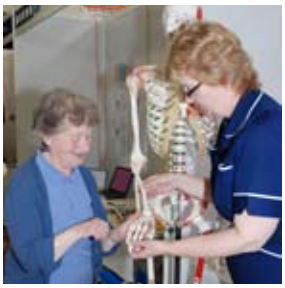
The Royal Bournemouth and Christchurch Hospitals
NHS Foundation Trust

"putting patients first"







Annual Report and Financial Accounts 2007/08














The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust

Annual Report and Accounts 2007/08

Presented to Parliament pursuant to Schedule 7, paragraph 25(4) of the National Health Service Act 2006.

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Chairman's Statement

I am delighted to write this introduction to the Annual Report which accounts for the performance of the Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust during the period 1st April 2007 to 31st March 2008, being its third year as a Foundation Trust.

There have been many successes during 2007/08 and I would like to begin this report by highlighting the performance of the Trust against the 18 week target. This target, set by the Government, expected all Trusts by the end of March 2008 to treat 85% of its elective patients within 18 weeks from GP referral to first treatment and 90% of its outpatients also in 18 weeks. Rather than settle for the basic target levels, the Trust set itself stretch targets and I am delighted and proud to announce that it achieved 94% for its inpatient target and 97% for its outpatient target.

This achievement is exceptional and I would like to record my thanks to all members of staff involved in furthering this goal. My thanks go to not just the frontline staff – all the doctors, nurses and other healthcare professionals – but also to all the background staff whose jobs included reviewing how our work is done and data validation to keep the project progressing.

Everyone needed to be very committed to achieve the target. Bournemouth and Poole PCT helped considerably by making sure that funding was available to support achieving the target. It will now be the task of us all to make sure that we not only retain the current achievement levels but also continue to drive down the time that our patients have to wait. No one should ever forget that the targets in themselves are meaningless. What matters is that, as a result of achieving them, our patients have less time to wait for their treatments which means in many cases less time in pain, in anxiety or with a depleted quality of life.

At the end of 2007/08 the Trust had an operating surplus of £9.4m. The Healthcare Commission, which inspects all Trusts, has assessed our financial stewardship as excellent. The Trust needs to make a surplus every year so that the money can be reinvested in areas like new buildings or equipment. In 2007/08 the Board invested £5.8m in projects to improve and develop the care in the Trust. These included:

- Opening of the Acute Lung Unit with support from the Lung Foundation
- Refurbishment of the Endoscopy Unit
- Purchase of the Derwent Hospital
- Additional resources for infection control
- Creation of the Day of Surgery Admission Unit

I should particularly like to mention the purchase of the Derwent Hospital. This allowed the Trust to have the facilities to establish a new way of treating patients needing hip and knee replacements, which in turn helped us to achieve the 18 week target. The innovation includes involving patients at a very early stage of their treatment. Patients spend an average of four days in hospital with some being discharged after only three. This compares with an inpatient stay of two weeks or

Chairman's Statement

more only a few years ago. The treatment has enjoyed a very high degree of patient satisfaction.

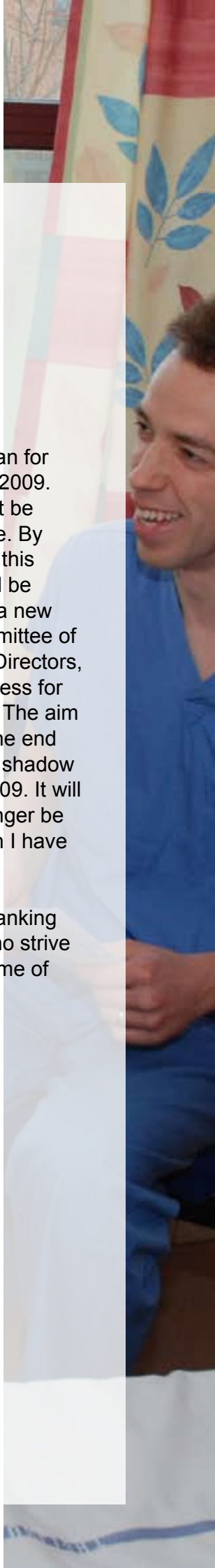
Last year much effort in the Trust was focused on formulating the new Five Year Strategy. Governors were involved in this work at a very early stage and were instrumental in helping to shape the strategy and conduct the public consultation on it. In all, over 20 public events relating to the strategy were held, with Governors being present at each one. As a result of this hard work we now have a robust strategy which will help guide the thinking of the Board over the next few years.

The strategy has been developed in close consultation with our local PCTs and our local authority colleagues so we are hopeful that all the organisations concerned will be able to progress healthcare provision for the local population in a complementary fashion.

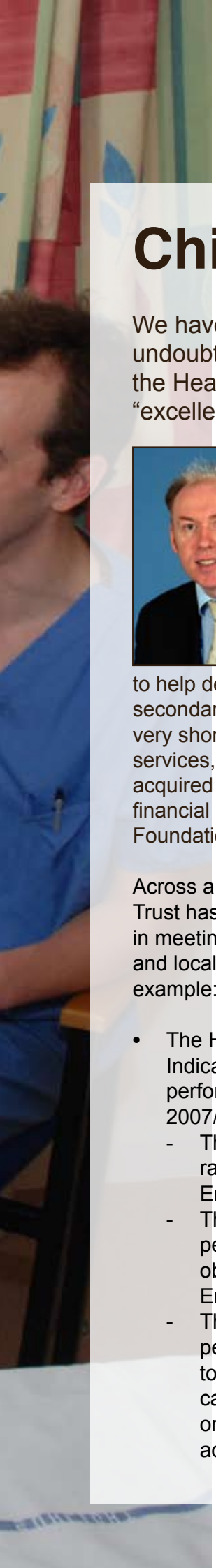
The Trust continues to have excellent procedures in place for the prevention and control of hospital acquired infections. Recent comparative details produced by the Healthcare Commission show this Trust to be in the highest quartile in this respect. Nevertheless, the Trust needs to be ever vigilant in this regard and to never be complacent. Last year we used some of our surplus to strengthen our Infection Control Team and work in this area continues.

When the Trust attained Foundation Trust status I was appointed as Chairman for a four year term until 31st March, 2009. I have let it be known that I will not be seeking reappointment at that time. By then I will have been Chairman of this Trust for 12 years and I think it will be time to refresh the role by having a new Chairman. The Nominations Committee of the Governors, with the Board of Directors, is already putting in hand the process for the appointment of my successor. The aim is to have him or her in place by the end of 2008 so that the appointee can shadow me for the first three months of 2009. It will be a great wrench for me to no longer be leading an organisation with which I have been so proud to be associated.

I cannot end this report without thanking again all our hard working staff who strive to make healthcare in the area some of the best in the country.



Sheila Collins
Chairman



Chief Executive's Statement

We have now been a Foundation Trust for three years and 2007/08 was undoubtedly our most successful year. As part of the Annual Healthcheck, the Healthcare Commission ranked our management and resources as "excellent" and the quality of our services as "good".

Crucially there has also been a substantial strengthening of our partnership working with local primary care trusts. This has been evident in the way that all partners have worked successfully to help develop high quality primary and secondary care services. This includes very short waiting times for access to services, low hospital and community acquired infection rates and a strong financial position for both the PCT and the Foundation Trust.

Across a wide range of indicators, the Trust has performed exceptionally well in meeting, and exceeding, both national and local set targets and standards. For example:

- The Healthcare Commission Outcome Indicators comparing the 172 Trusts' performance nationally in England for 2007/08 showed:
  - The Trust had the second lowest rate of MRSA per 1,000 beds in England.
  - The Trust had the third best performance with regard to observed and expected mortality in England.
  - The Trust was the 6th best performer in England with regard to the low number of operations cancelled for non-clinical reasons on the day of surgery or after admission.
  - The Trust was the 10th best performer in England with regard to incidences of Clostridium difficile measured per 1,000 bed days.
- The Trust exceeded the 31 and 62 day cancer waiting time standards and the two week wait for urgent GP referrals.

As a Trust we have maintained strong financial control during the year and have exceeded the financial targets agreed with our Regulator, Monitor. The Trust made a surplus of £9.4m during 2007/08 and this has allowed the Board of Directors to agree a substantial programme of investment in 2008/9, with £10m of recurrent funds invested in service provision and development and £17.7m of capital investments. These investments include a new purpose built stroke and cancer centre at the Royal Bournemouth Hospital, further investment in infection control staffing to continue with the deep clean programme and upgrading the Day Hospital at Christchurch. You can read more about these developments on page 32 of this Report.

We are able to make a surplus for a number of reasons:

- We run our hospitals extremely efficiently and have made significant savings, for example finding better value suppliers for certain equipment.
- As a Foundation Trust we are paid for the patients we treat.
- Good financial management

It is only through making a surplus that we are able to invest further in expanding

Chief Executive's Statement

current services and developing new ones. All of our surplus is re-invested in patient services.

It is pleasing to see a generally strong financial position across the whole of the local health service, with sizeable surpluses held by Bournemouth and Poole PCT and Dorset PCT. This provides a sound financial base for planning future changes in service provision, as well as some safeguard against further pressures that are likely to fall on the Trust.

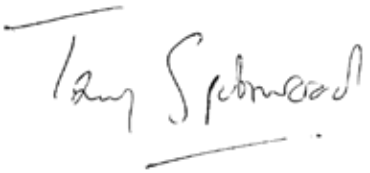
In this year's Annual Report we also focus on the areas you told us were important to you. We carried out a significant listening exercise; meeting with patients, staff, the public and our stakeholders and hearing their views and experiences of our hospitals. This feedback helped form the basis of our five year strategy.

During the year the Trust completed work in developing a new strategic direction which is being used to inform and guide decisions by the Board of Directors, with advice from our Council of Governors. We held a 12 week formal consultation period so that local people and our stakeholders could again give us their views on our plans for the future. In this report you can read about the early progress we are already making in these areas.

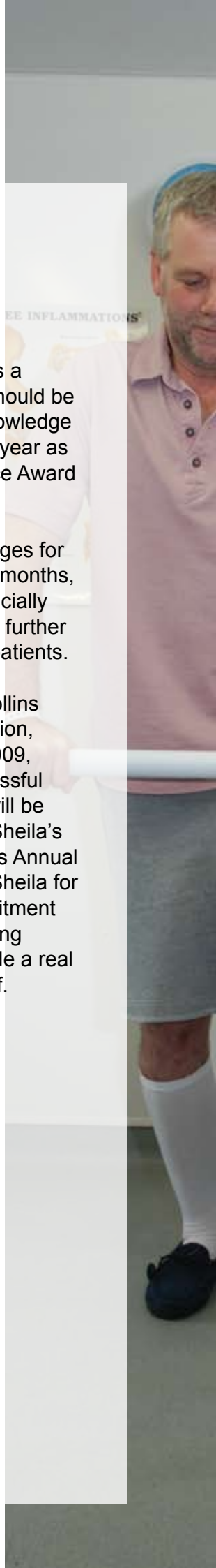
None of the achievements and developments you will read about in this report would have been possible if it wasn't for the dedication and excellence of all our staff - from porters, administrators and healthcare assistants to junior doctors and consultants. Particular mention should go to those who worked so hard to achieve the 18 week target. It is a significant achievement that we should be rightly proud of. We hope to acknowledge the achievements of our staff this year as we launch our first Staff Excellence Award Scheme across our hospitals.

While there are significant challenges for the Trust over the forthcoming 12 months, we have the resources, both financially and within our workforce, to make further significant improvements for our patients.

Finally, as you will note, Sheila Collins our Chairman has taken the decision, at the end of her term in March 2009, to stand down after 12 very successful years as Chairman. While there will be many opportunities to recognise Sheila's achievements, I wanted to use this Annual Report to empress my thanks to Sheila for her leadership support and commitment to the Trust. She has made a lasting contribution and one that has made a real difference to our patients and staff.



Tony Spotswood
Chief Executive



Directors' Report

About Our Trust

The Royal Bournemouth and Christchurch Hospitals became a Foundation Trust on 1st April 2005 under the Health and Social Care (Community Health and Standards) Act 2003. It provides health care for the residents of Bournemouth, Christchurch, East Dorset and part of the New Forest with a total population of over 550,000, which rises during the summer months.

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

- Dorset PCT
- Bournemouth and Poole Teaching Primary Care Trust
- Hampshire PCT

With a budget of £198m in 2007/08, the Foundation Trust saw a total of:

New outpatient attendances	137,000
Follow-up attendances	176,208
Day case operations	52,805
Inpatients	13,861
Emergency admissions	25,305
People seen in the Emergency Department	46,024
Emergency eye appointments	16,455

The Royal Bournemouth Hospital

The Royal Bournemouth Hospital opened in 1992 and is purpose built on two

Directors' Report

levels situated on a large green field site close to the main roads that link with the New Forest, Southampton, Salisbury, Winchester, Christchurch and Poole.

It is a 634 acute bed site (excluding day beds), which includes 272 medical beds, six CCU beds, seven on Intensive Treatment Unit and eight on the High Dependency Unit. There is a 24-hour Emergency Department, which sees around 70,000 patients a year, and a large Day Theatre Centre and Day Surgery Unit. A purpose built 18-bed (four paediatric) Ophthalmic Unit is also located at the Royal Bournemouth Hospital as well as a state of the art Cardiology Unit.

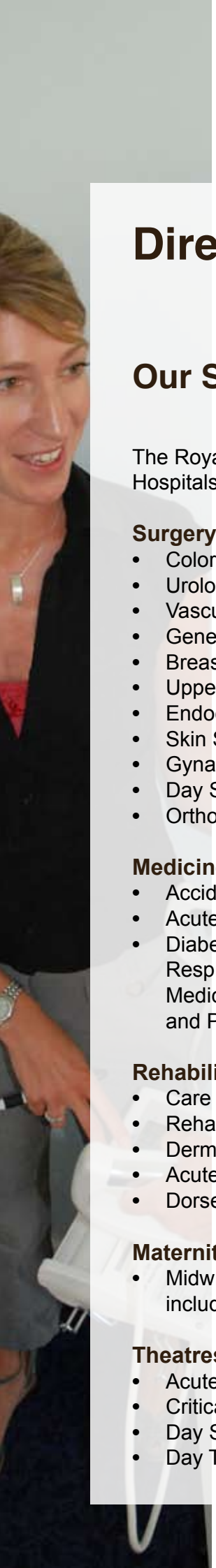
The Hospital also provides district-wide services for orthopaedic surgery, vascular surgery and urology and ophthalmology.

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. There is an excellent infrastructure to support rehabilitation with physiotherapy and occupational therapy facilities. There are 279 beds (excluding day beds) and a 45-place Day Hospital. Other units at Christchurch include beds for the young disabled, Dermatology Resource Unit, Rheumatology and the Macmillan Unit (palliative care).

Sterile Supply Department

The Sterile Supply Department is some seven miles from the Royal Bournemouth Hospital. It supports the Trust's surgical activity through the preparation of instrument trays - the general supply of soft packs. It has the necessary accreditation to undertake work for other hospitals and there are a number of such contracts in place.



Directors' Report

Our Services

The Royal Bournemouth and Christchurch Hospitals provide the following services:

Surgery
- Colorectal
- Urology
- Vascular
- General Surgery
- Breast
- Upper Gastrointestinal
- Endocrine
- Skin Surgery
- Gynaecological
- Day Surgery
- Orthodontics

Medicine and Emergency Services
- Accident and Emergency Services
- Acute General Medicine
- Diabetes, Endocrine, Cardiology, Respiratory, Neurology, Genito-Urinary Medicine, Dietetics, Gastrointestinal and Podiatry

Rehabilitation
- Care of the Elderly
- Rehabilitation
- Dermatology
- Acute Medicine for the Elderly
- Dorset Prosthetic Centre

Maternity
- Midwifery led maternity services, including support for home births

Theatres and Anaesthetics
- Acute/chronic pain services
- Critical Care
- Day Surgery
- Day Treatment Centre

Orthopaedics
- Planned Orthopaedic surgery

Ophthalmology
- All eye services including orthoptic services

Pathology
- Cancer services
- Blood test services
- Biochemistry (Poole)
- Macmillan Unit at Christchurch Hospital
- Laboratory services
- Outpatient services based at Christchurch and Bournemouth
- Palliative Care
- Infection Prevention and Control

Radiology
- X-rays
- CT and MRI scan
- Nuclear Medicine
- Ultrasounds and other specialist radiology tests
- Interventional radiology treatment

Therapies
- Occupational Therapy
- Physiotherapy

Other
- Pharmacy services
- Portering
- Catering
- Library services
- Housekeeping
- Voluntary services

Directors' Report

How the Trust is run

The Trust's Board of Directors is made up of full time Executive Directors and part-time Non-Executive Directors. The Board formally meets once a month (except August); its role is to determine the overall corporate goals for the Trust and be responsible for their delivery.

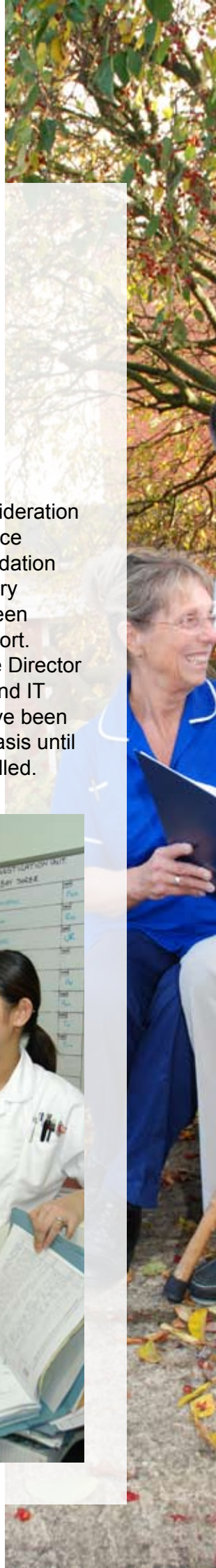
The Board of Directors also works closely with the Council of Governors who represent the Trust's membership and who feeds the views of members to the Board. Governors also ensure members are involved and kept up to date with developments within the hospital. You can read more about the work of Governors and details of our membership on page 46.

Foundation Trusts are also accountable to the regulator, Monitor, who ensures the governance and performance of the organisation is sufficient and in line with the terms of authorisation.

There are also a number of key health partners who work closely with the Trust in developing and delivering services, such as local primary care trusts and social services. You can read more about the Trust's work with partners on pages 18 and 29.

Board of Directors

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. Where 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.



Directors' Report

The Board of Directors

Sheila Collins, Chairman
Sheila has 16 years of experience on the Board, firstly as a Non-Executive and, for the last 11 years, as Chairman. Sheila is also Chair of the Council of Governors.

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

Ken Tullett, Non-Executive Director
Ken has nine years' experience as 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 the UK and overseas and is familiar with commercial practices and marketing.

Lindsey Dedden, Non-Executive Director
Lindsey was appointed in December 1997 and her appointment 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 since 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.

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 sector organisations. Frances was appointed as Senior Independent Director and Vice Chairman in September 2007.

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.

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.

Alex Pike, Non-Executive Director
Alex is International Group Marketing Director for health and beauty company Accantia and former

The Board of Directors

Marketing Director of Fitness First. Alex joined the Trust in 2006 and has a wide range of experience in marketing and communication.

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 15 years with extensive experience of leading organisations through strategic change including service reconfiguration and merger.

Belinda Atkinson, Director of Nursing
Belinda joined the Trust in July 2004 and was appointed Deputy Chief Executive in 2007. She was previously Deputy Director of Nursing in a large University Teaching Trust. Belinda has over 30 years NHS experience in a variety of organisations both in clinical nursing and general management roles in a large and complex clinical directorate.

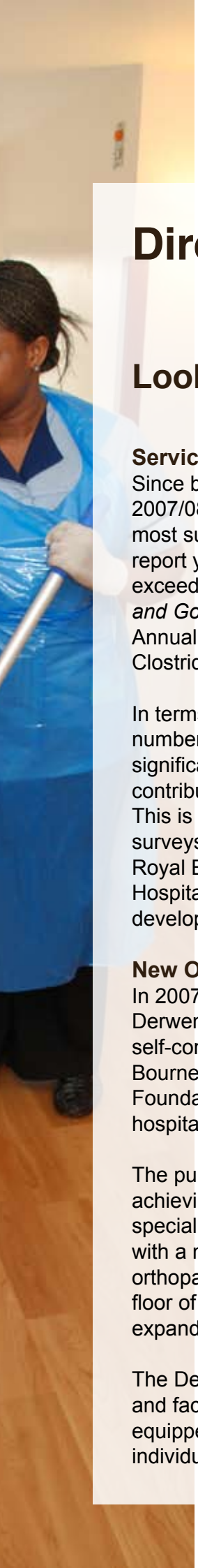
Richard Renaut, Director of Service Development
Richard joined the NHS 12 years ago through the NHS management training scheme. He has worked in both primary care trust and tertiary hospital settings. Prior to starting his role as Director of Service Development in April 2006, Richard was General Manager of the Orthopaedic Directorate.

