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Contents

A message from Thomas Hanahoe, Chairman and Jan Filochowski, Chief Executive

Welcome to the 2008/09 annual report for West Hertfordshire Hospitals NHS Trust

We said last year that something really significant appeared to be happening in the Trust and it did. We have seen dramatic improvements in performance against national standards, significant improvements in the financial position and the virtual elimination of waiting. This ensured that the Trust rose from being rated as 'weak' for the previous two years to achieving a 'fair' rating from the Healthcare Commission in 2007/08. Early indications for this year's rating is that the Trust is anticipating a 'good' rating. Now, we can really start to see the benefits of all our hard work over the last 12 months. With the opening of a new 120-bed emergency building, known as the Acute Admissions Unit at Watford, it really is a window on the future of services for the people of west Hertfordshire.

This year saw the successful transfer of emergency and acute services from Hemel Hempstead Hospital to Watford General Hospital with the opening of the new Acute Admissions Unit. This transfer was conducted by a series of phased moves from the beginning of February and was completed by the middle of March with patient safety remaining the paramount consideration during the move. Thanks to the planning and hard work of all staff, these moves went well and the new model of care at Watford is working successfully.

In the latter part of 2008 and into 2009, the country faced uncertain economic conditions. The "credit crunch" is having an effect on all of us, particularly those with family and friends who face losing their jobs. As yet, the effect on the NHS is small, but it will almost certainly increase. We can assure you that we are committed to continuing to provide high quality services and improving our facilities during this difficult time.

We remain on track to become a Foundation Trust (FT) and expect to be in front of Monitor, the Independent Regulator for Foundation Trusts, in early 2010.

Let us end by outlining a couple of final messages.

The Trust is proud of its staff and of its sustained and significant improvements. The success of new services at Watford, such as the Acute Admissions Unit, Children's Emergency Department, improved and increased capacity of the Intensive Care Unit and the resuscitation department in A&E, coupled with changes at Hemel Hempstead Hospital and the success of the Urgent Care Centre, plus the increased efficiency at St Albans, have been achieved by the hard work, determination and creativity of people working in and with the Trust.

We have transformed our performance in controlling Clostridium difficile *(C.diff)* and MRSA and we are proud to say that we are amongst the safest acute hospitals in the country. Despite the winter pressures, we have maintained our record of less than 2% of patients waiting over 4 hours in A&E.

We will continue to deliver the best possible services for the people of west Hertfordshire.

Thomas Hanahoe
Chairman

Jan Filochowski
Chief Executive



Who are we?

West Hertfordshire Hospitals NHS Trust is one of the largest organisations in west Hertfordshire, employing around 5,000 members of staff, serving a catchment population of around 500,000 and treating nearly a million visitors each year.

The Trust manages three hospitals: Hemel Hempstead Hospital, St Albans City Hospital and Watford General Hospital. We provide general healthcare and some specialist services and have close links with specialist hospitals, such as Harefield.

Hemel Hempstead Hospital

Hemel Hempstead Hospital is currently undergoing a £7m redevelopment programme to considerably improve the general environment for patients. Full A&E services transferred from Hemel Hempstead to Watford General Hospital in March 2009, which coincided with the opening of a major expansion programme at Watford General. A new 24/7 Urgent Care Centre opened in October 2008, which treats patients with minor illness and injuries. Hemel Hempstead Hospital also provides a wide range of outpatient services, intermediate care beds, tests and investigations.

St Albans City Hospital

St Albans City Hospital is a local general hospital offering a range of services, including a Minor Injuries Unit. In September 2007, a new Elective Care Centre opened at St Albans City Hospital and since that time, St Albans has been the site for the majority of planned surgery in west Hertfordshire. This has had a dramatic effect on reducing the number cases of hospital-acquired infections as all patients are screened before their admission and St Albans City Hospital can now boast of being 'infection-free'. The hospital also provides a wide range of diagnostic, outpatients and ophthalmology facilities. The Breast Care Unit was formed in 2005 from the centralisation of breast services in west Hertfordshire. A state-of-the-art Breast Care Unit treats around 3,000 new patients a year and includes facilities to allow around 90% of breast operations to be performed there. The Renal Dialysis Unit based at St Albans City Hospital is managed by the Lister Hospital in Stevenage.

Watford General Hospital

Since March 2009, when emergency services centralised at Watford General Hospital, Watford has been the main acute hospital in west Hertfordshire. The specialist emergency service at Watford now includes a newly expanded A&E Department, a new 120-bed Acute Admissions Unit, a state-of-the-art 19-bed Intensive Care Unit, and a dedicated Children's Emergency Department. Watford also offers a comprehensive range of specialist and general services, including one of the safest maternity services in the country.

As a Trust, we understand patients' needs and expectations. We continue to work closely with West Hertfordshire Primary Care Trust, local GPs, practice-based commissioning groups, community-based healthcare staff, and the local social services. The establishment of a partnership with Herts Urgent Care, in order to deliver the new Urgent Care Centre service at Hemel Hempstead General Hospital, has been a significant and positive development during the course of the year.

Our Pledge to Patients

We believe the heart of Herts Pledge will have a real influence on how our patients experience their time with us

The National Inpatient Survey 2007/08 identified areas where the Trust had made improvements and also areas that needed to be strengthened. In particular the report highlighted that our patients were disappointed with their experience in our hospitals. An Inpatient 'Task Force' Group, led by the Chief Executive, was set up to look at these results and support initiatives to improve the patient experience. A wide reaching programme of work followed with staff on all levels of the organisation discussing how things could be improved. This led to the design of a new 10-point Pledge to our patients, visitors and carers, known as the "heart of Herts" Pledge. The new Pledge was launched on 1 September 2008 with a series of road shows across our three hospital sites and has since been rolled out throughout the Trust. Pledge posters and banners are now visible in prominent positions across the Trust and the Pledge has been added to patient appointment cards. The Pledge has also been produced in a variety of languages and in Braille. During 2009/10, we will be investigating other ways to further incorporate the Pledge into everything we do as a Trust.

The heart of Herts Pledge promises that we will:

- Treat patients with respect, courtesy and compassion
- Welcome patients and make sure they know what to expect
- Ensure our hospital is clean, safe, uncluttered and quiet
- Follow the Trust dress code, display our identity badge and introduce ourselves to patients
- Provide clear signs, directions and assistance so patients and visitors get to their destination
- Answer all telephone calls and call buttons promptly
- Give patients our full attention and answer their questions fully
- Make it our duty to prevent delays and explain the reasons if delays occur
- Meet patients' needs for privacy, dignity and confidentiality
- Challenge and change practice that falls below these standards.

We believe the heart of Herts Pledge will have a real influence on how our patients experience their time with us.

(Since 2008/09 report was published, the Trust has improved in 7 out of 9 domains. More details in 2009/2010 report).


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Improving our services to you

In March 2009, we successfully transferred all acute services from Hemel Hempstead Hospital to Watford General Hospital. David Nicholson, Chief Executive of the NHS, visited Watford General in early 2008 and he commented that the changes that the Trust were making in west Hertfordshire were some of the biggest changes happening anywhere in the NHS at that time.

The Watford General Hospital site underwent major redevelopment during 2008 and 2009 with many areas being expanded and refurbished, including a new 120-bed Acute Admissions Unit (AAU). This new emergency facility is linked to the existing A&E department and is the largest of its kind in the country.

Making the changes

The transition of emergency services from Hemel Hempstead to Watford began in early February 2009. Wards and departments were relocated over the following weeks and emergency 'blue-light' admissions were gradually redirected to Watford. The A&E department at Hemel Hempstead stopped taking acute admissions on 11 March and the Intensive Care Unit transferred to Watford a few days later. The transition and the opening of the new Acute Admissions Unit went very smoothly and the phased approach meant that the Trust was able to continue to provide good patient care at Hemel Hempstead Hospital and only needed to transfer very few patients to Watford. This fantastic result was achieved by very detailed planning across the organisation and with its partner organisations, coupled with the revised realistic timetable for the transfer.

The new service is open 24 hours a day, 7 days a week and offers patients requiring emergency care rapid assessment and diagnosis by a consultant from the onset of their admission. This quick diagnosis by a Consultant and early start of treatment significantly improves the long-term effects of some illnesses, such as heart attack, stroke etc.

As well as a new hospital pharmacy with ultra-modern robotic dispensary, the AAU also houses two catheterisation labs providing a treatment for heart attack patients called angioplasty. This treatment can significantly enhance the chances of survival following a heart attack by widening an artery, which improves the blood supply to the heart muscle. Diagnostic testing, such as x-ray, CT, ultrasound and blood tests are also available outside of normal working hours which means that patients get their test results much quicker and start treatment earlier. Quicker access to investigations and treatments also avoids patients being admitted unnecessarily.

The Intensive Care Unit (ICU) at Watford has also undergone major redevelopment and expansion. A new 19-bed state-of-the art ICU opened in September 2008 containing the most modern, high-tech equipment available today.

The Children's Emergency Department (CED) at Watford was also expanded and refurbished during 2008. The CED is the only one of its kind in Hertfordshire and treats sick and injured under-16-year-olds in their own dedicated emergency department, staffed by specially trained children's doctors and nurses. This means that children do not need to be among adults in the main A&E department, which can be very stressful and distressing for them.

