"putting patients first"

The Royal Bournemouth and Christchurch Hospitals
NHS Foundation Trust

Annual Report and Financial Accounts 2006/07

The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust

Our aim is to be the hospital of choice for local people by providing the highest quality of care through a professional, efficient and patient-focused approach.

The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust

Annual Report and Accounts 2006/07

Presented to Parliament pursuant to Schedule 1, paragraph 25 (4) of the Health and Social Care (Community Health and Standards) Act 2003

Contents

Chairman's Statement 1

Chief Executive's Statement 4

Operating and Financial Review 8
About our Trust 9
The People we Serve 10
Our Vision for the Future 10
Looking Back – The Year's Highlights 11
Our Performance 14
Trends and Factors 15
Future Developments 15
Constraints 16
Key Relationships 16
Investing for the Future 18
Putting Patients First 21
Consultation and Scrutiny 25
Managing Risk 27
Health and Safety 28
Complaint Handling 29
Monitoring Improvements 29
Our Staff 30
Social Responsibilities 33

Governance and Membership 34
Board of Directors 35
Council of Governors 40
Remuneration Report 45
Our Membership 46

Financial Statements / Certificates 48
The Foundation Trust 49
Foreword 50
Accounting Officer's Statement 51
Statement of Internal Control 53
Report of the Auditors 58
Income and Expenditure Account 61
Balance Sheet 62
Statement of Total Recognised Gains and Loses 63
Cashflow 64
Directors' Remuneration 65
Directors' Pensions 66
Accounting Policies 68
Notes to the Financial Statements 77

Chairman's Statement

Sheila Collins
Chairman

This has been a good year for the Trust. As I mentioned in my last report we had undergone a lengthy period of uncertainty caused by a protracted contractual dispute with our major purchasing Primary Care Trust (PCT).

I am delighted to report that in July 2006 this dispute was settled without recourse to arbitration or other legal hearings.

The newly formed Bournemouth and Poole PCT and the Trust are now actively working together to provide excellent care for our patients and the new environment of certainty and trust has helped progress and inform our strategic planning.

The Trust has finished the year with an operating surplus for the year of £3.4m. This surplus has been achieved by the hard work of all the staff who have provided a high standard of service to our patients while exercising tight financial control. For this I thank them for while it may seem that such a performance should be a given, examples elsewhere in the NHS have shown that this is not always the case.

Patients have been able to benefit from the short waiting times offered by the Trust. By the end of March 2007 the Trust had achieved all of its national targets.

MRSA and Clostridium difficile infection levels have remained low. The Trust is rightly proud to have some of the lowest infection rates of any acute trust nationally. Such low rates are due to our excellent Infection Control Team and the constant vigilance of staff.

The Trust has met the waiting time targets in its Accident and Emergency Department, admitting or discharging 98% of those attending within four hours of arrival. While meeting the target we are also listening to patients' experiences, making investments and changes in practice to address issues raised.

Delayed discharges remain an area for concern. There are few community hospitals in the Trust's catchment area and this, together with a shortage of affordable care home places, means that patients who are not yet fit enough to return to their own homes have to spend longer than desirable in an acute hospital setting. This problem is particularly acute as parts of the Trust's catchment area have the highest concentration of elderly people in the country. The Trust is working energetically with local PCTs and social services to try to improve this situation.

“The Trust is rightly proud to have some of the lowest infection rates of any acute trust nationally.”

As a Foundation Trust we have a Council of Governors which provides the Board of Directors with the views of our membership and wider community. The Council also fulfils a stewardship role and helps to develop the Trust’s strategic plan.

During this year we have undertaken a large piece of work to develop a medium and long term strategic plan for the Trust. Governors have played an active role in formulating this strategy to which our partnership organisations, such as the local PCTs and councils, have also contributed. In the first few months of the coming year Governors will be consulting on the strategy document at various member and public meetings they are organising.

Governors also sit on many groups within the Trust informing on such diverse topics as marketing, charitable funds, patient and public involvement and governance and risk management.

Governors have formal meetings in public four times a year. Beyond these, the Governors have four seminars each year and also attend the meetings of the groups upon which they sit as well as various ad hoc meetings. Governors are unpaid volunteers and I would like to thank them for all their hard work and their commitment to the Trust.

The Trust continues to strive to provide services better suited to patients’ needs and wishes. The following are two examples out of many:

1. The Dorset Cardiac Centre, opened by the Trust in April 2005, continues to treat more and more patients. Techniques for minimally invasive procedures are able to help more people who suffer heart problems without them having to face open heart surgery or long stays in hospital.

2. Exciting new schemes devised and run by the Rehabilitation Directorate, in collaboration with both Bournemouth and Poole PCT and Dorset PCT, have enabled more patients return straight from hospital to their homes with the support of community carers and Day Hospital facilities. These services have also been used to prevent hospital admission.

While our strategy document is not yet finalised, I would anticipate it will contain further such service changes.

Although this has been a good year for the Trust we are not complacent about the future. Of particular concern to us are the current financial problems of the NHS at large. These would appear to have influenced the current model contract between

“The Trust continues to strive to provide services better suited to patients’ needs and wishes.”

acute trusts and PCTs which the Department of Health is currently promoting and the provisions of which seem weighted against acute trusts.

Coupled with the annual tariff reductions and the ability for the tariff to be unbundled (i.e. divided among several providers), the finances of acute trusts, including our own, are likely to become very tight. Foundation Trusts need to make a surplus so as to develop and improve the services they offer. This Trust, together with seven others, was recently highlighted by Monitor (the Foundation Trust’s regulatory body) as the best performing in England. While all of us in the Trust are very proud of this, and have worked hard for this result, we need the ‘headroom’ a surplus provides in order to go on improving services.

To mitigate these financial risks we have set fair but challenging budgets for 2007/08 for all our directorates and departments and these budgets will be tightly performance managed. We have also retained prudent reserves to help cover unexpected financial pressures. We will continue to look for new savings (we made savings of over £3m last year) and more efficient ways of working.

While ensuring financial stability for the Trust we have also approved a spending programme to improve, replace and maintain the Trust’s capital items and to invest in quality initiatives.

The target set by government, that by 31st March 2008 85% of elective patients should wait no longer than 18 weeks from GP referral until treatment, will also be challenging to us. We have planned carefully to meet the target by arranging extra clinics and operating sessions as well as expediting our diagnostic procedures.

We have just acquired a building which was a private hospital in which we will pioneer a new way of working in the performance of orthopaedic procedures for NHS patients. If this proves successful we will look to roll out the new system of working to other specialties in the next few years.

To summarise, the Trust is performing well and beginning to make full use of the freedoms given to it by Foundation Trust status and to enjoy the benefits that the Council of Governors brings. The year ahead will be challenging but we are mindful of those challenges and have put in place procedures to manage them.

Sheila Collins, Chairman

Chief Executive's Statement

Tony Spotswood
Chief Executive

The last year has been one of notable success for the Foundation Trust. The quality of care we afford our patients, the time patients wait for treatment and the overall patient experience have all improved from an excellent starting position.

This provides a strong base on which to build as we begin our work to set a new strategic direction for the Trust and respond to the expectations of local people and the requirements of government and the wider external environment.

During 2006/07 the Trust treated in excess of 500,000 patients. That represents an average of almost 1,400 patients attending either the Royal Bournemouth or Christchurch Hospitals for care and treatment each day of the year. Against a backcloth of significant national publicity and concern regarding the funding position of the NHS nationally, we have continued to expand services for the benefit of local people. We have been able to capitalise on the strong financial position of the Trust to enhance the care and services we provide.

During the year the Trust has been able to progress a range of important improvements and developments in service provision, these have included:

- Significant expansion in interventional cardiology, enabling patients with obstructed vessels to be treated without recourse to bypass surgery using the latest percutaneous cardiac stenting techniques.
- The development of the electrophysiology service, to address problems caused by distorted heart rhythms, thus avoiding patients having to travel to other centres.
- A strengthening of medical services provided for the elderly resulting in fewer admissions and shorter length of stays with greater provision being made to support the rehabilitation of patients outside hospital.
- Increased provision of high cost drugs to enable patients to benefit from anti-TNF, hepatitis B and C and haemophiliac treatments.
- An expansion in ophthalmic capacity allowing more patients with eye conditions to be treated quickly.

We have enjoyed exceptional support from local voluntary and charitable organisations during the year and I would like to take this opportunity to thank all of those for their support.

"Patients have been able to benefit from the short waiting times offered by the Trust."

While I am usually reluctant to single out any particular organisation, I think on this occasion I should mention the work of the Macmillan Cancer Trust based in Christchurch. They have invested funds to enable a range of new clinical posts to be established and also provided funding to facilitate the introduction of a local Positron Emission Tomography (PET) scanner - used to detect serious illnesses such as cancer and coronary heart disease that are otherwise not detectable when using more traditional investigatory techniques.

I would also wish to use this Report to publicly pay tribute to the unstinting efforts and contribution of our staff who do so much to care for, and aid the welfare of, patients locally. Their commitment is exceptional and underscores the quality of services that we provide.

The issue of hospital acquired infections has been one that has consistently captured media and public attention. We understand the importance that patients attribute to care in a safe and clear environment. The number of new MRSA bacteraemias decreased in 2006/07. In total the Trust identified 15 cases of MRSA bloodstream infections during the year. While work continues to reduce this number further through detailed analysis of each and every case, these figures reflect that the Trust performs more effectively than the vast majority of hospitals in England in its management of both MRSA and other infections such as Clostridium difficile.

The incidence of Clostridium difficile, as an example, is lower than all but one of the hospitals in the South West of England and we have the 8th lowest incidence nationally. We remain far from complacent in terms of how we manage hospital acquired infections; however, it does need to be stressed that these are relatively rare and that this Trust works tirelessly to reduce the risk to patients wherever possible.

The Trust performance is measured using in excess of 500 different indicators. Our financial performance is generally viewed as excellent and we had an operating surplus for the year of £3.4m. This will be used in future years to support the strategic development of services including providing new facilities to help treat patients with cancer, heart disease and other acute and chronic conditions.

By the end of the year the Trust had ensured that patients should wait no longer than 20 weeks for inpatient and day case treatment. We have worked hard to reduce the maximum waiting time for outpatient consultations to 11 weeks. Average waiting times are substantially lower.

We are confident that further significant reductions in waiting times will occur during 2007/08, recognising that for local people this

“Our financial performance is generally viewed as excellent, and we had an operating surplus for the year of £3.4m.”

is an important measure of the quality of service and their experience.

Against other targets the Trust continues to perform exceptionally well. 98% of patients were seen within 31 days from cancer diagnosis to treatment and 95% of patients were seen within 62 days from urgent cancer referral to treatment. It is important that we sustain and improve further on this level of performance which continues to be among the best in the country.

Turning to the year ahead, the Trust has agreed a number of important and exciting developments which will benefit patients locally, these include:

- Substantial changes to the way in which emergency patients are diagnosed and assessed within the Accident Department. This will further improve the patient experience and reduce the time between patients first arriving in A&E and their formal admission to the hospital. The steps being taken include an investment of £500K to boost staffing levels and ensure the speedy assessment, diagnosis and treatment of patients within the Accident Department.

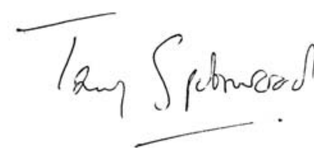
- Increasingly, more routine services will now be available on a six or, on occasions, a seven day a week basis with more clinics extended into the evening to accommodate patient preferences.

- The Trust has also acquired a private hospital located on the Royal Bournemouth Hospital site which will provide additional NHS capacity to undertake more orthopaedic hip and knee replacement procedures so as to reduce the waiting time for both these and other orthopaedic conditions.

- In recognition of the level of dependency of many patients within the Trust a new Critical Care Outreach Team is to be established. This will provide specialist care in general medical and surgical wards to aid the management and recuperation of some of our most poorly patients.

- Plans are also being developed for outpatient facilities, investments in new radiological equipment, expansion of the interventional cardiology capacity, improvement to the ward environment for cancer patients and providing additional training facilities for staff.

The Trust remains in an excellent position to respond to the health needs of patients locally and will continue our work to provide centres of clinical excellence from which to care for patients.



Tony Spotswood, Chief Executive

"By the end of the year the Trust had ensured that patients should wait no longer than 20 weeks for inpatient and day case treatment."

Tony Spotswood Chief Executive

Operating and Financial Review

About our Trust 9
The People we Serve 10
Our Vision for the Future 10
Looking Back – The Year's Highlights 11
Our Performance 14
Trends and Factors 15
Future Developments 15
Constraints 16
Key Relationships 16
Investing for the Future 18
Putting Patients First 21
Consultation and Scrutiny 25
Managing Risk 27
Health and Safety 28
Complaint Handling 29
Monitoring Improvements 29
Our Staff 30
Social Responsibilities 33

Operating and Financial Review

About our Trust

The Royal Bournemouth and Christchurch Hospitals NHS Trust was the first Hospital Trust in the Dorset and Somerset region to achieve Foundation Status on 1st April, 2005 - under the Health and Social Care (Community Health and Standards) Act 2003.

Only the top performing Trusts, (those who had consistently achieved three stars), were able to apply for Foundation Status and demonstrates the continued high performance this Trust has delivered to patients, staff and the local community.

The Foundation Trust is run by a Board of Directors, which is made up of Executive and Non-Executive Directors. Together they are responsible for the day-to-day running of the organisation and the delivery of its objectives and wider strategy. Much of this work is done by the Executive Directors who work closely with consultants, clinical leaders, and managers throughout the Foundation Trust as well as the Council of Governors. You can find out more about the Board of Directors in the Governance and Membership section on page 35.

Both the Royal Bournemouth and Christchurch Hospitals are located on the South Coast close to local areas of natural beauty – such as the New Forest and the Jurassic Coast. Both hospitals are also within half an hour drive of award winning sandy beaches in both Bournemouth and Poole.

The Royal Bournemouth Hospital

The Royal Bournemouth Hospital opened in 1992 and is purpose built on two levels situated on a large green field site close to main routes that link with the New Forest, Southampton, Salisbury, Dorchester, Christchurch and Poole.

It is a 690 acute bed site with six Coronary Care Unit beds, seven Intensive Treatment Unit beds and six on the High Dependency Unit. There is a 24-hour Accident and Emergency Department, which sees over 46,000 patients a year, and two day theatre facilities. A purpose built 18-bed (four paediatric) Ophthalmic (Eye) Unit is also located on site as well as a state-of-the-art Cardiology Unit.

