finished consultant episodes. The results of this year's audit provided 'Significant Assurance' and confirmed coding accuracy of 93% for primary diagnoses and 90% for primary procedures. This level of accuracy has allowed the Trust to self-assess as having achieved IGT Level 2 compliance in 2016/17 for clinical coding accuracy.

2.2 Mandated Indicators

For ease of the reader, the table below lists the mandated Quality Report indicators and the page on which the report can be found:

Subject	Indicator	Page Number
Mortality	Summary Hospital level Mortality Indicator (SHMI) value and banding and the % of patient deaths with palliative care coded at either diagnosis or speciality level	46
Patient reported outcome measures (PROMs) scores for: Groin Hernia surgery Varicose Vein Surgery Hip replacement surgery Knee replacement surgery	Trust data scores regarding PROMs	48
Emergency readmission to hospital within 28 days of discharge	% patients who are readmitted as an emergency within 28 days of discharge, for age 0 to 15 and for 16 and over.	51
Staff survey	The percentage of staff employed by, or under contract to, the trust who would recommend the trust as a provider of care to their family or friends	45
Personal Needs Responsiveness	The trust's responsiveness to the personal needs of its patients during the reporting period	43
Venous Thromboembolism Assessment	The % of patients who were admitted to hospital and who were risk assessed for venous thromboembolism	47
Clostridium Difficile	Rate per 100,000 bed days of cases of <i>C.difficile</i> infection reported within the trust among patients aged 2 or over	30
Patient Safety Incidents	The number and, where available, rate of patient safety incidents, and the number and percentage of such patient safety incidents that resulted in severe harm or death.	36



2.3 Written statement from our commissioner

West Cheshire Clinical Commissioning Group Commentary

We are committed to commissioning high quality services from our providers and we make it clear in our contract with this Trust the standards of care that we expect them to deliver. We manage their performance through regular progress reports that demonstrate levels of compliance or areas of concern. It is through these arrangements that the accuracy of this Quality Account has been validated.

The Trust is commended for delivering a sustained reduction in the prevalence of all grades of pressure ulcers across all wards.

The Trust has not performed well in reducing the number of patients who sustain an injury as a result of a fall whilst in hospital. This is despite providing reassurance that action plans were in place to address this. We want to see your plans for 2017-18 deliver improvements.

We are pleased to note the progress in delivering an improved rehabilitation pathway for inpatients both within and outside of the hospital, and recognise your ongoing commitment to the partnership working that strengthens the success of this work in promoting the safe discharge of patients.

It is of concern that the Trust were unable to deliver on a 2015-16 Quality Account priority to use the Governors to establish a peer review process to review redacted complaint responses. We believe that this will enhance the way you manage your complaints and are pleased to note that you have included it again this year. We hope that resources will be directed this year to deliver this priority.

We share your positivity and pride about the areas of good practice that CQC identified during your inspection. We note that you have provided an action plan to address areas that need improvement and look forward in the next 12 months to seeing progress reports against this plan.

In 2015-16 we shared with you a number of concerns reported by GPs about delays in them receiving timely radiology reports. You committed to improve the timeliness of these reports in the last 12 months and introduced changes to ensure that you achieved this. You have delivered significant improvements in achieving the standards we set. We recognise the tremendous effort and resources you have directed to delivering against these standards consistently.

We acknowledge the hard work of the Trust in its “zero tolerance” approach to healthcare associated infections and support the Trusts determination to maintain robust infection prevention and control practices.

It is of concern that you have had 5 Never Events and that opportunities to embed learning from previous Never Events and Serious Incidents in 2015-16 may not have been implemented successfully in all departments who undertake invasive procedures. Of significant assurance though going forward, has been the focus on site marking for anaesthetic blocks and surgical incision sites.

The leadership and standard of service delivery across children and adult safeguarding has consistently been regarded as positive by partners.

We support your decision to change the admission criteria of the neonatal unit and to request a review of the unit from The Royal College of Paediatrics and Child Health and the Royal College of Nursing. We acknowledge that the report does not identify any single cause or factor to explain the increase seen in your mortality numbers but does make 24 recommendations across a range of areas. We will support you by monitoring your progress in delivering the comprehensive improvement plan you have developed to address the review’s recommendations.

The Trust’s efforts to increase patient feedback and better understand the experience of people accessing the Trust’s services through introduction of a text service to administer the Friends and Family Test Surveys is noted and welcomed.

We support the priorities that the Trust has identified for the forthcoming year and look forward to continuing to work in partnership with you to assure the quality of services commissioned in 2017-18.

10th May 2017

Countess of Chester Hospital NHS Foundation Trust Response

We acknowledge that our plan to reduce the number of patient falls has not gone according to our plan in 2016-17 and this will have a priority focus in 2017-18.

PART THREE

3.0 How we have delivered our priorities in 2016/17

Patient Safety

- **Improve patient dietary instructions for Colonoscopy**

Steps have been taken to improve dietary advice given to all our colonoscopy patients as follows:

- Pre-operative assessment has moved from the main outpatients department to within the Endoscopy department so that Endoscopy staff are able to provide dietary advice directly to patients, as there are specific requirements around preparation and diet prior to the procedure.
- The letter sent to patients has been amended and updated to ensure clear guidance is given.
- Attached to the letter is also a coloured slip which includes further dietary advice.

All of the above steps have helped significantly with reducing cancellations of procedures on the day.

The improvements are as follows:

Year	Average No. of Colonoscopy cancellations per month due to the patient eating prior to the procedure
2016	8.5 patients
2017 (to date)	4.75 patients

- **Reduce the risk of hospital admission by performing cystoscopy in the outpatient setting**

On review of the pathway change, post implementation, the cystoscopy pathway was reverted back to the Endoscopy setting – based on patient and staff feedback. There was minimal impact to hospital admissions and therefore the decision has been made to retain

the service within the Endoscopy setting and made improvements to the patient pathway in this environment.

- **Commence 'pre-assessment' clinics for certain radiological examinations**

Patients complained that they did not want the procedure undertaken in outpatient clinic. There were limitations with the Patient Administration System recording this activity in outpatient's clinics. Therefore, we have moved this service to the Endoscopy unit. Commence 'pre assessment' clinics for certain radiological examinations. The department has continued to work with clinical teams to improve the number. This has seen a decrease in the number of cancellations due to poor preparation by up to 20%.

Patient Experience

- **Using the Governors to establish a peer review process to review complaint responses**

The Governors have continued to be an integral part of the patient experience strategy and have continued with their ward and departmental visits. Unfortunately, the peer review of complaint responses has not happened this year. However, it will be a key objective rolled over for 2017-18 as part of the patient experience strategy. This will enable us to ensure that responses are empathetic and responsive to patient concerns.

- **Attend a number of established service users support groups**

A number of Governors, with the support of a number of senior staff have, attended some condition specific user groups. The feedback was mostly positive and constructive. A number of actions were taken back for further review. This will also continue in 2017-18, as a valuable barometer of patient care, especially as the Trust pursues the changes outlined in the Model Hospital work streams.

- **Review the carer strategy measures**

An agreed review of the measures is underway. There have been a number of positive pieces of information that have been fed back via the community meetings to the safeguarding nurse. This is reassuring to hear and confirms that the steps the Trust has taken have made a difference.

Effectiveness

- **Increase effectiveness of the model of discharge to assess (D2A)**

Discharge to Assess continues, although issues with placements and packages of care in Quarter 3 did impact on length of stay. In Quarter 4 this improved. We now undertake a MADE event (Multi Agency Discharge Event) weekly which is a focussed approach looking at medically optimised patients to 'unblock' any issue or delay, to help with discharge. The

Intermediate Care Unit (therapy led) began July 2016 and currently has average length of stay of 7 days – we are looking to replicate this model in Ellesmere Port for 2017/18.

- **Trial partial booking in colposcopy**

To support patient choice Planned Care Division embarked on a trial partial booking process in colposcopy appointments. The pilot proved successful. The Trust as part of its 2017/18 cost reduction strategy outpatient efficiencies, is looking at how this can be rolled out across all specialties. This work is being supported by the Model Hospital work streams.



3.1 Other quality improvements in 2016/17

Infection Prevention and Control

Description of the issues and rationale for prioritising:

Infection prevention is an essential aspect of quality healthcare provision and making certain that we have robust systems and processes embedded at all levels of the organisation is crucial to routinely delivering safe, kind and effective care to patients, ensuring that avoidable infections do not occur.

The emergence of antimicrobial resistance has also been recognised as an international threat, with the UK government being determined to ensure that access to working antimicrobials is sustainable into the future. This places an even greater focus on infection prevention as resistance to the drugs that we use to treat infections increases, rendering them ineffective.

The Trust plans to maintain the intensity of both infection prevention and control and antimicrobial stewardship throughout 2017/18, sustaining our 'zero tolerance' approach to preventable infection from 'board to ward'. Focus will remain on risk assessment and risk reduction strategies, with routine implementation of prevention and control measures within practice being essential to achieving this aim.

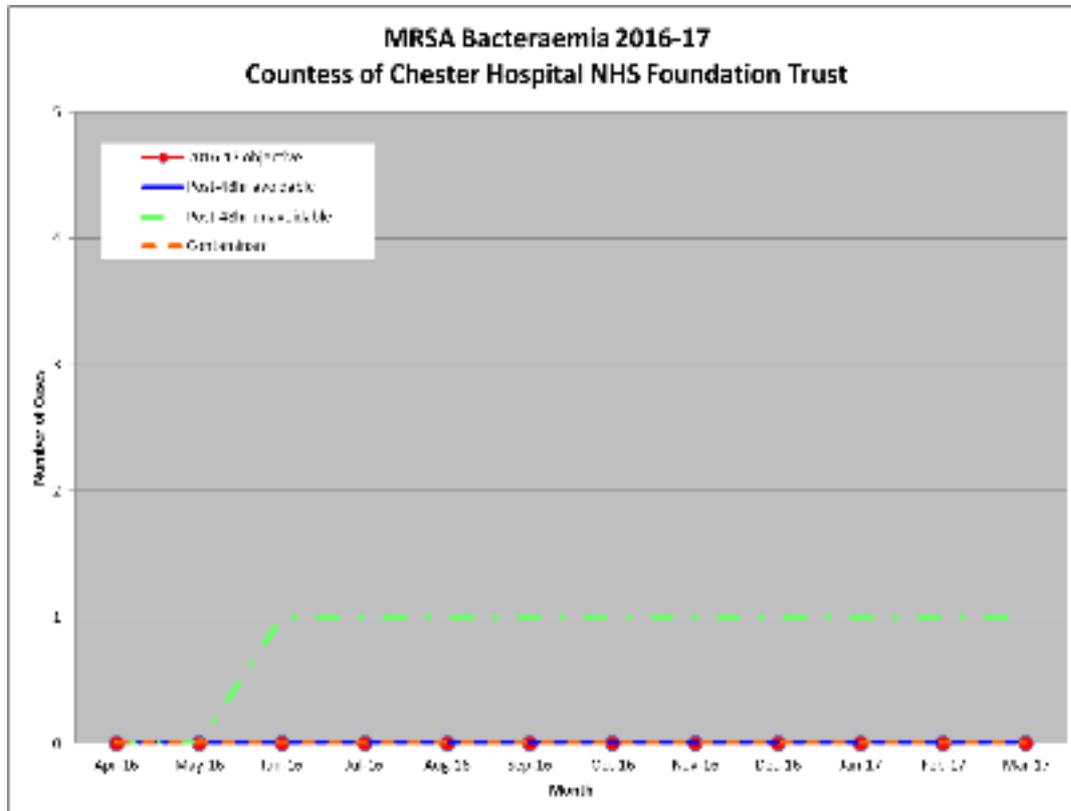
Monitoring and evaluation of the systems and processes aimed at reducing the risks associated with healthcare associated infection are essential to ensuring that high quality care is delivered in a safe and appropriate environment. Communication strategies play a key part in this, ensuring that resources are targeted appropriately and that the workforce remains informed, with learning and actions for improvement disseminated in real time.

2016/17 Infection Prevention & Control Results:

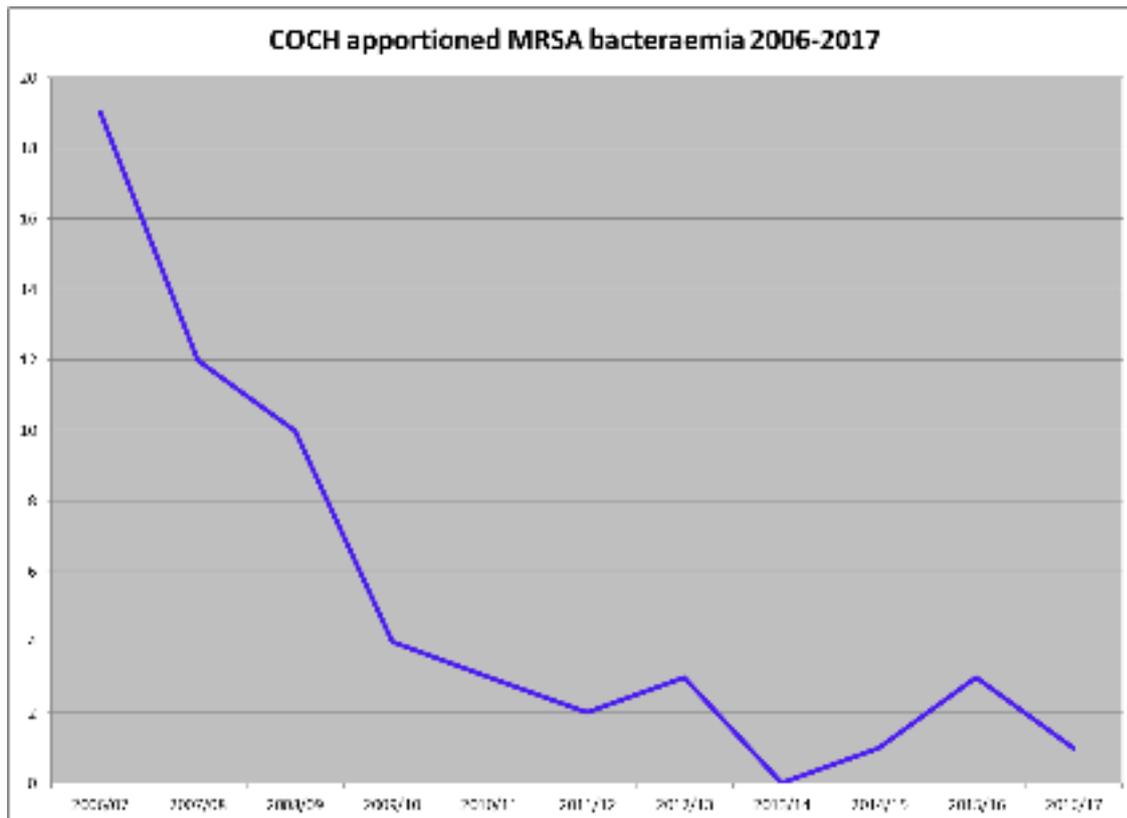
- Success in achieving the *Clostridium difficile* infection objective of no more than 24 cases within year – 23 cases of *Clostridium difficile* infection were reported during 2016/17.
- Success in achieving the MRSA bacteraemia objective of zero **avoidable** infections within year – One **unavoidable** case of MRSA bacteraemia was reported during 2016/17, with zero **avoidable** cases reported.
- Success in maintaining hand hygiene compliance above the 95% minimum compliance level across the year – compliance only dropped below 95% for one month (October 2016).
- Sustained improvement with MRSA screening requirements for emergency and elective admissions – local surveillance systems continue to demonstrate a downward trend in MRSA identified within the organisation.
- Success in maintaining an 'unconditional' registration status with the Care Quality Commission.