Furthermore, the main reception area at Watford received a much needed 'face-lift' this year and now has a more patient-friendly approach with a new manned reception desk, information point and a planned retail facility. It is also home to the new Patient Discharge Lounge, which is now conveniently situated for patients to be collected following their discharge from hospital.

Continuing the improvement

The development of the Elective Care Centre at St Albans City Hospital has continued throughout the year, with both the range and volume of surgery undertaken being increased – overall 25% more activity has been undertaken at the hospital during 2008/09 compared with the previous year.

Hemel Hempstead Hospital is currently undergoing a £7m redevelopment programme to offer high quality, up-to-date facilities on the Hemel site. Following the redevelopment, the majority of the services and the new main entrance will be in the newest part of the hospital - the Verulam Wing. This will provide easy access to services to patients as the majority will be available under one roof, including new purpose designed outpatient and therapy departments. The majority of services that people need locally are available at Hemel Hempstead, including outpatients, diagnostics, urgent care and intermediate care.

In 2008, the Trust succeeded in its bid to provide the Urgent Care Centre service at Hemel Hempstead Hospital. This was a joint bid in partnership with Herts Urgent Care, the co-operative established by Hertfordshire GPs, and represents a significant step forward in our partnership working with local GPs. The Urgent Care Centre successfully ran in parallel with the A&E service at Hemel Hempstead during the second half of the year and became fully operational in March 2009.

The Trust has also continued to work with local GPs and the Primary Care Trust in delivering clinical assessment and treatment services (CATS) across a range of specialties. Dermatology services, in particular, have seen increased numbers of patients during the course of the year.

The new Outpatients Department at Hemel Hempstead Hospital

Quality Report 2008/09

NHS organisations across the East of England are required to prepare Quality Reports for inclusion in their annual reports. This is in advance of the legal requirement to produce a Quality Account from April next year, subject to legislation.

An overview of quality in the Trust

The Trust has achieved much in the last year to improve the quality of care for patients.

The Trust is now one of the best performing trusts in the country in respect of *C.diff*, with the biggest reduction in the number of reportable cases than almost any other trust.

The Trust opened the new Acute Admissions Unit in March 2009, providing a purpose built unit for the assessment and treatment of patients that are only likely to need a short stay in hospital. It provides treatment for rapid assessment by a consultant-led team who can make quick decisions about a patient's condition.

The Trust continues to maintain one of the lowest perinatal mortality rates in the country whilst being one of the busiest maternity units. In the last year more midwives and consultants have been appointed to further improve the services available.

At the end of 2008/09 the Trust achieved national targets for A&E waiting times, cancer waiting times and the requirement to see and treat people within 18 weeks.

Response to the Regulators

The Trust submitted its declaration to the Healthcare Commission in respect of the 2008/09 assessment year for Standards for Better Health, indicating that there was only one standard that it remained non-compliant with at the year end. Four further standards were declared as compliant at the year-end rather than full year compliant.

Working with you

Following the results of the National A&E survey 2008, the Trust made improvements to its A&E service, including providing more detailed information to patients on expected waiting times and how to access pain relief. The A&E waiting area was also redecorated to give patients a fresher, brighter environment.

Patient Experience Trackers

Patients have been telling the Trust how they have found their hospital experience by using handheld Patient Experience Trackers (PET) throughout 2008/09. The results are used to improve the service.

Improving the Patient Experience

A new hospital discharge leaflet and a 48-hour post discharge courtesy call were introduced to improve the patient discharge process. The Trust has also worked closely during the year with external organisations to further improve the patients' experience.

Patients' Panel

The Patients' Panel continues to support the view of our patients and carers and is committed to improving the services we provide. The panel's involvement was invaluable during the changes the Trust made to its acute service and the planning and opening of the new Acute Admissions Unit at Watford.

How are we doing?

2008/09 was a year of consolidation for the Trust. In October 2008, the Healthcare Commission rated the Trust as "fair" for both its quality of services and use of resources for the year 2007/08. This represents a major achievement for the Trust, and reflects the determination and hard work of many staff engaged in frontline service provision. During 2008/09, the Trust has built on this foundation and is hopeful of achieving "good" for both quality of services and use of resources when the new Care Quality Commission publishes its assessment in the autumn 2009.

Providing patient care is the Trust's overriding priority.

Fighting infection

Infection prevention and control is an integral part of the work of the Trust. During 2008/09, the Trust continued to improve performance by maintaining a proactive approach.

The Trust's levels of both MRSA bacteraemia and *C.diff* infections are now amongst the best in the country. Recent reports from the Health Protection Agency show that the Trust has had a 90% reduction in infection, making it just about the safest hospital in the country. But it won't stop there and further more challenging targets have been set for the coming year.

Meeting targets

The Trust's performance against the A&E 4-hour wait target also improved significantly during the latter part of 2007/08 and this improvement was sustained through the year until December 2008. The extreme weather conditions which Hertfordshire suffered during February 2009 posed a challenge for both staff and patients. Staff across the Trust reacted magnificently and all essential, and much of the planned services, continued to be provided as normal.

The national target of treating all patients in less than 18 weeks from GP referral to the start of treatment has been a significant focus for the Trust during the year and has involved working closely with other parts of the local health economy.

The Trust's achievements against key national targets in the year are summarised below:

National Standard 2008/09	West Herts
18 weeks between GP referral and start of treatment (90% admitted and 95% non-admitted from January 2009)	Achieved
A&E 4-hour wait (98% average)	Achieved
Access to Sexual Health Services (National standard is for patients to be offered an appointment to be seen within 48 hours)	Achieved
Delayed Transfer of Care (National standard is <3.5%)	Underachieved
Cardiac revascularisation (National standard is less than 13 weeks' wait)	Achieved
Rapid access to chest pain clinic (National standard is less than 2 weeks' wait)	Achieved
Cancelled operations	Underachieved
All cancers – 2 weeks maximum wait for GP urgent referrals (National standard is 98%)	Achieved
All cancers – one month from diagnosis to treatment (National standard is 98%)	Achieved
All cancers – 2 months from urgent GP referral to treatment (National standard is 95%)	Achieved

Caring for our patients

During 2008/09 the Trust has implemented a number of initiatives and pilot schemes to improve the care the Trust provides to its patients.

Confidence in Caring

A 'Confidence in Caring' pilot scheme was introduced this year into two wards in the Trust. This scheme offers a framework to help carers focus on the issues that matter most to patients and provide a positive experience for them.

Electronic Rostering

An ambitious project to manage the nursing workforce more effectively by electronic rostering has been introduced across 67 clinical areas.

Privacy and Dignity

Around 70 staff are now registered as Dignity Champions and have joined a national network of people who are committed to taking action to improve dignity in care.

Nutrition Now - 'Stop, serve and observe, make food a priority'

The Trust was invited to present its achievements at the RCN Nutrition Conference in September as part of the 'Nutrition Now Campaign'.

Staff - our most valuable resource

Working together

Over the past year, the Trust has worked closely with all its staff groups to reconfigure services across the three hospital sites. These changes, while exciting in terms of new service delivery, can create a high degree of disruption for staff. The Trust put in place a range of offers to help staff manage the changes with the minimum of stress and anxiety.

Communicating

Keeping staff fully informed has been an essential element of the planning of the changes and, in addition to the already fully established communication channels, the Trust has introduced other methods of communicating with staff including weekly updates, podcasts and blogs.

Particular attention has been given to Hemel Hempstead Hospital staff as the new era at Hemel Hempstead starts to unfold. A commemorative newspaper has been published and given to all staff at Hemel Hempstead, together with a short DVD which tells the story of the hospital site so far and what is in store for the future.

Keeping healthy

During the year, the Trust has recognised that supporting staff's physical, as well as mental, wellbeing is very important. It has also worked hard with staff to reduce our sickness absence rates by rapid access to our occupational health service and fast track treatment to physiotherapy, which has led to a consistent reduction in sickness absence.

How do our staff feel we are measuring up?

The results of the staff survey for 2008/09 shows that the Trust has improved across all the measures in the survey, but that it is still not up there with the best in the country. Huge strides have however been made in creating a better place for staff to work.

Equality

The Trust remains committed to delivering equality of opportunity for all staff, patients and other service users. Our Equalities Framework, including the Race Equality Scheme (RES), the Disability Equality Scheme (DES) and the Gender Equality Scheme (GES) is at the heart of the drive to achieve this.

Keeping patients safe

Patient Advice and Liaison

The Patient Advice and Liaison Service (PALS) continues to be an integral part of the service the Trust provides to its patients.

Dealing with Complaints

The Trust has a robust system for dealing with patients' complaints promptly, fairly and openly. However, during the year it was highlighted that this system was not working as well as it should and the time it was taking to acknowledge and respond to complaints was increasing. The timely resolution of complaints is essential in order to help restore confidence in the Trust for those patients who have found their care and treatment falling short of what is expected. The Trust took immediate action to investigate the cause of this and instigated a number of measures to address the issue. Our compliance rate is now above the national average.

It is very important that the Trust learns from complaints and comments. Where appropriate, following a formal investigation, improvements and changes are implemented to prevent similar situations arising in the future. These actions are then monitored to ensure that the improvements are maintained over the proceeding months.

