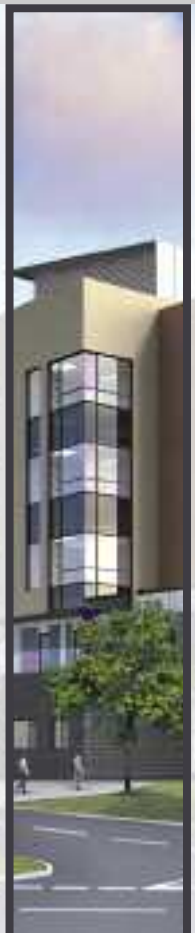
University Hospital of North Staffordshire

NHS Trust

07
Annual Report
08



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Our mission:

To be a first class provider of Clinical Services, Education, and Research and Development

Our Strategic Objectives

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During 2007/08 the Trust agreed a set of strategic objectives which provide a framework for the achievement of our long-term vision. We call these the STEPSS:

Sound financials and getting the basics right

We will continue to develop our financial, governance and management systems to ensure that we continue to meet all of our statutory duties. We will continue to improve the clinical care our patients receive.

Teaching hospital and learning organisation

We will work with partners to maximise the opportunities which Teaching Hospital status provides as well as our education, training, research and development activities.

Excellence in healthcare

We will achieve all Healthcare Commission core standards and establish and maintain a reputation for excellence in the delivery of clinical care. We will achieve all national service targets, including offering a maximum waiting time for referral to treatment of 18 weeks.

Partnerships and social responsibility

We will work with primary care trusts (PCTs), local authorities, voluntary groups and other partners to support joint work to improve the health of the local population. We will support and play our part in the regeneration of the local area, particularly through initiatives which support skills training and development for employment in the health sector.

Specialised services

We will continue to develop our role as a provider of specialised services, where this makes sense clinically and financially and is supported by our commissioners.

These strategic objectives form the basis upon which we agree our long and short-term business objectives and our corporate objectives. They are also linked to the performance framework which ensures the improvement of service standards across the Trust.

Service and Workforce Transformation

We will establish a Service and Workforce Transformation Programme for the Trust to deliver the milestones in the *Fit for the Future* new hospital project in partnership with PCTs.

Introduction

The year 2007/08 has again proven to be one of great challenges for the Trust but also one of great achievements.

In June 2007 a long held dream became a reality when the full business case (FBC) for our new hospital was given approval by HM Treasury. The *Fit for the Future* project will bring benefits to the whole local health economy as we work with local PCTs to deliver healthcare in a new and exciting way. The construction work at the City General site is on target to achieve its planned completion dates.

Work on the new maternity and oncology building will be completed by spring 2009. The new sterile services building (CSSD) and the catering building were completed in mid August of this year (2008). But *Fit for the Future* is about more than buildings and we have developed a robust programme of change and transformation which includes workforce, equipment and services. This will shape how we deliver healthcare in the future and will support our drive for truly excellent services. We will endeavour to deliver a healthcare system, in state of the art facilities, which is nothing less than the people of North Staffordshire and the surrounding areas deserve.

Our recent history has been one of significant challenge. The commitment, dedication and hard work of our staff at all levels has now created a platform for our future sustained development and improvement. Our new medical school, our capital programme to replace our obsolete estate and our *Fit for the Future* partnership to reshape and modernise our local health economy, are testament to this. Our robust plans to deliver sound financial performance in the future are supported by the experience of having delivered significant financial recovery since 2006.

Our staff are committed to the success of the organisation. In 2007/08 they continued to maintain core services, even though these were busier than ever, and in many cases they have introduced measurable improvements resulting in benefits for our patients. During the year we saw activity increase with 120,000 patients seen through the Accident and Emergency (A&E) Department and in excess of 60,000 inpatient episodes. Our staff have worked harder than ever to deliver national performance targets for the benefit of our local community.

Reducing healthcare associated infections is the top priority. From October 1, 2007 our Chief Nurse became the Director of Infection Prevention and Control (DIPC). In addition we have appointed a specialist manager for infection prevention and control. We have an action plan in place to ensure both compliance with the national Hygiene Code (2006) and to continue to reduce hospital acquired infections in the future.

Despite achieving financial recovery in 2007/08 there is still considerable focus on the Trust's finances. We are committed to providing value for money and achieving efficiency improvements – as long as this is consistent with high quality patient care. During 2007/08 we developed a long-term financial model which supports our five-year business plan. These will ensure sound management of our hospital services into the future.

Research and Development are essential ingredients for our future success. As a new university hospital, we aim to be at the forefront of research ideas, enabling North Staffordshire to be part of a national network of research and development. Progress and improvements in the treatment of patients in the area will only occur by investment and support for our Research and Development strengths.