MRSA Bacteraemia

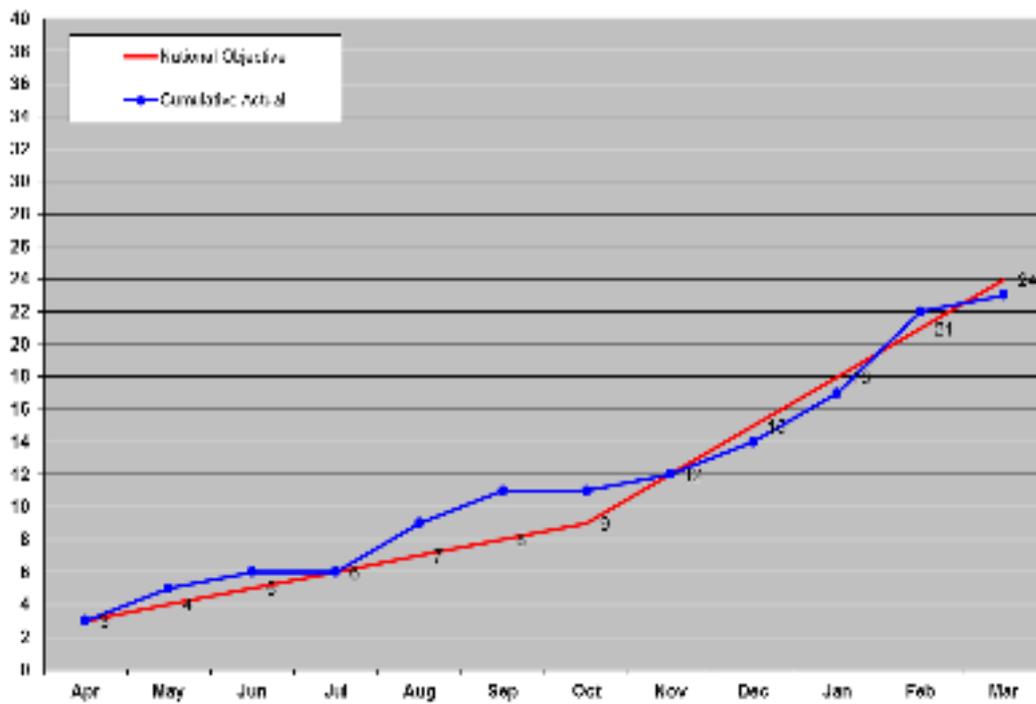


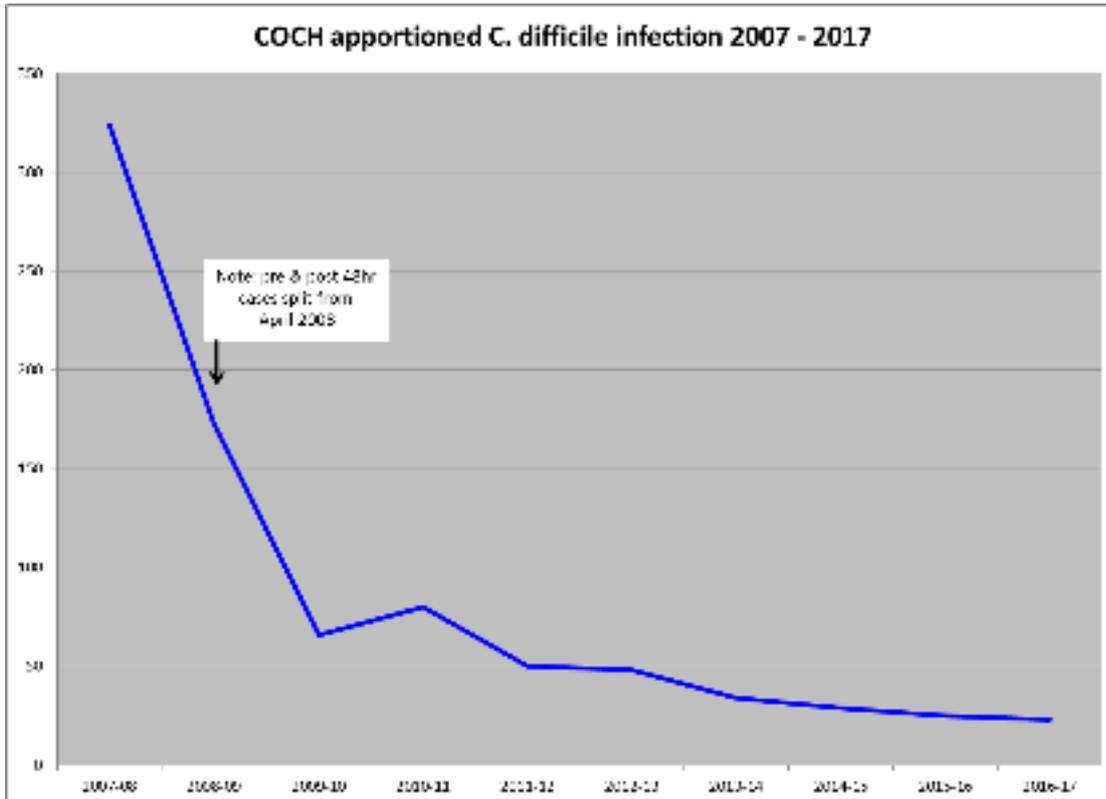
The below shows the annual position in MRSA cases since 2006:



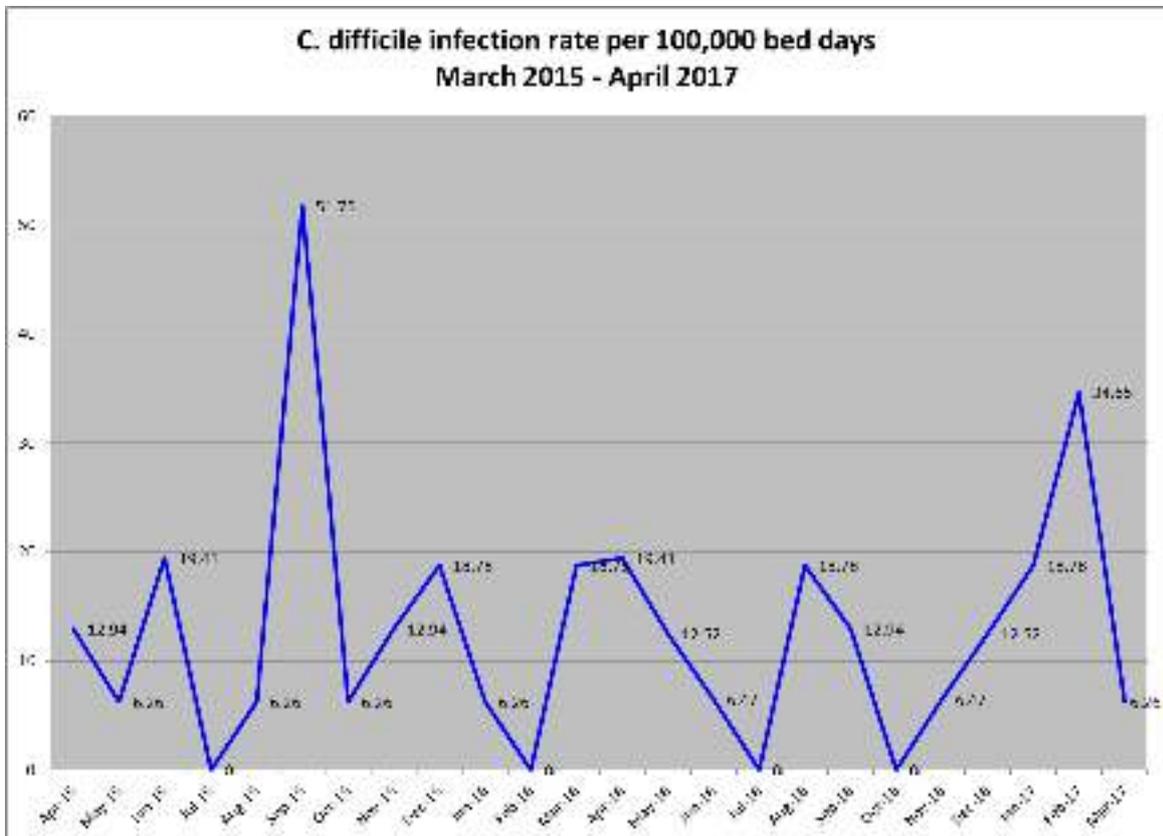
***Clostridium difficile* infection**

Total C. difficile cases 2016-17 (cumulative)





Rate of *Clostridium difficile* infection (data sourced from Public Health England)



C. difficile rate data tables by month from April 2015 – March 2017

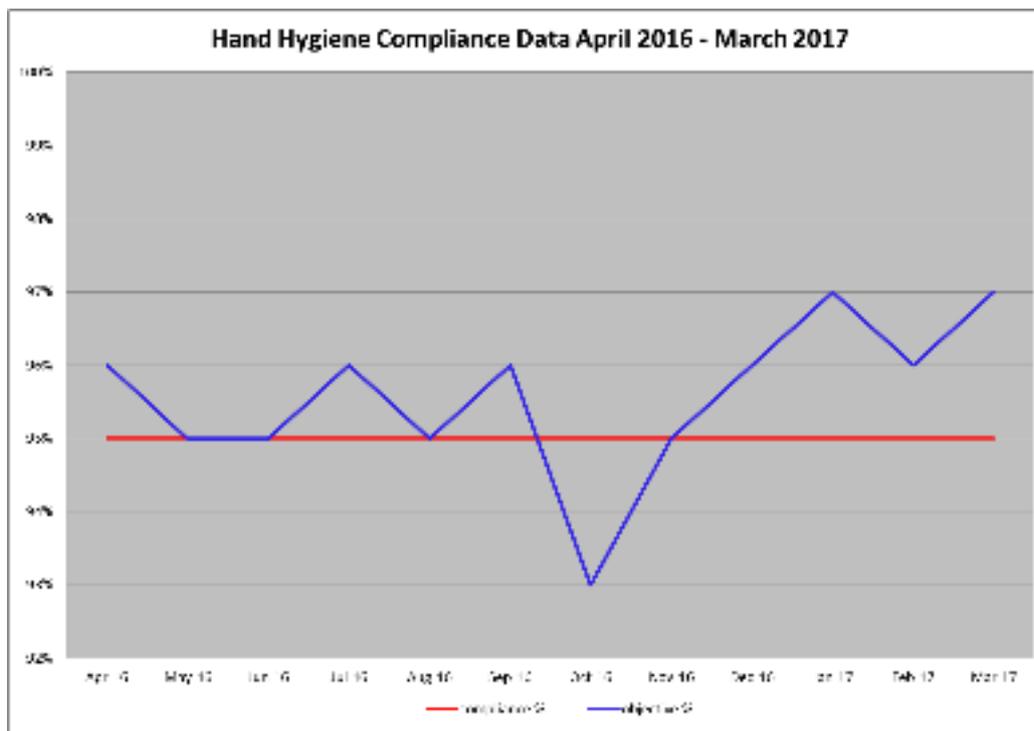
	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016
Rate	12.94	6.26	19.41	0	6.26	51.75	6.26	12.94	18.78	6.26	0	18.78
No. of cases	2	1	3	0	1	8	1	2	3	1	0	3

	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017
Rate	19.41	12.52	6.47	0	18.78	12.94	0	6.47	12.52	18.78	34.65	6.26
No. of cases	3	2	1	0	3	2	0	1	2	3	5	1

The Trust considers that this data is as described in this core indicator for the following reasons: because the data is sourced from Public Health England and is monitored by the Trust.

The Trust intends to take actions to improve this indicator which are detailed in the 'Planned infection prevention and control focus for 2017/18' section of this document.

Hand Hygiene Compliance



Infection Prevention & Control Objectives for 2017/18:

- To have zero avoidable MRSA bacteraemia cases within year
- To have 24 or less cases of *Clostridium difficile* infection within year
- To maintain focus on antimicrobial stewardship strategies, incorporating the 'Start Smart Then Focus' approach, to support a reduction in clinically inappropriate antibiotic prescription and consumption
- To consistently maintain 95% compliance or above with hand hygiene practices
- To consistently achieve 95% compliance or above with MRSA screening requirements for emergency and elective admissions
- To maintain local surveillance systems, including those for antimicrobial resistant organisms, and maintain all mandatory surveillance requirements as part of national surveillance programmes.

Planned infection prevention and control focus for 2017/18:

- The corporate infection prevention and control assurance framework, incorporating the *Health and Social Care Act (2008): code of practice on the prevention and control of infections and related guidance*; ensuring that this continues to support all related infection prevention and control activity, including healthcare associated infection registration requirements with the Care Quality Commission.
- Maintain established systems for promoting best practice to reduce the number of *Clostridium difficile* infections via shared learning from root cause analyses and national evidence base.
- Maintain established systems for promoting best practice to reduce the number of bacteraemia cases due to antibiotic resistant organisms, including MRSA, Carbapenemase-producing *Enterobacteriaceae* (CPE) and Vancomycin resistant *Enterococcus* (VRE), via learning from root cause analyses and national evidence base.
- Continue to strengthen antimicrobial stewardship across the organisation, ensuring appropriate antimicrobial use and risk reduction associated with antimicrobial resistance, utilising the information and resources provided by the 'Start Smart Then Focus' approach.
- Maintain the infection prevention and control surveillance programme, including surgical site infection surveillance, developing this within year to support changes within the national healthcare associated infection surveillance programme, in relation to enhanced gram-negative bacteraemia surveillance and *Clostridium difficile* infection.
- Maintain systems of 'alert organism' review to ensure that colonised patients or those with associated infections are treated promptly and appropriately to their benefit and for wider public health within the patient population.

- Utilise local surveillance to promptly identify outbreaks or periods of increased infection incidence, including but not exclusive of C. difficile, MRSA, plus other multidrug resistant organisms.
- Maintain training and education programmes for all staff groups, consistently reinforcing the routine implementation of infection prevention and control standards and antimicrobial stewardship for all patients, all of the time.
- Maintain the infection prevention and control audit programme, including monitoring of key clinical practices, to reduce infection risks associated with invasive devices or procedures.
- Maintain established levels of cleanliness, both within the environment and for equipment, ensuring compliance with national cleaning frequencies and working collaboratively with the Facilities Department.
- Maintain a system of policy development and review in conjunction with revised or emerging evidence-base.
- Ensure that the healthcare environment is fit for purpose, working collaboratively with Estates and Facilities Departments.
- Ensure that healthcare workers remain adequately protected from infection risks within the workplace and do not as individuals pose an infection risk to others.
- Maintain systems of information dissemination to ensure that the workforce remains informed and engaged on performance against agreed objectives for healthcare associated infection reduction, adapting these as circumstances dictate.
- Maintain systems to provide accurate healthcare associated infection information for patients, visitors and other healthcare providers to minimise risks associated with the transmission of infection, working collaboratively with healthcare providers.
- Continually assess any new developments in infection prevention and control (regionally, nationally or internationally) to inform and improve on practice.

Risk Management

The Trust's risk management strategy continues to provide a framework for managing risk across the organisation. The roles and responsibilities of all staff in relation to the identification and management of risk are identified in this and other related policies, e.g. Incident Reporting.

The Trust prides itself on having an open and honest culture and recognises that the reporting of incidents support this and is a positive action staff take.

During 2016/17 the Trust reported 70 incidents to the CCG and NHS England (70 in 2015-16) – this equates to 0.6% of all incidents reported within the Trust within the year (0.6% in 2015-16). There were five 'Never Events' reported during this period. Whilst we recognise there may always be human factors we are also revisiting our systems and processes to ensure learning and any necessary changes identified takes place.

The Trust has made real progress with the National Safety Standards for Invasive Procedures (NatSSIPs) and will continue to work on the standards until achieved and embedded.

The hospital's intranet, which our staff have access to, has been refreshed and includes a section dedicated to risk and patient safety issues. In addition, lessons learned are fed back through various team meetings and other learning opportunities but we recognise we can do more and during 2017/18 there will be a renewed focus on quality improvement to support learning and improvements in care.

