

Agenda Item 88/10

Annual Report 2009/10

draft – v3

Welcome by Chief Executive and Chair

As we moved in to 2009/10, there was an undeniable level of optimism in the Trust. Performance against all national targets had been sustained and we were now compared to some of the best hospitals in the country. We had established a robust and stable financial position, producing a surplus for the third year running, meaning that the Trust has cleared its historical financial debt – a fantastic performance.

The Trust rose from being rated by the Healthcare Commission (HCC) as 'Weak' in 2005/06 and 2006/07, to Fair in 2007/08 and Good in 2008/09, a remarkable achievement by the staff in consecutive years. The inspection system changed in 2009/10 with the creation of the Care Quality Commission (CQC) to replace the HCC. It is not clear exactly how the new registration process will be rated, but on our calculation, our rate of improvement has been sustained and we would be rated as good or even excellent for 2009/10.

A year on since the centralisation of acute services on to one site and perhaps a time to reflect on whether it worked. The answer is an emphatic yes! Not only did we see the safe & successful transfer of emergency and acute services on to one site, we also saw the opening of a new 120-bed emergency admissions building, known as the Acute Admissions Unit, attracting national interest from other Trust and collected two national building awards.

Our mortality rates have fallen across all specialties, making our hospitals amongst the safest in the country. This was recognised nationally with the Trust's reaching the finals of the Health Service Journal Acute Hospital Provider of the Year, narrowly missing out on the first prize. We have more work to do to continue to improve the services we provide. We know, for example, that we have not performed well in recent patient experience surveys and we are working hard to make improvements in this area.

We all know that the country faces uncertain economic times and that there will be a reduction in public spending. Health will not be exempt from these pressures and this poses a challenge for us. What the Board has made absolutely clear is that, however savings are made or efficiencies achieved, patient safety will not be compromised. The Trust is proud of its staff and of its sustained and significant improvements achieved by the determination, professionalism and creativity of people working in and with the Trust. We will continue to deliver high level services for the people of west Hertfordshire.

Signatures

Thomas Hanahoe
Chair

Jan Filochowski
Chief Executive

Introducing the Trust

The West Hertfordshire Hospitals NHS Trust was created on 1 April 2000 and is one of eighteen acute and specialist trusts in the East of England Strategic Health Authority. The Trust manages three hospitals; Hemel Hempstead Hospital, St Albans City Hospital and Watford General Hospital. The population covered by the Trust is approximately 500,000 and it is one of the largest employers in west Hertfordshire, employing around 4,000 people, plus 548 volunteers.

During 2009/10:

75,675 people attended A&E (on average, more than 200 a day)

14,015 people attended the Minor Injuries Unit

24,494 people attended the Urgent Care Centre

374,652 people attended Outpatient Departments (more than 1400 a day)

76,724 people attended as inpatients and day cases

5,602 babies were born in hospital (plus 162 home births)

Watford General Hospital

Watford General Hospital is a large acute hospital with a new 120-bed Acute Admissions Unit (AAU) offering first class emergency care. The emergency service is supported by a state-of-the-art Intensive Care Unit, a Children's Emergency Department and two Catheterisation Laboratories. Watford also provides a full range of other services, including maternity, outpatients, specialist wards and sexual health.

Hemel Hempstead Hospital

Hemel Hempstead Hospital is a local general hospital which has recently undergone a significant £7million redevelopment programme to improve the general environment for patients and staff. It provides a wide range of outpatient services, intermediate care, tests and investigations. It also offers a GP-led urgent care and out of hours health service.

St Albans City Hospital

St Albans City Hospital is the Trust's Elective Centre. It is a local general hospital offering a wide number of services, including elective care, minor injuries and breast care. The hospital also provides a wide range of diagnostics, outpatients, sexual health and ophthalmology facilities.

The Trust's vision

The Trust's vision is to embody in its hospitals all the principles, values and the sense of service that created the NHS by providing consistently good, safe care in a friendly, listening and informative way, as and when people need and want it and always with dignity and respect.

Our Pledge to Patients

The Trust is committed to providing the right services, buildings and staff to deliver care 24 hours a day, 365 days a year. Our Heart of Herts Pledge to patients was launched in 2008 and has had real influence on the way our patients experience their time with us.

The Trust Board



Back row from left to right: Russell Harrison, Director of Delivery; Sarah Connor, Non-Executive Director; Mahdi Hasan, Non-Executive Director; Stuart Lacey, Non-Executive Director; Katharine Charter, Non Executive Director; Anna Anderson, Director of Finance; David McNeil, Director of Communications and Corporate Affairs; Nick Evans, Director of Partnerships.

Front row from left to right: Sarah Childerstone, Director of Workforce; Colin Gordon, Non-Executive Director; Colin Johnston, Medical Director; Jan Filochowski, Chief Executive; Thomas Hanahoe, Chairman; Robin Douglas, Non-Executive Director.

Not shown Sarah Wiles, Director of Strategy and Infrastructure.

Welcome to new members of the Trust Board

Dr Colin Johnston, a Consultant in General Medicine, Diabetes and Endocrinology at Hemel Hempstead and St Albans hospitals since 1989, was appointed as the Medical Director and Director of Patient Safety in November 2009

Anna Anderson took up the role of Director of Finance in January 2010. Anna was previously the Finance Director at the Homerton NHS Foundation Trust and has many years experience working in the NHS.

Natalie Forrest will be joining the Trust as Director of Nursing in June 2010. Natalie began her career as an intensive care nurse and was previously the Director of Nursing at Newham University NHS Trust.

Sarah Connor joined the Trust as a Non-Executive Director in December 2009. Sarah's background is in Chartered Accountancy and for the past two years Sarah was the Business Finance Director for Enforcement & Compliance in HM Revenue & Customs.

Do you want to know more about the Trust?

For members of the public interested in the detail of how the Trust functions on a day-to-day basis, the best place to start is the Trust website www.westhertshospitals.nhs.uk, which has lots of background information. The Trust Board meet in public six times a year and any member of the public is very welcome to attend as an observer. Dates can be found on the homepage of the website. The website also provides board agendas and minutes, as well as detailed papers which support the decision making process.

Changes prove a success

Image

Over the last year the Trust has successfully managed a significant improvement in delivery of its services. In March 2009 the Trust transferred all acute services from Hemel Hempstead to Watford and opened a new 120-bedded Acute Admissions Unit (AAU). These major service changes were delivered safely with minimum disruption to patient care and managed on time and on budget.

The Trust undertook an internal review of the first 100-days following the changes and the opening of the AAU. This review concluded that the Trust was providing care which compared favourably with that of other similar acute trusts. Although bed numbers had reduced and activity had increased, the Trust had been able to maintain its key performance targets, and in some cases, even improved on them. The review also reported that the majority of emergency patients were being seen within thirty minutes and patients had much better access to specialist services, such as stroke and vascular care. Fewer patient deaths had been reported and fewer patients were being readmitted following discharge, which meant that, as predicted, patients were being admitted, diagnosed, treated and discharged quickly and appropriately.

At the same time, a major £7million redevelopment programme got underway at Hemel Hempstead to significantly improve the environment by providing high quality, up-to-date facilities. To avoid fragmentation of services following the transfer of acute services to Watford, some buildings on the Hemel Hempstead site were vacated and secured and appropriate services, including inpatient beds, were relocated into the newest hospital building, Verulam Wing. In addition, a new purpose-designed Outpatients Department, including a state-of-the-art Audiology Department, opened to patients in September 2009. A new West Herts GP led Medical Centre also opened on the Hemel Hempstead hospital site in June 2009.

Feedback from patients has also been very encouraging. As part of the 100 day review, 200 patients were contacted following their discharge from the Acute Admissions Unit and the response was resoundingly positive. However, the review did highlight a number of areas that needed changing and a Service Improvement Group was established to ensure progress was made.

West Herts on display

Images

Over 2009/10 the word spread about the changes that had been made in west Hertfordshire and, in particular, the success of the new model of emergency care that the Trust was offering. Sir David Nicholson, Chief Executive of the NHS paid a return visit to Watford General in January 2009. Sir David had previously visited Watford in early 2008 and at that time had said that the changes the Trust were about to make were some of the biggest changes happening anywhere in the NHS. During his visit in January 2009, Sir David spent time talking to staff about the new model of care and commented, "Most of the good practices that I see demonstrated up and down the country can be found here at Watford General. Patients get a top drawer service."

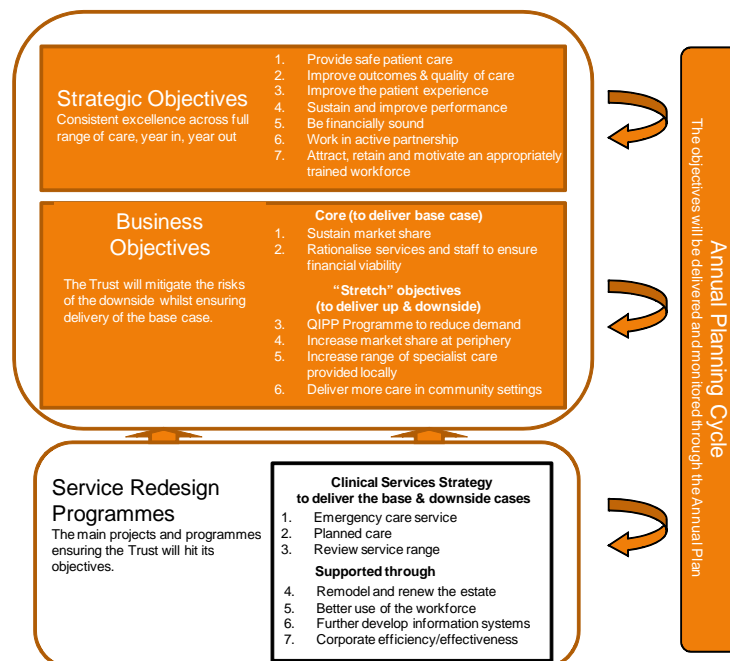
In June 2009 the Trust's two new Cardiac Catheterisation Laboratories at Watford were formally opened by Professor Sir Bruce Keogh, Medical Director of the NHS and Professor Roger Boyle, National Director for Heart Disease and Stroke. The new enhanced facilities enable the Trust to continue to provide an emergency keyhole technique called primary percutaneous coronary intervention. At the official opening Professor Roger Boyle remarked, "Primary angioplasty is the international gold standard of heart attack treatment and the new facilities at Watford will undoubtedly save lives."

