Sheffield Teaching Hospitals NHS
NHS Trust

Annual Report
and accounts

2002-2003

Sheffield Teaching Hospitals became a National Health Service Trust on 1 April 2001. It comprises the Royal Hallamshire Hospital including the Jessop Wing, Weston Park Hospital, Charles Clifford Dental Hospital and the Northern General Hospital.

Each year, our annual Patient Services Plan builds on our vision and priorities. For 2002/03 we set out ten objectives and progress on each of these objectives is detailed in this report.

Chairman's Statement

"We were delighted that we were highlighted as one of the top 15 performers in the UK and were rated with the lowest mortality rate within the former Trent region."

It gives me great pleasure to introduce the second Annual Report and Accounts for Sheffield Teaching Hospitals NHS Trust.

This report sets out an impressive list of achievements. Not only did we make good progress on the key objectives of the merger; we improved performance throughout the Trust so that we achieved our financial and access targets (including very challenging waiting time targets). We also underwent a successful Commission for Health Improvement (CHI) review, which rigorously tested our clinical governance capabilities.

The Trust was in the news when the 'Dr Foster' Good Hospital Guide, an independent look at every major hospital in the UK, was published in the Sunday Times. We were delighted that we were highlighted as one of the top 15 performers in the UK and were rated with the lowest mortality rate within the former Trent region.

Throughout the year we have had many occasions to celebrate, with the opening of several new patient services.

Sarah Ferguson, the Duchess of York, and boxing star Prince Naseem Hamed, opened a new Cancer Unit, specifically designed around the needs of teenagers at Weston Park Hospital. The actor, Sean Bean, opened our new Specialist Chronic Pain facility, and the Right Honourable David Blunkett MP visited the Chesterman Wing to open the new Lung Surgery ward and Cardiac Progressive Care Unit which offer vital specialist treatment and support to heart and lung surgery patients. We also saw the return of the Lord Mayor and Lady Mayoress of Sheffield in April when the Macmillan Palliative Care Unit began caring for its first patients. The unit was funded jointly by Macmillan Cancer Relief and the NHS and is designed to provide the best possible care for people with cancer and other life threatening illnesses away from the traditional hospital ward setting.

David Stone introduces Sarah Ferguson at the opening of Weston Park's Teenage Cancer Unit.

Several staff groups have won prestigious national awards. Two teams were successful in winning two of the nine possible North of England Modernisation Awards. Midwives from the Jessop Wing gained an award for their innovative work with Community Health Sheffield and Sheffield Social Services to create a new multi-agency care pathway for women who use drugs and alcohol during pregnancy. The team in Accident and Emergency won their award for their pioneering work in chest pain assessment.

The Infant Feeding Advisors also had their patient information leaflet for 'Breast Feeding Mothers with Diabetes' highly commended by the British Medical Association. This follows a programme of work throughout the Trust to ensure that all information provided to patients is of the highest quality. This was one of the areas of excellent practice that the CHI assessors highlighted in their recent report and recommended that we share with the rest of the NHS.

In September we were disappointed to have to make the announcement that heart and lung transplant operations will no longer take place at the Northern General Hospital. Following a decline in the number of transplants over the last year, the surgeons and the Trust took the brave decision to act before there was any deterioration in the excellent clinical outcomes of the Sheffield programme. The Sheffield unit continues with all other heart surgery and will further develop the drug therapy, electrical therapy and other new surgical treatments for heart failure that are leading to the reduced need for transplantation.

Two other areas I would particularly like to highlight are the progress made in Improving Working Lives and Patient and Public Involvement.

Improving Working Lives

None of the achievements we have attained during the year would have been possible without the dedication, hard work and professionalism of all our staff. As the second largest employer in Sheffield, with a total of 12,000 staff, it is one of the highest priorities to ensure that the needs and aspirations of staff are met. I am proud that in November

'Thank You' is the Trust's new annual excellence award.

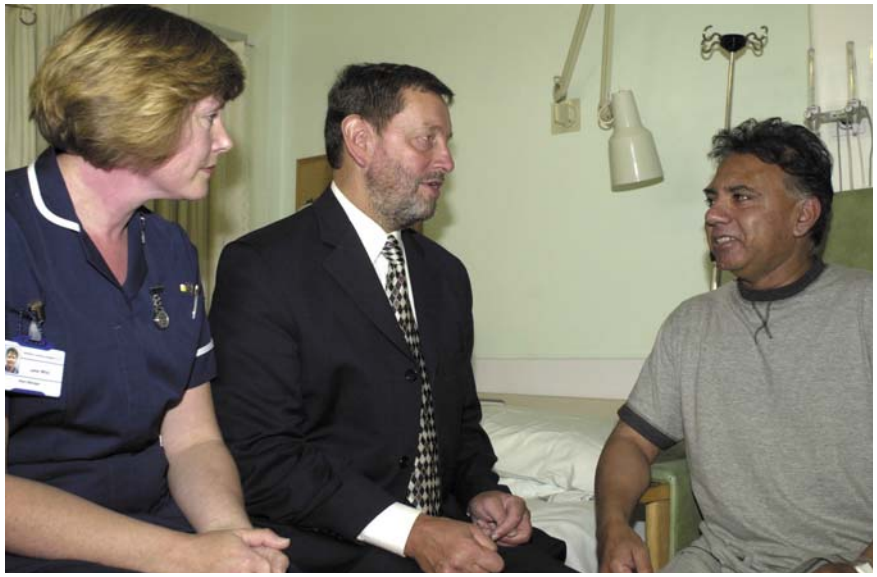
we were awarded practice status in all eight standards outlined in the National Improving Working Life Initiative. This meant meeting high standards in flexible working practices, training and education, communication and staff involvement, diversity and childcare. This achievement demonstrates the Trust's commitment to support staff in balancing work and home commitments and to develop staff to their full potential.

In our effort to further recognise and celebrate the achievements of all staff, we are developing a series of STH Trust Annual Excellence Awards. The awards are unique in that every member of staff will be eligible to be nominated for any one (or more) of the awards.

Patient and Public Involvement

We now have structures in place to encourage and support patients and public lay representatives through training and mentoring to become much more active in the decision making processes of the Trust. For example patient representatives now work on the Steering Group for the National Service Framework for Older People and are involved in the Planning Group for the Vickers Corridor replacement project. Lay representatives have also been appointed to three of the directorate teams.

Young volunteer schemes continue to be successful and 80% of all specialties have volunteers working within their department. This year we have concentrated on ensuring we are as inclusive as possible, encouraging young people from under represented groups to take part. This is another area of our work that the CHI inspectors highly commended. We now have 43 disabled volunteers working at the Trust. We are very pleased to attract these volunteers who give up their own time, whilst gaining valuable work experience.



David Blunkett met with staff and patients on the cardiac progressive care unit.

We are also very grateful to the many other volunteer groups, notably the League of Friends and the WRVS, who continue to give us their considerable support, both through generous donations and by helping in the welfare of patients.

We have achieved much in our first two years, through the skill, hard work and dedication of our staff. Sheffield Teaching Hospitals is becoming known as one of the country's leading medical centres of excellence. We can look forward to building on an excellent start.

David Stone
Chairman

Chief Executive's Report

"Targets like reduced waiting lists, high standards of food and cleanliness, two week waits for urgent cancer referrals and shorter waits in A&E are not just token measures, they are what people want and expect from the NHS."

2002/03 was a hugely successful year for the new Trust and it gives me great pleasure to reflect this in my report.

We continued to push forward with our strategic priorities of Delivery, Quality, Staff, Partnership and Leadership, building on the firm management foundation we put into place in year one. Key issues for year two were to:

- Achieve and maintain three star status
- Develop the corporate strategic direction with our partners
- Undergo a successful CHI review of our clinical governance arrangements
- Explore Foundation Trust status

The report that follows compares our activities with the 10 objectives within our Patient Services Plan for the year 2002/03. These directly support the Trust's strategic priorities. The report also highlights areas where special consideration and attention will be required in the coming year.

Three Star Status

Early in 2002/03, the Trust was delighted that in its first year it was awarded three star status. The star ratings are based on a wide number of indicators which demonstrate to the public just how high the standards of NHS care are, and how improvements are being made in our hospitals. Targets like reduced waiting lists, high standards of food and cleanliness, two week waits for urgent cancer referrals and shorter waits in A&E are not just token measures, they are what people want and expect from the NHS. Of particular importance this year is that the views of patients have been taken into account when assessing our ratings. Overall, the patients' views of the Trust and their experience were positive.

Three Star Status Key Targets	Outcome
A maximum waiting time of 12 months	
A maximum outpatient waiting time of 21 weeks	
Maximum 12 hour A&E emergency admissions wait	
Total time in A&E	
No cancelled operations not admitted within 28 days	
Two week cancer waits	
Improving working lives	
Hospital cleanliness	
Financial management	

Through the effort and commitment of staff over the last year, we continued to maintain these standards and in July 2003 we were again awarded three stars. This rating means we are judged to be one of the best performing trusts in the country. Given the size of the organisation, the workload and pressure over the last 12 months, as well as the clinical service reconfiguration agenda, to be, again, awarded three star status is a tremendous achievement for all our staff.

The proposed new medical wards at the Northern General Hospital

Strategic Direction

In taking forward the Trust's current Strategic Direction there are three key issues that will need to be addressed:

- Completing the reconfiguration of clinical services within the Trust, which will involve bringing to a conclusion a number of issues that were first raised in the mid 1990's as part of Purchasing Balanced Services.
- Strengthening the provision of primary care within Sheffield in order to ensure that more people can be treated closer to home, rather than making unnecessary trips to hospital.
- Building on the success of those services which are organised on a South Yorkshire/North Trent basis, for instance Neurosciences, by seeking to develop these arrangements further for other specialties where this will best meet the needs of people in these areas.

Each of these issues involves major pieces of work both within and outside the Trust and it is anticipated that the outcome of these deliberations will be brought together in a revised Strategic Direction to be published in December 2003.

A successful CHI Review

The Trust underwent its first CHI clinical governance review during the year. The key findings of the review are outlined under the Governance section of this report. We were very pleased at the outcome of the review, which was generally very positive, and which highlighted areas of good practice that we can share with the rest of the NHS. Our innovative 10 stage model which sets out a framework for the implementation of the National Institute of Clinical Effectiveness (NICE) guidelines across the health community received particular praise and was presented at the annual NICE conference in December 2002. We were also particularly pleased to be shown to have one of the lowest mortality rates for stroke in the country, with a figure less than half the national average, as well as a lower than national average death rate following emergency surgery.

The report also highlights some areas where we need to make improvements, many of which we were already tackling. An action plan to address these has been drawn up and will be incorporated into the clinical governance development plan for 2003/04.

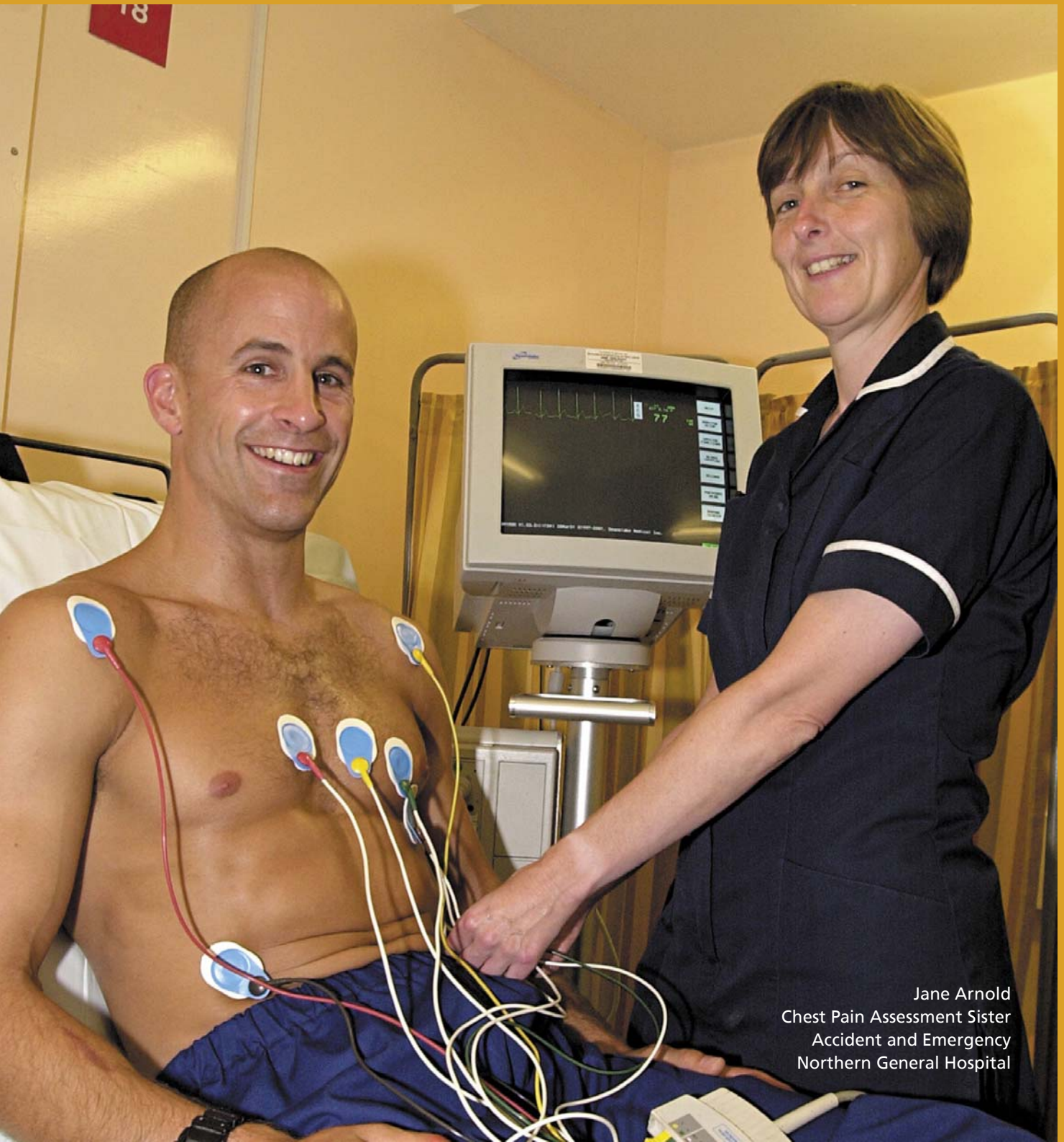
We are under pressure at times. The close work with our Primary Care Trust and Social Services partners to ensure patients can leave hospital when they no longer need our care is therefore vital. The recent announcement in May of the go-ahead to replace our Victorian Vickers Corridor wards, and the extra community beds that are planned for the city, will help us achieve this and improve the accommodation for our medical patients. Ongoing work to fight against hospital acquired infections has also been given a high priority.

