

2005 - 2006 Annual Report



A Year of Challenge and Change

The past year has seen the Trust face new and unprecedented challenges and changes. We have seen NHS structures change once again and we now look forward to working with the new East of England Strategic Health Authority, West Hertfordshire Primary Care Trust (PCT) and Practice Based Commissioners. We've seen the era of patient choice develop, and we are already working in new and exciting ways to support this change.

We have seen examples of excellent clinical care and clinical innovation within this organisation. The improvement in A&E waiting times has been outstanding and shows the importance of strong clinical leadership and multidisciplinary working. Our waiting times for cancer patients and follow-up treatment are some of the best in the country. In addition, we have achieved the Clinical Negligence Scheme for Trusts (CNST) level two for our maternity service.

The past 12 months have shown us real evidence of the possibilities that lie in the future. In March the Watford Health Campus partnership was officially launched as the nine member organisations pledged their commitment to this unique project, which has at its centre a new hospital to replace the Trust's existing facility in Watford.

At the end of the financial year we saw changes to the Trust Board and we look forward to working with three new non-executive directors during the coming year. Over the year we also welcomed a number of new executive directors as previous colleagues moved on.

Over the next few months we will say goodbye to the Plastics and Burns Service which, as intended, will transfer from the Trust to the management of the Royal Free Hospital, Hampstead. In turn we will welcome the acute children's

service into the Trust when its transfer from the management of the Hertfordshire Partnership NHS Trust is effected later this year.

The history of financial deficit in the health service in west Hertfordshire continues to challenge the delivery of high-quality healthcare. However, action is being taken to achieve sustainable financial balance, and to create a health service for the community of west Hertfordshire fit for the 21st century. To achieve this, restructuring of the Trust's services is inevitable. We live in a time of rising public

expectations, and if we are to improve services for patients we must embrace change. The Trust Board wholeheartedly believes that fundamental change is needed to ensure the community of west Hertfordshire has hospital services it can be proud of and use with confidence. As this report goes to print, the Trust is in the midst of a consultation; a consultation which, if approved, will set the Trust on the right course to make sustainable improvements in terms of both clinical services and financial stability and lay the foundations for future development and innovation.

Finally, we must pay tribute to something that does not change – the ongoing support and dedication of the Trust's staff, its volunteers and our many partners and colleagues in the health service and local community.



Prof Thomas Hanahoe
Chairman



David Law
Chief Executive

Thomas Hanahoe *David Law*

West Hertfordshire Hospitals NHS Trust

West Hertfordshire Hospitals NHS Trust was formed from the Mount Vernon and Watford Hospitals NHS Trust and the St Albans and Hemel Hempstead NHS Trust on 1 April 2000. The Trust provides health services at Hemel Hempstead General Hospital, Watford General Hospital, St Albans City Hospital and Mount Vernon Hospital. We employ more than 4000 staff working in over 50 different professions to serve the people of west Hertfordshire and beyond.

In April 2005, the management of the Mount Vernon Cancer Centre transferred to East & North Herts NHS Trust in preparation for the development of the new Cancer Centre at Hatfield. Over the coming months, the management of the Trust's Plastic Surgery service is scheduled to transfer to the Royal Free Hospital, Hampstead whilst acute children's services, currently managed by the Hertfordshire Partnership NHS Trust, will transfer to this Trust.

Emergency Preparedness

The NHS faces increasing challenges in the area of emergency planning. The Trust is committed to adopting a multi-agency approach to Emergency Planning and is represented on a number of external emergency planning groups led by Hertfordshire Resilience (formerly known as HESMIC).

Events of the past year have tested the Trust, and the agencies with which it works closely, in a variety of ways. On July 7, 2005 the London bombings led to the Trust going on 'stand-by' to receive casualties. Only a few months later, the Trust was once again put on stand-by to receive casualties from the Buncefield Oil Depot explosion. Hemel Hempstead General Hospital saw 45 casualties as a result of the incident. The Trust continually reviews and refines its emergency plans. New legislation (i.e. the Civil Contingencies Act) and new Department of Health guidelines underpin the Trust's Emergency Planning process and our plans for future developments.

Performance Standards 2005/06

West Hertfordshire Hospitals NHS Trust was awarded one star in the NHS performance ratings of summer 2005, an improvement on the previous year's zero rating.

Key: ● **Achieved** ● **More to Achieve** ○ **Not Achieved**

- Waiting time for outpatient appointments – since December 2005, no patient referred by a GP waited more than 13 weeks for a first appointment with a consultant.
- Waiting time for MRI and CT scans – as at March 2006, no patient was waiting more than six months for an MRI or CT scan.
- Outpatient and in-patient booking – since December 2005, 99.9% of outpatients and 100% of patients having planned surgery were able to book their appointment at a time of their choice.
- Cancer 62 day wait – 95.7% of those diagnosed with cancer commenced their treatment within two months of their GP sending the referral (based on January to March 2006 figures). (Target 95%)
- Cancer 31 day wait, of all patients diagnosed as having cancer, 99.7% commenced their treatment within one month of diagnosis (based on January to March 2006 figures). (Target 98%)
- Cancer data completeness – we treated 351 cancer patients between January and March 2006, which was just above the indicative target level of 350.
- Waiting time for planned operations – since the end of December 2005, no patient has waited more than six months for planned operations. Between April and Dec 2005, there were 12 breaches of the nine-month standard.
- Cancer two-week wait – 99.7% of patients referred with suspected cancer were seen by a specialist within two weeks of GP referral.
- MRSA infections – there were 51 bacteraemia infections identified in the laboratory, against a target figure of 36 for 2005-06.
- A&E total waiting time – the target for 2005-06 was that, over 98% of patients should spend no more than four hours being treated in the A&E department before being either discharged or admitted. We achieved 95%. We now achieve 98% and above.
- With an annual turnover of £209.2 million, the Trust reported a deficit of £26.8 million.