The Trust was also delighted to welcome the then Secretary of State for Health, Rt Hon Andy Burnham, to Watford in February 2010 to officially open the new Acute Admissions Unit. During his visit the Health Secretary had a tour of the new facilities, met patients and staff and commented: "I was very pleased to be able to see firsthand how the new improved model of care works and to hear from the dedicated staff who are providing excellent medical care, how this system really benefits their patients." (Picture?)

Improving our services for patients

What the Trust sets out to achieve

At the beginning of 2009/10, the Trust agreed a number of high level strategic objectives. These were to provide safe patient care, improve the outcomes and quality of that care, improve the patient experience and sustain and improve its performance. During the year the Trust introduced a number of measures to achieve these objectives and some these are highlighted below.



Images

Re-engineering Pharmacy Services

The Pharmacy Service centralised to the second floor of the new Acute Admissions Unit (AAU) at Watford in early 2009. The centralised department includes a new production unit, store and dispensary that incorporate a state-of-the art robotic dispensing system. The service has also extended its opening times to seven days a week and introduced a Patient Medication Helpline.

Improving Discharge

The Trust recently opened a new discharge lounge for patients who were medically fit to leave a hospital ward, but who needed to wait for medication or transport before being discharged from hospital. A review of the discharge process highlighted two main areas for improvement, one about the time to finally leaving the hospital and the other that patients were bored.

A number of changes were made including involving volunteers to support patients, providing daily newspapers and weekly magazines and improving the quality of the television reception. An information leaflet and posters were developed that explained the discharge process and the time patients may have to wait in the lounge. A significant reduction was also made in the waiting times for medication and patient transport.

Improving the Outpatient Experience

Following extremely disappointing results in the National Outpatient Survey 2009/10 an in-depth review was launched into the Outpatient service. Staff who deliver the service worked closely with patients to highlight the problem areas and to find solutions. Some of these measures included:

- Improvements to the outpatient environment
- Uniforms for frontline staff
- Improvements to storage and distribution of health records
- Better external signage to the outpatient department
- A patient queuing system at some booking-in desks
- New and updated outpatient information on the website
- A new outpatient telephone system at St Albans
- A reminder card for patients to jot down any questions they would like answered during their visit

The outpatient service review and subsequent changes will continue in 2010 and the Trust is confident that the results of the next National Outpatient survey will show a significant improvement in the service.

New Cancer Information and Support Centre at Watford

Macmillan Cancer Information and Support Service opened in the newly refurbished main reception at Watford in December 2009. This new service provides vital information and support for anyone living with cancer, their relatives and friends and gives free information and support in a relaxed and informal environment. Patients and their carers can also find out about available financial support, counseling, support groups and other local services.

Digital mammogram

Breast care patients in west Hertfordshire are now benefiting from a new state-of-the-art digital mammogram which opened in September 2009 at the Breast Unit in St Albans. This machine, one of the first of its kind in the East of England, allows radiographers to better detect small subtle abnormalities in the breast tissue and reduces the need to recall patients for additional views.

One stop clinics

The introduction of One Stop Clinics into the Oral Surgery Service at Watford has made the service much quicker, easier and more convenient for patients. Since the introduction of the new One Stop Clinics in May 2009, patients requiring surgery now meet up with the Waiting List Coordinator immediately following their outpatient appointment to agree a date for their surgery.

Watford Health Campus moves forward

During 2009/10 detailed viability studies concluded that the Watford Health Campus, which includes a new hospital, is commercially viable, even in the current economic climate. Initial negotiations for the scheme have been concluded with the Borough and County Councils, which means that Watford Borough Council is now in a position formally to grant outline planning permission for the Health Campus. The stakeholders also expect to commence the process to procure a development Partner in 2010.

The Trust's relationship with its partners in the Watford Health Campus, including Watford Borough Council, East of England Development Agency, Watford Football Club and other NHS Trusts, remains very strong. This partnership working means that the plans for a new link road giving dual carriageway access from the M1 are moving towards delivery. Further good news on the transport front is that prospects have improved for the Croxley Rail link, which could now be in place by 2014.

Setting Standards

Images

Improving patient safety

The Trust takes patient safety extremely seriously and is continually looking at ways to raise a positive safety culture and implement improvements. Listed below are some of the measures that the Trust has put in place over the last year.

- The Trust signed up to the Patient Safety First Campaign, which looks for examples of harm, examines the causes and learns how to avoid future incidences. As part of this campaign, the Trust has introduced a new Modified Early Warning Score (MEWS) in all its general ward. This simple, physiological score system helps ward staff to identify when to call for specialist advice and aims to prevent delay in intervention or transfer of critically ill patients.
- To reduce the risk of patient identification issues, the Trust is currently installing electronically printed wristbands including full name, date of birth, NHS and hospital numbers.
- A new national surgical safety checklist has been introduced into the Trust's operating theatres to help reduce the number of patient safety incidents relating to surgical procedures.

Dealing with Complaints and Appreciation

Complaints are taken seriously and every effort is made to resolve them at a local level following a thorough and impartial investigation into the root cause of patient concerns. The Trust has reviewed its complaints policy and processes this year and has further strengthened them to ensure that it has better assurance that agreed actions are implemented. Performance on acknowledging and responding to complaints is now consistently high.

During the year the Trust received 539 complaints that resulted in formal responses from the Chief Executive. This number accounts for less than 1% of the total number of patients seen in the Trust during the year. The key themes of complaints for the past year have related to clinical treatment, staff attitude, admissions, discharge and transfer arrangements and finally communication and information to patients.

Over the last year, as a direct result of complaints, the Trust has made a number of changes to:

- the way in which all day lists for day surgery procedures are managed,
- the communication with GPs in respect of the outcomes of certain radiological reports
- the hot meal service on Level 1 of the Acute Admissions Unit.

During 2009/10, the Trust received many hundreds of letters, cards, notes and small gifts complimenting the standard of service provided by its staff.

Managing Risk

In November 2009 an Integrated Risk and Governance Committee was established as the key risk scrutiny committee which provides assurance to the Board about the processes to manage risk in the Trust. A governance audit by the Trust's internal auditors gave the Board 'Significant' assurance that the management of risk was robust.

In February 2010, the Trust's acute services were assessed against the National Health Service Litigation Authority's (NHSLA) standards at Level I and achieved a comprehensive 50 out of 50 score. The Maternity Service was assessed via the clinically focused Clinical Negligence Scheme for Trusts (CNST) Standards and as a result the Trust was elevated from Level I to Level II. The Trust believes it has developed a solid foundation for risk management practice, which will be maintained and further improved to ensure full embedding of risk management practice from Ward to Board.

Serious Untoward Incidents

Through its clinical governance processes the Trust seeks to reduce the occurrence of adverse events. In the rare circumstances in which a serious incident occurs, these are reported to the Strategic Health Authority in accordance with the Trust's Serious Untoward Incident Policy. All incidents are properly investigated and action taken to improve clinical quality and to learn lessons in order to minimise the risk of similar incidents occurring in the future.

The Trust's Serious Untoward Incident Policy is currently being updated to incorporate the "Being Open" framework. The new framework is a best practice guide for all healthcare staff and offers information and advice on how to communicate open and honestly with patients, their families and carers following a patient safety incident.

Central Alerting System

This year the Trust has reviewed and improved its processes for implementing actions in response to national alerts issued by the Central Alerting System. Alerts could include issues of health and safety, medical devices, medicines and aspects of clinical care. The Trust is confident that it has a robust monitoring system in place to ensure that timescales for implementing alerts are met, responsibilities are assigned and progress is reported to the committee with responsibility for patient safety.

Slips, Trips and Falls (STFs)

The Trust has reported an impressive overall drop of 38.3% of serious reported incidents with the lowest reported number for the past five years. Incidences of STFs are also down to an all time low of just 26 in 2009 (14 staff and 12 patient) compared to 45 in 2008 (29 staff and 16 patient). This is good news as it demonstrates the effectiveness of the Trust's Health and Safety prevention measures.

Major Incident plan

The Trust's Major Incident Plan is currently being redrafted to reflect the relocation of some of the Trust's services. The new plan incorporates new command and control structures and responsibilities and will provide Trust staff with clearer instructions as to their roles during a major incident.

Pandemic Influenza

Following the identification of Swine Flu (H1N1) in Mexico in April 2009, the Trust implemented its Pandemic Flu Plan in line with national guidance. Over the following ten months, a Silver (operational) Command group was established to co-ordinate the Trust's response to the escalating situation. Chaired by the Director of Delivery, the group met frequently to gather information on the current situation and plan future actions. The Trust worked closely with the Hertfordshire Swine Flu Co-ordinating Group, hosted by NHS Hertfordshire.

In the initial stages of the outbreak the Trust saw many suspected swine flu cases, some of which required admission; however the majority of patients' symptoms subsequently proved to be unrelated to swine flu. The Trust reported two deaths, both patients having been admitted with swine flu with other underlying medical conditions. In line with national guidance, Silver Command was stood down in February, although planning for a potential further outbreak is still ongoing.

Business Continuity Plans

The Trust's Business Continuity Plans were tested a number of times this year, namely during the Pandemic Flu episode as mentioned above and also when the country experienced several bouts of unprecedented severe weather. The winter months always put pressure on the Trust, but this year the inclement weather added an additional strain, with the largest number of ambulances ever turning up at A&E. However, thanks to the dedication and commitment by staff all services were kept running with minimal disruption to patients.

To stress test its Business Continuity Plans, the Trust took part in an exercise in April 2010, which involved 41 other NHS Trusts in the East of England, as well as the Police and the Fire and Rescue services. The exercise tested if health Trusts had appropriate business continuity plans in place to continue to provide services during a national major disruption, such as a fuel crisis.

Fuel Plans

The Cabinet Office has reissued a national plan for fuel shortages, and as such the Trust has developed its own local fuel plan.