The Royal Bournemouth Hospital also provides district-wide services for

Our patients in 2006/07

New outpatient attendances	**134,378**
Follow up attendances	**163,618**
Day case operations	**46,671**
Inpatients	**13,348**
Emergency admissions	**24,486**
People seen in the Accident & Emergency Department	**46,207**
Emergency eye appointments	**15,654**

orthopaedic surgery, vascular surgery and urology. Outpatient clinics are provided for oral surgery, paediatrics, plastic surgery and cardiothoracic.

Christchurch Hospital

Two miles from the Royal Bournemouth Hospital, Christchurch Hospital provides a pleasant environment for rehabilitation. An all-age rehabilitation service has been developed, though most patients are elderly.

The hospital has an excellent infrastructure to support rehabilitation with superb physiotherapy and occupational therapy facilities.

Other units include beds for the young disabled, Dermatology Resource Unit, Rheumatology Unit, and Macmillan Unit (palliative care) as well as the Day Hospital service.

Christchurch Hospital has several outpatient services based at the hospital. For a number of years our strategy has been to steadily develop Christchurch Hospital as a specialised rehabilitation centre.

The People we Serve

The Royal Bournemouth and Christchurch Hospitals provide healthcare for the residents of Bournemouth, Christchurch, East Dorset and parts of West Hampshire with a total population of over 550,000. This rises during the summer months with a substantial number of tourists.

Our main catchment population is covered by three primary care trusts (PCTs):

- Dorset PCT
- Bournemouth and Poole PCT
- Hampshire PCT

The Trust had a budget of £180m in 2006/07. The 'Our patients in 2006/07' table shows the number of patients that visited our hospitals during the year.

Our Vision for the Future

Our vision is to be the provider of choice for local people and GPs, to be achieved by putting patients first in all the work we do. We also aim to meet and exceed all healthcare performance and quality standards.

Our strategic goals are to:

- Provide patient centred services that reflect patient choice.
- Improve health and well being
- Provide fast and convenient access.
- Deliver high standards for better health.
- Further develop partnership working.
- Strong, patient-focused governance and risk management.
- To provide efficient and effective health care.

During 2006/07 the Trust began to build on the work which has already taken place to progress the strategic goals. Work with the Council of

Governors, Trust Management Board (made up of our Clinical Directors), as well as the Board of Directors was undertaken to review our five year plan. This will better equip the Trust for the future in light of the changing environment and requirements facing the organisation.

During the Summer of 2007 the Trust is carrying out an extensive public consultation exercise on its five year strategy. The proposed strategy refers to a number of developments including investment in the A&E Department as well as addressing issues of access to and parking within, the hospital. Following the consultation period the Trust will publish its long-term business objectives and service developments for the future.

Looking Back – The Year's Highlights

Official opening for the Dorset Heart Centre

HRH The Princess Royal officially opened the Dorset Heart Centre, based at The Royal Bournemouth Hospital.

The Centre includes three wards, the Cardiac Department, the Cardiac Care Unit, the Pacing Service, a Rapid Access Chest Pain Unit and the Cardiac Intervention Unit. It is also closely linked to the well-established Bournemouth Heart Club for the rehabilitation of patients with heart disease.

Her Royal Highness was shown around the Centre and met some of the staff and patients as well as those who worked on the development. She was able to see the difference the Centre has made to local patients now that it is able to provide specialised cardiac services that were previously only available outside Dorset.

The rapidly growing Centre provides specialised cardiac services for a population of one million, including much of Dorset and parts of Wiltshire and Hampshire as well as general cardiology for the local population.

Celebrating success

Staff in the Dorset Heart Centre also celebrated after being awarded the honour of 'Team of the Year' in the Hospital Doctor Awards 2006 at a prestigious ceremony held in London.

Chief Nursing Officer visits Bournemouth

The Chief Nursing Officer, Professor Christine Beasley, accepted a personal invitation from the Trust's Director of Nursing, Belinda Atkinson, to visit the Royal Bournemouth Hospital. She met

staff and patients within the Respiratory Care Ward, the Maternity Unit and the Women's Health Unit.

Professor Beasley was able to hear about the good achievements that the nursing staff have made in improving care, including "Care of Older People" and "Innovations in Stroke Care."

New Acute Lung Unit benefits patients

A new Acute Lung Unit opened within the respiratory wards of the Royal Bournemouth Hospital. It is the first in Dorset and is expected to benefit around 120 patients a year.

Two beds with high dependency facilities now enable patients to receive non-invasive ventilation therapy using a special breathing machine. This is particularly crucial for those who have chronic obstructive pulmonary disease and respiratory failure.

While many hospitals have acute lung care facilities within High Dependency Units and Critical Care Units, the Royal Bournemouth Hospital is the first to open an Acute Lung Unit on a respiratory ward.

As well as the funding provided by the Foundation Trust, support has also been provided by the Bournemouth Chest Diseases Charitable Trust which has also enabled the hospital to recruit an additional consultant as part of the Acute Lung Unit development.

Trust achieves Risk Management Accreditation

The Foundation Trust was selected to be a pilot site for the new National Risk Management Standards for Acute Trusts.

The Standards, regulated by the NHS Litigation Authority, focus on the effective development, implementation and review of systems to support safety and patient care. The Trust was one of only 18 Trusts in England to successfully achieve the Level 1 accreditation on first assessment against the new standards.

Dorset Heart Centre staff celebrated after being awarded the honour of 'Team of the Year' in the Hospital Doctor Awards 2006.

Key Performance Targets - March 2007

100% of urgent cancer referrals seen within two weeks.
Achievement of the 31 and 62 day cancer standards.
Meeting the target of 98% patients waiting less than four hours in Accident and Emergency.
No patient waited more than six months for inpatient treatment.
No patient waited longer than 13 weeks for an outpatient appointment.
Achieving financial balance.

Our Performance

The first two years as a Foundation Trust have proved challenging, especially around establishing a new relationship with our main commissioning PCT. This was resolved in 2006 allowing the local health community to advance rapidly and focus our attention and resources on improving patient care.

As a result of this improved relationship both organisations have succeeded in reducing emergency admissions to hospital and freeing up resources for more preventative care in the community. This is being delivered through joint appointments within the Community Assessment and Rehabilitation Team (CART), the day hospital service, the Older Persons Assessment and Liaison (OPAL) team at the hospital "front door" and more work on preventing falls. There has also been an expansion of the palliative care community service, which is now better able to support end of life patients in their own homes.

A strong financial performance has been based upon achieving our efficiency saving targets. This has been the largest single years saving the Trust has set itself and is on top of its cost base being one of the lowest in the NHS. Key savings have been achieved through shifting resources from emergency long stay beds, outsourcing our laundry service, better procurement and tighter staff management of sickness, vacancies, locums and staff skill mix.

In line with Payment by Results additional work above planned levels has resulted in income that has met the activity related budget pressures. Given that our contract in 2006/07 planned on significant reduction in work and income we have succeeded, jointly, with our local PCTs, in managing demand down close to those planned levels.

At the same time as achieving all of these objectives the Foundation Trust has delivered shorter waiting times. The maximum outpatient wait, at the end of March 2007, is now 11 weeks. For day cases and inpatients the maximum wait is now 20 weeks. In most cases waits are much shorter.

Looking ahead the Trust is working to achieve a maximum wait of 18 weeks from GP referral to first treatment, including diagnostics. This means halving the maximum waits for many patients and will involve significant redesign of our processes of patient care.

The Foundation Trust met all of its key performance targets at the end of March 2007 (see *Key Performance Targets - March 2007* table).

The Foundation Trust complied and remained within the Prudential Borrowing Limit set by Monitor.

“The Foundation Trust met all of its key performance targets at the end of March, 2007.”

£2.5m funding commitments

	£k
A fourth Gastroenterologist	500
NICE drugs	560
Risk Management	300
Service Development Team (end of external funding)	372
Winter swing beds	250
Training budget (central reductions)	230

Priority list of quality developments

	£k
A&E Clinical Decisions Unit (CDU) resuscitation staff	165
CDU Nursing staff	200
Extra theatre nursing staff	300
Radiology extended day	175
Speech and language therapists	110
ITU outreach service	93

Capital Investment on Fixed Assests amounted to £3.1m, major items being:

	Protected Assets	Unprotected Assets
Medical Equipment	0	963
IT	242	435
Endoscopy Scheme	750	384

Trends and Factors

Over the last year and into 2007/08 the key trends and factors affecting the position, performance and development of the Trust’s services have been:

- Realistic funding levels being agreed.
- Joint agreement of Payment by Results policy and funding flows.
- Closer working on demand management, especially in emergency admissions.
- Continued strong recruitment and retention of staff partly reflected in our very high job satisfaction scores - compared to the rest of the NHS in the recent staff survey.
- The development of independent providers continues to be a risk in undermining some of the stability and viability of our services. Lymington hospital PFI saw an independent sector provider agreed in 2006 and starting later 2007. Similarly the ATOS Origin independent diagnostics service agreed by the Department of Health in 2006 could affect services, but is currently delayed pending investigations. The Bournemouth Nuffield remains a significant NHS provider, mainly in Orthopaedics. They help maintain compliant waiting times, and as such there is a close working relationship for additional work.
- The move of care outside hospitals is another policy driven trend that the Foundation Trust is working constructively with as evidenced by our successes in out of hospital emergency care. Support for the PCT’s orthopaedic medical service continues and discussions regarding other services are also underway.

Future Developments

The Trust’s future developments for 2007 onwards are set out within our Annual Plan. A longer term strategy will also be consulted on in 2007.

For 2007/08 the following investment decisions have been made to improve quality of care within our services.

In total, £2.5m of commitments were funded within the Plan (see *£2.5m funding commitments* table).

The Trust also agreed a priority list of quality developments (see *Priority list of quality developments* table).

> "The Trust has been able to make very solid improvements in our relationship with our main commissioner."

Constraints

Limited funding within the health economy remains a factor constraining the care we would like to give to all patients. However, by shifting resources the Trust has demonstrated it can both reduce costs and meet demands elsewhere, essential to being able to respond to patient choice and financial stability.

The impact of NICE guidance affordability has been mitigated by the Trust's own reserve, created for this purpose, and additional significant funding secured from local PCTs. Establishment of horizon scanning with other Trusts locally will be important to retain this position.

The prevalence of Norovirus (winter vomiting) has led to operational problems, especially over the winter months. This can lead to ward closures and cancellations of operations. 2006/07 saw a reduced amount of outbreaks, partly through tighter infection control measures and limited visiting arrangements where required.

The 18 week target has many constraints stopping us achieving this patient centred target. The key constraints are resources - both financial and in skilled workforce - to undertake the additional work required. The time and expertise to redesign patient pathways to remove waits and wasted non-value added steps is also required. Lastly, the information systems to collect and report performance are still developing. An 18 week project board is working on each of these issues, although the achievement of this goal is definitely an organisation wide effort. Physical resources, such as theatres and diagnostic equipment, are less of a constraint now that the organisation is operating evening sessions in theatres - and has done so before in radiology.

Key Relationships

As mentioned previously, the Trust has been able to make very solid improvements in our relationship with our main commissioner. Through the engagement work on developing our strategy we have also deepened our understanding of patients, GPs and representative groups. Through our work on the Single Equality Scheme (SES) the Trust has also engaged with groups and perspectives that are too often overlooked. As well as informing the strategy these views are also used for the SES action plan.

The areas for improvement that our listening exercise identified are many

and varied and have been grouped into the following themes as part of a "Putting Patients First" plan:

- Getting here
- Discharge from hospital, including medication
- Discharge arrangements (including drugs)
- Emergency admissions
- Quality of environment
- Quality of care, especially inpatient wards
- Infection control (and perception of)
- Holistic care
- Equality and diversity
- Patient information

Other relationships important to delivering quality care for patients include our work with local social services and voluntary groups especially on discharge arrangements. The support of our volunteers and those fundraising for charities supporting the Trust continue to provide invaluable additional benefit to patients which is gratefully received.

The relationship between the Trust's Board of Directors and Governors has also strengthened and deepened this year. Time spent working through issues, a programme of seminars, involvement in Board sub-committee work that has an external focus, and heavy engagement with the strategy development progress have all benefited from the Governors' external stakeholder perspectives.

Our work with local scrutiny and review panels of local authorities, and Independent Patient and Public Involvement (PPI) Forums has also developed. Cancer network leadership on implementing evidence based service re-organisation on urological cancers has been one example, as well as the movement of resources from long stay medicine for the elderly beds at Christchurch into more community based intermediate care services. Partly driven by learning from this year the Trust has finalised a consultation policy, in partnership with local scrutiny panels and PPI groups. The majority of service changes will be highlighted through PCT commissioning plans and the Trust's own Annual Plan. An impact assessment scoring system will identify those issues requiring formal consultation.

Finally, but of great value, our engagement with staff continues to develop. The partnership forum remains the key meeting between staff side and management, but use of the annual staff survey and increased department visiting by the Chief Executive and Medical Director in particular has occurred.

In the second half of 2006/07 the Board of Directors commissioned an independent assessment of the Board's own development needs, including relationships. The learning from this will inform actions over the following year; in particular on improved communication, more patient experience reporting at Board level, and strengthening relationships with stakeholders.

Investing for the Future

The Foundation Trust experienced an exceptional year in terms of financial performance and achieved an operating surplus for the year of £3.4m and met all its financial targets set by Monitor. The Trust also achieved an 'excellent' score of four out of five for its use of resources. This rating used Monitor's (Regulator for Foundation Trusts) financial risk rating.

In addition to the operational surplus for the year, the Trust also secured £2.9m relating to the successful outcome of the negotiations with the PCT relating to 2005/06 activity. The Trust will now be able to re-invest the cumulative surplus back into patient care within the Trust through an enhanced capital investment programme over the coming years.

The Trust's surplus cash is invested through a formal investment policy using a range of interest bearing bank accounts and achieved significant income from its activities within the year. The policy follows the guidelines set out by Monitor.

There were no financial investments made through joint ventures or subsidiary companies throughout the year and the Trust gave no financial assistance to third parties.

The Trust retains a working capital facility which was in place at the time of the authorisation and confirmed as part of the due diligence process as being a 'committed facility'. The Trust required no drawdown against the facility in the last year.

The private patient cap, as set out by Monitor, has been achieved and full details are included in the financial statement.

The Foundation Trust has the following non-healthcare activities:

- Leases of land for which it received an income of £205,341 during 2006/07.
- The in-house laundry service ceased on 31st October and income for the year to that date totalled £1,034,760.

> "The support of our volunteers and those fundraising for charities supporting the Trust continue to provide invaluable additional benefit to patients which are gratefully received."

Surplus income from both of these activities were invested back into providing healthcare for patients.