Following national consultation in 2004, Standards for Better Health has been introduced by the Government to replace the 'star rating' system. The Healthcare Commission now assesses the performance of NHS organisations against 44 national healthcare standards. The standards cover a wide range of quality issues relating to patient care and experience. These include safety, staff training, waste management, cleanliness and many more.

Our Services

Advances in Surgery

Very few aortic aneurysms (weakness in the artery wall) are diagnosed in life. The few that are identified can be repaired surgically, but not without the risk of complications.

Over the last year, with the help of surgeons, consultants, nurses and clinical support, the Trust has developed a 'minimally invasive aortic surgery programme' in which aortic surgery can be carried out without the need for a large incision, thanks to the use of a special mini camera, and other special surgical equipment on the end of a tube, inserted via a small cut.

Mr Sanjeev Sarin, Consultant Vascular Surgeon and Clinical Director said: "We are extremely excited about this new technique. All the staff at the Trust have been very supportive, encouraging and helpful in terms of progressing this new procedure, which is available in only a few centres in the world."

Cardiology Team

Scoop Top Prize

The Trust's cardiology team won two awards (first place in the Effectiveness, Efficiency and Quality category and also the Chairman's Special award) for the development of local percutaneous coronary intervention (opening up arteries to prevent heart attacks), in the Bedfordshire & Hertfordshire NHS Investing in Your Health awards. These awards reflect the whole team effort in developing and implementing this programme in west Hertfordshire. This work was previously carried out at St Mary's and Harefield hospitals for patients in this area. Patients now have a local service, which has led to reduced waiting times and a shorter length of stay.

Radiology Goes Digital

Over the past few months, new technology has been installed in our hospitals, to replace the old chemical photographic process used in X-ray, moving the Trust firmly into the 21st century.

CT scans, Ultrasound, and Nuclear Medicine images are already produced in a digital form, but at the moment all these machines operate independently. The Picture Archiving and Communication System (PACS) will allow all images to be stored on a central computer. These images can then be viewed in any department, in any of our hospitals, at any time. This means that doctors and/or practitioners treating a patient in any ward or department can have pictures and reports available to them, when required, to help in diagnosis and treatment.

New Breast Unit Opens its Doors

September 2005, heralded a new era for breast services in west Hertfordshire with the opening of the new centralised Breast Unit at St Albans City Hospital. The new state-of-the-art unit provides a full breast care service to patients including dedicated rapid access clinics.

In most cases, patients needing treatment will have surgery at St Albans City Hospital. Dedicated breast care nurses play an important role in the management of breast patients, and work closely with GPs, Grove House, District Nurses, MacMillan Nurses, and counselling services.

Representatives from the Patients' Panel, breast-patient groups, and the local community were involved with the hospital and local PCTs in the planning of the unit.



Stub it Out! Trust Becomes a No Smoking Zone

Smoke-free hospitals – inside and out – were introduced in the Trust's hospitals in March as part of an NHS-wide initiative.

Chief Executive David Law, said: "A smoke-free environment will be better for everyone in many ways. It will reduce litter as well as improving the health of our local communities. We will help those staff who would like to give up smoking to do so, and those who choose to continue to smoke, to deal with being unable to smoke at work."

From March of this year, smoking has not been permitted anywhere on the hospital sites, either inside the buildings or outside in the grounds.

Alexandra Birthing Centre Celebrates its Fifth Birthday

April saw over 30 mums, babies, children and staff celebrating the Alexandra Birthing Centre's (ABC) fifth birthday. The innovative low-risk Centre was opened at Watford General Hospital in April 2001, and has proved extremely popular with mothers and babies. The Centre provides a fully integrated, midwife-led service for women who wish to have their baby in hospital, but in a homely environment and without medical intervention. Using water for labour has been particularly popular and the Trust has one of the highest number of water births in the UK.



Entertaining our Patients

A new bedside audio-visual communication and entertainment system, designed to help patients have a more 'relaxing' stay in hospital, has been installed at Watford General Hospital as part of the NHS led 'Patient Choice Agenda'. This is part of a national programme, which commissions such systems in hospitals with at least 300 beds.

In partnership with Hospital Telephone Services Limited (HTS), the Trust has installed a Hospicom bedside entertainment system terminal beside each bed, for the exclusive use of the patient. Patients can watch TV and make and receive telephone calls directly from their bed.