Emergency Planning – embedding the plans

Public and staff will be able to access the Trust's emergency plans via the Trust website. Over the next year, these plans will also be incorporated into the Trust's induction program for new staff and formal emergency preparedness training will be developed for staff that have been identified as key first responders.

Our Achievements

Images

The Trust was awarded a rating of 'good' for the use of resources and 'fair' for the quality of its services by the Care Quality Commission (CQC), the national regulator for NHS services, in October 2009. This showed a further improvement in the Trust's overall performance compared to previous years.

Furthermore, in April 2010 the Trust met all 16 of the Care Quality Commission's core standards and received unconditional registration in the new system that replaced the Standards for Better Health assessment. This means that the CQC is fully satisfied that the Trust provides safe, high quality care.

Meeting targets

The Trust's performance is monitored by the West Herts Primary Care Trust (PCT), the Strategic Health Authority (SHA), the Department of Health (DH), and The Care Quality Commission (CQC). Each body uses a slightly different set of indicators, but there is a core group used by all of them. The Trust's performance against these is summarised below:

Indicator	National Standard	West Herts Rating
A&E maximum wait of 4 hours	98%	Underachieved
MRSA bacteraemias	Trust target <18	Achieved
Incidence of C Difficile	Trust target <165	Achieved
Maximum wait of 18 weeks referral to treatment:		
Admitted Patients	>90%	Achieved
Non-admitted patients	>95%	Achieved
All cancers – 2 week maximum wait for urgent GP referrals	>93%	Achieved
All cancers – maximum wait of 31 days from referral to treatment	>97%	Achieved

The major reductions in infections and the delivery of the 18 week maximum wait targets achieved in 2008-2009 have been sustained and performance further improved during the year. Unfortunately, sustained high levels of activity over the winter period combined with poor weather conditions had an impact on the Trust's A&E services resulting in a performance of 97.8% (an 'underachievement' against a target of 98%) over the year as whole.

Improving the environment

The Trust received excellent results in the annual Patient Environment Action Team (PEAT) assessments, which are independently published by the National Patient Safety Agency. All three hospitals were rated as 'good' for the privacy and dignity afforded to patients. Furthermore, the food at Watford was assessed as 'excellent', which is the highest rating possible and St Albans and Hemel Hempstead were both assessed as 'good'.

Fighting infection

Huge efforts have been put into tackling instances of healthcare-associated infections in our hospitals over the past year. Hand washing gels are prominently available at the bedside, in all departments and at the entrances and exits to wards and other clinical areas. The Trust's Infection Control Team proactively visit clinical areas on a daily basis to audit and offer staff support and the team also run regular staff training courses, which are well attended. These

actions have enabled the Trust's infection levels to continue to be amongst the best in the country.

Becoming closer to being a Foundation Trust

The application process to become a Foundation Trust is extremely rigorous and ensures that the Trust's governance arrangements, finances and future plans are fit for purpose and robust. The Trust expects to be put before the Department of Health Applications Committee in the summer of 2010. Foundation Trust status means that the Trust will:

- Have Members and Governors whose views will contribute to future planning, giving the Trust a better understanding of local needs
- Have more financial control locally

The Trust has a very engaged and representative membership enabling a better dialogue with people using its services. It has well over the required 5000 Public Members (1% of the population the Trust serves) and all Trust staff are also Members. The Trust is particularly proud of the diversity of its membership and of the recruitment of young people and those in hard to reach and seldom heard groups.

Membership is free and people can join by phone, post or online. Members can stand for election as Governors and join the Governing Council, which will contribute to planning the future direction of the Trust. For further information on the Trust's plans to become a Foundation Trust or to become a Member please go to www.westhertshospitals.nhs.uk/ft.

Gaining recognition

Throughout 2009/10 the Trust and its staff received local and national recognition: (Photos)

- The Trust was "highly commended" under the Acute Healthcare Organisation of the Year category in the prestigious Health Service Journal Awards scheme.
- The Trust was also shortlisted in two other categories, Using Data to Improve Care and Workforce Development
- The design and construction of the Acute Admissions Unit won two prestigious building industry awards for its groundbreaking healthcare project
- Four midwives from the Maternity Unit at Watford were nominated for the Mama's and Papa's Midwife of the Year 2009 Award, the only publicly voted midwifery award scheme
- Dr Ashish Bhagat, a Consultant Radiologist at Watford, was short listed for the development of a unique data based intelligence system in the National GC awards 2010: *Rewarding excellence in public sector IT*
- An independent survey of hospitals published by Dr Foster in November 2009 awarded the Trust a Band 4 rating for patient safety, with a 5 being the highest rating overall
- The Trust's Practice and Innovation Team was shortlisted for a People's Dignity Award run by the East of England's Health and Social Care Awards. This award recognised the efforts of "shop floor" nurses to improve the patient experience
- Dr Val Page, Consultant Anaesthetist was awarded a prize by the European Delirium Association and also won first prize at the West Herts and Watford Medical Society for her work around delirium
- Dr Tammy Angel and Specialist Nurse Anne Carroll won acclaim from the Bupa Foundation for their work in decreasing the number of unnecessary catheterisations.

The Environment and Sustainability

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The Trust recognises that its day to day activities affect the environment in a number of ways and is taking steps to control its energy use, taking into consideration the NHS Carbon Reduction Strategy published at the end of May 2008.

The Trust Board approved an updated Estates Strategy in January 2010. This Strategy, clearly describes how the Trust's estate and built environment will meet the Trust's vision, respond to service needs and comply with statutory legislation and guidance over the next five years. The Strategy will be further complimented by an annual Estate Plan that will describe overall progress and identify a clear work programme for the year ahead within the overarching strategy.

During 2009/10 the Trust undertook a comprehensive review of its carbon reduction commitment and has developed an action plan. The implementation of this plan will ensure that the Trust meets the challenges of carbon reduction, avoid financial penalties and strive to establish itself as a leader within the NHS.

In addition the Trust has taken a proactive approach towards carbon reduction, including the formation of an Energy Group within the Estates Department that meets monthly to discuss energy reduction measures that are planned and in progress. One of the boldest proposals is to reduce the Trust's CO₂ emissions with the replacement of existing main boilers with Bio Mass alternatives. In December 2009, the Trust Board approved this project to proceed to a preferred bidder stage, and subsequently four companies have been invited to present proposals. On completion of this project the Trust would expect to significantly reduce its CO₂ emissions.

During the year the Trust has greatly improved its waste management service in a number of ways across all three of its hospitals sites. These include:

- The introduction of a mixed dry recycling service, which includes all paper, cardboard, plastic bottles and glass
- Better segregation of clinical waste from general domestic waste
- The launch of a battery recycling service

The Trust's Environmental Strategy will be developed further in 2010/2011 with the setting up of an Environment Task Group, championed by a Non Executive Director. The group will prepare, develop and implement the Trust's environmental policy. The policy will incorporate:

- Continuing to develop and implement the green travel plan for Watford hospital, and develop plans for St Albans and Hemel Hempstead hospitals
- Reducing the use of energy and utilities through awareness training
- Improving the efficiency and effectiveness of waste management systems.

Listening to our patients

Images

National Inpatient Survey 2008/09

In 2007 the Trust was in the worst 20% of trusts in six of the eight domains measured, whereas in the latest 2008 survey, the Trust had reduced this to only two, “leaving hospital” and “operations and procedures”. Significantly, the Trust moved out of the bottom 20% in terms of patients’ overall feelings about the Trust and also had moved from being the worst performing Trust in the East of England to a position near the middle of the table. The results are encouraging, showing an across the board improvement in patient experience, but also telling the Trust it still has significantly more to do.

Patient Advice and Liaison Service (PALS)

The Patient Advice and Liaison Service continues to be an essential part of the service provided for patients, carers and members of the public. The PALS office at Watford relocated this year into new accommodation in the main reception area to allow the service to be more patient-centred and accessible. During 2009/10, the PALS team dealt with a total of 957 reported concerns, as well as making over 7621 calls to patients relating to the 48 hour post-discharge project.

Reputation Audit

During the months of August and September 2009 the Trust conducted a reputation audit, to assess how the Trust is viewed locally and to help plan strategic measures to build on its public reputation. A total of 139 people were surveyed face-to-face and via the Trust website from all areas of west Hertfordshire and across a wide section of age range and ethnic groups. The overall survey results showed that local people rate the Trust positively, mainly based upon their own and their family and friend’s experience. 89% rated the services overall at the Trust as ‘fair’ to ‘very good’ and they are generally confident about the quality of services they receive.

In the subsequent months, a reputation management and staff motivation programme was launched and a further audit will be undertaken during April 2010 to assess the impact and effectiveness of the programme on the reputation of the Trust, both externally and internally.

Patients’ Panel

The Patients’ Panel continues to play an active part in the Trust. This year the Panel has recruited two new members who now work alongside their colleagues and show the same remarkable enthusiasm and commitment that the Panel have shown since it was formed in 2002. The Patients’ Panel is linked into a range of committees and projects, including PEAT inspections and the reviewing of all patient information to ensure it is ‘patient-friendly’.

Innovation on our wards

A raft of new initiatives and pilot schemes have developed on our hospital wards during 2009/10. Some of these are highlighted below:

Images

Improving privacy and dignity

Between April and June 2009, a £1.5m programme, funded by the Department of Health, took place to eradicate mixed sex accommodation in the Trust. Over 100 toilets and showers were refurbished with modern, high quality wet rooms. A second stage of the programme took place in February to March 2010, which has now virtually eliminated mixed sex accommodation in all areas of the Trust. The way the Trust managed this programme, on time and on budget with minimal disruption to patients, received national recognition and the template has since been followed by other NHS health trusts.

The Productive Ward Programme

The Productive Ward Programme, sometimes referred to as Releasing Time to Care, has been introduced in 2009/10. This service improvement initiative increases the amount of time clinical staff spend directly caring for patients. A series of modules seeks out ways to eliminate areas of 'waste' by ensuring that the right things get to the right places at the right time in the right quantities. Examples of 'waste' could be requesting unnecessary tests or equipment, asking patients for their details several times over, Moving staff around unnecessarily and re-admission of patients due to failed discharge. The programme has already brought about some significant improvements, including reducing short term sickness rates on one ward from 9% to 4% and improved observation reliability audits by 40% in another ward. The programme will be rolled out across the organisation during 2010/2011, which will undoubtedly lead to further improvements in the patient's experience.