During 2008/09 we will be applying to become an NHS Foundation Trust and we will formally consult with all our partners and stakeholders on this proposal. If we are successful in our application we will be able to work more closely with patients, public and staff to ensure their involvement in how we develop our services. As an NHS Foundation Trust we will have greater freedom to invest in those services which best meet the needs of our population. We believe that this is of primary importance to the community we serve.

We look forward to the challenges we now face, some of which are common to the NHS as a whole and some of which are more local. Through working closely with our patients and local community we will deliver the vision captured and detailed here, forging a high-performing acute Trust in partnership with high-performing health and social care partners. As the NHS celebrates its 60th anniversary in 2008, it is time to look forward without forgetting the valuable lessons of the past.

You can read more on all these developments in this Annual Report. We thank everyone who has contributed to the success of our Trust over the past 12 months and look forward to the challenges and opportunities ahead.

Chairman

Mike Brereton

Chief Executive

Julia Bridgewater

Operating and Fina

Who we are and what we do

We are located on the border of Stoke-on-Trent and Newcastle-under-Lyme. As one of the largest acute, general hospitals in the West Midlands, we currently operate over three sites: the Royal Infirmary; Central Outpatients and the City General site. We have good transport links from the M6 motorway and are approximately 50 miles north of Birmingham and 45 miles south of Manchester. Derby is around 35 miles to the east and Shrewsbury 35 miles to the west.

We became an NHS Trust in 1993 and were awarded teaching status in 2003. As a small but growing teaching hospital, we are continuing to develop a portfolio of research, development and innovation to improve services. In 2007 a new jointly managed clinical research facility opened providing state-of-the-art facilities for patient-centred research, and the opportunity to test ground-breaking new treatments. A five-year plan for research, development and innovation is being developed during 2008.

We are the main provider of acute, general hospital services to a population of approximately half-a-million people living in and around North Staffordshire. We are one of four major tertiary centres in the West Midlands providing a range of specialist services to a wider population of around three million people.

Our turnover is in excess of £340m per year and we operate with approximately 1,250 beds and a workforce of 6,070 whole time equivalent staff.

Our services

We provide a full range of general acute services, as well as the following specialist or tertiary services: cancer diagnosis and treatment, bone marrow transplants, cardiothoracic surgery, neurology and neurosurgery, complex orthopaedic procedures, renal and dialysis services, neonatal intensive care and paediatric intensive care. We are recognised for our particular expertise in respiratory conditions, spinal surgery, upper gastro-intestinal surgery, laparoscopic surgery and management of liver conditions.

We operate the busiest A&E Department in the region and in 2007/08, 96,398 people attended. Emergency care accounts for just under half of inpatient activity. As well as local emergency patients, trauma cases from outside the local area are brought to us by land and air ambulance, from traffic accidents and other incidents.

Our estate

Our Trust provides services from three sites. Most of the emergency services have been concentrated on the Royal Infirmary site, with cardiothoracic, neurosurgical and stroke services. The City General hospital accommodates most elective inpatient services. The outpatient site provides outpatient clinic rooms, diagnostic and pathology services.

We are currently taking forward a capital development programme that will redevelop the City General site to co-locate all acute hospital services. The plans have been developed as part of a whole health economy reconfiguration of acute and community services.

The scheme consists of a new building with 117 beds to accommodate maternity and oncology services, which is due to be completed in spring 2009. This is a publicly funded scheme at a cost of £70m.

In addition, between 2008 and 2013 a new hospital and refurbishment of some retained buildings will take place as part of a Private Finance Initiative (PFI) scheme at the capital cost of £272m. This will provide new emergency services, an outpatient centre, surgical theatres, 540 new beds in the new hospital and 309 beds in the refurbished part of the hospital. The PFI also includes a £32m development of a community hospital for Stoke-on-Trent PCT at the Haywood Hospital site in Burslem.

This PFI scheme, *Fit for the Future*, reached financial close in June 2007. This means HM Treasury approved the plans and the project has now moved into the delivery and implementation phase. The first element of *Fit for the Future*, construction of the new sterile services buildings, was completed in August 2008.

Working groups have been set up which consist of members of staff from all disciplines within the current maternity and cancer departments to ensure that staff are familiar with the plans and the layout of the new buildings. These will ensure they have input into the fixtures and fittings and detailed interior plans which are now being developed so that patient needs are taken fully into account.

Commissioning groups have also been set up to ensure that the departments which move into the new buildings are ready and have planned and organised the 'countdown' to completion of the buildings. The plans for the commissioning of new buildings are:

- autumn 2008 - new Sterile Services Department and temporary staff dining
- spring 2009 - Haywood Hospital
- spring 2009 - maternity unit
- autumn 2009 - cancer centre
- winter 2011/12 - hub and ward blocks
- autumn 2012 - main entrance and service block
- autumn 2014 - all remaining works (landscaping).

The *Fit for the Future* project will enable clinical services to be co-located on one single site at the City General hospital and be delivered from new and modern healthcare buildings.