Dermatology Team Thank Fundraisers

Local fundraisers have raised £6,000 to purchase an additional UV light cubicle for the Dermatology Department at Hemel Hempstead General Hospital. The UV light cubicle is used to treat patients with skin conditions like Psoriasis, Eczema, Vitiligo and rare forms of skin lymphoma.

Putting Patients First

The Patients' Panel and Representatives

The Trust's Patients' Panel was established four years ago and the seven-strong team have continued to play an active part in the Trust. Panel Chair, Jessie Winyard, is passionate about patient involvement. She explained: "The Patients' Panel has gone from strength to strength and has been involved in every aspect of patient care – including cleanliness, food, care of the elderly, maternity, ophthalmology and all aspects of Investing in Your Health."

Through meetings of the Patient Experience Group, made up of members of the Trust's Patients' Panel, Patient Forum and frontline staff, patients and staff give their views on patient information and develop ideas for improving the patient experience. For further information about the Panel or Patient and Public Involvement, please contact Lesley Lopez on 01923 217803 or email lesley.lopez@whht.nhs.uk

Patients Give their Views

The views of our patients are taken very seriously. The Trust took part in the Healthcare Commission's annual patient survey, which asked 850 patients about their experiences as an inpatient. Feedback included patients concern about hospital-acquired infections, a wish to see a greater focus on patients making decisions about their care and treatment, and comments about the quality of the cleaning and food. Patients told the Trust that hospital and ward cleaning, and noise, have improved since last year. The Trust's Chief Nurse, Gary Etheridge, is leading work to address weaknesses found in the survey.

Complaints, Comments and Compliments

We aim to provide the 300,000 patients, or more, we treat each year with the best possible care. However, providing acute healthcare is not without risk and sometimes, very

The Trust is committed to involving patients and the public in both its day-to-day work, and in its plans for the future.

rarely, things go wrong. We continually work to reduce such risks. This year two very serious incidents took place, straddling the Trust and the Hertfordshire Partnership Trust's Children's Services. As with other cases we have taken action to improve clinical processes and essential communications between staff, doing everything in our power to ensure incidents of this nature do not happen again. This includes putting new procedures in place for the monitoring and transfer of sick children, using emergency services within the Trust.

The Quality Assurance Department (QA) received 432 formal complaints, a decrease of 200 from the previous year (0.1% of patients treated). The Trust's Patient Advice and Liaison Service received 966 calls and/or visits to the department. In contrast, our wards and departments receive thousands of thank you letters and cards each year. Seventy per cent of responses to complaints were made within 20 working days, against the national target of 85%. To improve this, the QA Department has adopted a 'complainant led' approach, and at the patient or relative's request, more complaints are dealt with informally. Each complaint generates a process of action to improve services. We also take action in response to other incidents and complaints to ensure patient safety and a high quality service.

The Trust received 12 requests for information in order for the Healthcare Commission to conduct independent reviews of complaints relating to services provided by the Trust during this year. Of these requests, no independent review panels or further investigations were granted. The Healthcare Commission recommended that further local resolution be undertaken by the Trust with regard to seven cases. One case required no further action.



Consultation with Local Groups and Organisations

Under Section 11 of the Health and Social Care Act (2001) the Trust has a duty to involve and consult patients and the public at the beginning, and throughout all stages, of a process to plan services, develop and consider proposals for changes in the way services are provided, and make decisions affecting the operation of services. The Trust has worked closely with Hertfordshire County Council's Overview and Scrutiny Committee, and its officers, over the past year in developing its plans for future service changes.

Over the course of the year, the Trust has been involved in, and has consulted upon, a variety of consultations including: the Patient Led NHS consultation, Investing In Your Mental Health, and the review into maternity services in west Hertfordshire by Bedfordshire and Hertfordshire Strategic Health Authority.

As this report goes to print, the Trust is in the midst of a public consultation. The Trust is proposing to separate emergency and elective hospital care, centralising emergency care at the Watford General Hospital site and locating the majority of planned surgery at either St Albans City Hospital or Hemel Hempstead General Hospital, as a temporary measure, until the privately run sugicentre opens on the

Hemel Hempstead General Hospital site in mid 2008. In both options, an Urgent Care Centre treating minor illnesses and minor injuries will be provided at Hemel Hempstead General Hospital. The consultation ends on October 16, 2006.

Voluntary Services Department

Each week hundreds of volunteers give their time to support the Trust in a wide variety of ways, from helping in outpatients, running the hospital library service and providing volunteer driving services to offering clerical help.

The Women's Royal Voluntary Service (WRVS) and Leagues of Friends also provide invaluable services to support to the hospitals.

Pat Schofield and Vivienne Payne, the Trust's Voluntary Services Managers, are always looking for extra pairs of hands. If you'd like to know more please contact:

- **Vivienne Payne: 01923 217307**
- **Pat Schofield: 01442 287973**

Our Future

Trust joins forces to transform west Watford

In March 2006, the Trust and its eight partners, who together make up the Watford Health Campus project, pledged their support for the estimated £750 million urban regeneration project, which includes the new acute hospital for west Hertfordshire.

