West Hertfordshire Hospitals NHS
NHS Trust

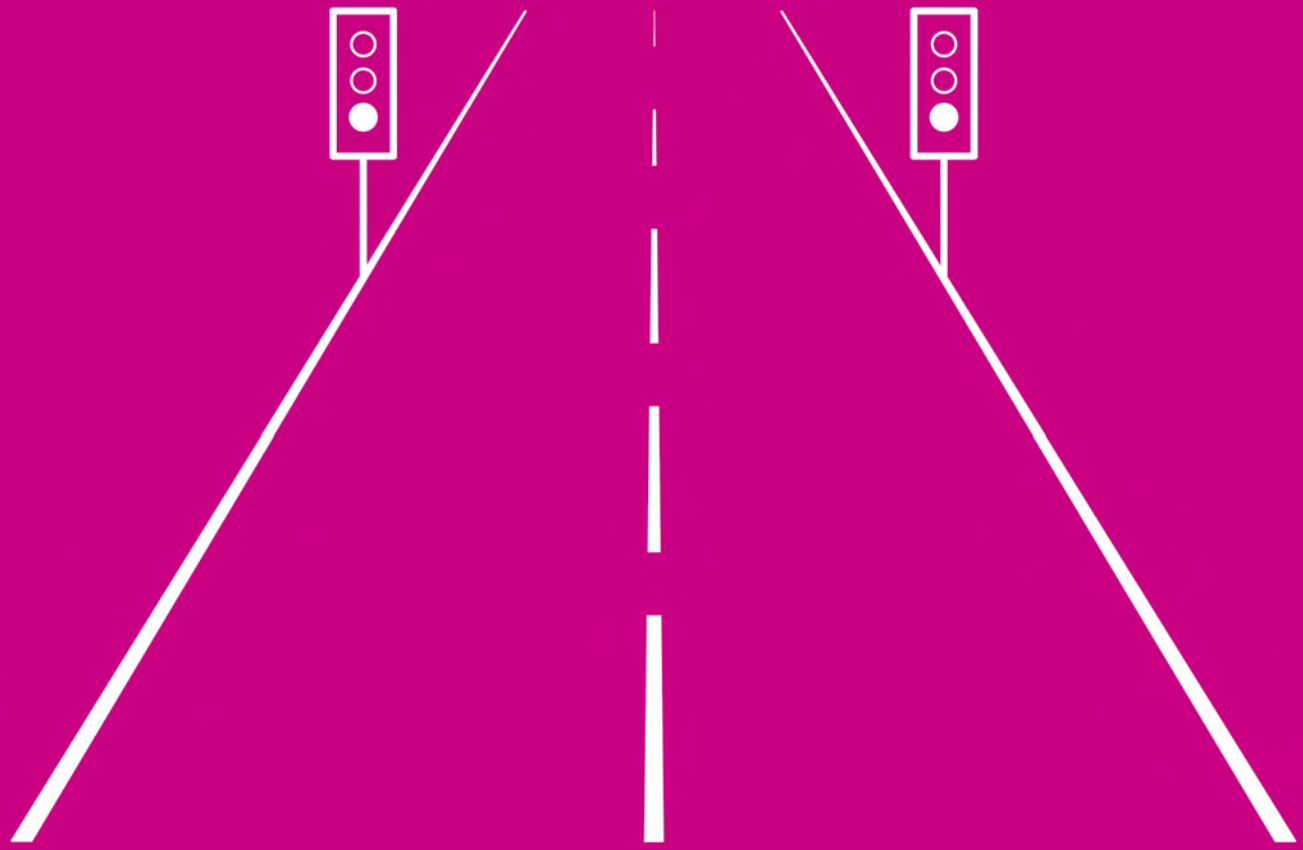
Leading the Change to Success

Success

Annual Report 2007 – 2008

Content

Leading the Change to Success



A message from the **Chair** and **Chief Executive**

It is clear that something really significant is happening in the Trust. In the last six months of 2007/08 we have seen a dramatic improvement in performance against national standards, significant improvements in our financial position and a fall in waiting times. These changes, coupled with very big changes in how services are to be delivered in the latter part of 2008, suggest that the Trust is using all of its resources much better than previously, with notable improvements in quality and productivity.

These successes have been achieved by the hard work, commitment and creativity of our staff. This is just the start and there is much more to do before we have the services that we all want; but progress is being made quickly and visibly.

Improvements are happening quickly

- A&E performance has moved from being amongst the worst in the country to being amongst the best.
- Hospital acquired infections have been dramatically reduced, particularly MRSA,
- Turning a £11.4m deficit into a surplus of £2.5 million
- We are recruiting more permanent staff
- We are cancelling far less operations than recently, particularly at St Albans

A period of **change**

The Trust entered the 2007/08 year on the back of two consecutive years of being rated as weak on the use of resources and weak on the quality of services, by the Healthcare Commission. This double weak rating was a threat to the future of the Trust and significant changes were required. As late as autumn, the indications were that the Trust was still at significant risk of another weak/weak rating.

Jan Filochowski joined the Trust at the beginning of November with the task of making basic performance improvements for the last five months of 2007/08 and to continue to develop the short to medium term priorities.

Thomas Hanahoe
Chair

Jan Filochowski
Chief Executive

The Trust's focus therefore changed from November when the emphasis was on getting the basics right. From thinking that we may have already failed against the Healthcare Commisson targets for 2007/08, we now think it is likely that we will be awarded a 'Fair' on use of resources and a 'Fair' on quality of services when the results are announced in October 2008. This is a rapid advance in a relatively short time and will need to be maintained and further improved.

Our **people**

We recognise it has been a difficult year for staff. We have done some things well, but there has been a lack of clarity around people's roles and responsibilities. The Trust has tried to put that right and emphasised its double focus on:

- **Patient Safety** – preventing healthcare infections is our number one focus and priority as safety in all we do is the key.

- **Delivery** – ensuring we actually deliver what we promise quickly so we can deliver the very best services for the people of west Hertfordshire

Our **performance**

In recent years we have not performed at the highest levels, hence the ratings from the Healthcare Commission for 2006/07 assessing our performance as "weak/weak". If we are to have the future we deserve, this had to change.

A few other **headlines**

- *C. diff* has been brought under control. There has been a remarkable and continuing improvement since the first half of 2007, when levels were very high. MRSA cases are also reducing, but we need to get them down further. The introduction of isolation wards in the Trust has had a real and lasting effect.

- Our A&E performance moved from being one of the worst in the country in the first six months of 2007/08 to being right up where it should be and we are now consistently seeing more than 98% of patients within the four hour national standard.

- Keeping people in hospital longer than is necessary, delayed discharges, is a serious problem but we are tackling it with our NHS partners. Numbers are still too high but they are considerably lower than last year.

- A new centre for patients needing planned surgery was opened at St Albans in September 2007. This is a good facility based upon a good idea, but it ran into major operational difficulties at the start. Getting its problems sorted has been one of our biggest and immediate concerns and significant improvements had been made by the end of March 2008.

Big changes are underway as the Trust reforms and modernises with the opening of an Acute Admissions Unit (AAU) at Watford in early 2009. This unit will herald a real step-change for patients. It will provide excellent medical care, early and accurate assessment of their needs and prompt provision of the right and appropriate care. The effect of all this will be improved quality of services and improved use of resources.

Foundation Trust[1] application

At the October 2007 meeting the Board made the decision to apply for Foundation Trust status. The process to achieve FT status is a long and complex journey. Our five year Integrated Business Plan and Long Term Financial Model were submitted to the SHA at the end of January 2008. The process will see the Trust going to public consultation in September of this year and accreditation as an FT in 2009.

And **finally……..**

There is a sustained and significant improvement happening in the Trust. The improvements recorded in this report have been achieved by the hard work, determination and creativity of people working in and with the Trust. We know that everyone involved has the very difficult task of making improvements for the future whilst running today's services.

Let us end by outlining a couple of final messages

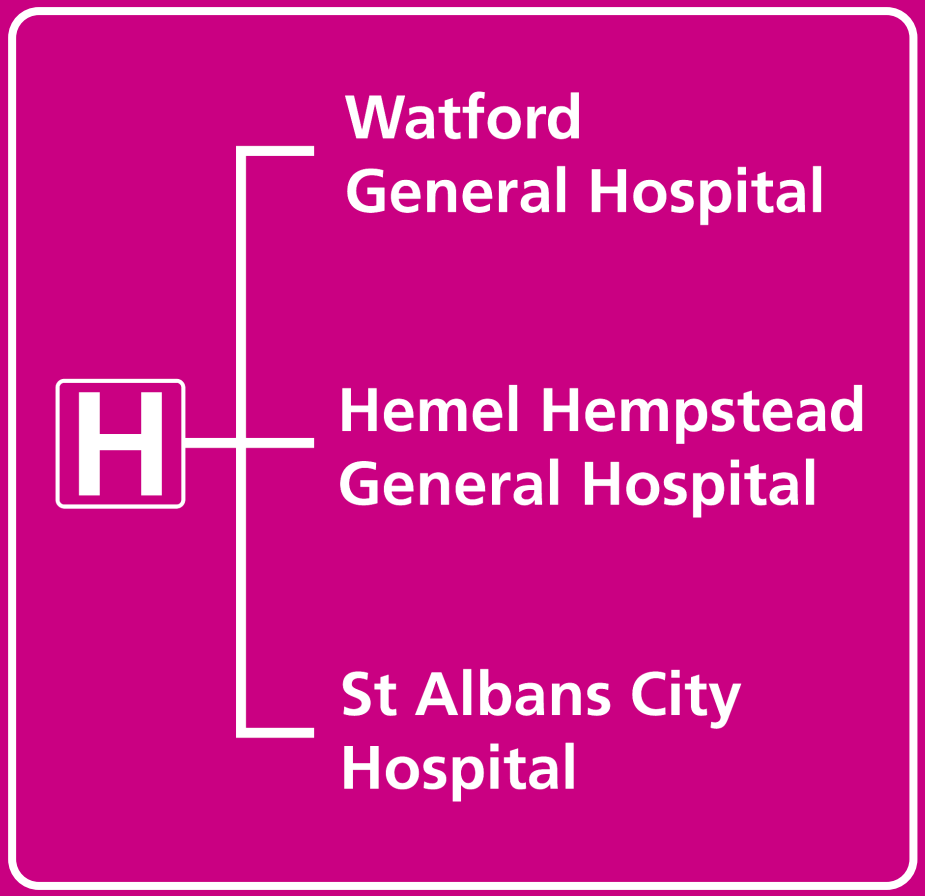
Firstly, nothing is more important for the Trust than preventing and controlling healthcare acquired infections. We have transformed our performance in controlling *C. diff*. More needs to be done on MRSA, but we are bearing down on this. At the present time, nothing is more important for us and nothing is more important for the patients of west Hertfordshire.

Secondly, we were amongst the worst in the country for waiting times in A&E. Today we are consistently at or above the national target of seeing patients within 4 hours. How long people wait in A&E is one of the main ways in which they judge their local hospitals. That's exactly as it should be.

We intend to ensure we make these improvements permanent and that we become the best Trust we can possibly be for the people of west Hertfordshire.

[1]NHS Foundation Trusts are a fundamental part of the current NHS reform programme. They reflect the move from a centrally managed service towards one that is managed locally and is therefore more responsive to patients. Foundation Trusts are authorised and monitored by Monitor – the Government's Independent Regulator of NHS Foundation Trusts.

Operational Review





West Hertfordshire Hospitals **NHS** Trust

Throughout 2007/08, the Trust provided health services at Hemel Hempstead General Hospital, Watford General Hospital and St Albans City Hospital. It employs around 4000 staff working in over 50 different professions to serve the catchment area of west Hertfordshire, with a population of over 500,000 and wider as people choose to attend our hospitals.

The Trust's key relationships in the delivery of care continues to be with the West Hertfordshire PCT, General Practitioners/Practice Based Commissioners, community based healthcare staff, and local social services. The development of practice based commissioning by GPs is bringing closer engagement between GPs and the Trust.

The Trust's overarching aims are to minimise hospital acquired infections, implement fully *Delivering a Healthy Future*, to achieve Foundation Trust (FT) status and to open the new acute west Hertfordshire hospital in 2015. To achieve FT status, a five year Integrated Business Plan and Financial Model were submitted to NHS East of England (the Strategic Health Authority, (SHA)) in January 2008. This is an iterative process, which should see the Trust seeking approval to be a Foundation Trust in early 2009.

The *Delivering a Healthy Future* strategy focuses on service development and service improvement for patients. Phase 1, the move of elective surgery to St Albans, was implemented in September 2007; Phase 2, the implementation of the Acute Admissions Unit at Watford, is planned for early 2009, and Phase 3 will be the migration from a district general hospital at Hemel Hempstead to a local general hospital.

Reaching out to our local community is a priority. Our work with Patient Forums and Patient and Public Involvement Groups develops a community-based approach to ensure relationships with key stakeholders are nurtured.

Emergency Preparedness

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

The Trust continually reviews and refines its emergency plans. New legislation (i.e. the Civil Contingencies Act) and new Department of Health guidelines underpin the Trust's Emergency Planning process and our plans for future developments. The Trust is compliant with Department of Health guidance for Emergency Planning and Pandemic Flu and is working towards compliance in Business Continuity.

Performance and **Standards**

Healthcare Commission Annual Health check

In October 2007, the Healthcare Commission rated the Trust as 'weak' for Quality of Services and as 'weak' for *Use of Resources* for 2006/07 - the second year running. This was extremely disappointing and was a blow to staff morale. In November 2007, the Trust was

heading for a similar rating for 2007/08. However, with a new focus and a determination to succeed, the Trust is looking forward to an improved rating and is hopeful of achieving a 'Fair' in both categories. This is a massive improvement in the latter part of the year and reflects the hard work and dedication of all staff. Although gauging staff morale is a difficult science, anecdotally it would seem that far from giving up on the Trust, improvements in performance are starting to allow staff to celebrate in their success.

Performance Targets

Not being kept waiting for appointments, not having planned operations cancelled, reducing hospital acquired infections, care in A&E and how we are dealing with our budget are things on which, quite rightly, we are judged.

The new national focus of treating everyone, from GP referral to treatment, in 18 weeks has been challenging – not just for the Trust but for the whole local health economy. In the last few months of the financial year the Trust rose to that challenge and will meet the national target for those patients not needing admission (90%), and at the end of March will be close to meeting the target for those that do need admitting (85%). These are significant improvements as the Trust was performing at 30% for those needing admission and 60% for those that did not just a few months prior.

The split of elective surgery to St Albans in September 2007 and the more complex and acute work to Watford was the right move. However, St Albans was not implemented well and we were cancelling far too many operations. This had improved dramatically by March and the Trust is now around the national average of 1% of all reportable cancellations. There are still too many cancellations at Watford, often due to the problems the local health community has with delayed discharges, but the Trust is working hard to ensure this improves.

In the first quarter of 2007, the Trust was one of the worst in the country when measured against the 4-hour wait in A&E. The Trust's A&E performance improved significantly in the latter part of 2007/08 and from being one of the worst in the country the Trust is now consistently seeing more than 98% of patients within the four hour national standard.

The Trust's financial situation has improved and it has made a surplus of £2.5m in the 2007/08 financial year. Although the Trust continues to face financial challenges and will need to make additional savings and achieve better value for money in future years, this is a significant improvement over previous years.