Stoke-on-Trent PCT's Haywood Hospital will provide services including rheumatology and specialist rehabilitation.

It is recognised that despite the benefits that the new hospital facilities will bring to North Staffordshire, the PFI construction works will be disruptive both for visitors to the site and staff. Regular liaison with the local residents takes place to try to minimise the impact on the local area with regards to construction traffic entering the site and the planned works that will be taking place on the sites.

Construction sites can also be dangerous places. Regular communications and newsletters are produced reminding staff to adhere to speed limits and to designated pedestrian areas, and informing them of planned changes to car parking arrangements. Site health and safety issues are continuously managed and monitored by the Trust and by Project Co. (our construction partner).

A programme board has been set up to oversee the shift of activity from acute to primary care. This will also require a transformation of the way in which we currently work and of how healthcare will be delivered in the future. The work of this programme board is overseen by the *Fit for the Future* Steering Group which is chaired by the Chairman of Stoke-on-Trent PCT.

How we are organised

Our clinical services are organised into the four divisions of Medicine, Surgery, Clinical Support Services and Women's and Children's Services. Each division is led by an Associate Director. The divisions have a number of directorates, each led by a Clinical Director and Directorate Manager. There is also a Professional Head of Nursing, a Human resources Manager and a Finance manager in each division.

We also have a non-clinical Corporate Services Division providing services such as catering, estates, security, car parking, cleaning and portering and the Central Functions Division which includes finance, human resources and the senior executive team.

How we performed

Once again this year there has been a strong focus on delivering our key financial performance indicators. We are pleased that we have been able to deliver a surplus of £4.0m for the financial year 2007/08. This is detailed later in this report.

We have made progress this year against a wide range of clinical targets, and in some areas the progress has been significant. This is summarised in the following table along with comparisons with the previous year.

	2007/08	2006/07
Number of inpatients and day cases treated (in spells)		
Elective inpatients	14,897	16,665
Elective day cases	52,231	49,342
Emergency inpatients	86,773	85,744
Number of outpatients seen		
New appointments	106,339	96,147
Follow up appointments	234,978	227,386
Number of emergency attendances		
A&E Department	96,398	96,027
Waiting lists		
Total number on inpatient waiting list	4,159	4,529
Total number on outpatient waiting list	4,841	7,580
Progress towards 18 week referral-treatment target		
Inpatients waiting longer than 26 weeks	0	0
Outpatients waiting longer than 13 weeks	0	0
Referral to Treatment (RTT): 90% for non admitted 85% for admitted patients	 93.8% 87.7%	 N/A N/A
A&E four-hour wait (target 98%)	97.66%	97.02%
Cancer waiting targets (percentage of patients within target time)		
2 week wait referral to first outpatient appointment – all cancers	100%	100%
31 day wait diagnosis to treatment – overall	100%	99%
62 day wait referral to treatment – overall	96%	94%
Infection Control		
MRSA total bacteraemia (target 54)	71	100
C Difficile (target 433)	454	N/A
Access to genito-urinary medicine (GUM) clinics	73%	36%
Operations cancelled at short notice	776 (1.13%)	592 (0.88%)
Not re-arranged within the target time of 28 days	75	19
Complaints		
Total number of formal complaints received	513	537
Percentage resolved within target time	58%	69%

This year we had fewer elective inpatients than the previous year but treated more patients as day cases. This reflects our success in treating a higher percentage of patients without the need to stay overnight.

We also redesigned our emergency services with the relocation of our Medical Assessment Unit (MAU) to the Infirmary site, co-located with the A&E Department, to create a single emergency portal. The new emergency portal opened on October 8, 2007, along with a new Heart Attack Centre at the City General site to accept chest pain patients directly (in accordance with national best practice). We have been working with local PCTs throughout 2007/08 to implement a Primary Care Urgent Care Unit (PCUCU) in A&E as part of an admission avoidance scheme, which has been operational since January 2008.

Despite this major service change and emergency pressures over the winter period, the vast majority of patients (97.66%) attending A&E continued to be seen within the four-hour waiting time target. In addition, during 2007/08 we have continued to work with our primary care partners to ensure that those patients who are ready to be discharged are not delayed, and to free up beds needed for new admissions. We are continuing to work with our local health economy partners to ensure those patients who are fit to go home or who are fit to move into a non-acute care setting are discharged by ensuring appropriate community support is in place.

In 2007/08, the government introduced new milestone targets to ensure patients referred for treatment are seen within 18 weeks. We met the 18 week challenge by achieving and in fact exceeding, the March target, which has meant that 93.8% of non-admitted patients were seen within 18 weeks from referral to treatment and 87.7% of admitted patients were treated within 18 weeks. By December 2008 we will be required to ensure that 95% of non-admitted patients and 90% of patients requiring surgery will wait no longer than 18 weeks for treatment. These targets are extremely good for patients but are also challenging for us. We are pleased with the progress that has been made during 2007/08. More patients have had surgery this year than ever before, although this has had an impact on the number of operations cancelled at short notice, which have increased during the latter half of 2007/08. The cancellation rate has risen to 1.13%, slightly ahead of our target of 0.8%. Avoiding cancellations remains a high priority.