Karen Allman, Director of Human Resources
Karen was appointed Director of HR for the Foundation Trust in 2007, but joined the NHS in 2003 from the Audit Commission where she was HR Director for District Audit. Her early career was spent in the private sector in retail with Marks & Spencer and Fenwick before working in the city at the London Stock Exchange.

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.

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

Colin Perry, Chief Operating Officer
Colin was appointed as Chief Operating Officer in 2006 having previously been Director of Finance since 1987. He resigned from his post in October 2007.



Directors' Report

Looking back on the year

Service Developments

Since becoming a Foundation Trust, 2007/08 was undoubtedly the Trust's most successful year. Throughout this report you will read about achievements in exceeding the 18 week target, *Excellent and Good* ratings awarded as part of the Annual Health Check and low MRSA and Clostridium difficile rates.

In terms of service developments, a number of patient services have seen significant improvements which have all contributed to a better patient experience. This is reflected in patient satisfaction surveys that were introduced within the Royal Bournemouth and Christchurch Hospitals during 2007. Some of these developments are set out below.

New Orthopaedic Unit at the Derwent

In 2007/08, the Trust purchased the Derwent - a 29 bedded, twin theatre, self-contained hospital on the main Royal Bournemouth site which was owned by the Foundation Trust but leased to a private hospital group.

The purchase was made to assist with achieving the 18-week target and to host a specialist hip and knee replacement centre with a new and enhanced way of providing orthopaedic services. In addition, the first floor of the building has been used to expand outpatient services.

The Derwent has been fully refurbished and facilities now include two fully equipped laminar flow theatres, 29 individual rooms (all en-suite with walk in shower), a two, three and four-bedded recovery area, an x-ray suite, physiotherapy gym and four consulting suites.

Since its opening at the end of July 2007, over 1,000 patients have been operated on. The average length of stay is just four days and over a third of patients go home in three days or less.

All patients come into the Derwent on the day of their surgery and have their operation within four hours of being admitted. Everyone walks to theatre and all receive their first physiotherapy treatment within 18 hours of surgery.

Derwent patient Chris Tyler progresses with rehabilitation

Directors' Report

Clinical Director of the Orthopaedic Directorate, Jeremy Southgate, said: "The new pathway is designed for the benefit of patients – no overnight stay before an operation and early rehabilitation within 18 hours of their operation leads to a quicker recovery.

"One of the reasons that patients can be admitted on the day of surgery, and within four hours of their procedure, is because of a comprehensive pre-assessment package.

"All patients attend a pre-operative education class. This session is essential to successfully manage patients' expectation and reducing length of stay. It is also an excellent forum to answer patients' questions, provide information and initiate physiotherapy exercises."

The care received by patients is provided by a whole team of people, including nurses, physiotherapists, occupational therapists and consultants who were all involved in the design of the new service and who deliver expert care which meets the needs of individual patients.

Special guest opening for newly designed Endoscopy Unit

Broadcaster Lynne Faulds Wood was special guest at the opening of the newly designed Endosopy Unit at the Royal Bournemouth Hospital.

Lynne, who is the ex-presenter of

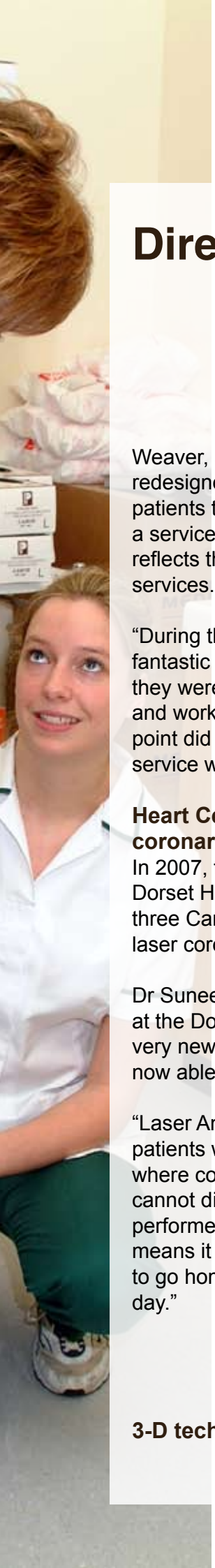
Lynne Faulds Wood and Gastroenterologist Dr Paul Winwood

Watchdog and a survivor of bowel cancer, made the trip to Bournemouth to officially re-open the Unit. She met and spoke with staff and was taken through the services as a patient visiting Endoscopy would.

The new Unit has been redesigned to include an additional fourth endoscopy room, separate areas for male and female patients, improved pre and post-procedure accommodation, individual clinic rooms and a specific counselling lounge for patients.

At the opening Lynne Faulds Wood said: "This is an excellent unit and the patients who use this service are extremely fortunate. It gives me great pleasure in coming down to Bournemouth to make the official re-opening."

Consultant Gastroenterologist, Sean



Directors' Report

Weaver, said: "This service was redesigned in response to what our patients told us they wanted. We now have a service that is very patient-centred and reflects the needs of people who use our services.

"During the refurbishment our staff were fantastic and amidst the building works they were continuously problem solving and working around the builders. At no point did the redesign affect any part of the service which is a fantastic achievement."

Heart Centre offers new laser coronary angioplasty

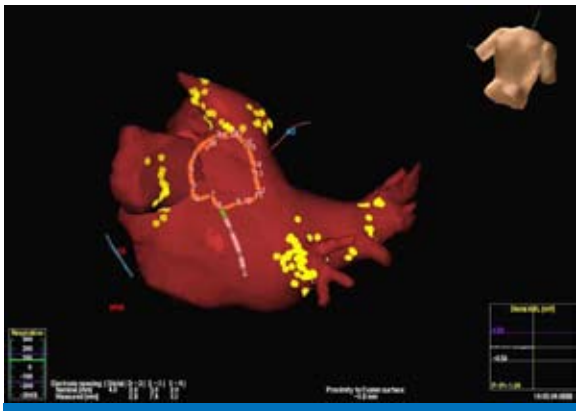
In 2007, the Royal Bournemouth Hospital's Dorset Heart Centre became one of only three Cardiac Centres in the UK to offer laser coronary angioplasty for patients.

Dr Suneel Talwar, Consultant Cardiologist at the Dorset Heart Centre, said: "This is a very new and exciting service that we are now able to offer locally in Bournemouth.

"Laser Angioplasty is particularly useful in patients with old hard blockages in arteries where conventional balloon angioplasty cannot dilate up the narrowing. It is performed via the wrist or the groin which means it is painless and patients are able to go home either the same or the next day."

3-D technology aids cardiac diagnostic and treatment at the Dorset Heart Centre

In another area of cardiology, a consultant at the Dorset Heart Centre became one of only a few cardiologists in the country to use the latest technology in the treatment of atrial fibrillation (an abnormal heart rhythm).



3D CT scan of heart chamber

The novel approach uses a unique piece of mapping software which allows the CT scan of the relevant heart chamber to be integrated into a computer system used to map the heart's electrical activity.

Dr Mark Sopher, Consultant Cardiac Electrophysiologist, who used this latest technology to carrying out catheter ablation of atrial fibrillation, said: "Atrial fibrillation is a very common heart rhythm disturbance affecting more than 5% of all people aged over 65 years. A relatively new treatment for this is catheter ablation which involves creating lesions in the lining of the heart to prevent the electrical circuits responsible for this rhythm

Directors' Report

disturbance from developing. These lesions are usually burns created by heating the tip of a catheter introduced into the heart.

"This technology provides state-of-the-art imaging with a highly detailed 3-D representation of the heart chamber allowing more accurate navigation of the catheters which may result in faster care for patients and a more accurate and reliable treatment."

Bournemouth stroke consultant to lead national stroke group

In 2007/08, Dr. Damian Jenkinson, from the Trust's Stroke Service, was appointed as the national clinical lead for the Stroke Implementation Programme.

The national strategy aims to deliver stroke treatment for everyone which is based around the needs of individuals and consistent with national guidelines and evidence as to what works best.

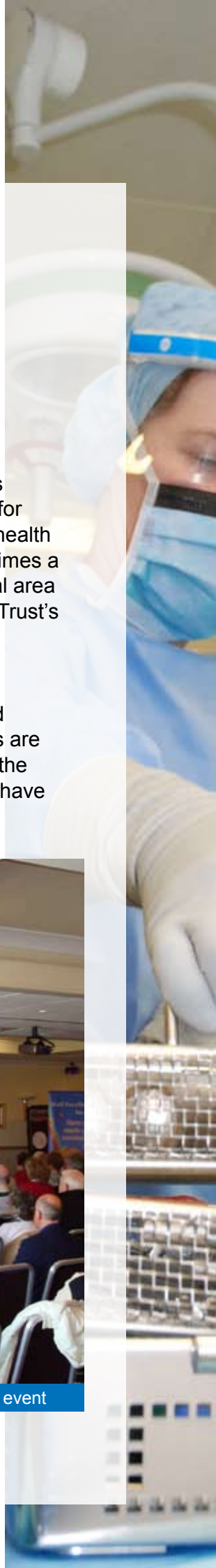
Bournemouth and Christchurch Hospitals already have a high quality stroke service with a national reputation but a number of developments are planned in line with the National Stroke Strategy. Central to the proposal is a purpose built facility for delivering stroke care from the time a patient is brought into hospital through to them receiving rehabilitation services to enable them to return home. You can read more about these developments on page 32.

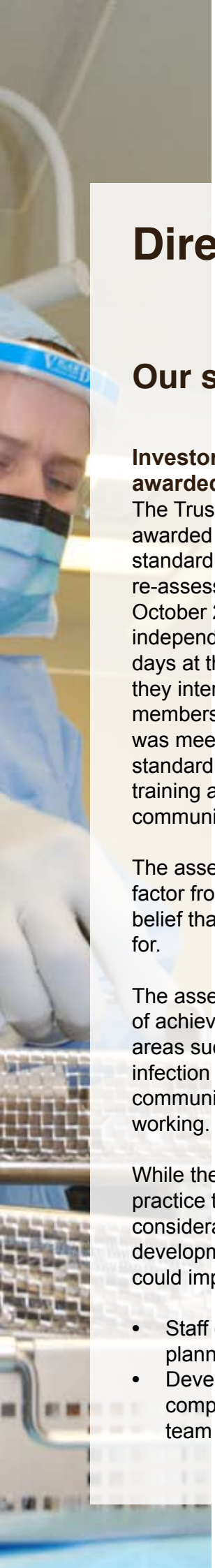
Public health events

This year the Trust began a series of Understanding Health lectures for members of the public. As public health events they are run three or four times a year focusing on a different clinical area with presentation from one of the Trust's consultants.

Previous lectures have included Understanding Rheumatology and Understanding Stroke. The events are held at the Village Hotel opposite the Royal Bournemouth Hospital and have attracted between 50-200 people.

Understanding Stroke public health event





Directors' Report

Our staff - Our most valuable asset

Investors in People standard awarded for a further three years
The Trust was delighted to have been awarded the Investors in People (IIP) standard for a further three years. The re-assessment took place throughout October 2007 by a team of three independent assessors who spent 11 days at the hospitals. During this time they interviewed 124 randomly selected members of staff to find out if the Trust was meeting its obligations in line with the standard – in particular, good practice in training and development, strategy and communication.

The assessors found that the feel good factor from staff is generally positive with a belief that our Trust is a good one to work for.

The assessors also highlighted a number of achievements and improvements in areas such as staff awards, improved infection control, good practice in communication, training and partnership working.

While there was a great deal of good practice the assessors suggested consideration be given to future developments and ways that the Trust could improve further, including:

- Staff contribution to the strategic planning process at team level
- Development of management competencies for supervisors and team leaders
- Training on how to give constructive feedback
- The Trust could show increased appreciation for support staff
- Visibility of executive and senior teams could be improved

Pledging to develop the skills of staff
The success of the Foundation Trust over the last year is largely attributed to the dedication and commitment of the 4,718 members of staff who work across the three sites; the Royal Bournemouth and Christchurch Hospitals and the Sterile Services Department located at Alderney Hospital.

The Trust's Board of Directors recognise that our staff are our most valuable asset and it is in the organisations interest to invest in its staff. This is reflected in the Trust's Five Year Strategic Plan which sets out the priorities for the organisation and a commitment 'to listen to, support, motivate and develop staff.'

During 2007/08, the Trust's Chief Executive signed up to the Skills Pledge – a government scheme which demonstrates a commitment to invest in developing the skills of staff.

The Pledge makes a commitment that the Foundation Trust will encourage and support employees to gain skills and qualifications, which not only support their development but also help to meet the needs and performance of the organisation.

Directors' Report

Chief Executive, Tony Spotswood, said: "Our staff are our most important resource and are the bedrock of the Trust. Training is a valuable investment that can lead to improved employee morale and therefore a happier workforce. This will not only benefit the staff but also our patients and visitors to the hospital.

Many staff are now accessing Learning and Skills Council Funds to develop their personal and professional skills in areas such as Customer Service, Team Leading and Business Administration. They are working towards NVQs on the Train to Gain scheme or Level 2 accredited Distance Learning Awards in partnership with Bournemouth and Poole College. This complements the support given by the Trust's Training Department.

The Trust has developed an excellent relationship with its local Further Education College and also Adult Education, which is assisting staff to achieve nationally recognised qualifications in literacy, numeracy and English for speakers of other languages. The Trust wants to ensure that our staff feel valued but also are able to provide a safe environment for patients and visitors.

Key relationship with the University

The Foundation Trust continues to have a good relationship with Bournemouth University, both for graduate and postgraduate courses. A wide variety of programmes are available to staff.

The Foundation Trust 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.

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

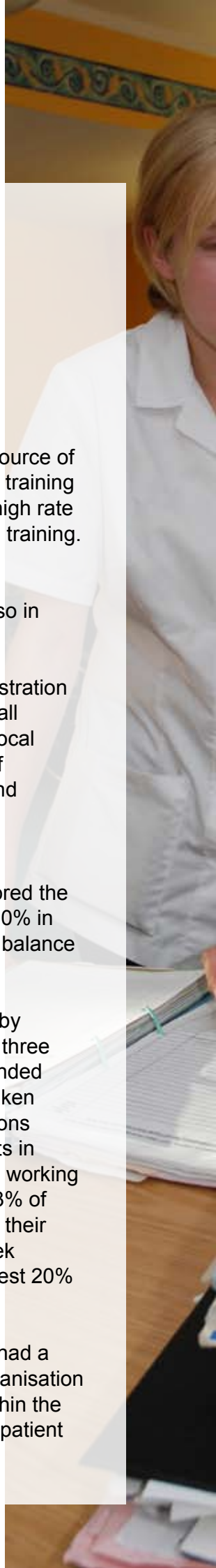
There is a wide range of post-registration programmes available for staff of all disciplines and a good uptake of local opportunities available. Many staff have completed undergraduate and postgraduate programmes.

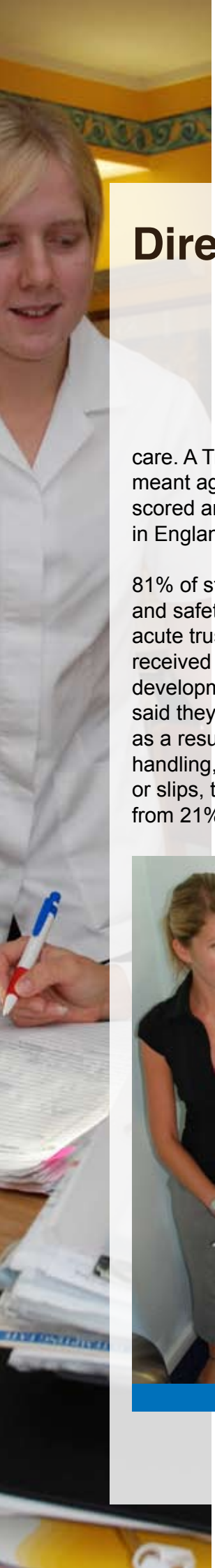
Striking a work-life balance

The Annual Staff Survey 2007 scored the Foundation Trust among the top 20% in the country for helping staff find a balance between their work and home life.

Carried out on behalf of the Trust by the Healthcare Commission, over three quarters (76%) of staff who responded to the survey said that they had taken advantage of flexible working options (among the top 20% of acute trusts in England). This included flexi-time, working reduced hours and job sharing. 63% of staff said they worked longer than their contracted hours in a working week (although this was among the lowest 20% of all acute trusts).

In other areas of the survey, staff had a very positive feeling about the organisation – this included communication within the Trust, employee involvement and patient





Directors' Report

care. A Trust score of 3.00 out of 5.00 meant again that the Foundation Trusts scored among the top 20% of acute trusts in England.

81% of staff said they had received health and safety training – above average for acute trusts – and 81% said they had received job-relevant training, learning or development in the past 12 months. 16% said they had been injured or felt unwell as a result of, for example, moving or handling, needlestick and sharps injuries or slips, trips and falls. This is a reduction from 21% in the staff survey from 2006 and is among the lowest of acute trusts in the country.

Diabetes staff day

One of the areas the Foundation Trust will be looking into includes all staff receiving an appraisal. Over half (54%) of staff responding to the survey said they had received a staff appraisal in the last 12 months – below average for all acute trusts.

Occupational Health

During 2007/08, the Trust carried out a number of activites to support the health and welfare of its staff, including:

- Health check days organised by the Bournemouth Diabetes and Endocrine Centre.
- A successful flu campaign with a good uptake from staff.
- Secured a locum Occupational Health physician.
- Increased external contracts which means the surplus can be reinvested in the occupational health service.
- Continue to support staff who want to give up smoking.

Future investment in our staff

One of the Trust's goals for 2008/9 is 'to listen to, support, motivate and develop our staff'. You can read more about the Foundation Trust's priorities and plans for the future on page 38. The Trust will only be able to realise these plans by harnessing the potential of its staff.

Directors' Report

Many of the changes required to respond to local and national change drivers will only be achieved through substantial changes in working practice. It is important that these changes are introduced with the support and encouragement of our staff who will be responsible for providing different patterns of service. One example where this has already been achieved is through exceeding the 18 week target. This would not have been possible if it was not for the commitment of staff.

The Trust's Five Year Strategic Plan has made a commitment to:

- Extending staff reward and recognition schemes
- Supporting healthy living and lifestyles
- Continuing further investment in training
- Supporting and promoting the role of staff governors
- Introducing a sabbatical policy, initially for consultant medical staff

Informing and consulting our staff

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

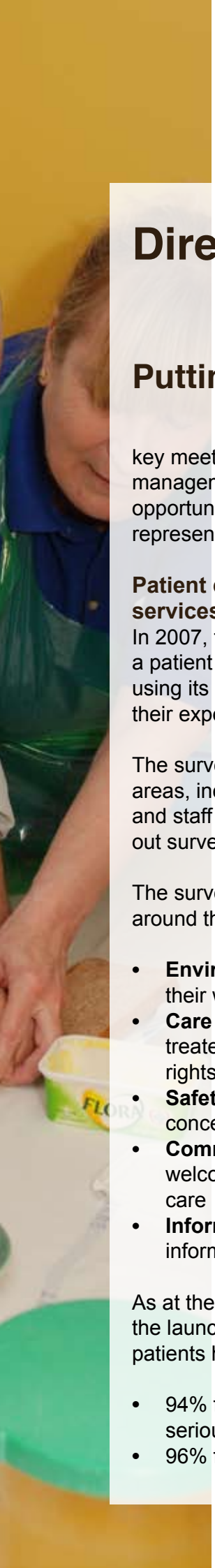
- Individual and team meetings on wards and departments
- Monthly staff brief which is disseminated to staff and Governors
- Bi-monthly staff newsletter, Buzzword
- A widely-used intranet site which is used to post events and latest developments
- A campaigns and events calendar
- Inductions for all new staff

During 2007/08 the Trust carried out a comprehensive communications audit. The findings of which, together with a communications strategy and action plan, will be published in the summer 2008.