Foundation Trust Status

As a three star Trust we are in the position of being one of only 25 Trusts in the UK to be invited to make a formal application to be considered for NHS Foundation Trust status in the first wave. This is a direct recognition of the Trust's track record for delivering high quality health services. Over the coming months, we will explore whether we believe that foundation status will be the right option, and how we can make it work for our patients, public, staff and partners in health and social care.

We believe that there will be opportunities arising from the freedoms offered by Foundation Status that will lead to benefits for our local services. Irrespective of any decision about Foundation Status, we will remain committed to working and developing our services within the framework and ethos of the National Health Service.

Andrew Cash
Chief Executive



Jane Arnold
Chest Pain Assessment Sister
Accident and Emergency
Northern General Hospital

Objective 1

To improve waiting times, access and the process of care

Providing rapid care and reassurance to patients

In the past, many patients who were admitted to Accident and Emergency with unexplained chest pain required a stay in hospital whilst tests were carried out to look at possible causes. Chest pain can be an early indication of heart problems, but can also be a symptom of less serious ailments such as indigestion. In the majority of cases it transpires that there is no serious underlying cause.

The 'Chest Pain Rule Out Unit' is a new development in Accident and Emergency which is improving care for patients. A specially trained team carry out a series of tests that can quickly rule out serious causes of pain and avoid unnecessary anxiety for patients. More often than not, the tests prove that everything is normal and up to 85 per cent of patients can go home on the same day.

"The unit has reduced the need for hospital admission without increasing the risk of patients with a heart attack being sent home," says Sue Revell, one of the senior nursing staff in the department who work on the team, "We provide better standards of care and access whilst making sure that hospital resources are used more effectively."

Performance Review

Progress towards our strategic priorities during
2002/03 is reported below under our ten objective headings:

- Improving waiting times, access, and the process of care
- Clinical service development
- Leadership and managing trust business
- Staff
- Hospital environment
- Health informatics and information
- Improving the patient experience
- Academic excellence
- Governance
- Partnerships and clinical networks

In 2002/03, the Trust provided healthcare to over 50 Health Authorities comprising nearly 250 Primary Care Trusts.

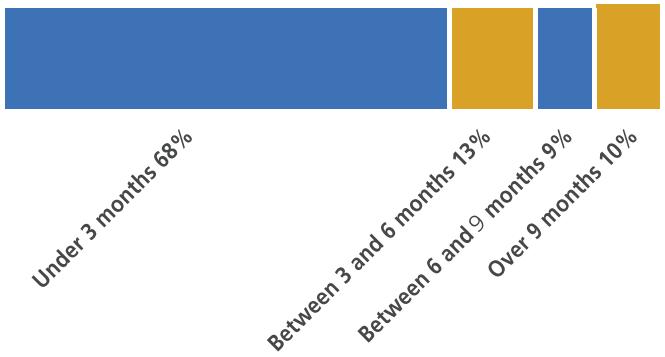
The table below provides a summary of the Trust's increase in activity in 2002/03 in comparison with the previous year and the total commissioned activity for the year.

	Target 2002/03	Actual Activity 2002/03	Actual Activity 2001/02	% Activity Increase
Inpatient and day case episodes	137,860	139,318	134,708	**3.4%**
Outpatient attendances	732,933	771,026	741,750	**3.9%**

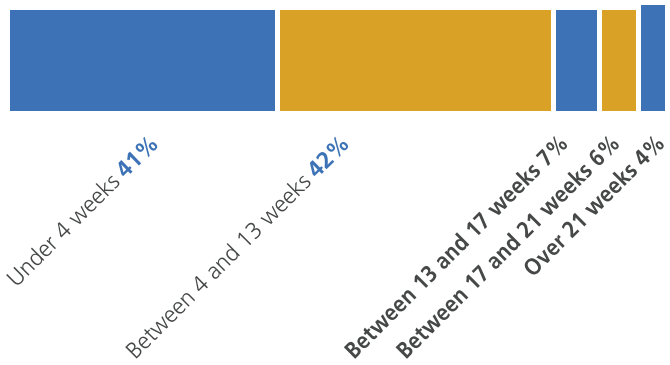
During 2002/03 inpatient and particularly outpatient waiting lists at the Trust improved significantly.

	Target	31 March 2003	31 March 2002	% Reduction
Total inpatient waiting list	12,853	12,763	12,849	**0.7%**
Outpatients waiting over 13 weeks	2,045	1,257	1,963	**36.0%**

Length of Inpatient waits (months) 2002/03



Length of Outpatient waits (weeks) 2002/03



The Trust met its inpatient and outpatient waiting list targets for the number of patients on the waiting list and the length of time patients wait for treatment.

- The national target that no patient should wait over 12 months by the end of March 2003 was achieved. In addition, 81% of patients waited less than six months for their inpatient/day case treatment.
- The Trust saw nearly 30,000 more outpatients than during the previous year. This led to a significant reduction in the number of outpatients waiting over 13 weeks for their appointment. The Trust achieved the national target that no patient (GP referrals) should be waiting more than 21 weeks, at the end of March 2003.
- No patient waited over 12 months for heart surgery during the year, and the maximum waiting time was reduced to nine months by the end of March 2003. In order to achieve this there was a 24% increase in open-heart surgery and a 14% increase in PTCA (percutaneous transluminal coronary angiography).
- All patients referred to 'Rapid Access Chest Pain Services' were seen within the target of two weeks from referral.
- Throughout the year, 80% of A&E patients waited less than four hours to be treated, admitted, or discharged. At the end of March, during the monitoring period, the Trust met the target of 90% of patients being treated within four hours. We recognise that further improvements are needed to maintain this standard.
- For cancer specialties the target is a maximum wait of two weeks for patients referred by their GP for an urgent outpatient appointment for suspected cancer. Throughout the year 99% of patients were seen within this target.
- 334 patients were treated within the target of one month following their diagnosis with breast cancer. The three patients for whom we did not meet this standard were treated within 38 days.

The Trust worked closely with Primary Care Trusts (PCTs) and other care providers to agree referral protocols and shared care pathways, to provide care that is more responsive to patients needs.

- An integrated hospital and community heart failure nursing service was established, producing a continued downward trend in heart failure admissions.
- The Orthopaedic Directorate commenced a 'first and fast' project linked with the National Collaborative Programme to improve waiting list management. They also implemented and extended the soft tissue primary screening service so that all Sheffield residents can access the service.
- Guidelines for the care of Percutaneous Endoscopic Gastrostomy (PEG) patients who require a tube placing directly into the stomach to facilitate feeding were launched in October 2002. A senior dietician now offers an outreach service that reviews and monitors patients with PEG after they have been discharged. Early evidence shows that readmission to hospital has been reduced.
- Six GP practices were teamed with a consultant diabetologist and diabetes specialist nurse to facilitate care within the patient's local GP surgery instead of attending hospital. Practice staff were given extra training and support and joint regular reviews took place. Once this pilot has been evaluated, it is hoped to roll out the scheme across the city so that more diabetic patients can receive their routine care outside of hospital.
- The Dermatology Department progressed a number of initiatives with primary care that have significantly reduced waits for routine appointments. Specialist GP clinics for skin surgery now operate in three of the city's four Primary Care Trusts. In 2003/04, this initiative will be extended to rash type dermatology, through nurse specialist led clinics. The introduction of booking systems, where patients select their own appointment, and changes in the way referrals are graded routine or urgent, have resulted in shorter waiting times for patients and fewer wasted appointments.
- The Trust continued to work towards the national target of all admissions being booked by 2005 and has met the intermediate targets set for 2002/03. 80% of day cases, 66% of outpatients and 35% of inpatient admissions were booked at the end of March 2003. A call centre that remains open until 7.00pm, to allow patients to book their own medical outpatient appointments opened in March 2003.
- A full review of the Trust's 'Major Incident Plan' was carried out, working with the PCTs, Ambulance Service and the City Council to ensure a fully coordinated response to all types of foreseeable major incident.
- A partnership between the Trust and South Yorkshire Ambulance Service was set up to improve planning and delivery of ambulance services for outpatient appointments, discharges and patient transfers. A campaign 'Do you really need an ambulance?' was launched in July 2002.

Objective 2

Clinical service development

Speed of care is essential

Rapid care and intervention after a heart attack is crucial to chances of survival. One of the key interventions is the use of 'clot-busting' thrombolysis drugs. Heart attacks are caused by the blocking of diseased coronary arteries by blood clots. The purpose of thrombolysis is to dissolve the clot - restoring blood flow to the heart muscle.

The Trust met the national target that 75% of eligible patients should receive thrombolysis within 30 minutes of arrival at hospital. These crucial interventions are helping to save lives. Over 200 people have benefited from thrombolysis at the Royal Hallamshire alone this year.

"The drug is saving lives on a regular basis," said Melloney Ferrar, acute chest pain nurse based at the Royal Hallamshire, "Through the year we've been able to train more senior staff to identify patients suitable for thrombolysis so they can receive the treatment as soon as they come through the door. It's a team effort that is making a real difference to patients."

Melloney Ferrar
Acute Chest Pain Nurse
Royal Hallamshire Hospital

We are committed to delivering the best possible healthcare. It is therefore essential that we continue to redesign, develop and modernise the way we deliver our services. During 2002/03, we progressed the key objectives of the merger as well as the developments set out in the National Service Frameworks and the NHS plan.

- A plan to reconfigure the specialty units within General Surgery was agreed in principle and an implementation plan is being prepared. The aim is to centralise the specialist surgical units either at the Northern General or at the Royal Hallamshire instead of continuing to provide these services on both sites. A period of consultation on the planned moves will take place during 2003.
- The implementation of the 'Neonatology Action Plan' continued, including the plan to appoint a nurse consultant to strengthen clinical leadership of the service. An increase in the number of cots from 28 to 34 makes the unit one of the biggest in the country. Also, in the Jessop Wing, the Trust introduced universal newborn hearing screening. All 6,000 newborn babies in Sheffield are now offered a hearing test within hours of birth to pick up potential hearing problems.
- We continued to work across the region on providing key services. This year, approval for a satellite dialysis unit in Doncaster was obtained and two new renal transplant surgeons were appointed, taking the transplant team up to four surgeons. In addition, two more haemodialysis stations opened at the Northern General Hospital.
- The Plastic Surgery Directorate worked with Sheffield Children's Hospital and North Trent commissioners to develop proposals for the future of Sheffield Burns Service. Support was gained to appoint an additional plastic surgeon specialising in burns.
- Weston Park Hospital received additional funding for cancer drugs approved by the National Institute for Clinical Excellence (NICE) bringing the total investment for NICE cancer drugs to over £1.5m in 2002/03.

In addition to improvements to our services made through reorganisation and increased investment, we looked at new and innovative ways of working, with many staff developing and extending their roles to become more responsive to patients' needs.

As a result:

- Midwives who are appropriately qualified are able to discharge normal healthy babies
- Pharmacist or nurse led anticoagulation clinics manage patients prescribed with Warfarin
- Our first two pharmacist supplementary prescribers are being trained to prescribe to specific groups of patients, such as, rheumatology and ophthalmology
- Trained nurses now carry out colposcopies
- A competency based training package has been developed so that dietitians are able to insert nasogastric tubes and replace balloon gastrostomies for cystic fibrosis patients

- The Radiology Department, as one of eight national 'Clinical Imaging Project' sites, is piloting assistant practitioner posts as aides to radiographers and also looking to develop advanced and consultant radiographer posts.
- Advanced Biomedical Practitioners in Cervical Cytology report abnormal smears and liaise with clinicians and GPs on treatment. Advanced and specialist practitioners, are also being developed in Histopathology and Blood Transfusion Services.
- A package has been developed to train nurses in Neurology to perform lumbar punctures
- A growing number of nurses are able to prescribe medication within an agreed formulary. This has been particularly helpful in providing a more responsive service in nurse-led heart failure, diabetes and stroke clinics
- Protocols to extend the role of Radiographers in breast screening image 'double' reporting have been agreed
- A nurse-led sterilisation clinic and common waiting list was established to maximise patient choice of the day and time of admission

The Trust's Modernisation Team also supported ten Modernisation Agency funded projects across the Trust as well as assisting directorates in 22 'redesign' projects. Ten half-day sessions, teaching the Tools and Techniques of Service Improvement, were held.

Sister Asha Badat, Cardiac Intensive Care Unit, Northern General Hospital

Objective 3

Leadership and managing Trust business

Providing leadership at the frontline.

Matrons have returned to hospital wards in Sheffield after a 35-year absence to help ensure patients receive the best possible care. They provide an approachable and authoritative presence on wards, and are someone to whom patients and their families can turn for guidance and support. Their job is to enhance the patient's experience of care, making sure they are treated with respect, improving hospital cleanliness and hospital food, overseeing the ward in general and ensuring an overall high quality of patient-care.

Nurses and midwives who have taken up the post are respected professionals and experienced clinical managers who possess a reputation for delivering high standards of care. At Sheffield Teaching Hospitals we now have over 40 'modern matrons' looking after our wards and departments.

"The introduction of modern matrons is already making a difference," says Chief Nurse Heather Drabble, "They are providing clinical leadership at the frontline, helping to empower nurses and midwives. They are also ensuring patients receive the highest standards of care and know who to turn to when problems arise."