Clinical Governance

Clinical governance has remained a priority for the Trust throughout 2008/09 and a great deal has been achieved during the year. The Trust has built on its good incident reporting culture and from April to September 08 reported 2,237 patient safety incidents with 91% of these incidents resulting in no harm. The Trust reported a higher percentage of incidents per 100 admissions to similar organisations; however, a high reporting rate is often associated with a better safety culture rather than a less safe environment of care.

During 2008/09 the Trust reported three Serious Untoward Incidents (SUIs). The Trust is rated as Level 1 by the NHS Litigation Authority and working towards Level 2.

Being prepared for an emergency

The Trust's emergency plans are available to the public and staff on its website and have been incorporated into the Trust's induction programme for new staff. Over the next year formal emergency preparedness training will be developed for staff who are identified as key first responders.

Pandemic Influenza preparedness has also been high on the Trust's agenda this year and its plans are linked into the Hertfordshire resilience forum of the Department of Health.

Ambassadors of the Trust

The Trust held an afternoon of celebration in December 2008 when it said thank you and rewarded some of its long-serving staff.

Over 100 staff and guests attended an 'Oscar-style' awards ceremony to celebrate staff who had been nominated throughout the year in the Staff Awards for Excellence scheme.

The Staff Awards for Excellence Scheme is designed to reflect the calibre of teams and individuals who work in the Trust and show the high regard in which staff are held by their colleagues, patients and relatives.

The awards categories were as follows:

- Employee of the Year
- Team of the Year
- Improving the Patient Experience
- Unsung Hero
- Volunteer of the Year

Top: Team of the Year – Endscopy
Middle: Employee of the Year – Frances Stratford, Deputy Director of Infection Control
Bottom Left: Volunteer of the Year – John Bullock
Bottom Right: Improving the Patients Experience – Pathology Teams

The Staff Awards for Excellence Scheme was relaunched in 2009 and an awards ceremony will be held in December 2009 to celebrate the winners and runners up.

Building a Sustainable Future

Each year the NHS produces more than 18 million tonnes of CO_2 from its activities. This represents 25% of total public sector emissions in England and 3.2% of total carbon emissions overall.

The Trust is taking steps to control its energy use, taking into consideration the NHS carbon reduction strategy that was published at the end of May 2008. These efforts will result in a number of benefits, including:

- Energy efficient buildings
- The achievement of mandatory government targets
- Improved future service developments
- A focus for planned capital and maintenance expenditure

National and international targets

The Kyoto Protocol established a framework for nations to work towards the achievement of sustainable emissions levels. This commits the UK government to reducing emissions of CO_2 to 12.5% below 1990 levels by 2008/09. In addition, the UK has set a domestic goal to reduce emissions by 20% by 2010, with a further goal of 60% by 2050.

In April 2001 the Secretary of State for Health wrote to all chief executives and senior managers of healthcare organisations, setting out the Government's mandatory energy targets for England. These are set out below:

The Climate Change Act 2008

This Act sets a target to be achieved by the year 2050 for the reduction of targeted greenhouse gas emissions of at least 80% lower than the 1990 baseline targets and a 26% reduction by 2020. The baseline means the aggregate amount of net UK emissions of carbon dioxide for that year, and the net UK emissions of each of the other targeted greenhouse gases for the year.

NHS carbon reduction strategy

Meeting these targets is a legal requirement and the Trust's governance arrangements will demonstrate how this is being measured, monitored and managed. The NHS carbon reduction strategy has been developed in response to the need to take action on climate change and in consultation with the NHS and other organisations.

The NHS has a carbon footprint of 18 million tonnes CO_2 per year, which comprises energy (22%), travel (18%) and procurement (60%). Despite an increase in efficiency, the NHS has increased its carbon footprint by 40% since 1990. This means that meeting Climate Change Act targets of a 26% reduction by 2020 and a further 60% by 2050 will be a huge challenge. The strategy establishes that the NHS should have a target of reducing its 2007 carbon footprint by 10% by 2015. This will require the current level of growth of emissions to not only be curbed, but the trend to be reversed and absolute emissions reduced. Interim NHS targets will be needed to meet the government targets.

Every NHS organisation should sign up to the Good Corporate Citizenship Assessment Model and produce a Board-approved sustainable development management plan.

The NHS should set itself interim targets and trajectories to meet the provisions of the Climate Change Act. In the first instance, this should be set at 10%, as a minimum, of the 2007 levels by 2015. Carbon reduction and sustainable development are corporate responsibilities and should be an inherent part of each organisation's performance and governance mechanisms. Healthcare regulators should ensure that sustainability and the environmental impact of services are an integral part of quality standards.

EU emission trading scheme

It is a statutory requirement for NHS installations of 20 megawatts or more thermal capacity per site to register with DEFRA. Eighty-three NHS trusts are now registered.

European Energy Performance of Buildings Directive (EPBD)

The EPBD took effect in 2006 and will be implemented through Building Regulations. One of the main changes is the need for an Energy Certificate and an energy label (if appropriate) for all new buildings; existing buildings, when they are sold or rented out, and existing buildings when they undergo substantial refurbishment. In addition, all public buildings that are over 1,000 m^2 (ie most of the Trust's estate) will need to display the energy label (the operational rating) for the public to see.

The Government has also set a nationwide target to source at least 10% of electricity from renewable sources by March 2008. Renewable energy can be generated from a range of power source, including: wind; wave; tidal; solar; thermal; photo-voltics (PV); hydro-generation; geothermal; and biomass (energy from forestry or crops). All of these technologies are applicable to the healthcare sector and there are various financial incentives to encourage organisations to introduce these.

What is the Trust's current position?

In the autumn of 2008, the Trust submitted its response to the consultation on the Carbon Reduction Strategy for England, "Saving Carbon, Improving Health" to the NHS Sustainable Development Unit.

Further to the publication of the finalised strategy in January 2009, the Trust is in the process of developing its 2009/10 plans. As part of this process, the Trust is reviewing its energy performance and is in the process of developing a dedicated energy and environmental management service.

In line with the strategy, in the 2009/10 financial year, the Trust will:

- Develop a carbon reduction strategy, to be approved by the Trust Board;
- Develop a Sustainable Travel Plan, to be approved by the Trust Board;
- Agree stretching, but achievable measures for carbon reduction across the three hospital sites;
- Ensure all the healthcare buildings greater than 1000m^2 publicly display an Energy Certificate.

The Trust's estate does not fall currently within the EU emissions trading scheme limits. However, the Trust will have to comply and register with the CRC scheme as from April 2010, as consumption and spend are above the threshold of the scheme.

The Trust procures its energy and utilities through PASA, which acts on behalf of approximately 90% of NHS organisations and ensure, through economies of scale and a flexible purchasing strategy, the very best price for utility procurement is achieved. There is an obligation for 10% of the electricity supply purchased to come from a renewable resource as required by the Government target set for March 2008, which the Trust meets. PASA warns of energy price rises in the future.

On our way to becoming a Foundation Trust

Your hospital Your NHS

As a result of the Trust's improved performance in 2008, the Trust has been actively encouraged by the Strategic Heath Authority to apply for Foundation Trust status. It expects to be authorised to become a Foundation Trust in early 2010.

Foundation Trust status means that the Trust will:

- have Members whose views contribute to its future plans - tailoring local services to local needs
- retain surplus money and spend this on local services

The Trust will still be part of the NHS and be required to meet Department of Health targets. However, there is more of a focus on local accountability.

Membership is free and people can join by post or on-line. Members can stand for election as governors and join the governing council, which will be responsible for planning the future direction of the Trust.

For further information on the Trust's plans to become a Foundation Trust or to become a Member please log onto:
www.westhertshospitals.nhs.uk/ft

Statement on Internal Control 2008/09

1. Scope of responsibility

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

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

The Trust 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 SLAs
- A regular CEO meeting between CEOs of various NHS organisations
- A regular meeting between the Trust and SHA monthly
- Specific meetings with the 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 the Trust has identified the key areas of common purpose that will enable it to work as a health economy to deliver the improvements in service that are required locally. It is developing robust processes around PCT commissioning contracts and we will continue to maintain good relationships with the Practice Based Commissioning Groups and the GP Conclave.

The Trust continues to work with the County Health Scrutiny Committee (HSC) and has built upon the previous good relationships during 2008/09. 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. At the end of 2008/09 we had around 1800 members.

2. The purpose of the system of internal control

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

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

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 Associate Director of Integrated Governance, the Assistant Director of Clinical Governance and Risk and the Clinical Governance and Risk Managers at a corporate level. At a Divisional level, Divisional Risk Managers provide support to the Divisions in the execution and discharge of their responsibilities for ensuring safety across services and environments for patients and staff. They do this by working with individuals in the Divisions and the corporate team, supporting the process of risk identification, assessment, analysis and mitigation.

In order to support this work, the Divisional Risk Leads Forum provides a focus for driving actions to mitigate risk as well as a support structure for the Risk Managers to enable them to better discharge their responsibilities. The Forum provides a pathway to escalate issues to the Integrated Standards Executive where this is considered necessary.

Divisional Risk Managers are responsible for the day-to-day management of the divisional risk registers. The individual risk registers will take account of the risks identified by a Division in conducting its daily business. The risk strategies of the individual Divisions and services follow the Trust Risk Strategy. Maternity services have, in addition, a more detailed strategy as required by the Clinical Negligence Scheme for Trusts (CNST).