Also this year our genito-urinary medicine (GUM) team has worked hard to transform its services by making significant improvements in access times. We are proud that we achieved the national target in January 2008 of 100% of patients having access to GUM services within 48 hours. We continue to achieve this month on month.

During 2007/08, we have put an enormous amount of effort into reducing diagnostic waits. In March 2007 6,535 patients were waiting over six weeks for a diagnostic test or procedure but by March 2008 there were just 98 patients waiting over six weeks. In particular we are proud of the achievements made within audiology. In March 2007 there were 5,222 patients waiting over six weeks for an audiology appointment but by March 2008 all patients were being seen within six weeks.

We also achieved the three key targets for cancer patients, seeing all patients for their first appointment within two weeks, treating 100% within one month of a decision to treat and treating 96% within two months of an urgent referral.

Learning from experience

Despite our improved performance and the hard work of our staff, not everything goes right all of the time and we still receive a number of complaints from patients and their relatives. We ensure information is gathered about any complaints made and these are reported to our Trust Board so that they can take appropriate action. We use this information to help us make positive changes to our services for the benefit of our patients. We take complaints very seriously because we want our patients to have the best possible experience. The Trust is committed to applying the guidelines as outlined in the six 'Principles for Remedy' as defined by the parliamentary ombudsman. These include *getting it right, being patient focused, being open and accountable, acting fairly and proportionally, putting things right and seeking continuous improvement*.

We occasionally experience adverse events relating to the management of information. These events are reported to the Strategic Health Authority via our Trust Board sub committees. We take any events relating to the protection of personal identifiable data very seriously because we want our patients to have confidence in our organisation. We reported two serious incidents involving data loss during 2007/08. One related to mortuary records and one related to the loss of a dictation tape. Both incidents were investigated fully and appropriate measures put in place to reduce the risk of recurrence.

AWARDS SUCCESS

We were proud to announce a winning entry in the West Midlands regional Health and Social Care Awards. The stroke team beat off the competition to claim first prize in the *service transformation* category.

The stroke team's win is recognition of the changes made to the way patients who have suffered a stroke are admitted and cared for. It includes direct access from admission to the acute stroke unit, fast-track CT scanning and other tests to give a speedy diagnosis and a thrombolysis service for early treatment where appropriate. This is supported by partnership working, extensive staff training and involvement in research.

Dr Christine Roffe, Consultant Physician, and the clinical lead for the stroke service is delighted with the team's win and says: "We could not have achieved these improvements without excellent nursing and therapy on the stroke unit, the support from colleagues in A&E and Imaging, and hospital management being prepared to support new ways of working where necessary. While this is great news, not all patients recover from their strokes and many need long-term support. There is still a lot to do and we are working together to improve things still further."

We also worked closely with our patient representatives during 2007/08 including the Patient and Public Involvement (PPI) Forum, the Overview and Scrutiny Committees (OSC) and other community groups. We are committed to listening to the views of our patients and where possible taking forward their views and ideas to enhance the overall patient experience. During 2007/08 we have engaged with our younger patients of whom some have established a focus group called the 'WOTEVA group' which has met to discuss specific issues regarding children's inpatient experiences and provided us with constructive feedback.

Healthcare Commission Annual Health Check

In November 2007 the Healthcare Commission published the results of the Annual Health Check. We received a 'fair' rating for *use of resources* and a 'fair' rating for *quality of services*. This is an improvement on the previous year when we received a 'weak' and a 'fair'. Moving from 'weak' to 'fair' for use of resources demonstrates our commitment to achieving financial recovery while delivering the best care for our patients.

In undertaking the Annual Health Check, the Healthcare Commission reviews a number of core standards that healthcare organisations are expected to meet in terms of safety, clinical and cost effectiveness, governance, patient focus, accessible and responsive care, care environment and amenities.

The Annual Health Check is the means by which we and the Healthcare Commission measure compliance with these standards and it provides the public with a full picture of how we are performing. Patients are encouraged to choose where they are treated and these standards allow them to make informed decisions. Progress against the national targets makes up the *quality* element of the new rating. Assessment of our financial management leads to a rating for the *use of resources*. The standards are published on the Healthcare Commission website and can be accessed for all healthcare organisations. The Healthcare Commission visits us on a regular basis to review our progress and provide us with feedback that helps to inform our action plans.