The Trust constantly reviews operational efficiency both to achieve the required reduction in the tariff year on year and to further drive out benefits of re-investing in developments. The Cost Improvement Programme achieved savings of £3.2m in 2006/07 through a formal process managed through the Finance Committee.

The Trust's external auditors were the Audit Commission and details of the fee for the regulatory audit work can be found on page 75 note 3.1.

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware. The Directors have taken all of the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Charitable Funds

The Foundation Trust has the generous support of charitable funds, the main sources being:

- The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust – Charitable Fund
- Macmillan Cancer Trust
- League of Friends – Bournemouth
- League of Friends – Christchurch
- Friends of the Eye Unit
- Women's Royal Voluntary Sevice (W.R.V.S)
- Tenovus

Income totalling £1.3m was received from charities during 2006/07 which has been mainly used to fund the purchase of equipment and associated maintenance costs.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the accounts.

Audit Committee

The Trust's Audit Committee meets quarterly and is authorised by the Board to:

- Investigate any activity within its terms of reference.
- Seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- Obtain outside legal or other independent professional advice and to secure the attendance of

outsiders with relevant experience and expertise if it considers this necessary.

The duties of the Committee can be categorised as follows:

Internal Control, Risk Management and Corporate Governance

The Committee shall review the establishment and maintenance of an effective system of internal control and risk management. In particular, the Committee will review the adequacy of:

- All risks and control related disclosure statements, together with any accompanying Head of Internal Audit statement, prior to endorsement by the Board.
- The structure, processes and responsibilities for identifying and managing key risks facing the organisation.
- The policies for ensuring there is compliance with relevant regulatory, legal and code of conduct requirements as set out in the Healthcare Commission Standards for Better Health and other relevant guidance.
- The operational effectiveness of policies and procedures, in particular the arrangements in place for ensuring economy, efficiency and effectiveness in the use of resources.
- The policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as recommended by the Counter Fraud Security Management Service Central Unit.
- Matters arising from Governance and Risk Management Committee and recommend actions to the Board of Directors.

Internal Audit

- Consider the appointment of the internal audit service, the audit fee and any questions of resignation and dismissal.
- Ensure that the internal audit function is adequately resourced and has appropriate standing within the organisation.
- Review the internal audit programme, consider major findings of internal audit investigations (and management's response), and ensure co-ordination between the internal and external auditors.
- Report non-compliance with, or inadequate response to Internal audit reports to the Board of Directors.

External Audit

- Consider the appointment of the external auditor, the audit fee and any questions of resignation and dismissal. Make a recommendation to the Council of Governors.
- Discuss with the external auditor, before the audit commences, the nature and scope of the audit, and ensure co-ordination, as appropriate, with internal audit and the LCFS.
- Review external audit reports, together with the management response.

"The Trust will now be able to re-invest the cumulative surplus back into patient care within the Trust ."

- Report non-compliance with, or inadequate response to external audit reports to the Board of Directors (Ref: Annual Accounts page 75 note 3.1).

Financial Reporting

Review the annual financial statements before submission to the Board, focusing particularly on:

- Changes in, and compliance with, accounting policies and practices.
- Major judgemental areas.
- Significant adjustments resulting from the audit.

The Audit Commission was involved in a 'Value for Money' exercise, examining theatre efficiency. The work did not compromise their independence in their role as external auditors for the Trust

Putting Patients First

The Trust has continued to develop a range of quality initiatives to improve both the patient experience and our clinical services.

These have included:

- The appointment of a Tissue Viability Specialist Nurse, which is a trust wide appointment to advise on the management of tissue related issues, for example wound care; use of dressings; management of leg ulcers; prevention and management of pressure sores.

- The development of the patient self-medication project, particularly in the elderly rehabilitation setting.

- Preparing to extend the number of clinical areas accredited as Practice Development Units (PDU) by Bournemouth University. The Trust has one successful PDU already in the Stroke Rehabilitation Unit at Christchurch Hospital, and others will be developed in clinical areas on both hospital sites.

- The development of the Clinical Site Management Team to provide a high level of clinical support to the management of the site, particularly out-of-hours as part of the Hospital at Night Team. The Trust is seen as one of the national leaders in this respect, with a number of requests having been received to share our practice at national events. This will be further enhanced during 2007/08 with the introduction of the Critical Care Outreach Team.

- The further development of roles which cross the primary / secondary care interface and contribute to seamless care pathways, for example the integrated discharge

The Infection Control Team

Winners of the Infection Control Resource Staff Award for improvements and practice developments in infection control practice.

coordination team, the Community Assessment and Rehabilitation Team (CART) and the breast feeding coordinator role. The Older Persons Assessment and Liaison team (OPAL) will be developed during 2007/08.

- Improvements in a variety of patient information, which is coordinated by a central team to ensure consistency in standard across the organisation. A new patient bedside information folder has been developed during the year, which is now in its final stages of production.

- The appointment of a dedicated Senior Nurse post to complement the existing risk management team and lead on the management of clinical risk in practice, with an audit and an educational component to the role.

- Supporting a range of clinical staff to obtain further relevant professional qualifications, for example children's nursing and/or attend national events relevant to their field of specialist practice.

- Awards to staff for clinical innovations and practice, for example the David Stern Awards for clinical innovations and the Infection Control Awards for improvements and practice developments in infection control practice.

Improvements towards meeting national targets

This was the first year that the Trust was assessed using the Annual Healthcheck, which replaces the Healthcare Commissions star ratings. The Trust gained a score of 'Fair' for the Quality of Services section. While we were able to declare full compliance with the core quality and governance standards, which were validated by the Commission, we failed to achieve a number of new national targets – notable these were smoke free status, management of drug misusers and the management of obesity in partnership with primary care. The Trust has recognised that there is further work to be done in these areas and relevant action plans are in progress.

The Trust has also used information gained from Healthcare Commission assessments and reviews from other bodies to improve services as follows:

- The Joint Area Review in 2005 demonstrated a need for children's trained nurses in the Accident and Emergency Department. During the year it has been possible to extend

the skills of a member of staff with a specific children's qualification, to appoint a resuscitation training officer qualified in paediatric life support techniques, to update other staff in specific skills and to review policies for the care of children and child protection / safeguarding within the organisation

- A formal audit has been carried out to assess the recording of the smoking status of patients on referral to the Trust following assessment of progress against the new national targets. This has proved to be comprehensive and links for referral to the local PCT Smoke Stop Service have been strengthened.

- Areas of concern were identified from the national patient survey programme regarding patients' perception of treatment in Accident and Emergency. These have been largely addressed in a comprehensive plan relating to both operational and staffing aspects in the department that is now being implemented. This includes additional mental health staffing, more receptionists and a significant increase in nursing staff.

Listening to our patients and the public

The Trust has continued to involve patients and the public in initiatives to improve and develop our services. Over the last year we have strengthened and increased the involvement of our Council of Governors in Patient and Public Involvement (PPI), and two Governors sit on the Trust's PPI Steering Group. Other Governors have been involved in specific initiatives.

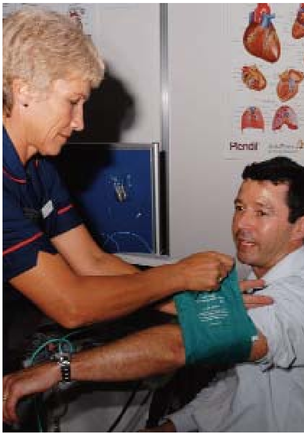
We have formulated a Patients' Panel that meets on a regular basis. Members are involved in different aspects of service delivery, for example they have reviewed the Trust's web site, looked at patient information and patient questionnaires and attended a workshop on the Single Equality Scheme.

We have also continued to work closely with our local Independent PPI Forum, hosted by local charity Help and Care. Members of this Forum have been involved in a number of projects and have also exercised their right to visit Trust premises to carry out small-scale observational surveys. These have produced useful feedback to assist in improvements in information for patients and the public.

Patient Satisfaction

Each year we carry out the Patient Environment Action Team (PEAT) self-assessment survey. An Independent PPI Forum member and a Patients' Panel member join key hospital staff for this survey including our Patient Advice and Liaison Service (PALS) co-ordinator.

We have held two public Trust Open Days during the year in partnership with Bournemouth and Poole PCT, the



Independent PPI Forum, the Patients' Panel and other external organisations. Various clinical services exhibit at the event and consultant medical staff give presentations to the public on a variety of topics, for example joint surgery, diabetes and cardiac treatments.

We have developed an action plan for improvements arising from the national patient survey programme and the PPI Steering Group is responsible for overseeing the implementation of the plan.

Improvements in patient care and information

The Foundation Trust has recently celebrated progress made in a patient project – Patients Accelerating Change (PAC) - aimed at improving the information given to people with special needs. This was undertaken as part of the national PAC initiative and represents the second project that the Trust has carried out as part of this.

Led by the Trust's PALS Co-ordinator, with representatives from across the Trust, the project specifically concentrated on providing information in formats or methods that will meet the needs of a variety of people. This includes those with learning difficulties, visual and hearing impairments, young people, older people and those who do not have English as their first language.

Over the last nine months directorates and departments have reviewed the information needs of their patients and made improvements. For example, pictures help to provide information for many people who find it difficult to understand the written word, so an x-ray story book, nutritional flash cards and picture assessment cards have been designed to help nurses communicate with patients.

The project is unique in that patients and the public have been involved from the start. Patients have identified areas for improvements and experts have told us the best ways to communicate with people who have different needs.

Patient Information Group

The Foundation Trust has a Patient Information Group, a subgroup of our main PPI Steering Group, which is co-ordinated by the Governance Manager.

The Group has developed a standard policy and protocol for all patient information. Since its formation the Group has received and approved over 250 new patient information leaflets.

Consultation and Scrutiny

During the year the Trust consulted the Bournemouth Overview and Scrutiny Committee on three matters:

- The closure of the hydrotherapy pool at Christchurch Hospital.

“The Trust has continued to involve patients and the public in initiatives to improve and develop our services.”

- Changes for services to older people resulting in the reduction in bed capacity at Christchurch Hospital.
- Specialist Urology Services.

Hydrotherapy

The hydrotherapy pool was a retrospective consultation in that the pool was closed in 2003 as major maintenance and repair work was required. In reviewing the clinical benefits, which were limited, the Trust was of the view that ‘repair and reopening’ was not viable. In order to reuse the building for other purposes the Trust consulted on permanent closure. The Overview and Scrutiny Committee did not consider this to be a significant change and supported the decision. The Committee did set up a working party to review and improve access to other water based facilities for those undergoing rehabilitation and this work, led by Bournemouth Borough Council, is ongoing.

Changes to services for older people

The changes to services for older people are part of a change

programme jointly agreed with health and social care partners in November 2004 and being implemented across health and social care over several years. The changes result in fewer hospital admissions, earlier supported discharge and improved intermediate and long term conditions care. These in turn have led to a reduction in the beds needed at Christchurch Hospital.

The money released from the wards will be reallocated to opening the fast track rehabilitation ward at RBH and the Older Persons Assessment and Liaison (OPAL) team.

The Bournemouth Overview and Scrutiny Committee decided this was a significant change in service. The Trust undertook a full public consultation from September to November 2006. The Bournemouth Overview and Scrutiny Committee held a joint meeting with Dorset Overview and Scrutiny Committee and supported the proposal. The Trust held a public meeting at Christchurch Civic Centre on 8th November. The Trust received four written responses.

The Trust considered the responses, which were generally positive, at its Board of Directors meeting on 12th January and approved the changes.

Specialist Urology Services

The Dorset Cancer Network led by Dorset PCT is consulting on the

"The Trust plans to consult fully on the strategic plan over the summer of 2007."

centralisation of specialist cancer urology services. This affects only a small number of patients. The recommendation of the network is to centralise at the Royal Bournemouth Hospital. West Dorset Hospitals Trust has raised concerns regarding the impact of the transfer on Dorset County Hospital at Dorchester. The Dorset Overview and Scrutiny Committee is currently considering the proposal.

The Trust has regular input to both Bournemouth and Dorset Overview and Scrutiny Committees. The Trust plans to consult fully on the strategic plan over the summer of 2007.

Managing Risk

The Foundation Trust has continued to support the development and management of an active risk register. The Register is regularly reviewed by the Governance and Risk Management Committee and the Board of Directors. The Board has given a high priority to reducing risk and all risks on the Register have been assigned a Board level lead. A risk scoring system is used and all significant risks, based on this scoring system, are presented to the Board on a monthly basis as part of the Foundation Trust's performance management framework.

The ongoing management of risk is undertaken by the Governance and Risk Management Committee (GRMC), which meets on a monthly basis and reports directly to the Board of Directors.

The GRMC consists of key stakeholders in the organisation including Governors. Both Executive and Non-Executive Directors represent the Board.

There is a well-developed system in place for adverse incident reporting and regular reports are produced relating to lessons learned. A central database is used for adverse incident data entry and report production. Regular special reports and newsletters are produced by the Risk Management Team to aid the dissemination of information and learning.

The active Risk Register is divided into those risks that are soluble with resource allocation, those risks that are directly linked to the Foundation Trust's Assurance Framework and those risks that are present in the system continuously. The Register addresses general and clinical risk, financial risk and mandatory service risk. Detailed reports can be produced for individual risks and this is done on a regular basis for all significant risks.

Examples of improvements funded from the Risk Register include:

- Provision of new manual handling equipment across both The Royal Bournemouth and Christchurch Hospitals to reduce safety risks to staff and patients.
- Provision of new fire safety equipment across both hospital sites.
- Safer systems for the sterilization of endoscopy equipment.
- A number of training and development programmes to support clinical governance and staff safety initiatives.
- Replacement medical equipment to ensure standardisation and improve patient safety.

Health and Safety

Safety culture

The Trust took part in the NHS Staff survey which is conducted annually by the Healthcare Commission. The 2006 survey provided positive feedback on staff perception on fairness and effectiveness of the Trust's incident reporting procedures.

Staff were asked questions to assess the climate and culture of incident reporting within the Trust. In particular the questions asked whether staff were aware of the procedures for reporting errors, near misses and incidents; to what extent staff feel that the Trust encourages reporting, and then treats the reports fairly and confidentially; and to what extent the Trust takes action to ensure such incidents do not happen again.

Our Trust scored 3.46 (1 being unfair and ineffective procedures, 5 representing fair and effective procedures). The Trust was in the highest 20% of all acute trusts in England. This score was also an increase on the 2005 result of 3.40.

The Trust plans to carry out an internal safety culture survey in 2007/08 to continue to encourage reporting and improve ways of communicating and learning from adverse events.