In terms of management of risk within each Division, once a risk has been identified, this is added to the risk register by the Divisional Risk Manager together with the actions to be taken to mitigate the risk and the timescale. These entries are reviewed regularly by the Divisional Risk Managers and closed once the risk has been mitigated. This is reviewed by the Datix database administrator. Where risks have not been closed in line with the action plan, these are followed up with the Division concerned. Following discussion at the Audit Committee during 2008/09, work has been initiated (and will continue into 2009/10) to review Divisional systems and processes and ensure that the risk registers are being used as effectively as possible. This continues to be discussed with the Divisional Risk Managers as part of ongoing dialogue between them and the governance team.

Induction training and risk assessment and management training is provided to assure ourselves that staff in all departments and across the organisation can fulfil their responsibilities of regarding risk. The Trust's induction programme for new staff provides a session on risk and incidents by the Corporate Governance and Risk team. In addition, the Trust provides a series of risk management update sessions as well as specific training undertaken by the Health and Safety Advisor and Manual Handling Advisor. Training is evaluated and audited to ensure it covers what is needed and that it is having the appropriate impact. Training needs analysis is frequently reviewed.

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.

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. Work has been initiated within 2008/09 to improve the way in which information within the risk registers is presented. This work will continue into 2009/10 to ensure that there is full integration between the assurance framework, risk ratings and strategic objectives.

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

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

In addition, the Trust works with 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 Board approved the 2008/09 Risk Management Strategy in March 2008. Key elements included within it are:

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

Significant Internal Control Issues

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 reviewed its governance arrangements this year and these have been discussed and approved by the Board.

As far as the risk and control framework is concerned both the Clinical Standards Executive (recently renamed the Integrated Standards Executive (ISE)) and the Clinical Quality and Governance Committee provide the appropriate focus and control and have had the support of the following groups:

- Infection Control
- Drugs and Therapeutic
- Complaints, Litigation, Incidents and PALS Group (CLIP)
- Clinical Audit
- Health and Safety
- Child Protection Steering Group

The Trust has a five year Integrated Business Plan and a yearly Operational Plan, which both 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 risks. The Trust's Corporate Governance and Risk Management Team reviews and monitors this process. Performance reports on the management of risk are provided to the Audit Committee regularly. Performance management arrangements are being enhanced during 2009/10 in order that there is greater scrutiny of Divisional and Corporate risks via ISE meetings.

The Trust provides the CLIP 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, Litigation, Incidents and PALS 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. For our 2009/10 declarations, the Trust declared compliance with 39 of the 44 standards. Four of the remaining standards have achieved compliance in year whilst one, decontamination, has remained non-compliant at year-end. The Healthcare Commission undertook an unannounced inspection in October 2008 to assess the Trust's overall compliance in respect of the Hygiene Code and also determined that, in line with the Trust's stated position on decontamination in respect of Standard 4C the Trust were not compliant with duty 4f (decontamination of instruments and other equipment). It was however, confirmed that the Trust was providing a safe service to patients. However, it should be noted that that the Trust has identified the non-compliance of decontamination services as a serious control issue, which it is working to resolve as part of a consortium with other local trusts.

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. A recent review of the format of the Assurance Framework has been undertaken to comply with recommendations from a recent Internal Audit Report.

The Trust has reported underachievement against national indicators for the rate of cancellation of elective surgery and the level of delayed transfers of care. Whilst both of these have improved against performance in previous years it is recognised that the Trust still has further work to do and has therefore identified these as serious control issues requiring attention during 2009/10.

The Trust actively involves and seeks the views of our patients. 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 continues to be linked into a wide range of committees, meetings and projects within the Trust in order to help develop services and to pro-actively drive forward the issues raised from the results of the both local and national patient surveys. They are also members of Internal Patient Environment Action Team (iPEAT) inspections on a monthly basis and

take part in the Trust's Observation of Care, Pride in Our Workplace and 'Think Clean' days. Panel members continue to review all policies, patient information and questionnaires to ensure they are 'user-friendly' before being officially ratified by the appropriate committees and published.

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

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 Trust is beginning to establish relationships with the recently established LINKS, which replaced the PPI Forum after these were disbanded.

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.

Control measures are being put in place to ensure that risks to data security are being managed. The Trust has now encrypted all desk top and laptop computers and encrypted memory sticks are being issued to Trust staff.

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

5. Review of effectiveness

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

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

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

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

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

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

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

The Audit Committee's primary role is to independently oversee the governance and assurance process on behalf of the organisation and to report to the Trust 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 Assistant Director of Clinical Governance and Risk ensuring that appropriate issues are escalated to the Audit Committee from the ISE and the Clinical Quality and Governance Committee. The Audit Committee ensures that audit plans are drawn up with full consideration of all risks as detailed within the Trust Risk Register.

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.

Based on the work undertaken in 2008/09, the head of internal audit has given significant assurance that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and inconsistent application of controls has been identified that put the achievement of particular objectives at risk. They include four areas listed below from a total of 25 audited:

- Staff Appraisals
- Management of Medical Devices
- Procurement Arrangements of Prosthesis
- Infrastructure of Computer Network

Action plans to address these are in place.

Monthly Provider Management Governance Return

The Board has regularly reviewed the monthly governance return that I sign off each month and is sent to the Strategic Health Authority.

The Annual Health check

The Healthcare Commission's Annual Health check for 2007/08 concluded that the Trust was 'fair' in both its use of resources and in the quality of its services. It is targeted 'good' for both areas in 2008/09.

For quality of services the main areas of concern were:

- Elective surgery cancellation rates
- High levels of delayed transfers of care

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 Health check, 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.

Standards for Better Health

For it's 2008/9 Standards for Better Health submission, the Trust has declared compliance with 39 out of 44 Standards

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

Standard	Subject	Compliance Issue
C4c	Decontamination	The Trust is not compliant with all statutory regulations within its Sterile Services Departments, although the HCC is aware and this does not have an impact on patient safety. Governance arrangements and assurance to the Trust Board have been strengthened through audit against requirements of Duty 4 of the Hygiene Code.

The Trust has been working as a member of a North London and Hertfordshire Consortium to outsource these services in order to achieve compliance. It is anticipated that, subject to satisfactory agreements, a service will be available from summer 2010.

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	Summary of action put in place
C14c	Complaints	Increased resources in place. Frequent meetings with CEO to monitor the situation and expedite the handling of complaints within the required timelines.
C20a	Safe and Secure Environment	Action plan completed.
C20b	Privacy and Dignity	Action plan completed.
C23	Health Promotion	Partnership working in place.

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 two 'fair' was achieved across all five areas of ALE - financial standing, financial management, financial reporting, internal audit and value for money. For 2008/09 further enhancements to the central repository of evidence were established along with clearly identified director and managerial leads for each Key Line of Enquiry. The Trust has targeted a score of 3 for 2008/09.

Data Security

In the last quarter of the year the Trust reported a serious untoward incident relating to the theft of four laptop computers. Three of the laptops were encrypted, the fourth was not. Of the three encrypted laptops, two contained no personal data whilst the third contained records relating to five individuals. The unencrypted laptop contained no personal data.

The system of internal control has been in place in West Hertfordshire Hospitals NHS Trust for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

Jan Filochowski, Chief Executive
Date: 9 June 2009

Financial Disclosure

The Trust produced a £4.4m surplus on its income and expenditure account in 2008/2009.

For 2009/2010 the Trust has agreed a target of £4.6m surplus. This will be achieved through:

- Continuation of the PMO review process
- Establishing a savings programme known as BRIGHT
- 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
Date: 9 June 2009

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
Date: 9 June 2009

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.

Jan Filochowski, Chief Executive
Date: 9 June 2009

Michele Salter, Interim Director of Finance
Date: 9 June 2009


ebwa

Annual Report 2008/09: Financial Review

2008/09 was the second year in succession that the Trust has reported an outturn surplus.

The Trust's plan for the year was to achieve a surplus of £4.4 million, this target being the second year of the three year plan to meet the break-even duty performance. The Trust's actual outturn was a £4.4m surplus.

Staff at all levels of the Trust have worked tirelessly to deliver the savings and income targets agreed with them. The savings target was set at £11.6m and all bar £300k has been delivered.

Finance Developments

During 2008/09 the Finance Department has continued to provide financial information within 5 working days of the month end and ensured all budget holders are notified of the availability of their monthly financial performance within 10 working days of month end.

The implementation of International Financial Reporting Standards (IFRS) has required the Trust to re-state its 2007/08 closing Balance Sheet and to move our financial reporting in line with this standard. Our processes have been audited and conform to the new requirements. We will therefore adopt IFRS for 2009/10.

The Finance systems have been enhanced during the year to enable budget holders to access their budget statements on line and to be able to drill down to view the transactions charged to their cost centres. In addition electronic authorisation of invoices has been implemented across the majority of the Trust. This will enable the Trust to speed up the payment process to suppliers and further improve our performance against the Better Payments Practice Code. Further roll out will continue in 2009/10 along with the means to use electronic, rather than paper, requistioning of goods.

As part of the enabling actions, as the Trust progresses its Foundation Trust application, a Service Line Reporting system was chosen during the summer of 2008. This system will bring together the income earned by the Trust with the expenditure incurred in delivering the care to the patient. Roll out across the Trust will commence during the autumn of 2009.