Sue Shepley
Matron
Weston Park Hospital

Better Payments Practice Code

The Better Payment Practice Code requires that NHS organisations settle all commercial debts within 30 days. Performance against this target was 90.74% of the total number of bills paid being paid within 30 days. Further details of our performance are given in note 7.1 to the accounts.

Management costs

Details of management costs are given in note 6.3 to the accounts. There costs are within parameters set by the Department of Health.

The Trust met all its financial targets

Target	Outcome
Break even	£ 91,000 surplus
Meet the EFL (£1,726K)	Achieved
Capital Absorption Rate (6%)	6.1%
Capital Resource Limit	£ 56,000 undershoot

The Trust continued to develop its culture and leadership.

We were pleased that CHI reported;

"…senior management at the Trust work well together and CHI was impressed with their motivation and enthusiasm. They are well respected by staff and by the local health economy. There is a strong culture within the Trust of learning, development and the use of best practice. There is a highly devolved management structure, which allows for communication between strategic and operational staff via clear lines of accountability."

Source: STH CHI Report

The new management arrangements were completed following the merger. However it is acknowledged that this reorganisation, although necessary, has had an adverse impact on staff appraisal and personal development plans (PDPs).

The 'Training and Organisational Development Department' and 'Centre for Continuing Professional and Practice Development' continued to provide advice and guidance on PDPs. This will be an important area to address in our quest to obtain the Trust- wide Investors in People Award and is a high priority for 2003/2004.

A number of initiatives to support interprofessional leadership development were ongoing during 2002/03 including RCN Clinical Leadership and Foundation Management Programmes.

The Finance Directorate has developed mechanisms to ensure that all costing information collected is effective in terms of informing national requirements and internal decisions.

The Trust has conducted a review of the use of private sector hospitals and nursing homes to demonstrate value for money. A new contract has been drafted to ensure the Trust can continue to demonstrate good governance.

Sonja I'Anson
Senior Nursery Nurse
Northern General Hospital

Objective 4

Staff

The kids are alright

Looking after staff is a key commitment of the Trust and childcare is a number one priority. During the year 100 extra nursery spaces were opened at the Northern General Hospital - taking the total number of childcare places available there to over 200.

Work also began on a new nursery which will provide 100 spaces to Trust staff on the central campus. When the new nursery is complete it will mean the hospitals have the largest number of in-house nursery places of any NHS Trust in the UK.

"We provide an environment where staff can be assured that their children are safe, being looked after and are on the hospital campus," says Chris Wallace, Childcare Services Manager, "The service is expanding and improving all the time and we enjoy it as much as the children do. We now just have to make sure we can keep them all occupied!"

The Trust continued to ensure that its recruitment and retention strategies were improved and form a key part of its new Human Resources (HR) Strategy.

Sickness absence and vacancy levels improved within the Trust. Some differences in pay and conditions between the two hospital sites following the merger persisted in 2003/04, however the Trust continues to work hard to ensure all employees are offered common terms and conditions of service and pay rates. The HR Department and staff side organisations continued to work closely together.

A timetable showing when staff can expect offers and receive payments has now been implemented, which should bring differences in pay and conditions to a conclusion.

In November 2002, the Trust met national standards outlined under the 'Improving Working Lives' (IWL) initiative. Assessed against eight standards, including flexible working practices, training and education, communication and staff involvement, diversity and child care, the Trust was awarded practice status over the full range. The IWL multi-disciplinary team produced a staff charter and staff handbook, promoted the IWL standards and organised open staff meetings and focus groups to promote and ensure staff involvement. The first staff attitude survey was conducted during 2002 and a detailed action plan produced.

The 'Junior Doctor Local Implementation Group' (LIG) has, throughout the year, met with directorates to support necessary changes in working patterns. Junior Doctor hours have been reduced to meet the New Deal, through new ways of working and increased numbers of junior doctors and support staff. LIG and the directorates will continue to work towards a 48 hour maximum week for all staff in accordance with the European Working Time Directive.

Our recruitment and adaptation processes for international nurses were commended by CHI assessors as an area of notable practice.

An electronic database facilitates appropriate screening and placement needs for every nurse and allows opportunities for partnership recruitment with several other Trusts.

The Trust continued to provide a wide range of education, training and development opportunities for all staff.

In February 2002, the Trust became a 'Promoting Diversity Site' which means it is committed to working with staff, staff side interests and the community to draw up an action plan to ensure we become a diverse employer. The Trust also introduced its 'Race Equality Scheme', which all public authorities are required to have under the Race Relations Amendment Act. The scheme underlines the Trust's commitment to promoting good race relations in both employment and service delivery.

Downie Bailey
Student Nurse

During the year:

- 530 staff registered for national vocational qualifications
- 210 newly qualified staff nurses were recruited after completing a development programme, supported by the Trust's preceptorship scheme
- 60 overseas nurses undertook an adaptation programme
- Over 900 staff received training in customer care, patient partnership and diversity programmes
- 410 staff from all disciplines and professions attended programmes designed to improve the quality of care given to cancer patients
- The Trust's Open Learning Centre was a national pilot site for using Learn Direct in the NHS and was recognised as a national centre of good practice.

Objective 5

Hospital environment

Building for the future

One of the key tasks during the year was to secure the go-ahead for replacing the Victorian Vickers Corridor medical wards at the Northern General Hospital. The Department of Health gave the go-ahead for the £30 million ward block replacement which will provide 168 medical beds and modern rehabilitation facilities in a purpose built building. It will replace some of the oldest wards still in use in the NHS.

Funding for the new block will be sought through the Private Finance Initiative and the Trust is now in the process of seeking a partner with whom to take forward the scheme.
It is hoped work will start in 2004 and be complete in late 2006.

"The new wards will transform care for medical patients in Sheffield," says Chief Executive Andrew Cash, "We're one of the country's largest medical centres and we will now have the facilities that our patients deserve and that our staff need to provide the very best standards of care."

Chief Executive Andrew Cash (right) and Clinical Director of Emergency Care Dr Chris Austin on the site of the new medical block.

The new MacMillan Palliative Care Centre - a vital city-wide service.

Other key projects completed or commissioned during the year included:

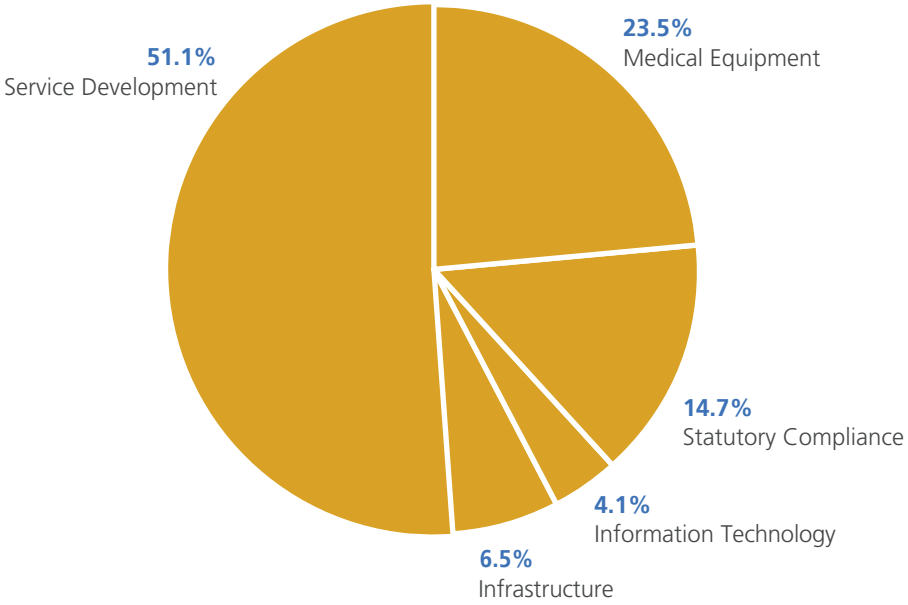
- Capital funding for the expansion of inpatient facilities for elective orthopaedics was obtained and key elements of the scheme were completed with full completion planned for July 2003.
- The business case to provide a fifth cardiac operating theatre, an extended critical care facility and new digital imaging system for the cardiac angiography suite was approved. The operating theatre will be commissioned in May 2003.
- Development proposals to improve patient care facilities in cancer services at Weston Park Hospital received formal approval in 2002/03. The plans looked specifically at increasing the number of linear accelerators from five to seven by 2005, as well as improving the chemotherapy day ward facilities. An old linear accelerator was replaced by state of the art technology this year.
- Sarah Ferguson, Duchess of York, officially opened the 'Weston Park Hospital Teenage Cancer Trust Unit' in September 2002. The unit was jointly funded by the Teenage Cancer Trust and the Weston Park Hospital Cancer Appeal and was designed specifically to meet the needs of young people receiving treatment.
- The new £2.2 million 'Macmillan Palliative Care Unit' at the Northern General Hospital opened in April. The 18 bed specialist unit, jointly funded by Macmillan Cancer Relief and the NHS, aims to provide the best possible care for people with cancer and other life-threatening illnesses away from a traditional hospital ward setting.
- Two new patient facilities opened in the Chesterman Unit - a new specialist lung surgery ward and the 'Cardiac Progressive Care Unit' which offers vital specialist treatment and support to heart and lung surgery patients.

- The programme of up-grades to meet health and safety, fire code, security and estates standards for 2002/03 was completed.
- A new facility offering specialist treatment and support to patients who suffer with chronic pain opened in August. Therapies and treatments on offer include, hypnotherapy, acupuncture, muscle-stimulating devices, physiotherapy and specialist drug administration.
- A 'Home Dialysis Training Centre' opened at the Northern General Hospital and halved the time it takes for kidney dialysis patients to learn how to carry out this vital treatment at home.
- The maxillo-facial clinic at the Charles Clifford Dental Hospital was redesigned and refurbished enabling staff to provide a much more personal service for patients. Previously the clinic environment was uncomfortable and lacking in privacy.
- A new 'Medical Equipment Management Group' was set up to ensure a clinically-led process for the planning, selection, standardisation and provision of medical equipment across the Trust. The group will also ensure a training strategy for the use and maintenance of equipment.

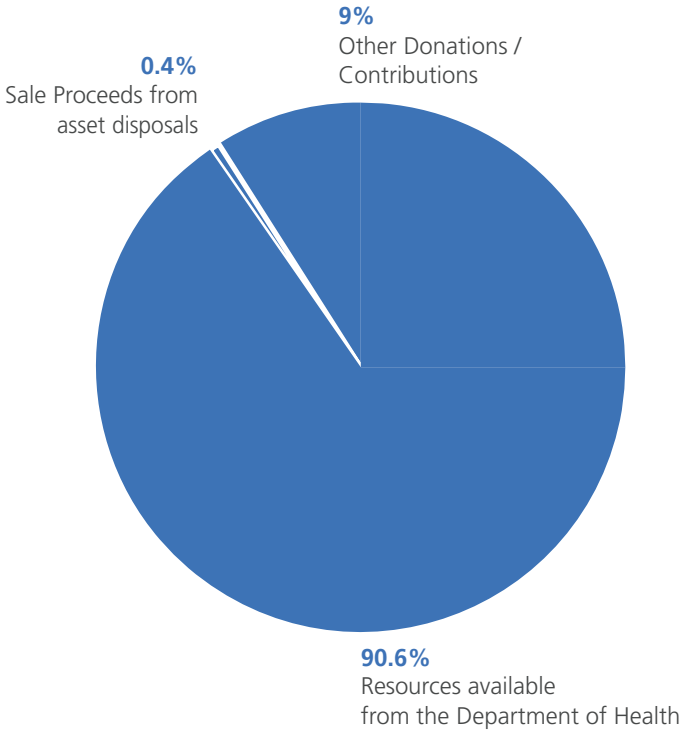
A newly designed suite at the Charles Clifford Dental Hospital

Capital Investment 2002/03

The total capital expenditure for the year was £21.9m. The key focus of expenditure was to support initiatives to comply with statutory requirements and improve the infrastructure; invest in new and replacement medical equipment; and facilitate waiting list improvements and service developments. The 2002/03 capital expenditure is analysed as follows:



Total capital income available to the Trust for the year was £22.0m, including £2.1m from donations and other contributions towards capital expenditure. The capital income is analysed as follows:



Capital Expenditure 2003-03	£000	£000
Service Development	**11,216**	
Cardiac Revascularisation Interim Expansion (NGH)		1,669
Centralisation of Metabolic Bone Services (NGH)		1,035
Additional Orthopaedic Theatre Capacity (NGH)		1,029
Admissions Unit/ Extended Recovery Area (NGH)		768
RHH Nursery Facilities		720
Anaesthetic Office Accommodation (NGH)		714
WPH Site Redevelopment		679
ENT Development (RHH)		589
University Field Laboratories (RHH)		513
Additional Ward Capacity (Vickers 1 NGH)		469
Orthopaedic Capacity Expansion (NGH)		448
Vascular Angiography Facilities (NGH)		316
Refurbishment of Bunkers (WPH)		230
Relocation Medical Illustration (RHH)		227
Palliative Care (NGH)		160
Expansion NGH Nursery Facilities		154
Audiology Services (RHH)		139
Other smaller schemes		1,357

Capital Expenditure 2002-03	£000	£000
Medical Equipment	**5,158**	
Linear Accelerator (WPH)		795
Simulator (WPH)		475
2 Ultrasound Scanners (RHH)		223
4 Radiology Plain Film Rooms (RHH)		216
Other		3,449
Statutory Compliance	**3,221**	
Firecode		2,319
Legionella works		310
Other (e.g. Health & Safety, Disability Discrimination, etc)		592
Information Technology	**903**	
Network (NGH)		186
Electronic Patient Record Development		114
Other		603
Infrastructure	**1,432**	
Medical School Refurbishment (RHH)		560
Other		872
Total Expenditure	**21,930**	

Capital Income 2002-03	£000
Resources available from the Dept of Health	19,927
Sale Proceeds from asset disposals	80
Other Donations/Contributions	1,979
Total Income	**21,986**

Objective 6

Health Informatics and Information

Using IT to give numbers to babies.