The Trust has prioritised action to combat clostridium difficile (*C. diff*) and MRSA. *C. diff* rates have tumbled from 80 a month in November to around 15 at the end of March. MRSA rates are small and action continues to minimise the bacteraemia that result. Isolation wards in the Trust have contributed to the reduction in these figures, as has the focus and compliance on hand washing. As part of the Trust's campaign to promote hand washing and the use of hand gel, yellow badges with the slogan *'Please ask if my hands are clean'* are being distributed to all clinical staff. The Trust still has a way to go, but the direction of travel and the progress made is very positive.

Environmental Performance

The Trust completed the deep clean schedule of all inpatient clinical areas by the end of March 2008.

In the continuing effort to support the national specifications for cleanliness in the NHS and reduce hospital acquired infections a number of measures have been introduced, such as monitoring the cleaning on the wards by the ward manager, improving the bed washing facility at St Albans and capital funds have been approved for Watford.

Principles of Remedy

Leading on from the Principles of Good Administration published in October 2007, the Principles of Remedy sets out the Ombudsman's view regarding how public bodies should provide remedies for injustice or hardship resulting from poor administration or poor service.

For the Trust, good practice on remedies means:

- Getting it right
- Being customer focused
- Being open and accountable
- Acting fairly and proportionately
- Putting things right
- Seeking continuous improvement

Current Position

The Trust complaints procedure is in accordance with the Department of Health guidelines and was updated to incorporate the NHS Complaints Amendment (Statutory Instrument 2084). Operation of the procedures is already in line with the good practice advocated.

Standards for **Better** Health

The Trust has declared compliant in 40 out of 43 core standards, including five declared as 'end of year' compliant, thereby maintaining a foothold on last year's position. The three non-compliant Standards focus on decontamination, single sex accommodation and public health. Action plans for these standards have been developed to ensure compliance in 2008/09.

Risk Management

Significant progress has been made in the corporate management of risk. In the past year the Trust has:

- Attained good development progress by achieving 60% compliance in benchmarking against the NPSA's Seven Steps to Patient Safety
- Undertaken an Acute Trust Assessment of the NHSLA Risk Management Standards achieving Level 1 status
- Commenced implementation of the Datix e-form for Incident Reporting
- Commenced the process of logging risks associated with the Trust's infrastructure

National Targets

The Trust's achievements against key national targets were as follows:

- ✓ Cancer 1 month wait – the target is for 98% of patients diagnosed as having cancer to commence their treatment within one month of their GP sending the referral. In 2007/08 the trust achieved 99.9%
- ✓ Cancer 2 month wait – the target is for 95% of patients diagnosed with cancer to commence their treatment within 2 months of their GP sending the referral. In 2007/08 the trust achieved 99.4%
- ✓ Waiting time for planned admissions – the target is for 99.97% of patients to wait less than 26 weeks for admission. In 2007/08 the trust achieved 99.98%
- ✓ Waiting time for outpatient appointments – the target is for 99.97% of patients referred by their GP to wait less than 13 weeks for a first appointment with a consultant. In 2007/08 the trust achieved 100%
- ✓ Waiting time for Sexual Health Services – 93.3% of patients were offered an appointment to be seen within 2 working days
- ✓ Achieving a maximum waiting time of 18 weeks from referral to start of treatment by December 2008 – the trust is still on target to achieve this
- ✓ Waiting time for revascularisation procedures – the target is for 99.9% of patients to wait less than 13 weeks for revascularisation. In 2007/08 the trust achieved 100%
- ✓ Rapid access chest pain clinic – the target is for 98% of patients referred to the clinic to be seen within 2 weeks of referral. In 2007/08 the trust achieved 99.4%
- ✓ Financial performance –the trust ended the year with a £2.5m surplus

The two-week wait target
Trusts are expected to maintain a maximum two week wait from urgent GP referral to first outpatient appointment for all urgent suspected cancer referrals.

The 31 day target
Trusts are expected to maintain a maximum waiting time of one month from diagnosis to treatment for all cancers.

The 62 day target
Trusts are expected to maintain a maximum waiting time of two months from urgent referral to treatment for all cancers.

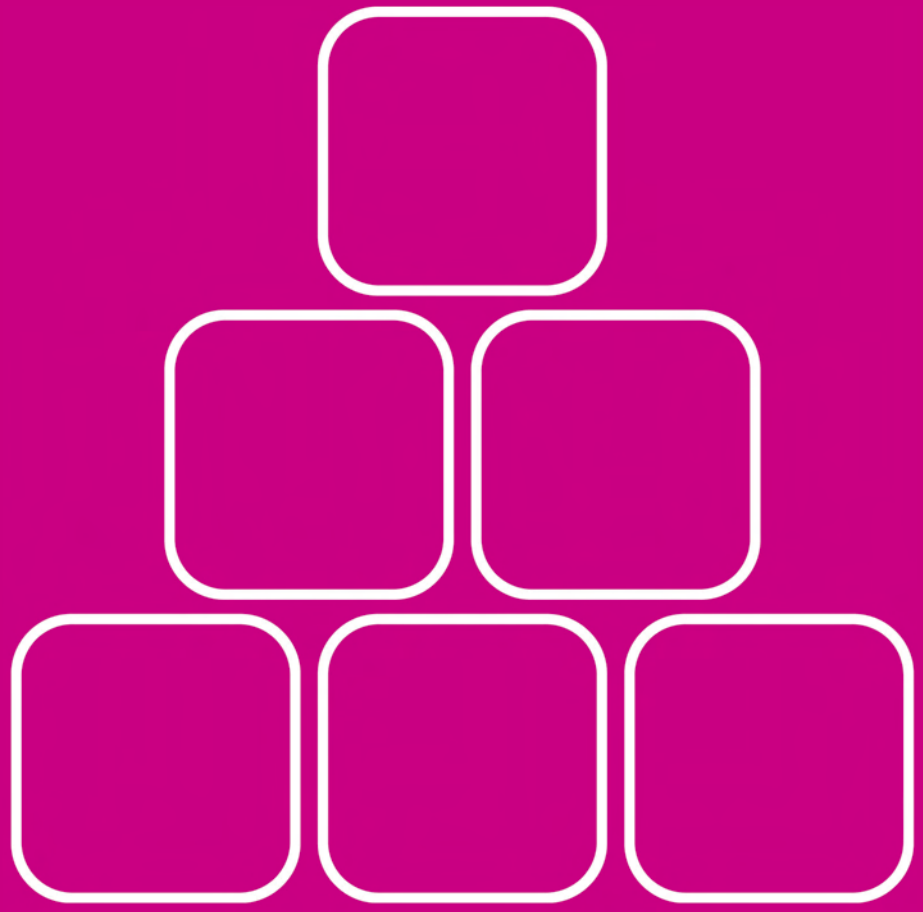
The Trust did not achieve the following key national targets:

- ○ MRSA infections – there were 37 bacteraemia infections identified in the laboratory. Although this was fewer that the year before it was still more that the target figure of 18 for 2007/08
- ○ Implementing the 'Choose and Book' appointments system – approximately 40% of the trusts referrals were booked electronically during the year. Although this is above the national average it falls short of the government's target for the NHS
- ○ A&E waiting time – 97.7% of patients attending A&E were admitted or discharged within 4 hours of arrival. This fell short of the government target of 98.0% (although this target was met and exceeded in the latter part of the year, the overall average was slightly below the national target for the whole year)
- ○ Reducing the number of patients whose discharge is delayed by the lack of other health or care facilities – for 2007/08, 5.7% of patients experienced some delay, against a national target of less than 3.5%
- ○ Readmission within 28 days of cancellation of an operation – in 2007/08 1,247 (3.8%) of patients had their operation cancelled at short notice. Of these 246 (20%) were not offered admission within 28 days, against a target of less than 5%

Inpatient Survey

In May 2008, the Heathcare Commission (HcC) published their survey of patients being discharged during June, July or August 2007 who had had a stay of at least one night in the Trust. The survey showed that the patients using the Trust's services rated them as poor. Particular areas highlighted were a failure to give patients sufficient information at either admission or discharge explaining to them what was going to happen to them whilst in our care. The Trust has set up a task force, led by the CEO, to involve all staff in making immediate and sustained improvements to ensure an improved rating next year – this is a key task for the Trust during 2008/09.

Service Developments



Stroke care service

Stroke services in west Hertfordshire received an excellent report in the 'National Sentinel Audit for Stroke' funded by the Healthcare Commission. The report, which covers 203 Trusts, gives a very detailed insight into Stroke Services around the country. The Watford Stroke Unit scored 88 out of 100 in the audit, coming 8th in the country. The sentinel audit is made up of two phases, phase 1 - organisational audit and phase 2 - clinical audit. Hemel Hempstead Stroke Unit has improved dramatically from being in the lower 25% of the country in 2004 to the top 25% performing stroke units in the country. This is a remarkable achievement for everyone involved in caring for stroke patients.

Specialist **Cancer** Surgery

The Trust successfully bid for the centralisation of specialist cancer surgery for Upper GI cancer and Gynaecology cancer at Watford General Hospital for the Mount Vernon Cancer Network. This is excellent news for patients of west Hertfordshire, as they will no longer have to travel to other hospitals for these specialist cancer services. The Cancer Network is in the process of organising a number of working groups to implement the changes required in patient care pathways in order for the clinical teams to deliver these services to patients by summer 2008.

Local **maternity** services

In January 2008, the Healthcare Commission (HcC) published a national review of maternity services where the Trust was assessed in the 'Least Well Performing' category. The data for this report was collected over the summer 2007. Although the Trust felt that the HcC had failed to report on the maternity services accurately, we recognised that some improvements were required. Professor Graham Ramsay, Director of Patient Services and Medical Director, said, *"The report does not mean that the unit is unsafe. Quite the contrary, a recent report 'Confidential Enquiry into Maternal and Child Health' showed that the Trust provides one of the safest services in the country. Mortality rates of newborn babies born at Watford General Hospital are amongst the lowest in the country – less than one death per thousand births compared with a national average of around one in 300. As a result many women from outside the Trust's immediate catchment areas choose to come to Watford".*

Nursing and Midwifery Strategy

The Nursing and Midwifery Strategy (2007-2010) 'Valuing Patients: Inspiring Staff' was developed following six months work undertaken by Trust nurses and midwives and patient representatives and launched in May 2007.

The Strategy is crucial in defining a coherent direction for nurses and midwives. It provides a clear statement of intent and generates a process by which standards of care can be described, initiated, maintained and enhanced, using a sound evidence base so that the patient is truly central to all care delivery.

Many of the priorities identified within the Strategy are drawn from existing frameworks developed by the Department of Health and reflect the recommendations of the Chief Nursing Officer, as detailed in Modernising Nursing Careers (2006).

The Core Principles of the Strategy are:

- Patient-centred Care
- Leadership
- Workforce Development

These Core Principles provide strategic direction for Trust nursing and midwifery staff and reflect the need for healthcare professionals to adopt a multi-professional approach in order to deliver high quality care to the users of our service.

Progress on delivering the targets outlined in the Core Principles are reported six-monthly to the Trust Board.

Essence of Care Framework

The Essence of Care Benchmarking initiative was launched by the Department of Health in February 2001. It offers a practical toolkit for nurses, midwives and other team members to focus on aspects of care identified as crucial to the quality of care and patients' experience.

The Trust has been actively implementing and auditing the Essence of Care Benchmarks since 2002. The Strategy has evolved over time to best capture and influence practice, incorporating the new benchmarks launched in 2007.

A new approach to embed the fundamentals of care in day-to-day practice has been revised by the Director of Nursing and the Head of Practice and Innovation. The revised Strategy framework promotes a continuous quality improvement programme whereby a multi level approach is adopted, encompassing organisational, divisional and local focus. The collective aim is to get the fundamentals of care right for our patients, drive quality care provision across the organisation and to celebrate, share and sustain best practice.

Dignity in Care

The Trust responded positively to the National Dignity Challenge, part of a wider Department of Health campaign to promote dignity for older people in the health and social care sectors and established a multi professional Patient and Public Involvement and Experience Group, chaired by the Director of Nursing, to progress this work. The identification and collation of examples of good practice already in place within the Trust are summarised in a single document *'Dignity in Care - Examples of Excellence in Practice'*, which is updated quarterly and circulated widely.

In September 2007, the Trust launched *'Best Practice Standards for Privacy and Dignity'*. Our success in meeting these standards is evaluated six monthly through the Trust's Privacy and Dignity Patient Surveys.

As part of the Department of Health's Dignity in Care Campaign, 60 Trust staff have registered as Dignity Champions and have joined a National network of people who are committed to taking action to improve Dignity in Care. In order to share the positive work undertaken within the Trust, a Dignity in Care Conference, hosted by the Director of Nursing took place on the 14 December 2007.

Bowel cancer screening programme

People across west Hertfordshire will benefit from bowel cancer screening. This follows clinical staff at Hemel Hempstead and Watford General hospitals being accredited to deliver the national screening programme locally. The programme is part of a three-year nation-wide initiative led by the Department of Health, the rollout of which is planned to be completed in 2009. From March 2008 the local NHS will be offering every resident aged 60-69 free screening once every two years to catch the disease before it has a chance to take hold. There are currently around 46,000 people aged between 60 and 69 in west Hertfordshire. The aim is to invite around 25,000 people every year to be screened.

Dignity patient hygiene packs

Hygiene and personal appearance is extremely important to patients, especially when maintaining dignity for older people. Staff at the Trust noticed that some patients were being admitted without suitable washing provisions or access to families or friends to help provide these items. The Voluntary Services Manager, together with a small group of staff, through their involvement with the Trust's Dignity in Care Group, worked with a number of organisations including the League of Friends and NHS supplies to produce hygiene packs for these elderly and vulnerable patients to use.

Patient Focus

To ensure that patients continue to be involved and receive an experience that not only meets but also exceeds their physical and emotional needs and expectations, the Trust has fully implemented the Patient Involvement and Experience Strategy in consultation with patients, carers, Trust staff, PCT colleagues, and external bodies. In doing so, the Trust seeks to support ongoing, meaningful involvement and engagement in its work and services.

Hospital **volunteers**

The Trust organised a series of events to update its volunteers on current health issues and to say thank you for all the hard work and commitment they have shown to the Trust, in some cases for over twenty years. This event was also an opportunity for them to meet each other and to discuss with health professionals specific issues and developments.

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

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

Pat Schofield and Vivienne Payne, the Trust's Voluntary Services Managers, are always looking for extra pairs of hands.

If you'd like to know more please contact:

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

Patients have their say

Patients' Panel

Since the establishment of the Patients' Panel four years ago they have gone from strength to strength in respect of their ongoing enthusiasm and commitment in ensuring that all service improvements and re-design have patient and carer involvement within the Trust.

The Panel continue to be involved in all meetings and committees, including the Patient Involvement and Experience Group, Equality and Diversity, Infection Control and the new Environment Improvement Group that identifies areas requiring improvement, which will have a positive impact on the patient and staff experience.

The Panel have also been involved in the internal Hospital User Groups (iHUGS) in respect of the new Acute Admissions Unit (AAU) at Watford General Hospital, including choosing colours and furnishings and taking part in an assimilation event.

The Chair and members have also signed up to the Department of Health's Dignity in Care initiative to become 'Dignity Champions'.