A major master planning exercise, unveiled at Watford Football Club's Vicarage Road Stadium on March 17, revealed what the area could look like. At its heart is a brownfield site just a few minutes' walk from Watford town centre. By redeveloping the west Watford area, an urban neighbourhood will be reconnected to the town centre. Currently, much of the 26.5 hectares of land is poorly used, but through careful design, master planners are confident this will be transformed into a quality environment in which to live, work and play.

The Health Campus plans embrace a mix of around 400 residential accommodation units, some of which will be affordable and key worker homes. The resultant regeneration will encourage businesses to take up space in a new business hub, bringing jobs to the town. The plans also include a green travel plan to ease traffic congestion, and more public green space for the community.

A key part of the Watford Health Campus strategy is to develop a Combined Heat & Power plant. Such a system would allow heat created during the generation of electricity to be used to provide heating to the hospital and other Campus developments, rather than being disposed of to atmosphere, as is the case with standard electrical generation. The Campus plans enable further environmentally sound developments. Roof water from the hospital, which would normally be disposed of to sewers, can be captured and redistributed to allow the football club to water their pitch and, potentially, to support the allotment users adjacent to the site.



The local community and regional stakeholders have been involved in the design process from its inception and their feedback has helped to ensure that land and other resources are used as efficiently as possible and reflect the character of Watford.

Dorothy Thornhill, elected Mayor of Watford said: "This is a real step forward in developing this area of Watford, which has positive implications not only for the town itself, but the whole of the county."

The nine partners are:

- Bedfordshire & Hertfordshire Strategic Health Authority*
- East of England Development Agency
- Hertfordshire County Council
- Hertfordshire Partnerships NHS Trust
- Hertfordshire Prosperity
- Watford Borough Council
- Watford and Three Rivers Primary Care Trust
- Watford Football Club
- West Hertfordshire Hospitals NHS Trust

The Trust is developing its Outline Business Case (OBC) to support its application for this project and plans to submit the OBC to the East of England Strategic Health Authority and the Department of Health in 2007. The Trust's aim as set out in the Investing In Your Health strategy is the redevelopment of west Hertfordshire hospitals.

*Now superseded by the East of England Strategic Health Authority.



Improving Hospital facilities

Over the past year a variety of refurbishments of wards and clinical areas have taken place, including:

- The refurbishment of the expanded Endoscopy Unit at Watford General Hospital
- Extra 13 beds on Cassio Ward
- Improved layout and refurbishment of the Coronary Care Unit (CCU) at Watford General Hospital
- Starfish Ward (children's ward) opened
- 18 bed Stroke Rehabilitation Unit (now known as the Dick Edmunds Stroke Unit)

Work to improve fire safety in the Princess Michael of Kent Wing and the Maternity unit at Watford General Hospital has recently been completed, and ensures we meet our obligations under the statutory requirements.



Research and Development

In April, the Research and Development Departments of West Hertfordshire Hospitals NHS Trust and East and North Herts NHS Trusts merged to become Hertfordshire Hospitals R & D Consortium. The new structure is now in place to deliver systems to ensure that all research is managed in accordance with Local and National Guidelines and, in particular, the Department of Health Research Governance Framework.

The Trust has nine R&D programmes, mainly in Plastic Surgery & Burns, Rheumatology and Renal. The past year has also seen the establishment of a new joint post between the University of Hertfordshire and the Research and Development Departments to provide statistical and methodological support to researchers on hospital sites.

Relationships with Primary Care

The Trust is actively supporting local PCTs' plans to develop clinical assessment and treatment services, and it is bidding to provide many of these services. This new model of care will reduce the need for patients to travel to main hospital sites for diagnosis and treatment, and reduce waiting times for a range of conditions. The Trust's key relationships in the delivery of care continue to be with General Practitioners, community-based healthcare staff, and local social services. Over the past year there has been a significant improvement in the working arrangements between the Trust and Adult Care Services of Hertfordshire County Council aimed particularly at smoothing patient discharge from hospital. The development of practice-based commissioning by GPs is bringing closer engagement between GPs and the Trust.

Our Staff

Our annual **staff awards** ceremony proved a great success, with particular tributes given to those who help bereaved families and those who care for patients with learning disabilities in our hospitals.

Tight controls have been in place regarding **staff recruitment** and the Trust has been successful in its recruitment in most staff groups. The cohort approach to recruiting Healthcare Assistants has continued to prove especially successful. Turnover of staff has remained constant at around 14%.

In November 2005, we held our second **staff conference**. One hundred randomly selected staff from across the Trust joined David Law, to discuss the future of the Trust and some of the challenges facing the organisation. Staff voiced their hopes for, and concerns about, the Trust and the services it provides. A great deal of candid discussion provided food for thought and action.

The Trust has a dedicated **Carer Support Co-ordinator**, who is responsible for providing information to all staff who have caring responsibilities, including childcare and care for an elderly relative or partner. She works to support and advise all local NHS employees on any childcare-related issues. The Trust has two on-site nurseries with 94 places in total. The Trust already runs a childcare voucher scheme and is consulting staff on the possibility of a salary sacrifice scheme for workplace nurseries, whereby parents using the Trust's on-site nurseries can choose to pay an unlimited amount from their salaries to pay for the fees, thus saving money on tax and NI.

The Trust provides in-house Occupational Health services, which are available to all staff and which are supplemented by a confidential counselling service. This year has also seen



further developments to support Health and Safety practice within the Trust.