Reporting incidents

A total of 5,095 adverse incidents (and potential adverse incidents) were reported during 2006/07. Reported incidents included staff accidents, patient accidents, clinical incidents and security incidents. The figures also include reports of potential adverse events (i.e. near misses) and no-harm events.

All adverse incidents are investigated and viewed as an opportunity to learn and improve. Recommendations and action plans from incident investigations are regularly discussed at directorate clinical governance committees. Anonomised reports and case studies are also included in special reports or newsletters produced by the Risk Management Team to aid dissemination of information and learning.

The Trust reports all patient safety

incidents to the National Patient Safety Agency in accordance with the National Learning and Reporting System (NRLS). In addition, reports are sent to the Health & Safety Executive where reportable under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations (RIDDOR). Reporting data is presented quarterly to the GRMC and Board of Directors. Figures for 2006/07 show a reduction in staff safety incidents and RIDDOR reports over the year.

Complaint Handling

Complaints continued to be responded to in line with the NHS complaints procedure with formal complaints being recorded during the year. Each of these were investigated and a response provided with the aim of providing explanation, apologising where appropriate and causing change to take place where this could prevent recurrence of the concerns raised.

The total number of complaints received in 2006/07 was 249.

Examples of changes brought about through complaints include:

- An audit to investigate the cause of patients' blistering after surgery.
- Team leader discussions with staff individually in relation to transport requests being correctly recorded and advised to patients.
- To trial nurse led rapid assessment in Clinical Decision Unit.
- Discussion of "masked" injuries to be raised in Senior House Officer teaching by consultant.
- Finance to meet with A&E regarding updating procedure for chasing prescription charges.
- New procedures for measuring foetal growth.
- Improvements to radiology patient information leaflets.
- Customer care training.

After receiving a response from the Trust, nine people chose to refer their concerns to the Healthcare Commission requesting an independent review.

Monitoring Improvements

The Trust has used information from a variety of sources to monitor standards of care and drive improvements.

- Observations by members of the Independent PPI Forum and our Governors have led to improvements in the management of meal times and the assistance of those unable to take their meals unaided. This work is also being strengthened by an action plan developed after a recent Essence of Care Nutrition Benchmark Audit, and by the introduction of the MUST screening tool by the Trust's dieticians.

- Input from the public, members, Governors and others have led to

changes in the way the Trust has dealt with infection control information and procedures for visitors. More use is made of local media in providing information, the Infection Control Team have played a prominent part in Trust Open Days and new signage is being introduced to raise awareness of the need to use alcohol gel rubs by visitors to clinical areas.

- Observations by the PPI Forum have led to improvements in privacy and dignity for patients, for example the replacement of curtains in all ward areas.

- The Capital Innovation Fund has been available for clinical staff to bid for funds to improve ward and department environments. In particular some funds have been used to improve washing and toilet facilities for patients.

- The Trust has encouraged an open reporting climate for incidents to enhance patient safety. Trends in incident reporting have been analysed regularly by the Clinical Governance Team and a specific fund was set aside this year to provide for items and initiatives that would mitigate risks on the register. Application of this funding was overseen by the Trust Governance and Risk Management Committee.

Our Staff

Occupational Health

During 2006/07 the Trust carried out a number of activities to support the health and welfare of its staff, including:

- A review of the Staff Charter.
- Smoke Stop campaign and support for giving up smoking.
- Health checks at the Trust's open day, e.g. blood pressure and diabetes.
- Publicity of leisure facilities offering NHS staff discount.
- Stress management sessions aimed at monitoring the mental health of our staff; how to identify stress both inside and outside of work and what to do about it.

Training

The Foundation Trust has a good relationship with Bournemouth University, both for graduate and postgraduate courses. A wide variety of programmes are available to staff – who also participate actively in the design and delivery of many of these programmes.

The organisation is a major source of clinical placements for students in training with the University and there is a high rate of recruitment on completion of all training.

There is a wide range of post-registration training programmes available for staff of all disciplines and a good uptake of local opportunities available.

Many staff have completed undergraduate and postgraduate programmes.

“As a Foundation Trust of course our Governors take an active part in these aspects of the Trust’s work both in terms of direct participation and providing us with intelligence and feedback from their constituents.”

Well-developed mentorship and preceptorship programmes are also in place.

There is a wide range of post-registration training programmes available for staff of all disciplines and a good uptake of local opportunities available. Many staff have completed undergraduate and postgraduate programmes.

Informing and consulting staff

There are a number of different ways that staff are kept up-to-date with events and developments across the Trust, particular with decisions that directly affect them. These include:

- Individual and team meetings on wards and departments.
- Monthly Core Brief which is disseminated to our staff and Governors.
- Bi-monthly staff newsletter Buzzword which has recently been developed as a web-based publication.
- A widely-used Intranet site which is used to post events and latest developments.
- Campaigns calendar – this has been developed to ensure that all staff know about the different events that take place across the hospitals.
- Inductions for new members of staff.

During the next 12 months an internal communications audit will take a closer look at how our staff receive information and how this can be improved further.

Recently, directorates have been developing plans for how the Trust will deliver its services over the next few years. Staff will be consulted on these proposals as part of a consultation exercise during the Summer of 2007 under the umbrella of ‘A Health Future – have your say on hospital services.’

Valuing our staff

The Trust’s Partnership Forum continued to meet during the year to consult and inform staff representatives of matters relating to the performance of the Trust.
The Trust met its statutory responsibility to publish its Disability Equality Scheme by December 2006 and took the opportunity to combine it with the Race Equality Scheme into a Single Equality Scheme. These documents can be found at www.rbch.nhs.uk

There were no concerns raised during 2006/07 under the Trust’s Public Interest Disclosure Policy.

Trust Recycling

Cardboard / Paper	**53,367t**
Plastics	**900kg**
Electric Lights/ Tubes	**862kg**

Social Responsibilities

The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust takes its corporate social responsibility seriously in a number of ways.

The Environment

The Trust closely monitors its production of greenhouse gases and generated 4,640 tonnes of CO_2 last year. There is an ongoing campaign of good housekeeping in an attempt to reduce our carbon footprint. There are also a number of technical solutions being implemented to save energy, including intelligent hospital street lighting which is expected to save up to 50% over the previous manually operated system. These efforts are rendering real reductions in energy consumption year on year, even though the hospitals floor area and workforce continues to expand.

We also recycle where possible on a considerable scale (see *Trust Recycling* table).

The Trust's Green Transport Plan has recently been updated, and encourages staff, patients and visitors to consider alternatives to using their car to visit hospital, with subsidised bus fares and car sharing schemes and incentives for staff to use bicycles or walk to work where possible. The plan is updated regularly and is produced in partnership with the local council, and our partners in local bus companies.

Safer Communities

In terms of making our community a safer place, the Trust is a partner in the local Crime and Disorder Reduction Partnership. It sits on the 'Safer and Stronger Communities' group with partners from the local authority, police, education, social services and the voluntary sector. We are taking this issue seriously in our hospitals too, with our porters undergoing Security Industries Approved training, and some members of staff being trained by Dorset Police to receive delegated powers under the Community Safety Accreditation Scheme.

Our work with the Council's Planning Department ensures any new developments take account of our environment. Our latest plan for the Bournemouth site includes a public cycle path through the hospital grounds.

Governance and Membership

Board of Directors 35
Council of Governors 40
Remuneration Report 45
Our Membership 46

Governance and Membership

During 2006/07 the Board of Directors was composed of:

Non-Executive Directors

- **Sheila Collins**
  Chairman
- **Ken Tullett**
- **Lindsey Dedden**
- **Peter Rawlins**
- **Frances Outram**
- **Brian Ford**
- **Alex Pike**
- **Ian Metcalfe**

Executive Directors

- **Tony Spotswood**
  Chief Executive
- **Colin Perry**
  Chief Operating Officer
- **Richard Renaut**
  Director of Service Development
- **John Morton**
  Director of Service Delivery
- **Bryan Carpenter**
  Director of Human Resources
- **Belinda Atkinson**
  Director of Nursing
- **Simon Parvin**
  Medical Director
- **Stuart Hunter**
  Director of Finance and IT

Board of Directors

The Board of Directors is made up of full-time Executive Directors and part-time Non-Executive Directors.

The Board meets once a month (except August) and its role is to determine the overall corporate goals for the Trust and be responsible for their delivery. The facility for the Chairman and Non-Executives to meet without the Executives is available if required but is not expected to be regularised.

The Board has given careful consideration to the range of skills and experience required for the running of a Foundation Trust; it confirms that the necessary balance and completeness has been in place during the year under report. There have been Executive Director vacancies in respect of Finance and IT and Human Resources. These have been appropriately filled on an acting basis until the positions were substantively filled, by a committee approved by the Board.

Decisions of the Board of Directors

The Board has reserved powers to itself covering:

- Regulation and control
- Appointments
- Policy determination
- Strategy and business plans and budgets
- Direct operational decisions
- Financial and performance reporting arrangements
- Audit arrangements
- General enabling provision to determine any matter within its statutory powers

The Board otherwise delegates certain of its powers to Standing Committees (not including executive powers unless expressly authorised) and will determine the composition and terms of reference of those committees. The schedule of delegation is set out in Standing Orders.

Remuneration and Interests

The remuneration of individual Directors can be found in the Accounts section. The Register of Directors’ Interests details the relevant and material interests of all Board members and can be inspected at the Trust premises. Contact the Secretary on (01202) 303626.

During 2006/07 the Board of Directors’ Appointment Panel met three times for the appointment of the Chief Operating Officer, Director of Finance and IT and the Director of Human Resources. The panel included

"The Trust has encouraged an open reporting climate for incidents to enhance patient safety."

Governors, Non-Executive Directors, the Chairman and an outside assessor.

Performance evaluation

The performance of the Non Executive Directors and the Chairman was evaluated during the year. The Chairman led a process of evaluation of the Non-Executive Directors and the Senior Independent Director undertook the evaluation of the performance of the Chairman, with the outcomes of both processes being shared with the Council of Governors.

Monitor's Code of Governance provides for re-appointment of the Executive Directors by a committee of the Chief Executive, the Chairman and Non-Executive Directors at intervals of no more than five years. In common with many other NHS organisations, Executive Directors are appointed on open-ended contracts that do not provide for renewal at specified intervals. The Trust has no plans to introduce such contracts.

Independent professional advice

The Code of Governance provides that the Board should ensure that Directors, especially Non-Executive Directors, have access to independent professional advice, at the NHS Foundation Trust's expense, where they judge it necessary to discharge their responsibilities as Directors. While the Board is uncertain of the circumstances in which this would apply, it expects to maintain the authority to instruct independent professional advice rather than delegate this to individuals.

Good practice would be for Directors to have the right to consult the Trust's professional advisers and if they are not satisfied, seek independent professional advice at the Trust's expense, having given notice to the Chairman or Senior Independent Director of this, identifying the adviser and the nature of the advice sought.

Non-Executive Directors

Sheila Collins

Ken Tullett

Lindsey Dedden

Peter Rawlins

Frances Outram

Brian Ford

Alex Pike

Ian Metcalfe

Sheila Collins

Chairman

Sheila has thirteen years' of experience on the Board firstly as a Non-Executive and, for the last eight and a half years, as Chairman. Sheila also presides at meetings of the Council of Governors.

Shelia is a solicitor and practices locally. She is also a Non-Executive Director of Care South, which is a charity providing care homes and care home help for the elderly.

Ken Tullett

Non-Executive Director

Ken has eight years' experience as a Non-Executive Director of the Trust. He was previously a senior officer in the Royal Navy and senior executive of UK and international defence projects with experience of Whitehall, the Procurement Executive, and the Defence Evaluation and Research Agency. He has experience at a senior level within industry in UK and overseas and is familiar with commercial practices and marketing. Ken is Vice Chairman of the Board.

Lindsey Dedden

Non-Executive Director

Lindsey was appointed in December 1997. Her appointment was renewed in 2001. She has held personnel management posts in Aerospace Industry, Local Government, Water Industry (UK) and Insurance Industry (USA). Lindsey has been a Town Councillor from 1990, was Mayor of Verwood in 2003/04 and Deputy Mayor in 2004/05. She was also a District Councillor from 1995 to 1999 and is active in a variety of local voluntary and political organisations.

Peter Rawlins

Non-Executive Director

Peter was appointed as Non-Executive Director in June 2005, with a background in chartered accountancy and consultancy. He resigned in June 2006 for personal reasons.

Frances Outram

Non-Executive Director

Frances was appointed as Non-Executive Director in October 2005. She has a background as an HR Director and in consultancy and has worked in a number of large private organisations.

She was also a Non-Executive Director of the DVLA from 2001-2006.

Brian Ford

Non-Executive Director

Brian was appointed as a Non-Executive Director in December 2001. He practiced as a qualified Chartered Accountant from 1973 to 1992 and since 1992 has worked as a Non-Executive Director, consultant and expert witness. Brian was appointed as Senior Independent Director in 2006.

Alex Pike

Non-Executive Director

Alex is International Group Marketing Director for Health and Beauty company Accantia and formally Marketing Director for Fitness First. She brings with her a wide range of experience in marketing and communication. She joined the Trust in 2006, and chairs the Marketing and Communications Committee.

Ian Metcalfe

Non-Executive Director

Ian is a qualified accountant and has board level experience, specialising in the Housing Association sector. He joined the Trust in 2006 and chairs the Audit Committee.

Executive Directors

Tony Spotswood

Colin Perry

Richard Renaut

John Morton

Bryan Carpenter

Belinda Atkinson

Simon Parvin

Stuart Hunter

Tony Spotswood

Chief Executive

Tony has been Chief Executive of the Royal Bournemouth and Christchurch Hospitals since 2000. He was previously Chief Executive of Leicester General Hospital between 1998 and 2000 and a Trust Director for 14 years with extensive experience of leading organisations through strategic change including service reconfiguration and merger.

Colin Perry

Chief Operating Officer

Colin has been Director of Finance at the Royal Bournemouth and Christchurch Hospitals since 1987. He was appointed as Chief Operating Officer in October 2006, and retained his role as Deputy Chief Executive. He is a qualified accountant (CIPFA) and a full member of the Institute of Healthcare Management.

Richard Renaut

Director of Service Development

Joining the NHS ten years ago through the NHS management training scheme, Richard has worked in primary care trust and tertiary hospital settings. Prior to starting his role as Director in April 2006, Richard was General Manager for the Orthopaedic Department.

John Morton

Director of Service Delivery

Appointed in 2005 as Director of Service Delivery, John worked with Clinical Directorates to provide day to day management of the hospitals. Previous to this role he was appointed in 1993 as Director of Operations, leading the Facilities, Estates and Capital Services for 11 years. John resigned as Director from the Trust in October 2006.