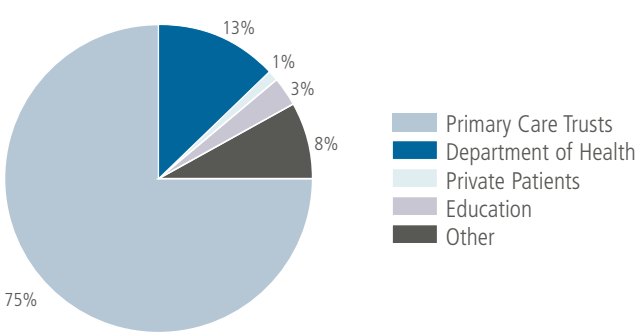
Financial Strategy

The Finance Department has been working closely with key stakeholders both within and outside the Trust during 2008/09 to develop the Trust's long-term financial strategy and to contribute to the development of the Integrated Business Plan which supports the Trust's Foundation Trust application.

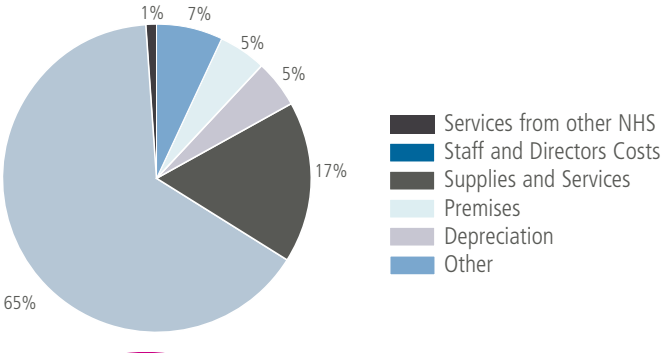
Conclusion

The accounts that follow are dedicated to the memory of Tony Bettridge who sadly died towards the latter end of the financial year. Tony had been the Trust's Financial Controller for seventeen years and was highly regarded by all his colleagues. Tony was an integral part of the Finance Department and his expertise and professional manner will be greatly missed.

Sources of Income 2008/09



Where we spent our money 2008/09



The Trust's Committees

During the latter part of 2008/09, the Trust reviewed the Board's sub-committee structure and 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
- Finance

In addition, the Clinical Quality and Governance Groups 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. The Trust's Annual Report, which is approved by the Trust Board, shall include a statement of the broad remuneration policy.

Charitable Funds Committee

Membership: Robin Douglas (Chair), Colin Gordon, Stuart Lacey

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.

Finance Committee

Membership Stuart Lacey (Chairman), Katherine Charter

Remit: To maintain an oversight of, and receive assurances from the Director of Finance and the Director for Partnerships on, the robustness of the Trust's key income sources and contractual safeguard.

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 2008/09 is shown below.

Register of Interests (as at March 2009)

Name	Date Declaration Noted by the Board	Interest Declared
Professor Thomas Hanahoe	Updated March 2009	- None
Robin Douglas	Updated December 2008	- 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	Updated December 2008	- Governor of the University of Hertfordshire - Chair of company PJ Valve & Pipe Ltd
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	October 2008	- Teaching Assistant employed by Herts County Council
Stuart Lacey	April 2007	- Commercial Director, BT plc
Jan Filochowski	Updated March 2009	- None
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	- Nil return
Sarah Wiles	April 2007	- Nil return
Sarah Childerstone	April 2007	- Married to Regional Director of BUPA Care Homes covering South East England - Chair of the Council of the Tavistock Institute of Human Relations in London
David McNeil	February 2008	- Vice Chair of Governors at Kings Langley School - Trustee of an Outdoor Education Centre
Russell Harrison	November 2007	- Nil return
Lindsay MacIntrye	November 2007	- Married to Ex Chief Executive of Hertfordshire Partnership Foundation Trust
Margaret Ashworth	October 2008	- Non-executive director of Technology Afloat Ltd.

Directors Remuneration

Name	Title		2008-09 Salary (Bands of £5,000)	2008-09 Other Remuneration (Bands of £5,000)	2008-09 Benefits in Kind (£00)	2007-08 Salary (Bands of £5,000)	2007-08 Other Remuneration (Bands of £5,000)	2007-08 Benefits in Kind
			£	£	£	£	£	£
T. Hanahoe	Chairman		20-25	0	0	20-25	0	0
J. Filochowski*	Chief Executive							
R. Douglas	Non-Executive		5-10	0	0	5-10	0	0
C. Gordon	Non-Executive		0-5	0	0	5-10	0	0
K. Charter	Non-Executive		0-5	0	0	5-10	0	0
M. Hasan	Non-Executive		5-10	0	0	5-10	0	0
S. Lacey	Non-Executive		5-10	0	0	0-5	0	0
K. Sharp**	Interim Director of Finance	Non disclosure						
M. Ashworth	Director of Finance	comm Sept'08	70-75	0	38	0	0	0
G. Etheridge	Director of Nursing		90-95	0	28	80-85	0	28
N. Evans	Director for Partnerships		95-100	0	43	85-90	0	43
S. Childerstone	Director of Human Resources		90-95	0	0	85-85	0	37
R. Harrison	Director of Delivery		95-100	0	0	60-65	0	0
G. Ramsay	Medical Director		185-190	0	55	170-175	0	55

*The Chief Executive was not an employee of the Trust during 2008-09 but was seconded in on an agreed contract from South East Coast Strategic Health Authority. The costs charged for 2008-09 were £308,000 which includes, salary, employers national insurance and superannuation contributions and benefits in kind.

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

Directors Pension Remuneration

	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	Cash Equivalent Transfer Value at 31 March 2007	Real increase in Cash Equivalent Transfer Value (£000)	Employer's contribution to stakeholder pension
M. Ashworth	0-2.5	0-2.5	0.5	5-10	54,092	28,234	10	0
G. Etheridge	0-2.5	7.5-10	25-30	80-85	455,089	305,025	100	0
N. Evans	2.5-5	12.5-15	40-45	130-135	1,025,854	682,087	229	0
S. Childerstone	2.5-5	7.5-10	25-30	80-85	595,601	401,756	129	0
R. Harrison	0-2.5	5-7.5	10-15	35-40	149,756	96,203	36	0
G. Ramsay	0-2.5	5-7.5	5-10	15-20	110,179	41,441	47	0

Auditor's report

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

Opinion on the financial statements

We have audited the financial statements of West Hertfordshire Hospitals NHS Trust for the year ended 31 March 2009 under the Audit Commission Act 1998. The financial statements comprise of the Income and Expenditure Account, the Balance Sheet, the Cashflow 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 Services 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 extend 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 financial performance included within the Operating and Financial Review, 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 'Guidance on Completing the Statement on Internal Control 2008/09' issued 25 February 2009. 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 un-audited part of the Remuneration Report, the Chairman's Statement 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.

Basis 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; and
- 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 2009 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; and
- information which comprises the commentary on the financial performance included within the Operational and Financial Review, 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice 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 2009.

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.

Paul Dossett, Senior Statutory Auditor on behalf of Grant Thornton UK LLP
Date: 9 June 2009
Address: Grant Thornton House Melton Street, London NW1 2EP

Income and expenditure account for the year ended 31 March 2009

	NOTE	2008/09 £000	2007/08 £000
Income from activities	3	**214,288**	202.188
Other operating income	4	**27,396**	30,779
Operating expenses	5-7	**(227,562)**	(222,349)
OPERATING SURPLUS/(DEFICIT)		**14,122**	10,618
Profit/(loss) on disposal of fixed assets	8	**(5)**	0
SURPLUS/(DEFICIT) BEFORE INTEREST		**14,117**	10,618
Interest receivable	9	**615**	730
Interest payable	9	**(1,346)**	(574)
Other finance costs - unwinding of discount	17	**(132)**	(122)
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		**13,254**	10,652
Public Dividend Capital dividends payable		**(8,849)**	(8,157)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		**4,405**	2,495

The notes on pages 32 to 50 form part of these accounts. All income and expenditure is derived from continuing operations.

Balance sheet as at 31 March 2009

	NOTE	31 March 2009 £000	31 March 2008 £000
FIXED ASSETS			
Intangible assets	10	**4,092**	4,074
Tangible assets	11	**251,421**	253,048
		255,513	257,122
CURRENT ASSETS			
Stocks	12	**2,912**	2,987
Debtors	13	**15,132**	12,988
Cash at bank and in hand	19.3	**5,382**	169
		23,426	16,144
CREDITORS: Amounts falling due within one year	15.1	**(31,654)**	(26,706)
NET CURRENT ASSETS/(LIABILITIES)		**(8,228)**	(10,562)
TOTAL ASSETS LESS CURRENT LIABILITIES		**247,285**	246,560
CREDITORS: Amounts falling due after more than one year	15.2	**(26,647)**	(6,720)
PROVISIONS FOR LIABILITIES AND CHARGES	17	**(6,255)**	(7,186)
TOTAL ASSETS EMPLOYED		**214,383**	232,654
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	23	**171,600**	169,984
Revaluation reserve	18	**189,001**	114,552
Donated asset reserve	18	**1,757**	1,963
Income and expenditure reserve	18	**(47,975)**	(53,845)
TOTAL TAXPAYERS' EQUITY		**214,383**	232,654

The financial statements on pages 32 to 50 were approved by the Board on 9th June 2009 and signed on its behalf by:

Michele Salter, Interim Director of Finance
Date: 9 June 2009

Jan Filochowski, Chief Executive
Date: 9 June 2009

Statement of total recognised gains and losses for the year ended 31 March 2009

	2008/09 £000	2007/08 £000
Surplus/(deficit) for the financial year before dividend payments	**13,254**	10,652
Fixed asset impairment losses	**0**	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	**(24,020)**	6,133
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	**31**	178
Total recognised gains and losses for the financial year	**(10,735)**	16,963
Prior period adjustment	**(9,539)**	0
Total gains and losses recognised in the financial year	**(20,274)**	16,963

The Prior period adjustment relates to change in accounting policy concerning the valuation of new buildings and enhancements fully brought into use. Variation between cost and ideal conditions assumed by the District Valuers were previously adjusted through the revaluation reserve. In future where these reductions in value exceed the related reserve the difference will be charged to the I&E account.