West Hertfordshire Hospitals NHS Trust is committed not only to ensuring that all of its services are accessible, appropriate and fair, but also to recruiting a diverse workforce, matching the diversity of the local population and being capable of understanding the needs and cultures of patients within the communities it serves. The Trust aims to maintain a balance between the needs and well being of the organisation, its employees, the community and its stakeholders. Thus, at West Hertfordshire Hospitals NHS Trust, we are committed to treating everyone with respect and dignity, and to delivering equality of opportunity for all staff, patients and other service users.

The Trust is now developing the Disability Equality Scheme, working collaboratively with other Equalities Leads in Hertfordshire, to manage the external consultation process and to enable better involvement of disabled people. The Trust is also developing a policy to support the Age legislation that is due to come into force later this year. Work will begin on the Gender Equality Scheme for April 2007.

Administration

Health and Safety

The Trust Board is committed to ensuring compliance with Health and Safety legislation and to ensuring the Health, Safety and Welfare of its employees through commitment of resources and the application of best Health and Safety practice. This will be achieved through a sound organisational structure, undertaking effective planning and addressing the identification of hazards, assessments of risk, and appropriate control measures. The duty of establishing the organisation and arrangements to carry out the Trust's Policy is therefore delegated to the Chief Executive, and overseen by the Director of Human Resources.

Energy Policy

The Trust is committed to energy management, which reduces operating costs and helps to protect the global environment. The policy sets standards for materials, plant and building fabric, as well as target levels for lighting and room temperatures. The policy thus makes it the responsibility of procurers, providers, business centres and service departments to recognise the different age, usage and configuration of spatial environments.

Declaration of Interests

A declaration of interests is made in the full accounts. A copy of the full accounts is available from the Trust Secretary on 01442 287599.

Statement of Internal Control

A copy of the statement for 2005/06 is available from the Trust Secretary on 01442 287599.

Freedom of Information statement

The Freedom of Information Act 2000 extended the rights of individuals and organisations to access a wide variety of information from public bodies, including NHS trusts, from 1 January 2005. During 2003/04 and 2004/05, the Trust established policies and procedures to enable it to comply with the Act and to respond to requests; the Act requires a public body to respond within 20 working days.

For more information contact the Trust Secretary on 01442 287599.

Pay

The Trust applied the nationally agreed pay increase to all staff and therefore complied with the Secretary of State's requirement that pay increases for managers overall should not exceed 3.6%. The pay increase was in fact 3.225%. The Trust has a well-established Joint Consultative Committee, which provides a monthly forum for managers and staff side representatives to discuss and agree any changes to working arrangements or terms and conditions of employment.

Audit Services

The Audit Commission acts as the Trust's External Auditor. Audit fees per the 2005/06 accounts were £241,000. There were no further assurance or other audit services.

Value for Money

Hertfordshire Supply Management Confederation (HSMC) was established in April

The Board

Executive Directors

David Law:	Chief Executive, V, FP
Nigel Coomber:	Director of Operations, Seconded to Dept of Health from May 2005 NV, RM, FP
Rob Allan:	Director of HR, Trust HSE lead V, R, RM, HR
Howard Borkett-Jones:	Medical Director V, RM, CG, IG, IIYH
Gary Etheridge:	Director of Nursing, Midwifery & Quality & Risk V, RM, CG, IIYH
Carolyn Hughes:	Director of Finance V, A, RM, FP, IIYH
Simon Colbert:	Director of Estates and Facilities NV, RM, IIYH
Nick Evans:	Director of Service Redesign and Acting Director of Commissioning from June 2005 NV, FP, IIYH
Sarah Shaw:	Director of Planning/Programme Director IIYH NV, FP, IIYH

Non Executive Directors

Rosie Sanderson*:	Chairwoman V, R
Prof Thomas Hanahoe:	Appointed as Chairman in December 2005 V, FP, R
Robin Douglas:	Non Executive Director and Acting Chairman between July-November 05 V, A, RM, FP, IG, IIYH
Ailsa Bernard:	Non Executive Director V, A, FP, R, HR
Said Namdarkhan:	Non Executive Director V, R
Jane Wright:	Non Executive Director V, A, RM, CG
Martin Saunders:	Non Executive Director V, A, R, FP, IIYH

*Trust Chair, Rosie Sanderson left the Trust in June 2005, after a total of eight years service. Rosie chaired the Trust from its inception five years ago and before that chaired the former St Albans and Hemel Hempstead NHS Trust for three years.