Bryan Carpenter

Director of Human Resources

Bryan was appointed in March 2004. He has extensive experience as an Executive Director (Human Resources) and over the last 10 years has been appointed to posts including lead Director for the management and implementation of the workforce modernisation agenda within a StHA health economy, and as a Chief Executive Officer to commission a new large tertiary care hospital overseas. He retired in October 2006.

Belinda Atkinson

Director of Nursing

Appointed in July 2004, Belinda was previously Deputy Director of Nursing in a large University Teaching Trust. She has over 30 years NHS experience in a variety of organisations including both clinical nursing and general management roles in a large and complex clinical directorate.

Simon Parvin

Medical Director

Simon was appointed as Medical Director in April 2005. He is a Consultant Vascular Surgeon and in the past held the role of Clinical Director for the Surgical Directorate.

Stuart Hunter

Director of Finance and IT

Appointed in February 2007, Stuart has over 20 years of NHS experience, combined with being a qualified member of the Chartered Institute of Management Accountants. Stuart brings a commercial outlook to the Trust, while understanding the fundamental complexities of the Health Service.

"The Board has given careful consideration to the range of skills and experience required for the running of a Foundation Trust."

The Non-Executive Directors were appointed for a period of four years from 1st April 2005 by a committee of the Council of Governors and approved at a general meeting of the Council.

Executive and Non-Executive Directors

Executive and Non-Executive Directors attend the public meetings of the Council of Governors as one means of understanding the views of Governors and members. They have also met in private seminar format to discuss issues with Governors.

Arrangements for the termination of appointment of a Non-Executive Director are set out in the Trust's constitution. All of the Non-Executive Directors are considered to be independent by the Board of Directors.

Each Director has declared their interests at a meeting in public. The register of interests is held by the Trust Secretary and is available for inspection by arrangement.

Attendance at Board of Directors' meetings 2006/07

Name	Title	Attendance (out of 11)
Belinda Atkinson	Director of Nursing	11
Bryan Carpenter	Director of Human Resources (until October 2006)	2
Sheila Collins	Chairman	10
Lindsey Dedden	Non-Executive Director	11
Jenny Dempsey	Acting Director of Human Resources (from October 2006)	5
Brian Ford	Non-Executive Director	10
Stuart Hunter	Director of Finance and IT (Acting from October 2006) In post from February 2007	6
Ian Metcalfe	Non-Executive Director (from July 2006)	7
John Morton	Director of Service Delivery	8
Frances Outram	Non-Executive Director	11
Simon Parvin	Medical Director	10
Colin Perry	Chief Operating Officer	10
Alex Pike	Non-Executive Director (from July 2006)	4
Peter Rawlings	Non-Executive Director (until June 2006)	3
Richard Renaut	Director of Service Development	11
Tony Spotswood	Chief Executive	10
Ken Tullett	Non-Executive Director	10

Members of the Foundation Trust can contact any of the Governors, or the Board of Directors, c/o the Trust Secretary:

Simon Dursley
Royal Bournemouth Hospital
Castle Lane East
Bournemouth
Dorset
BH7 7DW

Council of Governors

There are 34 members of the Council of Governors. The Council of Governors plays a role in helping to set the overall strategic direction of the organisation by advising the Board of Directors of the views of the constituencies they represent. They also have specific responsibilities set out in statute in relation to appointment or removal of Non-Executive Directors and their remuneration, the appointment or removal of the Trust's auditors and development of the membership strategy.

The Trust is committed to embedding transparency and accountability throughout, and believes that our robust and effective engagement policy should resolve any matters whereby the Council of Governors would feel the need to inform Monitor of any potential breach of the Terms of Authorisation. However, as the Board of Directors are required to report to Monitor on matters of any potential breach of their Terms of Authorisation at the earliest practicable opportunity, we do not foresee the circumstances whereby it would be necessary for the Governors to have to inform Monitor of any possible breaches.

During 2006/07 the Council of Governors was made up as follows:

Bournemouth public governors (elected)

- **Ernest Everett**
- **Colin Feltham**
- **Leon Kaufman**
- **David Lyons**
- **Sharon Carr-Brown**
- **Christopher Weyell**
- **Keith Mitchell**
- **Phil Carey**
- **Mollie Harwood**

Christchurch, East Dorset and Purbeck public governors (elected)

- **Sue Bungey**
- **James Watts-Phillips**
- **Michael Desforges**
- **Alf Hall**
- **Don Riggs**
- **Lee Foord**

Poole public governors (elected)

- **Mervyn Richardson**
- **Ben Hurley** (removed July 2006)
- **Peter Stebbing**

New Forest public governors (elected)

- **Celia Fern**
- **John Hempstead**

Staff public governors (elected)

- **Alan McCoy**
- **Mark Noble**
- **Pauline Kimpton**
- **Dily Ruffer**
- **Jonathan Turner**

Nominated (appointed by their respective organisations)

- **Andrew Garratt**
  Bournemouth Borough Council
- **Joy Reynolds**
  Bournemouth and Poole PCT (Ken Hockey from January 2007)
- **Ann Warman**
  Dorset County Council (David Fox from March 2007)
- **Nigel Clarke**
  Hampshire County Council
- **Dennis Hasted**
  Hospital Volunteers
- **Elaine Atkinson**
  Borough of Poole
- **Vacancy**
  Hampshire PCT
- **Chris Williams**
  External Voluntary Organisations

Public governors were first elected in February 2005 by secret ballot of the public membership, using the single transferable vote system. In order to manage the period of transition, not less than half of the initial public governors in each constituency who polled the highest votes will serve a term of office ending at the conclusion of the annual members meeting in 2008; the remaining public governors serve a term of office ending at the conclusion of the annual members meeting in 2007.

Equivalent arrangements apply to the staff governors, but with two governors' terms of office ending at the conclusion of the annual members meeting in 2007, two with terms of office ending at the conclusion of the annual members meeting in 2006 and one term of office ending at the conclusion of the annual members meeting in 2005. The staff governor whose term ended in 2005 was re-elected unopposed.

A register of Governors' interests is held by the Trust Secretary and may be inspected by arrangement.

Nomination Committee

The Nomination Committee is a standing committee of the Council of Governors whose primary function is to assist the Board of Directors with its oversight role by:

- Periodic review of the numbers, structure and composition (including the person specifications) of Non-Executive Directors, to reflect the expertise and experience required, and to make recommendations to the Council of Governors.

- Developing succession plans for Non-Executive Directors, taking into account the challenges and opportunities facing the trust.

"Developing succession plans for Non-Executive Directors, taking into account the challenges and opportunities facing the trust."

- Identifying and nominating candidates to fill Non-Executive Director posts.

- Keeping the leadership requirements of the Trust under review, to ensure the continued ability to provide cost effective, high quality and appropriate health services.

The Committee membership was:

- **Sharon Carr-Brown**
- **Leon Kaufman**
- **Joy Reynolds**
- **Sheila Collins**, Chairman

The Committee met twice in 2006/07. It used both open advertising and the services of an external search consultancy as part of the process of in the appointment of Non-Executive Directors.

Meetings of the Executive Director Remuneration Committee

Name	Attendances
Sheila Collins, Chairman	**4**
Brian Ford	**4**
Ken Tullett	**4**
Frances Outram (from Sept 2006)	**3**

Meetings of the Non-Executive Director Remuneration Committee

Name	Attendances
James Watts-Phillips	**1**
Sue Bungey	**1**
Dennis Hasted	**1**
David Lyons	**1**

Attendance At Council Of Governors' Meetings 2006/07

Name	Constituency	Attendance (out of 4)
Ernest Everett	Bournemouth	4
Colin Feltham (resigned October 2006)	Bournemouth	3
Leon Kaufman	Bournemouth	4
David Lyons	Bournemouth	3
Sharon Carr-Brown	Bournemouth	4
Christopher Weyell	Bournemouth	3
Keith Mitchell	Bournemouth	2
Mollie Harwood	Bournemouth	2
Phil Carey	Bournemouth	3
Lee Foord	East Dorset, Christchurch and Purbeck	3
Sue Bungey	East Dorset, Christchurch and Purbeck	4
James Watts-Phillips	East Dorset, Christchurch and Purbeck	4
Michael Desforges	East Dorset, Christchurch and Purbeck	4
Alf Hall	East Dorset, Christchurch and Purbeck	4
Don Riggs	East Dorset, Christchurch and Purbeck	3
Mervyn Richardson	Poole	3
Ben Hurley (expelled July 2006)	Poole	0
Peter Stebbing	Poole	3
Celia Fern	New Forest	4
John Hempstead	New Forest	3
Alan McCoy	Staff	1
Jean Davis (resigned June 2006)	Staff	1
Mark Noble (from July 2006)	Staff	1
Pauline Kimpton	Staff	4
Dily Ruffer	Staff	3
Jonathan Turner (until October 2006)	Staff	2
Bill Mason (until July 2006)	Bournemouth Borough Council	0

Attendance At Council Of Governors' Meetings 2006/07

Name	Constituency	Attendance (out of 4)
Andrew Garratt (from November 2006)	Bournemouth Borough Council	1
Joy Reynolds (until December 2006)		3
Ken Hockey (from January 2007)	Bournemouth and Poole PCT	1
Ann Warman (resigned October 2006)		1
David Fox (from March 2007)	Dorset County Council	0
Chris Williams	External Voluntary Organisations	1
Nigel Clarke (from May 2006)	Hampshire County Council	2
Dennis Hasted	Hospital Volunteers	3
Elaine Atkinson (from July 2006)	Borough of Poole	1
Cathy Gardner (until October 2006)	Poole PCT	1
Michael Preston (until July 2006)	South and East Dorset PCT	2
Geoff Upton (until July 2006)	Dorset and Somerset SHA	2
Vacancy	New Forest PCT	

Remuneration Report

Remuneration Committee

The Foundation Trust operates two separate committees to make recommendations with regard to the remuneration of Executive and Non-Executive Directors.

The remuneration of Executive Directors is considered by a committee consisting of four Non-Executive Directors. They met on five occasions during the year (see *Meetings of the Executive Director Remuneration Committee* table on page 42).

The Committee's recommendations are put before the Board of Directors for approval.

The Committee is advised by the Chief Executive and the Director of Human Resources with regard to appropriate market rates and relativities, (based on research commissioned by the Trust and usually carried out and reported upon by NHS Partners), and by the Director of Finance with regard to overall affordability. No Executive Directors are present when the Committee determines the final salaries. The Trust Secretary is in attendance to record the proceedings.

All other senior managers' remuneration arrangements are determined through job evaluation processes, (previously Hay, and currently through Agenda for Change). Details of Directors' pay and pension disclosures can be found within the Annual Accounts section on page 62.

The emuneration of Non-Executive Directors is considered by a committee made up of Governors elected by their colleague Governors. In 2006/07, the membership of this remuneration committee was (see *Meetings of the Non-Executive Director Remuneration Committee* table on page 42).

Summary and explanation of policy on duration of contracts, notice periods and termination payments

The current policy is that all Executive Directors are required to give/receive six months' notice of termination – although in appropriate cases this could be varied through mutual agreement.

All contracts are 'permanent' in nature, (i.e. not fixed term), although there are plans to review this arrangement.

There are no provisions in place for termination payments, other than through legal compromise agreements. All other senior managers are appointed on 'permanent' contracts and are required to give/receive three months' notice.

Our Membership

Public membership of the Foundation Trust is open to those people over the age of 16 years who live in one of the following local authority areas:

- Bournemouth
- Poole
- Christchurch, East Dorset and Purbeck (combined)
- New Forest

Staff membership is open to individuals employed by the Trust under a contract of employment or who exercise the functions of someone so employed for at least 12 months.
As of 31 March 2007 there were 13,707 public members in the following constituencies:

- Bournemouth
- Poole
- Christchurch, East Dorset and Purbeck
- New Forest

And 951 members within the staff constituency in the following classes:

- Administrative and Clerical
- Allied Health Professional and Scientific and Technical
- Estates and Ancillary
- Medical
- Nursing and midwifery

The Membership Strategy has been reviewed by the Council of Governors during the year and a revised version was agreed in January 2007, to have effect from April 2007. It is the Council of Governors' responsibility to engage with the membership on behalf of the Trust. That includes expanding the membership, communicating with it and ensuring that it is representative and its voice is heard.

The Membership Strategy outlines how the Trust and the Governors intend to do this with a series of objectives and actions needed to fulfill those objectives. Some aspects of the strategy are long-term and will be reviewed annually, while others are more short-term and will change, according to circumstances.

Public governors were first elected in February 2005 by secret ballot of the public membership, using the single transferable vote system.

Their constant aim is to keep the leadership requirements of the trust under review, and to ensure the continued ability to provide cost effective, high quality and appropriate health services.

Financial Statements / Certificates

The Foundation Trust 49
Foreword 50
Accounting Officer's Statement 51
Statement of Internal Control 53
Report of the Auditors 58
Income and Expenditure Account 61
Balance Sheet 62
Statement of Total Recognised Gains and Loses 63
Cashflow 64
Directors' Remuneration 65
Directors' Pensions 66
Accounting Policies 68
Notes to the Financial Statements 77

The Foundation Trust

NHS Foundation Code

RDZ

Registered Office

Royal Bournemouth Hospital
Castle Lane East
Bournemouth
BH7 7DW

Directors

Executive

Mr A Spotswood	Chief Executive
Mr C Perry	Chief Operating Officer
Mr S Hunter	Director of Finance and IT
Miss B Atkinson	Director of Nursing
Mr R Renaut	Director of Service Development
Mr S Parvin	Medical Director

Non-Executive

Mrs S Collins	Chairman
Mr B Ford	
Mrs L Dedden	
Mr K Tullett	
Mrs F Outram	
Mr I Metcalfe	
Mrs A Pike	

Secretary

Mr S Dursley

Bankers

NatWest (The Royal Bank of Scotland)
Chandlers Ford

Solicitors

Beachcroft Wansborough
Winchester

Auditors

Audit Commission
Otterbourne

Foreword

These accounts for year ended 31st March 2007 of the Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust ("The Foundation Trust") have been prepared in accordance with paragraphs 24 and 25 of Schedule 1 of the Health and Social Care (Community Health and Standards) Act 2003, and comply with the annual reporting guidance for NHS Foundation Trusts within the NHS Foundation Trust Financial Reporting Manual (FT FReM) for the financial year.

Accounting Officer's Statement

Tony Spotswood
Chief Executive

Statement of the Chief Executive's responsibilities as the Accounting Officer of The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust.