New-born babies usually get given their name by their parents soon after their arrival at hospital, but now they also receive a unique number to go alongside it. All newborns receive their 'NHS number' straight after birth as part of a national programme called NHS Numbers for Babies. The programme was piloted at the Jessop Wing Women's Hospital using an IT system called PROTOS and was rolled out across the NHS in 2002.

The NHS number is a unique 10 character number assigned to every individual registered with the NHS in England and Wales. It allows the NHS to keep track of people when they change their personal information and helps make sure their full medical records are kept together. A number is generated within seconds of the birth and presented to the mother along with a congratulations message.

"In the past, babies had to wait until their civil registration, up to six weeks after birth, before they receive an NHS number," says Dotty Watkins, Nurse Director and Head of Midwifery at the Jessop Wing, "During that time baby may have undergone considerable NHS care and treatment. Now we can ensure that records are easily locatable from day one."

Student Midwife Lisa Crossley and PROTOS System Manager Richard Tongue, Jessop Wing

The Trust's 'Information Strategy and System Investment Plan' for 2002-2005, was approved by the Trust Board in December 2002 and progressed through the remainder of the year.

- The data network was upgraded on the Northern General Hospital campus and gigabyte links were installed between the main sites
- New more resilient mail servers and common address books were implemented
- Automated discharge letters were introduced in orthopaedics and some medical specialties
- A growing number of staff studied for the European Computer Driving Licence qualification
- Cyber cafes were opened in staff dining rooms to support personal use of the internet and email services

The project to create integrated Electronic Patient Records (EPR) was endorsed and developed by the Trust's Health Informatics Programme Board.

The project is now pan-Sheffield and will deliver systems as part of an Integrated Care Record service. Progress to date includes:

- The Trust's readiness to respond to the National IT programme has been assessed
- An Informatics Service Improvement Team has been established to align work programmes with the Trust's modernisation agenda
- Some patients were given the chance to use touch-screen monitors to complete questionnaires. In one trial, looking at pelvic floor symptoms, patients could answer personal and possibly embarrassing questions about their condition in private, providing their doctor with good background about their condition before their consultation takes place. Trials are taking place to see if this leads to improved diagnosis and treatment, saving time for both doctor and patient.
- Information systems were implemented and rolled out to clinical areas to support management of patient records in heart disease, cancer care, gastroenterology and Pulmonary Vascular disease

A committee was established and a senior manager appointed to manage the Trust's 'Information Governance' programme and ensure information is held securely and confidentially. Developments during the year included:

- Production of an information governance leaflet for staff
- Development of the Clinical Intranet to include several hundred new clinical guidelines and extended access to other NHS organisations in Sheffield
- Implementation of a practice development database on the intranet to encourage and support the sharing of good practice across the Trust.

Claire Weiss
Domestic Staff
Northern General Hospital

Objective 7

Improving the patient experience

Keeping the hospital environment friendly

Improving and maintaining the environment is an essential aspect pf the day to day running of the trust. Keeping the hospitals clean is a huge task. The Northern General campus alone covers an area of 38.28 hectares - the equivalent of around 95 football pitches laid next to each other.

The Trust was awarded a score of four (excellent) following an inspection by the national 'Patient Environment Action Team' which looks at standards of cleanliness, catering and other environmental matters. The NHS menu, 'Better Hospital Food Initiative', and 24 hour catering were all successfully implemented to ensure adequate patient nutrition, particularly for vulnerable elderly patients.

"There can be little doubt that the hospital environment is improving year on year," says Kevin O'Regan, Head of Operations, "Cleanliness is a key priority for us and the quality and choice of food is being designed around patient's needs."

The 'Patient and Public Involvement Action Plan' forged ahead. Each directorate in the hospital now has a lead individual to work in partnership with patients and the public, to exchange views on service changes and developments.

These individuals are involved in setting up user groups. In 2002-03, a pilot scheme was initiated where patients were appointed to the management teams in three directorates enabling them to bring their perspective to the work of the directorate. Patients are also now represented on trust-wide groups, having active input into the decision making process. Two Patient Council representatives sit on the 'NSF for Older People Steering Group' and on the planning group for the Vickers Corridor Replacement Project.

User groups continue to be very active. For example, the work of the 'People with Disabilities User Group' has led to significant changes in service delivery, including physical access, staff training and volunteering. A service user now chairs the Disability Steering Group.

We are committed to providing high quality information to patients about their treatment and hospital services. During 2002/03, in excess of 200 leaflets were produced in-house by our Medical Illustration Department. We were pleased that CHI, in its recent report, commended us on our quality of patient information and our use of lay readers to check all published materials prior to it receiving the Trust's quality kite mark - 'trustmark'. Other improvements in patient information included;

- A 'Copying Letters to Patients' pilot in the Burns and Plastic Surgery Directorate. The findings will be reported to the Board in October 2003.
- The patient information leaflet 'Breastfeeding for Mothers with Diabetes' was highly commended at the British Medical Association's 'Patient Information Awards'.
- The new quarterly 'Patient Link' newsletter was launched and distributed to all patient-care areas. Articles included information on the new matrons, the Patient Advice and Liaison Service and patient survey results. It also included a patient feedback form to help find out more about how patients feel about the care they have received.

In September 2002, 43 experienced nurses with a reputation for setting and delivering high standards of care were appointed as Modern Matrons. The matrons are already bringing about improvements in patient services. Some early examples of change include improved signage and cleanliness of hygiene facilities, nurse-led ward rounds identifying care needs, more efficient handling of complaints and the introduction of hands-free waste bins to improve control of infection.

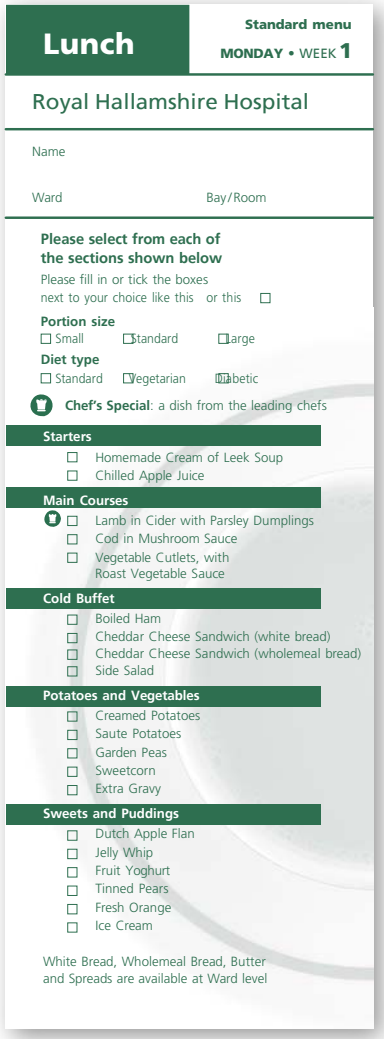
Our Interpreter Service was transferred to Sheffield Community Access and Interpreter Services (SCAIS) in February 2003. All staff can now access an interpreter 24 hours a day for the majority of languages spoken in Sheffield. An interpreter manual placed in all wards and departments provides clear information on how to access the service. In a single month, nearly 500 people used an interpreter. The Linkworker Service at the Northern General site also continues to provide interpreters between 9-5pm for Urdu, Punjabi, Arabic and Somali.

During the year, 741 formal complaints were received. The Trust responded to 84% within the national standard of 20 working days. Twelve requests for independent review were received, with two proceeding to this stage. Action to manage complaints included written responses from the Chief Executive, meetings with patients and medical and nursing staff, obtaining opinions from external organisations and meetings with independent conciliators.

Work on an audit tool to measure quality of responses has been developed by the complaints manager and two members of the Patients Council. During 2003, a random selection of complaint responses will be audited.

Examples of improvements to services as a result of complaints include:

- Gastroscopy day case lists are being shortened and reviewed as patients reported they felt rushed during these procedures
- Patient information for neurosciences outpatient appointments is being improved
- Random unannounced checks are being carried out by matrons to monitor hygiene care of patients, after a complaint in orthopaedics
- Our heat pad policy has been changed to improve the advice given
- Mechanisms have been put in place to ensure single use instruments will be available at all times, to avoid cancelled operations.



Lunch — Standard menu — MONDAY • WEEK 1

Royal Hallamshire Hospital

Name

Ward Bay/Room

Please select from each of the sections shown below

Please fill in or tick the boxes next to your choice like this or this ☐

Portion size

☐ Small ☐ Standard ☐ Large

Diet type

☐ Standard ☐ Vegetarian ☐ Diabetic

Chef's Special: a dish from the leading chefs

Starters

- ☐ Homemade Cream of Leek Soup
- ☐ Chilled Apple Juice

Main Courses

- ☐ Lamb in Cider with Parsley Dumplings
- ☐ Cod in Mushroom Sauce
- ☐ Vegetable Cutlets, with Roast Vegetable Sauce

Cold Buffet

- ☐ Boiled Ham
- ☐ Cheddar Cheese Sandwich (white bread)
- ☐ Cheddar Cheese Sandwich (wholemeal bread)
- ☐ Side Salad

Potatoes and Vegetables

- ☐ Creamed Potatoes
- ☐ Saute Potatoes
- ☐ Garden Peas
- ☐ Sweetcorn
- ☐ Extra Gravy

Sweets and Puddings

- ☐ Dutch Apple Flan
- ☐ Jelly Whip
- ☐ Fruit Yoghurt
- ☐ Tinned Pears
- ☐ Fresh Orange
- ☐ Ice Cream

White Bread, Wholemeal Bread, Butter and Spreads are available at Ward level

Menus for patients' meals are being redesigned to make them clearer

Objective 8

Academic excellence

Joint approach leads to new centre for Osteoporosis

In partnership with the University of Sheffield, a new £1.3 million Metabolic Bone Centre that will benefit thousands of patients with Osteoporosis and other bone conditions each year was completed at the Northern General Hospital.

Designed in partnership with the patients who will use it, it brings together services previously provided across the hospitals and will provide better access to scanning and bring down waiting times for clinical appointments. It also provides a new base for vital research and study of the diseases.

"Bringing the services from both sides of the city together to the new centre will allow us to improve the service that all patients receive," says Dr Nicola Peel, lead NHS clinician for the metabolic bone service, "Facilities have been designed around patient needs. We will be able to provide better access to scanning and hope to bring down waiting times for clinical appointments as well as taking forward the very latest research."

Dr Nicola Peel
Consultant
Northern General Hospital

Professor Richard Eastell, Research Dean of the Medical School, was appointed the new Director of Research and Development for the Trust in January 2003.

This appointment has strengthened collaborative working arrangements with the University. The departments met regularly bringing the strategic developments of the two organisations into alignment. The coming year will also see further research developments with Sheffield Hallam University and other local NHS Trusts with whom we already have close academic and clinical links.

The re-development of the Sheffield University Medical School on the Royal Hallamshire Hospital site got underway. Funding was secured and work has commenced.

The Trust worked closely with Sheffield Hallam University, and the South and West Yorkshire Workforce Confederations to submit a joint proposal to the Department of Health to develop a 'Radiotherapy Skills Development Centre' at Weston Park Hospital. This exciting new development if approved will enable us to train more radiographers and reduce waiting times for treatments.

Opportunities for academic staff were strengthened during the year by ensuring a balance between service and academic duties. This has been taken forward on the basis of recommendations in the Follet report.

Training and education activities for medical, nursing and professional staff have also continued to improve. For example the Charles Clifford Dental Hospital and Sheffield Further Education College have agreed to deliver a joint NVQ course for dental nurses. The course will ensure that all dental nurses trained in Sheffield and the surrounding area, whether in general practice, the community dental service or in the hospital, will be trained to consistently high standards.

The '2002 Research and Development Annual Report' which sets out the Trust's research portfolio was highly commended by the Department of Health. Fifteen of its twenty research programmes were rated as strong, and the remaining five as moderate.

Recent successes in the field of research include:

- Excellent research on motor neurone disease was rewarded by the renewal of a major grant from the Wellcome Trust.
- In urology, researchers scored a world first with the production of tissue engineered buccal mucosa as an alternative to natural tissue for urethral reconstructive surgery
- Research into service organisation in vascular surgery, has led to a complete re-organisation of sub-specialist vascular services within North Trent leading both to improved clinical outcomes and better equity of access to services

- Research in gastroenterology has revealed that a type of colon cancer previously thought to be present only in Japanese people has been found to be present in the South Yorkshire population. The use of new endoscopic techniques has shown that these cancers can be effectively diagnosed and treated. This has a major implication for the population given the imminent introduction of a colorectal screening programme.
- Sheffield doctors have initiated a national study (DESMOND) to look at the effectiveness of an education programme for patients with type 2 diabetes, who need to carefully manage their own diet and lifestyle. The programme is designed to improve glycaemic control, reduce serious diabetic complications and improve quality of life. Results of a similar major study for type 1 diabetes have been positive and implementation in hospital clinics is underway.
- Research continues to progress in to complications that can affect diabetes patients such as problems with the nervous system, eyes, kidneys and heart disease. Research in Sheffield has shown that there is severe microvascular dysfunction in patients with diabetic peripheral neuropathy. This has led to the development of drugs targeted to improve nerve blood flow in the treatment of this complication.
- In conjuction with the University of Sheffield, Medical Physics are carrying out vital research into the effects of mobile phones on blood pressure. It is one of a group of nationally funded research projects into the effects of this relatively new technology.

Objective 9

Governance

Safe use of medicines is a priority

A major piece of Governance work was addressed during the year to ensure that the Trust complies with national requirements for the safe use of strong potassium. Potassium is an extremely powerful drug - mainly used in critical care - and it has to be administered extremely carefully. Evidence from healthcare systems across the world had identified cases where patients had been put at risk or come to harm through incorrect usage and dosage of the drug.

The Trust designed a policy and set of guidelines to significantly reduce the hazards and risks associated with potassium administration in its hospitals.
It comprehensively outlines the procedures for the acquisition, supply and storage of concentrated potassium solutions in clinical areas and in the pharmacy.