Cash flow statement for the year ended 31 March 2009

	NOTE	2008/09 £000	2007/08 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	19.1	**21,448**	(20,143)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		**684**	703
Interest paid		**(1,287)**	(568)
Net cash inflow/(outflow) from returns on investments and servicing of finance		**603**	135
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		**(30,697)**	(19,564)
Receipts from sale of tangible fixed assets		**187**	525
(Payments) to acquire intangible assets		**(516)**	(937)
Net cash inflow/(outflow) from capital expenditure		**(31,026)**	(19,976)
DIVIDENDS PAID		**(8,849)**	(8,157)
Net cash inflow/(outflow) before financing		**(19,030)**	(7,855)
FINANCING			
Public dividend capital received		**10,616**	10,620
Public dividend capital repaid		**(9,000)**	(525)
Loans received from the Department of Health		**27,000**	0
Loans received from the Department of Health		**(4,301)**	(2,240)
Other capital receipts		**0**	0
Net cash inflow/(outflow) from financing		**24,315**	7,855
Increase/(decrease) in cash		**5,285**	0

Public dividend capital of £9,000k repaid relates to temporary borrowing while the capital loan detailed in note 15.2 was agreed.

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 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. When a spell of patient treatment starts in one period and is completed in a subsequent period, the value of measureable activity is accrued in the period of that activity. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred

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 Tangible fixed assets

Capitalisation

Borrowing costs associated with the construction of new assets are not capitalised.

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 to 31 March 2008 was treated as capital expenditure, this gave rise to an increase in fixed assets regardless of the cost of the individual hearing aids. Subsequent costs of digital hearing aids 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 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 residential building land values reported in the Property Market Report published by the Valuation Office. The Trust usually uses forecast indices available before the start of the year, but given the current economic climate the latest available Land indices have been used that indicate a significant decline in value. A full review of Land and Buildings is planned for next year in line with stated policy.

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.

Gains arising from indexation and revaluations are taken to the Revaluation Reserve. Losses arising from revaluation are recognised as impairments and are charged to the revaluation reserve to the extent that a balance exists in relation to the revalued asset. Losses in excess of that amount are charged to the current year's Income & Expenditure account, unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Diminutions in value when newly constructed assets and subsequent expenditure are brought into use are charged in full to the Income & Expenditure account. This is a change in policy; in earlier years all falls in value on bringing assets into use were charged to the revaluation reserve. The 2007/08 comparative balance sheet has been adjusted to reflect this change. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

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

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. 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 (see table below). No depreciation is provided on freehold land and assets surplus to requirements.

Asset Type	Maximum Years Depreciation	Minimum Years Depreciation
Building	61	1
Dwellings	53	3
Furniture/Fittings	26	1
Medical Equipment	10	1
Information Technology	7	1

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 Valuer.

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

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

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 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.

1.8 Research and development

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

1.9 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 NHS 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 at note 17.

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 NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses as and when they become due.

1.10 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.nhsbsa.nhs.uk/pensions. 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 to 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 2009, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 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 2009

The scheme is a 'final salary' scheme.

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 member can make contributions to enhance his/her pension benefits. The benefits payable relate directly to the value of the investments made. From 1 April 2008 a voluntary additional pension facility becomes available, under which members may purchase up to £5,000 per annum of additional pension at a cost determined by the actuary from time-to-time.

Early payment of a pension 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.

Existing members at 1 April 2008

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. From 1 April 2008 there is the opportunity of giving up some of the pension to increase the retirement lump sum. 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 or eligible unmarried partner.

New entrants from 1 April 2008

Annual pensions for new entrants from 1 April 2008 will be based on 1/60th of the best three-year average of pensionable earnings in the ten years before retirement. Members wishing to obtain a retirement lump sum may give up some of this pension to obtain a retirement lump of up to 25% of the total value of their retirement benefits. Survivor pensions will be available to married and unmarried partners and will be equal to 37.5% of the member's pension.

1.11 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.

1.12 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.

1.13 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.

1.14 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 27 to the accounts.

1.15 Leases

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

1.16 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital 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 24.2 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.

1.17 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 29 is compiled from the Losses and Special Payments Register and is prepared on a cash basis.

1.18 EU Emmissions Trading Scheme

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

1.19 Financial Instruments

Financial assets

Financial assets are recognised on the balance sheet when the Trust becomes party to the financial instrument contract or, in the case of trade debtors, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade creditors, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired."

2 Segmental analysis

All the activities of the Trust fall within the Healthcare segment.

3. Income from Activities

	2008/09 £000	2007/08 £000
Strategic Health Authorities	0	0
NHS Trusts	0	0
Primary Care Trusts	181,590	172,126
Foundation Trusts	0	0
Local Authorities	0	143
Department of Health	30,270	26,955
NHS Other	0	0
Non NHS:		
- Private patients	1,194	1,856
- Overseas patients (non-reciprocal)	196	218
- Injury cost recovery	1,023	875
- Other	15	15
	214,288	202,188

Injury cost recovery income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection.

4. Other Operating Income

	2008/09 £000	2007/08 £000
Education, training and research	8,014	9,120
Charitable and other contributions to expenditure	57	0
Transfers from donated asset reserve	303	289
Income Generation	2,180	2,342
Other income	16,842	19,028
	27,396	30779

Other income comprises Estates services of £103k; services provided to other Hertfordshire Trusts £10,673k; services provided to other NHS bodies £1,506k; other Regional income £1,073k; registration fees (Neqas) £1,298k; and miscellaneous income £2,189k

5. Operating Expenses

5.1 Operating expenses comprise:

	2008/09 £000	2007/08 £000
Services from other NHS Trusts	1,392	2,800
Services from PCTs	0	0
Services from other NHS bodies	0	79
Services from Foundation Trusts	1,732	1,416
Purchase of healthcare from non NHS bodies	2,299	4,002
Directors' costs	1,037	889
Staff costs	147,435	137,346
Supplies and services - clinical	31,353	29,275
Supplies and services - general	7,225	7,680
Consultancy services	807	985
Establishment	3,313	3,510
Transport	1,276	1,380
Premises	11,400	12,962
Bad debts	36	230
Depreciation	9,826	9,716
Amortisation	679	647
Fixed asset impairments and reversals	0	156
Audit fees	269	263
Other auditor's remuneration	18	23
Clinical negligence	2,782	3,238
Redundancy costs	0	109
Education and training	503	0
Other	4,180	5,643
	227,349	222,349

Note to 5.1: Directors' costs above exclude non-voting directors who are included in staff costs.

The purchase of healthcare from non-NHS bodies relates to the outsourcing of activity to meet national waiting time targets. 2008/09 reflects reduced requirement.

For 2008/09 Education and training is an additional expenditure heading. For 2007/08 comparative costs of £423k are included within the heading Other.

5.2 Operating leases

5.2/1 Operating expenses include:

	2008/09 £000	2007/08 £000
Other operating lease rentals	724	913
	724	913

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Operating leases which expire:				
Within 1 year	0	0	471	458
Between 1 and 5 years	0	0	540	397
After 5 years	27	27	0	25
	27	27	1,011	880

6. Staff costs and numbers

6.1 Staff costs

	Total	2008/09 Permanently Employed	Other	2007/08
	£000	£000	£000	£000
Salaries and wages	125,790	113,105	12,685	115,205
Social Security Costs	10,046	9,546	500	9,844
Employer contributions to NHS BSA - Pensions Division	13,312	12,570	742	13,134
	149,148	135,221	13,927	138,183

Staff costs exclude:
Non Executive Directors"
Capital staff costs totalling £539k (2007/08 £214k)

Other staff costs relate to agency and bank staff

6.2 Average number of persons employed

	Total	2008/09 Permanently Employed	Other	2007/08
	Number	Number	Number	Number
Medical and dental	**518**	489	29	533
Administration and estates	**890**	794	96	883
Healthcare assistants and other support staff	**540**	497	43	558
Nursing, midwifery and health visiting staff	**1,135**	1,069	66	1,140
Nursing, midwifery and health visiting learners	**2**	2	0	6
Scientific, therapeutic and technical staff	**362**	342	20	386
Social care staff	**0**	0	0	0
Other	**41**	33	0	2
Total	**3,488**	**3,226**	**262**	**3,508**

Staff numbers are an average of monthly establishment.