Our CQC inspection gave credit to much of our work, however, we need to ensure there is greater emphasis given to sharing the lessons learned to all of our staff.

How we are implementing the Duty of Candour

The Trust has implemented the Duty of Candour legislation. All staff receive information at induction supported by a leaflet through the induction process and duty of candour is discussed during the welcome event and all mandatory training sessions. There is an information section dedicated to duty of candour guidance and case studies on the Trust's intranet pages. We will be auditing our processes for supporting duty of candour going forward.

Our Patient Safety Improvement Plan

During 2016/17, the Trust continued working towards a sustained reduction in avoidable harm by working towards its' ambitious Safety Improvement Plan, the basis of which is the analysis of our local incident and claims data. The key progress against the six safety work streams is outlined:

Safety Work stream 1: Improve team effectiveness and safety culture in the operating theatres. Our local Sign Up to Safety Improvement Plan was superseded by the launch of the National Safety Standards in Invasive Procedures (NatSSIPs). During 2016/17, significant progress was made in scoping the Trust against the standard and developing an audit tool to assist clinical specialties in identifying a way forward. Site Marking for anaesthetic blocks and surgical incision sites has been a particular area of focus.

Safety Work stream 2: Reduce the number of moisture lesions and grade two pressure ulcers within the organisation, with focus upon medical device associated pressure ulcers. A review of the root cause analysis tool was implemented in 2016/17, with greater focus on engaging with the nursing team to aid learning. The Trust is pleased to report a sustained reduction on the prevalence of pressure ulcers of all grades across 2016/17. Medical device associated pressure ulcers developed by patients in Critical Care will continue to be an area of focus for 2017/18.

Safety Work stream 3: Develop a robust system to identify babies at risk by enabling robust monitoring of foetal growth and a reduction in harm/stillbirth rate. The growth charts were implemented during Quarter 3 2015/16 and this is an on-going programme of work.

Safety Work stream 4: Work across the health community to improve the management of patients with sepsis pre-hospital and on admission. The Trust has an established 'Sepsis' group which has been advancing this agenda. During 2016/17, no serious incidents relating to the 'failure to rescue' of a patient in sepsis have been reported. However, we recognise that further improvements in our pathways are required and this will continue to be an area of focus.

Safety Work stream 5: Improve safety in the requests for radiological investigations. The Trust continues to report incidents in which patients have undergone radiological investigations on the incorrect site. During 2016/17, the commitment to improving the way in which radiological investigations are managed was expanded to include all diagnostic investigations and a focus group launched, with the backing of the Director of Nursing & Quality.

Safety Work stream 6: Reduce the number of patient falls resulting in serious harm. Patient falls continue to be the highest reported incident type across the Trust. Thematic reviews during the year have identified a number of areas for further improvement, particularly around staff recognition of patients at risk of falls and a move away from using falls alarms devices. A trial of a new 'falls care bundle' was launched during Quarter 4 2016/17 on the Intermediate Care Unit, and links with other initiatives such as the call for action #endpjsparalysis. A new investigation template and process has been developed to support learning with clinical team for those patients who sustain harm from a fall.

2016/17 Serious Incidents (data source: Datix Risk Management System)

Incident Category	StEIS Incident Type	Total Number of Incidents
Pressure Ulcers	Pressure Ulcer	1
<i>Pressure Ulcers total:</i>		1
Infection Control	HCAI/Infection control incident	3
<i>Infection control total:</i>		3
Serious Incidents	Abuse/alleged abuse of adult patient by staff	1
	Adverse media coverage or public concern about the organisation	3
	Confidential Information Leak/IG Breach	2
	Diagnostic Incident	4
	Incident affecting patient's body after death	2
	Maternity/Obstetric Incident: Baby Only	6
	Maternity/Obstetric Incident: Mother & Baby	2
	Maternity/Obstetric Incident: Mother Only	10
	Medication Incident	3
	Slips/trips/falls	15
	Sub-optimal care of the deteriorating patient	2
	Surgical/invasive procedure incident	11
Treatment delay	5	
<i>Serious Incidents total:</i>		66

The Trust considers that this data is as described for the following reason: because the data source is the Trust Datix risk management system.

The Trust intends to take the following actions to improve the number of serious incidents: see the detail in the previous section 'Our patient safety improvement plan' and also the following section regarding 'never events'.

Comparing Incident categories over the last two years (data source: Datix Risk Management System):

Incident Category	Number in 2016-17	Number in 2015-16
Pressure ulcer incidents	1	21
Infection control incidents	3	8
Serious incidents	66	41

Comparative information on serious incidents from Healthcare Evaluation Data (HED) is available for Quarter 1 and Quarter 2 for 2016/17:

- All Trusts - Proportion/ratio: 0.03% or 1 incident per 37.9 6 bed days.
- Countess of Chester - Total proportion/ratio: 0.08% or 1 incident per 13.3 bed days.

Never events

During the quality account year 2016/17 the Trust reported five never events, as follows:

- Wrong site block –superclavicular nerve block
- Incorrect swab count-breast surgery
- Anaesthetics- wrong site transverse abdominis plane
- Wrong site block-finger-
- Retained swab – vascular surgery

All five never events were subject to a robust investigation with an action plan to address any issues identified. All were reported to StEIS and the 'duty of candour' was delivered in an acceptable timescale. Whilst all five relate to surgery the specialties and location involved were different. Analysis identified that although each case had different contributory factors, communication and use of 'stop before you block' (checking the surgical site has been marked appropriately) were common themes identified.

To ensure that learning and improvements from these events are undertaken, a Theatre Safety & Quality Group has been established to review cultures and behaviours within theatres, with future plans to develop an enhanced local training plan which, when established, will be extended to mandatory training and induction.

Safeguarding

Safeguarding Children & Identifying and Supporting Victims of Domestic Abuse

Our Safeguarding responsibilities are a key priority for the Trust and is overseen by our Director of Nursing as the Executive Lead for Safeguarding and Chair of the Countess of Chester Safeguarding Strategy Board. Our dedicated and experienced staff ensure a timely and appropriate response to safeguarding children issues and domestic abuse issues in all areas across the Trust.

Our Safeguarding Children and Domestic Abuse processes are embedded in training and Safeguarding Children Clinical supervision processes. Members of the Safeguarding Children Team are key members of a number of Cheshire West and Chester (CWAC) Local Safeguarding Children Board subgroups.

During 2016-2017:

- The Safeguarding Children and Domestic Abuse Team has received and ensured an appropriate response to 888 Safeguarding Children Notifications from across the Trust.
- The team has dealt with and supervised midwives in 305 safeguarding children cases involving unborn children.
- This has included 216 referrals to children's social care. This has taken place because of concerns about a potential risk of significant harm to children and young people, including unborn children.

Quality Standard QS116, February 2016

All safeguarding children cases and domestic abuse cases notified to the Countess of Chester team will always prompt a multi-agency approach to ensure all information available is collated and included in our initial action planning for a safe outcome. This will include working with our health colleagues in other agencies, Police, and Children's Social Care and the Integrated Early Support team.

This year we have undergone the following reviews:

- Local Safeguarding Children Board Section 11 (2004 Children Act) audit of compliance with excellent outcomes (this includes our annual compliance with the Commissioned Services Standards for Safeguarding Children & Adults at Risk).
- A member of the Local Safeguarding Children Board also visited the Trust for a frontline walkabout and spoke directly to staff members; they were impressed by the processes in place at the Trust.

The Safeguarding Children and Domestic Abuse Team expect another busy year and will remain committed to ensuring the appropriate and timely response to all Safeguarding Children / Domestic Abuse issues that arise across the Trust.

Safeguarding Adults

The Adult Safeguarding and Learning Disability Coordinator has been a great asset during the year having built on the awareness raised previously and increasing training compliance. Training is now comprehensive and ensures that staff have a real understanding of how to respond to safeguarding concerns within the hospital with key themes such as courage to speak out on the agenda. Referral processes have been streamlined to ensure a robust and effective method for staff to make referrals when concerns are raised. Learning Disability colleagues are now notified daily when any patients with a learning disability arrive on the ward – this ensures all appropriate reasonable adjustments are undertaken in a timely way, thus ensuring our patients with a learning disability are given the best possible care whilst being an inpatient at The Trust. We have also introduced free meals for non-paid carers to ensure they are looked after whilst helping us to care for their loved ones.

We have supported our commissioners in safeguarding ensuring a whole area approach, and we meet regularly with the CCG to discuss cases and provide assurance that our safeguarding is effective.

The anti-radicalisation training PREVENT remains high on the agenda with the Adult Safeguarding and Learning Disability Coordinator attending CHANNEL PANEL on a regular basis to support the local work being undertaken with the police and other agencies. PREVENT is also included in the training and all staff should have knowledge of what PREVENT is, starting as early as the welcome event for all staff.

There remains much work to do to ensure that adult safeguarding continues to be considered as a high priority within the hospital. We are confident we are making real progress to keep our patients safe and to provide a knowledgeable workforce with the courage to safeguard our patients.

Equality, Diversity and Human Rights

We have a well-developed equality governance framework, which includes patients and third sector organisations, from across the full range of protected characteristics.

There are inclusion and engagement activities with protected groups, for example, disabled people, who are a key element to effective equality governance.

This is supported by our Equality, Diversity and Human Rights Strategy Group and the equality sub groups that report into it.

The following achievements in 2016-2017 are a consequence of our transparent, inclusive and engaging equality, diversity and human rights agenda.

We are proud to say we have:

- Retained a very high equality performance rating in the NHS equality delivery system 2 assessment, with 14 out of 18 individual outcomes being rated as “Achieving” and the remaining four outcomes being rated as “Excelling”
- Set in place new systems and reasonable adjustments to meet the Accessible Information Standard for Health and Social Care (AIS) before the mandatory implementation date of 31st July 2016

- Continued partnership working with agencies, co-facilitating health and wellbeing forums with a range of seldom heard protected groups, in order to obtain stakeholder feedback on services and health needs
- Were successful in being selected to join the NHS Employers Diversity and Inclusion Partners programme for 2016 to 2017
- Introduced an expanded reasonable adjustments flagging system and reasonable adjustment resources, to support patients with learning disabilities or who lack mental capacity
- Attained Disability Confident Level One status (Formerly referred to as the Two Ticks: Positive about Disabled People Charter mark).
- Published our year two Workforce Race Equality Standard (WRES) submission.

Going forward, the hospital will continue with its engagement and collaboration with stakeholder groups representing the protected characteristics.

Neonatal Review and Update

In July 2016 we took the decision to change admission arrangements for neonatal facilities. The unit stopped providing intensive care. Any women expected to deliver earlier than 32 weeks were transferred to a neighbouring facility. This step was taken because we wanted to better understand why there had been a greater number of deaths than we would normally expect on our neonatal unit between January 2015 and July 2016.

In addition to changes in the admission criteria of our neonatal unit, we requested a review of the unit from The Royal College of Paediatrics and Child Health and the Royal College of Nursing. The Trust received the final report in December 2016. We asked for this external assessment, it was not imposed on us or mandated.

In the report, there is no single cause or factor identified to explain the increase we have seen in our mortality numbers. The review makes a total of 24 recommendations across a range of areas including compliance with standards, staffing, competencies, leadership, team working and culture. We are working to implement these recommendations and will continue to do so until complete. A comprehensive action plan is in place which will be monitored through our governance structures.

Quality Surveillance Programme (Cancer)

The Quality Surveillance Programme (QSP) formerly known as the National Peer Review Programme (NCPRP) is the quality assurance process for the NHS. The process now covers a wide range of services, of which cancer is one. 2016-17 represented a period of transition in the process nationally, as quality indicators were confirmed and a new portal developed to replace the previous Cancer Quality Information Network.

Within the new process all cancer site specific Multi-disciplinary Teams (MDT) are required to complete a self-declaration of compliance against quality indicators. Using the previous

peer review as a guide the Trust cancer services team identified teams they wished to meet with face to face to discuss these. Other teams were reviewed through a 'table top' exercise as part of the Trust's assurance process. Only one team was externally reviewed as part of the previous process, the Cancer of Unknown Primary (CUP) service.

Overall teams were able to describe well-functioning services with demonstration of good practice. Some concerns were highlighted which have been incorporated in to the individual team's work programme as areas to be addressed in the next 12 months.

There are still some outstanding actions from previous peer review visits including the lack of electronic prescribing for intravenous chemotherapy. This is currently being addressed. Going forward into 2017-18, it is possible that there may be further changes within the QSP process and requirements for the MDT, but the cancer services team will continue to monitor teams against the existing structure.

Nursing Care Metrics

The Nursing and Midwifery Strategy focused on quality. This was an integral part of the aim to produce good, valuable, high quality data to ascertain whether high quality care was being given within the hospital. Care quality measures were reviewed by a multi-disciplinary team working closely with the information technology (IT) department. The focus for this group was to produce measures that were applicable and of value to all patient facing areas. These measures needed to be accessible, valuable, sustainable, live and less time intensive.

The Trust now has six core care metrics templates that are used over 26 patient facing areas within the Countess of Chester and Ellesmere Port Hospital sites.

Over the 12 month period the Trust has maintained an average of 96% compliance and the total of observations logged for the 12 month period was 78,387. The average number of nursing observations per month was 6,532.

The nurses are proud of the open and honest system they helped to design that ensures care is safe, kind and effective. A number of changes have happened and these will be monitored throughout the year as work is on-going to improve the areas of reduced compliance.

Patient Surveys

Inpatient – June 2016

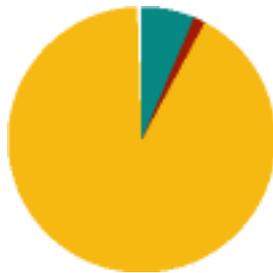
Our inpatient survey, as conducted by PICKER in 2015 and published on 8th June 2016, has highlighted the many positive aspects of the care our patients' experience:

- o Overall: **87%** rated care 7+ out of 10.
- o Overall: treated with respect and dignity **82%**.
- o Doctors: always had confidence and trust **80%**.

- o Hospital: room or ward was very/fairly clean **96%**.
- o Hospital: toilets and bathrooms were very/fairly clean **95%**.
- o Care: always enough privacy when being examined or treated **91%**.

We are expecting the next PICKER survey to be published soon and will review this and develop any required action plan to improve, with involvement and monitoring via the Patient Experience Operational Group.

Have we improved since the survey published in 2015 (undertaken in 2014)?



A total of 62 questions were used in both surveys.

Compared to the previous, the Trust is:

■ Significantly BETTER on 4 questions

■ Significantly WORSE on 1 question

■ The scores show no significant difference on 57 questions

How do we compare with others?



The survey showed that our Trust is:

■ Significantly BETTER than average on 4 questions

■ Significantly WORSE than average on 7 questions

■ The scores were average on 54 questions

Personal Needs Responsiveness

To improve the quality of service that the NHS delivers it is important to understand what people think about their care and treatment by asking them. The overall Care Quality Commission (CQC) Inpatient Survey results in 2015 are shown below.

Survey of adult inpatients 2015 Countess of Chester Hospital NHS Foundation Trust	Scores for this NHS trust			Number of respondents (this trust)	2014 score for this NHS trust	Change from 2014
	Lowest trust score achieved	Highest trust score achieved	Score for this NHS trust			
Overall views of care and services						
S10 Section score	5.5	5.0	7.1			
Q70 Overall, did you feel you were treated with respect and dignity while you were in the hospital?	9.0	8.5	9.7	535	8.9	
Q71 During your time in hospital did you feel well looked after by hospital staff?	8.9	8.3	9.7	531	8.8	
Q73 During your hospital stay, were you ever asked to give your views on the quality of your care?	1.6	0.8	4.1	463	1.9	
Q74 Did you see, or were you given, any information explaining how to complain to the hospital about the care you received?	2.3	1.5	4.9	429	3.0	↓
Overall experience						
S11 Section score	8.1	7.5	9.0			
Q72 Overall...	8.1	7.5	9.0	505	8.2	

The Trust considers that this data is as described for the following reasons: the data has been copied from the official CQC inpatient survey report.