"The guidelines are designed to help our staff and to protect our patients from potential risk," says Nicky Thomas, Clinical Governance lead in pharmacy, "By training staff to make them aware of the potential hazards and taking key steps to pre-empt those risks we have systems which will reduce the possibility of incidents occurring."

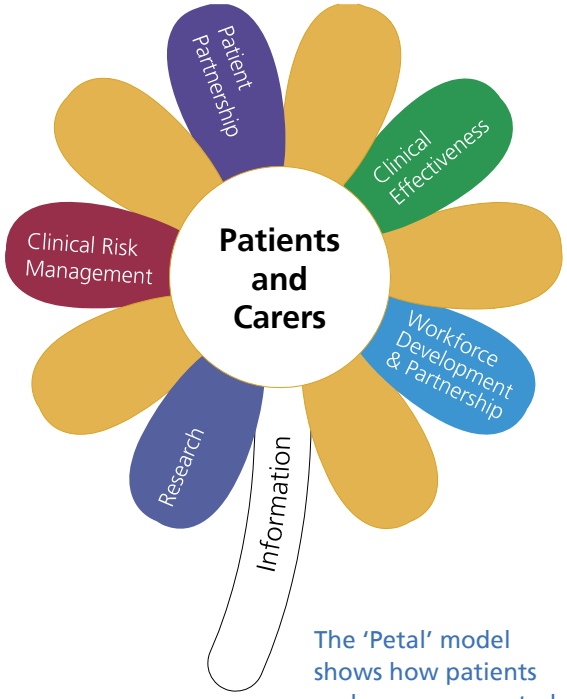
Nichola Jackson
Pharmacist
Central Campus

Clinical governance is the system of steps and procedures adopted by all NHS organisations to ensure that patients receive the highest possible quality of care, ensuring high standards, safety and improvements in patient services. Corporate governance focuses on systems for non clinical risk.

The Trust's Clinical Governance plan progressed, structured around its 'Petal' model. Lead managers were appointed for each of the key themes, with a remit to manage and co-ordinate clinical governance activities and systems across the Trust. These corporate leads met regularly with staff that have the lead responsibility for clinical governance at directorate level. In addition the Clinical Governance Committee, with its high level of external involvement, continued to provide regular progress reports and assurance to the Trust Board. This, now well established, infrastructure helped to ensure we learnt from complaints, incidents, near misses, audit and other sources by analysing information and identifying trends.

Key achievements and developments in clinical governance during the year included:

- The Clinical Governance strategy was underpinned by agreeing and implementing the policies on 'whistle blowing' and the Incident Reporting System which encourages staff to raise concerns about their own performance and the practice of others.
- The directorate performance reviews continued with Clinical Governance as item one on the agenda. The directorates completed a baseline assessment, produced development plans and each agreed two clinical service standards for initial review.
- The Trust continued to be a member of the National Patient Safety Agency second wave pilot and contributed to national initiatives on handling risk. We continued to work towards accreditation at Clinical Negligence Scheme for Trusts accreditation level two, including the targets for control of infection, training in equipment use and patient advice and consent.



The 'Petal' model shows how patients and carers are central to clinical governance

- Two key medicines management issues were addressed and externally audited, showing that the Trust complies with national requirements for the safe use of strong potassium containing solutions and the prescription and administration of Intrathecal Chemotherapy. Trust good practice from these audits was shared nationally.
- The Trust participated in several national conferences to share practice on risk management widely, and has been a reference site for the Datix incident report database, hosting several visits from other organisations.
- The Clinical Audit and Effectiveness Unit devised a 10-stage model to monitor the implementation of NICE guidance. In collaboration with the Information Technology department an innovative web based version of the model was created. This 'NICE Guidance in Sheffield' website provides easy access to an interactive communication and management tool which enables everyone within the health care community to share the progress being made on a particular piece of guidance. This innovative model received national recognition, following presentation at the annual NICE conference in 2002. The CHI report also recognised the model as an example of best practice that the rest of the NHS can learn from.

Commission for Health Improvement Clinical Governance Review

The CHI clinical governance review of the Trust began in the winter of 2002, culminating in the final review week in March 2003. The Trust regarded the CHI process as a way to help accelerate its plans to develop an increasingly integrated approach to Clinical Governance.

The directorates within the Trust gathered and presented evidence for the CHI review. A very inclusive approach was used to keep staff informed about progress. In addition to this a series of roadshows called 'Quality is Everybody's Business' helped staff understand their contributions to improving patient care.

The findings of the CHI report and subsequent action plan were incorporated into the Trust's Clinical Governance development plans for future action.

CHI's clinical governance review of the Trust set out to answer three questions:

- What is it like to be a patient here?
- How good are the hospitals systems for safeguarding and improving the quality of care?
- What is the capacity in the organisation for improving the patient's experience?

The full CHI report is available from www.chi.nhs.uk

The report highlighted many positive aspects of the Trust's work, including:

- The strong vision around improving patient care and ensuring services are of high quality
- The treatment of patients with dignity and respect
- One of the lowest mortality rates for stroke in the country with a figure of less than half the national average

- The death rate following emergency surgery was lower than the national average
- Most staff surveyed by CHI enjoyed working for the Trust and felt supported with a strong culture of learning, development and use of best practice
- The involvement of patients and the public in the planning of services
- The achievement of all the Trust's short-term goals following the merger

In addition the review commended areas of particularly notable practice which are referred to throughout this report.

The CHI report also identified some areas where further development was required. It stated that at times there was severe pressure on the hospital system due to lack of capacity and that this can have a detrimental effect on patient care. The Trust, along with the wider health and social care community, needs to address these issues.

Ongoing work at fighting hospital-acquired infections was also given a high priority. A further key message throughout the report was the need to share good practice more widely both within and outside of the organisation.

Plans to improve all the areas for development highlighted in the CHI's recommendations have been made and will be published by CHI in the summer of 2003.

Objective 10

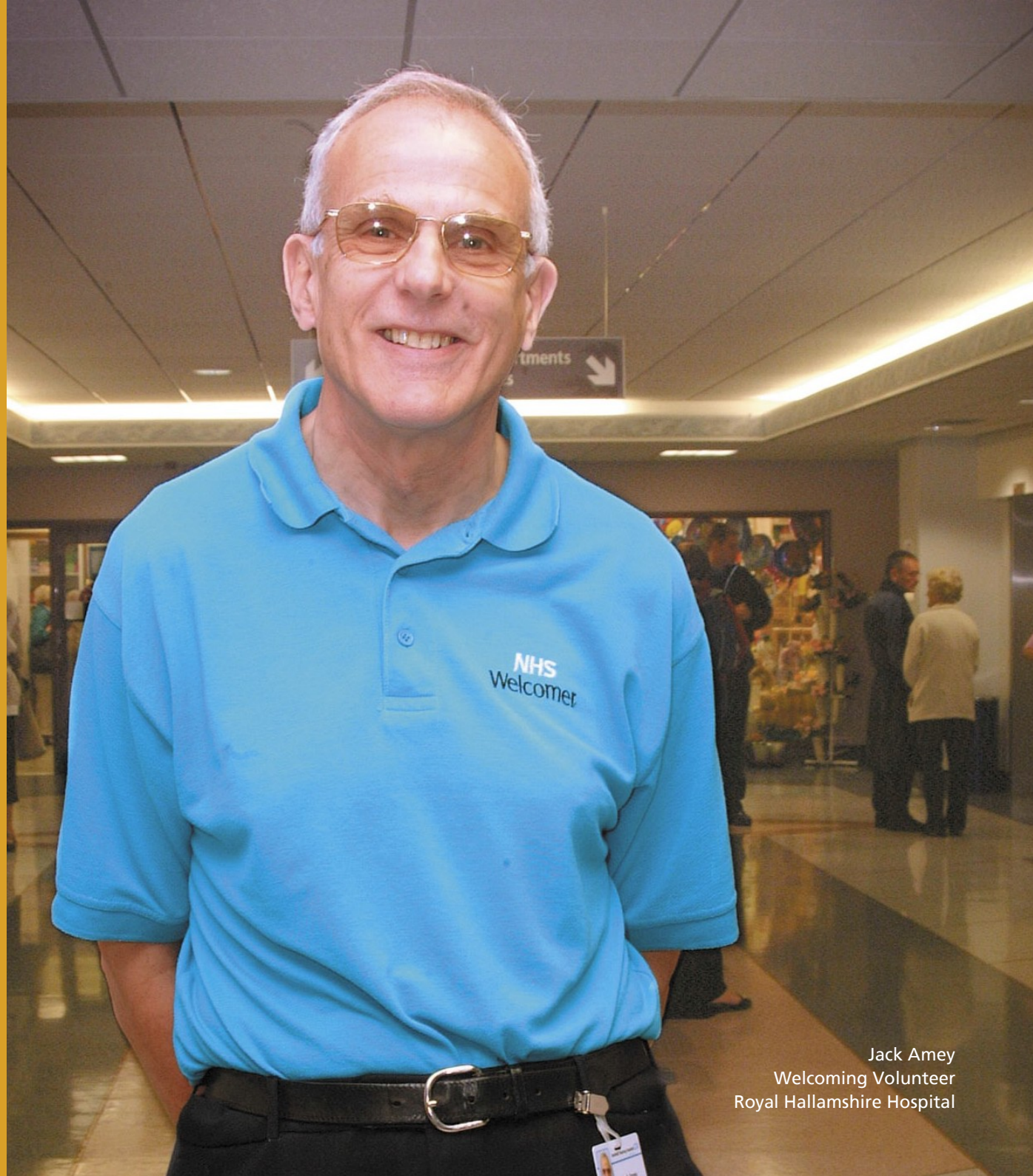
Partnerships and clinical networks

Volunteers continue to play their vital role

Volunteering continued to be a key aspect of work in involving patients and the public in the work of the hospitals. Over 1,400 people now regularly volunteer across the Trust and have an impact on many patients and visitors. During the year, 'Welcome Desk' volunteers assisted 75,000 patients, visitors and staff. These volunteers now wear uniforms, designed to give them a professional image, sense of belonging and recognition.

A new Youth Project was launched which enables volunteers aged 17-24 to volunteer Trust-wide. Replacing the successful Millennium Volunteers scheme, which came to its conclusion, it aims to help young people to expand their CV's and encourage under represented groups to get involved in their local hospital.

"During the last two years, seven of our Trust volunteers have entered into paid employment in the Trust," says Jackie Knowles, Volunteer Coordinator, "That's the kind of success we want where people can build their skills and then go on to full time employment with us or with other organisations."



Jack Amey
Welcoming Volunteer
Royal Hallamshire Hospital

Partnership arrangements continued to be managed through the 'Sheffield First for Health Partnership Board', which includes NHS Hospital Trusts, Primary Care Trusts, the Strategic Health Authority, City Council, local universities and voluntary community groups.

The Strategic Health modernisation programme for Older People's Services provided a forum for discussion about service development.

Joint working with the Social Services Directorate of Sheffield City Council during 2002/03 included the further development of the multi-agency Hospital Assessment and Integrated Care Team. This team promote the independence of older people by providing home-based services. A range of step-down beds was also in use throughout Sheffield to enable people to be discharged from hospital for a period of rehabilitation and recovery. Hospital liaison staff and social services assessors worked together on the assessment and care management of users, covering all aspects of discharge.

This collaborative effort led to the steady reduction in delayed transfers of care.

Collaborative planning progressed across the city particularly concerning NHS capacity planning issues and the development of services relating to cancer and coronary heart disease, stroke, head injury and chronic obstructive pulmonary disease.

The Sheffield First for Health Partnership continued to carry out the role and functions of the Sheffield Health Action Zone. Initiatives to try and reduce the health inequalities across the city, using seed corn funding as a precursor to targeted mainstream funding were progressed. The Trust played a full and active part in this partnership.

Hospital directorates further developed relationships, joint working practices and referral protocols across the region for specialised tertiary services. For example, Sheffield Vascular Services played a vital role in establishing a new Vascular Services Network for North Trent and began developing a long-term strategy for the organisation of this specialised service.

Building on now established clinical networks, developments continued in critical care, coronary heart disease, neurosciences and cancer treatment.

The Trust continued to integrate volunteer activities into the mainstream work of the hospitals. This area of work was highly commended in the CHI report and the Trust has been encouraged to share its success throughout the NHS. We recognise that volunteering is an important way of developing links with the community and of engaging members of the community in the working of the Trust.

- A Volunteering Strategy was developed to be as inclusive as possible. The number of disabled volunteers working in the Trust increased to 43 and we worked closely with outside organisations to encourage people with a disability to volunteer. In 2003/04, we will recruit a Volunteer Advocate to support and motivate disabled volunteers and to ensure their role within the Trust is meaningful.
- During the last two years, seven volunteers have entered into paid employment in the Trust.

- The Millennium Volunteers Project reached its conclusion. The project placed young volunteers in 80% of all directorates with one volunteer becoming 'Millennium Volunteer of the Year' and being invited to 10 Downing Street.
- A Youth Project was launched which enables volunteers aged 17-24 to volunteer Trust-wide. It aims to help them expand their CV's and encourage young people from under represented groups to get involved in their local hospital.
- During the year, the Welcome Desk volunteers assisted 75,000 patients, visitors and staff. These volunteers now wear uniforms, designed to give them a professional image, sense of belonging and recognition.
- A regular volunteer newsletter was established, spreading the word about volunteering opportunities within the trust.
- Following a report published on 'Improving Services for Muslim Patients' the Chaplaincy worked with the Muslim community to organise visitors for Muslim patients.

The Millennium Volunteers programme came to a successful conclusion during the year after giving hundreds of young people valuable work experience.

Board Members
at 31 March 2003

The Trust Board of Directors comprises the Chairman, six non-executive directors and six executive directors.

The Directors have declared the following interests and the Board are satisfied that there are no conflicts of interest indicated by any external involvement.