6.3 Management costs

	2008/09 £000	2007/08 £000
Management costs	**13,070**	11,934
Income	**241,684**	232,967
Percentage of Management Costs to turnover	**5.41%**	5.12%

6.4 Retirements due to ill-health

During 2008/09 there were 5 (2007/08, 10) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £171k (2007/08: £562k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority -Pensions Division.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	2008/09 Number	2008/09 £000
Total Non-NHS trade invoices paid in the year	**58,153**	**61,154**
Total Non NHS trade invoices paid within target	**39,164**	**40,112**
Percentage of Non-NHS trade invoices paid within target	**67%**	**66%**
Total NHS trade invoices paid in the year	**3,367**	**19,115**
Total NHS trade invoices paid within target	**2,107**	**16,218**
Percentage of NHS trade invoices paid within target	**63%**	**85%**

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.

8. Other gains and losses

	2008/09 £000	2007/08 £000
(Loss) on disposal of plant and equipment	**(5)**	0

9. Finance Costs and Interest receivable

	2008/09 £000	2007/08 £000
Finance Costs		
Loans	**1,346**	574
Interest Receivable		
Bank accounts	**615**	730

10. Intangible Fixed Assets

	Software licences £000	Licences and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008	4,349	0	0	762	5,111
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	388	0	0	(227)	161
Revaluation	0	0	0	0	0
Additions purchased	23	0	0	513	536
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 2009	**4,760**	**0**	**0**	**1,048**	**5,808**
Amortisation at 1 April 2008	1,037	0	0	0	1,037
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	679	0	0	0	679
Disposals	0	0	0	0	0
Amortisation at 31 March 2009	**1,716**	**0**	**0**	**0**	**1,716**
Net book value					
- Purchased at 1 April 2008	3,312	0	0	762	4,074
- Donated at 1 April 2008	0	0	0	0	0
- Government granted at 1 April 2008	0	0	0	0	0
- Total at 1 April 2008	**3,312**	**0**	**0**	**762**	**4,074**
- Purchased at 31 March 2009	3,044	0	0	1,048	4,092
- Donated at 31 March 2009	0	0	0	0	0
- Government granted at 31 March 2009	0	0	0	0	0
- Total at 31 March 2009	**3,044**	**0**	**0**	**1,048**	**4,092**

11. Tangible Fixed Assets

11.1 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 2008	96,671	114,751	10,326	19,343	22,186	187	7,916	4,571	275,951
Additions purchased	180	17,814	0	9,000	4,865	4	189	513	32,565
Additions donated	0	0	0	17	14	0	0	0	31
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	15,142	7	(16,934)	1,492	0	130	2	(161)
Indexation	(30,708)	4,867	437	765	581	5	0	167	(23,886))
Revaluation	0	309	0	0	0	0	0	0	(309)
Disposals	(187)	0	0	0	(445)	0	0	0	(632)
Cost or Valuation at 31 March 2009	**65,956**	**152,883**	**10,770**	**12,191**	**28,693**	**196**	**8,235**	**5,253**	**284,177**
Depreciation at 1 April 2008					15,293	171	5,894	1,545	22,903
Charged during the year	0	6,446	357	0	1,871	10	841	301	9,826
Impairments	0	0	0	0	0	0	0	0	0
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	400	4	0	39	443
Revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(416)	0	0	0	(416)
Depreciation at 31 March 2009	**0**	**6,446**	**357**	**0**	**17,148**	**185**	**56,735**	**1,885**	**32,756**
Net book value									
- Purchased at 1 April 2008	96,671	114,014	10,326	19,343	5,910	2	2,004	2,815	251,085
- Donated at 1 April 2008	0	737	0	0	983	14	18	211	1,963
- Government granted at 1 April 2008	0	0	0	0	0	0	0	0	0
- Total at 1 April 2008	**96,671**	**114,751**	**10,326**	**19,343**	**6,893**	**16**	**2,022**	**3,026**	**253,048**
Net book value 31 March 2009									
Owned	65,956	146,437	10,413	12,191	11,545	11	1,500	3,368	251,421

Note:

1: Major building additions include the Acute Assessment Unit and Princess Michael of Kent Wing refurbishment at Watford General Hospital.

2: The fall in land value is based on indexation produced by the Valuation Office January 2008 to January 2009 and reflects the general economic fall in value.

12. Stocks

	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	2,912	2,987
TOTAL	2,912	2,987

13. Debtors

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

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
NHS debtors	9,963	8,937
Other prepayments and accrued income	1,440	766
Other debtors	2,495	2,325
Provision for impairment of debtors	(384)	(448)
Sub Total: falling due within one year	13,514	11,580
Amounts falling due after more than one year:		
Other debtors	1,618	1,408
Sub Total: falling due after more than one year	1,618	1,408
TOTAL	15,132	12,988

Other debtors falling due after more than one year of £1,618k (2007/08 £1,408k) relate to Injury Cost Recovery administered by the Compensation Recovery Unit.

13.2 Provision for impairment of debtors

	31 March 2009 £000
Balance at 1 April	448
Amount written off during the year	(100)
Amount recovered during the year	0
(Increase)/decrease in debtors impaired	36
Balance at 31 March	384

13.3 Debtors past due date but not impaired:

	31 March 2009 £000
By up to 3 months	232
By 3 to 6 months	188
By more than 6 months	2,539
TOTAL	2,959

14 Other Financial Assets

The Trust has no Other Financial Assets

15. Creditors

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

	31 March 2009 £000	31 March 2008 £000
Amounts falling due within one year:		
Bank overdrafts	97	169
Current instalments due on loans	5,012	2,240
Interest payable	80	21
NHS creditors	7,165	9,709
Non - NHS trade creditors - revenue	3,257	2,831
Non - NHS trade creditors - capital	5,159	3,272
Tax	1,809	35
VAT	21	0
Social security costs	1,479	1
Other creditors	2,091	407
Accruals and deferred income	5,484	8,021
Sub Total: amounts falling due within one year	31,654	26,706
Amounts falling due after more than one year:		
Long - term loans	26,647	6,720
TOTAL	58,301	33,426

15.2 Loans

	Department of Health £000	31 March 2009 £000	31 March 2008 £000
Amounts falling due:			
In one year or less	5,012	5,012	2,240
Between one and two years	5,012	5,012	2,240
Between two and five years	10,556	10,556	4,480
Over 5 years	11,079	11,079	0
	26,647	26,647	6,720
TOTAL	31,659	31,659	8,960

	Department of Health £000	31 March 2009 £000	31 March 2008 £000
Wholly repayable within five years	20,580	20,580	8,960
Wholly or partially repayable after five years, by instalments	11,079	11,079	0
TOTAL	31,659	31,659	8,960

The Trust has taken out two loans with the Department of Health as follows:
£11.2m in March 2007 to support working capital. Repayable by twice-yearly equal instalments over five years ending March 2012. Interest at a rate of 5.45% is payable twice-yearly on a reducing balance.

£27m; £13.5m in July 2008 and a further £13.5m in September 2008. The loan primarily to finance the build of the Acute Assessment Unit at Watford Hospital is repayable by twice yearly equal instalments over ten years ending March 2018. Interest at a rate of 5.4% is payable twice-yearly on a reducing balance.

15.3 Finance lease obligations & commitments

The Trust has no Finance lease obligations or commitments

16 Other Financial Liabilities

The Trust has no other Financial Liabilities

17 Provisions for liabilities and charges

	Pensions relating to former directors	Pensions relating to other staff	Legal claims	Restructurings	Other	**Total**
	£000	£000	£000	£000	£000	**£000**
At 1 April 2008	0	6,340	0	0	846	**7,186**
Arising during the year	0	144	0	0	89	**233**
Utilised during the year	0	(507)	0	0	(314)	**(821)**
Reversed unused	0	(189)	0	0	(286)	**(475)**
Unwinding of discount	0	124	0	0	8	**132**
At 31 March 2009	**0**	**5,912**	**0**	**0**	**343**	**6,255**
Expected timing of cashflows:						
Within one year	0	519	0	0	11	**530**
Between one and five years	0	2,795	0	0	56	**2,851**
After five years	0	2,598	0	0	276	**2,874**

Pension provision for early retirement assessed using information provided by the Pensions Agency and Government Actuary Department Tables.

£58,567k is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of clinical negligence liabilities of the NHS Trust (31 March 2008 £46,956k).