Silent Night Project

A new initiative called 'The Silent Night Project' was developed and implemented this year which aims to reduce noise at night on wards. Noisy bins, telephones ringing and moving and admitting patients during the night have all been highlighted by patients as things that disturb their sleep when on the ward. Measures will be put in place to address these issues and allow patients to have a good night's sleep.

Our Staff

New beginnings

As 2008/2009 was a year of change for staff, 2009/10 was a year of building new relationships and consolidation. The service moves across all three sites have impacted significantly on staff, but the changes have been managed amazingly well by staff at every level in the organisation. The Trust held a 'Thank-You' week in May 2009 to acknowledge the enormous effort staff had put into making the changes happen.

Celebrating success (Photos)

Once again, the annual combined Long-Service and Staff Awards for Excellence ceremony in December 2009 proved a great success. Over a hundred staff and invited guests attended the award ceremony with many staff being recognised for their continued commitment to the Trust, ranging in years from fifteen to forty. Awards were also presented to the winners and finalists in the Staff Awards for Excellence Scheme, in the following categories:

- Team of the Year
- Employee of the Year
- Exceptional Patient Care/Service Award
- Volunteer of the Year
- Unsung Hero of the Year

Listening to staff

The results of the staff survey for 2009/10 were published in March 2010, which recognises that, whilst the Trust is still not up there with the best in the country, it has made strides in creating a better place for staff to work. The single biggest improvement was in staff motivation, but staff do feel under greater pressure and this is in line with the increased pace of the organisation. The Trust is working on how it can support staff to enable them to do their very best while at work.

Staff wellbeing

During the year the Trust has developed a Health and Wellbeing Plan with a focus on spiritual and mental wellbeing, as well as the more traditional physical wellbeing. This has been well received and supported by staff.

Along with most NHS Trusts, absences due to stress and musculo-skeletal disorders (MSD) make up a major proportion of the reasons why staff have to take time off work. Particular attention has been given to fast track the Occupational Health service for those staff suffering with stress and this has resulted in a 30% reduction in these absences. There is more work to be done on MSD and the Trust is hoping that it will be able to provide a fast track treatment to physiotherapy in 2010/2011.

Equality and Diversity

The Trust remains committed to delivering equality of opportunity for staff, patients and other service users. Its Equalities Framework, including the Race Equality Scheme (RES), the Disability Equality Scheme (DES) and the Gender Equality Scheme (GES) is at the heart of the drive to achieve this. Over the past year, Wellbeing at Work advisers have continued to support staff with any sort of disability that impacts on them at work and an Equality and Diversity Lead is in the process of being appointed to work as part of the Patient Services Team. The Trust's "Connect" BME Staff Network has also met regularly over the past year and a number of events have been organised, including a week of menus from different parts of the world being available in the restaurant at Watford.

Training

The Trust's Leadership Academy continues to thrive. One of the flagship programmes was shortlisted for the Health Service Journal (HSJ) Workforce Development Initiative of the Year award. While it didn't win, it was a great fillip to have the excellent work of the Academy acknowledged on a national stage. Over the past year, 118 members of staff Band Levels 1 – 4 undertook an accredited qualification, such as a National Vocational Qualification (NVQ). The major training initiative in 2010/2011, as well as continuing with the programmes for senior and middle managers, is to launch a Medical Leadership programme that will support the existing medical leaders and nurture emerging talent too.

Passport to Practice

In January 2010, a new Corporate Welcome programme was launched for all new members of staff. The programme includes sessions on conflict resolution, equality and diversity, health and wellbeing and child protection. From April 2010, staff will also have electronic access to the Knowledge and Skills Framework (KSF), which will have useful suggestions to help staff work towards achieving KSF competences. Managers and reviewers will also be able to use this new service to help staff to set objectives as part of their appraisal process.

The NHS Constitution

The NHS Constitution was launched in January 2009 and establishes the principles and values of the NHS in England. It sets out rights to which patients, public and staff are entitled, and pledges which the NHS is committed to achieve, together with responsibilities which the public, patients and staff owe to one another to ensure that the NHS operates fairly and effectively. The Trust is required by law to take account of the Constitution in its decisions and actions and manages the rights and responsibilities as follows:

Quality of care and environment

- The Trust has virtually eliminated mixed sex accommodation in its hospitals. The final phase will focus on the sustainability and monitoring of compliance.

Nationally approved treatments, drugs and programmes:

- The Trust's Drugs and Therapeutics Committee (DTC) is responsible for ensuring that appropriate policies and procedures are in place to promote, facilitate and audit the safe and cost-effective use of drugs.
- The DTC works closely with the West Herts Joint Prescribing Group and Herts Medicines Management Committee to manage the entry of new drugs across the health economy.
- The National Institute for Health and Clinical Excellence (NICE) drugs introduction is managed across Hertfordshire by the Herts Medicines Management Committee to ensure consistent use of drugs and treatments that have been recommended by NICE for use in the NHS.
- The Trust implements vaccination programmes under the recommendation of the Joint Committee on Vaccination and Immunisation.

Respect, consent and confidentiality

- The Trust constantly monitors compliance with relevant confidentiality related laws, such as the Data Protection Act, through the use of compliance checks and external audits.
- Information Security & Confidentiality awareness training is mandatory for all staff and focuses on current legislation and guidelines.
- A number of information security policies are available that define what security measures have been implemented.
- Patients are provided with leaflets on their rights under the Data Protection Act 1998.
- Any incident involving personal information is dealt with and investigated in accordance with the Trust's Incident Reporting and Serious Untoward Incident Policy.
- The Trust has a current Consent Policy and delegation of consent training is provided to appropriate staff. A consent audit is being developed with the aim to assess whether or not patients have been informed of the benefits and risks of a procedure and that an appropriate clinician has taken the consent.

Complaint and redress

- The Trust's 'Making Your Voice Heard', Complaints Policy and claims and litigation systems are used to ensure an appropriate level of compliance with the Constitution.

Statement of Internal Control 2009/10

1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

As Accountable Officer I have put in place arrangements to review the individual objectives of the Executive Directors through both one to one sessions and appropriate meetings with the Executive Director team, such as the Delivery Support Group that meets bi-weekly. This enables me to review progress against the key strategic objectives and to hold Directors to account. These processes also enable the team to develop and strengthen its dual operational focus of delivery and implementation across the organisation.

The Trust has continued to work collaboratively with both the Strategic Health Authority and the local Primary Care Trust in respect of the issues affecting the health economy. The following arrangements are in place:

- A series of routine performance / contract monitoring meetings with the PCT once a month to look specifically at the performance of the SLAs
- A regular CEO meeting between CEOs of various NHS organisations
- A regular meeting between Trust and SHA monthly

I believe we have identified the key areas of common purpose that will enable us to work as a health economy to deliver the improvements in service that are required locally. We have worked with the PCT to develop robust processes in respect of commissioning arrangements. We will continue to maintain good relationships with the Practice Based Commissioning Groups and the GP Conclave. In particular we have worked with the PCT and PBCs to implement a prior approval system, and to develop innovative approaches to service delivery for the future.

The Trust continues to work with the County Health Scrutiny Committee (HSC) and has built upon the previous good relationships during 2009/10. The Trust attends the HSC meetings on a regular basis as well as participating in the relevant health topic groups.

The Trust has consulted with the HSC and the Local Involvement Networks on proposals for its quality account and received constructive feedback, which will be reflected in the account published later in the year.

The Trust has many established and effective arrangements for working with the wider stakeholder communities, including patients and carers. This year has seen the Trust working more closely with local people as we move towards Foundation Trust status. As part of the work to develop the Foundation Trust application the Trust has been seeking membership from the local communities who will, once Foundation Trust status has been achieved provide a platform from which we can develop the Board of Governors. The current public membership stands at over 6000.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in West Hertfordshire Hospitals NHS Trust for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust considers the management and handling of risk as integral to the internal control process and to the effective delivery of its services.

The Trust has a Risk Management Strategy, updated during 2009/10, which sets out the responsibilities of all staff in managing risk. Specific responsibilities are identified and I am ultimately responsible for ensuring robust processes for risk management are in place, and are implemented. The Executive Director with responsibility for risk management is the Director of Patient Safety/Medical Director. This responsibility is discharged throughout the organisation through the Trust's Assistant Director of Clinical Governance and Risk, supported by a small central team and through the offices of divisional and corporate risk leads.

The structure for risk management reflects the organisational structures for service delivery – executive led divisions and corporate functions, each with responsibility for ensuring the processes of risk management are implemented and that risks are recorded and monitored via divisional and corporate risk registers in accordance with the processes of risk identification, assessment, analysis and mitigation outlined in the Risk Management Strategy.

The risk management process is supported by a bespoke risk management database which is managed by a dedicated risk analyst who provides information to divisions and corporate functions on a regular basis, and by exception as required, e.g. in the event of potential themes emerging.

Management of the organisation's strategic risks is undertaken via the Board Assurance Framework – this is linked to the organisation's strategic objectives, and each risk identified has an executive Director assigned to ensure robust management through the use of effective controls and valid assurances. The Board Assurance Framework is reviewed by the Delivery Service Group (DSG) regularly and is presented to each meeting of the Audit Committee and the Trust Board.

The Audit Committee also reviews the Trust's High Level Risk Register at each meeting and on a rotating basis, each divisional top ten risks.

Following in year internal audit reviews, the Audit Committee determined that it should focus less on the detail contained within the BAF and High Level Risk Registers and more on ensuring the maintenance of a robust system of assurance, and ensuring that the Board Assurance Framework and supporting risk registers were functioning effectively. In consequence, in

November 2009 the Trust Board directed the constitution of a formal sub-committee of the Board, the Integrated Risk and Governance Committee, chaired by a non-executive Director of the Board. This Committee has responsibility for ensuring the monitoring of the high-level risk register and for ensuring the processes supporting the Board Assurance Framework are working effectively.