The Trust intends to take the following actions to further improve this indicator: actions to further improve our patients experience will feed into the implementation of the Trust's Patient Experience Strategy for 2017/18.

Results are not yet available for the most recent CQC inpatient survey, but the Trust will review this and develop any relevant plans, once published.

National Cancer Patient Experience Survey (CPES)

The National Cancer Patient Experience Survey (CPES) is designed to monitor national progress on cancer care, to provide information that could be used to drive local quality improvements. This is the fifth survey undertaken since 2010.

The survey included all adult patients (aged 16 and over) with a primary diagnosis of cancer, discharged from an NHS Trust after an inpatient episode or day case attendance for cancer

treatment in the months of April, May and June 2015. For this Trust the response rate was 66%.

The 2015 survey has adopted the CQC standard for reporting comparative performance, based on calculation of "expected ranges". This means that Trusts are flagged as outliers only if there is statistical evidence that their scores deviate (positively or negatively) from the range of scores that would be expected for Trusts of the same size.

The Trust had no questions which scored below the expected range but there were six questions which scored above:

- Patient given easy to understand written information about the type of cancer they had
- Patient definitely involved in decisions about care and treatment
- Always given enough privacy when discussing condition or treatment
- Hospital and community staff always worked well together
- Patient given a care plan
- Overall the administration of the care was very good / good

Since the CPES is run annually and data has already been submitted for the 2016 survey, the existing action plan was developed to ensure that we are building on the work currently in progress using the Quality Improvement Checklist to help inform this. The action plan focuses on ensuring information and support for patients diagnosed with cancer and the continued development of Holistic Needs Assessment (HNA) and Treatment Summaries to support this. Cancer nurse specialists have also run 'pulse' checks with patients attending outpatient clinics to demonstrate progress and identify areas for further improvement.

The 2016 survey is currently being undertaken with results anticipated in July 2017

Friends and Family Test 2016/ 2017

The Friends and Family Test (FFT) is now fully embedded within the Trust . In 2016/17 we surveyed 221,602 patients, obtaining a response from 64,067 (28.9%). Text messaging is by far the most successful delivery mode, and 68.5% of all responses come via texts (43,873). The patient survey has been in place since January 2016.

In 2016 we added a survey fatigue setting, meaning any patient seen within an out-patient or in-patient setting within the last 45 days will not receive another survey until 45 days has expired, ensuring we don't over survey our patients.

We have also set up automatic reports to be delivered to ward and department managers, as well as matrons, showing the previous month's results in a poster format which can be displayed within the work area to support learning and improvement.



Staff Survey

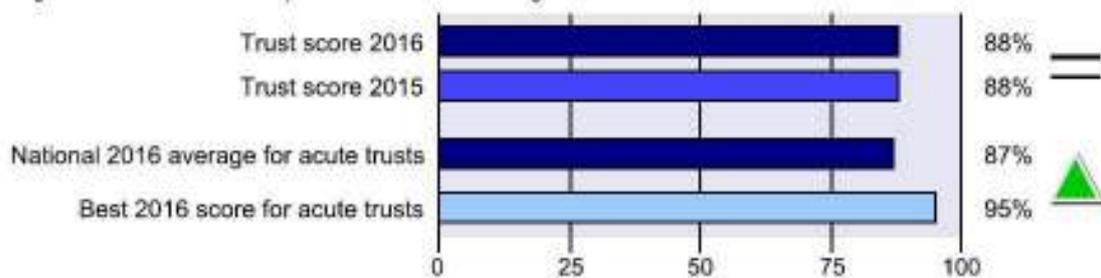
One way we monitor staff engagement is through the national NHS Staff Survey which is conducted each year by the Trust, the results of which are used by the Care Quality Commission (CQC), our Commissioners and others to assess our performance. In partnership with our Trade Union colleagues, operational colleagues and medical representatives, with governance from the People and Organisational Development Committee, the hospital developed an action plan to address areas of concern. Our results are published nationally on the website. In addition to this, we also monitor the feelings of our staff via the National Staff Friends and Family Test.

The findings from the Staff Survey for our mandated quality indicators are below:

KEY FINDING 21. Percentage of staff believing that the organisation provides equal opportunities for career progression or promotion

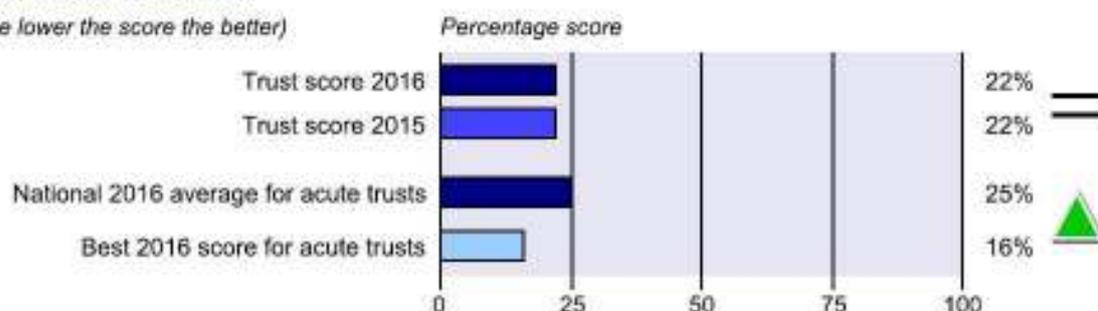
(the higher the score the better)

Percentage score



KEY FINDING 26. Percentage of staff experiencing harassment, bullying or abuse from staff in last 12 months

(the lower the score the better)



The following staff survey question is one of our mandated indicators: **If a friend or relative needed treatment, I would be happy with the standard of care provided by this organisation?** (part of Key Finding 1, staff recommendation of the organisation as a place to work or receive treatment). The results were:

2016 staff survey score was 73% (average median for acute trusts 2016 70%).

2015 staff survey score 74% (average median for acute trusts 2015 70%).

The Trust considers that this data is as described for the following reasons: because the data source was the national Staff Survey results which were communicated to the Trust.

Summary Hospital Mortality Indicator (SHMI)

The SHMI values published in the last year are:

Year	COCH SHMI	Best Trust	Worst Trust
Oct 15-Sep 16	1.09	0.69	1.16
Jul 15-Jun 16	1.07	0.69	1.17
Apr 15-Mar 16	1.07	0.67	1.17
Jan 15-Dec 15	1.05	0.67	1.17

Note: These SHMI values were all within the “as expected” range. Data source: Healthcare Evaluation Data (HED).

The most recent available Hospital Standardised Mortality Ratios (HSMR) is for the period February 2016 – January 2017 and is 100. Within this, the HSMR for weekday admissions was 98.86 and for weekend admissions 105.29. There have been no mortality outlier alerts in the past year.

The Trust considers that this data is as described because the HSMR Data source is Healthcare Evaluation Data (HED).

The Trust intends to take the following actions to improve this indicator: during 2017/18, a focus will be on developing and strengthening our processes for reviewing patient deaths in line with national guidance.

The percentage of patient deaths with palliative care coded at either diagnosis or speciality level for the trust was 34.6% in 2016-17 (32.2% in 2015-16). The Trust considers that this data is as described because the data source is the Trust Meditech patient administration system.

Venous Thromboembolism (VTE)

The percentage performance of patients who were admitted to hospital and who were risk assessed for venous thromboembolism is:

2016/17 % - **96.07%**

2015/16 % - **97.89%**

The Trust considers that this data is as described for the following reason: because the data source for VTE is the Trust Meditech patient administration system.

Sepsis CQUIN

The national Sepsis CQUIN consists of a part 2a element and a part 2b element:

2a - Timely identification and treatment for sepsis in emergency departments

There are two parts to this indicator:

(i) The percentage of patients who met the criteria for sepsis screening and were screened for sepsis

(ii) The percentage of patients who present with severe sepsis, Red Flag Sepsis or septic shock and were administered intravenous antibiotics within the appropriate timeframe and had an empiric review within three days of the prescribing of antibiotics.

2b - Timely identification and treatment for sepsis in acute inpatient settings

There are two parts to this indicator:

(i) The percentage of patients who met the criteria for sepsis screening and were screened for sepsis

(ii) The percentage of patients who present with severe sepsis, Red Flag Sepsis or septic shock and were administered intravenous antibiotics within the appropriate timeframe and had an empiric review within three days of the prescribing of antibiotics.

The following figures for the Sepsis CQUIN performance are from April to December 2016. The full year position is not yet available.

2a(i) Emergency departments (sepsis screening)	82.0%
2a(ii) Emergency departments (antibiotics review)	40.9%
2b(i) Acute inpatient setting (sepsis screening)	79.0%
2b(ii) Acute inpatient setting (antibiotics review)	44.9%

The 2015-16 Sepsis CQUIN measured different elements, so the results are not included as they are not comparable.

We recognise the need to further improve the processes around this pathway and this will be a key focus of work going forward in 2017/18.

Patient Reported Outcome Measures (PROMS) Performance 2016/17

Patients are given a survey prior to their operation and then 6 months post-surgery to assess their level of improvement. The results are compared against each other to see if there is an improvement, or not, post-operation. There are three ways of measuring:

- EQ-VAS - patients use a visual scale to record their health
- EQ-5D –patients have a choice of statements to choose one that best describes their health at the time
- Oxford Hip/Knee and Aberdeen varicose vein – condition specific questions e.g. asking about joint pain, varicose vein skin related conditions and interference with social and domestic activities

The Trust considers that this data is as described because the patient rates their level of improvement and the data source is Healthcare Evaluation Data (HED).

PROMS Performance 2016/17 (data source from Healthcare Evaluation Data – HED)

Hip replacement	EQ-VAS	EQ-5D Index	Oxford hip Score
Condition better	92	85	100
No change	0	8	0
Condition worse	8	8	0

Knee replacement	EQ VAS	EQ-5D Index	Oxford knee score
Condition better	70	91	100
No change	0	0	0
Condition worse	30	9	0

Varicose Vein	EQ VAS	EQ-5D Index	Aberdeen VV Question
Condition better	100	100	100
No change	0	0	0
Condition worse	0	0	0

Groin Hernia	EQ VAS	EQ-5D Index
Condition better	40	66
No change	20	31
Condition worse	40	3

Proms Performance 2015-16 as a comparison:

Hip replacement	EQ-VAS	EQ-5D Index	Oxford hip Score
Condition better	60	88.9	100
No change	20	11.1	0
Condition worse	20	0	0

Knee replacement	EQ VAS	EQ-5D Index	Oxford knee score
Condition better	80	80	80
No change	0	0	0
Condition worse	20	20	20

Varicose Vein	EQ VAS	EQ-5D Index	Aberdeen VV Question
Condition better	50	80	66.7
No change	16.7	20	0
Condition worse	33.3	0	33.3

Groin Hernia	EQ VAS	EQ-5D Index
Condition better	40.7	61.5
No change	18.5	26.9
Condition worse	40.7	11.5

3.2 Quality Measures

Effectiveness 2016-17 – Emergency re-admissions within 28 days (data source Trust Meditech patient administration system)

Age	Readmissions within 28 days	Admissions	%
0-15	604	5,057	11.9%
16+	2,402	17,636	13.6%
Total	3,006	22,693	13.2%

Effectiveness 2015-16 - Emergency re-admissions, as a comparison:

Age	Readmissions within 28 days	Admissions	%
0-15	563	5,268	10.69
16+	2,630	48,145	5.46
Total	3,193	53,413	5.98

The Trust considers that this data is as described: because the data source is the Trust Meditech patient administration system.

The Trust intends to take the following actions to improve this indicator: continue to monitor this indicator monthly by the Board via the monthly integrated board performance report and continue to focus on this issue in operational performance.

Key Performance Indicators - Monitor/NHS Improvement Compliance Targets

	2016/17	Target 16/17	RAG
Infection Control Targets			
Clostridium Difficile	23	24	●
MRSA	0	0	●
Waiting Times			
% RTT incomplete Pathway *	91.32%	92%	●
Total time in A&E	87.28%	95%	●
Diagnostic 6 week	97.20%	99%	●
Cancer Targets			
14 days –all cancers	96.62%	93%	●
14 days-breast symptomatic	95.92%	93%	●
31 day – decision to treat to treatment	98.45%	96%	●
31 days –subsequent surgical treatment	95.63%	94%	●
31 days - subsequent non-surgical treatment	100.00%	98%	●
62 days – first treatment from urgent GP referral	84.83%	85%	●
62 days –first treatment from screening referral	94.90%	90%	●

* RTT annual figure 91.32% but March 2017 figure was an achievement of the 92% target

(by financial year end)

Like most other hospitals this has been a very challenging year for maintaining the emergency standards access measure of four hours. We have continued to work in partnership with other health and social care organisations to support the performance of the Emergency Department and the timely discharge of patients into the appropriate health and social care setting.

The 62 Day cancer standard continues to be a challenge, although we are working collaboratively with Primary Care to improve patient pathways. Certain specialities have been prioritised and we are monitoring outcomes from these actions. A new national/network reallocation policy comes into effect on 1st April 2017 and we have been shadow-monitoring performance against these new measures. Continued work is planned with Primary Care and the Cancer Network.

Once again, we have maintained performance with regard to *Clostridium difficile*. Against a target of 24 cases for the year, the Trust ended the year with 23. The Trust reported zero cases of avoidable MRSA for the year and continues to work towards a target of no cases for the upcoming year.

PART FOUR - Written Statements by Other Bodies

4.1 Our Foundation Trust Council of Governors

Statement from the Trust's Council of Governors 2016/2017

The Council of Governors welcomes the opportunity to comment on the work of the Trust. In common with recent years the Trust has operated under extremely difficult conditions and has nevertheless made improvements.

During the year the Trust was inspected by the Care Quality Commission (CQC) and the Governors were pleased to see that the subsequent report gave an overall rating of 'Good' and that no special reviews were needed. Some areas, such as responsiveness, were deemed to 'require improvement' and the Governors are reassured that robust action plans have been put in place to recover this position and are being kept informed as to progress.

As is well known from the constant attention given by the media, the target of patients being treated within 4 hours in A&E has not been met by the majority of Trusts in England. Despite knowing this it is nonetheless disappointing that the Trust

has also fallen below the 95% level. However, plans have been put in place to correct this situation and the Governors are pleased to see that they are on trajectory.

Governors are pleased that efforts to achieve the target of cases of C.Diff have been met during the last year, and that there have been no cases of MRSA during the year compared with three the previous year. Every effort is made to ensure these infections are not passed from one patient to another and it is clear that the trend in both measures is a reassuring downward one. Each year the Governors are asked to choose a Quality Audit Indicator. This coming year they have chosen sepsis.

During the past year elections were held that resulted in there being four new Governors, which is part of the regular process of renewal of the Governor base. Monthly meetings with the Trust executive team provide the Governors with up-to-date information on how the Trust is performing and what measures are in place to make improvements. In addition, there is a Council of Governors meeting 4 times a year when a variety of topics are discussed. Both of these occasions are opportunities for the Governors to probe and review the information being provided.

Until recently the Governors took part in monthly ward observations managed by members of the senior nursing team. This is an ideal opportunity to see, first hand, some of the excellent work that the Trust does and not to simply hear about it in a meeting room. As a result of organisational changes, going forward the ward visits will be a joint visit with Governors and Non-Executive Directors which strengthens the relationship between Governors and the Non-Executive Directors and gives the opportunity for shared views.

Governors appreciate fully that the Trust has been under increasing operational and financial pressures over the last 12 months, and this has inevitably placed stress on the organisation but despite this, staff continue to show high levels of dedication, commitment and hard work.

15th May 2017

Feedback was requested from the Overview and Scrutiny Committee on the 21st April 2017 but not received.