Our rating for 2007/08 will be published in October this year. We have submitted our self assessment and have declared compliance in all but two areas; medicines management, and equality and diversity. It should be noted that we have made significant progress in both of

these areas during 2007/08, particularly in relation to medicines management. We know that there is a need for improvement in these areas and aim to be able to declare compliance in all areas at the end of 2008/09.

Patient Environment Action Team (PEAT)

The Patient Environment Action Team continues to monitor the standard of our environment (including cleanliness) and the quality of our hospital food. The team carries out its inspections unannounced.

Following the visit in January 2008 we were given the score of 'good' for our environment and 'good' for our food.

We have invested significantly in cleaning during 2007/08 and have plans in place to invest further during 2008/09. As set out in the NHS Operating Framework for 2008/09 improving cleanliness and reducing healthcare associated infections is one of the top priorities for the NHS. During 2007 high infection rates in the NHS prompted increased scrutiny of all issues associated with the management of hospital infections. A number of external and internal review teams were established and visited us. A three-stage improvement plan was developed:

Stage 1 Introduction of enhanced cleaning and specialist cleaning teams – commenced October 2007

Stage 2 Deep clean programme of all wards – commenced in December 2007

Stage 3 Introduction of ward assistants to supplement ward cleaning and help support a better experience for the patient through improved cleanliness, catering issues and the general environment. This commenced on July 1, 2008.

The benefits of the above will be seen through improved cleanliness of the wards and hospital environment, an expected reduction in complaints about ward cleanliness, food and environment, improved compliance with hospital infection control policies and reduction of cross infection incidents.

We have an approved Environmental Management Policy which sets out our policy in relation to environmental management and the impact on the environment arising from our processes and practises. We are committed to the reduction of pollution and waste in line with and to exceed where possible NHS Environmental Conscriptions. We acknowledge the potential negative impact that some of the Trust's activities may have on the environment and are committed to ensuring these activities are identified and managed in order to minimise possible detriment. We also have a policy specifically covering the use of energy to ensure this is cost effective.

Healthcare Associated Infections

Infection control remains a key priority for all NHS organisations, and one which we take very seriously. It is important that we have effective plans in place to reduce the risk of infection to patients, staff and others. Healthcare associated infections, in particular MRSA and Clostridium difficile, continue to be a challenge for all acute trusts and are undoubtedly a cause for concern for patients and the public. We are pleased that we have continued to make significant progress in reducing the number of MRSA bacteraemia for the third year running.

MRSA bacteraemia monthly incidence / monthly target and 2007/08 year end total

MRSA Bacteraemia	Apr 07	May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Total 07-08
Trust monthly total	5	11	4	4	3	12	9	3	5	7	3	5	71
Monthly target	**4**	**5**	**4**	**5**	**4**	**5**	**4**	**5**	**4**	**5**	**4**	**5**	**54**

The LEAN Team

Pathology has received ongoing support from the NHS Improvement Team in several initiatives to successfully introduce LEAN Methodology throughout the laboratory.

LEAN, developed from the Toyota production system, has been applied in many competitive sectors. LEAN thinking can be used in NHS organisations to achieve a number of results including quality and efficiency.

The pathology team piloted LEAN to streamline processes within the department targeted at specific problems. One such problem, tackled using the LEAN methodology, is outlined below.

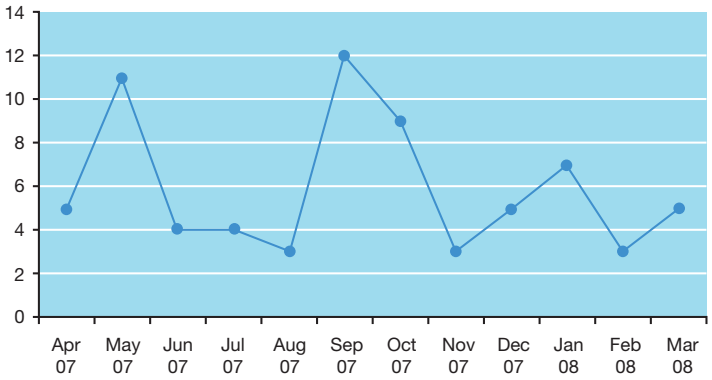
Problem - the team looked at patients attending the pathology laboratory for a blood test. The waiting room was over capacity and there were long waiting times.

Solution - the team implemented a simple number system for patients awaiting a blood test. Patients arrive at reception and are given a number and are then called in numerical order.