Risk management is monitored operationally by the quarterly Divisional Integrated Standards Executive Committees, chaired by the Director of Patient Safety/ Medical Director. These meetings have reviewed progress in relation to quality standards, including compliance with Core Standards for Better Health and also reviewed each Division's risk register, to ensure risks are being actively managed where necessary, and that controls remain effective.

Where risks have not been closed in line with agreed action plans these are followed up with the Division concerned. Work has continued during 2009/10 to review Divisional systems and processes to ensure that the risk registers are being used as effectively as possible. The Trust has ensured that Divisional Boards are notified of further developments to enhance the process as identified through the internal audit programme.

In order to support this work the Divisional Risk Leads Forum provides a focus for driving actions to mitigate risk as well as a support structure for the risk Managers to enable them to better discharge their responsibilities.

Induction training and risk assessment and management training is provided on an ongoing basis to support staff to fulfil their responsibilities in relation to risk. The Trust induction programme for new staff provides a session on risk and incidents and is delivered by the Clinical Governance and Risk team. In addition, the Trust provides a series of risk management update sessions as well as specific training undertaken by the Health and Safety Advisor and Manual Handling Advisor.

Risk Management Training sessions have been delivered to the Trust Board and to senior clinical and managerial staff during the year and a Risk Management module has been incorporated into the Senior Leaders' Development Programme, a validated programme delivered in collaboration with the University of Hertfordshire.

The risk management database and risk register can be viewed both within the Divisions and at Executive level. Risks are clearly recorded and identified in a standardised way. Work initiated in 2008/09 to improve the way in which information within the risk registers is presented has continued in 2009/10. This work has ensured that there is now greater integration between the Assurance Framework, strategic objectives and risk registers. During 2010/11 further work will be undertaken to ensure full integration of the assurance systems underpinning CQC registration compliance.

Risk Management is an integral part of overall Trust governance in accordance with the principles of Integrated Governance. Divisional performance is reviewed regularly across a range of key indicators, including the identification and management of risk. At a strategic level the Board reviews the reporting arrangements for strategic risks and the requirement that this process links directly to the Assurance Framework. All risks are referenced to the Trust's strategic objectives and against relevant key deliverables, i.e. Core Standards for Better Health, and from 1 January 2010, CQC registration outcomes, National Health Service Litigation standards, as relevant.

From January 2010 the Trust were required to be registered with the CQC for the provision of services it provides on each of the three hospital sites. Confirmation was received from the CQC that registration had been approved without qualification.

In February 2010 the acute services of the Trust received an assessment at Level I of the NHSLA Risk Management standards and achieved a score of 50 out of 50 for its policies. The Trust is

currently working towards assessment at Level II during 2010/11. The Trust's maternity services were also assessed under CNST standards at Level II and achieved a score of 49 standards out of 50.

As Accountable Officer I seek to learn from good practice via exchange of information with other Chief Executives regarding good practice in their organisations, reading of relevant articles and documentation and advice from managers and staff within the Trust as to what has worked well in handling risk and should be rolled out across the organisation.

In addition, the Trust works with the other partners in managing elements of risk. The Trust works with the Strategic Health Authority via various structures. Chief Executives across the health economy meet regularly and I have regular meetings with colleagues from the SHA. Chairs across the Health Economy also meet on a regular basis and there are a number of other functional groups e.g. Directors of Finance who have a formal programme of meetings across the year.

4. The risk and control framework

The Trust Board approved the updated Risk Management Strategy in August 2010. Key elements included within it are:

- Statement of philosophy
- Definitions
- Key principles
- Roles & responsibilities
- Committees with responsibilities for Risk Management
- Risk Analysis Tools
- Risk Management Process
- Training
- Monitoring and review of strategy
- Proposed work programme for 2009/10

As indicated, the Trust has implemented a process for identifying, evaluating and managing the significant risks faced by the Trust throughout the financial year and up to the approval date of the annual accounts. The process is subject to regular review directly by the Board and by the Audit Committee. The Trust has reviewed its governance arrangements this year and decided that the previous Executive led committee on integrated governance should be formally constituted as a Trust Board sub-committee with responsibility for risk; this is the Integrated Risk and Governance Committee.

As far as the risk and control framework is concerned the Business Integrated Standards Executive, the Clinical Quality Committee and the Integrated Risk and Governance Committee provide the appropriate focus and control and have had the support of the following groups:

- Infection Control Committee
- Drugs and Therapeutics Committee
- Complaints, Litigation, Incidents and PALS Group (CLIP)
- Clinical Audit Strategy Group
- Health and Safety
- Child Protection Steering Group
- Transfusion Committee
- Medicines Safety Committee

As part of the preparation for Foundation Trust status a five year Integrated Business Plan has been developed, together with a yearly Operational Plan. This one year plan formed the basis of the Trust Board Assurance Framework in 2009/10 and will be further developed in 2010/11 to ensure that the Board Assurance Framework high level strategic risks are fully integrated.

All risks, or changes in risk, are identified and described in the Trust's Risk Register. They are then evaluated and prioritised so that an action plan can be devised for the most significant risks. The Trust's Governance and Risk Management Team reviews and monitors this process. Risk registers are reviewed operationally within Divisional Boards and corporately through the monthly meetings of the Business Integrated Standards Executive, escalating to the Integrated Risk and Governance Committee as required. The high-level Risk Register and Board Assurance Framework have been reviewed by the Audit Committee and are presented to each meeting of the Board.

Performance management arrangements have been enhanced during 2009/10 to ensure greater scrutiny of Divisional and Corporate risks via the Divisional Integrated Standards Executive meetings.

The Complaints, Litigation, Incident and PALS Group (CLIP) meets quarterly to review, on behalf of the Business Integrated Standards Executive, an integrated report that provides analysis of key areas of concern and reviews how the Trust has responded to these. The CLIP reports quarterly to the Trust Board. Where there are issues of concern that further actions are required, they are escalated to the Complaints, Litigation, Incidents and PALS Group. This process ensures that the Clinical Quality Committee can advise the Board of significant clinical issues that create a risk to the Trust.

The Assurance Framework is based upon the DH model and contains all appropriate elements (objectives; key risk; key controls; assurance on controls; gaps in controls; assurance and gap in assurance) and contents are reviewed and presented to the Audit Committee and Trust Board at each meeting. The Framework was subject to considerable development during the reporting year and was reviewed as part of the Trust's internal audit programme for 2009/10 following which a conclusion of substantial assurance was recorded by the Internal Auditor.

The Trust's Information Governance Committee, chaired by the Executive Director with responsibility for data security, the Senior Information Risk Officer, oversees issues relating to the risk assessment and safeguarding of data security. The Caldicott Guardian and the Data Protection Manager are both members of this Committee and provide assurance that practices and processes are in place to ensure the safety of Trust-wide data. During the year the Trust has implemented a system of encryption for all of its desktop and lap top computers. In addition a dedicated Data Security Officer has implemented a range of improvements aimed at improving data security across the IT infrastructure. The Trust will continue to review and enhance its data security arrangements in line with best practice and central requirements. Data Security incidents are reviewed by the Committee, including Serious Untoward Incidents and the Committee oversees the implementation of recommendations arising out of incidents or serious untoward incident investigations.

Gaps In Control

As a result of non-compliance with certain elements of Standards For Better Health the Trust was not in a position to declare full compliance at the November declaration deadline. Details of the Standards affected are set out in section 5 below.

There were two Serious Untoward Incidents that required the Trust to report breaches of data security.

The Trust were inspected by the Health and Safety Executive during 2009/10 during which it was identified that specific actions were required to ensure compliance with Health and Safety legislation. A limited assurance internal audit report on Safeguarding Children required the Trust to take a number of actions to achieve an acceptable level of service delivery in this important area.

Whilst the Trust achieved against the majority of national targets in 2009/10 it failed to deliver at the expected 98% for waiting times in Accident and Emergency, delivering 97.7%. Regrettably the Trust also declared breaches of the 26 week waiting time due to an administrative oversight that came to light at the end of March.

Public and Patient Involvement

The Trust actively involves and seeks the views of our patient's via the following groups/panels:

The Trust's Patients' Panel has been established for five years. It continues to play an active part in the Trust. The Panel continues to be linked into a wide range of committees, meetings and projects within the Trust in order to help develop services and to pro-actively drive forward the issues raised from the results of the both local and national patient surveys. They are also members of Internal Patient Environment Action Team (iPEAT) inspections on a monthly basis and take part in the Trust's Observation of Care, Pride in Our Workplace and 'Think Clean' days. Panel members continue to review all patient information and questionnaires to ensure they are 'user friendly' before being officially ratified by the appropriate committees and published.

The Patients' Panel and other external patient representatives and voluntary organisations have been instrumental in the production of the Patient Involvement & Experience Strategy and subsequently with helping to drive forward its objectives. They are also regular attendees of the Patient Involvement & Experience Group chaired by the Director of Nursing.

The Trust has maintained good relationships with LiNKS. I hold regular meetings to brief them on developments and receive feedback from them on relevant issues.

Staff Pensions

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

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

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

The Trust is not fully compliant with the core Standards for Better Health.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by:

- Internal Audit Reports
- External audit reports
- Standards for Better Health self assessment and declaration
- Performance Monitoring
- National Inpatient Survey
- Staff Survey

I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Trust Board, Audit Committee, Integrated Risk and Governance Committee, Clinical Quality Committee and the Integrated Standards Executive. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Below describes the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the respective roles.

The Board. The Trust Board has endorsed a mechanism to gain assurances about the effectiveness of the controls in place to manage principal and strategic risks. This mechanism ensures that risks are presented to the Board through the organisational structure in place within the Trust.

The Board reviews and maps these to its own assurance needs, enabling the Trust Board to address and put in place any improvements necessary.

The Audit Committee. The Audit Committee reports directly to the Board providing assurance on the maintenance of the system of internal control. The Committee comprises at least three Non-Executive Directors and is attended by the Director of Finance, Director of Patient Safety, Associate Director of Integrated Governance, Assistant Director of Clinical Governance and Risk, Director of Corporate Affairs and other representatives including Internal and External Audit in attendance. I attend meetings on a regular basis.