The Trust presented its declaration for Standards for Better Health to both the Patients' Panel and the Patient and Public Involvement Forums (PPIF) as part of our general consultation process prior to its final presentation to the Trust Board.

The Patient Involvement and Experience Group

The Chair of the Patients Panel, Jessie Winyard together with the Head of Patient Services launched the Patient Involvement and Experience Strategy 2007 – 2010 Ensuring a Voice: Offering Choice at this year's 'Celebrating our Success' Nursing and Midwifery conference on 18 May 2007.

The Patient Involvement and Experience Group with its key stakeholder members continues to drive forward the ten key areas identified in the strategy that collectively impact on the patient experience. This Strategy seeks to detail where and how patients and the public will be involved. There is a clear expectation within the Trust that all staff, both corporately and within the Divisions, will embrace this strategy ensuring that all patients can fully benefit from improved care and services as a result.

Following a meeting with external stakeholders a staff 'Code of Conduct Regarding Patient Care' was developed, on how we should treat our patients and visitors. This 'Code of Conduct' not only states what the Trust's aims are but also what our patients and carers have asked for. The Code of Conduct will be appraised through the six monthly Evaluation of Practice days utilising in particular the Patient Survey and Observation of Care elements of the review.

Two innovative projects have been initiated within the Trust thanks to the funding by the League of Friends at both Hemel Hempstead Hospital and Watford General Hospital. They have kindly donated money to support both the 'Sloppy Slipper' and 'Personal Emergency Hygiene Packs' for our patients.

The Trust has been able to purchase 50 pairs of male and female slippers that are given out to all patients who arrive in the Trust without slippers or for those whose slippers are of a poor fitting quality. This incentive will help to reduce the risk of slips, trips and falls and has been well received by the patients.

Personal Emergency Hygiene Packs containing shampoos, combs, creams, washing products etc. have been purchased to ensure that all patients who have been admitted in an emergency, or for patients who do not have any next of kin to visit them, receive a pack to make sure that their standard of personal care as a patient is maintained. Packs are also available for patients from ethnic backgrounds.

The Acute Patient and Public Involvement Forums

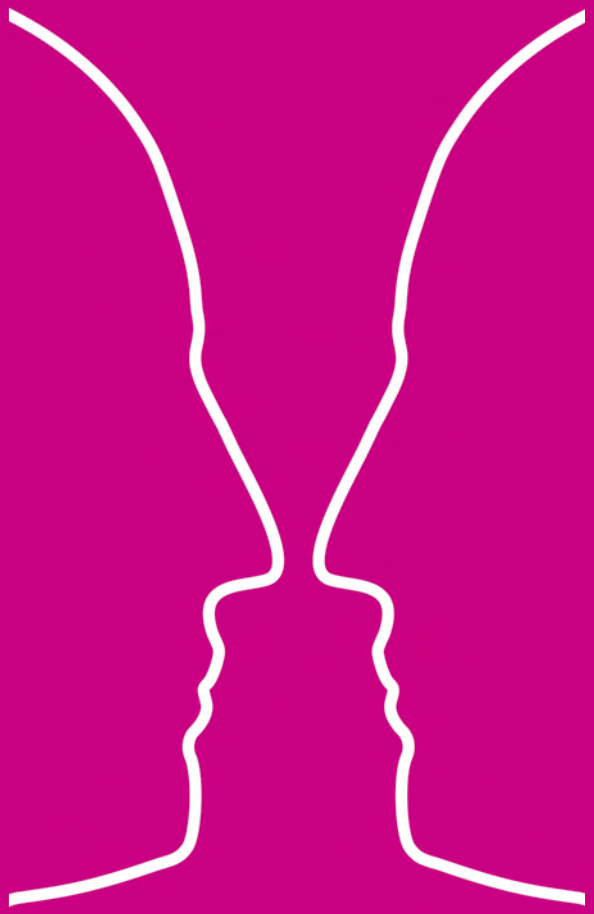
The Trust has continued to support and work closely with the PPI Forum during this last year.

The Forum, like the Patients' Panel, have continued in supporting the Internal Patient Involvement and Experience Group Patient Environment Action Team (iPEAT), Think Clean Days, Essence of Care: Observation of Care and the new Environment Group.

The PPI Forum and the Panel met regularly with the Chief Executive Officer. This has been an opportunity for the CEO to update them on what is happening in the Trust and also for the Forum to advise the CEO on health issues raised in their public meetings and within local communities.

The Director of Corporate Affairs, together with the Head of Patient Services accepted an invitation from the Community Development Agency (CDA for Herts) to attend its evening reception to mark the end of the Patient and Public Involvement Forums in Hertfordshire. The Trust took the opportunity to thank the PPI Forum members for their interest and support during their time as members. The Trust is looking forward to working with the Transitional LINks until a host organisation is appointed in September when LINks will be fully developed. The Trust welcomes the opportunity to support and jointly work with LINks to ensure future patient, carer and public involvement in respect of both Health and Social Care.

Our Staff



Our **Staff**

The Trust's staff are its most precious resource. They work tirelessly, often above and beyond the call of duty, to provide high quality patient care. The annual staff conference and award ceremony proved a great success, with awards being presented to the employee and team of the year, as well as a particular award to long-standing volunteers who support the work of staff across the Trust.

Staff at all levels are consulted on and actively contribute to change. There are user groups to help shape the changes associated with the *Delivering a Healthy Future* Project and Staff Side are also consulted about proposed changes at regular Joint Consultative Committee meetings. In addition, Directors attend individual divisional meetings on specific topics, such as the Foundation Trust application or the Healthcare Commission reports. The results from this year's staff survey showed an improvement in the overall perceptions of staff but there is more to be done to ensure all staff have appraisals and an appropriate personal development plan.

The main themes emerging from the annual staff conference held in November were a reflection on the year to date and the achievements both in terms of financial improvements but also in recognition of the excellent work undertaken across the Trust.

The 'top 5' most important issues for staff were also announced at the conference and these were:

- having sufficient staff to manage the workload in my department or team
- that the hospital environment is clean and well maintained
- staff get support from their manager
- staff get good training/career development
- staff facilities/equipment are fit for purpose

All of these issues are now being used as criteria to help shape investment decisions in the Trust.

Equal Opportunities

At West Hertfordshire Hospitals NHS Trust we are committed to delivering equality of opportunity for all staff, patients and other service users. Our Equalities Framework, including the Race Equality Scheme (RES) and the Disability Equality Scheme (DES) and the Gender Equality Scheme (GES) is at the heart of the drive to achieve this and already a great deal has been achieved.

In addition, the Staff Opinion Survey identified that some 70% of staff believe that the Trust is committed to equal opportunities for all staff.

Taking account of disabled people

The Trust seeks to ensure that all our services (including employment) takes account of the needs of disabled persons. As services are reviewed and developed they will be impact assessed to see if they are likely to have any adverse impact on any specific group of people including disabled staff and where any adverse impact is identified an action plan will be put in place to remedy the situation. Action plans in respect of this will be monitored and managed by the Equality and Diversity Steering group.

All feedback received from disabled people in respect of the activities defined in our Disability Equality Scheme will be reviewed by the Equality and Diversity Steering Group and appropriate action plans will be put into place.

Staff

There have already been some significant achievements made by the Trust in relation to taking account of disability. Listed below are some recent key achievements:

The Trust has been awarded two ticks status by Job Centre Plus. Employers who use the two ticks symbol have agreed with Jobcentre Plus that they will take action on these five commitments:

- to interview all disabled applicants who meet the minimum criteria for a job vacancy and consider them on their abilities
- to ensure there is a mechanism in place to discuss, at any time, but at least once a year, with disabled employees what can be done to make sure they can develop and use their abilities
- to make every effort when employees become disabled to make sure they stay in employment
- to take action to ensure that all employees develop the appropriate level of disability awareness needed to make these commitments work
- each year to review the five commitments and what has been achieved, plan ways to improve on them and let employees and Jobcentre Plus know about progress and future plans.

The Trust works in partnership with *Remploy* and *Access to Work* to support disabled staff to be recruited and to remain in employment with the Trust.

Staff **Awards** for Excellence

Over 100 staff and invited guests attended West Hertfordshire Hospitals NHS Trust's fifth Annual Staff Awards for Excellence ceremony held at Watford Football Club in November 2007. Hundreds of nominations were received for the awards, designed to celebrate the hard work and dedication of staff who work tirelessly to provide the best possible patient care. Jan Filochowski, Chief Executive said, *"Staff and volunteers are the heartbeat of the organisation and it's important that we recognise and celebrate their achievements. We have heard today a number of tremendous examples of just how dedicated and professional our staff and volunteers are. It was an honour for me to share in their success today"*

The Trust's Annual Staff Awards for Excellence Scheme is designed to reflect the calibre of the teams and individuals who work tirelessly to provide the best possible patient care.

The award categories were:

- **Employee of the Year –** a member of staff who is felt to have worked above and beyond the call of duty to deliver patient care.
- **Team of the Month –** a team who have worked together to improve the experience of service users and colleagues.
- **Patient Involvement –** the team or individual who has worked to integrate patient involvement.
- **Improving Patient Care –** a member of staff or team who have inspired or original thinking has led to improvements to patients.
- **Unsung Hero –** somebody who deserves an award for just being them! An individual who has shown consistent reliability and adaptability and deserves recognition.
- **Volunteer of the Year –** a volunteer who has made an exceptional contribution or shown dedicated commitment to the Trust.

Each individual or team winners received £200 and all nominees received certificates of commendation.

Cheryl Atkins
Winner of the Improving Patient Care category

Clinical Coding (above)
Winner of the Team of the Year category

Medirest Team
Elected Mayor of Watford Special Award

Hospital Doctor **Awards**

The continence team made it to the final of the esteemed **Hospital Doctor Awards 2007**. The awards are open to any NHS Consultant led team and attracted over 200 entries this year. They are a celebration of clinical excellence and innovation and an opportunity to share best practice. The award ceremony took place in London in November 2007. The Trust team were awarded second place. Since then Anne Carroll, the Continence Clinical Nurse Specialist, has been shortlisted in the continence care category of the **Nursing Standard Awards**. This prestigious annual event, which recognises and rewards outstanding nursing practice, attracted over 200 entrants and Anne was one of two final nominees for her category.

Consultant awarded top accolade

Dr Ian Barrison has been awarded the President's Medal of the British Society of Gastroenterology for 2008. This award is in recognition of his work in the development and implementation of National policies for the organisation and delivery of services to patients with gastrointestinal disease. He has served on committees of the society for 10 years and is currently Chair of the Clinical Services and Standards Committee. In recent years, Dr Barrison has played a leading role in the strategic refocusing of the British Society of Gastroenterology.

Pre-operative **assessment**

Jane Jackson, Trust Consultant Nurse and Chair of the Pre-assessment Association, was invited by the Society for Perioperative Medicine and Quality Improvement to be a guest speaker at the Perioperative Medicine Summit held at Cleveland Clinic, Ohio, U.S.A. The conference was attended by 400 members from a number of countries from around the world and was designed to discuss pre-peri and post-operative care. Jane Jackson said, *"As chair of the Preoperative Association UK, it was an honour to be invited to speak at the USA Society for Perioperative Medicine and Quality Improvement"*. Jane explained the benefits of pre-assessment within the Trust, which was well received by the audience.

Delivering a Healthy Future

Delivering a Healthy **Future**

In September 2007 the service for patients requiring emergency Orthopaedic treatment centralised in a new Cleves Ward at Watford General Hospital and planned Orthopaedic and day surgery services were brought together in a new Elective Care Centre at St Albans City Hospital. The majority of planned operations now take place at St Albans and helps the Trust organise services much better. Patients can be screened for infection before being admitted for their planned procedure, which significantly helps with the control of infection. Patients also have less chance of their planned operation being cancelled, as there are no emergency cases being admitted which would take precedence over planned procedures.

Although the initial transfer of planned services at St Albans went smoothly, it soon became apparent that, for a number of reasons, the Elective Care Centre was not running as well as the Trust expected. Since then, the Trust has focused hard on getting this service to run efficiently and effectively and it has recently seen a dramatic improvement in its performance.

2008 kicked off with a bang at Watford General Hospital when Claire Ward, MP for Watford 'helped' the Trust demolish its Postgraduate Medical Centre in order to site a new Acute Admissions Unit (AAU) adjacent to the existing A&E department. The new ultra-modern 120-bed AAU, which is believed to be the largest in the country, will radically change the way west Hertfordshire patients receive emergency care in the future and enable the Trust to deal efficiently and effectively with the increase of emergency admissions when emergency services centralise.

This new facility will be the 'front door' for the majority of patients requiring emergency treatment and will offer rapid assessment and diagnosis by a senior doctor and early treatment, which can drastically improve the long-term effects of some illnesses, such as heart attack, stroke, etc. The AAU will house two catheterisation labroratories offering treatment for heart attack patients called angioplasty, as well as x-ray, CT and ultrasound facilities and a new hospital pharmacy with robotic dispensing.

The building was constructed by the Trust's partner, Medicinq Osborne, using an off-site modular method. This enabled the 150 modular steel-framed building to be manufactured in a controlled factory environment while the foundations were laid on site at Watford General. This method significantly reduced disruption to patients, staff and the local community during construction, as there were fewer vehicles on site meaning it was safer, quieter and cleaner. The modules were then craned into position during March and April 2008 to form the complete building. The new service will be open to patients in Spring 2009.

The Trust officially opened a new Medical Education Centre (MEC) in May 2008, which is used primarily for training medical students and junior doctors, continued professional development for qualified doctors and consultants, as well as induction and mandatory training for all staff. The newly refurbished MEC benefits from a lecture theatre, seminar and meetings rooms, which are fully equipped with AVD equipment providing improved teaching facilities.

Investing in Your Health: Private Finance Initiative Status

At the end of March, the Trust Board decided to delay the commencement of two major pieces of work for the PFI process as implementing *Delivering a Healthy Future* project takes the Trust part way towards realising the vision and strategic objectives set out within Investing in Your Health. The Trust remains fully committed to the preparation of an Outline Business Case (OBC) and the new hospital to serve west Hertfordshire, due to open in 2014/15. The new west Hertfordshire Acute Hospital at Watford still sits within the proposed Watford Health Campus.

The **Watford Health Campus** – a Sustainable Future

watford
health campus

The Campus' vision is to transform west Watford through the creation of a unique partnership that will deliver improved healthcare, a more sustainable community, better transport links and enhanced leisure opportunities for west Hertfordshire.

The Watford Health Campus (WHC) partnership has prepared a masterplan for the redevelopment of the site, which houses the new acute hospital for west Hertfordshire; key worker and private housing; offices and business incubator units, and a redeveloped football stadium. Supporting this new development is a proposed new access road, which will provide improved access to the hospital for staff and visitors, and most importantly emergency vehicles.

Hertfordshire County Council is also working to reopen a redundant rail line, which runs through the Campus site, for London Underground tube use. This tube line would connect the existing Metropolitan Line to Watford Junction. Clearly such a development would allow staff and visitors from across west Hertfordshire, who do not have access to a car, to get to the site via easy and direct public transport. The County Council has already submitted the business case for that scheme to the Department for Transport. The Campus Stakeholders, as part of the planning agreement, have contracted to provide substantial

financial support for bus services to the site, as well as contributing to the upgrade of necessary bus infrastructure.