Chairman	
Mr D Stone	Trustee, Weston Park Cancer Care Appeal
	Trustee, Freshgate Foundation Trust
	Guardian, Sheffield Assay Office
	Trustee, Sheffield Botanical Gardens Trust
	Honorary Consul, Republic of Finland
Non-Executive Directors	
Mr J Stoddart	Sheffield Theatres Trust
	National Extension College
	Bolton Institute
	Guardian, Sheffield Assay Office
	Chair, Defence Accreditation Board
Mrs O Bright	
Mr J Donnelly	
Ms V Ferres	Chief Executive, Age Concern Doncaster
	Director and Chair, Disability Doncaster
	Director and Chair, South Yorkshire Centre for Integrated Living
	Director, Doncaster Energy Services
	Director and Chair, John William Chapman Trust
Mr V Powell	Governor of Sheffield College
Professor A Weetman	University Representative
	Director of Sheffield Centre of Sports Medicine
	Medical Advisor and Trustee, British Thyroid Foundation
	Panel Member, Wellcome Trust Clinical Interest Group

Executive Directors	
Mr A Cash	Chief Executive
	Visiting Chair University of York Health Services Development Unit
Miss H Drabble	Chief Nurse
	Trustee for the Cavendish Centre for Cancer Care, Sheffield
Mr C C Linacre	Director of Service Development
Professor C Welsh	Medical Director
	Private Medical Practice at Claremont Hospital
	Tutor - Medical Leadership Programme - NHS Leadership Centre and Keele University Centre for Health Planning and Management
Mr N Priestley	Director of Finance
Mr J Watts	Director of Human Resources

Remuneration Committee

The Remuneration Committee of the Trust comprises the following members:

Mr D Stone

All Non-Executive Directors

The Remuneration Committee determines the remuneration of the Executive and Non-Executive Directors of the Trust together with all staff groups by reference to national guidelines.

Full details of Directors' Remuneration can be found in note 5.4 on Page 58 of the accounts.

Management Audit Committee

The Management Audit Committee of the Trust comprises the following non-executive director members:

Mr J Donnelly

Mr V Powell

Ms V Ferres

Clinical Governance Committee

The Clinical Governance Committee of the Trust comprises the following non-executive members:

Mr J Stoddard

Ms V Ferres

Clinical Directors as at 31st March 2003

Emergency Care	
Dr Chris Austin	Acute Medicine
Mr Francis Morris	Accident & Emergency
Critical Care, Anaesthesia & Operating Services	
Dr Nigel Coad	Critical Care
Dr Nick Massey	Anaesthesia & Operating Services (North)
Dr Mike Richmond	Anaesthesia & Operating Services (Central)
Specialised Medicine & Rehabilitation	
Dr Deborah Bax	Specialised Medicine
Dr George Kinghorn	Communicable Diseases
Mr Martin McClelland	Specialised Rehabilitation
South Yorkshire Regional Services	
Mr Graham Cooper	Cardiothoracic Services
Mr Jonathan Michaels	Vascular Services
Dr David Throssell	Renal Services
Specialised Cancer Services	
Dr Martin Robinson	Radiation Services
Dr Ian Manifold	Oncology

Diagnostic & Therapeutic Services	
Dr Tim Stephenson	Laboratory Medicine
Dr Mike Collins	Medical Imaging & Medical Physics
Prof David Barber	Scientific Director, Medical Imaging & Medical Physics
Prof Ron Purkiss	Pharmacy
Rev Mark Cobb	Professional Services
Head & Neck	
Prof Ian Brook	Oral & Dental
Dr Graham Venables	Neuroscience
Mr David Chapman	ENT
Prof Ian Rennie	Ophthalmology
Surgical Services	
Mr William Thomas	General Surgery
Mr Ian Stockley	Orthopaedics
Mr Michael Brotherston	Plastic Surgery
Obstetrics, Gynaecology, Neonatology and Urology	
Dr Diana Fothergill	Obstetrics, Gynaecology & Neonatology
Mr Ken Hastie	Urology

Directors' Statements

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

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health.

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

Chief Executive
30.7.03

Statement of directors' responsibilities in respect of the accounts

The directors are required under the National Health Services Act 1977 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period. In preparing those accounts, the directors are required to:

Apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury.

Make judgements and estimates which are reasonable and prudent.

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors confirm they have complied with the above requirements in preparing the accounts.

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

By order of the Board

Chief Executive
30.7.03

Finance Director
30.7.03

Statement of Director's responsibility in respect of internal control

The Board is accountable for internal control. As Accountable Officer, and Chief Executive Officer of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing risk management process designed to identify the principal risks to the achievement of the organisation's objectives; to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. The system of internal control is underpinned by compliance with the requirements of the core Controls Assurance standards:

- Governance
- Financial Management
- Risk Management (Risk Management System standard for 2001/2002)

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review has taken into account the work of the executive management team within the organisation who has responsibility for the development and maintenance of the internal control framework, and of the internal auditors. I have also taken account of reports and assurances received from external auditors and review bodies.

The assurance framework is still being finalised and will be fully embedded during 2003/04 to provide the necessary evidence of an effective system of internal control.

The actions taken so far include:

- The organization has undertaken a self-assessment exercise against the core Controls Assurance Standards, building upon the baseline assessment. The previous action plan has been updated to reflect actions implemented and work in progress.
- Each of the supporting Controls Assurance Standards sits within the portfolio of an Executive Director who is actively involved in ongoing assessment and achieving incremental improvement.
- The organization has in place arrangements to monitor, as part of its risk identification and management processes, compliance with other key standards.
- A holistic Risk Management Strategy and Accountability Framework have been developed and ratified.

- The central infrastructure for Clinical and Corporate Governance has been finalised and is joined strategically through the membership and functions of the Risk Executive Group.
- An effective Trust wide governance and risk management network has been established throughout all Directorates in accordance with the Trust's clinical governance plan and the Risk Management Strategy and Accountability Framework.
- Effective systems have been developed and implemented in relation to the management of Safety and Hazard Notices (previous assurance statements have been provided to the Medical Devices Agency).
- The Trust is also working with the Strategic Health Authority, the National Patient Safety Agency and the Department of Health in pilot schemes aimed at the timely reporting of untoward incidents and disseminating lessons throughout the organisation.
- Successful accreditation by the NHS Litigation Authority against the Risk Management Standard, RPST).

In addition to the actions outlined above, in the coming year it is planned to:

Develop principal objectives for the Trust and its Directorates in support of our strategic direction 2003/04 – 2004/05, and identify the principal risks to achieving those objectives. Quarter 4 2003/04.

Identify and implement key controls designed to reduce the impact of these risks Quarter 4 2003/04.

Maintain current status and progress towards Clinical Negligence Scheme for Trusts (CNST) level 2 as part of the Assurance Framework Quarter 4 2003/04.

Determine and implement an action plan for Clinical Governance, which incorporates the recommendations arising from our recent, successful Commission for Health Improvement (CHI) accreditation visit. Quarter 2 2003/04 and ongoing.

Implement revised induction and mandatory training strategies, which reflect training needs identified through the self-assessment process. Quarter 3 2003/04.

Continue to work towards integrated medical equipment management systems. Quarter 4 2003/04.

Chief Executive
30.7.03

(on behalf of the board)

Independent Auditor's Report to Directors of the Board of Sheffield Teaching Hospitals NHS Trust

I have audited the financial statements on pages 47 to 74 which have been prepared in accordance with the accounting policies relevant to the National Health Service as set out on pages 51 to 55.

This report is made solely to the Board of Sheffield Teaching Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of Directors and Auditors

As described in their statement, the Directors are responsible for the preparation of the financial statements in accordance with directions issued by the Secretary of State. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements give a true and fair view of the state of affairs of the Trust and its income and expenditure for the year, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

I review whether the Directors' statement of internal control reflects compliance with the Department of Health's guidance 'Governance in the NHS: Statement on Internal Control 2001/ 2002 and Beyond' and supplementary guidance issued for 2002/03. I report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Trust's system of internal control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of Sheffield Teaching Hospitals NHS Trust as at 31 March 2003 and of its income and expenditure for the year then ended in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature:

Date: 2 September 2003

Name:
John Prentice (District Auditor)

Address:
Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF

Foreword to the Accounts

Sheffield Teaching Hospitals NHS Trust

These accounts for the year ended 31 March 2003 have been prepared by the Sheffield Teaching Hospitals NHS Trust under section 98 (2) of the National Health Service Act 1977 (as amended by section 24 (2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

Income and expenditure account for the year ended 31 March 2003

		2002/03	2001/02
	NOTE	£000	£000
Income from activities:			
Continuing operations	3	**367,782**	329,671
Other operating income			
Continuing operations	4	**81,337**	72,214
Operating expenses:			
Continuing operations	5-7	**(432,659)**	(386,221)
OPERATING SURPLUS			
Continuing operations		**16,460**	15,664
Exceptional gain: on write-out of clinical negligence provisions		**0**	18,777
Exceptional loss: on write-out of clinical negligence debtors		**0**	(18,777)
(Loss) on disposal of fixed assets	8	**0**	(43)
SURPLUS BEFORE INTEREST		**16,460**	15,621
Interest receivable		**450**	467
SURPLUS FOR THE FINANCIAL YEAR		**16,910**	16,088
Public Dividend Capital dividends payable		**(16,819)**	(16,086)
RETAINED SURPLUS FOR THE YEAR		**91**	2

Balance Sheet as at 31 March 2003

			31 March 2003	31 March 2002
	NOTE	£000	£000	£000
FIXED ASSETS				
Intangible assets	9	384		380
Tangible assets	10	329,325		306,531
			329,709	306,911
CURRENT ASSETS				
Stocks and work in progress	11	9,120		8,318
Debtors	12	21,642		20,226
Cash at bank and in hand	16	551		551
			31,313	29,095
CREDITORS : Amounts falling due within one year	13		**(45,732)**	(42,433)
NET CURRENT (LIABILITIES)			**(14,419)**	(13,338)
TOTAL ASSETS LESS CURRENT LIABILITIES			**315,290**	293,573
CREDITORS: Amounts falling due after more than one year	13		**(679)**	(1,018)
PROVISIONS FOR LIABILITIES AND CHARGES	14		**(1,246)**	0
TOTAL ASSETS EMPLOYED			**313,365**	292,555
FINANCED BY:				
TAXPAYERS' EQUITY				
Public dividend capital			**265,494**	265,476
Revaluation reserve	15		**22,974**	2,291
Donated Asset reserve	15		**24,349**	24,309
Income and expenditure reserve	15		**548**	479
TOTAL TAXPAYERS EQUITY			**313,365**	292,555

Signed

Andrew Cash.

Chief Executive

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2003

	2002/03	2001/02
	£000	£000
Surplus for the financial year before dividend payments	16,910	16,088
Fixed asset impairment losses	(41,374)	(1,757)
Unrealised surplus on fixed asset revaluations/indexation	62,842	4,780
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	1,979	7,702
Reductions in the donated asset and government grant reserve due to the depreciation, impairment and disposal of donated and government grant financed assets	(1,567)	(1,331)
Total recognised gains and losses for the financial year	38,790	25,482
Prior period adjustment		
- Pre-95 early retirements	(1,179)	
Total gains and losses recognised in the financial year	**37,611**	

Cash Flow Statement for the Year Ended 31 March 2003

			2002/03	2001/02
	NOTE	£000	£000	£000
OPERATING ACTIVITIES				
Net cash inflow from operating activities	16.1		**32,698**	35,856
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:				
Interest received		**437**		486
Net cash inflow from returns on investments and servicing of finance			**437**	486
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets		**(22,003)**		(30,324)
Receipts from sale of tangible fixed assets		**80**		3,256
Payments to acquire intangible assets		**(140)**		(124)
Net cash (outflow) from capital expenditure			**(22,063)**	(27,192)
DIVIDENDS PAID			**(16,819)**	(16,086)
Net cash (outflow) before financing			**(5,747)**	(6,936)
FINANCING				
Public dividend capital received		**5,217**		2,888
Public dividend capital repaid (not previously accrued)		**(3,000)**		(738)
Public dividend capital repaid (accrued in prior period)		**(491)**		(2,916)
Other capital receipts		**4,021**		7,702
Net cash inflow from financing			**5,747**	6,936
Increase (decrease) in cash			**0**	0

Notes To The Accounts

1 Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2002/03 NHS Trusts Manual for Accounts issued by the Department of Health.

The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual to the extent that they are meaningful and appropriate to the NHS. 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 fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one NHS body to another.

Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under Services and Financial Framework agreements. Income is recognised in the period in which the services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Pooled Budgets

The Trust has entered into a pooled budget with certain other Health Care Organizations in Sheffield. Under the arrangement funds are pooled under S31 of the Health Act 1999 for rapid assessment and rehabilitation activities and a memorandum (note 24) to the accounts provides details of the joint income and expenditure.

1.2 Tangible fixed assets Capitalisation

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and

- individually have a cost of at least £5,000; or -
- collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building, irrespective of their individual or collective cost

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices.

The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS).

The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

Professional valuations are carried out by the District Valuers of the Inland Revenue Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury.

The last asset valuations were undertaken in 2002-03 as at the valuation date of 2 April 2002.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property.

The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Assets in the course of construction are valued at current cost using the indexes as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land, assets in the course of construction and assets surplus to requirements.

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Buildings and dwellings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset using the following lives:

	Years
Medical equipment and engineering plant and equipment	5 to 15
Furniture	10
Mainframe information technology installations	8
Soft furnishings	7
Office and information technology equipment	5
Set-up costs in new buildings	10
Vehicles	7

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income is paid by the Department of Health via the Trust's main commissioner, to offset the charge. The income is used to repay Public Dividend Capital.

1.3 3 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued; and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.4 4 Donated fixed assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.5 5 Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed.

1.6 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.7 Research and development

Research and development expenditure is charged against income in the year in which it is incurred.

1.8 Provisions

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure 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 Treasury's discount rate of 6% in real terms. Expected reimbursements from puchasers relating to 'back to back' arrangements established under HSC 1999/146 are included in debtors.