The Audit Committee's primary role is to independently oversee the governance and assurance process on behalf of the organisation and to report to Trust Board on whether the systems in place for risk management and internal control are robust and effective. The Audit Committee receives regular reports from the Assistant director of Clinical Governance and Risk ensuring that appropriate issues are escalated to the Audit Committee from the ISE and the Clinical Quality and Governance Committee. The Audit Committee ensures that audit plans are drawn up with full consideration of all risks as detailed within the Trust Risk Register.

The Integrated Risk and Governance Committee. During this 2009/10 the Board constituted a formal sub-committee to take responsibility for risk management, the Integrated Risk and Governance Committee. This Committee's role is to promote integrated risk management as intrinsic to all of the organisation's activities and specifically promote local level responsibility and accountability for identifying and managing the organisation's risks.

The IRaGC oversees the maintenance and further development of the Board Assurance Framework and Trust Risk Registers to support the achievement of a high level of internal

control, patient safety and clinical quality and to inform risk-based Board decision-making. The Committee works closely with the Trust's Audit Committee to ensure the two Board Committees maintain no significant overlaps or gaps between the remit and overview.

The Clinical Quality Committee. The Clinical Quality Committee is responsible for assessing the extent to which there is continuous and measurable improvement in the quality of the Trust's services and in patient safety. The role of the Committee is to monitor the quality assurance processes in place to ensure the Trust continues to meet the standards of quality and safety set out in the registration requirements of the Care Quality Commission. The Committee ensures a focus on all aspects of quality, specifically, clinical effectiveness, patient experience and patient safety. The Committee is responsible for monitoring overall compliance with the registration requirements set out by the Care Quality Commission and is also responsible for monitoring performance of the quality element of the Acute Commissioning Contract.

Integrated Standards Executive. The Director of Patient Safety/Medical Director chairs the Business Integrated Standards Executive Committee. Its role is to advise Executive Management on matters of patient safety and the maintenance of clinical standards, taking reports from a number of Executive level groups that have responsibilities for aspects of patient safety. It is also responsible for review of risk registers and for more detailed consideration of the management of risks and the effectiveness of mitigation/control activities. The reporting lines for BISE are to the Clinical Quality Committee (CQuaC) for quality and safety issues and to the Integrated Risk and Governance Committee for matters relating to risk management.

Executive Directors. Executive Directors have overall responsibility for the implementation of the risk management strategy. They are responsible for the overseeing of the processes for identifying and assessing risk, and for advising me as necessary. They ensure that so far as it is reasonably

Internal Audit. Internal Audit reviews the system of internal control throughout the year and reports accordingly to the Audit Committee.

Significant Internal Control Issues

The Trust declared in November that it was not fully compliant with the core Standards for Better Health.

Under the Standards for Better Health regime each standard was assigned to an Executive Director and operational lead who took responsibility for the monitoring and compliance of each standard. For 2009/10 the Trust declared compliance against 38 of the standards, declaring not met for 2 standards and insufficient assurance for the remaining standards.

The Trust declared not met for standard C1b (systems to ensure that patient safety notices, alerts and other communications which require action are acted upon within required timescales).

The Trust was subject to a CQC inspection against this standard on the 1 July 2009, which concluded the Trust was not achieving this standard.

An action plan was developed which involved a review of the policy governing this standard, a review and updating of the processes for identifying and approving a delivery plan to provide training and assess staff competency as required for each alert issue. The plan identified the need to ensure alert-related Clinical Audits are incorporated into the Trust's Clinical Audit Programme and that appropriate arrangements are in place to notify the SHA/PCT and the CQC where there are delays to implementation.

The Trust declared this standard would be met by 31 March 2010 and considers it is now compliant.

The Trust declared not met for standard C4d (systems to ensure that medicines are handled safely and securely).

The Trust was subject to a CQC inspection against this standard on 1 July 2009 which concluded there were gaps in the assurance processes for monitoring and implementing the findings of pharmacy audit and that the Trust did not demonstrate that all recommendations following medication audit activity are implemented or followed up.

An action plan was developed to address all the issues raised and included the establishment of a Medicines Safety Committee and the appointment of a Medicines Safety Pharmacist. The Trust has reviewed findings of previous audits and outstanding actions have been pursued. The Trust declared this standard would be met by 31 March 2010 and considers it is now compliant.

The Trust declared insufficient assurance for standard C4e (systems to ensure the prevention, segregation, handling, transport and disposal of waste). The concerns emerged following the appointment in July of a Waste Management Consultant who identified the problems through a series of intensive audits and review of policies and procedures. The audits revealed breaches of policy in relation to segregation of waste with specific issues relating to hospital site and variance in practice. Further analysis revealed problems with waste disposal facilities and lack of awareness of requirements by staff.

These concerns were reviewed at the October meeting of the Business Integrated Standards Executive and it was agreed the issue would be reported to the Board.

The action plan developed by the Consultant was further refined and actions were taken forward and reviewed by the Estates Division Integrated Standards Executive. The Trust identified the Trust would be fully compliant by 31 March 2010 and this was achieved.

The Trust identified a period of insufficient assurance for standard C14c (Complaints) as a result of a reduction in the level of response times for answering complaints during the first quarter of 2009/10. Whilst it was acknowledged that a new complaints system was being embedded, the Trust concluded that, notwithstanding this, it had committed to ensuring that all complaints were dealt with in a timely manner. Given that this was failing, insufficient assurance was declared. The Board was particularly concerned that a delay in response times would inevitably delay any actions required to address problems identified, and a potential failure to ensure timely improvements in service delivery. The Board requested that an action plan was developed and this was taken forward immediately. Complaint response compliance was monitored as part of the weekly performance meetings that I hold with the Divisional Managers. Systems within the Complaints Department for monitoring compliance were strengthened and more robust, weekly meetings initiated with key divisions to maintain the focus on delivering responses on time. In January this year a new policy was published and new documentation issued. Systems are now in place to better record the actions that have been taken following the conclusion of a complaint investigation as well as being able to further refine the key themes of complaints. Training continues to be provided to staff on complaints handling and presentations have been made to groups of staff about the importance of learning from the experience of complainants.

The Trust achieved compliance with this standard in February 2010.

The Trust reported 2 Serious Untoward Incidents, which threatened Data Security:

- The theft of 10 encrypted laptops and a blackberry from the Clinical Informatics Department during the weekend of 9th & 10th May. All media were encrypted.

- On 2nd December 2009 documentation containing patient identifiable information was left on a train. The documentation was returned to the Trust and reviewed. The Information Commissioner was informed. The staff member was advised of the inappropriateness of exposing patient confidential information to such a risk and all staff were reminded of the requirement and their responsibility to ensure the security of patient confidential information.

I believe that whilst the issues highlighted above were matters of significant internal control they have all been addressed and resolved within 2009/10. However, I have set out below a summary of the significant control issues and the actions being taken to rectify these.

Principal objective	Gaps in controls	Action Plan and Implementation Date	Board Lead
Delivery of a compliant decontamination service	Current service is non-compliant	The Trust is working with a private sector provider to contract out TSSU services and considering estate reconfiguration options at Watford for endoscopy services	Director of Strategy
Delivery of an effective Safeguarding Childrens training programme for Trust staff and GPs working in the Urgent Care Centre	Failure to have an adequate recording system for staff undertaking child protection training and records of CRB checks for GPs in the Urgent Care Centre following limited assurance internal audit report	Action is in train to ensure that all relevant information is recorded onto the Trust's main training data base in respect of Trust staff training. Confirmation has been received that all GPs working in the Urgent Care Centre have up to date CRB checks	Director of Nursing

My review confirms that West Hertfordshire Hospitals NHS Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

Jan Filochowski
Chief Executive

Financial Review 2009/10 - to follow

Annual Accounts 2009/10

1. Introduction

- 1.1 The 2009/10 draft accounts were submitted to the Trust's auditors on Wednesday 21st April in line with the Trust's year end timetable. This is ahead on the deadline of 9am 23rd April set by the Department of Health.
- 1.2 As the Committee will be aware the Trust along with all other NHS organisations has adopted International Financial Reporting Standards (IFRS). This includes a change in the terminology used to head up the primary financial statements as follows:

IFRS - 2009/10 Accounts	Previously
Statement of comprehensive income This divides into the top and bottom part: Revenue Other comprehensive income	Income and expenditure account Statement of Total Recognised Gains and Losses.
Statement of Financial Position	Balance Sheet
Statement of Change in Taxpayers Equity	A note to the accounts titled Movement on Reserves
Statement of Cash Flow	Cash Flow Statement

- 1.3 The primary financial statements are reproduced in appendix A to this paper with a brief explanation against each figure.
- 1.4 In adopting IFRS the accounts have been compiled in accordance with the Department of Health Manual for Accounts that sets out applicable standards and also where the Trust is required to set its own policy. The Committee will recall where appropriate it agreed policies in September 2009. The accounts have been prepared on the basis of going concern as discussed at the Committee's meeting in April 2010.
- 1.5 In preparing the accounts a detailed review of revenue and expenses and of the financial position as at 31st March 2010 has been undertaken. Points to be brought to the Committee's attention are:
- The statement of comprehensive income contrasts the £4.4m surplus in 2008/09 with a £52.2m deficit in 2009/10. To put this into context the statement includes a footnote advising the reader that after adjusting for impairment, a surplus of £5.7m was achieved. The impairment relates to adopting the modern equivalent asset valuation technique.
 - For these accounts only (adoption of IFRS) the statement of financial position (SoFP) includes three years of figures. In future years the usual two years will be shown. Most noticeable is the change in total assets employed and total taxpayers' equity between 31st March 2009 and 31st March 2010. This also is mainly due to adoption of the modern equivalent asset valuation technique.
 - The SoFP includes the new working capital loan of £7m that the Trust agreed with the DH as at the end of March 2010. The loans are detailed further in note 24 of the accounts.

- The Trust achieved breakeven duty (see note 30.1) and operated within its external financing limit (see note 30.3) both of these are Trust statutory duties.