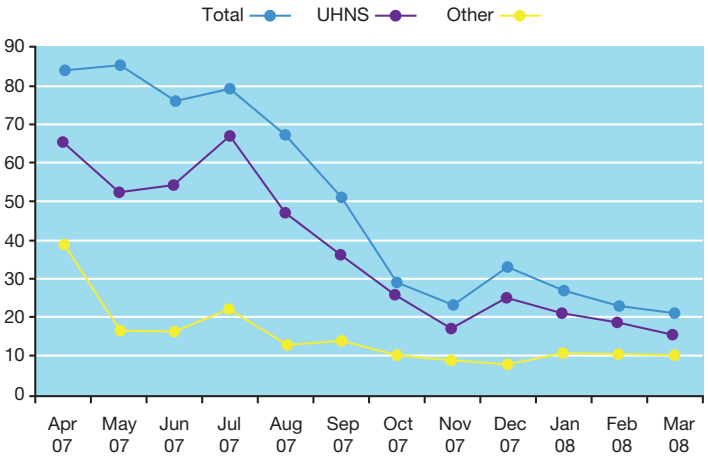
Result - a questionnaire found that 100% of patients who regularly attend the laboratory prefer the new system, which is more efficient and has dramatically reduced the number of patient queries and complaints.

We are now looking at other areas where LEAN methodology can be used to support service transformation, which is one of our strategic objectives.

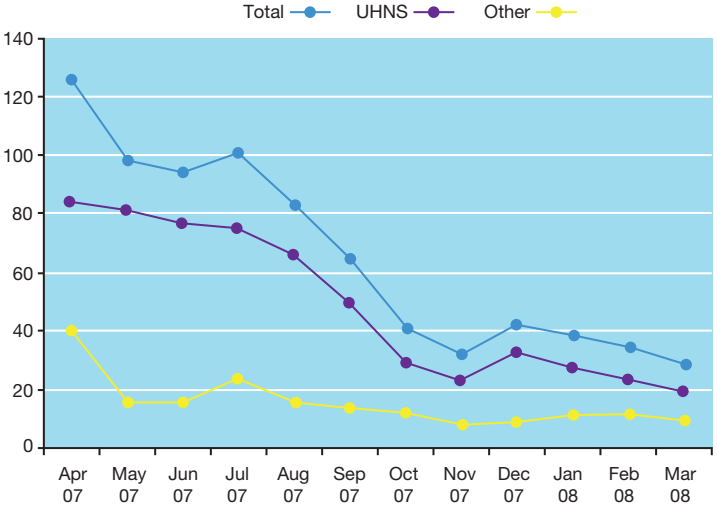
MRSA bacteraemia 2007/08



Clostridium difficile performance April 2007 – March 2008. Patients aged 65 and over.



Clostridium difficile performance April 2007 – March 2008. Patients aged two and over.



During 2006/07 targets were not in place for *Clostridium difficile*, which is carried undetected in the gut of many healthy people with no ill effects. It can, however, multiply and result in illness as a consequence of antibiotic treatments which disturb the balance of bacteria in the body. In some vulnerable patients it can cause serious illness.

The reduced number of *Clostridium difficile* cases is being maintained at a much lower level consistently during the second half of 2007/08. This is very encouraging and the measures put in place to help reduce the number of *Clostridium difficile* cases will continue. We have been asked by the Department of Health if other Trusts can visit our cohort ward to see how our system works and how they could apply our approach in their organisation.

During 2007/08 we were set a target to reduce the number of infections by 25% based on the previous year's figure of 893. We have monitored ourselves against this target and during 2007/08 identified 598 cases which is a 33% reduction on the previous year. We are extremely pleased with this progress, which is a result of a number of steps including a review of policies and procedures, direct action to isolate cases where identified and effective communication to all staff. We are not complacent and will continue to work hard to reduce the number of infections further in 2008/09. For everyone at our Trust, the safety of our patients is paramount.

The steps to reduce the numbers of infections have reflected the guidance from the Department of Health and include:

- introduction of enhanced cleaning and specialist cleaning teams including a rapid response team
- deep clean programme of all wards
- introduction of ward assistants.

The rapid response teams, one operating from the Infirmary site and one from the City General site, operate 24 hours a day, seven days a week and respond to urgent requests to clean patient bed spaces. A programme of deep cleaning was undertaken in autumn 2007 and has continued into 2008/09. The role of ward assistant has been developed to supplement the cleaning role at ward level. These posts will primarily undertake non-cleaning duties, such as dealing with patient beverages on the ward, freeing cleaning staff to dedicate their time entirely to the cleanliness of the ward. All of these steps have required significant financial investment and demonstrate our commitment to reducing hospital acquired infections.

Other changes in the drive to protect our patients have included a review of our antibiotic prescribing guidelines, increasing infection prevention measures for staff, the use of a cohort ward to isolate patients and the screening of patients on admission.

In addition, we have continued to work with the Department of Health Cleaner Hospitals team, who have made regular visits to clinical areas and have provided some structured support for staff. The team will continue to liaise closely with us to ensure progress is sustained in all areas of care delivery.

Our finances

A summary of the principal financial statements is included in the Annual Report at pages 27 to 31. A full copy of our Annual Accounts can be found on the web site (www.uhns.nhs.uk) or you may request a copy from the Director of Finance.