Clinical negligence costs

From 1 April 2002 the NHS Litigation Authority (NHSLA) took over full financial responsibility for all Trust clinical negligence claims not settled at that date and is reponsible for any new cases. Provisions for these are included in the accounts of the NHSLA and not the Trust. As the NHSLA had a constructive obligation for these liabilities in 2001/02, the transfer was recognised by the Trust as an exceptional gain in the Income and Expenditure at 31 March 2002. The write back of related reimbursements was shown as an exceptional loss. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 14.

Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. The schemes commenced on 1 April 1999. Both are risk pooling schemes under which the Trust pays an annual contribution to the NHS Litigation Authority and in return receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses as and when they become due.

1.9 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies allowed under the direction of Secretary of State in England and Wales. As a consequence it is not possible for the Trust to identify its share of the underlying scheme liabilities.

The Trust therefore falls within the multi-employer exemption provided by FRS17, Retirement Benefits, and accounts for its contributions to the NHS Pension Scheme as though this was a defined contribution scheme.

The Scheme is subject to a full valuation every four years (previously every five years). The last valuation took place as at 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published every October. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

NHS bodies are directed by the Secretary of State to charge employers pension costs contributions to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilites. At the last valuation (31 March 1999) on which contribution rates were based employer contribution rates for 2002/03 were set at 7% of pensionable pay. The total employer contribution payable in 2002/03 was £13,555,000 (£12,164,000 for 2001/02). Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

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

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. For post 7 March 1995 early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

For pre-6 March 1995 early retirements not funded by the scheme, the additional liabilities are recharged to the Trust and were previously

included within operating expenses as they arose. In 2002/03 the accounting for pre-6 March 1995 early retirements has been brought into line with that for post-5th March early retirements. The forecast remaining liability (or remaining prepayment, where the liability has been bought out) has been recognised as a prior period adjustment.

The change in the accounting treatment of pre 6-March early retirements will effect the following notes:

- Statement of Total Recognised Gains and Losses: This statement will show that a prior period adjustment has been made which will reduce the NHS Trust reserves.
- Note 5: Expenditure will no longer be charged to operating expenses on a quarterly basis;
- Note 14: A provision will be made for the full amount of the liability for pre 6 -March 1995 early retirements;
- Note 15: The Income and Expenditure reserve will be reduced by the amount of the provision.

Prior year comparators have not been adjusted for the effect of this change.

The total charge to the Income and Expenditure Reserve is £1,179,000.

1.10 iquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.11 Value Added Tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.12 oreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure account.

1.13 hird Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts as the Trust has no beneficial interest in them. Details of third party assets are given in note 26 to the accounts.

2. Segmental Analysis

Sheffield Teaching Hospitals NHS Trust is not a lead body or member of any NHS consortium and consequently no segmental analysis is required.

3. Income from Activities

	2002/03	2001/02
	£000	£000
Health Authorities and Strategic Health Authorities	**4,266**	159,084
Primary Care Trusts*	**358,979**	166,777
Non NHS:		
- Private Patients	**2,774**	1,769
- Road Traffic Act	**1,549**	1,544
- Other	**214**	497
	367,782	329,671

* Includes £2,199k to offset fixed asset impairments charged to operating expenses.

Road Traffic Act income is subject to a provision for doubtful debts of 4% to reflect expected rates of collection.

4. Other Operating Income

	2002/03	2001/02
	£000	£000
Education, training and research	**48,046**	41,206
Transfers from donated asset reserve	**1,567**	1,331
Non-patient care services to other bodies	**23,244**	20,130
Other income	**8,480**	9,547
	81,337	72,214

5. Operating Expenses

5.1 1 Operating expenses comprise:

	2002/03	2001/02
	£000	£000
Services from other NHS Trusts	**6,510**	5,638
Services from other NHS bodies	**5,708**	5,833
Directors' costs	**773**	819
Staff costs	**277,549**	247,593
Supplies and services		
- clinical	**84,950**	75,159
- general	**6,349**	6,259
Establishment	**5,973**	5,549
Transport	**477**	481
Premises	**14,143**	14,551
Bad debts	**320**	18
Depreciation and amortisation	**18,735**	18,702
Fixed asset impairments and reversals	**1,696**	0
Audit fees	**200**	266
Clinical negligence	**3,486**	1,313
Other	**5,790**	4,040
	432,659	386,221

5.2 Clinical Negligence

Charges to operating expenses in respect of clinical negligence are:

	2002/03	2001/02
	£000	£000
Contribution to Clinical Negligence Scheme for Trusts	**3,486**	326
In-year settlements other than from provisions	**0**	568
In-year provisions for future settlements:		
- Gross Provision	**0**	1,439
- Less: expected from NHS Litigation Authority:	**0**	(1,020)
	3,486	1,313

5.3 3 Operating leases

5.3/1 Operating expenses include:

	2002/03	2001/02
	£000	£000
Other operating lease rentals	**1,654**	1,682
	1,654	1,682

5.3/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2002/03	2001/02	2002/03	2001/02
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	**0**	0	**83**	65
Between 1 and 5 years	**33**	33	**1,331**	1,214
After 5 years	**191**	141	**64**	229
	224	174	**1,478**	1,508

5.4 Salary and Pension entitlements of senior managers

Name and Title	Age	Salary (bands of £5000)	Other (bands of £5000)	Golden Remuneration hello/ compensation for loss of office	Benefits in kind	Real increase / (decrease) in pension at age 60 (bands of £2500)	Total accrued pension at age 60 at 31 2002 (bands of £5000)
		£000	£000	£000	£000	£000	£000
Mr A Cash, Chief Executive	47	135-140	-	-	-	(0-2.5)	40-45
Mr C Linacre, Director of Service Development	53	95-100	-	-	-	(0-2.5)	35-40
Mr D Stone, Chairman	67	20-25	-	-	-	-	-
Mr J Donnelly, Non Executive Director	53	5-10	-	-	-	-	-
Mr J Stoddart, Non Executive Director	64	5-10	-	-	-	-	-
Mr J Watts, Director of Human Resources	55	90-95	-	-	-	(0-2.5)	35-40
Mr N Priestley, Director of Finance	41	90-95	-	-	-	0-2.5	0-5.0
Mr V Powell, Non Executive Director	56	5-10	-	-	-	-	-
Miss H Drabble, Chief Nurse	42	90-95	-	-	-	(0-2.5)	20-25
Mrs O Bright, Non Executive Director	42	5-10	-	-	-	-	-
Ms V Ferres, Non Executive Director	49	5-10	-	-	-	-	-
Professor A P Weetman, Non Executive Director	50	5-10	-	-	-	-	-
Professor C Welsh, Medical Director	56	115-120	-	-	-	0-2.5	40-45

6. Employee Costs and Numbers

6.1 Employee costs

	2002/03	2001/02
	£000	£000
Salaries and wages	**244,289**	216,280
Social Security Costs	**15,794**	14,673
Employer contributions to NHSPA	**13,555**	12,164
Other pension costs	**638**	1,387
Agency and seconded Staff	**3,998**	3,859
	278,274	248,363

Included in the above figure of £278,274k (2001/02 £248,363k) is the figure of £684k (2001/02 £153k) in respect of capitalized salary costs.

6.2 Average number of employees

	2002/03	2001/02
	Number	Number
Medical and dental	**991**	992
Administration and estates	**2,125**	1,846
Healthcare assistants & other support staff	**1,305**	1,231
Nursing, midwifery & health visiting staff	**4,016**	3,611
Scientific, therapeutic and technical staff	**1,665**	1,572
Total	**10,102**	9,252

The number for 2002/03 includes agency and seconded staff which are not included in the number for 2001/02

6.3 Management costs

	2002/03	2001/02
	£000	£000
Management costs	**14,518**	13,613
Income	**449,119**	401,885

Management costs are as defined in the document 'NHS Management Costs 2002/03' which can be found on the internet at www.doh.gov.uk/managementcosts

6.4 Retirements due to ill-health

During 2002/03 (prior year 2001/02) there were 23 (31) early retirements from the Trust agreed on the grounds of ill-health.

The estimated additional pension liabilities of these ill-health retirements will be £638k (2001/02 £1,387k).

The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

7. Public Sector Payment Policy

7.1 Better Payment Practice Code - measure of compliance

	Number	£000
Total bills paid in the year	**136,623**	**151,045**
Total bills paid within target	**123,969**	**134,229**
Percentage of bills paid within target	**90.74%**	**88.87%**

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

7.2 2 The late payment of commercial debts (Interest) Act 1998

No interest or penalties in respect of late payment of commercial debts was incurred in 2002/03.

8. (Loss) on Disposal of Fixed Assets

(Loss) on the disposal of fixed assets is made up as follows:

	2002/03	2001/02
	£000	£000
Profit on disposal of land and buildings	**0**	34
Loss on disposal of plant and equipment	**0**	(77)
	0	(43)

9. Intangible Fixed Assets

	Software & Licences	Licenses trademarks	Patents	Development Expenditure	Total
	£000	£000	£000	£000	£000
Gross cost at 1 April 2002	543	0	0	0	543
Additions - purchased	116	0	0	0	116
Gross cost at 31 March 2003	**659**	**0**	**0**	**0**	**659**
Accumulated amortisation at 1 April 2002	163	0	0	0	163
Provided during the year	112	0	0	0	112
Accumulated amortisation at 31 March 2003	**275**	**0**	**0**	**0**	**275**
- Purchased at 1 April 2002	380	0	0	0	380
- Total at 1 April 2002	380	0	0	0	380
- Donated at 31 March 2003	384	0	0	0	384
- Total at 31 March 2003	**384**	**0**	**0**	**0**	**384**

Intangible fixed assets relate to both purchased capitalized software and internally generated software applications. Intangible fixed assets have an estimated useful life of five years.

10. Tangible Fixed Assets

10.1 Tangible fixed assets at the balance sheet date comprise the following elements:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & Machinery	Transport Equipment	Information Technology	Furniture & fittings	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2002	14,524	239,764	4,106	6,271	90,144	1,082	16,315	12,281	384,487
Additions - purchased	0	3,277	25	12,032	3,594	22	510	375	19,835
Additions - donated/government granted	0	973	39	441	517	0	9	0	1,979
Impairments	(246)	(38,707)	(2,421)	0	0	0	0	0	(41,374)
Transfers	0	6,177	0	(7,676)	710	0	667	122	0
Indexation	3,153	34,244	586	743	2,731	33	0	372	41,862
Other in year revaluation	6,187	16,668	29	0	0	0	0	0	22,884
Disposals	(20)	(60)	0	0	(9,306)	(306)	(540)	(21)	(10,253)
At 31 March 2003	**23,598**	**262,336**	**2,364**	**11,811**	**88,390**	**831**	**16,961**	**13,129**	**419,420**
Accumulated depreciation at 1 April 2002	0	0	0	0	58,667	844	12,165	6,280	77,956
Provided during the year	0	9,852	82	0	6,263	54	1,238	1,134	18,623
Impairments	0	1,435	0	0	255	2	20	6	1,718
Reversal of Impairments	0	(22)	0	0	0	0	0	0	(22)
Indexation	0	0	0	0	1,778	25	0	190	1,993
Disposals	0	0	0	0	(9,306)	(306)	(540)	(21)	(10,173)
Accumulated depreciation at 31 March 2003	**0**	**11,265**	**82**	**0**	**57,657**	**619**	**12,883**	**7,589**	**90,095**
Net book value									
- Purchased at 1 April 2002	13,880	226,861	3,789	2,410	25,625	200	3,997	5,460	282,222
- Donated at 1 April 2002	644	12,903	317	3,861	5,852	38	153	541	24,309
Total at 31 March 2002	**14,524**	**239,764**	**4,106**	**6,271**	**31,477**	**238**	**4,150**	**6,001**	**306,531**
Net book value									
- Purchased at 31 March 2003	22,391	235,445	2,094	11,512	24,334	179	3,975	5,047	304,977
- Donated at 31 March 2003	1,207	15,626	188	299	6,399	33	103	493	24,348
Total at 31 March 2003	**23,598**	**251,071**	**2,282**	**11,811**	**30,733**	**212**	**4,078**	**5,540**	**329,325**

During the period, certain assets have had a material change in the estimate of useful economic life / residual value.

The financlal effect of this change was £2,199,400.

10.2 he net book value of land, buildings and dwellings at 31 March 2003 comprises:

	31 March 2003	31 March 2002
	£000	£000
Freehold	**276,951**	258,394
TOTAL	**276,951**	258,394

11. Stocks and Work in Progress

	31 March 2003	31 March 2002
	£000	£000
Raw materials and consumables	**9,120**	8,318
	9,120	8,318

12. Debtors

	31 March 2003	31 March 2002
	£000	£000
Amounts falling due within one year:		
NHS debtors	**11,595**	8,127
Provision for irrecoverable debts	**(504)**	(86)
Other prepayments and accrued income	**1,227**	1,151
Other debtors	**8,179**	10,124
	20,497	19,316
Amounts falling due after more than one year:		
Other debtors	**1,145**	910
	1,145	910
	21,642	20,226

13. Creditors

13.1 Creditors at the balance sheet date are made up of:

	31 March 2003	31 March 2002
	£000	£000
Amounts falling due within one year:		
NHS creditors	**8,348**	5,137
Non-NHS trade creditors - revenue - clinical negligence	**0**	170
Non - NHS trade creditors - revenue - other	**9,440**	9,539
Non - NHS trade creditors - capital	**7,273**	7,578
Tax and social security costs	**5,665**	5,093
Other creditors	**3,131**	2,888
Accruals and deferred income	**11,875**	12,028
	45,732	42,433
Amounts falling due after more than one year:		
NHS creditors	**679**	1,018
	679	1,018
	46,411	43,451

NHS creditors include;

- £1,018k for payments due in future years under arrangements to buy out the liability for 3 early retirements over 5 years; and
- £2,191k outstanding pensions contributions at 31 March 2003 (31 March 2002 £1,989k).