18 Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Donated Asset Reserve	Income and Expenditure Reserve	**Total**
	£000	£000	£000	**£000**
At 1 April 2008 as previously stated	105,013	1,963	(44,306)	**62,670**
PPA: elimination of negative revaluation reserves in respect of change in policy on impairments (see Note 1.5)	9,539	0	(9,539)	**0**
At 1 April 2008 as restated	114,552	1,963	(53,845)	**62,670**
Transfer from the income and expenditure account			4,405	**4,405**
Surplus on other revaluations/indexation of fixed/current assets	(24,086)	66		**(24,020)**
Transfer of realised profits/(losses) to the income and expenditure reserve	0	0	0	**0**
Receipt of donated/government granted assets	0	31	0	**31**
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated assets	0	(303)	0	**(303)**
Other transfers between reserves	(1,465)	0	1,465	**0**
At 31 March 2009	89,001	1,757	(47,975)	**42,783**

19 Notes to the cash flow Statement

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

	2008/09	2007/08
	£000	£000
Total operating surplus/(deficit)	**14,122**	(10,618)
Depreciation and amortisation charge	**10,505**	10,363
Fixed asset impairments and reversals	**0**	156
Transfer from donated asset reserve	**(303)**	(289)
Transfer from the Government Grant Reserve	**0**	0
(Increase)/decrease in stocks	**75**	(55)
(Increase)/decrease in debtors	**(2,190)**	(2,099)
Increase/(decrease) in creditors	**302**	5,091
Increase/(decrease) in provisions	**(1063)**	3,642
Net cash inflow/(outflow) from operating activities before restructuring costs	**21,448**	20,143

19.2 Reconciliation of net cash flow to movement in net debt

	2008/09	2007/08
	£000	£000
Increase/(decrease) in cash in the period	**5,285**	0
Cash (inflow) from new debt	**(27,000)**	0
Cash outflow from debt repaid	**4,301**	2,240
Change in net debt resulting from cash flows	**(17,414)**	2,240
Non - cash changes in debt	**0**	0
Net debt at 1 April 2007	**(8,960)**	(11,200)
Net debt at 31 March 2009	**(26,374)**	(8,960)

19.3 Analysis of changes in net debt

	At 1 April 2008	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	**At 31 March 2009**
	£000	£000	£000	£000	**£000**
OPG cash at bank	0	0	5,335	0	**5,335**
Commercial cash at bank and in hand	169	0	(122)	0	**47**
Bank overdraft	(169)	0	72	0	**(97)**
Loan from DH due within one year	(2,240)	0	(2,772)	0	**(5,012)**
Loan from DH due after one year	(6,720)	0	(19,927)	0	**(26,647)**
	(8,960)	0	(17,414)	0	(26,374)

20 Capital Commitments

Commitments under capital expenditure contracts at 31 March 2009 were £1,734k (31 March 2008 £17,238k)

21 Post Balance Sheet Events

There were no Post Balance Sheet Events

22 Contingencies

	2008/09	2007/08
	£000	£000
Contingent liabilities	**(0)**	(5)

The Trust has no contingent liabilities 2008/09. £5k relating to staff injury and public liability claims in 2007/08.

23 Movement in Public Dividend Capital

	2008/09	2007/08
	£000	£000
Public Dividend Capital as at 1 April 2008	**169,984**	159,889
New Public Dividend Capital received	**10,616**	10,620
Public Dividend Capital repaid in year	**(9,000)**	(525)
Public Dividend Capital written off	**0**	0
Other movements in Public Dividend Capital in year	**0**	0
Public Dividend Capital as at 31 March 2009	**171,600**	169,984

24 Financial Performance Targets

24.1 Breakeven Performance

The Trust's breakeven performance for 2008/09 is as follows:

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000	£000	£000
Turnover	215,098	236,706	209,199	218,248	232,967	241,684
Retained surplus/(deficit) for the year	(4,652)	(9,978)	(26,785)	(11,413)	2,495	4,405
Adjustment for:						
Recalibration Adjustment	0	321	14,111	26,785	0	0
Break-even in-year position	(4,652)	(9,657)	(12,674)	15,372	2,495	4,405
Break-even cumulative position	(4,454)	(14,111)	(26,785)	(11,413)	(8,918)	(4,513)

The recalibration adjustment shown above relates to the East of England Strategic Health Authority formal agreement in 2006/07 to adjust the Trust's breakeven duty over a 5 year period commenced from the 2006/07 financial year.

The Trust achieved planned Income and Expenditure surplus of £2.5m in 2007/08 and £4.4m in 2008/09.

Break-even performance is measured against the cumulative position and achieved provided this exceeds 0.5% of turnover. I.e. In 2008/09 a deficit of a maximum of £1,208k would have met this criteria.

A surplus of £4,600k is planned in 2009/10 when the Trust expects to achieve cumulative break-even. This continues the Trust's established programme of financial recovery.

24.2 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 £8.8m, bears to the average relevant net assets of £219.0m, that is 4%. This is within the Department of Health's materiality range of 3% to 4%.

24.3 External financing

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

	£000	2008/09 £000	2007/08 £000
External financing limit		**24,315**	7,855
Cash flow financing	19,030		7,855
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		**19,030**	7,855
Undershoot/(overshoot)		**5,285**	0

24.4 Capital Resource Limit

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

	2008/09 £000	2007/08 £000
Gross capital expenditure	**33,132**	22,985
Less: book value of assets disposed of	**(216)**	(525)
Plus: loss on disposal of donated assets	**1**	0
Less: donations towards the acquisition of fixed assets	**(31)**	(178)
Charge against the capital resource limit	**32,886**	22,282
Planned capital resource limit	**37,752**	24,922
(Over)/Underspend against the capital resource limit	**4,866**	2,640

25 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
	£	£	£	£
2008/09				
NON-EXECUTIVE DIRECTORS				
COLIN GORDON - UNIVERSITY OF HERTFORDSHIRE	28,715	0	0	0
- HOLLISTER PLC	7,255	0	0	0
STUART LACEY - BT Plc	308,852	0	655	0
KATHERINE CHARTER - HERTFORDSHIRE COUNTY COUNCIL	37,475	196,568	833	6,840
EXECUTIVE DIRECTORS				
PROF GRAHAM RAMSAY - RESPIRONICS INC	19,383	0	312	0
- EDWARDS LIFESCIENCES	6,737	0	283	0
JAN FILOCHOWSKI - BARNET & CHASE FARM HOSPITALS	0	37,392	0	23,721
LINDSAY MACINTYRE - HERTS PARTS FOUNDATION TRUST	1,245,227	3,490,495	86,327	4,711
	1,653,644	3,724,455	88,410	35,272

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 below:

	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	10,443,700	56,541.080	0	0
TRUSTS				
EAST & NORTH HERTS	2,318,010	1,674,734	0	62,908
HERTS PARTNERSHIP	1,245,227	3,490,495	86,327	4,711
PCT's				
BUCKINGHAMSHIRE PCT	0	1,035,443	0	58,777
EAST AND NORTH HERTFORDSHIRE PCT	0	1,357,554	0	
HARROW PCT	0	2,739,499	0	109,344
HILLINGDON PCT	0	4,607,970	0	44,775
WEST HERTFORDSHIRE PCT	3,281,713	194,015,986	1,254,904	247,998
HEALTH AUTHORITIES				
EAST OF ENGLAND SHA	6,862	9,970,979	0	78,591
NATIONAL BLOOD AUTHORITY	2,138,910	0	22,567	0
OTHER BODIES				
NHS BUSINESS SERVICES	1,039,938	0	0	0
NHS - PENSIONS AGENCY	19,123,502	0	0	0
NHS PROFESSIONALS	1,382,646	0	0	3
NHS - SUPPLY	6,922,8845	0	39,776	0
NHS LITIGATION AUTHORITY	2,940,989	0	378	10
HM REVENUE & CUSTOMS	35,106,895	5,760,600	1,830	656
	85,951,237	281,194,340	1,405,782	607,773

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

26 Financial Instruments

Financial Reporting Standard 29 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the

degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-today operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Currency risk

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

Interest-rate risk

The Trust borrows from Government for capital expenditure subject to affordability as confirmed by the Strategic Health Authority. The borrowings are for 1-25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposure as at 31 March 2009 are in receivables from customers, as disclosed in the debtors note.

Liquidity risk

The Trust's new operating costs are incurred under contract with Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust funds it capital expenditure from funds obtained within it Prudential Borrowing Limit. The Trust is not, therefore, exposed to significant liquidity risks.

26.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate: Weighted average interest rate	Fixed rate: Weighted average period for which fixed	Non-interest bearing: Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2009							
Sterling	5,382	5,382	0	0	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	5,382	5,382	0	0			
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			

26.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate: Weighted average interest	Fixed rate: Weighted average period for	Non-interest bearing: Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2009							
Sterling	(32,099)	(97)	(32,002)	0	5.00%	8	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	32,099)	(97)	(32,002)	0			
At 31 March 2008							
Sterling	9,975	169	9,806	0	0.00%	5	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	9,975	169	9,806	0			

26.3 Financial Assets

	At 'fair value through profit and loss £000	Loans and receivables £000	Available for sale £000	Total £000
NHS debtors	0	0	0	0
Non NHS debtors	0	0	0	0
Cash at bank and in hand	5,382	0	0	5,382
Total at 31 March 2009	5,382	0	0	5,382

26.4 Financial Liabilities

	At 'fair value through profit and loss £000	Other £000	Total £000
NHS creditors	0	0	0
Non NHS creditors	0	0	0
Borrowings	31,756	0	31,756
Other financial liabilities	343	0	343
Total at 31 March 2009	32,099	0	32,099

27 Third Party Assets

he Trust held £2K cash at bank and in hand at 31 March 2009 (£14K - at 31 March 2008) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

28 Intra-Government and Other Balances

	£000	£000	£000	£000
Balances with other Central Government Bodies	9,561	0	14,617	26,647
Balances with Local Authorities	23	0	1	0
Balances with NHS Trusts and Foundation Trusts	402	0	948	0
Balances with Public Corporations and Trading Funds	0	0	0	0
ntra Government balances	9,986	0	15,566	26,647
Balances with bodies external to government	3,528	1,618	16,088	0
At 31 March 2009	113,514	1,618	31,654	26,647
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
ntra Government balances	8,968	0	9,709	6,720
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

29 Losses and Special Payments

There were 121 cases of losses and special payments (2007/08: 47 cases) totalling £179,503 (2007/08: £179,855) during 2008/09.

West Hertfordshire Hospitals NHS
NHS Trust

For further **information** please call 01923 436227

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