Engagement with staff continues to strengthen with the Board of Directors taking an active role by developing a programme of visits to both clinical and non-clinical areas. These visits are enjoyed by the Board, but are particularly welcomed by staff on the wards and departments visited.

Intranet home page

The Partnership Forum remains the



Directors' Report

Putting Patients First

key meeting between staff side and management and offers a valuable opportunity to discuss issues with staff representatives.

Patient comments are improving services

In 2007, the Foundation Trust introduced a patient satisfaction survey so that those using its services could give feedback on their experiences.

The surveys are available in all patient areas, including outpatients and on wards, and staff are actively encouraged to hand out surveys to patients.

The survey asks a range of questions around the patient experience, including:

- **Environment** – clean, tidy, easy to find their way around
- **Care and respect from staff** – being treated with courtesy and respect, rights to privacy and dignity
- **Safety** – feeling safe, staff taking concerns seriously
- **Communication** - made to feel welcome, approachable staff, customer care
- **Information** – clear, consistent, kept informed about their treatment

As at the end March 2008, and since the launch of the surveys in July 2007, patients have said that:

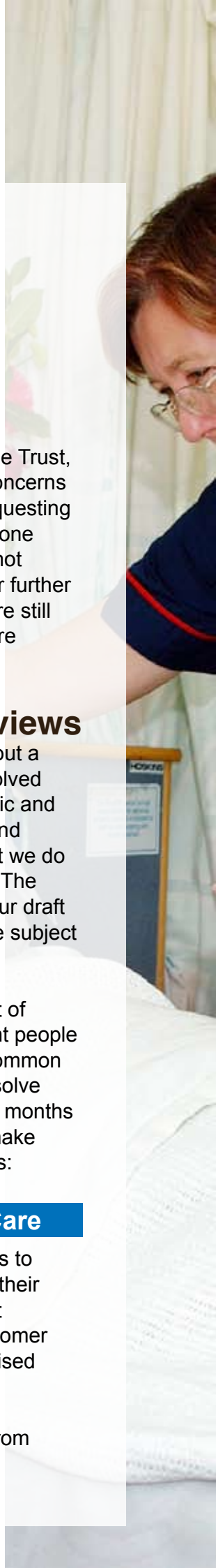
- 94% felt staff took their concerns seriously
- 96% feel safe
- 95% felt welcome
- 96% felt staff were approachable
- 95% understood the information they were given
- 94% said they would recommend the hospital to a friend or relative

The aim of the survey cards is to use the feedback to improve the patient experience. Some changes have already been made as a direct result of feedback received from the card, including:

- Complaints about the lift not working by the Eye Unit have resulted in a capital development to build a new lift.
- Feedback about infection control issues, including the use of hand gel, helped us to write a set of frequently asked questions for members of the public.
- Occupational Therapy now includes words such as rehabilitation in their letters to make it easier for patients to find their way to the department.

Patient survey card

Directors' Report



Handling complaints

The Foundation Trust has around 500,000 visitors to its hospitals each year and occasionally the patient experience is not always positive. Complaints are investigated and responded to in line with the Trust's complaints procedure which ensures learning from each incident.

During 2007/08, 292 formal complaints were recorded. Each of these were investigated and a response given with the aim of providing explanation, apologising where appropriate and causing change to take place where this could prevent recurrence of the concerns raised.

Examples of changes brought about through complaints include:

- The Maternity Department has reviewed procedures when obtaining information from the relatives of a patient.
- Nursing staff to keep in mind the importance of keeping relatives informed of developments.
- Work with nursing staff relating to dignity issues, including the importance of ascertaining whether patients wish to be called by their first or surname.
- Specialised theatre equipment must be requested in writing to the theatre team and written onto the operating list.
- Reviewing the role of the ward hostess.
- Change to procedures for booking induction of labour at Poole Hospital.
- Change to procedures relating to information detailed on discharge form.

After receiving a response from the Trust, nine people chose to refer their concerns to the Healthcare Commission requesting an independent review. Of these, one complaint was upheld, four were not upheld, two were referred back for further work at local resolution and two are still being considered by the Healthcare Commission.

Local voices, local views

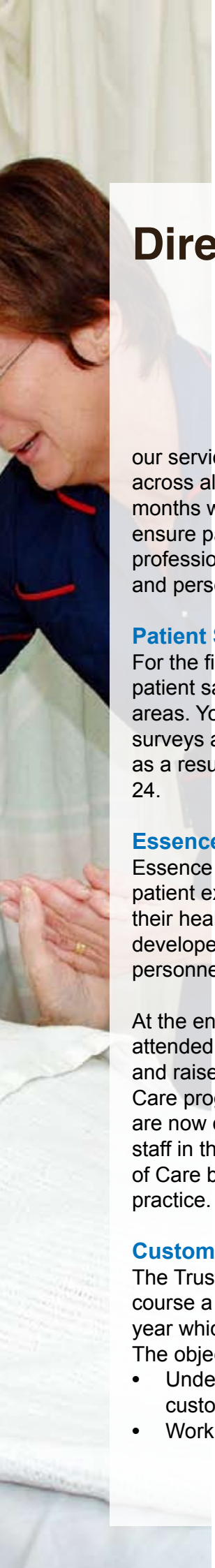
During 2006/07 the Trust carried out a large listening exercise which involved asking our patients, staff, the public and local health partners their views and experiences of our hospitals; what we do well and what we could do better. The views we received would inform our draft five year plan which would also be subject to formal public consultation.

While we received a large amount of feedback from a variety of different people and organisations, a number of common themes developed as areas to resolve and do better in. Over the past 12 months staff have been working hard to make improvements in these eight areas:

1. Improving Customer Care

How patients, relatives and visitors to our hospitals are treated, beyond their immediate clinical care, is of great importance. By this we mean customer care; staff attitude and a personalised approach.

We received excellent feedback from patients about their experience of



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our services but this is not consistent across all patient areas. Over the last 12 months we have been working hard to ensure patients and visitors are treated professionally – addressing their clinical and personal needs:

Patient Satisfaction Surveys

For the first time the Trust has introduced patient satisfaction surveys in all patient areas. You can read more about the surveys and the changes we have made as a result of feedback received on page 24.

Essence of Care

Essence of Care is about improving the patient experience and outcomes through their healthcare journey. It is a framework developed for use by all healthcare personnel.

At the end of 2007, over 90 delegates attended a conference to mark the launch and raise awareness of the Essence of Care programme. Staff at directorate level are now carrying out workshops to engage staff in the process and to ensure Essence of Care becomes integral in every day practice.

Customer Care Training

The Trust runs a customer care training course a number of times throughout the year which is open to staff at all levels. The objectives of the course are to:

- Understand what defines good customer service.
- Work with the concept of adding value
- Understand the causes of complaints by others.
- Recognise what causes aggression and how to calm a situation.

2. Infection Prevention and Control (and preception of)

- All housekeeping staff are employed directly by the Trust, no part of the service is contracted out. Housekeeping staff are an integral part of each ward and crucial to the fight against infection.
- More than 140 specially trained staff take the infection prevention message to all areas of the hospitals. Known as resource staff and usually nurses, they are an essential link between the infection control team and all ward staff. They ensure training and best practice is monitored and they carry out regular audits to ensure this is being followed.
- Deep cleans – The Trust met the government target to complete a 'deep clean' of all its patient areas by 31st March 2008. We have recruited additional members of staff to ensure a deep clean programme can be continued on a rolling programme.
- The Trust introduced a new hi tech micro-fibre mopping system to help keep wards and other areas of our hospitals clean.
- Rigorous hand washing and use of hand gel is enforced to remove any infection from hands and to

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prevent spread to objects, including food. Regular handwashing audits are carried out to ensure wards are compliant with strict hand hygiene rules.

- Patients who have an infection are cared for in side rooms where possible or kept together in bays. This is done as fast as possible to reduce the risk of infection spreading.

Housekeeping: an integral part of the team

3. Emergency Admissions

Over the winter period there was additional investment into the OPAL (Older People's Assessment and Liaison) team. This allowed the team to provide extended hours of service as well as weekend cover. OPAL's primary goal is to prevent admissions to the Trust and to ensure faster discharge of patients admitted. Over 2007/08 there was a 4.7% decrease in the number of emergency medical admissions compared with the same time frame last year.

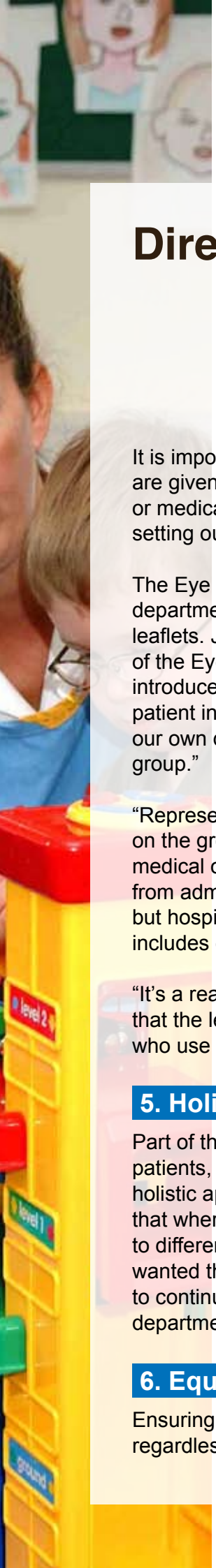
The team includes a range of expert staff such as occupational therapists, physiotherapists and rehabilitation assistants who all work within the Emergency Department screening patients. This means identifying those who need rehabilitation services which could be provided either in the community or at home, therefore preventing a stay in hospital. Alternatively, it may mean a short spell with the Falls Team based at Christchurch Hospital. Either way, the aim is to get those who are medically fit back at home as soon as possible.

The team works closely with social services and care teams based within the community to ensure patients who are not admitted receive the support they need.

4. Patient Information

One of the main clinical governance and communication initiatives over the past eighteen months has been to review and improve the quality of patient information.

A Patient Information Group was set up to approve all patient information before it can be published. The Group developed a standard template and framework for leaflet design and approval based on good practice.



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It is important that any information patients are given about their condition, treatment or medication is clear and understood, setting out the risks and benefits.

The Eye Unit was one of the first departments to review and redesign their leaflets. Julie Cartledge, Head Orthoptist, of the Eye Unit said: "After the Trust introduced a new policy for producing patient information we decided to set up our own directorate patient information group."

"Representatives across the Eye Unit sit on the group to give their professional medical opinion but we also recruit staff from admin areas to give us a non medical but hospital perspective. The group also includes external people."

"It's a really good process and ensures that the leaflets are understood by those who use them."

5. Holistic Care

Part of the feedback received from patients, was that they wanted a more holistic approach to their care. This means that where care pathways crossed over to different services or departments, they wanted their personal care knowledge to continue and be passed to the new department.

6. Equality and Diversity

Ensuring our services are accessible to all, regardless of age, gender, race, disability and other factors, is very important.

The Foundation Trust's Diversity and Equality Committee continues to meet on a quarterly basis to review the Single Equality Scheme and Action Plan and to provide a strategic direction for equality and diversity issues. Its membership is made up of representatives from across the Foundation Trust. The Action Plan is monitored regularly and reported to the Board.

The in-house Diversity Awareness training course continues to be delivered, with 354 employees attending in 2007. The Trust also runs a Disability Awareness training day that employees can elect to attend. The Staff Attitude Survey reports a general increase in employees reporting that they have received diversity training in the last 12 months.

In April 2007, the Trust signed up to the Charter for Employers who are Positive about Mental Health, part of the MINDFUL EMPLOYER initiative. This aligns with the Disability Two Ticks scheme which the Foundation Trust is already a part of. This means that where an applicant has indicated they have a disability and would like to take part in the Guaranteed Interview Scheme, they will be shortlisted for interview if they meet the essential criteria of the person specification.

In October 2007, an Equality and Diversity Human Resources lead was appointed to concentrate on the workforce aspects of

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diversity. A Workforce Planning Manager has also been appointed. This will allow the Foundation Trust to further develop workforce monitoring reports to analyse our employee profile by the various equality groups.

New templates and guidelines have also been developed for conducting Equality Impact Assessments. These are being piloted and during 2008 a plan will be put in place to ensure all the Foundation Trust's policies, services and functions are equality impact assessed.

There were no concerns raised during 2007/08 under the Trust's Public Disclosure Policy.

7. Getting Here

A major piece of work for the Trust has been to put together a business case for providing around 450 spaces in a multi-storey car park. The Trust has outline planning permission but is also considering other options available.

Sourcing additional car parking spaces is crucial to the future development of services. The Outpatient Department has provided additional bus service information to patients allowing them to be flexible with appointments. The online information about local bus services means that patients can request a change to their appointment to fit in with their local bus service timetable.

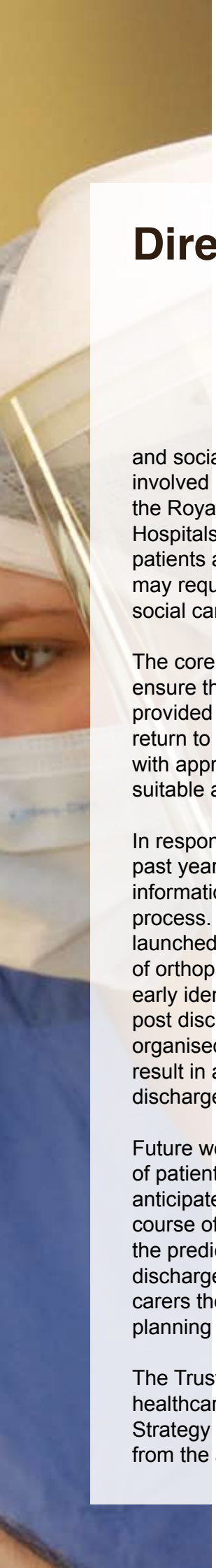
The Trust's Travelwise office regularly promotes alternative transport and takes part in events such as Bikesafe Week.

Bikesafe Week

The Trust continues to support the BAT (Bournemouth Accessible Transport) Service. The BAT bus runs a service to Bournemouth and Christchurch Hospitals for visitors and patients who live in local postcode areas BH1-BH11.

8. Discharge Arrangements (including drugs)

The Trust recognises the discharge process as an integral part of every patient's journey. As a result, it has invested in a unique team. The Integrated Discharge Team brings together into one service staff from five different local health



Directors' Report

and social care partners who are currently involved in the discharge of patients from the Royal Bournemouth and Christchurch Hospitals. The service is designed for patients across all wards at the Trust who may require assistance from health and/or social care services on discharge.

The core principles of the team are to ensure that a patient centred service is provided and that the patient is able to return to live in their previous environment with appropriate level of care or transfer to suitable alternative accommodation.

In response to patient comments in the past year the team published a patient information leaflet, outlining the discharge process. In addition, a project has been launched which focuses on the needs of orthopaedic patients, enabling the early identification of their likely needs post discharge. Services may then be organised, even prior to admission, which result in a timelier and better organised discharge

Future work will involve the development of patient pathways which will map the anticipated stages and outcomes in the course of some conditions. This will aid the prediction of an accurate date of discharge, thereby giving patients and carers the opportunity to contribute in the planning of discharge from hospital.

The Trust is working closely with other healthcare partners to develop a No Delay Strategy to improve the discharge process from the acute setting. Other members of the group include Bournemouth and Poole PCT (chair), Dorset PCT, Poole Hospital, Bournemouth, Dorset and Poole Social Services. The group is focusing on investments into intermediate care and the provision of step down beds within the community.

Consulting our patients, staff and local people

The Foundation Trust carried out two formal public consultation exercises during 2007/08. *A Healthy Future-Have Your Say* set out a number of proposals for delivering services over the next five years. The second consultation exercise developed from the Healthy Future proposals and consulted on a number of developments for rehabilitation services and facilities at Christchurch Hospital.

Who we consulted

All formal public consultations were carried out in line with the Trust's Consultation Policy – this is a document that is supported by all local health partners, including scrutiny committees, and sets out how the Foundation Trust will consult and at what level.

For both of the consultation exercises carried out during the year, a wide range of individuals and groups were consulted. This included 14,000 members and over 100 local organisations such as hard to reach groups, disability support groups and local forums. The Trust also held stakeholder and public meetings.

Directors' Report

There are a number of different ways that staff are kept up-to-date which were used to inform them of the proposed developments and ask for their views. These include:

- Open staff sessions at both hospital sites – four in total
- The Monthly Core Brief which is disseminated to staff and governors
- The staff newsletter Buzzword
- A widely-used Intranet site which is used to post events and latest developments

What you told us

Healthy Future – five year plan

Overall, the feedback from the public meetings was very positive, both about current services and the proposals contained in the Trust's strategy.

A Healthy Future: Strategic Plan 2008 - 2012

No proposals within the strategy were strongly opposed to. In particular there was wide spread support for expansion of the stroke and cardiology services and an interest in some rehabilitation and phlebotomy services being provided within the community.

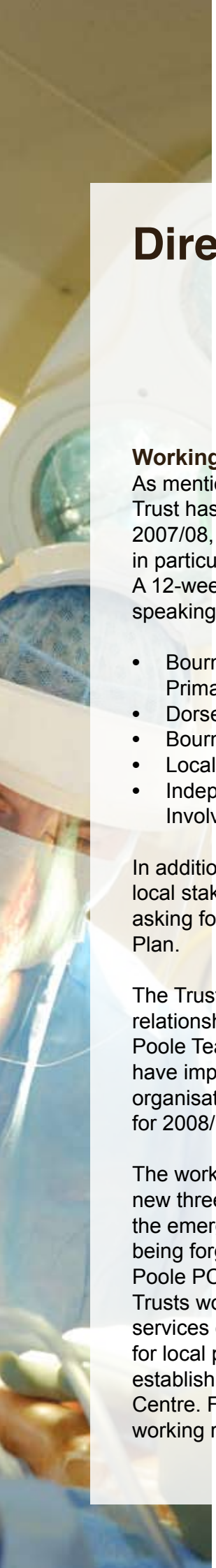
Rehabilitation Services and Christchurch Hospital

All partner organisations were widely supportive of the proposals, particularly the consolidation of acute and rehabilitation services for stroke patients to one site. All welcomed future joint working to progress the developments to ensure a synergy between the strategies of all health partners.

Members of the public, while supporting the clinical reasons for the proposals, were keen to ensure that the excellent care from staff and the unique atmosphere and culture that is at Christchurch Hospital is brought across to the new Units at the Royal Bournemouth Hospital. The Foundation Trust is keen to ensure that this will happen.

Views were also expressed about the pathology (blood test) service at Christchurch Hospital and feedback will be used to improve these services as part of our plans.

The main concern from members of the public was about the future of Christchurch Hospital. The Trust has been very clear that the hospital is an essential part of the Trust and its services. In fact there are a number of investments and developments proposed for Christchurch Hospital (further details can be found on page 28).



Directors' Report

Working with our health partners

As mentioned previously in the report, the Trust has spent considerable time during 2007/08, working with local health partners in particular in preparing its Five Year Plan. A 12-week consultation period involved speaking with key groups such as:

- Bournemouth and Poole Teaching Primary Care Trust
- Dorset Primary Care Trust
- Bournemouth Borough Council
- Local Scrutiny Committees
- Independent Patient and Public Involvement Forum

In addition, the Trust wrote to over 100 local stakeholder and hard to reach groups asking for comments on the proposed Plan.

The Trust is pleased to report that relationships with Bournemouth and Poole Teaching Primary Care Trust have improved significantly and both organisations have signed a new contract for 2008/9.

The work undertaken to conclude a new three year contract demonstrates the emerging strong relationships now being forged with Bournemouth and Poole PCT. This will be critical as both Trusts work together to look at how services can continue to be improved for local people, including plans for the establishment of a local Darzi Health Centre. Further evidence of the stronger working relationship was provided over the winter period with additional steps being taken within the local community to safeguard elective services and minimise unnecessary stays in hospital.

Other relationships important to delivering quality care for patients include work with local social services and voluntary groups, particularly on discharge arrangements.

The support of volunteers, Governors and those fundraising for charities that support the Royal Bournemouth and Christchurch Hospitals continue to provide invaluable additional benefit to patients which is gratefully received.

£2 million target for new cancer unit

The Jigsaw Cancer and Blood Disorders Appeal was launched in November 2006. Its aim was to initially raise £1 million to extend and improve the cramped conditions experienced by patients in the Haematology and Oncology Unit.