The nine organisations behind the Watford Health Campus are:

- East of England Strategic Health Authority
- East of England Development Agency
- Hertfordshire County Council
- Hertfordshire Partnership NHS Trust
- Hertfordshire Prosperity
- Watford Borough Council
- West Hertfordshire Primary Care Trust
- Watford Football Club
- West Hertfordshire Hospitals NHS Trust

This unique partnership will see the redevelopment of a 26.5-hectare (65 acre) site in west Watford.

Estates **and** Facilities

2007/08 has been a significant year for Division. In order to respond to the increased focus on Hospital Acquired Infections (HAI's) and cleaning standards, we have reviewed the cleaning contract monitoring processes and deep cleaning arrangements. By the end of March 2008, we had successfully completed the deep clean of all inpatient areas and we are continuing to maintain a 12 week rolling programme of deep-cleans throughout the Trust. This is enhanced by the introduction of a disinfection process called "Sterinis", which is widely used in Scandinavia to further reduce the potential for cross infection.

We have:

- reviewed and improved the contract monitoring arrangements for the cleaning service to ensure that Ward Managers are actively involved in the monitoring process and are aware of the respective responsibilities of both nursing and domestic staff.

- introduced an Environmental Improvement initiative which places more emphasis on the condition of the physical environment within which we deliver care. This initiative sees an investment in a redecoration programme, seating replacement and priorities discussed and set with patient representatives.

With the increases in capital available to the organisation, the Estates function has been able to make significant improvements to the hospital infrastructure with a £1.4m spend in 2007/08 and predicted spend of £4.1m in 2008/09. The department has also reorganised its functions to better reflect the changing pattern of workload as a consequence of the *Delivering a Healthy Future* project and the subsequent impact on the hospital sites.

Energy Consumption

Over the past eight years the Trust's energy consumption has steadily increased. The increases are attributed largely to the increasing use of electronic diagnostic equipment, IT and other electronic office equipment and the consequential increase in air conditioning that is required to cool it.

In 2001 the Department of Health introduced two sets of mandatory targets for NHS bodies in England to:

1. Reduce the level of primary energy consumption by 15% or 0.15 MtC (million tonnes carbon) from March 2000 to March 2010

2. Achieve a target of 35-55 GJ (gigajoules)/100 cu.m. energy efficiency performance for the healthcare estate for all new capital developments and major redevelopments or refurbishments; and that all existing facilities should achieve a target of 55-65 Gj/100 cu.m.

The Trust will be conducting an Energy Awareness Campaign across the three Trust sites. The cost for this is £41K for the first year, including publicity materials. The scheme has projected savings of between 5% and 15% of the Trusts energy budget i.e. £125 to £375K. This will lead to a reduction in the Trust's carbon footprint and also assist in meeting the Department of Health target for the NHS of a 15% reduction in the level of primary energy consumption by 2010.

Health and Safety

An audit of the arrangements for the control of Health and Safety was undertaken as part of the approved internal audit periodic plan for 2006/07.

The Trust has developed a Health and Safety action plan following action taken against the Trust by the Health and Safety Executive in January 2006. The Health and Safety Committee reports to the Trust Board via the Trust Audit Committee on health and safety matters. The Director of Human Resources was delegated responsibility for Health and Safety and chairs the Health and Safety Committee.

Clinical Governance

Statement of Internal Control **2007/08**

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 2007/08 financial year has been challenging for the Trust, but has seen us build on the foundations laid in 2006/07 and achieve the following:

- A run rate in balance and a surplus for 2007/08 of £2.5m
- The achievement of Phase 1 of the *Delivering a Healthy Future* project – the move of elective surgery to St Albans – with Phase 2, the plans for an Acute Admissions Unit at Watford and Phase 3, a Local General Hospital on the Hemel site progressing as planned.

The Trust continues to work hard at establishing good working arrangements with both the SHA and PCT and these include:

- A series of routine performance / contract monitoring meetings once a month to look specifically at the performance of the Service Level Agreement (SLAs)
- A regular CEO meeting between CEOs of various NHS organisations
- A regular meeting between Trust and SHA monthly
- Specific meetings with SHA and PCT around attainment of performance targets which take place at varying intervals dependent upon performance
- Specific meetings around issues such as IT strategy which take place quarterly

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 are developing robust processes around PCT commissioning contracts and we will continue to maintain good relationships with the emerging Practice Based Commissioning Groups.

The Trust continues to work with the Hertfordshire County Council Health Scrutiny Committee (HSC) and has built upon the previous good relationships during 2007/08. The Trust attends the (HSC) meetings on a regular basis as well as participating in the health topic group.

The Trust has many established and effective arrangements for working with the wider stakeholder communities, including patients and carers. We have a number of interested local people, which we intend to use as part of the development work on establishing the membership and subsequent Board of Governors to support our application for Foundation Trust status.

The Trust considers itself compliant with the Core Standard for Equality and Diversity and has in place an Equality and Diversity Framework which broadly sets out how West Hertfordshire Hospitals NHS Trust is progressing with its Equality and Diversity Agenda and focuses on the specifics of our agenda in relation to race and disability through the inclusion of the two schemes and action plans that have been produced in collaboration with key stakeholders. The Trust has also implemented a series of impact assessments for new policies and patient information that uphold the integrity of the framework.

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, aim 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 2008 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 one of its top priorities. The identification and management of risk is seen within the Trust as every employee's responsibility. To provide leadership and structure in the management of risk, the Director of Patient Safety/Medical Director has specific responsibility for leading the risk management process. This responsibility is discharged throughout the organisation through the Trust's Head of Clinical Governance, Quality and Risk via Divisional Risk Leads. Divisional Risk Leads act as a resource and focus for the identification and review of risks within the Divisional setting. They also assist the Divisions in the development and implementation of effective ways to manage these risks as detailed in their Divisional Risk Management Strategies. Through the Divisional risk leads, organisational systems and processes for risk identification, scoring, recording and mitigation are undertaken and overseen by the Head of Clinical Governance, Quality and Risk.

In addition to this, specific Risk Management guidance on the responsibilities of staff at various levels and on the systems in place to manage Risk is detailed within the Trust's Risk Management Strategy and the Incident Reporting Policy. More in depth Risk Management guidance at Divisional level is detailed within the respective individual Divisional Risk Management Strategies.

All employees are introduced to Risk Management and Health and Safety at induction and this is revisited at mandatory staff updates yearly.

The Trust has a fully implemented and integrated risk management database and risk register. This can be viewed both within the Divisions and at Executive level. Risks are clearly recorded and identified in a standardised way.

Divisional performance is reviewed regularly across a range of key indicators, including the identification and management of risk. At a strategic level the Board has reviewed the reporting arrangements for strategic risks and the requirement that this process links directly to the Assurance Framework. The Board at its meetings in public reviews strategic risks and the Assurance Framework regularly as appropriate and at least quarterly.

There is representation by the Trust at the Bedfordshire and Hertfordshire Clinical Governance Liaison Group and a Regional Patient Safety Forum to ensure that a strategic approach to risk is aligned across the regional health economy. Minutes from this Group are sent automatically to the Trust's Head of Clinical Governance, Quality and Risk for noting and action.

Additionally, the National Patient Safety Agency Regional Manager communicates directly with the Head of Clinical Governance, Quality and Risk to also ensure consistency in approach.

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.

The Trust produces yearly an Innovation and Excellence Directory which highlights good practice initiatives which enable dissemination of learning. This Directory is led by the Director of Nursing and distributed Trust wide.

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 eg Directors of Finance who have a formal programme of meetings across the year.

4. The risk and control framework

The Trust presented its reviewed Risk Management strategy to the Trust Board in March 2008.

Key elements included within it are as follows:

- Statement of philosophy
- Definitions
- Key principles
- Roles and responsibilities
- Committees with responsibilities for Risk Management
- Risk Analysis Tools
- Risk Management Process
- Training
- Monitoring and review of strategy
- Proposed work programme for 2008/09

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 by the Board directly and the Audit Committee. The Trust has again reviewed its governance arrangements during the year. It has reduced the number of Trust Board sub committees to three - Audit, Remuneration and Charities. These now take on the scrutiny and strategic overview function and report to the Board.

Executive Groups have been established focussing on the operational aspects of the Trust's business. Significantly as far as the risk and control framework is concerned the Clinical Quality and Governance Committee provides the appropriate focus and control and has had the support of the following groups:

- Clinical Standards Executive
- Infection Control
- Drugs and Therapeutic
- Complaints, Incidents, Near Misses Group
- Clinical Audit
- Health and Safety
- Child Protection Steering Group

The Trust has a five year Integrated Business Plan and a yearly Operational Plan, which feed into the Trust's Risk Register and Assurance Framework.

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 ones. The Trust's Risk Management Team reviews and monitors this process. Performance reports on the management of risk are provided on a six monthly basis to the Clinical Quality and Governance Committee.

Building on the improvements made on the incident reporting procedure, the Trust now provides the Risk Management Group with quarterly aggregated analysis of key themes extrapolated from their risk management database. Where there are issues of concern arising from this report they are escalated to the Complaints, Incidents and Near Misses Review Group. This process ensures that the Clinical Quality and Governance Committee can advise the Board of significant issues that create a risk to the Trust.

Executive and operational responsibility for each of the Standards for Better Health domains has been assigned and monitoring of compliance is ongoing. The Trust has maintained progress in meeting the core standards. The Trust's strategic objectives are aligned with 'Standards for Better Health' and consequently all gaps in compliance recorded on the Assurance Framework.

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 on a quarterly basis.

Current gaps in either control or assurance are outlined in the table below:

Key Element	Principle Risk	Gaps in Control	Gaps in Assurance	Action to address gaps
Data Quality	Data quality is a potential risk to income (RR 1465)	Trust does not run real time admission/ discharge Use of non-Trust systems to record patient data Lack of comprehensive outpatient coding	Audit recommendations	External review action plan in place
Maintain delayed transfer of care at a minimal level	Failure to achieve improved rating with the Annual Health Check (RR 1512)	None identified.	Failure to meet targets	Action Plan in place
In-patient Experience Survey	Failure to achieve improved rating with the Annual Health Check (RR 1512)	Failure to nominate 'champions' to lead on key issues (now achieved)	Top 3 areas: Communication with patients, admissions and discharge	Action Plan in place being driven forward by CEO and Director of Nursing
Reducing health inequalities and public health	Targets not achieved (RR 1512)	Implementation of Public Health Strategy	The Trust Public Health Strategy is being implemented	Public Health Forum monitoring compliance
Failure to provide single sex accommodation	Non-compliance with all Core standards for Better Health (RR1272)	Lack of capacity in current building stock	Currently non-compliant	Reduction in MRSA and C.Diff will alleviate the need for isolation bays and therefore remove the need to report non-compliance
Failure to meet standards for Decontamination	Non-compliance with Core standards for Better Health (RR1272)	Failure to put in place strong governance arrangements for the management of decontamination Failure to invest in current decontamination kit that meet statutory requirements	Independent consultant audit identified areas of non-compliance with statutory regulations	Action plan in place – revised report from consultant expected. Realisation of Decontamination Consortium aimed for 2010.

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's Patients' Panel has been established for four years. It continues to play an active part in the Trust and has also registered to become a Dignity Champion.

The Panel continue to work collaboratively with the PPI Forums and are linked into a wide range of committees, meetings and projects within the Trust to develop services and pro-actively help to drive forward the issues raised from the results of the 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. The PPI Forum members also maintain their statutory announced and unannounced monitoring visits within the Trust.

Panel members continue to review all policies, patient information and questionnaires to ensure they are 'user friendly' before being officially ratified by the appropriate committees and published.

The Patients' Panel together with the PPI Forum members and other external patient representatives and voluntary organisations have been instrumental in the production of the Patient Involvement and Experience Strategy and subsequently with helping to drive forward it's objectives, together with the Trust's 'Code of Conduct'. The strategy was launched at the Trust's Celebrating our Success Conference. They are also regular attendees of the Patient Involvement and Experience Group chaired by the Director of Nursing.

Forum members are also a member of the *Delivering a Healthy Future* (DaHF) project team and both the PPI Forum and Panel members have been involved in the internal Hospital User Groups (IHUGS) in respect of the St. Albans City Elective Care Centre, Watford Health Campus and the new Acute Admissions Unit (AAU) at Watford General Hospital. Their views were sought during the consultation process and subsequent attendance at the IHUGS and Project Team has assured their consistent involvement in the planning of future services and design of the Watford Health Campus.

The Patients' Panel and PPI Forum members meet on a regular basis. This is an ideal opportunity for the members to be updated on Trust matters and to hear what health and Trust issues are concerning patients and the public. I, together with the Medical Director, Consultant Microbiologist, Director of Nursing and the *Delivering a Healthy Future* (DaHF) Project Team, have also attended the PPI Forum public meetings to address the needs of the Communities.

With the disbanding of the PPI Forums in March 2008 the Trust continues to support the work of the "Early Adopter" and the Host organisation for the establishment of the new Local Involvement Networks (LINks) that are due to come into force in September 2008 and the Transitional LINks in the interim period between April and September 2008.

The Trust will also continue to support the PPI Forum members who currently participate in Trust projects and committees to ensure that they are welcome to continue their participation as patient representatives / LINks members, if they wish to.

5. Review of effectiveness

As Accountable Officer, I have responsibility on behalf of the Trust for reviewing the effectiveness of the system of internal control. The Assurance Framework and operational progress being made against elements of the Healthcare Commission's Annual Healthcheck inform my review. These processes provide 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 the following:

- Internal Audit Reports (Risk Management; Assurance Framework; Integrated Governance; Standards for Better Health; Counter Fraud)
- External audit reports (Auditors Local Evaluation)
- Standards for Better Health self assessment and declaration
- Performance Monitoring
- National Inpatient Survey (preliminary results)
- Staff Survey

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Trust Board; Audit Committee; Clinical Standards Executive; Assurance Committee (now disbanded in favour of Audit Committee); Risk Committee (now disbanded in favour of Audit Committee). A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Audit Committee has advised me on the implications of the result of my review of the effectiveness of the system of internal control and the Head of Internal Audit has provided the Trust with an opinion statement on the overall arrangements on internal control and on the controls reviewed as part of their internal audit work. Executive Directors are providing me with assurance on the development and maintenance of the system of internal control.

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 fed up 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 has reported directly to the Board providing assurance on the maintenance of the system of internal control. The Committee comprises at least three Non-Executive Directors with the Director of Finance, Director of Patient Safety, Head of Clinical Governance, Quality and Risk, Trust Secretary 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 the Board on whether the systems in place for risk management and internal control are robust and effective. The Audit Committee receive regular reports from the Head of Clinical Governance, Quality and Risk ensuring that appropriate issues are escalated to the Audit Committee from the Risk Management Group. This Committee ensures that audit plans are drawn up with full consideration of all risks as detailed within the Trust Risk Register.

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 practical, resources are available in order to manage risk.

Internal Audit

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

The Trust has identified the following significant control issues:

The Annual Healthcheck

The Healthcare Commission's Annual Healthcheck for 2006/07 concluded that the Trust was 'weak' in both its use of resources and in the quality of its services.