4.2 Healthwatch statement

Response to Quality Account 2016/17– Countess of Chester Hospital Statement for inclusion in the report:

Healthwatch Cheshire West has worked in partnership with the Hospital over the period covered by this report forming close working relationships with staff at the hospital through a number of opportunities

- Regular Enter and View Visits – to a number of departments at the hospital
- Representation at Patient Quality and Experience meetings
- Involvement and representation with Equality and Diversity groups and meetings.
- Meetings with senior nursing staff
- Engagement at the hospital on a monthly basis

Healthwatch Cheshire West feels this quality account, broadly reflects the work undertaken at the Countess over the period and particularly would like to praise the organization for its work in the following areas:

- For setting high aims on targets
- For being open and honest with a high level of reporting incidents
- For setting deliberate aims in regard to improving patient experience

Specific comments on the report:

- On page 8, part 2 we liked the table that outlined the plans for this year. We feel that an inclusion (earlier on in the report) of last year's plan with feedback/results of targets on each of the previous targets flagged and including those carried forward. We feel that placement of such information earlier in the read would set a context for what follows.
- It was noted by those who reviewed the documents that a lot of audit information was flagged as "not available" on our copy of the draft document. We presume that these will be included in the final draft, however, we are a little disappointed not to be able to comment on the document as 'whole.'
- On page 33 it is flagged that there were '70 incidents' but the reader has to go to page 34 to find that these were serious incidents and a useful table is presented here indicating incident type. We feel that this table is good but would be better on page 33. Also we feel there could be more information on the outcomes of review and lessons learned from such incidents perhaps embedded in future practice and that this would also demonstrate learning and show transparency.
- Page 40 features pie charts of survey results. We feel it is important that some explanation is included, particularly in relation to the 'significantly worse' results – perhaps in relation to actions taken to improve.
- Page 43 – Key finding 26 – seems an extremely high score both locally and nationally and requires explanation.

Appendix 1 - Glossary & Abbreviations

Term	Abbreviation	Description
Accident and Emergency	A&E or ED	The Emergency Department, usually at a hospital.
Acute Oncology	AO	Refers to the management of the unexpected care needs of the patient with cancer, including emergency situations and the acutely unwell patient
Anti-microbial stewardship		Refers to a set of coordinated strategies to improve the use of antimicrobial medications with the goal of enhancing patient health outcomes, reducing resistance to antibiotics, and decreasing unnecessary costs.
Bacteraemia		The presence of bacteria in the blood
Birthing Unit	BU	The Birthing Unit has a focus on normality, provides a relaxed environment to support women's choices and improve outcomes for low risk women.
Cardiac Arrhythmia	CA	Also known as cardiac dysrhythmia or irregular heartbeat, is a group of conditions in which the heartbeat is irregular, too fast, or too slow
Care Quality Commission	CQC	The independent regulator of health and social care in England. It's aim is to make sure better care is provided for everyone, whether in hospital, in care homes, in people's own homes, or elsewhere.
Clostridium Difficile	C-diff	A naturally occurring bacterium that does not cause any problems in healthy people. However, some antibiotics used to treat other health conditions can interfere with the balance of 'good' bacteria in the gut. When this happens, C-diff bacteria can multiply and cause symptoms such as diarrhoea and fever.
Clinical Commissioning Group	CCG	This is the GP led commissioning body who buys services from providers of care such as the hospital.
Colorectal		Relating to or affecting the colon and the rectum.
Colposcopy		A colposcopy is a procedure to find out whether there are abnormal cells on or in a woman's cervix or vagina
Commissioner		A person or body who buy services.

Term	Abbreviation	Description
Commissioning for Quality and Innovations	CQUINs	CQUIN is a payment framework developed to ensure that a proportion of a provider's income is determined by their work towards quality and innovation. The scheme was introduced in detail, from implementation to function, in High Quality Care For All to encourage organisations to see quality improvement and innovation as a motivator towards a better service for their patients.
Criteria Led Discharge	CLD	This is a system by which the Doctor clearly defines the care that needs to be met / treatment delivered or results parameters to be achieved before the nurse can discharge the patient home.
Clinical Research Network	CRN	The NIHR Clinical Research Network (CRN) makes it possible for all patients and healthcare professionals across England to participate in relevant clinical trials.
COPD		Chronic obstructive pulmonary disease is the name for a collection of lung diseases.
Cystoscopy		This is a medical procedure used to examine the inside of the bladder using an instrument called a cystoscope.
Early Supported Discharge	ESD	This process is about putting additional care into the community setting to enable patients to spend a shorter time in hospital and where possible returning to their original place of residence.
Enhanced Recovery Programme	ERP	A pathway of care applied to a procedure relating to type of anaesthesia, type of post-operative pain relief, earlier patient mobility post-surgery, increased nutritional intake pre operatively and as soon after waking as possible, to reduce recovery time.
Gastroenterology		This deals with disorders of the stomach and intestines.
Haematology		This is a specialty covering the diagnosis and treatment of blood disorders.
Healthcare Associated Infections	HCAI	A generic name to cover infections like MRSA and C-difficile.
Hospital Episode Statistics	HES	This is the national statistical data warehouse for England of the care provided by NHS hospitals and for NHS hospital patients treated elsewhere. HES are the data source for a wide range of healthcare analysis for the NHS, government and many other organisations and individuals.

Term	Abbreviation	Description
Global Trigger Tool		This is a tool that is used to review a patient medical record and establish whether any harm events occurred during the patient's care and treatment in hospital. From an analysis of a large number of records the hospital can measure its rate of harm and work towards reducing this.
Laparoscopy		Otherwise known as keyhole surgery, is a medical procedure used to examine the interior of the abdominal or pelvic cavities.
Laparotomy		This is any major surgical procedure that involves opening the abdomen.
Methicillin-Resistant Staphylococcus Aureus	MRSA	Staphylococcus aureus is a bacterium which is often found on the skin and in the nose of about 3 in 10 healthy people. An infection occurs when the bacterium enters the body through a break in the skin. A strain of this bacterium has become resistant to antibiotic treatment and this is often referred to as MRSA.
Monitor		This is the regulator of NHS Foundation Trusts. It is an independent body detached from central government and directly accountable to Parliament.
Myocardial Infarction	MI	Known medically as a heart attack.
National Patient Survey		Co-ordinated by the Care Quality Commission, it gathers feedback from patients on different aspects of their experience of care they have recently received, across a variety of services/settings: Inpatients, Outpatients, Emergency care, Maternity care, Mental health services, primary care services and Ambulance services.
NCEPOD	NCEPOD	National Confidential Enquiry into Patient Outcome & Death
National Reporting & Learning Service	NRLS	This is the National Reporting and Learning Service which collates incident data from all organisations nationally and allows trends to be identified.
Nephrectomy		Nephrectomy (nephro = kidney, ectomy = removal) is the surgical removal of a kidney.
Neonatology		This is a sub-specialty of paediatrics that consists of the medical care of new-born infants, especially the ill or premature new-born infant.
Never Events		These are serious, largely preventable patient safety incidents that should not occur if the available preventative measures have been

		implemented.
Term	Abbreviation	Description
Obstetrics		Concerned with childbirth and midwifery.
Oesophago-gastro-duodenoscopy	OGD	Known more simply as a gastroscopy or endoscopy. This is an examination of your oesophagus, stomach and the first part of your small bowel called the duodenum.
Patient Recorded Outcome Measures	PROMs	A programme in which patients complete a questionnaire on their health before and after their operation. The results of the two questionnaires can be compared to see if the operation has improved the health of the patient. Any improvement is measured from the patient's perspective as opposed to the clinicians.
Quality, Safety & Patient Experience Committee	QSPEC	This is a committee that reports into the Board to provide assurance on quality.
Quality Account		This is a statutory annual report of quality which provides assurance to external stakeholders that the Trust Board has assessed quality across the totality of services and is driving continuous improvement.
Red, amber, green	RAG	Red, amber, green is often used to rate performance indicators to make it easier for the reader to identify
Referral to Treatment	RTT	A national indicator for maximum time of 18 weeks from point of referral to treatment (RTT)
Safety Brief		This is a tool of communication used by clinical staff at ward level to ensure risks are handed over
Secondary Users Service	SUS	This is the NHS data system for recording all NHS patient activity. It enables correct payments by commissioners, for care provided by all provider services including acute trusts.
Sepsis		Also referred to as blood poisoning or septicaemia, this is a potentially life-threatening condition, triggered by an infection or injury
Service Level Agreement	SLA	This is a local contract between services external to the Trust to deliver shared or part of the patient pathway.
Statement of Purpose		This is a care Quality Commission requirement of registration and describes the aims and objectives of the service provider in carrying on the regulated activity. It describes the kind of services provided for the purposes of the carrying on of the regulated activity and the range of service users' needs which those services are intended to meet.
Stoma		A stoma is an opening on the front of your abdomen (tummy) which is made using surgery.

		It diverts your faeces or urine into a pouch (bag) on the outside of your body.
Term	Abbreviation	Description
Venous Thrombo-embolism	VTE	This is a blood clot developing when a person is in hospital and may not be as mobile as they are usually or following surgery. The blood clot itself is not usually life threatening, but if it comes loose it can be carried in your blood to another part of your body where it can cause problems – this is called a Venous Thromboembolism (VTE). If the clot travels to the lungs it is called a pulmonary embolus (PE) and it can be fatal. Even if a blood clot does not come loose, it can still cause long-term damage to your veins.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF COUNTRESS OF CHESTER HOSPITAL NHS FOUNDATION TRUST ON THE QUALITY REPORT

We have been engaged by the Council of Governors of Countess of Chester Hospital NHS Foundation Trust to perform an independent assurance engagement in respect of Countess of Chester Hospital NHS Foundation Trust's Quality Report for the year ended 31 March 2017 (the 'Quality Report') and certain performance indicators contained therein.

Scope and subject matter

The indicators for the year ended 31 March 2017 subject to limited assurance consist of the following two national priority indicators (the indicators):

- percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period; and
- A&E: maximum waiting time of four hours from arrival to admission, transfer or discharge.

We refer to these national priority indicators collectively as the 'indicators'.

Respective responsibilities of the directors and auditors

The directors are responsible for the content and the preparation of the Quality Report in accordance with the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* issued by NHS Improvement.

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that:

- the Quality Report is not prepared in all material respects in line with the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in the *Detailed requirements for quality reports for foundation trusts 2016/17* ('the Guidance'); and
- the indicators in the Quality Report identified as having been the subject of limited assurance in the Quality Report are not reasonably stated in all material respects in accordance with the NHS Foundation Trust Annual Reporting Manual and the six dimensions of data quality set out in the *Detailed Requirements for external assurance for quality reports for foundation trusts 2016/17*.

We read the Quality Report and consider whether it addresses the content requirements of the NHS Foundation Trust Annual Reporting Manual and consider the implications for our report if we become aware of any material omissions.

We read the other information contained in the Quality Report and consider whether it is materially inconsistent with:

- Board minutes and papers for the period April 2016 to May 2017;
- papers relating to quality reported to the board over the period April 2016 to May 2017;
- feedback from commissioners, dated 10th May 2017;
- feedback from governors, dated 15th May 2017;
- feedback from local Healthwatch organisations, dated 18th May 2017;
- feedback from the Overview and Scrutiny Committee, requested on 21st April 2017;
- the trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009;
- the latest available national patient survey, dated 8th June 2016;

- the 2016 national staff survey, dated March 2017;
- Care Quality Commission Inspection, dated 29 June 2016;
- the 2016/17 Head of Internal Audit's annual opinion over the trust's control environment, dated for the period 2016/17; and
- any other information included in our review.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with those documents (collectively, the 'documents'). Our responsibilities do not extend to any other information.

We are in compliance with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared solely for the Council of Governors of Countess of Chester Hospital NHS Foundation Trust as a body, to assist the Council of Governors in reporting the NHS Foundation Trust's quality agenda, performance and activities. We permit the disclosure of this report within the Annual Report for the year ended 31 March 2017, to enable the Council of Governors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the indicator. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors as a body and Countess of Chester Hospital NHS Foundation Trust for our work or this report, except where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board ('ISAE 3000'). Our limited assurance procedures included:

- evaluating the design and implementation of the key processes and controls for managing and reporting the indicator;
- making enquiries of management;
- testing key management controls;
- limited testing, on a selective basis, of the data used to calculate the indicator back to supporting documentation;
- comparing the content requirements of the NHS Foundation Trust Annual Reporting Manual to the categories reported in the Quality Report; and
- reading the documents.

A limited assurance engagement is smaller in scope than a reasonable assurance engagement. The nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw allows for the selection of different, but acceptable measurement techniques which can result in materially different measurements and can affect comparability. The precision of different measurement

techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision of these criteria, may change over time. It is important to read the quality report in the context of the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* and supporting guidance.

The scope of our assurance work has not included governance over quality or the non-mandated indicator, which was determined locally by Countess of Chester Hospital NHS Foundation Trust.

Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2017:

- the Quality Report is not prepared in all material respects in line with the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in the Guidance; and
- the indicators in the Quality Report subject to limited assurance have not been reasonably stated in all material respects in accordance with the *NHS Foundation Trust Annual Reporting Manual* and the six dimensions of data quality set out in the Guidance.



KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

25 May 2017

Countess of Chester Hospital NHS Foundation Trust

**Annual Accounts
for the year ended 31 March 2017**

Presented to Parliament pursuant to Schedule 7, paragraph 25(4) of the National Health Service Act 2006

Countess of Chester Hospital NHS Foundation Trust - Annual Accounts 2016/17

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	The risk	Our response
<p>Valuation of land and buildings</p> <p>Land and buildings: £61.6 million; 2015/16: £69.6m</p> <p><i>Refer to the Audit Committee Report, note 1.8 of accounting policies and note 8 (page 23) of the financial disclosure</i></p>	<p>Valuation of land and buildings</p> <p>Land and buildings are required to be maintained at up to date estimates of year-end market value in existing use (EUV) for non-specialised property assets in operational use, and, for specialised assets where no market value is readily ascertainable, the depreciated replacement cost (DRC) of a modern equivalent asset that has the same service potential as the existing property (MEA)</p> <p>There is significant judgment involved in determining the appropriate basis (EUV or DRC) for each asset according to the degree of specialisation, as well as over the assumptions made in arriving at the valuation. In particular the MEA basis of valuation requires an assumption as to whether the replacement asset would be situated on the existing site or, if more appropriate, on an alternative site, with a potentially significant effect on the valuation.</p> <p>The Trust also values its buildings net of VAT. There is a risk that this treatment is not consistent with guidance in the NHS Group Accounting Manual (GAM).</p> <p>There is an increased risk in year due to the Trust changing valuer, with a different approach to assessing the useful economic lives of assets. The Trust had a full revaluation of land and buildings for 1st April 2015, followed by a "desk-top" valuation of land and buildings for 31st March 2017. This valuation covered all land and buildings with the exception of one plot of land and some dwellings with a net book value substantially lower than our materiality level detailed below.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> - Use of External Valuer: We assessed the competence, capability, objectivity and independence of the Trust's external valuer; - Critical Assessment of assumptions: We critically assessed the valuation method and the reasonableness of the assumptions used by the valuer to arrive at the final valuations, including the assessment of useful economic lives and the 'alternative' site basis used at the Trust. This involved challenging the valuer on the key assumptions and methodologies used and, in relation to the 'alternative' site, challenging and assessing the appropriateness of the bases used to ascertain the feasibility of delivering services from this site; - Treatment of VAT: We agreed that the treatment of VAT in the valuation is in line with the GAM; and - Assessment of accounting entries: We assessed whether the impairments and revaluations had been correctly accounted for in line with applicable accounting standards and the GAM.



Independent auditor's report

to the Council of Governors of Countess of
Chester Hospital NHS Foundation Trust only

Opinions and conclusions
arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Countess of Chester Hospital NHS Foundation Trust for the year ended 31 March 2017 set out on pages 6 to 40. In our opinion:

- the financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2017 and of the Trust's income and expenditure for the year then ended; and
- the Trust's financial statements have been properly prepared in accordance with the Department of Health's Group Accounting Manual 2018/17.