Key:	V: Voting	RM: Risk Management
	NV: Non Voting	CG: Clinical Governance
	R: Remuneration committee	FP: Finance & Performance
	A: Audit committee	HR: Human Resources
	IIYH: Investing In Your Health Programme Board	IG: Information Governance

2002 to deliver value for money for the NHS in Hertfordshire. As such it is HSMC's vision to ensure that it provides the NHS in Hertfordshire with the right goods and services, at the right cost and at the right time by implementing best practice purchasing and supply chain management techniques, whilst also ensuring the Trusts meet their patient health care and legal obligations. In terms of the right cost, this means the lowest economic cost without compromising quality or service. Furthermore, value for money needs to take into account the whole life costs for products and services as well as processing and transaction costs incurred as part of the procurement process. HSMC have been performing this role on behalf of West Hertfordshire Hospitals NHS Trust and have delivered significant cost savings as well as process improvements during the last financial year. Cost savings of £618,000 were delivered during the year, whilst process improvements included the continued rollout of NHSLA on-line ordering system (Logistics-on-line) which has resulted in reduced paperwork in the system, increased traceability and reduced phone calls. There was also a number of standardisation projects implemented which has not only resulted in reduced product costs but will also deliver benefits in terms of standardised products and reduced inventory. During the year, HSMC formalised the Beds and Herts Supply Collaboration, which will help to deliver increased benefits for Beds & Herts Trusts through increased purchasing volumes.

Financial Review

The Trust like others in the NHS continues to face many and varied challenges, the most notable of which are the balancing of the financial position and the achievement of long term financial stability, meeting the ever growing needs, demands and expectations of patients, the delivery of high quality healthcare and the implementation of government initiatives to drive forward improvements in current performance standards, the delivery of healthcare and the reformation of funding flows within the NHS.

As in previous years the local Primary Care Trusts continued to be the prime funders of the services provided by the Trust, however the previous 'block' contracts arrangements were partly changed in 2005/06 which saw the further extension of the Payment by Results (PbR) regime with virtually all planned elective procedures being paid for on a cost per case basis using a nationally set tariff. Next year will see a further extension of PbR and a switch to Practice Based Commissioning which will provide an additional challenge to the Trust.

The financial difficulties facing the Trust and the wider Hertfordshire health economy are widely recognised and for 2005/06 the Bedfordshire and Hertfordshire Strategic Health Authority (SHA) set a target of a £19.3m control total, 'authorised overspend', for the Trust. Every effort was made by the Trust to meet this control total, however, as reported in the Income and Expenditure account on the following page, the Trust ended the year with a deficit of £26.8m.

Whilst this represents a continued worsening of the financial position, and results in an accumulated deficit of £41m which at some point must be repaid, it should be noted that the 2005/06 deficit includes the effects of an 'income loss' of £10m arising from the 2004/05 financial year as a result of the Resource Accounting and Budgeting system employed by the Department of Health and that the actual operational deficit for the year was £16.3m. (£9.97m 2004/05).

In April 2006 the Audit Commission issued a Report in the Public Interest for the West Hertfordshire Health Economy – this reviewed the financial standing of the four local Primary Care Trusts in the health economy as well as West Hertfordshire Hospitals NHS Trust and it identified that there has been historic weaknesses in financial management arrangements in all bodies.

Whilst the Auditor's report presents an accurate picture of the situation, since the initial messages were shared with the Trust this has been the main focus of attention, underpinning current strategic thinking with financial stability remaining the key to progress and along with continued quality provision of services to patients, will be the measure of the Trust's future success.

It is important to note that in respect of the above, improvements have been made within the last 12 months and that most notably in October 2005 the SHA paid for a consultancy firm, PricewaterhouseCoopers (PwC), to work with the Trust in preparing a Turnaround Plan to impact on 2005/06 financial position where possible, but more particularly to look at taking out targeted savings of in excess of £15m in 2006/07. This Turnaround Plan is now being implemented and the Trust continues to work with all partner bodies to address the issues raised through a raft of measures including service reconfiguration. In addition to the above, in January 2006, the Trust undertook a 10 week process known as the Foundation Trust (FT) Diagnostic; this process involved developing an historic financial position and forecasting it five years in to the future. The intention of the process was to see how near the Trust was

to applying for FT status. With the Trust's historic and current financial difficulties it was not surprising that the outcome was that the Trust would not be in a position to apply for FT status within the next two years.

However, the process provided the Trust with a five year financial forecast, the development of a strategic plan, and an activity/finance baseline that will be used to take the Trust's financial management, position and stability forward.

The Trust recognise that there remains room for improvement and that there are many difficult decisions to be taken in the future to achieve its desired position.

The Trust continues to work hard and collaboratively with the SHA and PCTs in implementing cost savings targeted at reducing the Trust's month on month deficit, and making plans to get back into monthly balance before 2008.

Carolyn Hughes, Director of Finance
28 June 2006

David Law, Chief Executive
28 June 2006

Statement of the Chief Executive's responsibilities as the accountable officer of the Trust

The Secretary of State for Health 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.

David Law, Chief Executive

Statement of Directors' Responsibilities in respect of the Accounts

The directors are required under the National Health Service 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 the 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 following, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

Carolyn Hughes, Director of Finance
5 July 2006

David Law, Chief Executive
5 July 2006

Summary Financial Statements

Income and expenditure account for the year ended 31 March 2006	2005/06 £000	2004/05 £000
Income from activities	174,664	197,347
Other operating income	34,535	39,359
Operating expenses	<u>(227,496)</u>	<u>(240,951)</u>
Operating Surplus (Deficit)	(18,297)	(4,245)
Profit (loss) on disposal of fixed assets	<u>(389)</u>	(4)
Surplus (Deficit) before interest	(18,686)	(4,249)
Interest receivable	578	633
Interest payable	(33)	0
Other finance costs - <i>unwinding of discount</i>	(131)	(189)
Other finance costs - <i>change in discount rate on provisions</i>	<u>(667)</u>	<u>0</u>
Surplus (Deficit) for the financial year	(18,939)	(3,805)
Public Dividend Capital dividends payable	<u>(7,846)</u>	<u>(6,173)</u>
Retained Deficit (deficit) for the year	<u>(26,785)</u>	<u>(9,978)</u>

With effect from 1 April 2005, the management of Cancer Services at the Mount Vernon Hospital transferred to the East & North Hertfordshire NHS Trust. Income relating to these services in 2004/05 was £20,929k. Expenditure relating to these services in 2004/05 was £22,201k.