For quality of services the main areas of concern were:

- Elective surgery cancellation rates
- Waiting times for some services (revascularisation)
- High levels of delayed transfers of care
- Control of infection issues

During the first quarter of 2007/08 the Trust performed poorly against a number of other targets:

- Waiting times for A&E services
- Waiting times for diagnostic services
- Performance in respect of the national 18 week target has not improved as required

I have established a process for monitoring the Trust's performance against all of the National Targets used by the Healthcare Commission in its Annual Healthcheck, under the supervision of an Executive Director. There is a responsible senior manager identified for each target. A summary of current performance and anticipated performance for the year for each target is reported to the Trust Board at every meeting.

I have identified Executive Directors to lead work on improving performance on control of infection and 18 week targets, and have established task groups in both areas which I chair personally.

I meet with executive directors weekly and review performance against key performance indicators.

Standards for Better Health

For its 2007/8 Standards for Better Health submission, the Trust has declared compliance with 35 out of 43 Core Standards.

It has declared 'not met' for following 4 standards:

Standard	Subject	Compliance Issue
C4c	Decontamination	The Trust is not compliant with the all statutory regulations within its Sterile Services Departments, although the HC are aware and this does not have an impact on patient safety. The Trust was audited in 2006 and an opinion of 'limited assurance' was given only. Work is still in progress on the recommendations contained within it. Governance arrangements and assurance to the Trust Board have been strengthened through audit against requirements of Duty 4 of the Hygiene Code.
C20a	Health and Safety	The Trust does not have assurance that all statutory clinical departmental and ward risk assessment have been carried out.
C20b	Privacy and Dignity	Assurance to the Trust Board strengthened through regular reporting and audit of privacy and dignity and mixed sex accommodation.
C23	Public Health	Production and implementation of Public Health Strategy which includes measuring and monitoring of public health through performance targets, implementation of Public Health NICE Guidance, and trust initiated public health interventions. Although areas for measuring and monitoring have been identified the Trust is not yet in a position to fully analyse and share data with the wider health economy.

A further 4 standards have also been declared 'not met' but have achieved end of year compliance through the submission of 'achieved' action plans as detailed below:

Standard	Subject	Compliance Issue
C3 and C5a	Conform to NICE Guidance and NICE technology appraisals	The Trust reviewed its policy for the management of NICE Guidance and Technology Appraisals in February 2008. Implementation to provide assurance on compliance has been ongoing. The Trust now has a spreadsheet, which records both compliance and action in place to meet NICE standards.
C7e	Equality and Diversity	The need to meet equality and diversity requirements made explicit within procedural recruitment guidance and assurance to the Trust Board strengthened through audit of practice.
C10a	Recruitment and CRB	Assurance to the Trust Board strengthened through audit of practice.
C22a and C22c	Working with partners in Public Health	Appropriate Trust representation at both Strategic Partnership Forums and Crime and Disorder Partnerships and engagement on Public Health with PCT. Feedback to the Public Health Forum providing assurance to the Board.

All risks are reviewed on a continual basis to ensure that there are no gaps in control and/or assurance. Where these occur they are added to the risk register and there are action plans in place to address them.

ALE

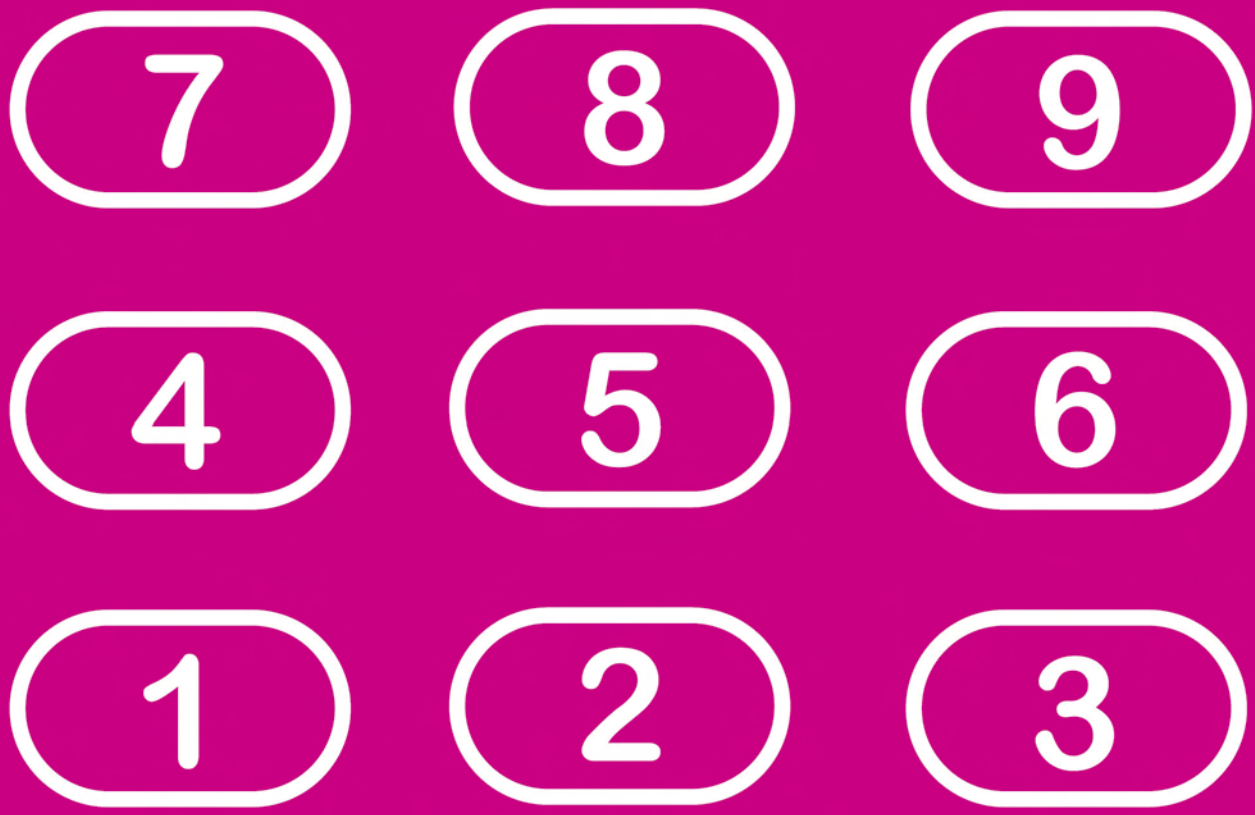
In 2006/07 the Trust received an ALE score of 1 'weak' for use of resources. During 2007/08 the Trust implemented a revised process to ensure that a score of 2 'fair' was achieved across all 5 areas of ALE - financial standing, financial management, financial reporting, internal audit and value for money. A central repository of evidence was established along with clearly identified director and managerial leads for each Key Line of Enquiry. The Finance Department acted as 'project managers' to ensure that level 2 evidence was available for audit. The Finance team worked closely with the Trust's external auditors to ensure that the evidence provided was appropriate, this was achieved via a position statement audit in December 2007 and as part of the interim audit during January to March 2008. The Trust received a score of 2 for 2007/08.

Information Governance and Data Mapping

Following concerns about public sector data protection and in particular the security of information being transferred between locations and organisations, the Trust has recently undertaken a data mapping exercise in order that it may satisfy itself that all potential data streams are known and are being managed appropriately.

Jan Filochowski, Chief Executive

Financial Review



Financial Disclosure

The Trust produced a £2.5m surplus on its income and expenditure account in 2007/08, which is a remarkable in-year achievement against a deficit of £11.4m at the end of 2006/07, but was less than the £5m surplus forecast.

For 2008/09 the Trust has agreed a target with the SHA of £4.4m surplus. This will be achieved through:

- Continuation of the Performance Management Office (PMO) review process
- Establishing an Intelligent Savings Programme
- Continuation of the controls on pay and non-pay spend
- Establishment of service line management and reporting
- Continuing the restructuring of the Trust's services and the best use of current site and facilities

The strategic risks are reviewed on a continual basis to ensure that potential gaps in control and / or assurance are managed effectively with action plans to address them as required.

Jan Filochowski, Chief Executive

Statement of the Accountable Officer of the **Trust**

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

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

Jan Filochowski, Chief Executive

Statement of **Directors** Responsibilities

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

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

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

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

By order of the Board

Jan Filochowski, Chief Executive

13 June 2008

Ken Sharp, Finance Director

13 June 2008

Annual Report 2007/08: Financial Review

The Trust, like others in the NHS, continues to face many and varied challenges, the most notable of which are the balancing of the financial position and the achievement of long-term financial stability.

As in previous years the local Primary Care Trusts continued to be the prime funders of the services provided by the Trust. Eighty per cent plus of the Trust's income from the PCTs is via the Payment by Results (PbR) regime with the remainder being via the historic block payment route.

The major change to the income levels for 2007/08 related to the PCT imposing a cap on the number of follow-up outpatient appointments. A target was set that met the top quartile performance of NHS Trusts in England. Little joint work was undertaken to agree new pathways of care in order to transfer the activity beyond the cap back to primary care. From a financial perspective the Trust saw £1.2m of follow-up outpatients for which it was not paid. For 2008/09 agreement has been reached whereby the Trust receives payment for all out patient attendances until a point in time that agreed care pathways are implemented.

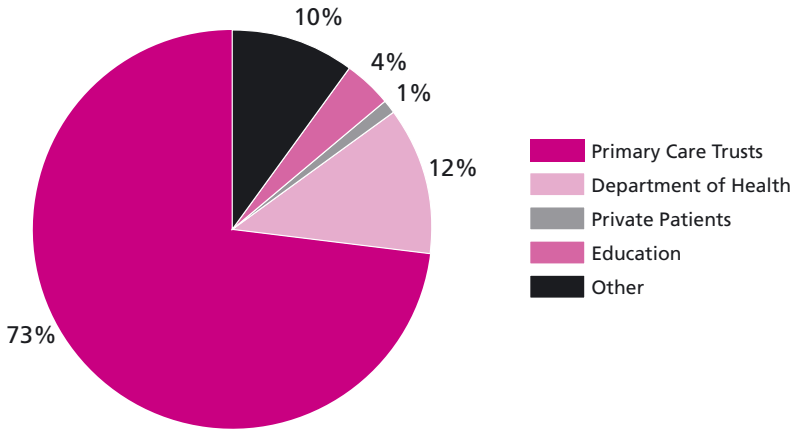
The Trust agreed a £5m surplus target with the SHA. However capacity difficulties experienced relating to the move of Trauma patients from Hemel Hempstead General Hospital to Watford General Hospital and the establishment of the elective treatment centre at St. Albans City Hospital, required the transfer of some elective patients to the private sector and the establishment of additional weekend and evening lists in house in order to achieve the waiting times targets. This additional spend meant that the Trust agreed a new surplus target of £2.4m with the SHA. The outturn position of the Trust is a surplus of £2.5m. This is a considerable achievement given that the outturn in the preceding two financial years were overspends of £11.4m and £26.8m respectively.

Turnaround team

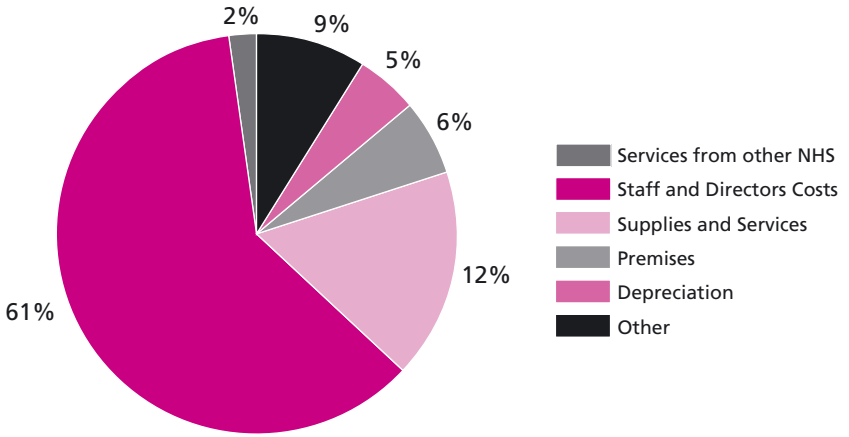
The Trust maintained a Turnaround team until the end of July 2007. A central database of savings plans and monitoring of achievement was established and reviewed at the regular performance monitoring meetings with the Trusts divisions. In excess of £7m of savings have been delivered and removed from budgets at cost centre account code level.

There is still a considerable amount of work to be undertaken to maintain a positive monthly run rate across the organisation.

Sources of Income 2007/08



Where we spend our money



The Trust's **Committees**

During the latter part of 2007/08, the Trust reviewed the Board sub-committee structure. In February 2008, the Board approved a document – Scheme of Governance - establishing the governance arrangements for the Trust, with a revised committee structure.

The sub committees reporting directly to the Board are:

- Audit Committee
- Remuneration Committee
- Charitable Funds Committee

In addition, the Clinical Quality and Governance Group will report via the Medical Director and/or the Chief Executive.

Audit Committee

Membership: Colin Gordon (Chair), Stuart Lacey, Mahdi Hassan, Katherine Charter, Robin Douglas

Remit: The Committee has delegated authority from the Board to investigate any activity within its terms of reference. In undertaking such activities, the Committee will help discharge the responsibility of the Trust's Accounting Officer, who under the terms of the National Health Service Act 2006 is held responsible to Parliament, by the Public Accounts Committee, for the overall stewardship of the organisation and the use of its resources.

Remuneration Committee

Membership: Thomas Hanahoe (Chair), Mahdi Hassan, Katherine Charter

Remit: The Committee shall have delegated authority to determine the broad policy for the remuneration of those staff who are covered by Very Senior Manager (VSM) terms and conditions.

Charitable Funds Committee

Membership: Robin Douglas (Chair), Stuart Lacey, Katherine Charter

Remit: To ensure Funds held on Trust/Charitable Funds are managed in accordance with the Trust's Standing Financial Instruction, as approved by the Trust Board.

Declarations of **Interest**

It is a requirement that chairs and all board directors should declare any conflict of interest that arise in the course of conducting NHS business. All board members are therefore expected to declare any personal or business interests that may influence or may be perceived to influence their judgement. The register of Interest for the Trust at the end of 2007/08 is shown below.