Overview

Materiality:	£3.8m (2015/16: £3.8m)
Financial statements as a whole	1.75% (2015/16: 1.76%) of total revenue

Risks of material misstatement vs 2015/16

Recurring risks	Recognition of NHS income	▲
	Valuation of Land and Buildings	▲

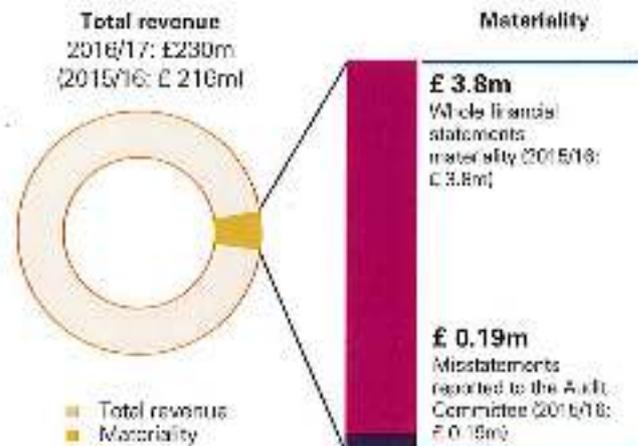
2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

	The risk	Our response
<p>NHS income</p> <p>Income from activities: £207.4 million; 2015/16: £200.3m</p> <p>Sustainability and Transformation Fund Income: £7.56 million; 2015/16: £0m</p> <p>Refer to the Audit Committee Report, note 1.3 of accounting policies and note 2 (page 22) of the financial disclosures</p>	<p>Recognition of NHS income from activities</p> <p>The main source of income for the Trust is the provision of healthcare services to the public under contracts with NHS commissioners.</p> <p>The Trust participates in the national Agreement of Balances (AoB) exercise for the purpose of ensuring that intra-NHS balances are eliminated on the consolidation of the Department of Health's resource accounts. The AoB exercise identifies mismatches between income and expenditure and receivable and payable balances recognised by the Trust and its commissioners, which will be resolved after the date of approval of these financial statements.</p> <p>Mis-matches can occur for a number of reasons, but the most significant arise where:</p> <ul style="list-style-type: none"> – the Trust and commissioners record different accruals for completed periods of healthcare which have not yet been invoiced; or – income relating to partially completed period of healthcare is apportioned across the financial years and the commissioners and the Trust make different apportionment assumptions. <p>Where there is a lack of agreement, mis-matches can also be classified as formal disputes as set out in the relevant contract.</p> <p>In 2016/17 there is an increased risk of misstatement due to the estimation of income from Sustainability and Transformation Funding. The Trust has recognised STF income of £7.56 million with 70% of the STF based on achievement of the Trust's financial control total and 30% based on the achievement of operational trajectories for Key Performance Indicators (KPIs) agreed with NHS Improvement. Furthermore, there is an increased fraud risk due to the pressure on management to deliver the Trust's control total.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Contract income: We compared the actual income for the Trust's most significant commissioners against the block contracts agreed at the start of the year and checked the validity of any significant variations between the actual income and the contract via agreement to appropriate third party confirmations; – Agreement of Balances (AoB) exercise: We inspected confirmations of balances provided by the Department of Health as part of the AoB exercise and compared the relevant receivables recorded in the Trust's financial statements to the payable balances recorded within the accounts of commissioners. Where applicable we investigated variances and reviewed relevant correspondence to assess the reasonableness of the Trust's approach to recognising income from commissioners; – Sustainability and Transformation Funding monies: We agreed the receipt and recognition of Sustainability and Transformation Funding monies to correspondence from NHS Improvement; and – Fraudulent revenue recognition: We assessed our work on areas of management judgement, valuation and estimation relating to income and considered the impact of any identified audit adjustments on the delivery of the Trust's control total.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements was set at £3.8 million (2015/16: £3.6 million), determined with reference to a benchmark of income from operations (of which it represents approximately 1.75% of prior year revenue). We consider income from operations to be more stable than a surplus-related benchmark. We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £150k (2015/16: £100k), in addition to other identified misstatements that warrant reporting on qualitative grounds.



4. Our opinion on other matters prescribed by the Code of Audit Practice is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual (2015/17); and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception

We are required to report to you if, based on the knowledge we acquired during our audit, we have identified information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable; or
- the Audit Committee's commentary of the Annual Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Code of Audit Practice we are required to report to you if, in our opinion:

- the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2015/17, is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements;
- the Trust has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

In addition we are required to report to you if:

- any reports to the regulator have been made under Schedule 10(5) of the National Health Service Act 2006;
- any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit.

We have nothing to report in respect of the above responsibilities.

6. We have completed our audit

We certify that we have completed the audit of the accounts of Courtesol of Chester Hospital NHS Foundation Trust in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office.

Scope and responsibilities

As described more fully in the Statement of Accounting Officer's Responsibilities the accounting officer is responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors. A description of the scope of an audit of financial statements is provided on our website at:

www.kpmg.com/uk/auditsoopaper2014. This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Under Section 62(1) and Schedule 10 paragraph 1(4), of the National Health Service Act 2006 we have a duty to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General, as to whether the Trust has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary.

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.



Timothy Cutler for and on behalf of KPMG LLP
Chartered Accountants and Statutory Auditor
1 St Peter's Square, Manchester, M2 3AE
25 May 2017

FOREWORD TO THE ACCOUNTS

Countess of Chester Hospital NHS Foundation Trust

These accounts for the year ended 31 March 2017 have been prepared by the Countess of Chester Hospital NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006 and are presented to Parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the National Health Service Act 2006.

A handwritten signature in black ink, appearing to read 'Tony Chambers', with a long horizontal line extending to the right.

23 May 2017

Tony Chambers - Chief Executive

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 March 2017

	NOTE	2016/17 Total £000	2015/16 Total £000
Operating Income from Continuing Operations	2	230,244	215,184
Operating Expenses of Continuing Operations (including impairment)	3	(228,634)	(228,357)
Impairment included in Operating Expenses of Continuing Operations	3	-	-
Operating Surplus/(Deficit)		<u>1,610</u>	<u>(13,173)</u>
Net Finance Costs:			
Finance Income	7.1	58	111
Finance Expense - Financial Liabilities	7.2	(634)	(700)
PDC Dividends payable	1.15	(708)	(265)
Net Finance Costs		<u>(1,284)</u>	<u>(854)</u>
Losses of disposal of assets		(8)	(102)
SURPLUS/(DEFICIT) FOR THE YEAR		<u><u>318</u></u>	<u><u>(14,129)</u></u>
Other comprehensive income:			
Revaluation losses and impairment losses property, plant and equipment	1.6	(1,952)	(445)
TOTAL COMPREHENSIVE INCOME AND EXPENSE FOR THE YEAR		<u><u>(1,634)</u></u>	<u><u>(14,574)</u></u>

Included in the Total Comprehensive Income and Expense are amounts in respect of a reversal of impairment/impairment of Property which is detailed below:

		2016/17 Total £000	2015/16 Total £000
Surplus/(Deficit) before Reversal of Impairment/Impairment		<u>1,610</u>	<u>(13,173)</u>
Operating Surplus/(Deficit) (as above)		<u>1,610</u>	<u>(13,173)</u>
SURPLUS/(DEFICIT) FOR THE YEAR (as above)		<u><u>318</u></u>	<u><u>(14,129)</u></u>
Add back impact of Reversal of Impairment/Impairment			
Reversal of Impairment	3	(3,874)	-
Impairment	3	-	3,840
Adjusted Operating Deficit		<u>(2,264)</u>	<u>(9,333)</u>
ADJUSTED DEFICIT FOR THE YEAR		<u><u>(3,556)</u></u>	<u><u>(10,289)</u></u>

The notes on pages 11 to 40 form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT
31 March 2017

	NOTE	31 March 2017 £000	31 March 2016 £000
NON-CURRENT ASSETS:			
Property plant and equipment	8	<u>81,508</u>	<u>79,399</u>
Total Non-Current Assets		81,508	79,399
CURRENT ASSETS:			
Inventories	10	1,654	1,928
Trade and other receivables	11	10,233	7,693
Cash and cash equivalents		7,093	20,108
Total Current Assets		<u>18,980</u>	<u>29,729</u>
CURRENT LIABILITIES:			
Trade and other payables	12	(15,862)	(18,148)
Borrowings	13	(5,184)	(5,219)
Provisions	14	(3,092)	(2,121)
Tax payables		(2,888)	(2,587)
Other liabilities	12.1	<u>(1,917)</u>	<u>(1,999)</u>
Total Current Liabilities		(28,943)	(30,074)
Total Assets less Current Liabilities		71,545	79,054
NON-CURRENT LIABILITIES:			
Borrowings	13	(23,886)	(29,070)
Provisions	14	(2,383)	(3,248)
Other liabilities	12.1	<u>(1,963)</u>	<u>(1,789)</u>
Total Non-Current Liabilities		(28,232)	(34,107)
Total Assets Employed		<u><u>43,313</u></u>	<u><u>44,947</u></u>
FINANCED BY:			
Public dividend capital		63,334	63,334
Revaluation reserve		4,558	6,510
Income and expenditure reserve		<u>(24,579)</u>	<u>(24,897)</u>
TOTAL TAXPAYERS' EQUITY		<u><u>43,313</u></u>	<u><u>44,947</u></u>

The notes on pages 11 to 40 form part of these financial statements

Signed



Tony Chambers - Chief Executive
23 May 2017

Countess of Chester Hospital NHS Foundation Trust - Annual Accounts 2016/17

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY 31 MARCH 2017

	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000
Taxpayers' Equity at 1 April 2016	44,947	63,334	6,510	(24,897)
Changes in Taxpayers' Equity for 2015/16				
Public Dividend Capital received	-	-	-	-
Public Dividend Capital repaid	-	-	-	-
Deficit for the year	318	-	-	318
Revaluation gains/(losses) and impairment losses property, plant and equipment	(1,952)	-	(1,952)	-
Taxpayers Equity at 31 March 2017	43,313	63,334	4,558	(24,579)

The notes on pages 11 to 40 form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2017

	2016/17 £000	2015/16 £000
Cash flows from operating activities:		
Operating deficit from continuing operations	<u>1,610</u>	<u>(13,173)</u>
Operating surplus/(deficit)	1,610	(13,173)
Non-cash income and expense:		
Depreciation and amortisation	4,063	5,047
Income recognised in respect of capital donations	(98)	(25)
Impairments	-	3,840
Reversals of impairments	(3,874)	-
Amortisation of PPPcredit	(66)	(67)
(Increase)/Decrease in Trade and Other Receivables	(2,670)	260
Decrease/(Increase) in Inventories	274	(212)
(Decrease)/Increase in Trade and Other Payables	(1,857)	3,614
Increase/(Decrease) in Other Liabilities	158	(213)
Increase/(Decrease) in Provisions	106	(1,026)
Net cash generated from operations	<u>(2,354)</u>	<u>(1,955)</u>
Cash flows from investing activities:		
Interest Received	58	111
Purchase of Property, Plant and Equipment	(4,468)	(6,158)
Sales of property, plant and equipment	82	8
Receipt of cash donations to purchase capital assets	98	25
Net cash used in investing activities	<u>(4,230)</u>	<u>(6,014)</u>
Cash flows from financing activities:		
Public dividend capital received	-	26
Loans received	-	5,000
Loans repaid	(5,128)	(4,282)
PDC Repaid	-	(200)
Capital element of Public Private Partnership obligations	(91)	(80)
Interest paid	(437)	(508)
Interest element of Public Private Partnership obligations	(197)	(192)
PDC Dividend paid	(578)	(522)
Net cash generated from financing activities	<u>(6,431)</u>	<u>(758)</u>
Increase/(Decrease) in cash and cash equivalents	<u>(13,015)</u>	<u>(8,727)</u>
Cash and Cash equivalents at 1 April	20,108	28,835
Cash and Cash equivalents at 31 March	<u><u>7,093</u></u>	<u><u>20,108</u></u>

The notes on pages 11 to 40 form part of these financial statements

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS foundation trusts under the NHS Act 2006. NHS Improvement has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual (DH GAM) which shall be agreed with the Secretary of State. Consequently, the following financial statements have been prepared in accordance with the DH GAM 2016/17 issued by the Department of Health. The accounting policies contained in that manual follow IFRS and HM Treasury's FReM to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

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

1.1a Going Concern

International Accounting Standard (IAS) 1 requires management to assess, as part of the accounts preparation process, the NHS Foundation Trust's ability to continue as a going concern. In accordance with the Department of Health Group Accounting Manual the financial statements have been prepared on a going concern basis as we do not either intend to apply to the Secretary of State for the dissolution of the NHS Foundation Trust without the transfer of the services to another entity, or consider that this course of action will be necessary.

However, there are material uncertainties in respect of events or conditions that cast doubt upon the financial viability of the NHS Foundation Trust and these are set out below.

The Trust's performance in-year showed a deficit of £3.6m (before an impairment reversal of £3.9m) which is better than the original plan submitted to NHS Improvement at the start of the year.

The current forecasts show a (pre-impairments) planned deficit of £2.2m (2017/18) and a surplus of £0.9m (2018/19) and assume £5.2m of STF funding each year. To achieve this the Trust will need to deliver cost reductions of £12.4m (equivalent to 5.4% of expenditure), which includes £2.5m which has yet to be identified.

In addition, the Trust has applied for an interim capital loan of £8.4m, to finance its 2017/18 capital program, and the Trust's latest operating and cash flow forecasts currently show that the Trust should be able to finance its revenue requirements from internal sources until March 2018 when interim revenue support will be required. Further capital financing will be required for 2018/19 and beyond.

Due to the significant reduction in capital funding available to the sector, NHS Improvement are currently reviewing the interim capital loan application, to ensure that it meets its requirements of being 'urgent and necessary' only. The Trust believes that this is the case, but it is possible that not all of the capital loan will be approved, in which case the relevant capital expenditure would need to be deferred until a later date, when funding would be made available.

Contracts for 2017/18 (and provisional for 2018/19) have been agreed with all English Commissioners, securing over 80% of our clinical income. Our contract with Betsi Cadwaladr LHB remains outstanding but with no significant issues to resolve we anticipate agreement will be reached by the end of June.

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1.2 Consolidation

These accounts are for The Countess of Chester Hospital NHS Foundation Trust alone.

The NHS Foundation Trust is the Corporate Trustee to The Countess of Chester Hospital NHS Charitable Fund. The Foundation Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the Foundation Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the Charitable Funds and has the ability to affect those returns and other benefits through its power over the fund. However the transactions are immaterial in the context of the group and the transactions have not been consolidated. Details of the transactions with the charity are included in the related parties note.

1.3 Income

Income 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 in the normal course of business. The main source of income for the Trust is contracts with commissioners in respect of healthcare services.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

1.4 Expenditure on 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 annual leave entitlement 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.

Termination Benefits

Termination benefits are recognised as an expense when the Trust is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement age, or to provide termination benefits as result of an offer made to encourage voluntary resignations in accordance with IAS 37. Termination benefits for voluntary resignations are recognised as an expense if the Trust has made an offer of voluntary resignation, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable more than twelve months after the reporting period, then they are discounted to their present value.

Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. It is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme.

Employers pension costs contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.5 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

1.6 Property, Plant and Equipment

Recognition

Property, plant and equipment is capitalised where;

- it is held for use in delivering services or for an administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided 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
- individually have a cost of at least £5,000; or
- form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous disposal dates and are under single managerial control: or
- form part of the initial equipping and setting up cost of a new building, or refurbishment of a ward or unit irrespective of their individual or collective cost.

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

Measurement - Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs 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. Thereafter they are stated at cost less accumulated depreciation and any recognised impairment loss. All assets are measured subsequently at fair value.

Subsequent to their initial recognition, property, plant and equipment are carried at revalued amounts. Valuations are carried out by Cushman & Wakefield (2016 District Valuer), professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards. These valuations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the balance sheet date. In practice this is usually achieved by a full valuation exercise at least every five years, and an interim valuation in the third year following the last full valuation.