When the hospital opened in 1990 there wasn't a ward designed for Haematology and Oncology and the current wards were not designed as a Cancer Unit. As the treatment of these conditions has progressed more patients are being helped. Patients receive treatment on and off for a significant period of time resulting in the Unit being very cramped. The Day Unit can see up to 80 patients a day and the provision of privacy, confidentiality and maintenance of patients' dignity is extremely limited due to the existing space pressures.

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At the end of 2007 the Trust proposed the construction of a new cancer facility in preference of refurbishing and extending the current unit (you can read more about this on page 32). This option was chosen because it will offer even greater benefit to patients being treated for cancer. It will also allow the Trust to continue to treat cancer patients in circumstances where upgrading existing facilities would have made this difficult during the construction phase.

The Jigsaw Cancer and Blood Disorders Appeal now aims to raise £2 million by March 2009. It will help to provide a state of the art facility dedicated to the care and treatment of patients with cancer.

In the last year just under £1 million has been raised through a variety of initiatives:

- Over 600 guests enjoyed 'Music for a Summer's Evening' while picnicking in the grounds of Chewton Glen
- Twenty trekkers set off for Hebei Province to trek the Great Wall of China. The group enjoyed five days of exploration and cultural discovery in the Middle Kingdom's national icon and then savoured the highlights of Beijing, including the Imperial Palace (Forbidden City) and the Summer Palace.

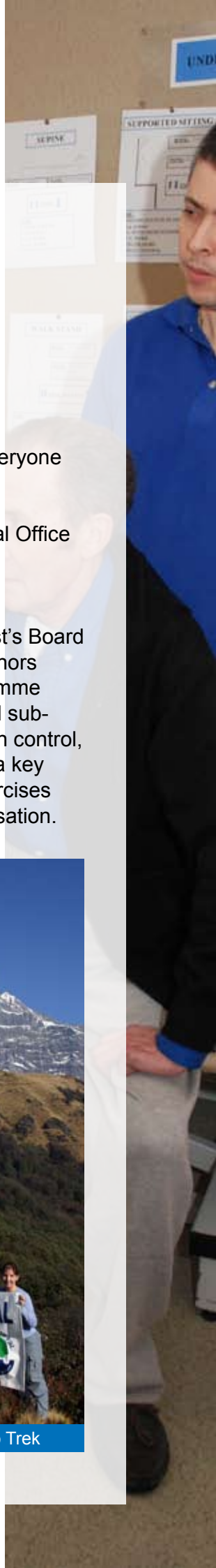
The Jigsaw Appeal has received outstanding support from the local community and businesses which has significantly contributed to the success to date. Our grateful thanks go to everyone who has helped.

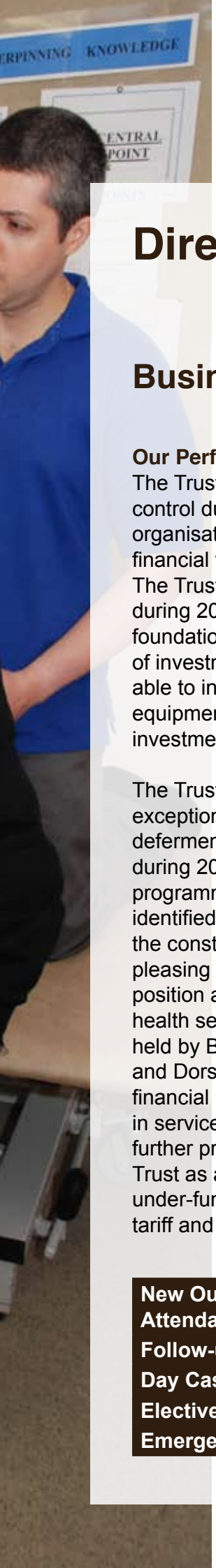
You can contact the Jigsaw Appeal Office on (01202) 704060.

Working with Governors

The relationship between the Trust's Board of Directors and Council of Governors continues to strengthen. A programme of seminars, involvement in Board sub-committee work - such as infection control, marketing and governance - and a key role in the public consultation exercises held have all benefited the organisation.

Jigsaw Appeal's Mount Kilimanjaro Trek





Directors' Report

Business Review

Our Performance

The Trust has maintained strong financial control during the year, leading to the organisation substantially exceeding its financial targets agreed with Monitor. The Trust will realise a surplus of £9.4m during 2007/08 and this has provided the foundation for a substantial programme of investment in 2008/09. The Trust being able to invest £10m in new buildings and equipment is one of the largest amounts of investment since the hospital was built.

The Trust's liquidity position remains exceptionally strong aided by the deferment of some capital expenditure during 2007/08. A substantial capital programme commitment has been identified, however, for 2008/9, including the construction of a new car park. It is pleasing to see a generally strong financial position across the whole of the local health service, with sizeable surpluses held by Bournemouth and Poole PCT and Dorset PCT. This provides a sound financial base for planning future changes in service provision whilst recognising that further pressures are likely to fall on the Trust as a consequence of the continued under-funding of inflation within the tariff and plans to transfer some service provision from the hospital setting into the community.

In 2007/08 the Foundation Trust saw and treated more patients than it had done in any preceding year. The figures illustrating this are detailed below.

Key Performance targets – March 2008

- 100% of urgent referrals seen within two weeks
- Achievement of the 31 and 62 day cancer standards
- Meeting the target of 98% of patients waiting less than four hours in the Emergency Department
- No patient waited more than 20 weeks for inpatient treatment
- No patient waited longer than 11 weeks for a new outpatient appointment
- Achieving financial balance

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.

	2005/06	2006/07	2007/08
New Outpatient Attendances	113,688	134,378	137,000
Follow-up Attendances	136,779	163,618	176,208
Day Case procedures	41,926	46,671	52,805
Elective Inpatients	13,229	13,348	13,861
Emergency Admissions	25,438	24,486	25,305

Directors' Report

Making a surplus for a purpose

As a Foundation Trust we are able to make a surplus (in fact we are required to by our independent regulator Monitor). This is because foundation trusts are required to be financially independant, and so need a small margin for contingencies - just as any sensible business or household needs to spend less than its income. This surplus can be used to then invest in patient care and providing services.

Making a surplus does not mean that we have reduced services or that we have not invested. We are able to make a surplus for a number of reasons:

- We run our hospitals extremely efficiently and have made significant savings, for example finding cheaper suppliers for certain equipment.
- As a Foundation Trust we are paid for the patients we treat. Our staff have treated more patients to meet the government's 18 week target.
- We have several 'one off' items of savings that have added to the 2007/08 surplus.

Over the next five years we will be investing over £56m of capital to improve our services. Significant capital investments include:

- A new purpose built integrated stroke unit at the Royal Bournemouth Hospital.
- A new cancer centre at the Royal Bournemouth Hospital (with support from the Jigsaw Appeal and Macmillan Cancer Trust).
- An increase in car parking at RBH of about 450 spaces.
- Upgrading the Macmillan Unit at Christchurch Hospital - with support from the Macmillan Cancer Trust.
- Investment in the Emergency Service; including more single rooms.
- Improving the environment at Christchurch Hospital.
- Upgrading radiology equipment.
- Providing a 24/7 PCI treatment for heart attack patients.

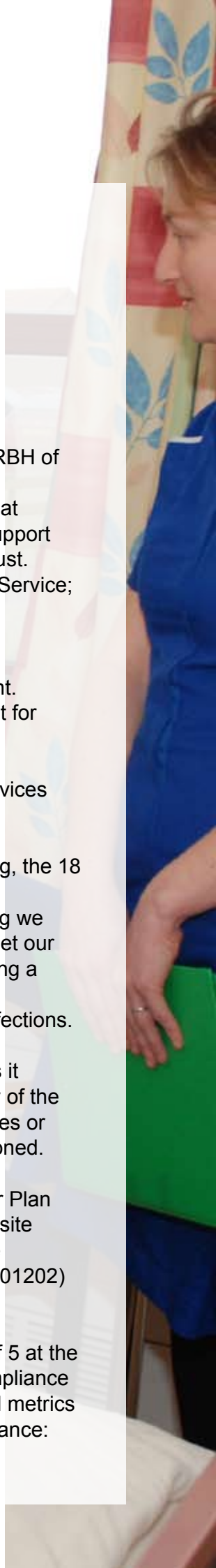
Other investments in staff and services include:

- Achieving, and often exceeding, the 18 week target.
- Investing in our staff – ensuring we have a work force that can meet our goals. This includes establishing a customer service programme.
- Reducing hospital acquired infections.

If the Trust did not make a surplus it would not be able to carry out any of the significant improvements to facilities or patient services as already mentioned.

For further details of our Five Year Plan and investments log onto our website at www.rbch.nhs.uk or contact the Communications Department on (01202) 704271.

The Trust achieved a risk rating of 5 at the year end, as part of Monitors' compliance framework. The following financial metrics confirm a strong financial performance:



Directors' Report

	Actual	Rating
EBITDA margin	9.6%	4
EBITDA margin (achieved)	153.8%	5
ROA	9.0%	5
I&E surplus margin	4.8%	5
Liquid ratio	59.6%	5
		5

Trends, issues and factors affecting our performance

During 2007/08 there were several factors that directly affected the Trust's ability to deliver its business objectives. Many of these are identified and discussed within the five year strategy under the operating environment section, and form part of the Trust's risk register where uncertainties and negative trends may constrain plans.

Overall the local health community retains a strong financial basis. Longer term trends such as an ageing population, rising patient demand and new technologies combined with rapid policy development by Government provide a challenging backdrop. Increasingly strong relations and longer term planning with local commissioners and partners is allowing these challenges to be addressed in a considered way.

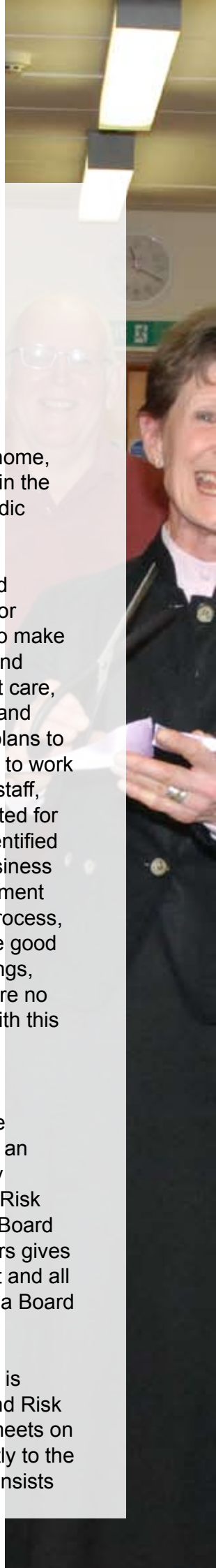
Specifically in 2007/08 the most significant factors that needed to be managed, included:

- Norovirus (winter flu)
- Winter pressures
- 18 week rule uncertainty
- Demand management plans
- Recruitment to certain posts

A significant strand of work throughout 2007/08 included responding to the extra pressures of increased emergency admissions as a result of winter, and the growing national prevalence of Norovirus. An older catchment population and the number of community locations where the virus can spread, such as hotels, nursing homes and schools, all make services more vulnerable to outbreaks. This is an increasing trend year on year, and the Annual Plan for 2008/9 includes further measures to reduce the spread of this virus within the Trust.

Plans that were successfully executed in 2007/08 included opening an additional ward over the winter period (at Christchurch) the transfer of an orthopaedic ward for medical outliers and significant joint working with local partners. On the latter point, the additional efforts, especially by Bournemouth and Poole PCT and Bournemouth Social Services to reduce our delayed transfers of care, was a critical factor in the Trust remaining open and achieving the key targets. This was especially so in the January-March period when we saw record numbers of patients, partly to achieve the shorter wait times and respond to emergencies.

Directors' Report



18 week maximum waits was a further significant area of focus. The uncertainty regarding the exact rules to measure waiting times, and the lack of a purpose built IT system to capture and report against this, was a major area requiring detailed work. Going forward, the IT upgrade in 2008 and taking the wait times even lower which will ensure performance will be made sustainable. This is predicated upon making much of the infrastructure and staffing established in 2007 permanent. Central to this is the additional theatre staff and the Derwent Orthopaedic Unit.

Demand management is part of PCT plans to reduce demand for hospital services, in line with Government policy. This remains an area where closer working with PCTs is allowing positive outcomes to flourish. The risk is that significant, unplanned changes can be destabilising, affecting patients, staff and the operational of services. However, by ensuring plans are progressed collaboratively and form part of the financial and contractual process with PCTs, it allows all parties the ability to work collaboratively and constructively.

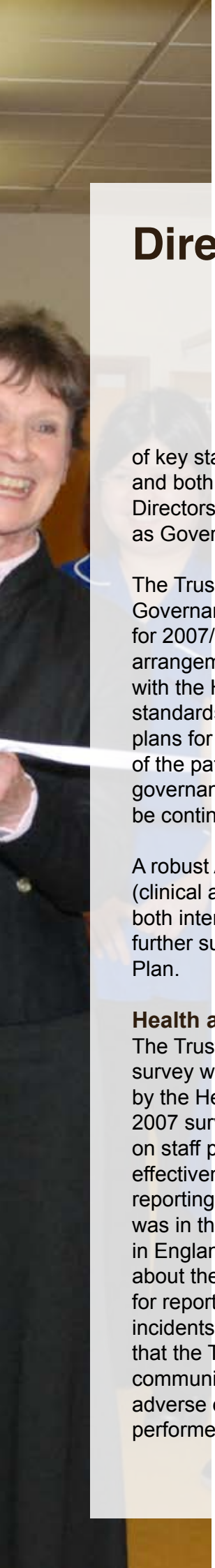
As a result of this joint working the Trust has supported various initiatives delivering better care and reduced costs to PCTs. One example is the OPAL (Older People's Advice and Liaison) service which has diverted many emergency patients to intermediate care services, drastically reducing their time in hospital. Others include joint working on minor operations happening more at GP surgeries, palliative care patients being supported at home, and outpatient service expansion in the community, such as the Orthopaedic Medicine Service.

A final trend that is recognised and being addressed is recruitment. For healthcare assistants (HCAs), who make up a significant number of posts and play a key role in everyday patient care, issues such as improved training and support, flexible recruitment and plans to address car parking and transport to work are all key actions. For specialist staff, especially the extra doctors recruited for 18 week extra activity this was identified as a key risk to our delivery of business objectives. Happily close management of the recruitment and retention process, and flexibility in capacity to ensure good use of staff, equipment and buildings, came together to ensure there were no significant problems associated with this issue.

Effective risk management

The Trust continued to support the development and management of an active risk register that is regularly reviewed by the Governance and Risk Management Committee and the Board of Directors. The Board of Directors gives a high priority to risk management and all risks on the register are assigned a Board level lead.

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



Directors' Report

of key stakeholders in the organisation and both Executive and Non-Executive Directors represent the Board, as well as Governor representatives.

The Trust produced a detailed Governance Development Plan for 2007/08 to further improve arrangements in place for compliance with the Healthcare Commission core standards. The plan included action plans for progress on implementation of the patient safety and clinical governance standards. This work will be continued in 2008/9.

A robust Annual Audit Programme (clinical and non – clinical) that includes both internal and external reviews further supports implementation of the Plan.

Health and Safety

The Trust took part in the NHS Staff survey which is conducted annually by the Healthcare Commission. The 2007 survey provided positive feedback on staff perception on fairness and effectiveness of the Trust's incident reporting procedures. The Trust score was in the highest 20% of acute Trusts in England. Staff were also asked about the awareness of the procedures for reporting errors, near misses and incidents and to what extent staff feel that the Trust encourages reporting, communication and learning from adverse events, again the Trust performed well compared to peers.

Under a fifth (16%) of staff completing the survey said that they had been injured and felt unwell as a result of, for example, moving or handling, needlesticks, slip, trips and falls. This is a reduction from 21% from the 2006 survey and is among the lowest of acute trusts in the country.

Reporting incidents

A total of 4,968 adverse incidents (and potential adverse incidents) were reported during 2007/08. 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 (NLRS). In addition, reports are sent to the Health and 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.

Directors' Report

Social Responsibilities

The Environment

The Trust closely monitors its production of greenhouse gases, and generated 3,558 tonnes of CO2 last year, a 22% reduction on the previous year, due to changes of use of the site. There is still an ongoing campaign of good housekeeping in an attempt to reduce the hospitals' carbon footprint as well as a number of technical solutions being implemented to save energy; including intelligent hospital street lighting. These initiatives are 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. 31% of the electricity used within the Royal Bournemouth and Christchurch Hospitals came from green sources.

Waste and Recycling

During 2007/08 there has been a 4% cost increase in domestic waste going to landfill, with another increase in Landfill Tax due in 2008/9. To offset these increases our aim is to reduce household waste by expanding our recycling, including glass, plastics and aluminium that would otherwise go to landfill sites. Last year for example the Trust recycled:

- Cardboard and paper – 56 tonnes
- Lamps and tubes – 1272 kg (over 8000 units)
- Electrical white goods (60 units)
- Plastic bottles – 1100 kg

We currently also have provision to recycle:

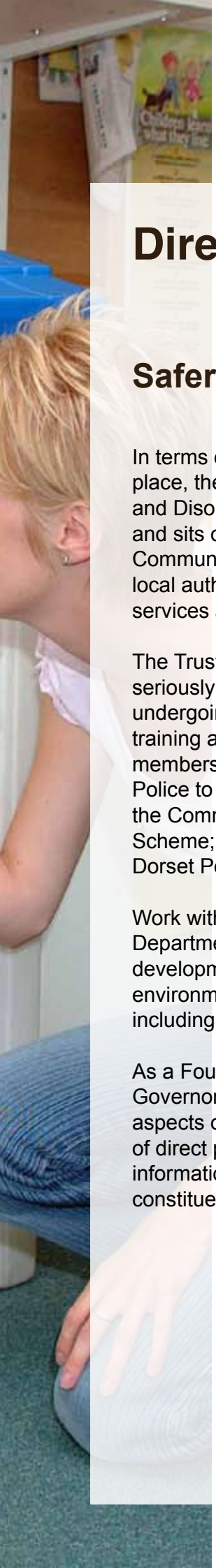
- Batteries
- Electronic/electronic equipment, televisions, computers/monitors
- Green garden waste
- Used oil

The volume of waste sent to landfill has decreased by approx 5% with the introduction of the Landfill Directive.

To comply with the Directive the Trust now pre-treat and separate all hazardous waste which is then dealt with by a specialist contract.

To further reduce the amount going to landfill the Trust is introducing mixed recycling schemes to include plastic bottles, aluminium cans and glass. 10% of our waste volume is recycled, which equates to 14.5% of our total waste costs.

The Trust's Green Transport Plan has recently been updated and encourages staff, patients and visitors to consider alternatives to using their car to come into hospital. This includes 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.



Directors' Report

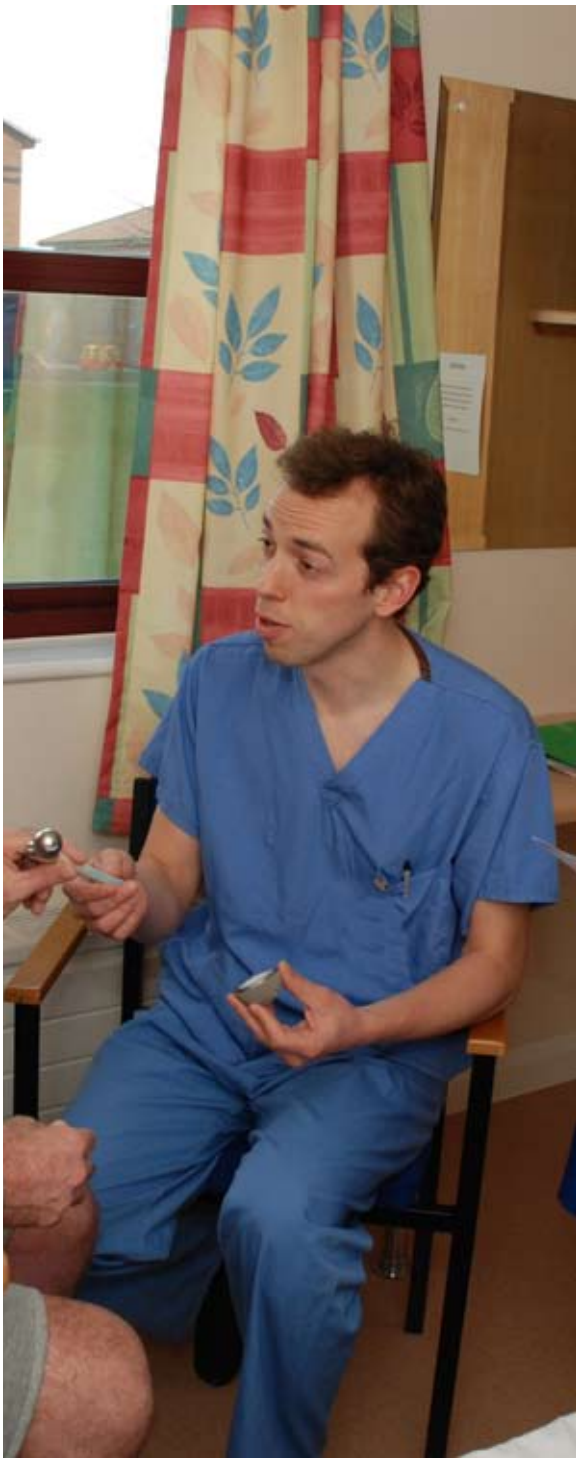
Safer Communities

In terms of making our community a safer place, the Trust is part of the local Crime and Disorder Reduction Partnership and sits on the Safer and Stronger Communities group with partners from the local authority, police, education, social services and the voluntary sector.