The Health and Social Care (Community Health and Standards) Act 2003 states that the Chief Executive is the Accounting Officer of the Foundation Trust. The relevant responsibilities of Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the Accounting Officer's Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Under the 2003 Act, Monitor has directed The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust to prepare each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust and of its income and expenditure, total recognised gains and loses and cash flows for the financial year. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS Foundation Trust Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.

- Make judgements and estimates on a reasonable basis.

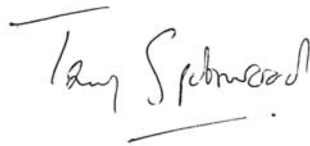
- State whether applicable accounting standards as set out in the NHS Foundation Trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements.

- Prepare the financial statements on a going concern basis.

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him/her to ensure that the accounts comply with requirements outlined in the above

mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.



Signed ____________________

Tony Spotswood, Chief Executive

Date **8th June 2007**

Statement of Internal Control

Tony Spotswood
Chief Executive

Statement on Internal Control of The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust

Scope of Responsibility

As Accounting Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Foundation Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the Foundation Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

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 policies, aims and objectives of the Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Foundation Trust for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

As Accounting Officer, and Chief Executive of this Board, I have ultimate responsibility for ensuring that there is an effective risk management system in place within the Foundation Trust and for meeting all statutory responsibilities and adhering to guidance issued by the Department of Health in respect of governance. However, the requirement to manage risk more effectively is a responsibility affecting all staff in every part of the Foundation Trust. From the control of finance, through all the disciplines

supporting and delivering the environment of care, to the direct delivery of clinical care itself, risk management is everyone's responsibility. The Foundation Trust's Risk Management Strategy clearly defines these responsibilities and provides guidance for the fulfilment of these roles.

The Trust has an accredited risk management training course in place and it is mandatory for all managers, and staff in a managerial role, to attend. The training provided staff with the skills required to recognise, manage and monitor risk within their areas of responsibility. Formal training is then supported by a variety of other resources that seek to promote and facilitate individual, departmental, directorate and organisational learning. As an example, the Governance & Risk Management Committee produce a quarterly Clinical Governance & Risk Management report which highlights examples of, and recommendations for, good safe practice.

The Risk and Control Framework

In compliance with statutory controls, the Foundation Trust has developed a standard matrix for measuring risk and determining the level of risk that can be accepted at the key management levels within the Foundation Trust. Detailed guidance and advice on assessing, quantifying and managing risk is contained within the Foundation Trust's Risk Management Strategy (and associated Risk Assessment Policy). Under the Strategy, General Managers and Directors are responsible for maintaining Directorate Risk Registers and for bringing significant risks to the attention to the Foundation Trust's Governance and Risk Management Committee. In turn the Governance & Risk Management Committee will bring important matters to the attention of the Board of Directors. The Foundation Trust continuously monitors risk control systems in place and utilises the risk register process to develop, implement, demonstrate and promote continuous improvement and learning.

In line with statutory requirements, the Board of Directors has reviewed the Foundation Trusts principal corporate and strategic objectives and identified mitigating strategies for any risks to the delivery of those objectives. The development of the 'Assurance Framework' has involved consideration of all objectives (financial, corporate, business, clinical, Human Resources etc) and all risks.

The Framework also explicitly refers to the achievement of the new domains and objectives within the Healthcare Commission "Standards for Better Health". Within the Assurance Framework, principal risks, key risk control in place, assurances on identified gaps in control systems and action plans to further reduce risk are mapped out against identified objectives. The Assurance Framework forms part of the Foundation Trust Risk Register with risk reduction being achieved through a continuous cycle of the identification, assessment, control, and review of risk.

Risks may be entered onto the Foundation Trust Risk Register as a result of risk issues being raised or identified by; directorates, external or internal reviews, internal or external audits, incident investigations, complaints reviews, comments from public stakeholders and/or service developments. Risks may also be raised by specialist sub committees of the Governance & Risk Management Committee. These include the Patient & Public Involvement Group, Health & Safety Committee, Research Audit & Clinical Effectiveness Committee and, the Clinical Ethics Committee.

Significant risks on the Foundation Trust Risk Register (and therefore the Assurance Framework) are reviewed monthly by the Governance & Risk Management Committee and quarterly by the Board of Directors. Membership of the Governance & Risk Management Committee includes representation from the Council of Governors. The Governance & Risk Management Committee also reviews all new risks monthly providing feedback to directorates as appropriate. The entire Risk Register and Assurance Framework is review quarterly by Governance & Risk Management Committee and annually by the Board of Directors.

Pension Scheme Regulations

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.

Review of economy, efficiency and effectiveness of the use of resources

The Foundation Trust employs a number of internal mechanisms and external agencies to ensure the best use of resources.

Executive and senior managers in the organisation have responsibility for the effective management and deployment of their staff and other resources to maximise the efficiency of their directorates or departments.

The Foundation Trust was one of only 3% of Trusts who were awarded an excellent score by the Healthcare Commission for use of resources. This demonstrated a strong level of financial performance and management of the organisation and also showed that we represent value for money and make good use of public money in the planning and delivery of our services. The Trust also received a good and excellent score respectively for the Healthcare Commission Acute Hospital Portfolio reviews of medicines management and diagnostic services. The latter was particular important as it represented evidence of the provision of and accessible and responsive imaging service, an efficient patient focused endoscopy service and, high quality pathology services.

The Head of Internal Audit provides an opinion on the overall arrangements in place to manage resources economically, efficiently and effectively. This opinion is based upon the controls reviewed throughout the year as part of the audit programme. The external auditor reviews the work of the internal auditor in order to determine what reliance can be placed on the internal audits carried out during the year. The external auditor will report to the Board of Directors in his Annual Report.

A Non-Executive Director chairs the Audit Committee. It met five times during the year. Representatives of the Audit Commission and Internal Audit attended. The Committee reviewed and accepted the audit plans of both internal and external audit. The plans specifically include economy, efficiency and effectiveness reviews. The committee received regular updates on counter fraud matters.

A Non-Executive Director chairs the Finance Committee. The committee met four times during the year and reviewed the Trust's income, reporting arrangements and efficiency savings programme.

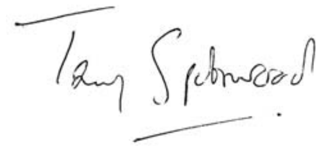
The Board of Directors receives both performance and financial reports at each of its meetings and receives the minutes of sub committees to which it has delegated powers and responsibilities.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the departments who have responsibility for the development and maintenance of the internal control framework, and comments made by the External Auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the systems of internal control by the Board, the Audit Committee, and the Governance and Risk Management Committee and a plan to address weakness and ensure continuous improvement of the system is in place.

A review of the Assurance Framework and Trust Risk Register, and formal review of compliance with the Healthcare Commission Standards for Better Health has identified no significant gaps in assurance. As part of the Annual Health Check Declaration comments on the Trusts level of assurance were also received from the Board of Governors, Patient and Public Involvement Forum, Dorset Health Scrutiny Committee and Bournemouth Borough Council's Health Scrutiny and Review Panel. The effectiveness of the system of the internal control has been reviewed by the Governance and Risk Management Committee and verified by internal audit and the Audit Committee.



Signed ____________________

Tony Spotswood, Chief Executive

Date **8th June 2007**

Report of the Auditors

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE ROYAL BOURNEMOUTH AND CHRISTCHURCH HOSPITALS NHS FOUNDATION TRUST

I have audited the financial statements of the Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust for the year ended 31st March 2007 under the National Health Service Act 2006, which comprise of the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the Board of Governors of the Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust as a body in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006. My work was undertaken so that I might state to the Board of Governors those matters I am required to state to it in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Foundation Trust as a body, for my audit work, for the audit report or for the opinions I form.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer's responsibilities for preparing the financial statements in accordance with directions made by the Independent Regulator are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with statute, the Audit Code for NHS Foundation Trusts and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Independent Regulator as being relevant to NHS Foundation Trusts.

I review whether the Accounting Officer's statement on internal control reflects compliance with the

requirements of the Independent Regulator contained in the NHS Foundation Trust Financial Reporting Manual 2006/07. I report if it does not meet the requirements specified by the Independent Regulator or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's statement on internal control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chair's Statement, the Chief Executive's Statement, Background Information, Operating and Financial Review, the sections on the board of governors, the board of directors, membership and public interest disclosures and the un-audited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator, which requires compliance with International Standards on Auditing (United Kingdom 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. 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.

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

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of the Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust for the year ended 31st March 2007 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Trust.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator.

Patrick Jarvis, Officer of the Audit Commission

(Officer of the Audit Commission), Audit Commission, North Wing, Southern House, Otterbourne, Winchester, Hants. SO21 2RU

Date **8th June 2007**

Income and Expenditure Account

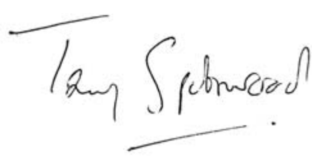
	Notes	Discontinued Operations 2006/07 £' 000	Continuing Operations 2006/07 £' 000	Total Operations 2006/07 £' 000	2005/06 £' 000
Income from patient related activities	2.1	**0**	**168,317**	**168,317**	161,699
Other operating income	2.3	**1,035**	**14,336**	**15,371**	15,788
TOTAL INCOME		**1,035**	**182,653**	**183,688**	177,487
TOTAL EXPENSES	3.1	**(1,861)**	**(175,027)**	**(176,888)**	(171,743)
OPERATING SURPLUS		**(826)**	**7,626**	**6,800**	5,744
Exceptional gain: prior year doubtful debt	1.3			**2,861**	0
Profit / (Loss) on disposal of fixed assets	6			**46**	(18)
SURPLUS BEFORE INTEREST				**9,707**	5,726
Interest receivable				**1,348**	554
Unwinding of discount on provisions				**(9)**	(7)
Change in discount rate on provisions				**0**	(42)
SURPLUS BEFORE TAXATION				**11,046**	6,231
Taxation	1.17			**(83)**	(80)
SURPLUS AFTER TAXATION				**10,963**	6,151
Public Dividend Capital dividends payable				**(4,737)**	(4,516)
RETAINED SURPLUS FOR THE YEAR				**6,226**	1,635

RETAINED SURPLUS INCLUDES:	
- Operating Surplus for the Year	3,365
- Exceptional gain as above	2,861

The Notes on pages 68 to 92 form part of these Accounts

Balance Sheet

	Notes Ref. Page	**2006/07 £' 000**	Reinstated 2005/06 £' 000
FIXED ASSETS			
Intangible assets		**469**	628
Tangible assets	8	**128,521**	132,300
Total Fixed Assets		**128,990**	132,928
CURRENT ASSETS			
Stocks	9.1	**2,697**	2,853
Debtors	9.2	**7,421**	6,363
Investments	9.3	**23,313**	0
Cash at bank and in hand	14.3	**2,028**	7,283
Total Current Assets		**35,459**	16,499
CREDITORS: Amounts falling due within one year	10	**(23,433)**	(14,093)
NET CURRENT ASSETS		**12,026**	2,406
TOTAL ASSETS LESS CURRENT LIABILITIES		**141,016**	135,334
PROVISIONS FOR LIABILITIES AND CHARGES	12	**(960)**	(1,438)
TOTAL ASSETS EMPLOYED		**140,056**	133,896
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**78,674**	78,674
Revaluation reserve	13	**59,118**	58,945
Donated asset reserve	13	**5,117**	5,410
Income and expenditure reserve	13	**(2,853)**	(9,133)
TOTAL TAXPAYERS' EQUITY		**140,056**	133,896



Signed ______________________

Tony Spotswood, Chief Executive

Date **8th June 2007**

Statement of Total Recognised Gains and Loses

	2006/07 £' 000	2005/06 £' 000
Surplus for the financial year before dividend payments	**10,963**	6,151
Fixed asset impairment loses	**0**	(890)
Unrealised surplus on fixed assets and current asset investments revaluations	**265**	194
Increase in the donated asset reserve due to receipt of donated assets	**356**	783
Reductions in the donated asset reserve due to depreciation and disposal of donated assets	**(687)**	(683)
TOTAL RECOGNISED GAINS AND LOSES IN THE FINANCIAL YEAR	**10,897**	5,555

Cashflow

	Notes Ref. Page	2006/07 £' 000		2005/06 £' 000
OPERATING ACTIVITIES				
NET CASH INFLOW FROM OPERATING ACTIVITIES	14.1		**25,112**	14,582
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:				
Interest received		**1,198**		529
Change in provision discount		**0**		(49)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			**1,198**	480
TAXATION PAID			**(163)**	0
CAPITAL EXPENDITURE:				
Payments to acquire tangible fixed assets		**(3,132)**		(4,337)
Payments to acquire intangible assets		**(220)**		(324)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			**(3,352)**	(4,661)
DIVIDENDS PAID			**(4,737)**	(4,516)
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID			**18,058**	5,885
MANAGEMENT OF LIQUID RESOURCES:				
Purchase of current asset investments		**(23,313)**		0
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES			**(23,313)**	0
NET CASH OUTFLOW BEFORE FINANCING			**(5,255)**	5,885
FINANCING:				
Public dividend capital received inflow			**0**	1,100
MOVEMENT IN CASH			**(5,255)**	6,985

Directors' Remuneration

Name	Note	2006/07 Salary (bands of £5000)	2006/07 Other Remuneration (bands of £5000)	2006/07 Benefits in Kind Rounded to the nearest £100	2005/06 Salary (bands of £5000)	2005/06 Other Remuneration (bands of £5000)	2005/06 Benefits in Kind Rounded to the nearest £100
		£' 000	£' 000		£' 000	£' 000	
Mr A Spotswood		141 - 145	0	0	136 - 140	0	0
Mr C Perry	1	111 - 115	0	0	101 - 105	0	0
Mr S Hunter	2	41 - 45	0	0	0	0	0
Mr B Carpenter	3	41 - 45	0	0	91 - 95	0	0
Miss B Atkinson		81 - 85	0	0	81 - 85	0	0
Mr S Parvin		16 - 20	136 - 140	0	16 - 20	136 - 140	0
Mr K Walker	4	6 - 10	0	0	81 - 85	0	0
Mr R Renaut	5	81 - 85	0	0	0	0	0
Mr J Morton	6	41 - 45	0	0	81 - 85	0	0
Mrs S Collins		46 - 50	0	0	46 - 50	0	0
Mr B Ford		11 - 15	0	0	16 - 20	0	0
Mrs L Dedden		11 - 15	0	0	11 - 15	0	0
Mr K Tullett		11 - 15	0	0	11 - 15	0	0
Mr P Rawlins	7	0 - 5	0	0	11 - 15	0	0
Mrs F Outram		11 - 15	0	0	6 - 10	0	0
Mr I Metcalfe	8	11 - 15	0	0	0	0	0
Mrs A Pike	9	6 - 10	0	0	0	0	0

For positions held as at 31st March 2007, please see the Foundation Trust Introduction.