Fair values are determined as follows:

Land and non specialised operational property - market value for existing use

Specialised operational property - depreciated replacement cost

The depreciated replacement cost of specialised buildings has been valued on a modern equivalent asset basis and, where it would meet the location requirements of the service being provided, an alternative site has been used. The valuation has been produced net of VAT. This assumes that any re-provision of a property asset with equivalent service potential would be procured through a special purpose vehicle in such a way that would allow VAT to be recovered in full. For the current year, an interim valuation was carried out. The last full asset valuation was undertaken as at 1 April 2016.

As a result of the revaluations, the Trust has recognised a net reversal of impairment of £3,874,000 (2015/16 £3,840,000 impairment) operating expenses note 3 and charged a revaluation deficit of £1952,000 (2015/16 £445,000 deficit) to the revaluation reserve (Statement of Comprehensive Income)

Countess of Chester Hospital NHS Foundation Trust - Annual Accounts 2016/17

Fixtures and equipment are carried at depreciated historic cost, as this is not considered to be materially different from fair value.

An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Depreciation

Items of Property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Depreciation is charged using the straight-line method. Freehold land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use.

Buildings and fixed plant are depreciated on their current value over the estimated remaining life of the asset as assessed by the NHS Foundation Trust's professional valuers, Cushman & Wakefield. The methodologies used by the current valuers assume that significant individual components of buildings will be replaced during the life of the building, and as a result produce useful lives that are typically longer than the previously adopted approach. This has resulted in a reduction in the depreciation charge for buildings excluding dwellings of around £0.8m. The Trust believes the depreciation charge better reflects the consumption of service delivery benefits over the expected life of the buildings.

Plant and Equipment are depreciated evenly over the estimated life of the asset, as follows:

Plant and Equipment	5 to 15 years
Transport Equipment	5 to 7 years
Information Technology	5 to 10 years
Furniture & Fittings	5 to 10 years

Disposals

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Revaluation Gains and Losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Impairments

In accordance with the FT Annual Reporting Manual, impairments that arise from a clear consumption of economic benefit or service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

De-recognition

Assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.;

 - management are committed to a plan to sell the asset;
 - an active programme has begun to find a buyer and complete the sale;
 - the asset is being actively marketed at a reasonable price;

- the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

1.7 Donated, Government Grant and Other Grant Funded Assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

1.8 Public Private Partnership (PPP) Transactions

PPP transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FRoM are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with IAS 17 the underlying assets are recognised as property, plant and equipment at their fair value together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment.

Where a significant part of the operators income derives from charges to users rather than payments from the Trust a deferred income credit is established and released to the Statement of Comprehensive Income over the life of the agreement.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

The service charge is recognised in operating expenses and the finance cost is charged to Finance Costs in the Statement of Comprehensive Income.

1.9 Government Grants

Government grants are grants from Government bodies other than income from Commissioners or NHS Trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average method.

1.11 Financial Assets and Financial Liabilities

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets and financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

De-recognition

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and Measurement

Financial assets are all categorised as loans and receivables.

Financial liabilities are all classified as Other Financial Liabilities.

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets. The Trust's loans and receivables comprise cash and cash equivalents, trade receivables, accrued income and other receivables.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Cash and Cash Equivalents

Cash, bank and overdraft balances are recorded at the current values of these balances in the NHS Foundation Trust's cash book. These balances exclude monies held in the NHS Foundation Trust's bank account belonging to patients (see 'third party assets' below). Account balances are only set off where a formal agreement has been made with the bank to do so. In all other cases overdrafts are disclosed in borrowings. Interest earned on bank accounts and interest charged on overdrafts is recorded as, respectively, "interest receivable" and 'interest payable' in periods to which they relate. Bank charges are recorded as "operating expenditure" in the periods to which they relate.

Financial Liabilities

All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

The Trust's financial liabilities comprise trade creditors, accruals and other creditors.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the costs of those assets.

Fair value is determined from market prices, independent appraisals and discounted cashflow analysis as appropriate to the financial asset or liability. Where required, cashflows are discounted at the Treasury's discount rate, except for finance leases and on-Statement of Financial Position PPP transactions, which use the interest rate implicit in the agreement.

Impairment of Financial Assets

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

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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 the Statement of Comprehensive Income and in the case of trade receivables, the carrying amount of the asset is reduced through a provision for impairment of receivables.

1.12 Leases

Finance Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. Thereafter the asset is accounted for as an item of property, plant and equipment. The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability is de-recognised when the liability is discharged, cancelled or expires.

Operating Leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

Leases of Land and Buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

1.13 Provisions

The NHS Foundation Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

Clinical Negligence Costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Foundation Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the NHS Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 14.1, but is not recognised in the NHS Foundation Trust's accounts.

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Non-Clinical Risk Pooling

The NHS Foundation 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 when the liability arises.

1.14 Contingencies

Contingent liabilities are not recognised in the accounts, but are disclosed in note 14, unless the probability of a transfer of economic benefit is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

1.15 Public Dividend Capital (PDC)

Public Dividend Capital (PDC) is a type of public sector equity finance based on the excesses of assets over liabilities at the time of establishment of the predecessor NHS Trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

A charge, reflecting the cost of capital utilised by the NHS Foundation Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS Foundation Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets (including lottery funded assets) (ii) average daily cash balances held with the Government Banking Service (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility (iii) any PDC dividend balance receivable or payable. 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 of the audit of the annual accounts.

1.16 Value Added Tax

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

1.17 Corporation Tax

The Countess of Chester Hospital NHS Foundation Trust is a Health Service body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to disapply the exemption in relation to the specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the scope of Corporation Tax but there is no tax liability arising in respect of the current financial year.

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1.18 Foreign Exchange

The functional and presentational currencies of the Trust are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

1.19 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Foundation Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

1.20 Critical Accounting Estimates and Judgements

The preparation of financial statements under IFRS requires the Trust to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The main areas which require the exercise of judgement are in the revaluation of fixed assets as described in note 1.6 and the calculation of provisions in note 1.13 and note 14.1.

1.21 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 the 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 NHS Trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

1.22 Accounting standards that have been issued but have not yet been adopted in the Annual Reporting Manual

The following accounting standards, amendments and interpretations have been issued by the IASB and IFRIC but are not yet required to be adopted:

IFRS 9 Financial Instruments	Application required from 2018/19, subject to adoption by the HM Treasury's FReM
IFRS 14 Regulatory Deferral Accounts	Unlikely to be EU endorsed, but not applicable to DH bodies
IFRS 15 Revenue from Contracts with Customers	Application required from 2018/19, subject to adoption by the HM Treasury's FReM
IFRS 16 Leases	Application required from 2019/20, subject to adoption by the HM Treasury's FReM

The Trust has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Trust or that they would not have a material impact on the Trust's financial statements, apart from some additional disclosures.

In the case of IFRS 16, there will be a requirement for the Trust to recognise the underlying assets (represented by the present value of the lease payments) and corresponding liabilities inherent in all of its lease agreements (and contracts containing leases), in addition, the income statement will be charged with depreciation and interest instead of the lease payments, which is expected to 'front load' the expense to the earlier part of the agreement, but at this stage it is not expected that this will represent a material adjustment.

1.23 Accounting standards, amendments and interpretations issued that have been adopted early

The Trust has not early adopted any new accounting standards, amendments or interpretations.

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2 Income

2.1 Segmental Reporting

All of the Countess of Chester Hospital NHS Foundation Trust's activities are in the provision of healthcare, which is an aggregate of all the individual speciality components included therein, and the very large majority of the healthcare services provided occur at the one geographical main site.

Similarly, the large majority of the Countess of Chester Hospital NHS Foundation Trust's revenue originates with the UK Government. The majority of expenses incurred are payroll expenditure on staff involved in the production or support of healthcare activities generally across the Trust together with the related supplies and overheads needed to establish this production. The business activities which earn revenue and incur expenses are of one broad combined nature and therefore on this basis one segment of 'Healthcare' is deemed appropriate.

The operating results of the Countess of Chester Hospital NHS Foundation Trust are regularly reviewed by the Trust's chief operating decision maker which is the overall Foundation Trust Board and which includes senior professional non-executive directors. The Trust Board review the financial position of the Countess of Chester Hospital NHS Foundation Trust as a whole in their decision making process, rather than individual components included in the totals, in terms of allocating resources. This process again implies a single operating segment under IFRS 8.

The finance report considered monthly by the Trust Board contains summary figures for the whole Trust together with graphical line and bar charts relating to different total income activity levels, and directorate expense budgets with their cost improvement positions.

Likewise only total balance sheet positions and cashflow forecasts are considered for the whole of the Countess of Chester Hospital NHS Foundation Trust. The Board as chief operating decision maker therefore only considers one segment of healthcare in its decision-making process.

The single segment of 'Healthcare' has therefore been identified consistent with the core principle of IFRS 8 which is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments

2.2 Total Income from activities

	NOTE	2016/17 £000	2015/16 £000
Income from activities	2.2	207,416	200,343
Other operating income	2.3	22,828	14,841
Operating Income from Continuing Operations		230,244	215,184
Income from activities comprises:		2016/17 £000	2015/16 £000
Elective income		34,552	33,940
Non elective income		60,693	58,170
Outpatient income		45,386	43,401
Other type of activity income		58,839	56,625
A&E income		7,654	7,504
Additional income for delivery of healthcare services		-	200
Total income		207,124	199,840
Income from activities - Commissioner Requested Services		207,124	199,840
Private patient income	2.4	292	503
Income from activities		207,416	200,343

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As an NHS Foundation Trust, the majority of income in respect of patient care is received under a block contract with our host Clinical Commissioning Group with the remainder under Payment by Results (PBR).

The Terms of Authorisation set out the goods and services that the Trust is required to provide (Commissioner Requested Services). All of the income from activities before private patient income shown above is derived from the provision of Commissioner Requested Services.

All other income arises from non-mandatory services.

2.3 Other Operating Income	2016/17	2015/16
	£000	£000
Research and development	615	785
Education and training	7,652	7,400
Charitable contributions to expenditure	206	173
Non-patient care services to other bodies	1,583	1,783
Sustainability and Transformation Fund Income	7,550	-
Car parking	1,401	1,398
Catering	1,264	1,232
Other income	2,491	2,003
Amortisation of PPP deferred credits	66	67
	<u>22,828</u>	<u>14,841</u>

2.4 Directly Invoiced Overseas Visitors	2016/17	2015/16
	£000	£000
Income recognised	247	96
Cash payments received in-year (relating to invoices raised in current and previous years)	(29)	(42)
Amounts added to provision for impairment of receivables	181	53
Amounts written off in-year	19	6

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3 Operating expenses	2016/17	2015/16
	£000	£000
Operating expenses comprise:		
Services from NHS Foundation Trusts	1,555	1,788
Services from NHS Trusts	252	197
Services from other NHS bodies	57	242
Purchase of healthcare from non NHS bodies	1,691	2,962
Directors' costs	1,339	1,154
Staff costs	152,415	148,143
Drug Costs	19,625	19,392
Supplies and services (excluding drug costs)		
- clinical	21,663	20,988
- general	3,467	3,477
Establishment	2,178	2,188
Transport	201	211
Premises	9,779	9,275
Depreciation & Amortisation	4,063	5,047
Increase in bad debt provision	483	151
Audit fees - statutory audit	50	48
Other services: audit related assurance services	15	18
Other services: other	13	31
Contribution to clinical negligence scheme	8,669	6,502
Consultancy	194	149
Internal audit costs	104	81
Training courses	469	570
Insurance	281	156
(Reversal of Impairment) / Impairment of property, plant and equipment	(3,874)	3,840
Other	3,945	1,747
	228,634	228,357

4 Arrangements containing an operating leases

Minimum lease payments	2,481	1,628
	<u>2,481</u>	<u>1,628</u>

4.1 Total future minimum operating lease payments

- Payable:		
- not later than one year;	2,091	2,053
- later than one year and not later than five years;	2,846	2,936
- later than five years.	500	-
Total	<u>5,437</u>	<u>4,989</u>

The Trust has short term operating leases for various types of equipment usually on a short term basis and the payments for these are included in the minimum lease payments for the financial year.

The Trust is also committed under contract for five managed service contracts which provide equipment as part of the contract. These contracts have between 1 and 5 years left before expiry. Also included are a number of lease cars and vans. These leases are for a period of three years.

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5 Employee Expenses and Numbers

5.1 Employee expenses

	Total 2016/17 £000	Total 2015/16 £000
Short term employee benefits - salaries and wages	125,567	122,738
Post employee benefits social security costs	11,064	8,598
Post employee benefits employer contributions to NHS Pensions Agency	13,859	13,335
Other Employment Benefits	5	6
Agency/contract staff	3,452	4,756
	<u>153,947</u>	<u>149,433</u>

5.2 Retirements due to ill-health

During 2016/17 (prior year 2015/16) there were 4 (2) early retirement from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £270,000 (£140,000). The cost of these ill-health retirements will be borne by the NHS Pensions Agency. This information was supplied by NHS Pensions Agency.

5.3 Directors' Remuneration

	Total 2016/17 £000	Total 2015/16 £000
Executive Directors Remuneration	1,022	835
Employers contributions for national insurance	93	89
Employer contributions to the pension scheme	103	107

There is a total of 6 Executive Directors to whom benefits are accruing under defined benefit pension schemes. The Chief Finance Officer had a period of sickness during the financial year. As the position is a key board member the position required interim cover. Therefore the Executive Directors remuneration total costs showed an increase on the prior year.

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6 Pension Costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 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 its recent demographic experience), and to recommend the 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 set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next 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 cost 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.

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8 Property Plant and Equipment

Fixed Asset Movement 2016/17

	Land	Buildings Excluding Dwellings	Dwellings	Assets Under Construction	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings	Total 31 March 2017
	£000	£000		£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2016	4,300	55,228	2,591	40	30,003	43	6,551	4,419	103,175
Additions - purchased	-	371	-	839	2,026	-	996	10	4,242
Additions - donated and grant funded	-	-	-	-	98	-	-	-	98
Reclassifications	-	797	-	(806)	-	-	-	9	-
Impairments	(208)	1,143	-	-	-	-	-	-	935
Other in year revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(425)	-	-	-	(425)
At 31 March 2017	4,092	57,539	2,591	73	31,702	43	7,547	4,438	108,025
Accumulated depreciation									
At 1 April 2016	-	-	496	-	17,309	43	2,998	2,930	23,776
Impairments	-	(987)	-	-	-	-	-	-	(987)
Other in year revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(335)	-	-	-	(335)
Provided during the year	-	987	62	-	1,642	-	1,088	284	4,063
At 31 March 2017	-	-	558	-	18,616	43	4,086	3,214	26,517
Net book value									
- Purchased at 1 April 2016	3,190	53,471	-	40	12,085	-	3,553	1,489	73,828
- PPP Obligations at 1 April 2016	1,110	-	2,095	-	-	-	-	-	3,205
- Donated at 1 April 2016	-	1,757	-	-	609	-	-	-	2,366
Total at 1 April 2016	4,300	55,228	2,095	40	12,694	-	3,553	1,489	79,399
Net book value									
- Purchased at 31 March 2017	2,982	56,316	-	73	12,507	-	3,461	1,224	76,563
- PPP Obligations at 31 March 2017	1,110	-	2,033	-	-	-	-	-	3,143
- Donated at 31 March 2017	-	1,223	-	-	579	-	-	-	1,802
Total at 31 March 2017	4,092	57,539	2,033	73	13,086	-	3,461	1,224	81,508

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8.1 Net Book Value of Assets held under PPP Obligations

PPP Arrangements	2016/17 £000	2015/16 £000
Cost or valuation at 1 April	4,033	4,033
Cost or valuation at 31 March	<u>4,033</u>	<u>4,033</u>
	2016/17 £000	2015/16 £000
Depreciation at 1 April as previously stated	828	766
Accumulated depreciation at 1 April as restated	828	766
Provided during the year	62	62
Accumulated depreciation at 31 March	<u>890</u>	<u>828</u>
Net Book Value under PPP obligations at 31 March	<u>3,143</u>	<u>3,205</u>

In 2005/06, the Trust entered into a Public Private Partnership with Frontis Homes Limited, a registered social landlord, to provide our staff accommodation and on-call facilities. The £5.9m scheme has significantly improved the quality of the previous accommodation, and increased the ability of the Trust to continue to attract the best staff. The Trust will contribute annually toward the cost of the rent and services to be provided for the on-call facility. The term of the agreement is 40 years.