The Trust takes security in our hospitals seriously too. The Trust's porters are undergoing Security Industries Approved training and it is proposed that some members of staff will be trained by Dorset Police to receive delegated powers under the Community Safety Accreditation Scheme; this is still being evaluated by Dorset Police.

Work with the local authority Planning Department ensures any new developments take account of our environment and population needs, including disabled access.

As a Foundation Trust of course Governors take an active part in these aspects of the Trusts work, both in terms of direct participation and providing information and feedback from their constituents.



Directors' Report

Looking Ahead

Our vision, goals and values

What are we aiming for?
Our overall vision is to put our patients first while striving to deliver the best quality healthcare.

How we achieve this will be guided by a set of values and delivered through seven strategic goals.

Values

Honesty
To deal openly, honestly and sensitively with patients, the public and our staff.

Respect
The Trust will respect the dignity of patients and ensure that services are organised to put patients' interests first.

Empowering
We will promote a culture which motivates and enables our staff to perform to their highest potential, encouraging their contribution and valuing and respecting them as individuals.

Stewardship
The Trust will be a responsible steward of public money aiming to achieve the maximum benefit from available resources.

Excellence
The Trust will offer excellent service to patients, staff and visitors and those who work with us.

Vision

"Putting patients first while striving to deliver the best quality healthcare"

Goals

To offer patient centred services through the provision of high quality, responsive, accessible, safe, effective and timely care.

To promote and improve the quality of life of our patients.

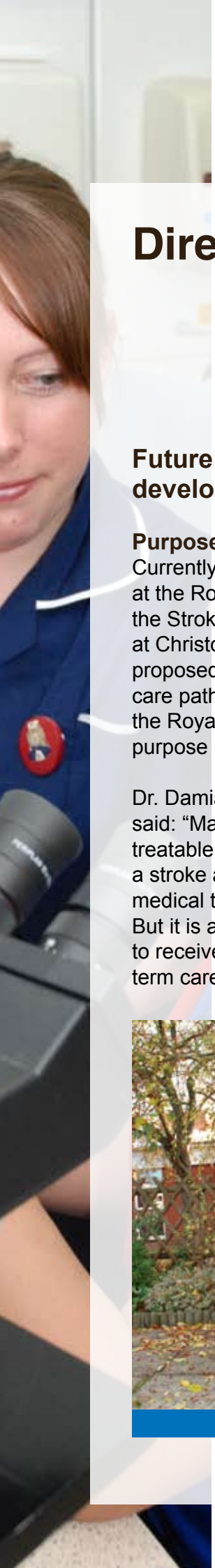
To strive towards excellence in the services and care we provide.

To be the provider of choice for local patients and GPs.

To listen to, support, motivate and develop our staff.

To work collaboratively with partner organisations to improve the health of local people.

To maintain financial stability enabling the Trust to invest in and develop services for patients.



Directors' Report

Future investments and developments

Purpose built stroke centre

Currently, the Acute Stroke Unit is based at the Royal Bournemouth Hospital while the Stroke Rehabilitation Unit is based at Christchurch Hospital. As part of a proposed redesign of the entire stroke care pathway the two units will merge on the Royal Bournemouth site as part of a purpose built stroke centre.

Dr. Damian Jenkinson, Stroke Consultant, said: "Many strokes are preventable and treatable as long as those who have had a stroke are brought to hospital to receive medical treatment as soon as possible. But it is also important for stroke patients to receive the right rehabilitation and long term care.

"The aim is to ensure that all potential stroke patients are brought into hospital as soon as possible so that, where suitable, we can administer clot busting drugs immediately and that patients having immediate access to a brain scan so that the most appropriate treatment can begin as soon as possible."

Cancer Unit

Together with funds raised through the Jigsaw Appeal, the Trust has agreed significant investment in a new Cancer Centre. As the treatment of cancer progresses more patients are being helped but the space available hasn't increased much since the hospital opened in 1990. The Day Unit can see up to 80 patients a day and the provision of privacy and dignity is extremely limited due to space constraints.

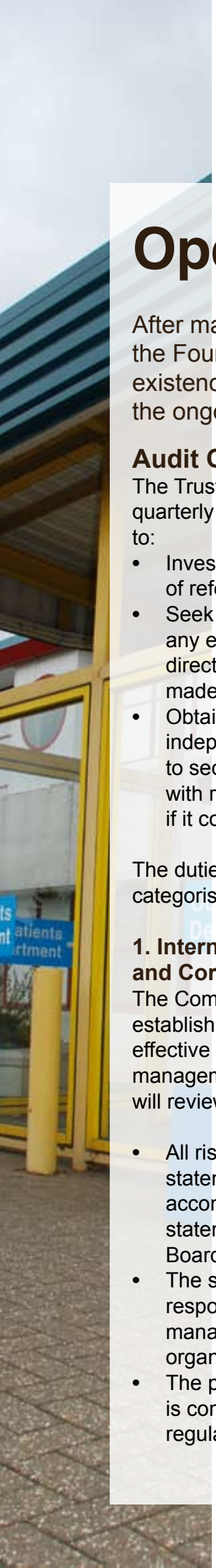
The Trust proposed the construction of a new cancer facility in preference to extending the current unit because it offered greater benefit to patients. It will also allow the Trust to continue to treat cancer patients in circumstances where upgrading existing facilities would have made this difficult during construction.

Other investments include:

- Day Surgery Unit - additional procedure room, primarily for Urology patients.
- Replacement bed programme.
- Medical equipment.
- Outpatient refurbishment

Directors' Report

- Acute Admissions Unit – investment in waiting areas and single rooms to support privacy and infection control



Operating and Financial Review

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 ongoing 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:

1. 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.

2. 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.

Operating and Financial Review

3. 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 begins, 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.
- Report non-compliance with, or inadequate response to, external audit reports to the Board of Directors.

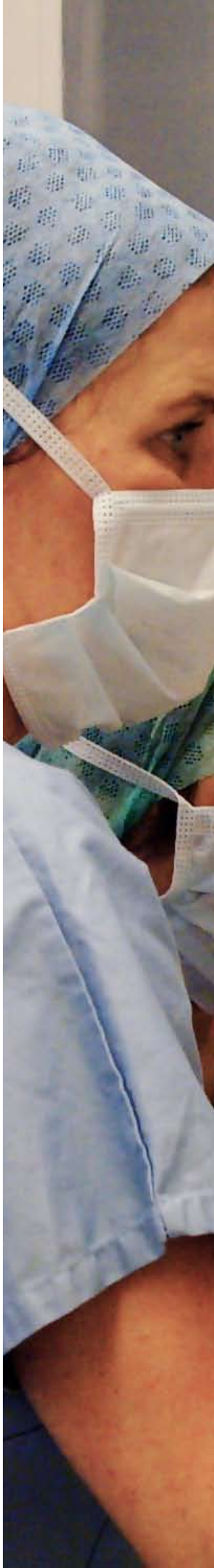
4. Financial Reporting

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.

All members of the Audit Committee attended all four meetings during 2007/08, these were:

- Ian Metcalfe, Non-Executive Director (Chair)
- Brian Ford, Non-Executive Director
- Lindsey Dedden, Non-Executive Director



Governance and Membership

Board of Directors

Attendance at Board of Directors' meetings 2007/08

Name	Title	Attendance (out of 12)
Belinda Atkinson	Director of Nursing	11
Karen Allman	Director of Human Resources (from July 2007)	9
Sheila Collins	Chairman	12
Lindsey Dedden	Non-Executive Director	12
Jenny Dempsey	Acting Director of Human Resources (to June 2007)	2
Brian Ford	Non-Executive Director	11
Stuart Hunter	Director of Finance and IT	11
Richard Renaut	Director of Service Development	12
Ian Metcalfe	Non-Executive Director	11
Frances Outram	Non-Executive Director	12
Simon Parvin	Medical Director	10
Colin Perry	Chief Operating Officer (to October 2007)	4
Alex Pike	Non-Executive Director	8
Tony Spotswood	Chief Executive	12
Ken Tullett	Non-Executive Director	9

All of the Non-Executive Directors are considered to be independent by the Board of Directors.

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. Arrangements for the termination of appointment of a Non-Executive Director are set out in the Trust's constitution.

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.

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

Governance and Membership

Director undertook the evaluation of the performance of the Chairman, with the outcomes of both processes being shared with the Council of Governors. The Chief Executive undertook appraisals of the performance of the Executive Directors and the Chief Executive's performance was appraised by the Chairman.

The performance of Board as a whole was evaluated with the assistance of an external consultancy, the results of this being shared with the Council of Governors.

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. This includes the other significant commitments of the Chairman which have not changed in the year under report.

Council of Governors

There are 28 members of the Council of Governors. The Council of Governors play 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.

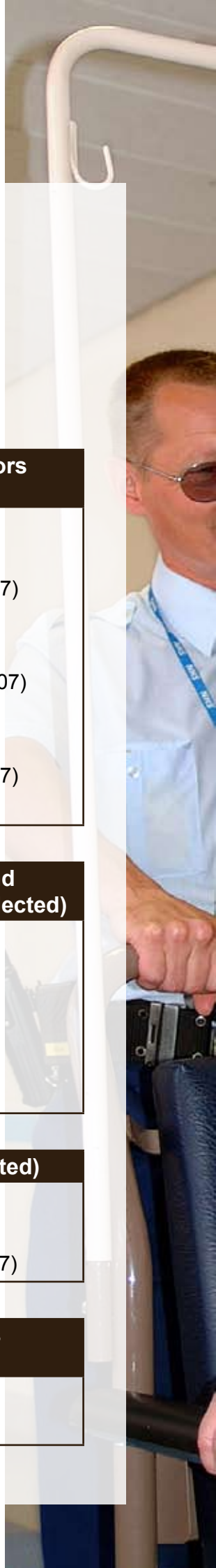
In 2007/08 the Council of Governors was made up as follows:

Bournemouth public governors (elected)
Phil Carey
Sharon Carr-Brown
Joyce Littman (from October 2007)
Brian Newman
Leon Kaufman
Mac McKenzie (from October 2007)
Keith Mitchell
Chris Weyell (until July 2007)
Ernest Everett (until October 2007)
David Lyons (until October 2007)

Christchurch, East Dorset and Purbeck public governors (elected)
Sue Bungey
James Watts-Phillips
Michael Desforges
Lee Foord
Alf Hall
Don Riggs (until October 2007)

Poole public governors (elected)
Mervyn Richardson
Peter Stebbing (until July 2007)
Bernard Broderick (until July 2007)

New Forest public governors (elected)
Celia Fern
John Hempstead



Governance and Membership

Staff public governors (elected)
Alan McCoy
Pauline Kimpton
Dily Ruffer
Fiona Randall
Fiona Stephenson (from October 2007)
Mark Noble (until October 2007)

Nominated (appointed by their respective organisations)
Michael Weinhonig, Bournemouth Borough Council (until April 2007)
Charles Meachin, Borough of Poole (until October 2007)
Ken Hockey, Bournemouth and Poole PCT
David Fox, Dorset County Council
Malcolm Macleod, External Voluntary Organisations (from January 2007)
Nigel Clarke, Hampshire County Council (until October 2007)
Dennis Hasted, Hospital Volunteers
Chris Williams, External Voluntary Organisations (until September 2007)
Elaine Atkinson, Borough of Poole (until July 2007)

Public governors were first elected in February 2005 by secret ballot of the public membership, using the single transferable vote system. Each public governor was elected for a term of three years. Equivalent arrangements apply to the staff governors.

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

A record of the number of meetings held by the Council of Governors and the attendance of individual governors is kept by the Trust Secretary and is available to members on request.

Governor Elections

Elections to vacant positions for public and staff governors took place in October 2007. The following were elected for a three year term:

- Phil Carey, Bournemouth
- Mac Mckenzie, Bournemouth
- Joyce Littman, Bournemouth
- Lee Foord, East Dorset, Christchurch and Purbeck
- Michael Desforges, East Dorset, Christchurch and Purbeck
- Fiona Stephenson, Staff
- Pauline Kimpton, Staff

At each meeting of the Council of Governors, a declaration of any interests held which may conflict with their role as Governor is recorded. A copy of the declaration of interests can be inspected by arrangement with the Trust Secretary.

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 of concern to Governors.

Governance and Membership

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:

- Periodically reviewing 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
- 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:

- Keith Mitchell
- Lee Foord
- Ken Hockey
- Sheila Collins (Chairman)

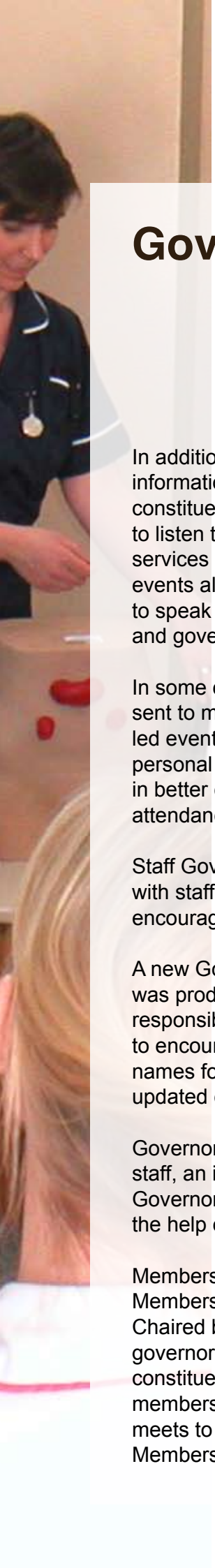
The Committee met on one occasion in 2007/08. No appointments of Non-Executive Directors were made during the year under report.

Developing the Membership

During 2007/08 the role of Governors continued to evolve, particular in relation to meeting with members in local constituencies.

During the summer, Governors played a key role in a series of public meetings held within each constituency as part of the Healthy (Trust Strategy) Future public consultation. Four open meetings were also held for staff across both hospital sites. A further successful public meeting was organised as part of the public consultation over proposed plans for Christchurch Hospital, which over 70 members of the public attended and gave their views.

Governors taking part in the Trust's O



Governance and Membership

In addition, various meetings and information sessions were held within the constituencies bringing members together to listen to presentations on all aspects of services delivered within the Trust. These events also gave members an opportunity to speak and ask questions of Trust staff and governors.

In some cases individual letters have been sent to members inviting them to Governor led events which has developed a more personal membership approach resulting in better communication and better attendance at meetings.

Staff Governors have held meetings with staff throughout the year to try and encourage more to join the membership.

A new Governor Information Booklet was produced outlining the aims and responsibilities of governors in an attempt to encourage more members to put their names forward for election. This will be updated each year.

Governors also developed, with Trust staff, an induction programme for new Governors. This is being developed with the help of new governors.

Membership issues are led by the Membership Development Committee. Chaired by a public governor with governor representation from each constituency, a staff member and members of the Trust, the Committee meets to develop and progress a Membership Development Strategy. Over the next 12 months developments include:

- Continue to build a membership representative of the local community.
- Continue to develop and improve the co-ordination of recruitment activities.
- Each governor to recruit at least 10 new members and to track which event these members were recruited from.
- Raise the profile of Governors within the community to establish better local links and to encourage members to stand for election as public and staff governors.
- Continue to increase partnership between the Council of Governors and the Board of Directors through the Trust's Chairman.
- Develop an interactive members area on the website with the support of the Trust.

Eligibility to become a member

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
- 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 31st March, 2008 there were 13,086

Governance and Membership

members in the following constituencies:

Constituency	Members
Bournemouth	9,327
Poole	2,162
Christchurch, East Dorset and Purbeck	1,204
New Forest	393
Total	**13,086**

And 1,130 members within the staff constituency in the following classes:

Class	Staff Members
Administrative and Clerical	204
Allied Health Professional and Scientific and Technical	165
Estates and Ancillary	77
Medical	79
Nursing and midwifery	404
Undisclosed	6
Total	**972**

Ethnicity	Public Members
White	11,768
Mixed	30
Asian	620
Black	29
Other	46
Undisclosed	593
Total	**13,086**

Gender	Members
Male	5,947
Female	7,892
Undisclosed	219
Total	**14,058**

Socio-economic groups:

Public constituency	No. of members	Eligible membership
ABC1	7,066	265,980
C2	1,832	70,610
D	1,963	66,689
E	2,225	78,097

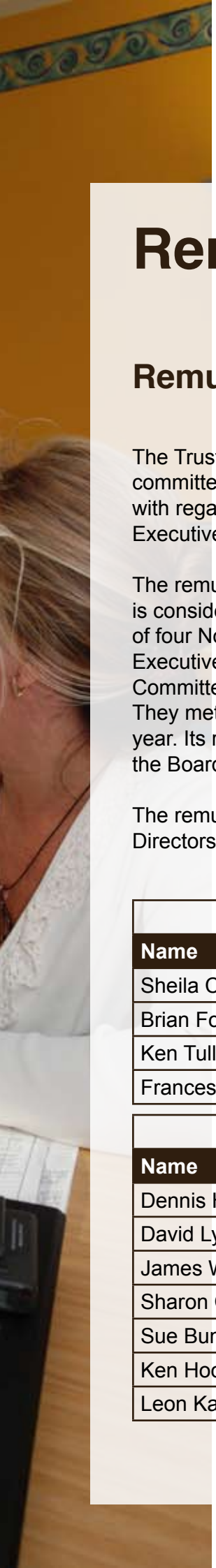
Members who wish to communicate with their Governors and/or Directors should contact the Trust Secretary, The Royal Bournemouth Hospital, Castle Lane East, Bournemouth, BH7 7DW.

Public Interest Disclosures

Details of the Trust's consultation activities and other patient and public involvement activities for the year 2007/08 can be found in the section Consulting our patients, staff and local people.

The Foundation Trust's policies in relation to disabled employees and equal opportunities can be found on page 37.

Information on health and safety can be found on page 37.



Remuneration Report

Remuneration Committee

The 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. Non-Executive Directors are present when the Committee determines the final salaries They met on four occasions during the year. Its recommendations are put before the Board of Directors for approval.

The remuneration of Non-Executive Directors is considered by a committee made up of Governors, elected by their colleague Governors for this purpose. In 2007/08, it met on four occasions and the membership of this remuneration committee can be seen in the table below:

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. The Trust Secretary is in attendance to record the proceedings.