The headline figures are:

		2007/08			2006/07
		£ millions	£ millions	%	£' millions
Clinical income	Note 1	355.5		90.3	295.7
Other income		38.4		9.7	38.2
Total income		393.9	393.9	100.0	333.9
Expenditure					
Pay		(223.4)			(210.4)
Non pay	Note 1/2	(144.9)			(104.2)
Total expenditure		(368.3)	(368.3)	(93.5)	(314.6)
EBITDA	Note 3		25.6	6.5	19.3
Depreciation		(15.7)			(12.8)
Interest receivable		1.4			0.7
Dividends payable		(7.3)			(6.9)
Total financing costs		(21.6)	(21.6)	(5.5)	19.0
Surplus			4.0	1.0	0.3

Note 1 - In 2007/08 we impaired the value of our fixed assets by £51.7m recognising that with the new hospital development the book value of existing hospital facilities was over stated. To compensate for this additional cost the Department of Health provided additional funding to our Trust of £51.1m.

Note 2 - Non Pay costs for 2006/07 included £8.1m for redundancy costs.

Note 3 - EBITDA is an accounting term and stands for 'Earnings Before Interest Tax Depreciation and Amortisation'. Increasingly this is being used as a measure of Trusts' financial performance because it gives an indication of the cash generated from operations. It is a fundamental part of the NHS Foundation Trust financial regime.

Summary of key financial results 2007/08

			Plan	Outturn
Surplus		Note 4	£4.1m	£4.0
Capital absorption rate			3%	3%
EBITDA		Note 5	8.3%	6.5%
External finance limit			£0	£0.001m (rounding)
Capital resource limit		Note 6	£0	£3.5m undershoot (allowed)
Invoices paid				
Non NHS	number	Note 7	95%	92.6%
	value		95%	95.1%
NHS	number	Note 7	95%	79.8%
	value		95%	95.1%
Monitor risk rating (1 poor, 5 good)		Note 8	3	3

Note 4 - The original plan for 2007/08 was to breakeven. In August 2007, as a result of the increased volume of work and increased efficiency we were able to revise the plan for the year to forecast a £4.1m surplus. This then became our Trust's Control Total or revised target for the year. The difference between this revised target and the actual outturn resulted from a late adjustment relating to the revaluation of the Trust's buildings. This adjustment had no impact on cash.

Note 5 - EBITDA is not comparable to the plan because of the treatment of the impairment funding. The outturn of 6.5% is exactly where we should be and is comparable with other Trusts. Monitor, the independent regulator of NHS Foundation Trusts, has a long-term goal for EBITDA to be between 10% and 15%. This is to enable Trusts to replace and invest in new capital assets.

Note 6 - The undershoot of £3.5m resulted from a late adjustment to the accounts. The Trust made payments during the year of £3.4m for new PACS equipment. For complex technical accounting reasons, these payments have been accounted for as prepayments rather than as asset purchases and so they do not count towards the Trust's Capital Resource Limit. In practical terms, these assets are being used for the benefit of patients and the actual amount invested in capital equipment is only £0.1m less than originally planned.

Note 7 - The target for paying 95% of the number of invoices within thirty days was not met. However we did meet the 95% requirement in value terms. Performance improved in the second half of the year and it is not anticipated that any further corrective action will be required.

Note 8 - Although not currently an NHS Foundation Trust, we would be rated as a level 3 against the NHS Foundation Trust Risk Rating. A Risk Rating of 5 is very good and a Risk Rating of 1 is poor.

Key financial challenges 2007/08

We managed several major financial challenges throughout the year including payroll and impairments.

Payroll

We transferred responsibility for our payroll processing to the University Hospital of Birmingham NHS Foundation Trust (UHB) in 2006/07. Initially this was successful. However when UHB was required to change payroll systems in 2007/08 to the national Electronic Staff Record we began to experience severe problems with the accuracy of the payroll. Members of our staff have been very patient as we attempted firstly to improve the situation and performance of UHB and secondly transfer the payroll service to a new provider - North Staffordshire Shared Services. The Payroll Service transferred on June 1, 2008.

TIP TOP TOPPING OUT

A ceremony to mark a major milestone in the development of the new £71 million maternity and cancer centres, to celebrate completion of the first major phase of the buildings' construction, took place in October.

Long-serving staff from the maternity and cancer departments attended the ceremony which included the ancient tradition of placing a small yew tree branch in the concrete mixture of the final slab of the roof. This is said to ward off 'evil spirits' and bring good luck to new buildings.

To mark the event, senior managers from Laing O'Rourke, the contractor responsible for building the new scheme, also presented Mike Brereton and Julia Bridgewater with a silver-plated, engraved trowel.