Statement of total recognised gains and losses for the year ended 31 March 2006

	2005/06 £000	2004/05 £000
Deficit for the financial year before dividend payments	(18,939)	(3,805)
Fixed asset impairment losses	0	(1,954)
Unrealised surplus on fixed asset revaluations/indexation	7,063	58,278
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	<u>25</u>	<u>324</u>
Total recognised gains and losses for the financial year	(11,851)	52,843
Prior period adjustment	(0)	(4,133)
Total gains and losses recognised in the financial year	<u>(11,851)</u>	<u>48,710</u>

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Carolyn Hughes, Director of Finance
5 July 2006

David Law

David Law, Chief Executive
5 July 2006

Cash Flow Statement for the year ended 31 March 2006	2005/06 £000	2004/05 £000
Operating Activities		
Net cash inflow (outflow) from operating activities	(4,535)	8,844
Returns on investments and servicing of finance:		
Interest received	567	649
Interest paid	(1)	0
Net cash inflow from returns on investments and servicing of finance	566	649
Capital Expenditure		
Payments to acquire tangible fixed assets	(7,180)	(9,948)
Receipts from sale of tangible fixed assets	<u>4,096</u>	<u>4,547</u>
Net cash outflow from capital expenditure	(3,084)	(5,401)
Dividends Paid	(7,846)	(6,173)
Net cash inflow outflow before financing	<u>(14,899)</u>	<u>(2,081)</u>
Financing		
Public dividend capital received	14,899	2,081
Public dividend capital repaid (not previously accrued)	0	0
Net cash inflow (outflow) from financing	<u>14,899</u>	<u>2,081</u>
Increase (decrease) in cash	<u>0</u>	<u>0</u>

Balance sheet as at 31 March 2006

	31 March 06 £000	31 March 05 £000
Fixed assets		
Intangible assets	602	136
Tangible assets	<u>223,517</u>	<u>221,152</u>
	224,119	221,288
Current assets		
Stocks	3,189	3,321
Debtors	16,633	19,339
Cash at bank and in hand	<u>227</u>	<u>256</u>
	20,049	22,916
Creditors: Amounts falling due within one year	<u>(32,424)</u>	<u>(28,967)</u>
Net Current Assets (Liabilities)/Assets	(12,375)	(6,051)
Total Assets Less Current Liabilities	211,744	215,237
Creditors: Amounts falling due after more than one year	(7)	(32)
Provisions for Liabilities and Charges	(9,200)	(7,178)
Total Assets Employed	<u>202,537</u>	<u>208,027</u>
Financed by:		
Taxpayers' Equity		
Public dividend capital	152,547	137,648
Revaluation reserve	85,290	79,184
Donated Asset reserve	2,021	2,636
Income and expenditure reserve	(37,321)	(11,441)
Total Taxpayers' Equity	<u>202,537</u>	<u>208,027</u>

Income from Activities	2005/06 £000	2004/05 £000
Primary Care Trusts	162,485	192,174
Local Authorities	112	342
Department of Health	8,560	0
NHS Other		
Non NHS: - Private Patients	2,192	3,485
- Overseas patients (non-reciprocal)	418	238
- Road Traffic Act	868	1,059
- Other	29	49
	<u>174,664</u>	<u>192,347</u>

As a consequence of the introduction of Payment by Results, income is now received from the Department of Health in respect of Market Forces Factor and Transitional Relief.

Road Traffic Act income is subject to a provision for doubtful debts of 10.6% to reflect expected rates of collection.

Other Operating Income	2005/06 £000	2004/05 £000
Education, training and research	9,764	13,952
Charitable and other contributions to expenditure	15	606
Transfers from donated asset reserve	692	548
Income generation	3,066	3,330
Other income	20,998	20,923
	<u>34,535</u>	<u>39,359</u>

Income Generation comprises income from the Pharmaceutical Packaging Assembly Service of £1,562k, staff accommodation £454k, Bishopswood Hospital £295k, car parking income £630k and other income generation of £125k.

Other income comprises Estates services of £491k, services provided to other Hertfordshire Trusts £10,660k, services provided to other NHS bodies £3,532k, and miscellaneous income £6,315k.

Management costs	2005/06 £000	2004/05 £000
Management costs	10,009	10,231
Income	209,199	236,706
Percentage of Management costs to turnover	4.81%	4.36%

Management costs are defined as those on the management costs website at:
www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en.