Meetings of the Executive Director Remuneration Committee	
Name	**Meetings attended**
Sheila Collins (Chairman)	4
Brian Ford	2
Ken Tullett	4
Frances Outram	4

Meetings of the Non-Executive Director Remuneration Committee	
Name	**Meetings attended**
Dennis Hasted (until July 2007)	1
David Lyons (until July 2007)	1
James Watts-Phillips (until July 2007)	1
Sharon Carr-Brown (from July 2007)	3
Sue Bungey (from July 2007 re-elected)	3
Ken Hockey (from July 2007)	2
Leon Kaufman (from July 2007)	3

Remuneration Report

Directors' Remuneration

Name	Note	2007/08			2006/07		
		Salary	Other Remuneration	Benefits in Kind	Salary	Other Remuneration	Benefits in Kind
		(bands of £5000)	(bands of £5000)	Round-ed to the nearest £100	(bands of £5000)	(bands of £5000)	Rounded to the nearest £100
		£'000	£'000		£'000	£'000	
Mr A Spotswood		161 - 165	0	0	141 - 145	0	0
Mr C Perry	1	156 - 160	0	0	111 - 115	0	0
Mr S Hunter		106 - 110	0	0	41 - 45	0	0
Mrs K Allman	2	71 - 75	0	0	0	0	0
Miss B Atkinson		91 - 95	0	0	81 - 85	0	0
Mr S Parvin		41 - 45	131 - 135	0	16 - 20	136 - 140	0
Mr R Renaut		86 - 90	0	0	81 - 85	0	0
Mrs S Collins		46 - 50	0	0	46 - 50	0	0
Mr B Ford		16 - 20	0	0	11 - 15	0	0
Mrs L Dedden		11 - 15	0	0	11 - 15	0	0
Mr K Tullett		11 - 15	0	0	11 - 15	0	0
Mrs F Outram		11 - 15	0	0	11 - 15	0	0
Mr I Metcalfe		16 - 20	0	0	11 - 15	0	0
Mrs A Pike		11 - 15	0	0	6 - 10	0	0

For positions held as at 31st March 2008, please see the Foundation Trust Introduction

Note 1: Left 9th October 2007
Note 2: Joined 1st June 2007

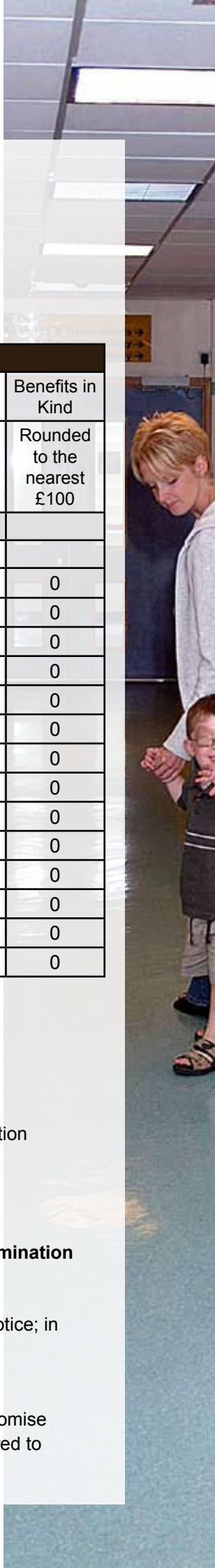
All other senior managers' remuneration arrangements are determined through job evaluation (currently through Agenda for Change).

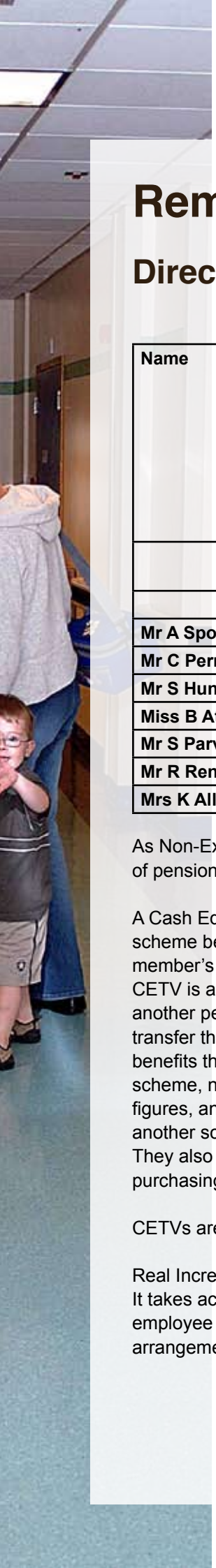
Director and senior manager remuneration does not include a performance component.

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; in appropriate cases this could be varied by mutual agreement.

All contracts are permanent in nature (i.e. not fixed term).
There are no provisions in place for termination payments, other than through legal compromise agreements. All other senior managers are appointed on "permanent" contracts are required to give/receive three months' notice.





Remuneration Report

Directors' Pensions

Name	Real Increase in Pension and Related Lump Sum at age 60	Total accrued Pension and Related Lump Sum at age 60 at 31 March 2008	Cash Equivalent Transfer Value at 31 March 2008	Cash Equivalent Transfer Value at 31 March 2007 (Inflated)	Real Increase in Cash Equivalent Transfer Value	Employer-Funded contribution to growth in CETV for the year
	(Bands of £2500)	(Bands of £2500)				
	£'000	£'000	£'000	£'000	£'000	£'000
Mr A Spotswood	27.5 - 30	206 - 210	711	591	120	84
Mr C Perry	Consent Withheld					
Mr S Hunter	17.5 - 20	136 - 140	477	293	184	129
Miss B Atkinson	12.5 - 15	131 - 135	572	500	72	51
Mr S Parvin	40 - 42.5	231 - 235	1,035	845	189	133
Mr R Renaut	5 - 7.5	46 - 50	108	91	17	12
Mrs K Allman	22.5 - 25	21 - 25	73	0	61	43

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.

Financial Statements





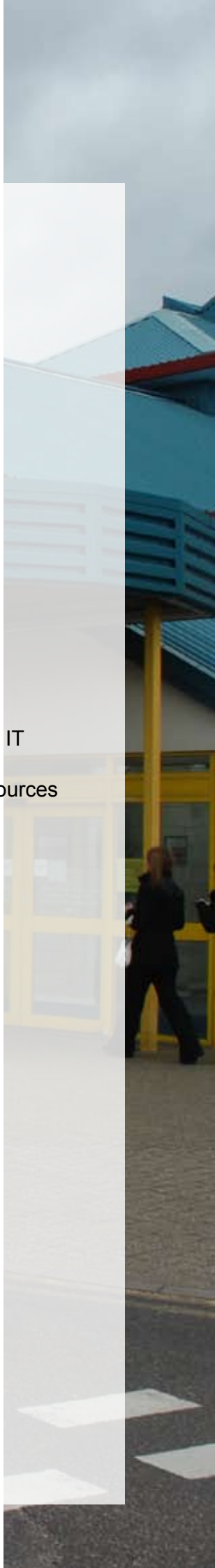


For the Year ended 31 March 2008

Contents

Foundation Trust

NHS Foundation Code	**RDZ**	
Registered Office	**The Royal Bournemouth Hospital** Castle Lane East Bournemouth BH7 7DW	
Directors		
Executive	**Mr A Spotswood**	Chief Executive
	Mr S Hunter	Director of Finance and IT
	Miss B Atkinson	Director of Nursing
	Mrs K Allman	Director of Human Resources
	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** Eastleigh	



Foreword

These accounts are for year ended 31st March 2008 of The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust ("the Foundation Trust") have been prepared in accordance with paragraph 24 and 25 of Schedule 7 of the National Health Service Act 2006, 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

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

The National Health Service Act 2006 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 Officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Under the National Health Service 2006 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 losses 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:

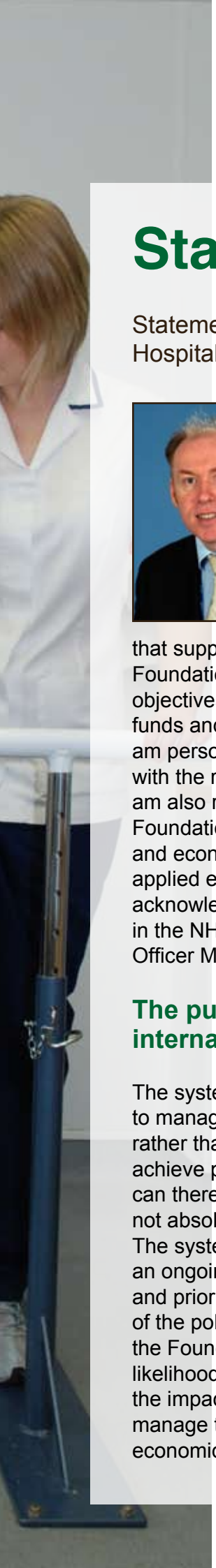
- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS Foundation Trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- 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.

Tony Spotswood - Chief Executiv

Date: 13th June 2008



Statement of Internal Control

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 2008 and up to the date of approval of the annual report and accounts.

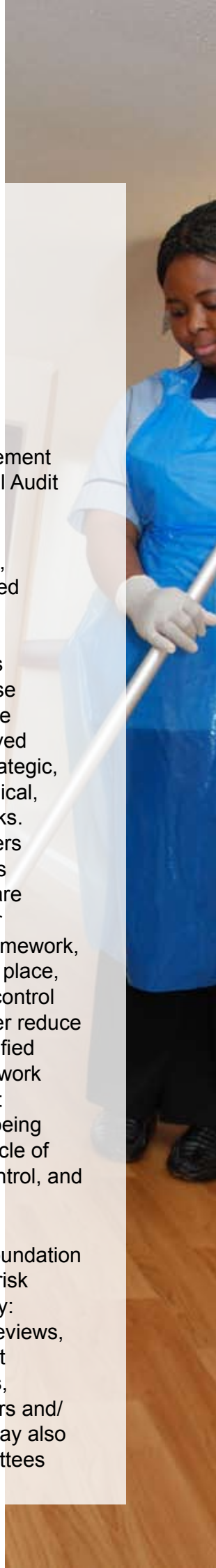
As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure compliance with all employer obligations contained within the scheme regulations.

Capacity to handle risk

As Accounting Officer 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 provides staff with the skills required to recognise, manage and monitor risk within their areas of

Statement of Internal Control



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. The effectiveness of the risk matrix and its application has been reviewed by the Governance and Risk Management Committee and verified by Internal Audit and the Audit Committee.

In line with statutory requirements, the Board of Directors has reviewed the Foundation Trust's 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 (strategic, financial, corporate, business, clinical, Human Resources etc) and all risks. The Framework also explicitly refers to the achievement of the domains and objectives within the Healthcare Commission "Standards for Better Health". Within the Assurance Framework, principal risks, key risk controls 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

Statement of Internal Control

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 They may also be raised by the Infection Control Committee which is a sub-committee of the Board of Directors.

Significant risks on the Foundation Trust Risk Register which feeds 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 Board of Directors and 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 reviewed quarterly by Governance & Risk Management Committee and annually by the Board of Directors and is incorporated within the Internal Audit progamme and approved by the Audit Committee.

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.

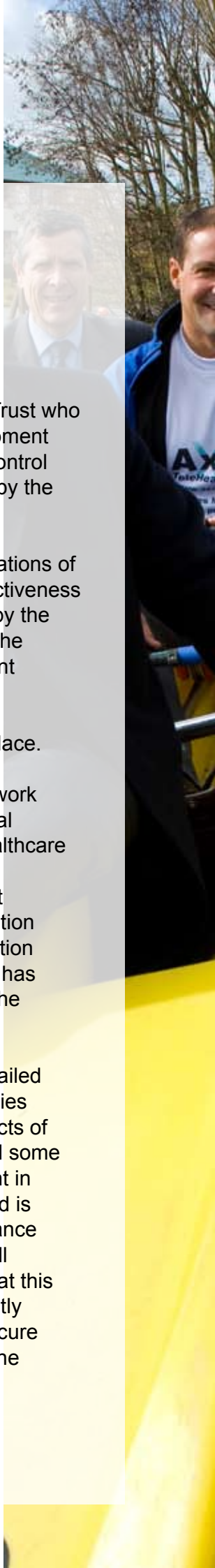
Executive and senior managers in the organisation have responsibility for the effective management and deployment of their staff and other resources to maximise the efficiency of their directorates or departments.

The Foundation Trust was 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 an 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.

Statement of Internal Control



A non-executive director chairs the Audit Committee. It met four 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 twelve times during the year and reviewed the Trust's business plans, cashflow, 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 the following sub committees to which it has delegated powers and responsibilities:

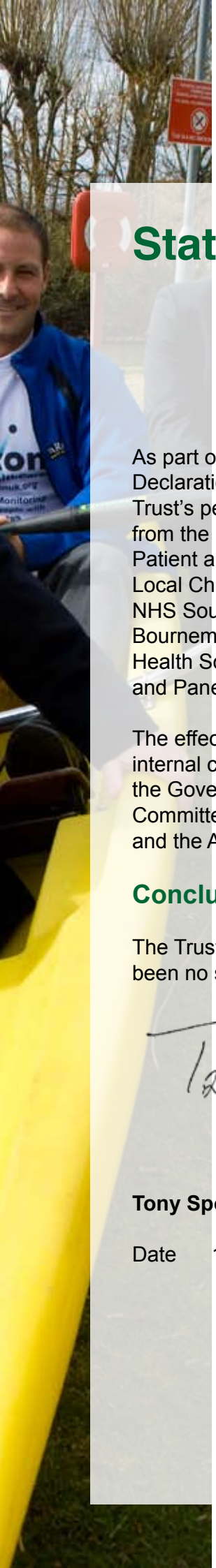
- Audit Committee
- Trust Management Board
- Governance and Risk Management Committee
- Infection Control Committee
- Finance Committee
- Marketing Committee

Review of effectiveness of the system of internal control

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 Foundation Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the External Auditors in their 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, with the exception of the standard relating to Information Governance (C9) where the Trust has declared insufficient assurance. The Board is assured there have been no significant lapses in respect of Information Governance but a detailed external review of the Trust's policies and processes relating to all aspects of Information Governance produced some recommendations for improvement in our systems. As a result, the Board is unable to confirm sufficient assurance of evidence which fully supports all areas of Information Governance at this stage; however the Trust is currently implementing an action plan to secure the evidence required to provide the assurance by 30 June 2008.



Statement of Internal Control

As part of the Annual Health Check Declaration, comments in support of the Trust's performance were also received from the Board of Governors, Independent Patient and Public Involvement Forum, Local Childrens Safeguarding Board, NHS South West, and the Dorset, Bournemouth and Poole Local Authority Health Screening Scrutiny Committees and Panels .

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.

Conclusion

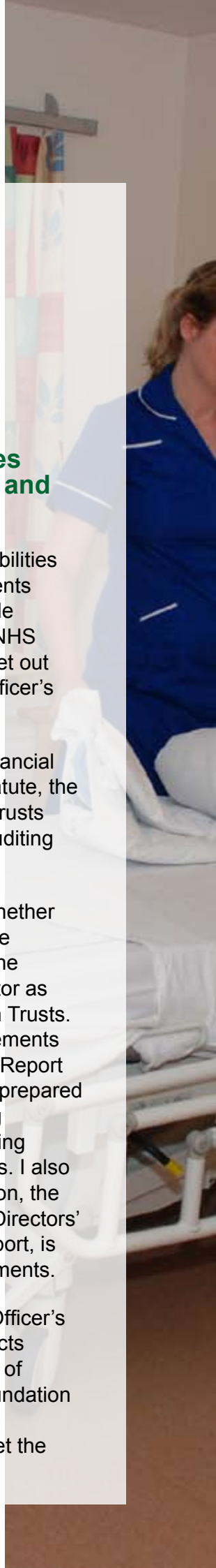
The Trust is able to confirm there have been no siginificant internal control issues.

Tony Spotswood - Chief Executive

Date 13th June 2008

We regularly receive patient feedback on the services we provide

Report of the Auditors



Independent Auditor's report to the Board of Governors of Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust

I have audited the financial statements of Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust for the year ended 31 March 2008 under the National Health Service Act 2006. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Governors of Royal Bournemouth and Christchurch Hospitals Trust 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.

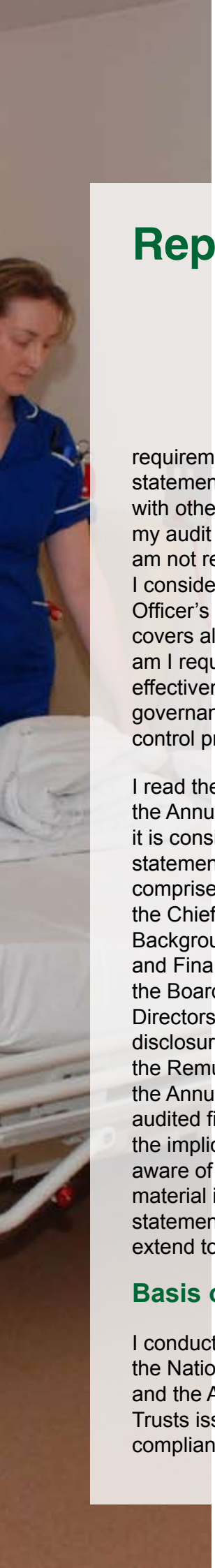
Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer's responsibilities for preparing the financial statements in accordance with directions made by the Independent Regulator of NHS Foundation Trusts (Monitor) 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 Monitor as being relevant to NHS Foundation Trusts. I report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts. I also report to you whether, in my opinion, the information which comprises the Directors' Report included in the Annual Report, is consistent with the financial statements.

I review whether the Accounting Officer's statement on internal control reflects compliance with the requirements of Monitor contained in the NHS Foundation Trust Financial Reporting Manual 2007/08. I report if it does not meet the



Report of the Auditors

requirements specified by Monitor 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 Chairman'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 included in the Annual Report is consistent with the audited financial statements. 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 Monitor, 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 and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

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; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Report of the Auditors

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Royal Bournemouth and Christchurch NHS Foundation Trust as at 31 March 2008 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Trust;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts; and
- information which comprises the Directors' Report, included in the annual report, is consistent with the financial statements.

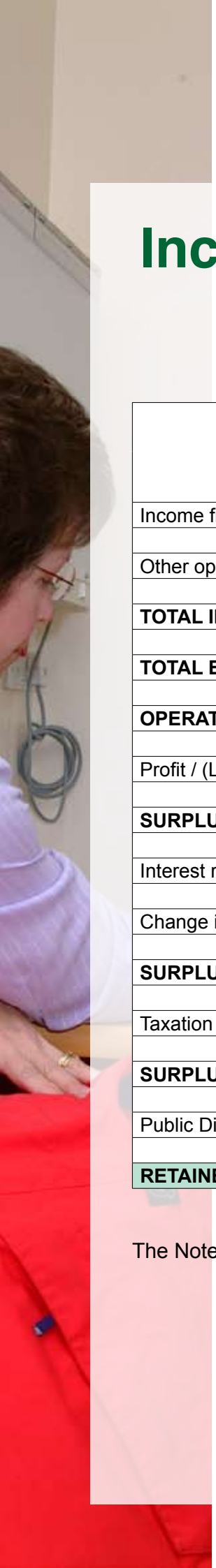
Certificate

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 Monitor.

Patrick Jarvis

(Officer of the Audit Commission)
Collins House
Bishopstoke Road
Eastleigh
Hampshire

13Th June 2008



Income and Expenditure Account

	Notes	Total Operations 2007/08 £'000	2006/07 £'000
Income from patient related activities	2.1	**184,729**	168,317
Other operating income	2.3	**17,091**	15,371
TOTAL INCOME		**201,820**	183,688
TOTAL EXPENSES	3.1	**(189,882)**	(174,027)
OPERATING SURPLUS		**11,938**	9,661
Profit / (Loss) on disposal of fixed assets	5	**(199)**	46
SURPLUS BEFORE INTEREST		**11,739**	9,707
Interest receivable		**1,932**	1,348
Change in discount rate on provisions		**(9)**	(9)
SURPLUS BEFORE TAXATION		**13,662**	11,046
Taxation	1.17	**0**	(83)
SURPLUS AFTER TAXATION		**13,662**	10,963
Public Dividend Capital dividends payable		**(4,296)**	(4,737)
RETAINED SURPLUS FOR THE YEAR		**9,366**	6,226

The Notes on pages 69 to 91 form part of these accounts.