Note 1 Promoted from Director of Finance and IT to Chief Operating Officer on 9th October 2006

Note 2 Commenced as Acting Director of Finance and IT on 9th October 2006
Permanent in post from 1st February 2007

Note 3 Resigned 22nd September 2006

Note 4 Resigned 7th May 2006

Note 5 Commenced as Director of Service Development role on 1st April 2006

Note 6 Board Director until 9th October 2006

Note 7 Resigned 30th June 2006

Note 8 Commenced 1st July 2006

Note 9 Commenced 1st July 2006

Directors' Pensions

Name	Real Increase in Pension and Related Lump Sum at age 60 (Bands of £2500)	Total accrued Pension and Related Lump Sum at age 60 at 31 March 2007 (Bands of £5000)	Cash Equivalent Transfer Value at 31 March 2007	Cash Equivalent Transfer Value at 31 March 2006 (Inflated)	Real Increase in Cash Equivalent Transfer Value	Employer-Funded contribution to growth in CETV for the year
	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
Mr A Spotswood	5 - 7.5	171 - 175	577	542	35	25
Mr C Perry	Consent Withheld					
Mr S Hunter	0 - 2.5	86 - 90	7	0	7	5
Miss B Atkinson	2.5 - 5	116 - 120	488	469	19	13
Mr S Parvin	2.5 - 5	186 - 190	825	788	37	26
Mr R Renaut	17.5 - 20	36 - 40	41	0	41	28
Mr J Morton	2.5 - 5	116 - 120	437	413	24	17

As Non-Executive Directors do not receive pensionable remuneration, there are no entries in respect of pensions for Non-Executive Directors.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The CETV figures, and from 2004/05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

CETVs are calculated as prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Accounting Policies

1. Accounting Policies

Monitor has directed that the financial statements of the NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trust Financial Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2006/07 NHS Foundation Trust Financial Reporting Manual issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS Foundation Trust. 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 certain tangible fixed assets at their value to the business by reference to their current costs. The Foundation Trust, in compliance with HM Treasury's Financial Reporting Manual, are not required to comply with FRS 3 requirements to report 'earnings per share' or historical profits and loses.

1.2 Discontinued operations

Activities are considered to be 'discontinued' where they meet all the following conditions:

a. the sale (this may be at nil consideration for activities transferred to another public sector body) or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;

b. if termination, the former activities have ceased permanently;

c. the sale or termination has a material effect on the nature and focus of the reporting Foundation Trust's operations and represents a material reduction in its operating facilities resulting either from its withdrawal from a particular activity or from a material reduction in income in the Foundation Trust's continuing operations; and

d. the assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing. The Foundation Trust discontinued its

on-site laundry services, which it provided for the Foundation Trust , other local NHS bodies and Non-NHS customers. The service is now provided by an external body, the contract awarded as a result of the competative tender.

1.3 Income Recognition

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

The Foundation Trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results methodology in 2005/06.

To manage the financial impact of this change on the Foundation Trust and its commissioners, the Foundation Trust was only able to retain 75% or the gain under Payment by Results (PbR). The remaining £1,699,000 was retained by the Department of Health as part of national clawback rules. Income has been estimated and accrued in these accounts for patients that are in hospital on 31 March 2007 and have not completed their period of treatment (Incomplete Spells).

The 2005/06 contractual dispute with our main Commissioner, Bournemouth Teaching Primary Care Trust was settled in July 2006. The Foundation Trust adopted the accounting principle of prudence and a full doubtful debt provision was included in our 2005/06 accounts. The settlement has resulted in an 'Exceptional gain' of £2.86 m which has been identified separately on the Income and Expenditure Account. An Income and Expenditure note has been added to show a true and fair view of the 2006/07 surplus achieved on current year activity.

1.4 Income Private Patient Cap

Section 15 of the 2003 Act requires that the proportion of private patient income to the total patient related income of the Foundation Trust should not exceed its proportion whilst the body was an NHS Trust in the base year of 2002/03.

1.5 Expenditure

Expenditure is accounted for by applying the accruals accounting concept.

1.6 Intangible Fixed Assets

Intangible assets are capitalised when:

- they are capable of being used in a Foundation Trust's activities for more than one year;
- they can be valued;
- they have a cost of at least £5000.

Intangible fixed assets held for operational use are valued at historical cost and are amortised 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.

1.7 Tangible Fixed Assets

Capitalisation

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

- individually have a cost of at least £5,000; or

- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

- form part of the initial equipping and setting-up cost of a new building, refurbishment of a ward or unit irrespective of their individual or collective cost

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The costs arising from the financing the construction of the fixed asset are not capitalised but are charged to the Income and Expenditure Account in the year to which they relate.

All land and buildings are revalued using professional valuations in accordance with FRS15 every five years . A three yearly interim valuation is also carried out.

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

Details of **useful economic lives** are as follows:

	Years
Medical Equipment	**5 - 10**
IT Equipment / Software	**3 - 5**
Radiology Equipment	**5 - 7**
Furniture / Fittings	**10**
Vehicles	**7**
Set-up Costs	**10**

Professional valuations are carried out by the District Valuer of the Inland Revenue Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were accounted for on 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.

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

Assets in the course of construction are valued at current cost and are valued by professional valuers as part of the five of three yearly valuation or when bought into use. These assets include any existing land or buildings under the control of a contractor.

Operational equipment is valued at net current replacement cost.

Depreciation, Amortisation and Impairments

Tangible fixed assets (excluding land) are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives.

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 assessed by the District Valuer (see *useful economic lives* table).

Impairment loses resulting from the revaluation of fixed assets from their cost to their value in existing use when they became impaired is charged to the Income and Expenditure Account.

Impairment resulting from loses of economic benefits are charged to the Income and Expenditure Account.

1.8 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 loses 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 net book value of the donated asset is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.9 Investments

Investments in subsidiary undertakings, associates and joint ventures are treated as Fixed Asset Investments and valued at market value. Fixed Asset Investments are reviewed annually for impairments. Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the Cashflow Statement. These assets, and other current assets, are valued at cost less any amounts written off to represent any impairments in value, and are reviewed annually for impairments.

1.10 Government Grants

Government grants are grants from Government Bodies other than income form Primary Care Trusts or NHS Trusts for the provision of services. Grants from the Department of Health, including those for achieving three star status, are accounted for as government grants as are grants from the Big Lottery Fund. Where the government grant is used to fund revenue expenditure it is taken to the Income and Expenditure Account to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to the Income and Expenditure Account over the life of the asset on a basis consistent with the depreciation charge for that asset.

1.11 Stocks

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

of stocks. The Foundation Trust's pharmacy system values the stock at latest invoice price.

1.12 Cash , Bank, Overdraft and Third Parties Assets

Cash, Bank and Overdraft balances are recorded at the current values of these balances in the Foundation Trust's cash book. These balances exclude monies held in the Foundation Trust's bank account belonging to patients. Account balances are only set off where a formal agreement has been made with the bank to do so. In all other cases overdrafts are disclosed within creditors. Interest earned on bank accounts and interest charged on overdrafts is recorded as, respectively, "interest receivable" and "interest payable" in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Foundation Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of the HM Treasury Financial Reporting Manual.

1.13 Research and Development

Expenditure is treated as an operating cost in the year in which it is incurred. Foundation Trusts are unable to make a separate disclosure of the total amount of research and development expenditure charged in the Income and Expenditure Account because some research and development activity cannot be separated from patient care activity.

Fixed Assets acquired for use in research and development are amortised over the life of the associated project.

1.14 Provisions

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

Clinical Negligence Costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Foundation 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 Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Foundation Trust is disclosed at note 12 on page 84.

Non-Clinical Risk Pooling

The Foundation Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Foundation 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 when the liability arises.

1.15 Pension Costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. 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. As a consequence it is not possible for the NHS Foundation Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme under FRS 17. The cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2006/07 was £10,086,281 (2005/06 £9,713,138).

Employers pension cost contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except the retirement due to ill-health. The full amount of the liability for the additional costs is charged to the Income and Expenditure Account at the time the Foundation Trust commits itself to the retirement, regardless of the method of payment.

1.16 Value Added Tax

Most of the activities of the Foundation 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.

1.17 Corporation Tax

The Foundation Trust has made a deposit to HMRC in respect of a potential corporation tax liability on the income from the lease of a specific area of land. The income from the lease has now ceased.

1.18 Leases

The current leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.19 Third Party Assets

Money held on behalf of patients is not recognised in the accounts since the Foundation Trust has no beneficial interest in them. (The amount held on trust is £2,093).

1.20 Public Dividend Capital (PDC) and PDC Dividend

Public dividend capital (PDC) is a type of public sector equity finance.

A charge, reflecting the forecast cost of capital utilised by the Foundation Trust, is paid over a public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Foundation Trust. Relevant net assets are calculated as the value of assets less the value of all liabilities, except for donated assets and cash held with the Office of the Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

1.21 Financial Instruments

The Foundation Trust may hold any of the following financial assets and liabilities:

- Assets: investments, long-term debtors and accrued income, short-term debtors and accrued income (not disclosed in note 18 under exemptions permitted by FRS 13); and

- Liabilities: loans and overdrafts, long-term creditors, long-term provisions arising from contractual arrangements, short-term creditors (not disclosed in note 18 under exemptions permitted by FRS 13), short-term provisions arising from contractual arrangements (not disclosed in note 18 under exemptions permitted by FRS 13).

The Foundation Trust can borrow within the limits set by Monitor's Prudential Borrowing Code. The Foundation Trust's position against its

prudential borrowing limit is disclosed in Note 11 - Current Liabilities.

All other financial instruments are held for the sole purpose of managing the cashflow of the Foundation Trust on a day to day basis or arise from the operating activities of the Foundation Trust.

The management of risks around these financial instruments therefore relates primarily to the Foundation Trust's overall arrangements for managing risks in relation to its financial position.

1.22 Going Concern

After making enquiries, the Directors have a reasonable expectation that the Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

1.23 Prior Year Comparitives

The change in policy for government grants has required the restating of the prior year donated asset reserve and creditors.

The creditor of NHS employees and employers pension contributions has been reclassified from NHS Creditors to Other Creditors in line with Monitor guidance.

Notes - Income

2. Income

2.1 Income from Patient Related Activities

	2006/07 £' 000	2005/06 £' 000
NHS Trusts	**119**	116
Strategic Health Authorities	**0**	1
Primary Care Trusts	**158,085**	154,600
Local Authorities	**11**	161
Department of Health - other	**8,485**	3,754
NHS Other	**0**	1,351
Non NHS		
Private Patients	**1,136**	1,018
Overseas patients (non-reciprocal)	**225**	350
Road Traffic Act *	**256**	275
Other	**0**	73
	168,317	161,699

* RTA - net of 7.7% doubtful debt provision (2005/06 8.7%)

2.2 Private Patient Cap

	2006/07 £' 000	2002/03 Base Year £' 000
Private Patient Income	**1,136**	835
Total Patient Related Income	**168,317**	113,709
Proportion - Cap		0.7%
- Actual	**0.67%**	

2.3 Other Operating Income

	Discontinued Operations 2006/07 £' 000	Continuing Operations 2006/07 £' 000	2005/06 £' 000
Education and training	**0**	**3,648**	4,305
Transfers from the donated asset reserve in respect of depreciation, impairment and disposal of donated assets	**0**	**687**	683
Non-patient care services to other bodies	**1,035**	**8,176**	9,399
Other*	**0**	**1,825**	1,401
	1,035	**14,336**	15,788

*Includes:
Residential Lettings £473,000 (2005/06 £487,000)
Catering Services £524,000 (2005/06 £554,000)

2.4 Mandatory and Non-Mandatory Income from Activities

	2006/07 £' 000	2002/03 £' 000
Mandatory	**171, 965**	166,004
Non-Mandatory	**10, 688**	11,483
	182, 653	177, 487

Notes - Expenses

3. Operating Expenses

3.1 Operating Expenses Comprise

	Discontinued Operations 2006/07 £' 000	Continuing Operations 2006/07 £' 000	2005/06 £' 000
Services from NHS Trusts	**0**	**2,555**	2,383
Services from other NHS bodies	**0**	**1,590**	1,752
Purchase of healthcare from non NHS bodies	**0**	**40**	78
Executive Directors costs	**0**	**722**	533
Non-Executive Directors costs	**0**	**141**	134
Staff costs	**1,199**	**108,404**	105,547
Drug Costs	**0**	**12,697**	12,598
Supplies and services - clinical (excluding drug costs)	**(523)**	**23,177**	20,199
Supplies and services - general	**398**	**1,923**	2,443
Establishment	**12**	**2,499**	2,670
Transport	**128**	**322**	358
Premises	**355**	**8,121**	7,619
Bad and doubtful debts	**0**	**1,902**	6,340
Depreciation and amortisation	**270**	**7,422**	6,200
Fixed asset impairments	**0**	**0**	849
Audit fees			
audit services - statutory audit	**0**	**67**	106
Other auditor's remuneration			
further assurance services	**0**	**38**	38
other services	**0**	**47**	26
Clinical negligence	**0**	**928**	965
Other	**22**	**2,422**	905
	1,861	**175,027**	171,743

3.2 Operating Leases

	2006/07 £' 000	2005/06 £' 000
Operating leases include:		
Equipment	**881**	837
Vehicles	**35**	24
	916	861
Operating lease commitments:		
Annual Commitments on leases expiring:		
Within one year	**168**	31
Between one and five years	**551**	808
	719	839

Notes - Staff

4. Staff Costs and Numbers

4.1 Staff Costs

	£' 000	£' 000	**2006/07 £' 000**	2005/06 £' 000
	Perm. Employed	Other	**Total**	Total
Salaries and wages	91,224	0	**91,224**	87,957
Social Security Costs	7,024	0	**7,024**	6,673
Employer contributions to NHSPA	10,086	0	**10,086**	9,713
Agency / contract staff	0	1,991	**1,991**	1,737
	108,334	1,991	**110,325**	106,080

4.2 Average number of persons employed

	Number	Number	**2006/07 Number**	2005/06 Number
	Perm. Employed	Other	**Total**	Total
Medical and dental	326	0	**326**	319
Administration and estates	606	3	**609**	616
Healthcare assistants and other support staff	451	0	**451**	494
Nursing, midwifery and health visiting staff	1,024	1	**1,025**	999
Nursing, midwifery and health visiting learners	0	0	**0**	3
Scientific, therapeutic and technical staff	500	15	**515**	496
Bank and agency staff	0	50	**50**	76
Other	479	0	**479**	496
Total	3,386	69	**3,455**	3,499

4.3 Retirement due to ill health

There were **9** early retirements from the Foundation Trust agreed on the grounds of ill-health (5 in 2005/06). The estimated additional pension liabilities of these ill-health retirements will be **£427,905.54** (2005/06 £485,023). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

Notes - Payment Code , Disposals

5. Better Payment Practice Code - Measure of compliance

Non-NHS Invoice Payment	**2006/07**	
	Number	**£' 000**
Total bills paid in the year	**62,941**	**53,733**
Total bills paid within target	**60,207**	**50,056**
Percentage of bills paid within target	**95.66%**	**93.16%**

The Foundation Trust aims to pay all invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is the latter.