Better Payment Practice Code

Better Payment Practice Code - measure of compliance	2005/06 Number	2005/06 £000
Total Non-NHS trade invoices paid in the year	76,129	64,942
Total Non NHS trade invoices paid within target	23,523	20,144
Percentage of Non-NHS trade invoices paid within target	31%	31%
Total NHS trade invoices paid in the year	2,890	16,567
Total NHS trade invoices paid within target	395	4,616
Percentage of NHS trade invoices paid within target	14%	28%

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. During 2005/06 the Trust extended creditor payment terms to assist in the management of cash flows which were negatively affected by the Income and Expenditure account deficit.

Profit (Loss) on Disposal of Fixed Assets

	2005/06 £000	2004/05 £000
Profit/loss on the disposal of fixed assets is made up as follows:	0	0
Profit on disposal of land and buildings		
Loss on disposal of plant and equipment	(389)	(4)
	<u>(389)</u>	<u>(4)</u>

Audit Fees

	2005/06 £000	2004/05 £000
Audit Fees	241	222
	<u>241</u>	<u>222</u>

These fees represent work carried out by the Audit Commission in respect of statutory audit of the Trust's financial statements and other work undertaken for statutory activities under the Code of Practice.

A copy of the full Accounts is available on the Trust's website or from the Trust Secretary on 01442 287599.

A full copy of the Remuneration Report is available from the Trust Secretary on 01442 287599.

Salary and Pension entitlements of senior managers

Remuneration and Pension Benefits 2005/06	Salary (bands of £5,000)	Benefits in Kind Rounded to the nearest £100	Real increase in pension and related lump sum at age 60 (bands of £2500)	Total accrued pension and related lump sum at age at 31 March 2006 (bands of £5000)
Title and Name	£000		£000	£000
2005/06				
Chairwoman: R. Sanderson (left 12/06/05)	1 - 5	0	-	-
T. Hanahoe (commenced 1/12/05)	5 - 10	0	-	-
Chief Executive: D. Law	115 - 120	21	5 - 7.5	125 - 130
Non-Executives				
S. Namdarkhan	5 - 10	0	-	-
R. Douglas (acting Chairman for 5 months)	10 - 15	0	-	-
A. Bernard	5 - 10	0	-	-
M. Saunders	5 - 10	0	-	-
J. Wright	5 - 10	0	-	-
Directors				
I. Campbell, Chief Operating Officer (commenced 28/2/06)	5 - 10	0	0 - 2.5	125 - 130
C. Hughes, Director of Finance	90 - 95	29	7.5 - 10	100 - 105
G. Etheridge, Director of Nursing	80 - 85	23	2.5 - 5	85 - 90
S. Colbert, Director of Estates and Facilities	70 - 75	0	2.5 - 5	5 - 10
S. Shaw, Director of Planning (commenced 1/4/05)	75 - 80	22	12.5 - 15	20 - 25
H. Borkett-Jones, Clinical/Medical Director*	180 - 190	0	22.5 - 25	235 - 240
N. Evans**				
R. Rawlinson**				
Consent to disclosure withheld:				
R.Allan, Director of Human Resources				
J Biggs, Interim Director of Operations				
*Includes sums paid for clinical post **Costs borne by other NHS bodies				

For the purpose of this note, senior managers are defined as being the Chief Executive, Non-Executive Directors, Executive Directors and Non-Voting Directors.

Financial Performance Targets

The Trust's breakeven performance for 2005/06 is as follows:	2002/03	2003/04	2004/05	2005/06
	£000	£000	£000	£000
Turnover	210,257	215,098	236,706	209,199
Retained surplus/(deficit) for the year	11,668	(4,652)	(9,978)	(26,785)
Break-even in-year position	11,668	(4,652)	(9,978)	(26,785)
Break-even cumulative position	198	(4,454)	(14,432)	(41,217)
- Anticipated financial year of recovery				2008
Materiality test:				
- Break-even in-year position	5.55%	(2.16%)	(4.22%)	(12.80%)
- Break-even cumulative position	0.09%	(2.07%)	(6.10%)	(19.70%)

Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £7,846k, bears to the average relevant net assets of £202,904k, that is 3.9%. The 3.9% is within the Department of Health's materiality range of 3.00% to 4.00%.

Auditor's Report

Independent auditor's report to the Directors of the Board of West Hertfordshire Hospitals NHS Trust on the summary financial statements

I have examined the summary financial statements set out on pages 13 to 15 excluding the note entitled 'Financial Performance Targets' as this is specifically excluded from my opinion.

This report is made solely to the Board of West Hertfordshire Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of directors and auditor: The directors are responsible for preparing the Annual Report. My responsibility is to report to you my opinion on the consistency of the summary financial statements within the Annual Report with the statutory financial statements. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the summary financial statements.

Basis of opinion: I conducted my work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board.

Opinion: In my opinion the summary financial statements are consistent with the statutory financial statements of the Trust for the year ended 31 March 2006.

Rob Murray

District Auditor

Date: 15 September 2006

Address: Audit Commission, Sheffield House, Lytton way, Off Gates Way Stevenage Herts SG1 3HG

For further information please call 01442 287620

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Watford General Hospital

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Watford
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Tel: 01923 244366



St Albans City Hospital

Waverley Road
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Hemel Hempstead General Hospital

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