Name	Declaration Noted by the Board	Interest Declared
Professor Thomas Hanahoe	April 2007	- Governor North Herts College of Further Education
Robin Douglas	April 2007	- Vice Chair of the Health and Social Care Advisory Service - Chair of The Who Cares? Trust - Independent consultant in public services via Douglas Consulting - National Advisor to the Local Govt Leadership Centre and Coach with the NHS Institute
Colin Gordon	April 2007	- Governor University of Hertfordshire
Mahdi Hasan	April 2007	- Project Management Advisor, OMV gmbh, Austria - Business Advisor, Hertfordshire Schools Young Enterprise Scheme - Volunteer Driver, West Herts Hospital Trust
Katherine Charter	April 2007	- Nil return
Stuart Lacey	April 2007	- Commercial Director, BT plc
Jan Filochowski	November 2007	- Married to Non Executive Director Barnet and Chase Farm Hospitals NHS Trust
Professor Graham Ramsay	April 2007	- Editor in Chief PACT Multimedia Intensive Care Educational Programme - Founder/Executive Committee Member Surviving Sepsis Campaign - Consultant and Adviser to Respironics Inc - Consultant to Edwards Lifesciences
Gary Etheridge	April 2007	- Nil return
Nick Evans	April 2007	- Treasurer St. Mary's Church, Hornsey Rise, London N19 and Upper Holloway Parochial Church Council
Sarah Shaw	April 2007	- Nil return
Sarah Childerstone	April 2007	- Married to Regional Director of BUPA Care Homes covering South East England - Vice Chair of the Council of the Tavistock Institute of Human Relations in London
Russell Harrison	November 2007	- Nil return
Lindsay MacIntrye	November 2007	- Married to Chief Executive Hertfordshire Partnership Foundation Trust
Ken Sharp	February 2008	- Partner, Blackett Sharp Associates

Remuneration Report

Name	Title		2007-08 Salary (Bands of £5,000)	2007-08 Other Remuneration (Bands of £5,000)	2007-08 Benefits in Kind (£00)	2006-07 Salary (Bands of £5,000)	2006-07 Other Remuneration (Bands of £5,000)	2006-07 Benefits in Kind
			£	£	£	£	£	£
T. Hanahoe	Chairman		20-25	0	0	20-25	0	0
D. Law	Chief Executive	Left Oct'07	70-75	0	25	120-125	0	25
J. Filochowski	Chief Executive	Comm Nov'07	**See Note	0	19	0	0	0
R. Douglas	Non-Executive		5-10	0	0	5-10	0	0
M. Saunders	Non-Executive	Left Jun'07	0-5	0	0	5-10	0	0
C. Gordon	Non-Executive		5-10	0	0	0-5	0	0
K. Charter	Non-Executive		5-10	0	0	0-5	0	0
M. Hasan	Non-Executive		5-10	0	0	0-5	0	0
S. Lacey	Non-Executive	Comm Dec'07	0-5	0	0	0-5	0	0
S. Day	Director Of Finance	Comm Apr'07 Left Jul'07	40-45	0	0	0	0	0
P. Bradley	Acting Director of Finance	Comm Jul'07 To Oct'07	20-25	0	0	15-20	0	0
R.Dunworth	Interim Director of Finance	Left May'07	25-30	0	0	55-60	0	0
R.Dunworth	Interim Director of Finance	Comm Oct'07 Left Jan'08	50-55	0	0	0	0	0
K. Sharp	Interim Director of Finance	Comm Jan'08	*See Note	0	0	0	0	0
G. Etheridge	Director of Nursing		80-85	0	28	80-85	0	28
N. Evans	Director of Business Development		85-90	0	43	85-90	0	43
S. Childerstone	Director of Human Resources		80-85	0	37	45-50	0	37
R. Harrison	Director of Delivery	Comm Oct'07	60-65	0	0	0	0	0
G. Ramsey	Medical Director		170-175	0	55	155-160	0	55

	Real increase in pension at 60 (bands of £2,500)	Real increase in pension lump sum at ages 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2008 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2008 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2008	Equivalent Transfer Value at 31 March 2007	Real increase in Cash Equivalent Transfer Value (£000)	Employer's contribution to stakeholder pension
D. Law	2.5-5	7.5-10	40-45	120-125	572,131	468,945	35	0
P. Bradley	0-2.5	0-2.5	25-30	85-90	380,514	323,984	8	0
G. Etheridge	0-2.5	2.5-5	25-30	70-75	305,025	278,480	14	0
N. Evans	0-2.5	2.5-5	35-40	115-120	682,087	634,793	22	0
S. Childerstone	0-2.5	5-7.5	25-30	65-70	401,756	357,987	24	0
R. Harrison	0-2.5	2.5-5	5-10	25-30	96,203	71,643	8	0
G. Ramsay	0-2.5	2.5-5	0-5	5-10	41,441	18,651	16	0

*Remuneration costs are charged by a third party and are not disclosed due to commercial confidentiality.

** Remuneration costs not disclosed in line with paragraph 2.20 of the NHS Finance Manual

Letter of Representation

From: West Hertfordshire Hospitals NHS Trust
Trust Offices, Hemel Hempstead General Hospital, Hillfield Road, Hemel Hempstead Hertfordshire HP2 4AD

Attn: Richard Lawson, Grant Thornton UK LLP
Business Advisory and Assurance Services - Government For Grant Thornton UK LLP, Grant Thornton House Melton Street, London NW1 2EP

Re: Financial Statements for the 12 Months Ended 31 March 2008

Dear Sirs,

We confirm to the best of our knowledge and belief that the following representations are made on the basis of appropriate enquiries of other directors, related parties, controlling bodies, management and staff, with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the West Hertfordshire Hospitals NHS Trust ("the Trust") financial statements for the period ended 31 March 2008.

General

We acknowledge our responsibility under the National Health Services Act 1977 under section 98(2) (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) for preparing financial statements in the form which the Secretary of State has, with the approval of the Treasury, directed which give a true and fair view, and for making accurate representations to you.

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Trust have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Board meetings, have been made available to you.

As far as we are aware:

a) there is no relevant audit information of which you are unaware; and
b) we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information

The financial statements are free of material misstatements, including omissions, except as stated in the accounts:

a) there are no unrecorded liabilities, actual or contingent
b) none of the assets of the Trust has been assigned, pledged or mortgaged
c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure

Accounting estimates

We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with UK GAAP, we selected the estimation technique considered to be the most appropriate to the Trust's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

In that regard, adequate provisions have been made:

a) to reduce debtors to their estimated collectable amounts;
b) to reduce obsolete, damaged or excess stocks to their estimated net realisable value;
c) for any impairment losses identified in relation to tangible fixed assets, and
d) for uninsured or unfunded losses attributable to events occurring by 31 March 2008.

Directors and other related party disclosures

We confirm that:

a) registers of interests are complete and up to date in respect of directors and key managers;
b) guidance has been issued by the Board to make Directors and key managers aware of the requirement to declare all interests relevant to the Trust, including interests of families, partners and entities controlled by them;
c) all material related party transactions and related amounts receivable or payable have been properly recorded and disclosed in accordance with FRS 8. In this regard we have considered the definitions of related parties in FRS 8 and the special interpretation of materiality in that Financial Reporting Standard, and
d) there are no other relationships of which we are aware that require disclosure in the statement of accounts.

Income Recognition
We confirm that income is accounted for by applying the accruals convention. Consistent with the terms of conditions of the Trust's legally binding contracts for the provision of healthcare services, income is recognised on the basis of completed items of service, including spells of in-patient care, in the period. The Trust has included partially completed spells in the 2007/08 accounts because this treatment is consistent with the Department of Health 2007/08 direction in determining a far and reasonable income figure. Where income has been received for a specific activity to be delivered in the following financial year, that income is deferred.

Provisions
The Trust has included a provision of £7,186,000 in its accounts; we confirm that we expect this provision to be necessary.

Fraud and error
We acknowledge our responsibility for the implementation and operation of accounting and internal control systems that are designed to prevent and detect fraud and error. In that regard we confirm that we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds known to us that may have affected the Trust and any events during the period of which we are aware that involved dishonest or fraudulent conduct or which resulted from a material weakness or breakdown in the accounting records and related internal controls. There have been no frauds or other irregularities involving management or employees who have significant roles in the accounting and control systems and no irregularities involving other employees that could have a material effect on the financial statements.

We have also disclosed to you our knowledge of any allegations of fraud or suspected fraud affecting the financial statements communicated by employees or others.

Law and regulations
We are not aware of any events that involve possible or actual non-compliance with those laws and regulations, which are central to the Trust's ability to conduct its business. Neither are we aware of other events that involve possible or actual non-compliance with laws or regulations whose consequences may have a potentially material effect on the financial statements and which therefore should be considered for disclosure or as a basis for recording a loss or provision.

The Trust has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance

We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.

Effects of uncorrected misstatements identified in the audit
We have considered your Summary of Unadjusted Misstatements, which is included as Appendix C in the ISA 260 report (that we have read and understood), and your request that these misstatements should be adjusted in the financial statements. We have decided not to adjust these misstatements in the financial statements for the following reasons:

- We believe that, having regard to both quantitative and qualitative considerations, the effects of those uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Future plans
We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Fixed Assets
The Trust has included within the fixed asset balance as at 31 March 2008 an amount relating to digital hearing aids that have been capitalised, whilst not meeting the requirements of UK GAAP and the Department of Health guidance, which was received in May 2008.

Commitments and Contingent Liabilities
All claims against the Trust of which we are aware have been accounted for through provisions or disclosed under contingent liabilities where appropriate.
The Trust has complied with all aspects of contractual agreements that could have a material effect on the accounts in the event of non-compliance.

Except as disclosed in the financial statements:
a) there are no charges or other encumbrances on the Trust's assets
b) there are no significant financing agreements in respect of provision of assets or services

Going concern
We believe that the Trust's financial statements should be prepared on a going concern basis on the grounds that current and future sources of financing will be more than adequate for the Trust's needs. We believe that as at 13 June 2008 no further disclosures relating to the Trust's ability to continue as a going concern need to be made in the financial statements.

Post balance sheet events
Other than as disclosed in the accounts there have been no events since the balance sheet date, which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. In particular, we have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities. In that regard:

- provision has been made to reflect any impairments in asset values;
- the Trust has no plans or intentions to discontinue any significant activity, and
- the Trust has no significant amounts of idle property and equipment.

We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, attached to this letter, as they are immaterial to the results of the Trust and financial position at the period end.

Approval
We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Signed on behalf of the Board

Date: 13 June 2008
Colin J Gordon, Audit Committe Chairman

Date: 13 June 2008
Jan Filochowski, Chief Executive

Auditor's report

Independent auditors' report to the Board of Directors of West Hertfordshire Hospitals NHS Trust

Opinion on the financial statements

Opinion on the financial statements the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out within them. We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of West Hertfordshire Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than West Hertfordshire Hospitals NHS Trust and the Trust's directors' as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Operational and Financial Review and the Financial Commentary, including the Summary Financial Statements, included in the Annual Report, is consistent with the financial statements.

We review whether the Directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'The Statement on Internal Control 2003/04 issued on 15 September 2003 and the further guidance relating to that Statement issued on 7 April 2006, 2 April 2007, 7 April 2008 and 20 May 2008. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Directors' Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword, the unaudited part of the Remuneration Report, the Chairman's Statement, Sections 1 to 8, and the remaining elements of the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Baste of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2008 and of its net operating costs for the year then ended;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England;
- information which comprises the commentary on the financial performance included within the Operational and Financial Review and the Financial Commentary, including the Summary Financial Statements, included in the Annual Report, is consistent with the financial statements.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Directors' Responsibilities

The Directors are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trust's use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Trust has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Qualified Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. In so doing, we were unable to obtain sufficient appropriate evidence that West Hertfordshire Hospitals NHS Trust had a current estates management strategy approved by the Board of Directors.

Having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, West Hertfordshire Hospitals NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008 except that it did not put in place:

- adequate arrangements to manage its asset base,

Certificate

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

Grant Thornton UK LLP

Signature: **Grant Thornton UK LLP**
Date: 13 June 2008

Address: Grant Thornton HouseMelton Street, London NW1 2EP

Income and expenditure account for the year ended 31 March 2008

	NOTE	2007/08 £000	2006/07 £000
Income from activities	2	**202,188**	186,888
Other operating income	3	**30,779**	31,360
Operating expenses	4	**(222,349)**	(221,894)
OPERATING SURPLUS/(DEFICIT)		**10,618**	(3,646)
Profit/(loss) on disposal of fixed assets	7	**0**	(2)
SURPLUS/(DEFICIT) BEFORE INTEREST		**10,618**	(3,648)
Interest receivable		**730**	408
Interest payable	8	**(574)**	(19)
Other finance costs - unwinding of discount	15	**(122)**	(128)
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		**10,652**	(3,387)
Public Dividend Capital dividends payable		**(8,157)**	(8,026)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		**2,495**	(11,413)

The notes on pages 41 to 51 form part of these accounts.

All income and expenditure is derived from continuing operations.

Cash flow statement for the year ended 31 March 2008

	NOTE	2007/08 £000	2006/07 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	17.1	**20,143**	(342)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		**703**	413
Interest paid		**(568)**	(36)
Net cash inflow from returns on investments and servicing of finance		**135**	377
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		**(19,564)**	(7,635)
Receipts from sale of tangible fixed assets		**525**	162
(Payments) to acquire intangible assets		**(937)**	(3,078)
Net cash outflow from capital expenditure		**(19,976)**	(10,551)
DIVIDENDS PAID		**(8,157)**	(8,026)
Net cash outflow before financing		**(7,855)**	(18,542)
FINANCING			
Public dividend capital received		**10,620**	18,542
Public dividend capital repaid (not previously accrued)		**(525)**	(11,200)
Loans received from DH		**0**	11,200
Loans repaid to DH		**(2,240)**	0
Net cash inflow from financing		**7,855**	18,542
Increase/(decrease) in cash		**0**	0

Balance sheet as at 31 March 2008

	NOTE	31 March 2008 £000	31 March 2007 £000
FIXED ASSETS			
Intangible assets	9	**4,074**	3,648
Tangible assets	10	**253,048**	235,400
		257,122	239,048
CURRENT ASSETS			
Stocks	11	**2,987**	2,932
Debtors	12	**12,988**	10,862
Cash at bank and in hand	17.3	**169**	121
		16,144	13,915
CREDITORS: Amounts falling due within one year	14	**(26,706)**	(19,255)
NET CURRENT ASSETS/(LIABILITIES)		**(10,562)**	(5,340)
TOTAL ASSETS LESS CURRENT LIABILITIES		**246,560**	233,708
CREDITORS: Amounts falling due after more than one year	14	**(6,720)**	(8,960)
PROVISIONS FOR LIABILITIES AND CHARGES	15	**(7,186)**	(10,706)
TOTAL ASSETS EMPLOYED		**232,654**	214,042
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	21	**169,984**	159,889
Revaluation reserve	16	**105,013**	100,202
Donated asset reserve	16	**1,963**	1,967
Income and expenditure reserve	16	**(44,306)**	(48,016)
TOTAL TAXPAYERS' EQUITY		**232,654**	214,042

The financial statements on pages 40 to 52 were approved by the Board on 13th June 2008 and signed on its behalf by:

Date: 13 June 2008
Ken Sharp, Finance Director

Date: 13 June 2008
Jan Filochowski, Chief Executive

Statement of total recognised gains and losses for the year ended 31 March 2008

	2007/08 £000	2006/07 £000
Surplus/(deficit) for the financial year before dividend payments	10,652	(3,387)
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	6,133	15,736
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	178	154
Total recognised gains and losses for the financial year	16,963	12,503

Notes to the Accounts

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trust Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice and HM Treasury's Government Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1. Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2. Acquisitions and Discontinued Operations

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

1.3. Income Recognition

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

With effect from 2007/08, the Trust will account for partially-completed patient spells as at 31 March each year. In accordance with the Manual for Accounts issued by the Department of Health, there will be no Prior Period Adjustment in 2007/08. In previous years the Trust accounted for this income at the completion of the spells.

1.4. Intangible Fixed Assets

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

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

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

1.5. TangibleFixed Assets

Capitalisation

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

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

Expenditure on digital hearing aids in the year ended 31 March 2004 (but not in earlier years) was treated as capital expenditure, in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. Subsequent purchases of digital hearing aids are capitalised only when the total value is greater than £5,000. Where small numbers of appliances are purchased the costs are expensed as incurred.