2. Delivery of £5.7m surplus excluding impairment

- 2.1 The reported surplus excluding impairment in 2009/10 is £5.7m. Table 1 below shows variation to budget as reported to the Board at the end of the year and the extent to which the surplus is recurrent.

Table 1 2009/10 financial performance and non recurrent aspects.

	Budget	Outturn	Variance
	£m	£m	£m
Revenue less pay and non pay expenses	25.9	21.3	(4.6)
Depreciation	(11.5)	(8.7)	2.8
Dividend payable	(7.8)	(5.2)	2.6
Other financial transactions mainly interest payable	(2.0)	(1.7)	0.3
2009/10 Surplus	4.6	5.7	1.1
Non recurrent items			
Mixed sex accommodation funding		(1.5)	
Start up funding relating to the Acute Assessment Unit and keeping open Churchill ward at Hemel.		(0.9)	
One-off redundancy and back pay.		0.4	
Adjusted surplus		3.7	

- 2.2 The overspending on pay and non pay was off-set in reduced dividend and depreciation which was caused by the adoption of the modern equivalent asset valuation technique.
- 2.3 Non recurrent income was budgeted at the start of the year. £1.5m revenue funding received from West Hertfordshire PCT relates to the successful completion of the project to eliminate mixed sex inpatient accommodation. This is disclosed in note 1.3.1 of the Trust's accounts and is included in other operating revenue, rather than patient care activities because it is not part of the Trust's revenue received from providing patient activity. The £0.9m relates to the Trust keeping open Churchill Ward at Hemel as part of the transition of the Acute Assessment Unit. The 2010/11 financial plan fully reflects the fact that these aspects of the 2009/10 performance were of a non recurrent nature.

3. Modern Equivalent Asset Valuation Technique

- 3.1 Adoption of this method of valuing land and buildings is not associated with IFRS but is a Treasury requirement for all public sector organisations. Specifically for buildings for which there are no market transactions (described as specialised buildings) the modern equivalent asset (MEA) valuation technique is applicable. Rather than value land and buildings at what it would cost to replace them as they are now, the technique assesses the value and location of modern buildings to meet future service needs, adjusted to the age and functional obsolescence of existing buildings. Unsurprisingly, given the age of many of the Trust's buildings, this change in valuation technique, coupled with the closure of part of the Hemel site, has reduced the value of the Trust's land and buildings by over £126m.

- 3.2 The MEA valuations were undertaken by GVA Grimley Ltd chartered surveyors; this is disclosed in note 1.7 of the accounts. The firm was appointed following a competitive tender exercise undertaken in June 2009 for a three year period.
- 3.3 Table 2 below is included in the accounts as note 15.3 and shows the full extent of the change in approach to valuation also disclosing the reduced value resulting from closing part of Hemel.

Table 2: Effect of change in valuation approach

	Watford Hospital £000	Hemel Hempsted Hospital £000	St Albans Hospital £000	Total £000
<u>Operating expenses (note 6)</u>				
Land - MEA	1,990	994	0	2,984
Buildings, dwellings and fixtures - MEA	37,522	3,376	5,691	46,589
Buildings, dwellings and fixtures no longer in use	0	8,293	0	8,293
	39,512	12,663	5,691	57,866
<u>Other comprehensive income (SOCI)</u>				
Land - MEA	22,831	8,468	1,924	33,223
Buildings, dwellings and fixtures - MEA	9,194	12,173	5,004	26,371
Buildings, dwellings and fixtures no longer in use	0	8,676	0	8,676
	32,025	29,317	6,928	68,270

- 3.3 The effect shown in table 2 above is in two parts. £57.8m charged to operating expenses and £68.3m adjusted through reserves. The adjustment through reserves is done first, reducing the relevant reserve to nil and the balance is then adjusted through revenue. This is because with effect from 2008/09 it is not permissible to have negative revaluation reserves. Under IFRS the reserve adjustment is shown on the face of the statement of comprehensive income, in previous years this would have been included within the statement of recognised gains and losses.

4. New Working Capital Loan

- 4.1 The Committee will be aware the Trust took out a second working capital loan of £7m in March 2010 in order to strengthen its liquidity as measured by Monitor for FT purposes. This coupled with the 2009/10 outturn has enabled the Trust to plan its FT application on the basis of a liquidity risk rating of 2 for 2010/11 rather than 1 had the loan not been taken. This enables an overall financial risk rating of 3 (the minimum required of FT applicants) as it is possible to gain a 3 provided only one element of the risk matrix scores 2. (1 being the worse score and 5 the best).
- 4.2 Liquidity has not improved as much as was planned at the time of the loan application. Table 1 shows an under spending against depreciation of £2.8m. In order to improve liquidity by this amount capital expenditure would need to have been curtailed by a matching sum; only £0.8m was possible. The 2010/11 financial plan has been set to restore liquidity to that envisaged at the time of the loan application.

5. Statutory Duties

- 5.1 It is a statutory duty for Trust's to breakeven taking one year with another. The Trust failed in this duty in 2006/07 and agreement was reached with the SHA to recover the position over the next 5 years. This has been achieved in 2009/10 and is detailed in note 30.1 to the accounts.
- 5.2 It is a statutory duty for the Trust to retain its external financing (EFL) within the limit set by the Department of Health. This was achieved; the Trust undershot its EFL by £1.7m as shown in note 30.3 of the accounts. The under shoot is due to planning at the start of 2009/10 to have a nil cash balance as at 31st March 2010 whereas at year end the cash balance was £1.7m.
- 5.3 It is an administrative duty for the Trust's capital expenditure to not exceed the capital resource limit set by the Department of Health. This was achieved; the Trust under spending by £4.2m as shown in note 30.4 to the accounts. The under spend was due to revisions in the capital spending budget made during the year in support of achieving the improved liquidity risk rating discussed in paragraph 4.1.

6. Conclusion

- 6.1 The 2009/10 draft accounts were prepared ahead of national timetable, in accordance with IFRS as adopted by the DH. They include the significant affect of compliance with the Treasury requirement to value specialised buildings using the modern equivalent valuation technique.
- 6.2 The outturn for 2009/10 was a deficit of £52.2m but after adjusting for the MEA impairment a surplus of £5.7m was achieved. The underlying surplus; i.e. after adjusting the position for non recurrent factors is £3.7m.
- 6.3 The Trust took out a second working capital loan for £7m this has improved its liquidity risk rating as measured by Monitor sufficiently not to stall the Trust's FT application on this point. Liquidity has not improved to the extent originally envisaged due to overspending of revenue budgets but the 2010/11 financial plan addresses this.
- 6.4 The Trust achieved breakeven duty and retained external financing within its limit set by the Department of Health.
- 6.5 There are no post balance sheet events to report.

West Hertfordshire Hospitals NHS Trust - 2009/10 Accounts

The accounts report to taxpayers and service users the results of the Trust's stewardship of public money for the year. Their format is specified by the Department of Health with limited flexibility to change them to further inform readers. The content of the accounts consists of four key statements (reproduced here with explanatory text).

They have been prepared using IFRS accepted accounting principles as adopted by the Department of Health.

The Trust has not deviated from the prescribed layout or policies apart from additional disclosure.

- Note 1.3.1 critical accounting judgement
- Note 1.3.2 key sources of estimation uncertainty
- Note 1.7 specifics to the Trust including details that GVA Grimleys Ltd undertook the valuation of the Trust's estate
- Note 2 the Trust operates as a single segment
- Note 3 details of the prescription packaging unit income generation activities
- Note 7 descriptions of the Trust's leases
- Note 15.3 additional disclosure about the Trust's property plant and equipment including the effect of revaluation.
- Note 22 disclosure of assets held for sale and that these relate to residential properties adjacent to Hemel.
- Note 24 details of the Trust's loans.
- Brief explanation of terms used in the accounts.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 March 2010**

		2009/10	2008/09	Description
	NOTE	£000	£000	
Revenue				This top section is a summary of the Trust's financial performance for the year using the matching principle. I.e. all costs that are associated with the generation of revenue are reported.
Revenue from patient care activities	4	227,443	214,288	The Trust earned £254.3m revenue from its activities. The bulk £227.4m was from providing patient care and related activities. Further details as to the way revenue was earned is included in note 4 and 5 of the accounts.
Other operating revenue	5	26,865	27,396	
Operating expenses	6	(299,504)	(227,537)	The Trust spent £299.5m delivering services. However £57.9m relates to the one-off impairment of the Trust's land and buildings value resulting from introducing the modern equivalent asset valuation technique which is explained more fully in the paper to which this is appended. Excluding the impairment £155.9m (65% was spent on staff costs). £35m was spent on clinical supplies, £12.9m of this relates to drugs. Further analysis is given in note 5 to 8 of the accounts.
Operating surplus (deficit)		(45,196)	14,147	
Finance costs:				
Investment revenue	12	31	615	Spare cash is invested with the Government Banking Service - the reduced figure reflects the deteriorating interest rate received.
Other gains and (losses)	13	(11)	(5)	Minor losses on the disposal of equipment.
Finance costs	14	(1,763)	(1,478)	This includes the interest paid on the Trust's loans and the unwinding of discount. See note 14 for analysis and the glossary of terms included with the accounts for an explanation of unwinding of discount.
Surplus/(deficit) for the financial year		(46,939)	13,279	
Public dividend capital dividends payable		(5,228)	(8,849)	The return paid to the Department of Health (DH) for 'public' investment in the Trust. Sometimes referred to as capital cost absorption. With effect from 2009/10 this is calculated at 3.5% at year end rather than charged per the plan at the start of a year.
Retained surplus/(deficit) for the year		(52,167)	4,430	
Other comprehensive income				This bottom section in previous years was the statement of recognised gains and losses. Under IFRS it is perhaps more prominent here.
Impairments and reversals		(68,270)	(30,708)	Related to the impairment of land, property and equipment made through the revaluation reserve
Gains on revaluations		0	6,688	In 2009/10, buildings and equipment were increased in value in line with DH indices.
Receipt of donated assets		49	31	Additional donated assets
Reclassification adjustments:				
- Transfers from donated asset reserve		(226)	(303)	Depreciation of donated assets
Total comprehensive income for the year		(120,614)	(19,862)	