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9.1 Gross PPP Obligations

	31 March 2017	31 March 2016
	£000	£000
Gross PPP Liabilities	3,587	3,795
of which liabilities are due:		
Not later than one year	167	208
Between one and five years	711	670
After five years	2,709	2,917
Finance charges allocated to future periods	(1,417)	(1,534)
Net PPP Liabilities	<u>2,170</u>	<u>2,261</u>
Not later than one year	55	91
Between one and five years	288	235
After five years	<u>1,827</u>	<u>1,935</u>
	<u>2,170</u>	<u>2,261</u>

	31 March 2017	31 March 2016
	£000	£000
9.2 Total On-SOFP PPP commitments		
of which due:		
- not later than one year;	410	400
- later than one year and not later than five years;	1,744	1,701
- later than five years.	<u>10,013</u>	<u>10,465</u>
Total future payments committed	<u>12,167</u>	<u>12,566</u>

9.3 Analysis of Amounts Payable to Service Concession Operator

	31 March 2017	31 March 2016
	£000	£000
Unitary payment payable to service concession operator	£000	£000
Consisting of:		
Interest Charge	117	121
Repayment of finance lease liability	91	80
Service element	112	118
Contingent rent	<u>80</u>	<u>71</u>
	<u>400</u>	<u>390</u>

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	31 March 2017	31 March 2016
	£000	£000
10 Inventories		
Materials	<u><u>1,654</u></u>	<u><u>1,928</u></u>
	31 March 2017	31 March 2016
	£000	£000
10.1 Inventories recognised in expenses	21,213	20,452
Write-down of inventories recognised as an expense	47	30
Total Inventories recognised in expenses	<u><u>21,260</u></u>	<u><u>20,482</u></u>

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11 Trade and Other Receivables	31 March 2017	31 March 2016
	£000	£000
Current		
Trade receivables	2,863	3,495
Amounts due in respect of NHS Improvement Sustainability and Transformation Fund (STF)	3,493	-
Amounts due under the NHS Injury Costs Recovery Scheme	896	1,030
PDC Dividend Receivable	205	335
VAT recoverable	227	45
Other receivables	280	537
Accrued Income	531	373
Prepayments	1,738	1,878
Total Current Trade and Other Receivables	<u>10,233</u>	<u>7,693</u>

There are no non-current trade receivables

The carrying values of trade receivables, STF, accrued income and other receivables approximate to their fair value.

The majority of trade is with other NHS organisations, which are funded by government, therefore no credit scoring of them is considered necessary.

Trade receivables is stated net of an estimate for irrecoverable amounts. The movement in the year was as follows:

11.1 Analysis of Impaired Receivables

	Gross	Impairment	Net	Gross	Impairment	Net
	31 March 2017	31 March 2017	31 March 2017	31 March 2016	31 March 2016	31 March 2016
	£000	£000	£000	£000	£000	£000
Not past due date	1,642	148	1,494	1,392	141	1,251
Up to 3 months	1,656	287	1,369	1,743	137	1,606
over 3 months	1,281	1,281	-	1,951	1,313	638
	<u>4,579</u>	<u>1,716</u>	<u>2,863</u>	<u>5,086</u>	<u>1,591</u>	<u>3,495</u>

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11.2 Provision for Impairment of Receivables

	31 March 2017 £000	31 March 2016 £000
Balance at April	1,591	2,132
Increase in allowance	1,391	1,189
Amount written off during the year	(358)	(692)
Amount recovered during the year	(908)	(1,038)
At 31 March	1,716	1,591

12 Trade and Other Payables

	Current		Non-current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Trade payables	9,805	10,975	-	-
NHS Pension Scheme	1,875	1,836	-	-
Other payables	2,327	2,450	-	-
Accruals	1,855	2,887	-	-
Total	15,862	18,148	-	-

The carrying values of trade payables, accruals and other payables approximate to their fair value.

The date of settlement for all payables will be in accordance with agreed payment terms.

12.1 Other Liabilities

	Current		Non-current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Deferred Income	1,850	1,933	239	-
Deferred PPP Credits	67	66	1,724	1,789
Total	1,917	1,999	1,963	1,789

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13 Borrowings

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000	£000	£000	£000
Loans from Foundation Trust Financing Facility	5,129	5,128	21,771	26,900
Obligations under PPP Contracts	55	91	2,115	2,170
Total	5,184	5,219	23,886	29,070

Schedule of Borrowing from the Foundation Trust Financing Facility

	Date Started	Date to be completed	Interest Rate	Amount £000
Loan 1	Mar-10	Mar-20	3.09%	6,000
Loan 2	Mar-12	Sep-21	2.46%	5,000
Loan 3	Mar-13	Mar-18	0.48%	4,500
Loan 4	Mar-13	Sep-27	1.39%	16,800
Loan 5	Oct-14	Nov-21	1.36%	11,000

The fair values of borrowings approximate to their carrying value.

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14 Provisions	Current	Non Current	Current	Non Current
	31 March 2017 £000	31 March 2017 £000	31 March 2016 £000	31 March 2016 £000
Pensions relating to other staff	14	184	14	193
Legal Claims	1,623	-	976	-
Other	1,182	-	1,047	-
Restructuring Costs	214	-	-	-
Permanent Injury Benefit	59	2,199	84	3,055
	3,092	2,383	2,121	3,248

	Pensions Relating to Other Staff	Legal Claims	Other	Permanent injury benefit	Restructuring	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2016	207	976	1,047	3,139	-	5,369
Arising during the year	5	1,063	322	95	214	1,699
Utilised during the year	(14)	(167)	-	(34)	-	(215)
Change in Discount Rate	-	-	-	745	-	745
Reversed unused	-	(249)	(187)	(1,687)	-	(2,123)
At 31 March 2017	198	1,623	1,182	2,257	214	5,475

Expected timing of cashflows:

- not later than one year	14	1,623	1,182	59	214	3,092
- later than one year and not later than five years	58	-	-	214	-	272
- later than five years	126	-	-	1,985	-	2,111
	198	1,623	1,182	2,258	214	5,475

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14.1 Provisions

Pensions relating to other staff

Provisions for capitalised pension benefits are based on tables provided by the Office for National Statistics, reflecting years to normal retirement age and the additional pension costs associated with early retirement. No further capitalisations of pension benefits have been applied during the financial year. This provision relates to two former employees.

Legal claims

Legal claims consist of amounts due as a result of third party and employee liability claims. The values are based on information provided by the Trust's solicitors and the NHS Litigation Authority.

Other

The other provision relates to outstanding pay reform assimilations and changes in legislation.

Permanent Injury Benefits

Permanent Injury Benefits are payable to eligible individuals, and are calculated in the same way as capitalised pension benefits. The calculations are based on current payments in relation to expected life tables as issued by the Office for National Statistics. These are discounted using the Treasury published discount rate.

Restructuring

The restructuring provision is for those staff that have applied for the Mutually Agreed Resignation Scheme but which have not yet been paid out.

£142,089,000 Is included in the provisions of the NHS Litigation Authority at 31/3/17 in respect of clinical negligence liabilities for the Trust (31/3/2016 £107,612,000)

The provisions for legal claims are calculated by reference to expected cash flows discounted back at the relevant current Treasury discount rate.

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15 Cash and cash equivalents

	31 March 2017	31 March 2016
	£000	£000
Bank balances at 1 April	20,108	28,835
Net change in year	(13,015)	(8,727)
Cash and cash equivalents in the statement of cash flows at 31 March at 31 March	<u>7,093</u>	<u>20,108</u>

Cash and cash equivalents at 31 March 2017 are held in instant access bank accounts, short-term money market investments and other deposit accounts denominated in sterling. They attract interest at rates based on LIBOR or equivalent market or public sector rates. The carrying amounts are equivalent to their fair values.

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16.1 Capital Commitments

	31 March 2017	31 March 2016
Contractual Capital Commitments at 31 March not otherwise included in these financial statements:	£000	£000
Property, Plant and Equipment	<u>953</u>	<u>604</u>

16.2 Events After the Reporting Date

There are no disclosable events after the reporting date.

17 Third Party Assets

The Trust held £0 In the Bank (2015/16 £2,356) which relates to monies held by the NHS Foundation Trust on behalf of patients.

18 Related Party Transactions

The Countess of Chester Hospital NHS Foundation Trust is a public interest body Authorised by NHS Improvement the Independent Regulator for NHS Foundation Trusts.

The Trust has received £101,000 revenue and £98,000 capital (2015/16 £157,000 total) payments from a number of charitable funds for which the Trust acts as Corporate Trustee.

Other NHS entities that interact with the Countess of Chester Hospital NHS Foundation Trust are regarded as related parties. The transactions are in the normal course of business and are on a arms length basis. During the year the Countess of Chester Hospital NHS Foundation Trust had a number of material transactions with other NHS entities which are listed below.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

	2016/17 Income £000	2016/17 Expenditure £000	2016/17 Current receivables £000	2016/17 Current payables £000
Value of transactions with Other NHS Bodies:				
Department of Health	9	5	214	-
Other NHS Bodies	195,733	16,279	7,451	2,289
Charitable Funds	-	-	-	21
Other	27,634	26,116	5,749	4,863

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18 Related Party Transactions (continued)

Material Related Party transactions with Other NHS Bodies are further detailed below:

	2016/17	2016/17	2016/17	2016/17
	Income	Expenditure	Current	Current
	£000	£000	receivables	payables
	£000	£000	£000	£000
5 Boroughs Partnership NHS Foundation Trust	18	35	0	2
Aintree University Hospital NHS Foundation Trust	54	83	53	60
Alder Hey Childrens NHS Foundation Trust	207	207	-	35
Blackpool Teaching Hospitals NHS Foundation Trust	17	9	14	-
Bolton NHS Foundation Trust	9	41	3	6
Bridgewater Community HealthCare NHS Foundation Trust	181	4	10	-
Calderdale and Huddersfield NHS Foundation Trust	-	24	-	-
Central Manchester University Hospitals NHS Foundation Trust	24	39	1	5
Cheshire and Wirral Partnership NHS Foundation Trust	1,343	492	169	271
Liverpool Heart and Chest NHS Foundation Trust	49	104	28	62
Liverpool Women's NHS Foundation Trust	26	429	3	50
Mid Cheshire NHS Foundation Trust	88	15	27	-
Northumbria Healthcare NHS Foundation Trust	-	5	-	29
The Clatterbridge Cancer Centre NHS Foundation Trust	285	4	-	34
The Walton Centre NHS Foundation Trust	180	9	103	2
University Hospitals Birmingham NHS Foundation Trust	-	19	26	-
Warrington and Halton Hospitals NHS Foundation Trust	421	302	220	18
Wirral University Teaching Hospital NHS Foundation Trust	6,316	4,020	731	878
East Cheshire NHS Trust	122	199	122	196
North West Ambulance Service NHS Trust	38	-	12	-
Royal Liverpool & Broadgreen University Hospitals NHS Trust	631	539	27	110
St Helens and Knowsley Hospitals NHS Trust	3	11	30	-
Wirral Community NHS Foundation Trust	100	-	-	-
NHS Central Manchester CCG	13	-	10	-
NHS Cumbria CCG	31	-	1	-
NHS Eastern Cheshire CCG	92	-	-	45
NHS Halton CCG	1,169	-	66	-
NHS Liverpool CCG	220	-	-	26
NHS Vale Royal CCG	1,596	-	4	67
NHS Knowsley CCG	44	-	4	-
NHS Shropshire CCG	544	-	54	-
NHS South Cheshire CCG	538	-	36	-
NHS Southport and Formby CCG	46	-	-	-
NHS South Sefton CCG	49	-	-	11
NHS St Helens CCG	132	-	-	29
NHS Trafford CG	50	-	25	-
NHS Warrington CCG	1,168	-	4	20
NHS Wigan Borough CCG	77	-	-	-
NHS West Cheshire CCG	145,262	48	438	238
NHS Wirral CCG	4,552	7	97	-
NHS Wolverhampton CCG	65	-	1	-
NHS England	7,551	1	3,493	-
Public Health England	63	431	4	66
Department of Health (PDC Dividend Only)	-	-	205	-
NHS Property Services	121	-	143	-
North East Commissioning Hub	268	-	15	-
North West Commissioning Hub	10,124	-	183	-
Health Education England	7,690	-	92	-
Cheshire East Unitary Authority	459	-	130	102
Cheshire West and Chester Unitary Authority	343	50	130	102
Department of Work and Pensions	13	-	52	-
Care Quality Commission	-	137	-	-
NHS England - Cheshire and Merseyside Local Office (Geography)	-	-	80	-
Merger of Q44 & Q48)	2,040	-	-	-
NHS England - Yorkshire and the Humber Local Office	58	-	18	-
NHS Litigation Authority	-	8,821	-	-
National Loans Fund	-	-	5,000	-
NHS Blood and Transplant	38	1,083	26	-
National Health Service Pension Scheme	-	13,859	-	1,875
HM Revenue & Customs	-	11,064	227	2,888
Welsh Assembly Government (incl all Welsh Health Bodies)	26,717	41	304	17
Scottish Government	46	12	3	-

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19 Financial Instruments

Disclosure is required under International Accounting Standards of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Countess of Chester Hospital NHS Foundation Trust actively seeks to minimise its financial risks. In line with this policy, the Trust neither buys nor sells financial instruments. 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.

Market Risk

Interest-Rate Risk

All of the Trust's financial liabilities carry nil or fixed rates of interest. In addition, the only element of the Trust's assets that are subject to a variable rate are short term cash investments. The Trust is not, therefore, exposed to significant interest-rate risk. Interest rate profiles of the Trust's relevant financial assets and liabilities are shown in notes 12 and 15.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

Credit Risk

The Trust operates primarily within the NHS market and receives the majority of its income from other NHS organisations, as disclosed in note 18. There is therefore little risk that one party will fail to discharge its obligation with the other. Disputes can arise, however, around how the amounts owed are calculated, particularly due to the complex nature of the Payment by Results regime. For this reason the Trust makes a provision for irrecoverable amounts based on historic patterns and the best information available at the time the accounts are prepared. The Trust does not hold any collateral as security.

Liquidity Risk

The Trust's net operating costs are incurred under three year agency purchase contracts with local Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. The Trust receives such contract income in accordance with Payment by Results (PBR), which is intended to match the income received in year to the activity delivered in that year by reference to the National Tariff procedure cost. The Trust received cash each month based on an annually agreed level of contract activity and there are quarterly payments made to adjust for the actual income due under PBR. This means that in periods of significant variance against contracts there can be a significant cash-flow impact. The Trust has adequate liquidity to deal with these variances.

The Trust finances its capital expenditure from internally generated funds or funds made available from Government, in the form of additional Public Dividend Capital, under an agreed limit. In addition, the Trust has borrowed from the Department of Health Financing Facility and may also borrow commercially in order to finance capital schemes. Financing is drawn down to match the capital spend profile of the scheme concerned and the Trust is not, therefore exposed to significant liquidity risks in this area.

20 Auditors Liability Limitation Agreements

As determined in the engagement letter with KPMG, external auditors to the trust, the liability of either party under or in connection with the contract, whether arising in contract, tort, negligence, breach of statutory duty or otherwise, shall not exceed the sum of £2 million in any one year.

	2016/17 £000	2015/16 £000
Limitation on Auditors Liability	2,000	1,000