6. Disposal of Fixed Assets

	2006/07	2005/06
	£' 000	£' 000
	Total	Total
Profit on disposal of land and buildings	**54**	0
Loss on disposal of other tangible fixed assets	**(8)**	(18)
Profit/(Loss) on disposal	**46**	(18)

7. Management Costs

	2006/07	2005/06
	£' 000	£' 000
Salary Costs	**7,285**	6,797
Total Income	**183,688**	177,487
Percentage	**3.99%**	3.83%

Notes - Fixed Assets

8. Fixed Assets

	Intangible	Tangible								
	Software Licences	Land (Freehold)	Buildings excluding dwellings (Freehold)	Dwellings (Freehold)	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**	**£' 000**
Cost or Valuation at 1st April 2006	1,998	33,405	88,159	3,500	742	22,204	122	1,400	267	**151,797**
Additions - purchased	281	0	1,229	0	195	1,384	8	41	40	**3,178**
Additions - donated	0	0	0	0	0	356	0	0	0	**356**
Reclassifications	0	0	534	0	(606)	62	0	10	0	**0**
Other revaluations	0	0	2	0	0	613	3	0	7	**625**
Disposals	0	0	(108)	0	0	(98)	(9)	0	(9)	**(224)**
Cost or valuation 31st March 2007	**2,279**	**33,405**	**89,816**	**3,500**	**331**	**24,521**	**124**	**1,451**	**305**	**155,732**
Depreciation at 1st April 2006	1,370	0	3,399	100	0	12,830	100	961	109	**18,869**
Provided during the year	440	0	4,227	100	0	2,577	7	321	20	**7,692**
Other revaluations	0	0	0	(1)	0	354	4	0	3	**360**
Disposals	0	0	(81)	0	0	(80)	(9)	0	(9)	**(179)**
Depreciation at 31st March 2007	**1,810**	**0**	**7,545**	**199**	**0**	**15,681**	**102**	**1,282**	**123**	**26,742**
Net book value										
- Purchased at 1st April 2006	606	33,405	80,776	3,400	742	7,981	17	438	153	**127,518**
- Donated at 1st April 2006	22	0	3,984	0	0	1,393	5	1	5	**5,410**
Total at 1st April 2006	**628**	**33,405**	**84,760**	**3,400**	**742**	**9,374**	**22**	**439**	**158**	**132,928**
- Purchased at 31st March 2007	469	33,405	78,444	3,301	331	7,558	18	169	178	**123,873**
- Donated at 31st March 2007	0	0	3,827	0	0	1,282	4	0	4	**5,117**
Total at 31st March 2007	**469**	**33,405**	**82,271**	**3,301**	**331**	**8,840**	**22**	**169**	**182**	**128,990**
Asset Analysis										
- Net book value of Protected Assets	0	30,275	79,215	0	0	0	0	0	0	**109,490**
- Net book value of Unprotected Assets	469	3,130	3,056	3,301	331	8,840	22	169	182	**19,500**
Total at 31st March 2007	**469**	**33,405**	**82,271**	**3,301**	**331**	**8,840**	**22**	**169**	**182**	**128,990**

Notes - Current Assets

9. Current Assets

9.1 Stocks

	2006/07 £' 000	2005/06 £' 000
Raw materials and consumables	**2,697**	2,853
TOTAL	**2,697**	2,853

9.2 Debtors

	2006/07 £' 000	2005/06 £' 000
Amounts falling due within one year:		
NHS debtors	**4,507**	8,099
Provision for doubtful debts	**(1,913)**	(6,355)
Prepayments and accrued income	**2,063**	2,197
Other debtors	**2,611**	2,247
Sub Total	**7,268**	**6,188**
Amounts falling due after more than one year:		
Provision for irrecoverable debts	**(13)**	(17)
Prepayments and accrued income	**166**	192
Sub Total	**153**	175
TOTAL	**7,421**	**6,363**

9.3 Investment

	2006/07 £' 000	2005/06 £' 000
The trust has invested surplus cash with major banks on a short-term basis		
No of Investments	**7**	0
Total Value	**23,313**	0

Notes - Current Liabilities

10. Creditors

	2006/07 £' 000	2005/06 £' 000
Amounts falling due within one year:		
NHS creditors	**2,297**	1,633
Tax and social security costs	**2,479**	2,324
Other creditors*	**4,921**	4,559
Accruals and deferred income	**13,736**	5,577
Total	**23,433**	14,093

There are no creditors greater than one year

*This includes outstanding pensions contributions at 31 March 2007 £1,260,522

11. Prudential Borrowing Limit

	2006/07 £' 000		2005/06 £' 000	
	Limit	**Utilised**	Limit	Utilised
Prudential borrowing limit set by Monitor	**26,800**	**0**	26,800	0
Working Capital Facility	**9,000**	**0**	9,000	0

	2006/07 £' 000		2005/06 £' 000	
	Approved	**Actual**	Approved	Actual
Maximum debt / capital ratio	**0**	**0**	0	0
Minimum dividend cover	**2.6x**	**4.0x**	2.4x	2.8x
Minimum interest cover	**0**	**0**	0	0
Minimum debt service cover	**0**	**0**	0	0
Minimum debt service to revenue	**0**	**0**	0	0

The Foundation Trust is required to comply and remain within a prudential borrowing limit. This is made up of two elements:-

- the maximum cumulative amount of long-term borrowing. This is set by reference to the five ratio tests set out in Monitors Prudential Borrowing Code. The financial risk rating set under Monitor Compliance Framework determines one of the ratios and therefore can impact on the long-term borrowing limit.

- the amount of any working capital facility approved by Monitor.

Further information on the NHS Foundation Trust's Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

Notes - Provisions

12. Provisions for Liabilities and Charges

	£' 000	£' 000	£' 000	£' 000	**2006/07 £' 000**
	Early Retirement	* Legal Claims	** Restructuring Costs	*** Other	**Total**
At 1 April 2006	180	398	495	365	**1,438**
Provided during the year	10	71	12	30	**123**
Utilised during the year	(15)	(60)	(178)	(82)	**(335)**
Reversed unused	(11)	(14)	0	(250)	**(275)**
Unwinding of provision discount	4	5	0	0	**9**
At 31 March 2007	168	400	329	63	**960**
Expected timing of cashflows:					
Within one year	15	40	329	63	**447**
Between one and five years	60	162	0	0	**222**
After five years	93	198	0	0	**291**

* **Legal Claims**

Liability to Third Party and Property Expense Schemes:
These schemes are covered by back to back arrangements with the PCTs and the Litigation Authority . The Foundation Trust has liability for the excess of each claim except for claims prior to 01/04/03 which are covered by a back to back provisions with PCTs.

The calculation is based on estimated claim values and probability of settlement.

Injury Benefit
The provision for permanent injury benefit has been created as at 31/03/04 and is calculated using the award value and life tables discounted over the period.

** **Restructuring Costs**
This represents the provision for potential restructuring costs.

*** **Other** £' 000
Carbon Trading / Emissions 63

Note £6,433,279 is included in the provisions of the NHS Litigation Authority at 31/3/2007 in respect of clinical negligence liabilities of the Foundation Trust.

Notes - Movement on Reserves

13. Movements on reserves in the year comprised the following:

	£' 000	£' 000	£' 000	**2006/07 £' 000**
	Reval. Reserve	Donated Asset Reserve	Income and Expenditure Reserve	**Total**
At 31 March 2006 as previously stated	58,945	6,114	(9,133)	**55,926**
Prior Period Adjustments	0	(704)	0	**(704)**
At 1 April 2006	58,945	5,410	(9,133)	**55,222**
Transfer from the Income and Expenditure Account	0	0	6,226	**6,226**
Surplus on other revaluations/indexation of Fixed Assets	227	38	0	**265**
Receipt of donated assets	0	356	0	**356**
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated assets	0	(687)	0	**(687)**
Other transfers between reserves	(54)	0	54	**0**
At 31 March 2007	59,118	5,117	(2,853)	**61,382**

Notes - Cash

14. Cash

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

	2006/07 £' 000	2005/06 £' 000
Total operating surplus	**9,661**	5,744
Depreciation and amortisation charge	**7,692**	6,200
Fixed asset impairments	**0**	849
Transfer from donated asset reserve	**(687)**	(683)
Other movements	**124**	(76)
(Increase)/decrease in stocks	**156**	(1,320)
(Increase) / decrease in debtors	**(1,761)**	1,139
Increase/ (decrease) in creditors	**10,405**	2,192
Increase / (decrease) in provisions	**(478)**	537
Net cash inflow from operating activities	**25,112**	14,582

14.2 Reconciliation of net cash flow to movement in net funds

	2006/07 £' 000	2005/06 £' 000
Change in net funds resulting from cashflows	**(5,255)**	6,985
Net funds at 1 April 2006	**7,283**	0
Net funds at 31 March 2007	**2,028**	7,283

14.3 Analysis of changes in net funds

	£' 000	£' 000	**2006/07 £' 000**	2005/06 £' 000
	At 1st April 2006	Cash changes in year	**At 31st March 2007**	At 31st March 2006
Commercial cash at bank and in hand	5,741	(6,078)	**(337)**	5,741
OPG cash at bank	1,542	823	**2,365**	1,542
Cash at bank	7,283	(5,255)	**2,028**	7,283

Notes - Related Party Transactions

15. Related Party Transactions

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

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

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

- South West Strategic Health Authority
- Hampshire Primary Care Trust
- Bournemouth and Poole Primary Care Trust
- Dorset Primary Care Trust
- Southampton City Primary Care Trust
- West Dorset General Hospitals NHS Trust
- The NHS Litigation Authority
- The NHS Supplies Authority / Logistics Authority
- The NHS Pensions Agency
- Poole Hospital NHS Trust
- Portsmouth Hospitals NHS Trust

In addition, the Foundation Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Inland Revenue , Customs & Excise and contributions agency.

The Foundation Trust has also received revenue and capital payments from a number of charitable funds. The material related parties are:

The Royal Bournemouth and Christchurch Hospitals Charitable Fund
The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust is the Trustee of the above fund.

The Macmillan Cancer Trust
Mr B Ford: Treasurer of above Trust and member of the Foundation Trust Board of Directors.

Notes - Capital Commitments

16. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were **£764,051** (£619,488 2005/06).

17. Post Balance Sheet Events

There are no post balance sheet events that have a material effect on the accounts.

Notes - Financial Instruments

18. Financial Instruments

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

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

Liquidity Risk

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

Interest-Rate Risk

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

Notes - Financial Assets / Liabilities

19. Financial Assets / Liabilites

Currency	2006/07 £' 000	£' 000	£' 000	£' 000	%	Years	Years
					Fixed Rate		Non-interest bearing
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
19.1 Financial Assets							
At 31 March 2007							
Sterling	**25,341**	25,341	0	0	0.0%	0	0
Investment / RTA Income > 1yr	**166**	0	0	166	2.2%	0	0
Gross financial assets	**25,507**	25,341	0	166			
At 31 March 2006 (prior year)							
Sterling	**7,283**	7,283	0	0	0.0%	0	0
RTA Income > 1yr	**192**	0	0	192	2.2%	0	0
Gross financial assets	**7,475**	7,283	0	192			
19.2 Financial Liabilities							
At 31 March 2007							
Sterling	**78,674**	0	0	78,674	0.0%	0	0
Provisions	**960**	0	568	392	2.2%	0	0
Gross financial liabilities	**79,634**	0	568	79,066			
At 31 March 2006 (prior year)							
Sterling	**78,674**	0	0	78,674	0.0%	0	0
Provisions	**1,438**	0	578	860	2.2%	0	0
Gross financial liabilities	**80,112**	0	578	79,534			

Note: The Public Dividend Capital is of unlimited term

Notes - Fair Value

	2006/07		
	£' 000	£' 000	
	Book value	Fair value	Basis of fair valuation
19.3 Financial Assets			
Cash	**2,028**	**2,028**	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	**166**	**153**	Note a
Investments	**23,313**	**23,313**	
Total	**25,507**	**26,494**	

	Book value	Fair value	Basis of fair valuation
19.4 Financial Liabilities			
Provisions under contract	**960**	**960**	
Public Dividend Capital	**78,674**	**78,674**	Note b
Total	**79,634**	**79,634**	

Notes

a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount.

b Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2% in real terms.

Notes - Government / Losses

20. Intra-Government and Other Balances

	2006/07	
	Debtors: amounts falling due within one year	**Creditors:** amounts falling due within one year
	£' 000	**£' 000**
English NHS Foundation Trusts	**77**	**22**
English NHS Trusts	**1,655**	**1,713**
Department of Health	**2**	**0**
English Strategic Health Authorities	**28**	**13**
English Primary Care Trusts	**2,694**	**95**
RAB Special Health Authorities	**46**	**18**
NHS WGA bodies	**5**	**436**
Other WGA bodies	**242**	**3,740**
At 31 March 2007	**4,749**	**6,037**

	2005/06	
English NHS Foundation Trusts	11	2
English NHS Trusts	1,067	874
Department of Health	38	1,228
English Strategic Health Authorities	160	2
English Primary Care Trusts	6,817	337
RAB Special Health Authorities	0	396
NHS WGA bodies	6	21
Other WGA bodies	0	2,325
At 31 March 2006	8,099	5,185

21. Losses and Special Payments

There were **49** cases of losses and special payments totalling **£100,973** approved during 2006/2007 (£63,822 2005/06 142 cases).

There were no cases where the net payment to the Foundation Trust exceeded £ 100,000.

Note: The total costs included in this note are on a cash basis and will not reconcile to the amounts in the notes to the accounts which are prepared on an accruals basis.

The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust

The Royal Bournemouth Hospital
Castle Lane East
Bournemouth
BH7 7DW

Further copies can be obtained from our website at:
www.rbch.nhs.uk

If you would like a hard copy of the Report or a version in large print please contact the Marketing and Communications Department on 01202 704271.