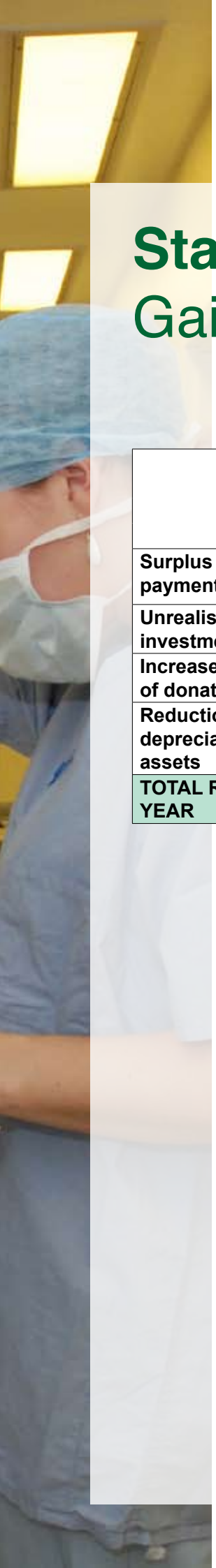
Balance Sheet

	Notes	2007/08 £'000	2006/07 £'000
FIXED ASSETS			
Intangible assets		**488**	469
Tangible assets		**146,733**	128,521
Total Fixed Assets	6	**147,221**	128,990
CURRENT ASSETS			
Stocks	7.1	**2,959**	2,697
Debtors	7.2	**8,520**	7,421
Investments	7.3	**23,318**	23,313
Cash at bank and in hand	12.3	**4,459**	2,028
Total Current Assets		**39,256**	35,459
CREDITORS: Amounts falling due within one year	8	**(17,139)**	(23,433)
NET CURRENT ASSETS		**22,117**	12,026
TOTAL ASSETS LESS CURRENT LIABILITIES		**169,338**	141,016
PROVISIONS FOR LIABILITIES AND CHARGES	10	**(876)**	(960)
TOTAL ASSETS EMPLOYED		**168,462**	140,056
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**78,674**	78,674
Revaluation reserve	11	**76,973**	59,118
Donated asset reserve	11	**6,164**	5,117
Income and expenditure reserve	11	**6,651**	(2,853)
TOTAL TAXPAYERS EQUITY		**168,462**	140,056

Signed _____

Tony Spotswood - Chief Executive

Date: 13th June 2008

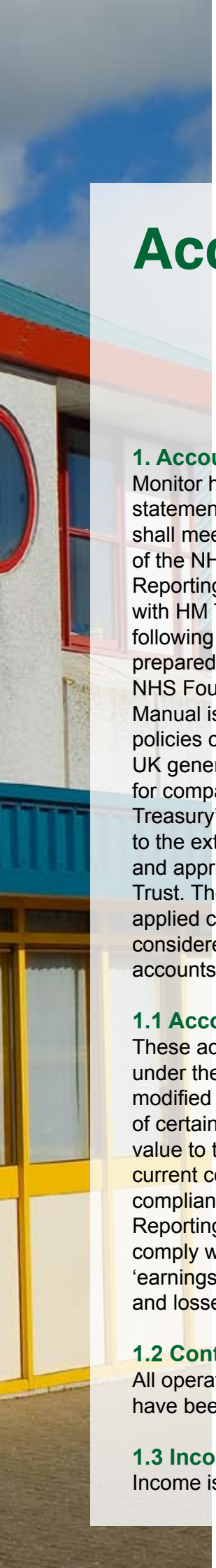


Statement of Total Recognised Gains and Losses

	2007/08	2006/07
	£'000	£'000
Surplus for the financial year before dividend payments	**13,662**	10,963
Unrealised surplus on fixed assets and current asset investments revaluations	**19,168**	265
Increase in the donated asset reserve due to receipt of donated assets	**439**	356
Reductions in the donated asset reserve due to depreciation, impairment and/or disposal of donated assets	**(567)**	(687)
TOTAL RECOGNISED GAINS IN THE FINANCIAL YEAR	**32,702**	10,897

Cashflow

	Notes	2007/08		2006/07
		£'000		£'000
OPERATING ACTIVITIES				
NET CASH INFLOW FROM OPERATING ACTIVITIES	12.1		**10,496**	25,121
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:				
Interest received		**1,817**		1,198
Release of provision discount		**(9)**		(9)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			**1,808**	1,189
TAXATION PAID			**0**	(163)
CAPITAL EXPENDITURE:				
Payments to acquire tangible fixed assets		**(5,380)**		(3,132)
Payments to acquire intangible assets		**(192)**		(220)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			**(5,572)**	(3,352)
DIVIDENDS PAID			**(4,296)**	(4,737)
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING			**2,436**	18,058
MANAGEMENT OF LIQUID RESOURCES:				
Purchase of current asset investments		**(5)**		(23,313)
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES			**(5)**	
NET CASH OUTFLOW BEFORE FINANCING			**2,431**	(5,255)
FINANCING:				
NET CASH INFLOW FROM FINANCING			**0**	0
MOVEMENT IN CASH			**2,431**	(5,255)



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 2007/08 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, is 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 losses.

1.2 Continuing operations

All operations during the financial year have been classified as continuing.

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.

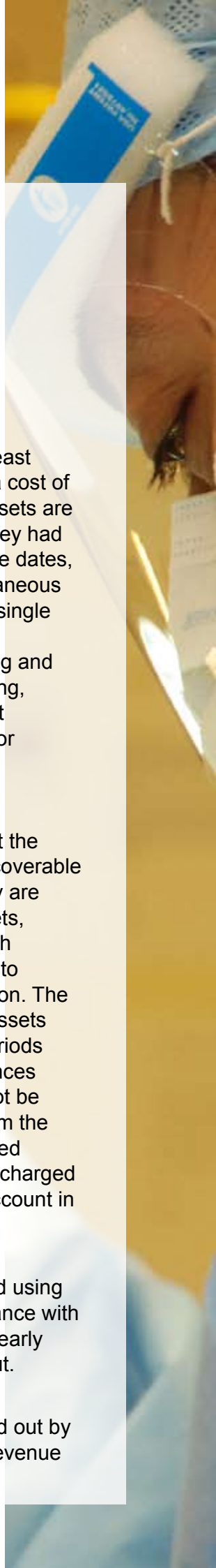
The Foundation Trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results methodology in 2005/06.
To manage the financial impact of this change on the Foundation Trust and its commissioners, the Foundation Trust was only able to retain a specified percentage of the gain under Payment by Results (PbR). During 2007/08, the Foundation Trust received all of the income (2006/07 25%, £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 were in hospital on 31st March 2008 who had not completed their period of treatment (Incomplete Spells), therefore not invoiced to the payable body.

1.4 Income Private Patient Cap

Section 15 of the 2006 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.

Accounting Policies



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 of the construction of fixed assets 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.

Professional valuations are carried out by the District Valuer of the Inland Revenue

Accounting Policies

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 this financial year with a prospective valuation date of 1 April 2008 and was accounted for on 31 March 2008.

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 to the extent that there is a balance in respect of that particular asset. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses. 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 when completed and brought into use or as part of the three or five yearly valuation.

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.

Equipment is depreciated on current cost evenly over the estimated life of the asset. Details of useful economic lives are as follows:

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

Impairment losses 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.

Accounting Policies

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

All other revaluations are charged to the Revaluation Reserve.

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 losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure Account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the 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

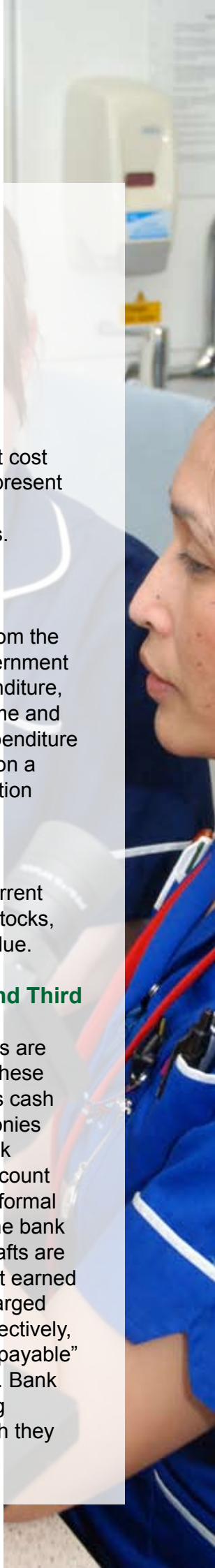
Government grants are from the Department of Health as grants from the Big Lottery Fund. Where the Government grant is used to fund capital expenditure, the grant is held as deferred income and is released to the Income and Expenditure Account over the life of the asset on a basis consistent with the depreciation charge for that asset.

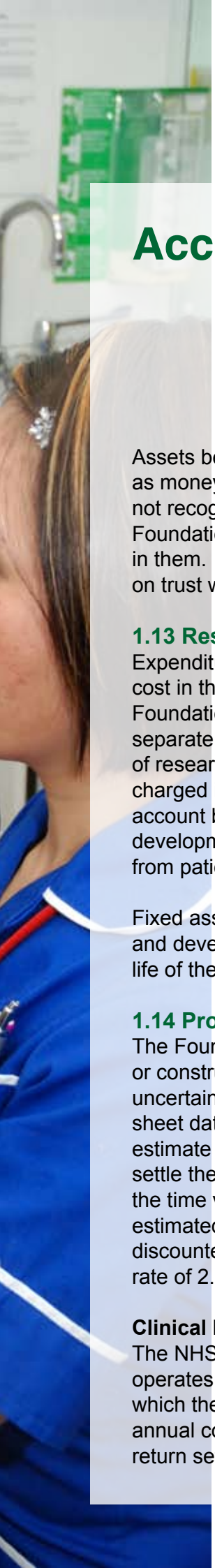
1.11 Stocks

The major stocks are valued at current cost. Due to the high turnover of stocks, this is a fair estimate of current value.

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.





Accounting Policies

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. The patient monies amount held on trust was £1,921 (2006/07 £2,093).

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 10.

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.

Accounting Policies

Employers pension cost contributions are charged to operating expenses as and when they become due. The total employer contribution payable in 2007/08 was £10,870,256 (2006/07 £10,086,281).

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 of the Foundation Trust commits itself to the retirement, regardless of the method of payment.

Additional information
The NHS pension scheme is subject to a full revaluation every four years by the Government Actuary. However, the last published valuation relates to the period 1 April 1994 to 31 March 1999.

The valuation as at 31 March 2003 has not yet been published. Between valuations, the Government Actuary provides an update of the scheme liabilities which is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website at: www.nhspa.gov.uk.

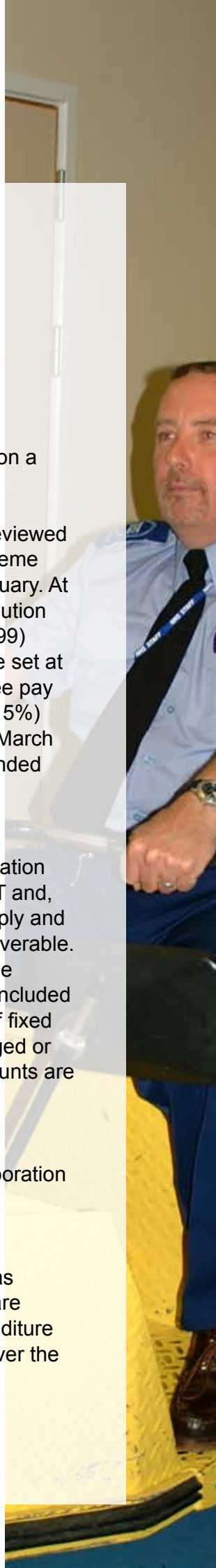
The notional surplus of the scheme was £1.1 billion as per the latest scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis.

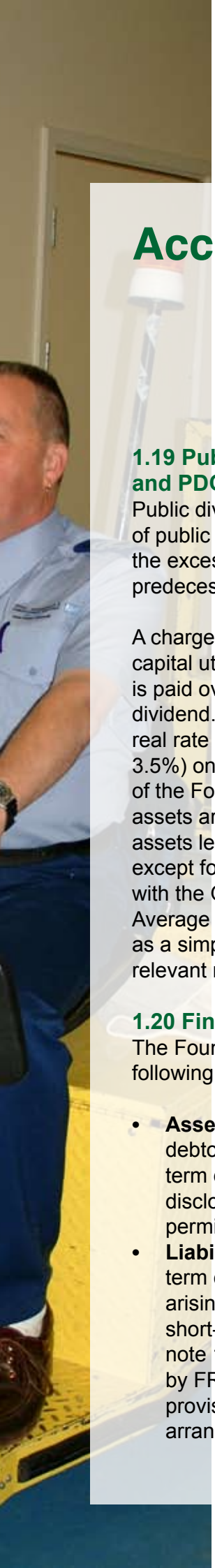
Employer contribution rates are reviewed every four years following the scheme valuation, on the advice of the actuary. At the last valuation on which contribution rates were rebased (31 March 1999) employer rates from 2003/04 were set at 14% of pensionable pay. Employee pay contributions of 6 % (manual staff 5%) of their pensionable pay as at 31 March 2008. These rates are being amended from 1 April 2008.

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 had no corporation tax liability during 2007/08.

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.





Accounting Policies

1.19 Public Dividend Capital (PDC) and PDC Dividend

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities for the predecessor NHS Trust.

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.

1.20 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 17 under exemptions permitted by FRS 25, 26 & 29); and
- **Liabilities:** loans and overdrafts, long-term creditors, long-term provisions arising from contractual arrangements, short-term creditors (not disclosed in note 17 under exemptions permitted by FRS 25, 26 & 29), short-term provisions arising from contractual arrangements (not disclosed in note 18 under exemptions permitted by FRS 25, 26 & 29).

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 9 - 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.

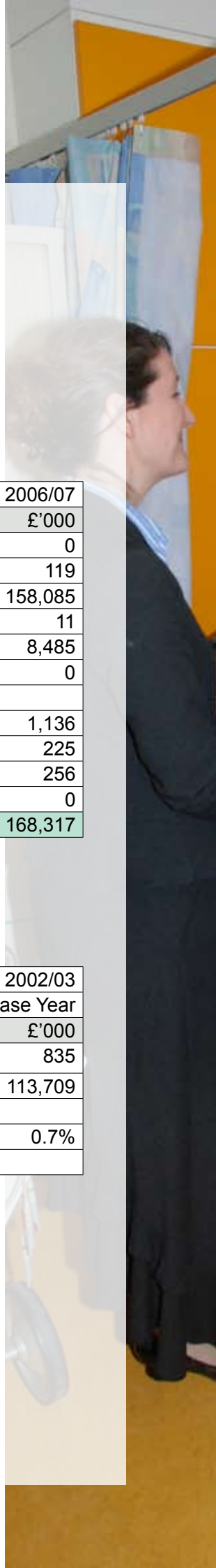
1.21 Going Concern

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.

1.22 Better Payment Practice Code

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 later.

The Foundation Trust did not account for any interest paid under the Late Payment of Commerical Debts (Interest) Act 1998.



Notes - Income

2. Income

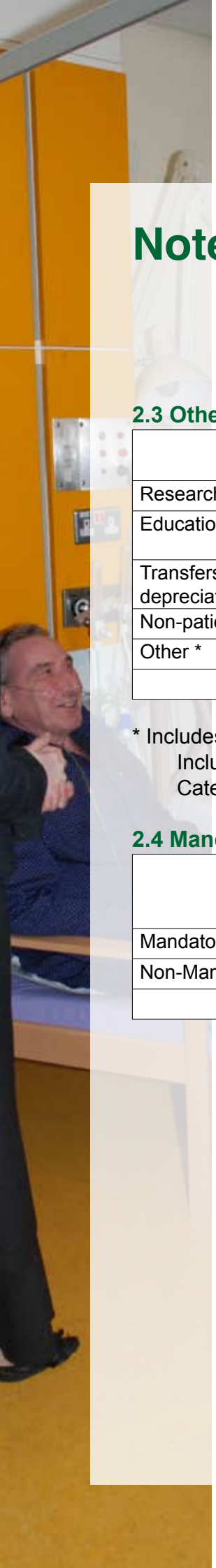
2.1 Income from Patient Related Activities

	2007/08	2006/07
	£'000	£'000
Foundation Trusts	**117**	0
NHS Trusts	**0**	119
Primary Care Trusts	**171,699**	158,085
Local Authorities	**0**	11
Department of Health - other	**10,952**	8,485
NHS Other	**280**	0
Non NHS:		
- Private Patients	**1,101**	1,136
- Overseas patients (non-reciprocal)	**179**	225
- NHS Injury scheme income *	**319**	256
- Other	**82**	0
	184,729	168,317

* NHS ISI - net of 7.8% doubtful debt provision (2006/07 7.7%)

2.2 Private Patient Cap

	2007/08	2002/03
		Base Year
	£'000	£'000
Private Patient Income	**1,101**	835
Total Patient Related Income	**184,729**	113,709
Proportion:		
- Cap		0.7%
- Actual	**0.60%**	



Notes - Income

2.3 Other Operating Income

	2007/08	2006/07
	£'000	£'000
Research and development	233	0
Education and training	5,268	3,648
Transfers from the donated asset reserve in respect of depreciation, impairment and disposal of donated assets	567	687
Non-patient care services to other bodies	7,327	9,211
Other *	3,696	1,825
	17,091	15,371

* Includes:
Includes Residence £530,000 (2006/07 £473,000)
Catering Services £539,000 (2006/07 £524,000)

2.4 Mandatory and Non-Mandatory Income from Activities

	2007/08	Restated 2006/07
	£'000	£'000
Mandatory	189,997	171,965
Non-Mandatory	11,823	11,723
	201,820	183,688

Notes - Expenses

3. Operating Expenses

3.1 Operating Expenses Comprise

	2007/08	2006/07
	£'000	£'000
Services from NHS Foundation Trusts	**750**	0
Services from NHS Trusts	**1,815**	2,555
Services from other NHS bodies	**1,562**	1,590
Purchase of healthcare from non NHS bodies	**329**	40
Executive directors costs	**899**	722
Non-executive directors costs	**153**	141
Staff costs	**118,543**	109,603
Drug Costs	**16,213**	12,697
Supplies and services - clinical (excluding drug costs)	**27,394**	22,654
Supplies and services - general	**2,234**	2,321
Establishment	**2,644**	2,511
Transport	**637**	460
Premises	**7,754**	8,476
Bad and doubtful debts	**(523)**	1,902
Depreciation and amortisation	**6,732**	7,692
Fixed Asset Impairment	**250**	0
Audit fees		
audit services - statutory audit	**40**	67
Other auditor's remuneration		
further assurance services	**43**	38
other services	**29**	47
Clinical negligence	**849**	928
Exceptional Gain	**0**	(2,861)
Other	**1,535**	2,444
	189,882	174,027

3.2 Operating Leases

	2007/08	2006/07
	£'000	£'000
Operating leases include:		
Equipment	**774**	881
Vehicles	**38**	35
	812	916
Operating lease commitments:		
Annual Commitments on leases expiring:		
Within one year	**213**	168
Between one and five years	**546**	551
	759	719

Notes - Staff/Disposals

4. Staff Costs and Numbers

4.1 Staff Costs

			2007/08	2006/07
	£' 000	£' 000	**£' 000**	£' 000
	Perm. Employed	Other	**Total**	Total
Salaries and wages	98,942	0	**98,942**	91,224
Social Security Costs	7,457	0	**7,457**	7,024
Employer contributions to NHSPA	10,870	0	**10,870**	10,086
Agency / contract staff	0	2,173	**2,173**	1,991
	117,269	2,173	**119,442**	110,325

4.2 Average number of persons employed

			2007/08	2006/07
	Number	Number	**Number**	Number
	Perm. Employed	Other	**Total**	Total
Medical and dental	341	0	**341**	326
Administration and estates	697	0	**697**	606
Healthcare assistants and other support staff	607	0	**607**	451
Nursing, midwifery and health visiting staff	1,092	0	**1,092**	1,024
Nursing, midwifery and health visiting learners	1	0	**1**	0
Scientific, therapeutic and technical staff	376	0	**376**	500
Bank and agency staff	0	47	**47**	69
Other	369	0	**369**	479
	3,483	47	**3,530**	3,455

4.3 Retirements due to ill-health

There were 9 (2006/07 9) early retirements from the Foundation Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £474,109 (2006/07 £427,906). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

5. Disposal of Fixed Assets

	2007/08	2006/07
	£' 000	£' 000
	Total	Total
Profit on disposal of land and buildings	**0**	54
Loss on disposal of land and buildings	**(107)**	0
Loss on disposal of other tangible fixed assets	**(92)**	(8)
Loss on disposal of equipment	**(199)**	46

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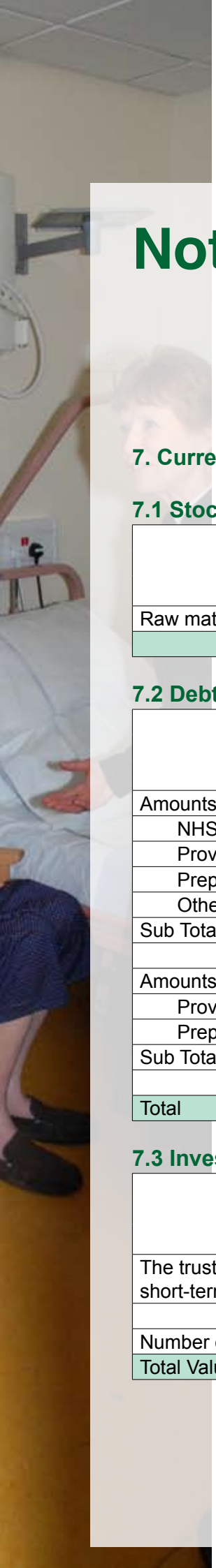
Fixed Assets