Valuation

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

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

Professional valuations are carried out by the District Valuers of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

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

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

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

The Trust has no residual interests in off-balance sheet Private Finance Initiative properties.

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, Amortisation and Impairments

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

Assets in the course of construction are not depreciated until the asset is brought into use.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the Revaluation Reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative Revaluation Reserve in certain instances.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income will be paid by the Trust's main commissioner using funding provided by the NHS Bank. The Trust identified an impairment of £156k during 2007/08 and has accrued for the corresponding income which will be received during 2008/09.

1.6. Donated Fixed Assets

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

1.7. Government Grants

The Trust has received no Government Grants.

1.8. Private Finance Initiative (PFI) transactions

The Trust has no current PFI contracts.

1.9. Stocks

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

1.10. Research and Development

All research and development expenditure has been charged to the Income and Expenditure Account.

1.11. Provisions

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

Clinical Negligence Costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed in note 15 to the accounts.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charges to operating expenditure in relation to clinical negligence in 2007/08 relate to the Trust's contribution to the Clinical Negligence Scheme for Trusts, and claim exesses due under the scheme.

Non-clinical Risk Pooling

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

1.12. Pension Costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided by the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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

Scheme provisions as at 31 March 2008

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

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

Scheme provisions as at 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.13. Liquid resources

Deposits that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments.

1.14. Value Added Tax

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

1.15. Foreign Exchange

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

1.16. Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 25 to the accounts.

1.17. Leases

For Operating Leases the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease. The Trust currently has no Finance Leases.

1.18. Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital (PDC) represents the outstanding public debt of the Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust.

A charge, reflecting the forecast cost of capital utilised by the Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General. The average carrying amount of assets is calulated as a simple average of opening and closing relevant net assets. Note 22.2 to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

1.19. Losses and Special Payments

Losses and Special Payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account on an accruals basis. Note 27 is compiled directly from the Losses and Special Payment Register which is prepared on a cash basis.

1.20. EU Emissions Trading Scheme

The Trust is not currently a member of the EU Emissions Trading Scheme.

2. Income from activities

	2007/08	2006/07
	£000	£000
Strategic Health Authorities	0	0
NHS Trusts	0	0
Primary Care Trusts	172,126	158,061
Foundation Trusts	0	0
Local Authorities	143	153
Department of Health	26,955	25,450
NHS Other	0	0
Non NHS:		
- Private patients	1,856	2,132
- Overseas patients (non-reciprocal)	218	338
- Injury cost recovery	875	730
- Other	15	24
	202,188	186,888

Income from Primary Care Trusts includes £1.4m relating to partially-completed patient spells as at 31 March 2008. In previous years the Trust has accounted for this income at the completion of the spells.

Injury cost recovery income is subject to a provision for doubtful debts of 11.5% to reflect expected rates of collection.

Income in 2006/07 included £6,461k for six months relating to the Burns and Plastics services at the Mount Vernon Hospital which transferred to the Royal Free Hospital NHS Trust with effect from 1st October 2006.

Income in 2006/07 included £3,471k for six months relating to the Acute Paediatric services at the Watford General Hospital, the management of which transferred to the Trust from the Hertfordshire Partnership NHS Trust with effect from 1st October

2006. Income for the full year in 2007/08 was £7,748k and is included under various headings under both Income from Activities and Other Operating Income.

3. Other operating income

	2007/08 £000	2006/07 £000
Education, training and research	**9,120**	8,321
Charitable and other contributions to expenditure	**0**	0
Transfers from donated asset reserve	**289**	314
Income Generation	**2,342**	2,424
Other income	**19,028**	20,301
	30,779	31,360

Income Generation comprises income from the Pharmaceutical Packaging Assembly Service of £1,346k staff accommodation £266k, car parking £634k and other income generation of £96k.

Other income comprises Estates services of £447k, services provided to other Hertfordshire Trusts £7,926k, services provided to other NHS bodies £4,013k, other Regional Income £660k, registration fees (Neqas) £506k, drug recharges £690k, LIS modernisation funding £1,060k and miscellaneous income £3,726k.

4. Operating expenses

4.1 Operating expenses comprise:

	2007/08 £000	2006/07 £000
Services from other NHS Trusts	**2,800**	5,802
Services from PCTs	**0**	0
Services from other NHS bodies	**79**	77
Services from Foundation Trusts	**1,416**	0
Purchase of healthcare from non NHS bodies	**4,002**	0
Directors' costs	**889**	779
Staff costs	**137,346**	141,333
Supplies and services - clinical	**29,275**	29,538
Supplies and services - general	**7,680**	7,722
Consultancy services	**985**	1,335
Establishment	**3,510**	3,673
Transport	**1,380**	31
Premises	**12,962**	13,065
Bad debts	**230**	149
Depreciation	**9,716**	9,185
Amortisation	**647**	213
Fixed asset impairments and reversals	**156**	0
Audit fees	**263**	281
Other auditor's remuneration	**23**	0
Clinical negligence	**3,238**	3,818
Redundancy costs	**109**	34
Other	**5,643**	4,859
	222,349	221,894

Directors' costs above exclude non-voting directors who are included in staff costs.

Transport costs include £1,353k relating to the Non-Emergency Ambulance Service contract placed with a private contractor for 2007/08. In 2006/07 (and previous years) this service was provided by various NHS Trusts and included under Services from Other NHS Trusts (£1,406k).

Expenditure in 2006/07 included £3,542k for six months relating to the Burns and Plastics services at the Mount Vernon Hospital which transferred to the Royal Free Hospital NHS Trust with effect from 1 October 2006.

Expenditure in 2006/07 included £3,048k for six months relating to the Acute Paediatric services at the Watford General Hospital, the management of which transferred to the Trust from the Hertfordshire Partnership NHS Trust with effect from 1 October 2006. Expenditure for the full year in 2007/08 was £8,165k and is included under various headings above.

4.2 Operating Leases

4.2/1 Operating Expenses include:

	2007/08 £000	2006/07 £000
Other operating lease rentals	**913**	886
	913	886

4.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Operating leases which expire:				
Within 1 year	0	0	**458**	192
Between 1 and 5 years	0	0	**397**	687
After 5 years	27	27	**25**	25
	27	27	**880**	904

5. Staff costs and numbers

5.1 Staff costs

	2007/08 Total £000	Permanently Employed £000	Other £000	2006/07 £000
Salaries and wages	**115,205**	107,660	7,545	120,243
Social Security Costs	**9,844**	9,436	408	9,788
Employer contributions to NHS Pension Scheme	**13,134**	12,529	605	12,964
	138,183	129,625	**8,558**	142,995

Staff costs above exclude non-executive directors.

The above costs exclude capitalised staff costs totalling £214k (2006/07: £172k)

"Other" staff costs relate to agency and bank staff.

5.2 Average number of persons employed

	2007/08 Total Number	2007/08 Permanently Employed Number	2007/08 Other Number	2006/07 Number
Medical and dental	**533**	**494**	**39**	513
Administration and estates	**883**	**825**	**58**	937
Healthcare assistants and other support staff	**558**	**517**	**41**	583
Nursing, midwifery and health visiting staff	**1,140**	**1,095**	**45**	1,260
Nursing, midwifery and health visiting learners	**6**	**6**	**0**	5
Scientific, therapeutic and technical staff	**386**	**361**	**25**	395
Other	**2**	**0**	**2**	34
Total	**3,508**	**3,298**	**210**	3,727

The NHS Manual for Accounts requires staff numbers to be calculated as an average of each weekly establishment. The Trust calculates its staff numbers as an average of each monthly establishment.

5.3 Management costs

	2007/08 £000	2006/07 £000
Management costs	**11,934**	11,568
Income	**232,967**	218,248
Percentage of Management Costs to turnover	**5.12%**	5.27%

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

5.4 Retirements due to ill-health

During 2007/08 there were 10 (2006/07: 8) early retirements from the Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £562k (2006/07: £402k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority -Pensions Division.

6. Better Payment Practice Code

6.1 Better Payment Practice Code - measure of compliance

	2007/08 Number	2007/08 £000
Total Non-NHS trade invoices paid in the year	**53,402**	**54,640**
Total Non NHS trade invoices paid within target	**27,420**	**31,095**
Percentage of Non-NHS trade invoices paid within target	**51%**	**57%**
Total NHS trade invoices paid in the year	**2,985**	**18,915**
Total NHS trade invoices paid within target	**1,765**	**15,388**
Percentage of NHS trade invoices paid within target	**59%**	**81%**

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

6.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2007/08 £000	2006/07 £000
Amounts included within Interest Payable (Note 8) arising from claims made under this legislation	**0**	4

7. Disposal of Fixed Assets

7.1 Profit/(Loss) on Disposal of Fixed Assets

Profit/(loss) on the disposal of fixed assets is made up as follows:

	2007/08 £000	2006/07 £000
Profits on disposal of plant and equipment	**0**	0
(Loss) on disposal of plant and equipment	**0**	(2)
	0	(2)

7.2 Impairment on Tangible Assets

Impairment on fixed assets is made up as follows:

	2007/08 £000	2006/07 £000
Demolition Impairment	**156**	0
	156	0

8. Interest Payable

	2007/08 £000	2006/07 £000
Late payment of commercial debt	**0**	4
Loans (see note 14.2)	**574**	15
	574	19

9. Intangible Fixed Assets

	Software licences £000	Licences and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2007	4,038	0	0	0	4,038
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	185	0	0	0	185
Revaluation	0	0	0	0	0
Additions purchased	888	0	0	0	888
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2008	**5,111**	**0**	**0**	**0**	**5,111**
Amortisation at 1 April 2007	390	0	0	0	390
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Revaluation	0	0	0	0	0
Charged during the year	647	0	0	0	647
Disposals	0	0	0	0	0
Amortisation at 31 March 2008	**1,037**	**0**	**0**	**0**	**1,037**
Net book value					
- Purchased at 1 April 2007	3,648	0	0	0	3,648
- Donated at 1 April 2007	0	0	0	0	0
- Government granted at 1 April 2007	0	0	0	0	0
- Total at 1 April 2007	**3,648**	**0**	**0**	**0**	**3,648**
- Purchased at 31 March 2008	4,074	0	0	0	4,074
- Donated at 31 March 2008	0	0	0	0	0
- Government granted at 31 March 2008	0	0	0	0	0
- Total at 31 March 2008	**4,074**	**0**	**0**	**0**	**4,074**

10. Tangible Fixed Assets

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2007	91,689	110,021	9,740	11,817	20,056	183	7,527	4,231	255,264
Additions purchased	525	2,310	0	17,867	1,134	0	30	53	21,919
Additions donated	0	0	0	0	178	0	0	0	178
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	26	9,751	115	(11,234)	790	0	359	8	(185)
Indexation	4,956	9,167	813	893	539	4	0	302	16,674
Revaluation	0	(10,099)	0	0	0	0	0	(23)	(10,122)
Disposals	(525)	0	0	0	(511)	0	0	0	(1,036)
Cost or Valuation at 31 March 2008	**96,671**	**121,150**	**10,668**	**19,343**	**22,186**	**187**	**7,916**	**4,571**	**282,692**
Depreciation at 1 April 2007					13,649	157	4,867	1,191	19,864
Charged during the year	0	6,245	342	0	1,788	10	1,027	304	9,716
Impairments	0	154	0	0	0	0	0	2	156
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	367	4	0	48	419
Revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(511)	0	0	0	(511)
Depreciation at 31 March 2008	**0**	**6,399**	**342**	**0**	**15,293**	**171**	**5,894**	**1,545**	**29,644**
Net book value									
- Purchased at 1 April 2007	91,689	109,271	9,740	11,812	5,437	5	2,651	2,828	233,433
- Donated at 1 April 2007	0	750	0	5	970	21	9	212	1,967
- Government granted at 1 April 2007	0	0	0	0	0	0	0	0	0
- Total at 1 April 2007	**91,689**	**110,021**	**9,740**	**11,817**	**6,407**	**26**	**2,660**	**3,040**	**235,400**
- Purchased at 31 March 2008	96,671	114,014	10,326	19,343	5,910	2	2,004	2,815	251,085
- Donated at 31 March 2008	0	737	0	0	983	14	18	211	1,963
- Government granted at 31 March 2008	0	0	0	0	0	0	0	0	0
- Total at 31 March 2008	**96,671**	**114,751**	**10,326**	**19,343**	**6,893**	**16**	**2,022**	**3,026**	**253,048**

The Trust has no assets held under finance leases or hire purchase contracts.

10.2 The net book value of land, buildings and dwellings at 31 March 2008 comprises:

	31 March 2008 £000	31 March 2007 £000
Freehold	**221,748**	211,450
TOTAL	**221,748**	211,450

11. Stocks

	31 March 2008 £000	31 March 2007 £000
Raw materials and consumables	**2,987**	2,932
TOTAL	**2,987**	2,932

12. Debtors

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
NHS debtors	**8,937**	5,305
Provision for irrecoverable debts	**(448)**	(325)
Other prepayments and accrued income	**766**	1,229
Other debtors	**2,325**	2,793
Sub Total	**11,580**	9,002
Amounts falling due after more than one year:		
NHS debtors	**0**	372
Provision for irrecoverable debts	**0**	0
Other prepayments and accrued income	**0**	0
Other debtors	**1,408**	1,488
Sub Total	**1,408**	1,860
TOTAL	**12,988**	10,862

Other Debtors falling due after more than one year of £1,408k (2006/07: £1,488k) relate to Injury Cost Recovery claims authorised by the Compensation Recovery Unit.

13. Investments

The Trust has no Fixed Asset or Current Asset Investments.

14. Creditors

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

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
Bank overdrafts	**169**	121
Current instalments due on loans	**2,240**	2,240
Interest payable	**21**	15
NHS creditors	**9,709**	6,612
Non - NHS trade creditors - revenue	**2,831**	1,392
Non - NHS trade creditors - capital	**3,272**	965
Tax	**35**	176
Social security costs	**1**	7
Other creditors	**407**	2,396
Accruals and deferred income	**8,021**	5,331
Sub Total	**26,706**	19,255
Amounts falling due after more than one year:		
Long - term loans	**6,720**	8,960
Sub Total	**6,720**	8,960
TOTAL	**33,426**	28,215

14.2 Loans

	31 March 2008 £000	31 March 2007 £000
Amounts falling due:		
In one year or less	**2,240**	2,240
Between one and two years	**2,240**	2,240
Between two and five years	**4,480**	6,720
TOTAL	**8,960**	11,200

	31 March 2008 £000	31 March 2007 £000
Wholly repayable within five years	**8,960**	11,200
Wholly repayable after five years, not by instalments	**0**	0
TOTAL	**8,960**	11,200

The above working capital loan was issued on 22nd March 2007 and is repayable by twice-yearly equal instalments over a five year period ending 15th March 2012. Interest at a rate of 5.45% is payable twice-yearly on a reducing balance basis.

14.3 Finance lease obligations and commitments

The Trust has no finance lease obligations or commitments.