Accruals and deferred income include £9,111k (£8,774k for 2001/02) in respect of non NHS trade creditors' accruals derived from amounts not invoiced

14. Provisions for liabilities and charges

	Pensions relating to other staff	Other legal claims	31 March 2003 Total	31 March 2002 Total
	£000	£000	**£000**	£000
At 1 April 2002	0	0	**0**	20,479
PPA - Early Retirements	1,179	0	**1,179**	0
Arising during the year - Other	0	135	**135**	8,368
Utilised during the year	(68)	0	**(68)**	(3,254)
Reversed unused	0	0	**0**	(7,685)
Unwinding of discount	0	0	**0**	869
At 31 March 2003	**1,111**	**135**	**1,246**	18,777
Write out on transfer to NHSLA at 31.3.2002				(18,777)
Restated at 1 April 2002				0
Expected timing of cashflows:				
Within 1 year	68	135	**203**	0
1 - 5 years	273	0	**273**	0
Over 5 years	770	0	**770**	0

Provisions in respect of pensions relating to other staff of £1,111k at 31 March 2003 represent the capitalized cost of pre March 1995 retirements which had previously been accounted for an an annual basis as a charge to the Income and Expenditure Account. The capitalized cost of the forecast remaining liability relating to these retirements is recognised as a prior year adjustment . Whilst the timing of the cash flows can be assessed with a degree of certainty, the remaining life of the liability is evidently an estimate based on capitalization factors supplied by the NHS Pensions Agency.

Other legal claims of £135k at 31 March 2003 relate to claims brought against the Trust by employees in respect of industrial injury claims. The outcome of these, and timing of any subsequent cash flows, is subject to the progress of these claims via the legal process. The cost of these legal claims is covered by a corresponding debtor with the Trust's purchasers.

£17,788k is included in the provisions of the NHS Litigation Authority at 31/3/2003 in respect of clinical negligence liabilities of the Trust (31/3/2002 £14,798k).

15. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve	Donated Asset Reserve	Income and Expenditure reserve	2002/03
	£000	£000	£000	£000
At 1 April 2002 as previously stated	2,291	24,309	479	**27079**
Prior Period Adjustment for pre-6 March 1995 early retirements	0	0	(1,179)	**(1,179)**
At 1 April 2002, as restated	2,291	24,309	(700)	**25,900**
Transfer from the income and expenditure account	0	0	91	**91**
Fixed asset impairments	(37,373)	(4,001)	0	**(41,374)**
Surplus on other revaluations/indexation of fixed assets	59,213	3,629	0	**62,842**
Transfer of realised profits (losses) to the Income and Expenditure reserve	(161)	0	161	**0**
Receipt of donated/government granted assets	0	1,979	0	**1,979**
Transfers to the I & E Account for depreciation, impairment, and disposal of donated/government granted assets	0	(1,567)	0	**(1,567)**
Other transfers between reserves	(996)	0	996	**0**
At 31 March 2003	**22,974**	**24,349**	**548**	**47,871**

16. Notes to the Cash Flow Statement

16.1 Reconciliation of operating surplus to net cash flow from operating activities

	2002/03	2001/02
	£000	£000
Total operating surplus	**16,460**	15,664
Depreciation and amortisation charge	**18,735**	18,702
Fixed asset impairments and reversals	**1,696**	0
Transfer from donated asset reserve	**(1,567)**	(1,331)
(Increase) in stocks	**(802)**	(887)
(Increase)/decrease in debtors	**(3,446)**	19,693
Increase/(decrease) in creditors and provisions	**1,622**	(15,985)
Net cash inflow from operating activities	**32,698**	35,856

16.2 Reconciliation of net cash flow to movement in net debt

		2002/03	2001/02
	£000	£000	£000
Increase/(decrease) in cash in the period	0		0
Cash inflow from new debt	0		0
Cash outflow from debt repaid and			
finance lease capital payments	0		0
Cash (inflow)/outflow from			
(decrease)/increase in liquid resources	0		0
Change in net debt resulting from cashflows		**0**	0
Non - cash changes in debt		**0**	0
Net debt at 1 April 2002		**551**	551
Net debt at 31 March 2003		**551**	551

16.3 nalysis of changes in net debt

	At 31 March 2003	Cash changes in year	Non-cash changes in year	At 1 April 2002
	£000	£000	£000	£000
Cash at bank and in hand	**551**	0	0	551
	551	0	0	551

Cash at bank and in hand at 31/3/03 includes £483k in accounts with the Office of HM Paymaster General.

17. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £4,238k (2001/02 £2,624k)

18. Post Balance Sheet Events

18.1 oundation Trusts

A guide to NHS Foundation Trusts has been published by the Department of Health, which sets out the details of how these are to be established and managed.

The Sheffield Teaching Hospitals NHS Trust has expressed an interest in becoming a Foundation Trust, and in May 2003 received approval from the Department of Health to formally proceed with an application.

18.2 ickers Corridor Replacement Block

The Trust has recently announced the go ahead for the £30m replacement for the Vickers Corridor medical wards at the Northern General Hospital. The scheme will be tested for funding by the Private Finance Initiative (PFI) where the Trust will attempt to find a private partner to fund the building.

The scheme will accommodate 168 general medical patients and will directly replace the 168 medical beds in the Vickers Corridor. It is hoped that the build will start around November 2003 and be completed by Autumn 2006.

19. Contingencies

	2002/03	2001/02
	£000	£000
Gross Value	(1,307)	0
Amounts recoverable (if any)	360	0
Net contingent liability	**(947)**	0

The gross contingent liabilities relate to the possible future costs of settling the outstanding claims made against the Trust regarding employers liablity and public liability, over and above the amounts already provided for in note 14.

Contingent assets relate to the amounts which would be recoverable from the NHS Litigation Authority in respect of the contingent liabilities.

20. Movements in Government Funds

	2002/03	2001/02
	£000	£000
Surplus for the financial year	**16,910**	16,088
Public dividend capital dividends	**(16,819)**	(16,086)
	91	2
Gains from revaluation/indexation of purchased fixed assets	**21,840**	2,768
New public dividend capital (cash receipt)	**5,217**	2,888
Public dividend capital repaid	**(3,000)**	(738)
Public dividend capital repayable	**(2,199)**	(491)
Net addition (reduction) in government funds	**21,949**	4,429
Opening government funds [originally £268,246k before prior period adjustment of £1,179k]	**267,067**	263,817
Closing Government Funds	**289,016**	268,246

21. Financial Performance Targets

21.1 eakeven performance

The Trust's breakeven performance for 2002/2003 is as follows:

	2002/03	2001/02
	£000	£000
Turnover	**449,119**	401,885
Retained surplus for the year	**91**	2
2002/03 Prior Period adjustment relating to 1997/98, 1998/99, 1999/2000, 2000/01 and 2001/02	**0**	0
Break-even in-year position	**91**	2
Break-even cumulative position	**93**	2
Materiality test:		
- Break-even in-year position	**0.02%**	0%
- Break-even cumulative position	**0.02%**	0%

21.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 6% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £16,819k, bears to the average relevant net assets of £270,616k, that is 6.2%.

The variance from 6% is within the NHS Executive's materialty range of 5.5% to 6.5%.

21.3 External financing

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

		2002/03	2001/02
	£000	£000	£000
External financing limit set by the Department of Health		**1,726**	(766)
Cash flow financing	5,747		6,936
Other capital receipts	(4,021)		(7,702)
External financing requirement		**1,726**	(766)
Undershoot (overshoot)		**0**	0

21.4 Capital Resource Limit

The Trust is given a Capital Resource Limit which it is not permitted to overspend

	2002/03	2001/02
	£000	£000
Gross capital expenditure	**21,930**	30,515
Less: book value of assets disposed of	**(80)**	(3,256)
Less: donations	**(1,979)**	(7,702)
Charge against the CRL	**19,871**	19,557
Capital resource limit	**19,927**	19,608
Underspend against the CRL	**56**	51

22. Related Party Transactions

Sheffield Teaching Hospitals NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Sheffield Teaching Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year Sheffield Teaching Hospital NHS Trusts has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

	Income	Expenditure
	£ million	£ million
North Sheffield PCT	241.4	
North Eastern Derbyshire PCT	24.3	
Barnsley PCT	24.2	
Rotherham PCT	22.2	
Doncaster Central PCT	21.6	
Bassetlaw PCT	8.6	
West Lincolnshire PCT	3.0	
Sheffield Children's Hospital	2.4	
North East Lincolnshire PCT	2.2	
Community Health Sheffield	1.4	1.0
Barnsley District General Hospital	1.2	
Blood Transfusion Service		3.9
South Yorkshire Ambulance Service		3.0
Public Health Laboratory Service		1.0

Also received from the Department of Health and from the Trent and South Yorkshire Workforce Confederations in 2002/03 is £48.0m in respect of Education ,Training and Research Funding.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Department of Education and Skills in respect of The University of Sheffield, and Sheffield City Council in respect of joint enterprises.

Of the Trusts total debtors of £21.6m at 31 March 2003, (note 12) £11.5m was receivable from NHS bodies. This sum comprises, in the main, monies due from Commissioners in respect of health care services invoiced, but not paid for, at the Balance Sheet date.

The remainder of the balance comprises income from NHS Trusts in respect of clinical support services provided. £1.9m was receivable from the University of Sheffield at 31 March 2003 in respect of clinical and estates support services provided.

Professor C Welsh and Professor A P Weetman have clinical commitments at Thornbury and Claremont private hospitals, which are both sited in Sheffield. In 2002/03 the Trust purchased healthcare from these two hospitals in the sum of £1,080k and £2,588k respectively.

Creditors falling due within one year of £45.7m (note 13.1) include £9.0m owing to NHS bodies. This sum of £9.0m includes monies owing to the Department of Health in respect of pension contributions, and to other NHS Trusts for clinical support services received.

The Trust is a significant recipient of funds from Sheffield Hospitals Charitable Trust. Grants received in 2002/03 from this Charity amounted to £2.0m.

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the Trustees for which are also members of the NHS Trust Board.

23. Charitable Funds

At 31 March 2003, funds to the value of £7.56 million were held in trust for the hospitals comprising Sheffield Teaching Hospitals NHS Trust.

Responsibility for the management of these funds remains with Sheffield Hospitals Charitable Trust, who account for the transactions of the funds, and submit annual accounts to both the NHS Executive and the Charities Commissioner.

24. Pooled Budgets

The Trust participates in a pooled budget arrangement which aims to provide Rapid Assessment Clinics and Intermediate Care Liaison Nurses to patients of the Trust. This pooled budget allocation is in conjunction with other Health Care Organizations in Sheffield to promote effective intermediate care arrangements.

The Trust's share of this pooled budget in 2002/03 amounted to £164,800. £102,800 of this amount was used to fund Rapid Assessment Clinics and £62,000 was used within the Rehabilitation and Resource Centre.

25 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity risk

The NHS Trust's net operating costs are incurred under annual service agreements with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. Sheffield Teaching Hospitals NHS Trust is not, therefore, exposed to significant liquidity risks.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

Interest-Rate Risk

8% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Sheffield Teaching Hospitals NHS Trust is not, therefore, exposed to significant interest rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

25.1 Financial Assets

					Fixed rate		Non-interest bearing
Currency	**Total**	**Floating rate**	**Fixed rate**	**Non-interest bearing**	**Weighted ave interest rate**	**Weighted ave period for which fixed**	**Weighted term**
	£000	**£000**	**£000**	**£000**	**%**	**Years**	**Years**
At 31 March 2003							
Sterling	551	507	0	44	0	0	N/a[a]
Other	0	0	0	0	0	0	0
Gross financial assets	**551**	**507**	**0**	**44**	**0**	**0**	**0**
At 31 March 2002 (prior year)							
Sterling	551	469	0	82	0	0	N/a[a]
Other	0	0	0	0	0	0	0
Gross financial assets	**551**	**469**	**0**	**82**	**0**	**0**	**0**

a The Trust holds operational cash balances with its' Commercial Bankers. These are non-interest bearing, and have no fixed maturity date.

25.2 Financial Liabilities

					Fixed rate		Non-interest bearing
Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted ave interest rate	Weighted ave period for which fixed	Weighted average term until maturity
	£000	£000	£000	£000	%	Years	Years
At 31 March 2003							
Sterling	3,989	0	679	3,310	9	0	N/a[bc]
Other	0	0	0	0	0	0	0
Gross financial liabilities	3,989	0	679	3,310	0	0	0
At 31 March 2002 (prior year)							
Sterling	1,509	0	1,018	491	9	0	N/a[bc]
Other	0	0	0	0	0	0	0
Gross financial liabilities	1,509	0	1,018	491	0	0	0

b The Trust's non-interest bearing financial liabilities comprise provisions for early retirement liabilities and Public Dividend Capital (PDC).

The Trust has repaid £3,491k of PDC in 2002-03 (£3,654k in 2001-02). Of this amount £491k related to the funding of past impairments (£2,916k in 2001-02)

c Interest bearing financial liabilities relate to the repayment of creditors in repect of early retirement costs.

25.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2003.

	Book Value	Fair Value	Basis of fair
	£000s	£000s	
Financial assets			
Cash	**551**	551	Note d
Total	**551**	551	
Financial liabilities			
Provisions under contract	**1,111**	1,111	Note e
Creditors over 1 year:			
- Early retirements	**679**	679	Note f
- Public Dividend Capital Repayable	**2,199**	2,199	Note g
Total	**3,989**	3,989	

d Book value is equal to fair value as deposits are of no fixed maturity date.

e Fair value is not significantly different from book value since in the calculation of book value, the expected cashflows have been discounted by the Treasury rate of 6% in real terms.

f Fair value is not significantly different from book value since interest at 9% is paid on early retirement creditors.

g The figure here is the value of short term repayable (within a set period) PDC held by the Trust. It does not include PDC issued as originating Debt or PDC subsequently issued for asset acquisition.

26. Third Party Assets

At 31 March 2003, the Trust held assets on behalf of patients in the sum of £14k.

Sheffield Teaching Hospitals NHS Trust

Trust Headquarters
8 Beech Hill Road
Sheffield S10 2SB