6. Intangible and Tangible 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 1 April 2007	2,279	33,405	89,816	3,500	331	24,521	124	1,451	305	**155,732**
Additions - purchased	193	0	3,255	0	1,006	1,337	13	2	0	**5,806**
Additions - donated	0	0	0	0	0	439	0	0	0	**439**
Impairment	0	0	(250)	0	0	0	0	0	0	**(250)**
Reclassifications	122	0	32	0	(154)	0	0	0	0	**0**
Other revaluations	0	4,097	2,876	450	0	637	1	1	8	**8,070**
Disposals	(70)	0	(127)	0	0	(1,890)	0	(95)	0	**(2,182)**
Cost or valuation 31 March 2008	**2,524**	**37,502**	**95,602**	**3,950**	**1,183**	**25,044**	**138**	**1,359**	**313**	**167,615**
Depreciation at 1 April 2007	1,810	0	7,545	199	0	15,681	102	1,282	123	**26,742**
Provided during the year	296	0	3,702	100	0	2,476	7	129	22	**6,732**
Other revaluations	0	0	(11,220)	(299)	0	415	1	1	4	**(11,098)**
Disposals	(70)	0	(19)	0	0	(1,798)	0	(95)	0	**(1,982)**
Depreciation at 31 March 2008	**2,036**	**0**	**8**	**0**	**0**	**16,774**	**110**	**1,317**	**149**	**20,394**
Net book value										
- Purchased at 1 April 2007	469	33,405	78,444	3,301	331	7,558	18	169	178	**123,873**
- Donated at 1 April 2007	0	0	3,827	0	0	1,282	4	0	4	**5,117**
Total at 1 April 2007	**469**	**33,405**	**82,271**	**3,301**	**331**	**8,840**	**22**	**169**	**182**	**128,990**
- Purchased at 31 March 2008	488	37,502	90,785	3,950	1,183	6,921	25	42	161	**141,057**
- Donated at 31 March 2008	0	0	4,809	0	0	1,349	3	0	3	**6,164**
Total at 31 March 2008	**488**	**37,502**	**95,594**	**3,950**	**1,183**	**8,270**	**28**	**42**	**164**	**147,221**
Asset Analysis										
- Net book value of Protected Assets	0	36,037	91,395	0	0	0	0	0	0	**127,432**
- Net book value of Unprotected Assets	0	1,465	4,199	3,950	1,183	8,270	28	42	164	**19,301**
Total at 31 March 2008	**0**	**37,502**	**95,594**	**3,950**	**1,183**	**8,270**	**28**	**42**	**164**	**146,733**



Notes - Current Assets

7. Current Assets

7.1 Stock Assets

	2007/08	2006/07
	£' 000	£' 000
Raw materials and consumables	2,959	2,697
	2,959	2,697

7.2 Debtors

	2007/08	2006/07
	£' 000	£' 000
Amounts falling due within one year:		
NHS debtors	5,496	5,765
Provision for doubtful debts	(609)	(1,913)
Prepayments and accrued income	602	805
Other debtors	2,806	2,611
Sub Total	8,295	7,268
Amounts falling due after more than one year:		
Provision for irrecoverable debts	(19)	(13)
Prepayments and accrued income	244	166
Sub Total	225	153
Total	8,520	7,421

7.3 Investment

	2007/08	2006/07
	£' 000	£' 000
The trust has invested surplus cash with major banks on a short-term basis		
Number of Investments	7	7
Total Value	23,318	23,313

Notes - Current Liabilities

8. Creditors

	2007/08	2006/07
	£' 000	£' 000
Amounts falling due within one year:		
NHS creditors	**1,082**	2,297
Tax and social security costs	**2,729**	2,479
Capital creditors	**475**	240
Other creditors *	**5,958**	4,681
Accruals and deferred income	**6,895**	13,736
Total	**17,139**	23,433

There are no creditors greater than one year.

* This includes outstanding pensions contributions at 31 March 2008 £1,408,109 (2006/07 £1,260,522).

9. Prudential Borrowing Limit

	2007/08		2006/07	
	£' 000		£' 000	
	Limit	Utilised	Limit	Utilised
Total Long Term Borrowing limit	**41,400**	**0**	26,300	0
Working Capital Facility	**9,000**	**0**	9,000	0
Prudential borrowing limit set by Monitor	**50,400**	**0**	35,300	0

	2007/08		2006/07	
	£' 000		£' 000	
Ratios	Approved	Actual	Approved	Actual
Maximum debt / capital ratio	**0**	**0**	0	0
Minimum dividend cover	**3.1x**	**5.0x**	2.6x	4.0x
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 Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's 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 Trusts Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

Notes - Provisions

10. Provisions for Liabilities and Charges

					2007/08
	£' 000	£' 000	£' 000	£' 000	£' 000
		*	**	***	
	Early Retirement	Legal claims	Restructuring Costs	Other	Total
At 1 April 2007	168	400	329	63	**960**
Provided during the year	12	193	250	0	**455**
Utilised during the year	(16)	(85)	0	(3)	**(104)**
Reversed unused	0	(55)	(329)	(60)	**(444)**
Unwinding of provision discount	4	5	0	0	**9**
At 31 March 2008	168	458	250	0	**876**
Expected timing of cashflows:					
Within one year	16	219	250	0	**485**
Between one and five years	80	35	0	0	**115**
After five years	72	204	0	0	**276**
	168	458	250	0	**876**

* Legal Claims

Liability to Third Party and Property Expense Schemes:

The Foundation Trust has liability for the excess of each claim.

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

Carbon Trading / Emissions

The Trust is longer included in the scheme due to changes in the definition - Phase 1 has now completed.

Note: £5,181,622 is included in the provisions of the NHS Litigation Authority at 31/3/2008 in respect of clinical negligence liabilities of the Foundation Trust.

Notes - Movement on Reserves

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

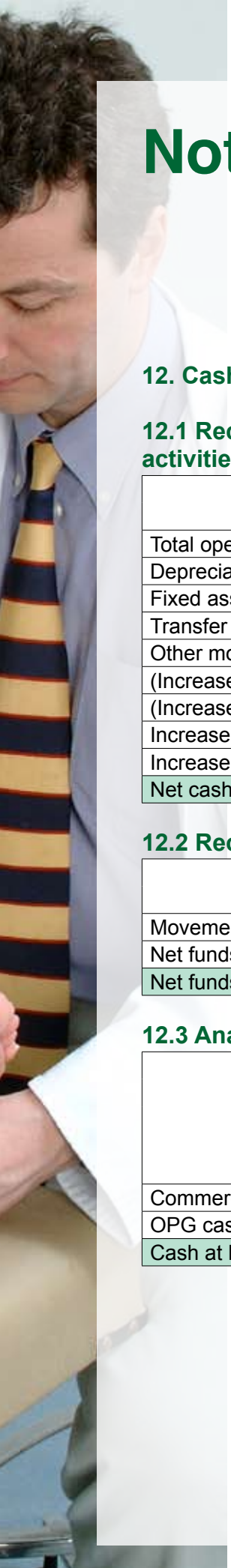
				2007/08
	£' 000	£' 000	£' 000	**£' 000**
	Reval. Reserve	Donated Asset Reserve	Income and Ex-penditure Reserve	**Total**
At 31 March 2007 as previously stated	59,118	5,117	(2,853)	**61,382**
Transfer from the income and expenditure account	0	0	9,366	**9,366**
Surplus on other revaluations/indexation of fixed assets	17,993	1,175	0	**19,168**
Receipt of donated assets	0	439	0	**439**
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated assets	0	(567)	0	**(567)**
Other transfers between reserves	(138)	0	138	**0**
At 31 March 2008	76,973	6,164	6,651	**89,788**

Movements in Equity

	2007/08	2006/07
	£' 000	£' 000
Taxpayers Equity at 1 April	**140,056**	134,600
Prior Period Adjustment	**0**	(704)
Taxpayers Equity at 1 April Restated	**140,056**	133,896
Surplus / (deficit) for the financial year	**13,662**	10,963
Public dividend capital dividends	**(4,296)**	(4,737)
Fixed asset impairments	**250**	0
Surplus / (deficit) from revaluations of fixed assets	**18,918**	265
Additions / (reductions) in donated asset reserve	**(128)**	(331)
Taxpayers equity at 31 March	**168,462**	140,056

Movement in Public Dividend Capital

There has been no movement in Public Dividend Capital during the financial year.



Notes - Cash

12. Cash

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

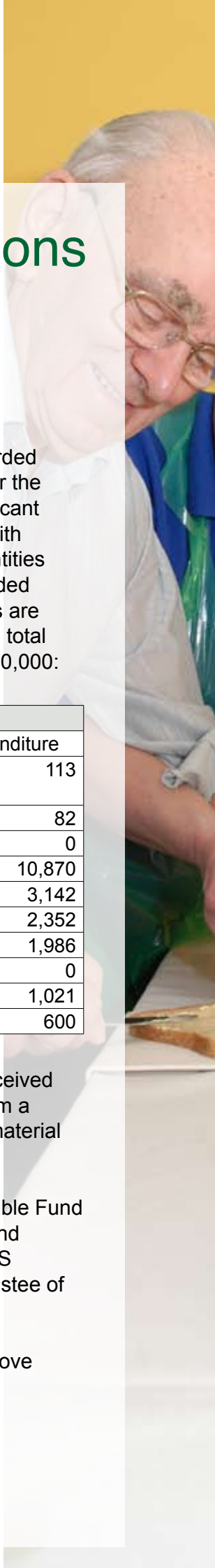
	2007/08	2006/07
	£' 000	£' 000
Total operating surplus	**11,938**	9,661
Depreciation and amortisation charge	**6,732**	7,692
Fixed asset impairments	**250**	0
Transfer from donated asset reserve	**(567)**	(687)
Other movements	**0**	133
(Increase) / decrease in stocks	**(262)**	156
(Increase) / decrease in debtors	**(984)**	(1,761)
Increase / (decrease) in creditors	**(6,528)**	10,405
Increase / (decrease) in provisions	**(83)**	(478)
Net cash inflow from operating activities	**10,496**	25,121

12.2 Reconciliation of net cash flow to movement in net funds

	2007/08	2006/07
	£' 000	£' 000
Movements in cash in the year	**2,431**	(5,255)
Net funds at 1 April	**2,028**	7,283
Net funds at 31 March	**4,459**	2,028

12.3 Analysis of changes in net funds

			2007/08	2006/07
	£' 000	£' 000	**£' 000**	£' 000
	At 1 April 2007	Cash changes in year	**At 31 March 2008**	At 31 March 2007
Commercial cash at bank and in hand	(337)	541	**204**	(337)
OPG cash at bank	2,365	1,890	**4,255**	2,365
Cash at bank	2,028	2,431	**4,459**	2,028



Notes - Related Party Transactions

13. 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 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. Entities are listed below where the transaction total (excluding recharges) exceed £500,000:

	£' 000	
	Income	Expenditure
Bournemouth and Poole Teaching Primary Care Trust	99,848	113
Dorset Primary Care Trust	52,727	82
Hampshire Primary Care Trust	19,836	0
The NHS Pensions Agency	0	10,870
NHS Logistics Authority	0	3,142
Poole Hospital NHS Foundation Trust	2,890	2,352
NHS Blood and Transplant Agency	3	1,986
Wiltshire Primary Care Trust	872	0
The NHS Litigation Authority	0	1,021
Portsmouth Hospitals NHS Trust	0	600

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

14. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £1,358,908 (£764,051 2006/07).

15. Post Balance Sheet Events

There were no post balance sheet events to report as at 13th June 2008.

Notes - Financial Instruments

16. Financial Instruments - Risk

Market Risk

Interest Rate Risk

The Trust has no loans to repay, therefore any interest rate fluctuations will affect our ability to earn additional interest on our short term investments.

Currency Risk

The Foundation Trust has minimal risk for currency fluctuations. Most transactions are in sterling, although we do purchase some goods from Ireland where the prices are based on the Euro.

Other Risk

The inflation rate on NHS service level agreements is based on the NHS funded inflation rate and therefore has a small risk of there being insufficient funds.

The majority of pay award inflation are based on the national agreed rate for Agenda for Change bands and although funding through the Pbr tariff will not cover all the cost (assumed additional cost improvement), this represents a small risk.

Credit Risk

Debtor Control

The Foundaton Trust has a treasury function which includes a credit controller. We actively progress debts and use an external company to support us on the selective older debts.

The majority of our debtors are short term and we participate in the national NHS debtor reconciliations at 31 December and 31 March each year. This helps to identify any major NHS debtor queries.

Provision for doubtful debts

The Foundation Trust reviews Non NHS debtors that are in excess of three months old as at 31 March and provides for doubtful debts.

We also review any significant NHS debtors and provide for doubtful debt if applicable

Liquidity Risk

Loans

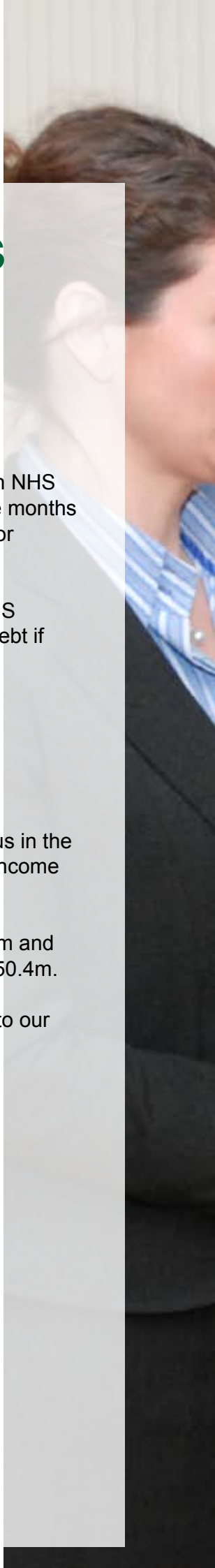
The Trust has no loans to repay.

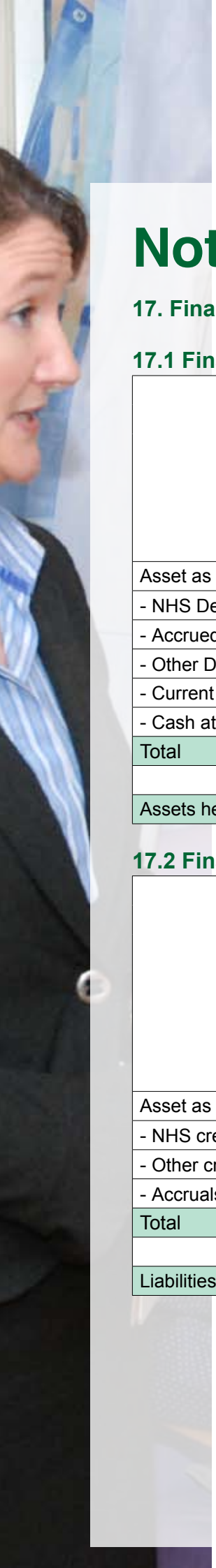
Creditors

The Foundation Trust has a surplus in the current financial year and on the Income and Expenditure Reserve.

We have a cash balance of £27.8m and an authorised borrowing limit of £50.4m.

Therefore, we are at minimal risk to our creditors.





Notes - Financial Assets/Liabilities

17. Financial Assets / Liabilities

17.1 Financial Assets

			2007/08			2006/07
			£' 000			£' 000
	Loans and receiv-ables	**Assets at fair value through the I & E**	**Total**	Loans and receiv-ables	Assets at fair value through the I & E	Total
Asset as per the balance sheet:						
- NHS Debtors (net of doubtful prov)	**0**	**5,180**	**5,180**	0	4,207	4,207
- Accrued Income	**0**	**815**	**815**	0	942	942
- Other Debtors	**0**	**2,525**	**2,525**	0	2,272	2,272
- Current Asset investments	**23,318**	**0**	**23,318**	23,313	0	23,313
- Cash at bank and in hand	**4,459**	**0**	**4,459**	2,027	0	2,027
Total	**27,777**	**8,520**	**36,297**	25,340	7,421	32,761
Assets held in £ sterling			**36,297**			32,761

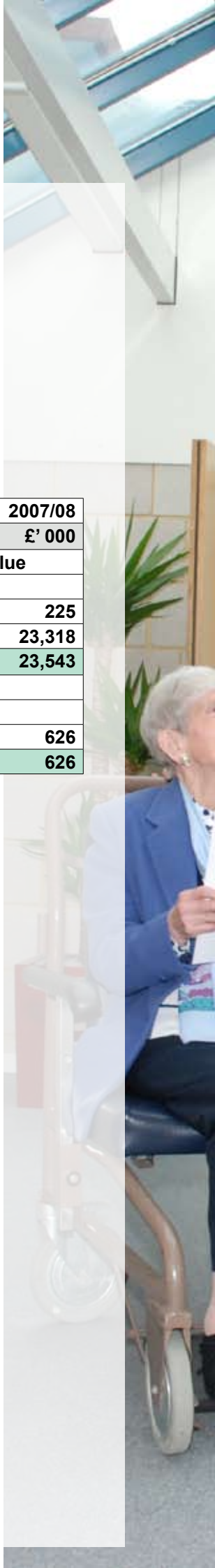
17.2 Financial Liabilities

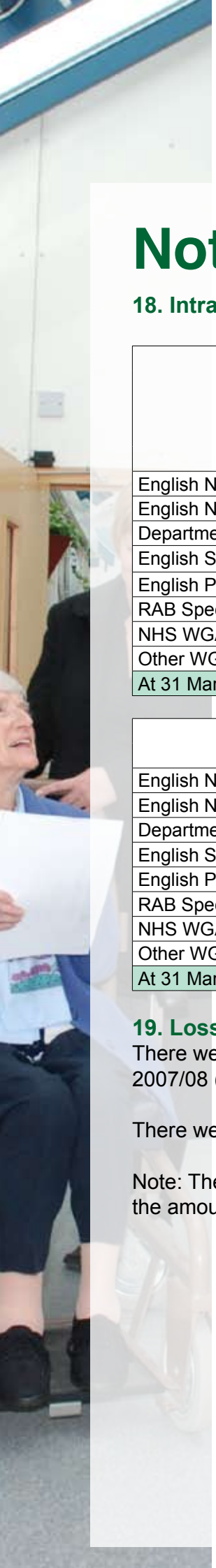
			2007/08			2006/07
			£' 000			£' 000
	Other finan-cial liabili-ties	**Liabili-ties at fair value through the I & E**	**Total**	Other financial liabilities	Li-abilities at fair value through the I & E	Total
Asset as per the balance sheet:						
- NHS creditors	**0**	**1,082**	**1,082**	0	2,297	2,297
- Other creditors	**0**	**9,162**	**9,162**	0	7,400	7,400
- Accruals	**0**	**6,895**	**6,895**	0	13,736	13,736
Total	**0**	**17,139**	**17,139**	0	23,433	23,433
Liabilities held in £ sterling			**17,139**			23,433

Notes - Financial Assets/Liabilities

17.3 Financial Assets / Liabilities - Fair Values

		2007/08
		£' 000
	Book Value	Fair Value
Financial Assets:		
Debtors over 1 year	244	225
Investments	23,318	23,318
Total	23,562	23,543
Financial Liabilities:		
Provisions under contract	626	626
Total	626	626





Notes - Government/Losses

18. Intra-Government and Other Balances

	2007/08	
	Debtors: amounts falling due within one year	Creditors: amounts falling due within one year
	£' 000	**£' 000**
English NHS Foundation Trusts	**771**	**437**
English NHS Trusts	**270**	**261**
Department of Health	**4**	**14**
English Strategic Health Authorities	**55**	**10**
English Primary Care Trusts	**4,257**	**224**
RAB Special Health Authorities	**25**	**8**
NHS WGA bodies	**1**	**128**
Other WGA bodies	**484**	**3,690**
At 31 March 2008	**5,867**	**4,772**

	2006/07	
	£' 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

19. Losses and Special Payments

There were 104 cases of losses and special payments totalling £52,814 approved during 2007/08 (£100,973 2006/07 49 cases).

There were no cases where the net payment 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
Dorset
BH7 7DW

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