15. Provisions for Liabilities and Charges

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Other £000	**Total £000**
At 1 April 2007	0	6,650	0	0	4,056	**10,706**
Arising during the year	0	128	0	0	449	**577**
Utilised during the year	0	(515)	0	0	(3,146)	**(3,661)**
Reversed unused	0	(33)	0	0	(525)	**(558)**
Unwinding of discount	0	110	0	0	12	**122**
At 31 March 2008	**0**	**6,340**	**0**	**0**	**846**	**7,186**
Expected timing of cashflows:						
Within one year	0	528	0	0	521	1,049
Between one and five years	0	2,845	0	0	108	2,953
After five years	0	2,967	0	0	217	3,184

Pension provisions for early retirements are calculated for the full term and then discounted down to current values. Each year this discount is unwound resulting in a charge to the Income and Expenditure account.

The column headed "Other" refers to the following:

(i) £345k (2006/07: £545k) injury benefit claims. The expected timing of cashflows is based upon information provided by the NHS Litigation Authority, and will be dependant upon the actual settlement of outstanding cases.

(ii) £411k (2006/07: £3,211k) back-pay (to 1st October 2004) for staff currently being assimilated under the NHS salary review, Agenda for Change, including those already assimilated but subject to formal review. The expected timing of cashflows is based upon information currently to hand but could be subject to minor variations.

(iii) £90k (2006/07: £300k) termination costs relating to a senior employee.

£46,956k is included in the provision of the NHS Litigation Authority at 31 March 2008 in respect of clinical negligence claims of the Trust (31 March 2007: £32,315k).

16 Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Income and Expenditure Reserve £000	**Total £000**
At 1 April 2007	100,202	1,967	(48,016)	**54,153**
Transfer from the income and expenditure account	0	0	2,495	**2,495**
Fixed asset impairments	0	0	0	**0**
Surplus on other revaluations/indexation of fixed/current assets	6,026	107	0	**6,133**
Transfer of realised profits/(losses) to the income and expenditure	0	0	0	**0**
Receipt of donated/government granted assets	0	178	0	**178**
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government	0	(289)	0	**(289)**
Other transfers between reserves	(1,215)	0	1,215	**0**
At 31 March 2008	**105,013**	**1,963**	**(44,306)**	**62,670**

17. Notes to the Cash Flow Statement

17.1 Reconciliation of operating surplus to net cash flow from operating activities:

	2007/08 £000	2006/07 £000
Total operating surplus/(deficit)	**10,618**	(3,646)
Depreciation and amortisation charge	**10,363**	9,398
Fixed asset impairments and reversals	**156**	0
Transfer from donated asset reserve	**(289)**	(314)
(Increase)/decrease in stocks	**(55)**	257
(Increase)/decrease in debtors	**(2,099)**	5,842
Increase/(decrease) in creditors	**5,091**	(13,257)
Increase/(decrease) in provisions	**(3,642)**	1,378
Net cash inflow/(outflow) from operating activities before restructuring costs	**20,143**	(342)

17.2 Reconciliation of net cash flow to movement in net debt

	2007/08 £000	2006/07 £000
Increase/(decrease) in cash in the period	**0**	0
Cash (inflow) from new debt	**0**	(11,200)
Cash outflow from debt repaid	**2,240**	0
Change in net debt resulting from cash flows	**2,240**	(11,200)
Non - cash changes in debt	**0**	0
Net debt at 1 April 2007	**(11,200)**	0
Net debt at 31 March 2008	**(8,960)**	(11,200)

17.3 Analysis of changes in net debt

	At 1 April 2007 £000	Cash Transferred (to)/from other NHS bodies £000	Other cash changes in year £000	Non-cash changes in year £000	**At 31 March 2008 £000**
OPG cash at bank	0	0	0	0	**0**
Commercial cash at bank and in hand	121	0	48	0	**169**
Bank overdraft	(121)	0	(48)	0	**(169)**
Loan from DH due within one year	(2,240)	0	0	0	**(2,240)**
Other debt due within one year	0	0	0	0	**0**
Loan from DH due after one yea	(8,960)	0	2,240	0	**(6,720)**
Other debt due after one year	0	0	0	0	**0**
Finance leases	0	0	0	0	**0**
Current asset investments	0	0	0	0	**0**
	(11,200)	**0**	**2,240**	**0**	**(8,960)**

18. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2008 were £17,238k (31 March 2007 £428k).

19. Post Balance Sheet Events

During 2008/09 the Trust will transfer all emergency services to the Watford General Hospital and complete the re-configuration of other services at the St. Albans City Hospital and Hemel Hempstead General Hospital. It is forecast that these service changes will generate substantial operational cost savings which will contribute to the long-term financial stability of the Trust.

During 2008/09 the Trust will receive a £27m ten year interest-bearing loan to fund the major capital expenditure taking place on the Watford General Hospital site (see note 22).

20. Contingencies

	2007/08 £000	2006/07 £000
Contingent liabilities	**(5)**	(65)
	(5)	(65)

Value of contingent liabilities

The Trust has contingent liabilities of £5k (2006/07: £65k) relating to staff injury and public liability claims.

21. Movement in Public Dividend Capital

	2007/08 £000	2006/07 £000
	159,889	152,547
Public Dividend Capital as at 1 April 2007	**10,620**	18,542
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	**(525)**	(11,200)
Public Dividend Capital repaid in year	**0**	0
Other movements in Public Dividend Capital in year		
	169,984	159,889

22. Financial Performance Targets

22.1 Breakeven Performance

The Trust's breakeven performance for 2007/08 is as follows:

	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000
Turnover	215,098	236,706	209,199	218,248	232,967
Retained surplus/(deficit) for the year	(4,652)	(9,978)	(26,785)	(11,413)	2,495
Other agreed adjustments:					
- RAB adjustment	0	321	14,111	26,785	0
Break-even in-year position	(4,652)	(9,657)	(12,674)	15,372	2,495
Break-even cumulative position	(4,454)	(14,111)	(26,785)	(11,413)	(8,918)
Materiality test (i.e. is it equal to or less than 0.5%):					
- Break-even in-year position as a percentage of turnover	(2.16%)	(4.08%)	(6.06%)	7.04%	1.07%
- Break-even cumulative position as a percentage of turnover	(2.07%)	(5.96%)	(12.80%)	(5.23%)	(3.83%)

Notes:

1. The East of England Strategic Health Authority (SHA) has formally agreed that the Trust's duty to break-even over a rolling 4 year period commenced from the 2006/07 financial year in which a deficit of £11.413m was incurred.

2. The Trust achieved an Income and Expenditure account surplus of £2,495k in 2007/08 which was in line with the revised control total of £2.4m agreed. The Trust has agreed an Income and Expenditure account control total of a £4.4m surplus for 2008/09.

3. To achieve recurring financial balance the Trust commenced a major service re-configuration during 2007/08 to re-provide all emergency services at the Watford General Hospital. Additional capital funding of £9.715m was provided by the Department of Health (DH) in the form of Public Dividend Capital (PDC). During 2008/09 further capital funding of £27m will be provided by the DH in the form of a ten year interest-bearing loan. This loan will be provided in two tranches of £13.5m on 15th June 2008 and 15th September 2008, and be repayable by 15th March 2018 by twice-yearly equal instalments. Interest at an estimated rate of 5.25% will be payable twice-yearly on a reducing balance basis.

22.2 Capital Cost Absorption Rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £8,157k, bears to the average relevant net assets of £221,383k, that is 3.7%. The 3.7% is within the Department of Health's materiality range of 3% to 4%.

22.3 External Financing

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

	£000	2007/08 £000	2006/07 £000
External financing limit		**7,855**	18,542
Cash flow financing	7,855		18,542
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		**7,855**	18,542
Undershoot/(overshoot)		**0**	0

22.4 Capital Resource Limit

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

	2007/08 £000	2006/07 £000
Gross capital expenditure	**22,985**	8,829
Less: book value of assets disposed of	**(525)**	(238)
Plus: loss on disposal of donated assets	**0**	0
Less: donations towards the acquisition of fixed assets	**(178)**	(154)
Charge against the capital resource limit	**22,282**	8,437
Planned capital resource limit	**24,922**	9,298
Underspend against the planned capital resource limit	**2,640**	861

During the year the Trust generated less capital cash than included in the planned capital resource limit, and controlled capital expenditure against this actual funding:

	2007/08 £000
Planned capital resource limit	24,922
Less: Shortfall in Income & Expenditure Account net surplus	(2,505)
Less: Shortfall in depreciation	(186)
Actual capital cash generated	22,231
Charge against capital cash generated	(22,282)
Overspend against Capital Cash generated	(51)

23. Related Party Transactions

The Trust is a body corporate established by order of the Secretary of State for Health.

During the year the following Board Members or parties related to them have undertaken material transactions with West Hertfordshire Hospitals NHS Trust.

	Payments to Related Party £	Receipts from Related Party £	Amounts owed to Related Party £	Amounts due from Related Party £
2007/08				
NON-EXECUTIVE DIRECTORS				
MARTIN SAUNDERS - HERTS COUNTY COUNCIL	11,269	2,880	0	5,000
- HERTSMERE BOROUGH COUNCIL	18,030	0	0	0
COLIN GORDON - UNIVERSITY OF HERTFORDSHIRE	99,445	22,177	0	0
STUART LACEY - BT Plc	401,701	0	0	0
EXECUTIVE DIRECTORS				
PROF GRAHAM RAMSAY - RESPIRONICS INC	7,776	0	0	0
- EDWARDS LIFESCIENCES	15,310	0		0
SARAH CHILDERSTONE - BUPA CARE HOMES	986,070	0	0	0
JAN FILOCHOWSKI - BARNET & CHASE FARM HOSPITA	0	0	0	1,673
LINDSAY MACINTYRE - HERTS PARTS FOUNDATION TR	0	0	147,297	0
	1,539,601	25,057	147,297	6,673

The Department of Health is regarded as a related party. During the year the Trust has had a significant number of material transactions in excess of one million pounds with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed on page 50:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
2007/08				
NHS EXECUTIVE				
HEALTH GENERAL CASH	18,777,000	525,000	0	0
TRUSTS				
THE HILLINGDON HOSPITAL	1,530,325	2,006,007	292,701	520,207
EAST & NORTH HERTS	1,953,591	4,040,937	380,462	258,020
HERTS PARTNERSHIP	1,520,177	6,159,461	147,297	74,678
PCT's				
BARNET PCT	0	0	0	85,424
BRENT PCT	0	0	0	37,046
BUCKINGHAMSHIRE PCT	0	1,292,079	0	193,633
EALING PCT	0	0	0	22,751
HARROW PCT	0	2,962,687	0	461,814
HILLINGDON PCT	0	5,238,406	0	(97,082)
LUTON PCT	0	1,808,695	0	369,887
WEST HERTFORDSHIRE PCT	0	181,081,826	3,547,607	2,450,584
HEALTH AUTHORITIES				
EAST OF ENGLAND SHA	0	10,354,553	0	968,741
NATIONAL BLOOD	2,250,171	0	161,288	2,455
NHS LOGISTICS	5,478,865	0	465,029	0
OTHER BODIES				
CUSTOMS & EXCISE	0	3,863,635	0	0
NHS PROFESSIONALS	1,247,426	0	0	3
INLAND REVENUE	37,545,194	0	0	0
NHSPA	20,968,219	0	0	0
EASTERN DEANERY	0	0	0	968,741
DEPARTMENT OF HEALTH	3,245,830	0	0	23,571
NHS LITIGATION AUTHORITY	3,454,871	0	0	10
	97,971,669	219,333,285	4,994,384	6,340,484

The Trust has also received revenue and capital payments from a number of charitable funds. The Trust is the Corporate Trustee for a number of these funds.

24. Financial Instruments

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

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions are shown gross. Any amount expected in reimbursement against a provision (and included in debtors) is separately disclosed.

Liquidity Risk

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

Interest-Rate Risk

98% of the Trust's financial liabilities carry nil or fixed rates of interest. The Trust's financial assets are minimal. The Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities.

24.1 Financial Assets

24.1 Financial Assets

					Fixed rate		Non-interest bearing
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
Currency	£000	£000	£000	£000	%	Years	Years
At 31 March 2008							
Sterling	169	169	0	0	0.00%	4	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	**169**	**169**	**0**	**0**			
At 31 March 2007							
Sterling	493	121	372	0	0.00%	5	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	493	121	372	0			

24.2 Financial Liabilities

					Fixed rate		Non-interest bearing
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest	Weighted average period for	Weighted average term
Currency	£000	£000	£000	£000	%	Years	Years
At 31 March 2008							
Sterling	9,975	169	9,806	0	5.00%	5	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	9,975	169	9,806	0			
At 31 March 2007							
Sterling	22,026	121	21,905	0	0.00%	5	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	**22,026**	**121**	**21,905**	**0**			

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

24.3 Fair values

Set out below is a comparison, by category, of book values and fair values of the Trust's financial assets and liabilities as at 31 March 2008.

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
Financial assets			
Cash	169	169	
Total	169	169	
Financial liabilities			
Overdraft	(169)	(169)	
Provisions under contract	(846)	(846)	Note a
Loans	(8,960)	(8,960)	Note b
Total	(9,975)	(9,975)	

Notes:

a. Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% in real terms.

b. Loans are shown as the full balance sheet value and are equal to fair value.

25. Third Party Assets

The Trust held £14k cash at bank and in hand at 31 March 2008 (at 31 March 2007: £3k) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

26. Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	8,252	0	8,805	6,720
Balances with Local Authorities	31	0	0	0
Balances with NHS Trusts and Foundation Trusts	685	0	904	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	2,612	1,408	16,997	0
At 31 March 2008	**11,580**	**1,408**	**26,706**	**6,720**
Balances with other Central Government Bodies	4,505	372	2,938	8,960
Balances with Local Authorities	106	0	0	0
Balances with NHS Trusts and Foundation Trusts	797	0	3,523	0
Balances with Public Corporations and Trading Funds	3	0	151	0
Balances with bodies external to government	4,766	313	12,643	0
At 31 March 2007	**10,177**	**685**	**19,255**	**8,960**

27. Losses and Special Payments

There were 47 cases of losses and special payments (2006/07: 39 cases) totalling £179,855 (2006/07: £655,929) paid during 2007/08.

These accounts for the year ended 31 March 2008 have been prepared by the West Hertfordshire Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

information

For further **information** please call 01442 287620

Bengali আরও তথ্যের জন্য আমাদের ইনফরমেশন লাইনে ফোন করবেন। টেলিফে নম্বর **01442 287620**

Cantonese 欲取得詳細資料請致電我們的資料專線 **01442 287620**

French Pour des informations supplementaires, appellez s'il vous plait le **01442 287620**

Greek Για περισσότερες πληροφορίες παρακαλώ καλέστε 01442 287620

Gujarati વધારે માહિતી માટે અમારી માહિતી આપતી લાઈન **01442 287620** ઉપર ફોન જોડો

Italian Per maggiori informazioni telefonare allo **01442 287620**

Punjabi ਵਧੇਰੇ ਜਾਣਕਾਰੀ ਲਈ ਸਾਡੀ ਜਾਣਕਾਰੀ ਲਾਈਨ ਨੂੰ **01442 287620** 'ਤੇ ਟੈਲੀਫੂਨ ਕਰੋ.

Spanish Para mas information, por favor llama **01442 287620**

Urdu مزید معلومات کے لئے ہماری ان فارمیشن لائن (معلوماتی لائن) پر اس نمبر پر فون کریں **01442 287620**

Concept and design by Medical Illustration, Mount Vernon Hospital. West Hertfordshire Hospitals NHS Trust. September 2008