WEST HERTFORDSHIRE HOSPITALS NHS TRUST - Annual Accounts 2009/10

**STATEMENT OF FINANCIAL POSITION AS AT
31 March 2010**

	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Non-current assets			
Property, plant and equipment	131,615	251,421	253,048
Intangible assets	3,325	4,092	4,074
Trade and other receivables	1,575	1,618	1,408
Total non-current assets	136,515	257,131	258,530
Current assets			
Inventories	3,530	2,912	2,987
Trade and other receivables	13,306	13,514	11,580
Cash and cash equivalents	1,776	5,285	0
	18,612	21,711	14,567
Non-current assets held for sale	260	0	0
Total current assets	18,872	21,711	14,567
Total assets	155,387	278,842	273,097
Current liabilities			
Trade and other payables	(20,780)	(27,402)	(25,179)
DH Working capital loan	(3,640)	(2,240)	(2,240)
DH Capital loan	(2,772)	(2,772)	0
Borrowings	0	0	0
Provisions	(550)	(529)	(1,063)
Net current assets/(liabilities)	(8,870)	(11,232)	(13,915)
Total assets less current liabilities	127,645	245,899	244,615
Non-current liabilities			
DH Working capital loan	(7,840)	(4,480)	(6,720)
DH Capital loan	(19,395)	(22,167)	0
Provisions	(5,430)	(5,726)	(6,123)
Total assets employed	94,980	213,526	231,772

Description

A 'snap shot' of the Trust's position as at 31st March. Under UK accounting standards this was described as the Balance Sheet. As this is the year in which the Trust adopts IFRS three years of figures are included.

The significant reduced 31st March 2010 figure is a consequence of adopting Modern Equivalent Asset (MEA) valuation technique.

The value of computer software and licenses used by the Trust
Longer term receivables relating to injury cost recovery unit. This is explained in note 19 of the accounts. That proportion anticipated longer than one year is estimated by the usual annual receipt. A bad debt provision is made as advised by the injury cost recovery unit.

Previously described as stock; note 18 provides further detail.

Money owed to the Trust and prepayments note 19 provides further details.

Cash balance at the end of the year. The reduced total between March 09 and March 10 is mainly due to capital payments of 2008/09 slippage.

The Maynard Road properties approved by the board for sale but unsold as at 31st March 2010. Note 22 provides further details.

Money owed for goods and services supplied to the Trust. £20.8m equates to 31 days of 2009/10 operating expenses (excluding impairment)

The loan increase reflects the current liability of the new £7m working capital loan as well as that associated with the £11.2m loan taken out in 2006/07.

Current liability (i.e. what is due for repayment within one year) of the Trust's capital loan

Further analysed in note 26 this represents the Trusts probable cost mainly in respect of pension enhancements paid to staff that retired early a number of years ago.

The working capital loan repayments due in more than one years time

The capital loan repayments due in more than one years time

The provisions as shown in note 26 anticipated in more than one years time

The significant change between 31/3/09 and 31/3/10 is due to the fall in asset value on introducing the MEA valuation technique.

WEST HERTFORDSHIRE HOSPITALS NHS TRUST - Annual Accounts 2009/10

**STATEMENT OF FINANCIAL POSITION AS AT
31 March 2010 Cont'd**

	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Financed by taxpayers' equity:			
Public dividend capital	173,668	171,600	169,984
Retained earnings	(100,168)	(48,832)	(54,727)
Revaluation reserve	20,545	89,001	114,552
Donated asset reserve	935	1,757	1,963
Total Taxpayers' Equity	<u>94,980</u>	<u>213,526</u>	<u>231,772</u>

Public' investment in the Trust. The increase between 31/3/09 and 31/3/10 relates to funding towards Hemel reconfiguration £1.7m and funding towards energy efficiency improvements

The cumulative performance of the Trust since its inception including non cash related adjustments such as the impairment of asset value

The increase in the value of plant, property and equipment since they were purchased or constructed. The decrease between 31/3/09 and 31/3/10 relates to the revised valuation technique (MEA) for land and buildings. The remaining £20.5m mainly relates to land at St Albans, external works and equipment theses were not impaired as a consequence of the revaluation.

When assets are donated they are added to non current assets. The SoFP remains in balance by adjusting this reserve. As the donated asset is used its value is reduced through depreciation and this reserve adjusted accordingly

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Total £000
Balance at 31 March 2008					
As previously stated	169,984	(54,727)	105,013	1,963	222,233
Prior Period Adjustment	0	0	9,539	0	9,539
Restated balance	169,984	(54,727)	114,552	1,963	231,772
Changes in taxpayers' equity for 2008/09					
Total Comprehensive Income for the year:					
Retained surplus/(deficit) for the year	0	4,430	0	0	4,430
Transfers between reserves	0	1,465	(1,465)	0	0
Impairments and reversals	0	0	(30,708)	0	(30,708)
Net gain on revaluation of property, plant, equipment	0	0	6,622	66	6,688
Receipt of donated/government granted assets	0	0	0	31	31
Reclassification adjustments:					
- transfers from donated asset reserve	0	0	0	(303)	(303)
New PDC received	10,616	0	0	0	10,616
PDC repaid in year	(9,000)	0	0	0	(9,000)
Balance at 31 March 2009	171,600	(48,832)	89,001	1,757	213,526

Explanations of changes in taxpayers equity

Under IFRS this information is "promoted" from a note in the accounts. On adoption of IFRS reserve movement from 1st April 2008 are shown through to 31st March 2010. The changes between 31st March 2009 and 31st March 2010 being shown overleaf.

Prior period adjustment. This relates to the withdrawal of the practice of holding negative revaluation reserves. That is the reserve may only hold increases in asset values. Any decrease after exhausting the relevant revaluation reserve is charged to expenses as is the case in 2010/11 impairment.

Retained surplus is the transfer of the year's performance into the reserve.

The transfer between reserves relates to backlog depreciation. This is the additional depreciation required when an asset is revalued adjusting for the fact that previous depreciation had been calculated on a now out-of-date valuation.

The impairment is also seen on the statement of comprehensive income. It is the reduction in land value adjusted through the reserves.

The revaluation of property, plant and equipment relates to the increase in building and equipment as a consequence of indexation during 2008/09.

The transfer from the donated asset reserve is the reduced value as a consequence of use, i.e. depreciation

New PDC totalled £1.6m and mainly related to funds for decontamination compliance. Its shown as £10.6m with £9m repaid as during 2008/09 the DH advanced the Trust £9m while the capital loan was agreed. The £9m was repaid once the loan was finalised

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Total £000
Changes in taxpayers' equity for 2009/10					
Balance at 1 April 2009	171,600	(48,832)	89,001	1,757	213,526
Total Comprehensive Income for the year					
Retained surplus/(deficit) for the year	0	(52,167)	0	0	(52,167)
Transfers between reserves	0	831	(831)	0	0
Impairments and reversals	0	0	(67,625)	(645)	(68,270)
Receipt of donated/government granted assets	0	0	0	49	49
Reclassification adjustments:					
- transfers from donated asset reserve	0	0	0	(226)	(226)
New PDC received	2,068	0	0	0	2,068
Balance at 31 March 2010	173,668	(100,168)	20,545	935	94,980

Explanations of changes in taxpayers equity

Retained deficit is self explanatory. It shows the transfer of the deficit shown on the statement of comprehensive income to the reserve.

Transfer between reserves relates to clearing out that part of the revaluation reserve relating to the Maynard Road properties sold during 2009/10.

Impairment relates to the part of the MEA valuation impairment taken from the revaluation reserve. This may be seen under other comprehensive income on the statement of comprehensive income.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**31 March 2010**

	2009/10	2008/09	Description
	£000	£000	
Cash flows from operating activities			The cash transactions during the year providing some analysis as to the change in the year end balance.
Operating surplus/(deficit)	(45,196)	14,147	Under IFRS this analysis has been 'promoted' from a note in the accounts and shows the reconciliation of the operating position reported in the statement of comprehensive income (SOCl) with cash.
Depreciation and amortisation	8,671	10,505	Position per SOCl.
Impairments and reversals	57,866	0	Add back depreciation as this expenditure is not a cash related transaction
Transfer from donated asset reserve	(226)	(303)	Add back impairment as this expenditure is not a cash related transaction
Interest paid	(1,645)	(1,287)	The 'income' covering the depreciation of donated assets does not involve cash
Dividends paid	(5,364)	(8,849)	Interest is not included in the operating position but involves cash payment.
(Increase)/decrease in inventories	(618)	75	Payment of dividend is not included in the operating position but involves cash.
(Increase)/decrease in trade and other receivables	375	(2,189)	Change in inventories the cash involved will be within the operating position.
Increase/(decrease) in trade and other payables	(3,859)	276	Movement in money owed to the Trust as at 31st March each year
Increase/(decrease) in provisions	(400)	(1,063)	Movement in money owed by the Trust as at 31st March each year
Net cash inflow/(outflow) from operating activities	9,604	11,312	The movement in provisions reflects the cash spent.
Cash flows from investing activities			
Interest received	34	684	Interest from surplus cash invested with the Government Banking service.
(Payments) for property, plant and equipment	(18,003)	(30,697)	Cash transactions relating to tangible capital items
Proceeds from disposal of plant, property and equipment	1,129	187	2009/10 relates to the sale of Maynard Road properties
(Payments) for intangible assets	(329)	(516)	Cash transactions relating to intangible capital items
Net cash inflow/(outflow) from investing activities	(17,169)	(30,342)	
Net cash inflow/(outflow) before financing	(7,565)	(19,030)	
Cash flows from financing activities			
Public dividend capital received	2,068	10,616	Additional 'public' investment in the Trust
Public dividend capital repaid	0	(9,000)	Repaid 'public' investment in the Trust
Loans received from the DH	7,000	27,000	New working capital loan
Loans repaid to the DH	(5,012)	(4,301)	Repayments on the 1st working capital loan and capital loan
Other capital receipts	0	0	
Net cash inflow/(outflow) from financing	4,056	24,315	
Net increase/(decrease) in cash and cash equivalents	(3,509)	5,285	
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year	5,285	0	
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	1,776	5,285	Cash balance as at 31st March