Impairment

The requirement to impair the value of our Trust's assets followed financial close on the *Fit for the Future* PFI scheme. However before we could impair the assets it was necessary to get approval of the accounting treatment and valuation methodology from our external auditors. The approval of the Department of Health was also required as, although we have used a recognised and Treasury approved valuation methodology, it is not one normally employed in the NHS. This was essential if we were to secure the funding from the Department of Health of £51.1m. We were also told that this funding was only available in 2007/08. The funding for impairments is on a circular funds flow basis. That means that we will not receive the £51.1m in cash but we have gained the income and expenditure benefit in 2007/08, without which the Trust would have reported a loss of £47.1m. The advantage to our Trust of this accounting treatment is that it has not reported a loss and its balance sheet more accurately matches its assets to an appropriate funding structure.

Approval has been received from the Department of Health for the use of this valuation methodology and external auditors have issued an unqualified opinion.

Progress on service and financial recovery plan

We made good progress in the year in over achieving the savings target of £17.4m by £0.3m. The majority of this saving was recurrent with £2.3m being identified as non-recurrent. The net non-recurrent savings of £2.0m have been rolled over into our forecasts, plans and budget setting for 2008/9.

We have and will continue to review all areas of operational activity in order to draw out efficiencies.

In 2007/08 the full year effect of 2006/07 workforce reductions was achieved. The wards and beds closed in 2006/07 have, in the main, remained closed. Where facilities have been re-opened this was to meet additional demand. We have been helped by the increase in activity required to meet the 18 week referral to treatment target. Although this specific increase in activity is not expected to be recurrent, we have successfully negotiated recurrent income and activity increases in other areas.

Efficiency has improved as a result of service redesign in a number of areas. For example, estates rationalisation and investment in the Energy Centre have helped to reduce estates costs. Workforce reviews have improved efficiency in clinical areas and support posts such as portering and medical secretaries.

A specific example of how service redesign can improve efficiency is the introduction of PACS (Picture Archiving and Communications System).

There was also a focus on procurement savings and more efficient and effective purchasing. Good progress has also been made towards streamlining purchase to pay processes through the piloting of electronic requisitioning. We expect that this development will improve controls over purchasing and will reduce waste.

While progress has been good there can be no room for complacency. The Comprehensive Spending Review announced by the Government in Autumn 2007 set the minimum savings target for the NHS at 3% a year for at least the next three years. Added to this national efficiency target are the known cost pressures on pay (incremental drift) and the impact of the new hospital. When these are taken into account, the real level of savings we need to achieve over the next three years is approximately 4.5% per year. This equates to £15.4m per year or £46.2m over the period of the Comprehensive Spending Review (2008/09 to 2010/11).

In order to meet this challenging target and to ensure that the quality of services is maintained and enhanced, funding of £2.6m for 2008/09 has been set aside to support the Transformational Programme. This programme is designed to review our processes and procedures across the whole spectrum of our activities, from administrative to clinical.

Capital programme

Our capital budget for 2007/08 was £55.5m. We spent £55.4m against this budget (including the £3.4m spent on PACS equipment referred to above).

This spending included various pieces of medical equipment, maintenance, repair and refurbishment work. It also funded preparation work towards the new hospital, including the ongoing construction of the Maternity and Oncology building, and the major project to merge the emergency departments.

The fixed assets of our Trust are predominantly funded by Public Dividend Capital. These assets are valued in the accounts at current cost, which reflects revaluations and annual indexation. Normally capital assets are revalued every five years. The last full revaluation was carried out in April 2005, however land and buildings were revalued following financial close of our PFI scheme in June 2007. Approximately £3.8m of fixed assets (1.7% of total fixed assets) is funded through donations and government grants.

Capital expenditure is funded from a combination of internally generated resources, additional Public Dividend Capital and donations.

Cash flow

We ended the year with a cash balance of £6,000, a fall of £1,000 compared to the prior year. The main cash movements in the year related to our significant capital programme. Payments of £52.2m were made against the total programme of £55.4m (including the £3.4m spent on PACS equipment referred to above). This was funded by a combination of £30.0m of Public Dividend Capital and self-generated cash.

How prepared are we?

The activities which took place in 2007/08 demonstrate that we met our responsibilities as a category one responder under the Civil Contingencies Act (CCA) 2004. The Major Incident Plan and action cards have been reviewed to reflect the new layout of the Emergency Department. We plan to test the revised plan through a table top exercise to take place in June 2008.

All North Staffordshire PCTs, Combined Healthcare and our Trust have an agreement (SLA) with Staffordshire Civil Contingencies Unit (SCCU). This provides expert health emergency planning advice from a Civil Contingencies Officer (CCO) when required. The SLA was reviewed in 2007/08 in recognition of the increased workload relating to the CCA and pandemic flu planning. The SLA now incorporates and formalises an on-call rota provided by the unit.

Pandemic flu is the highest risk on the national and regional risk register and as such has represented the majority of work undertaken on emergency planning during 2007/08. Our Pandemic Flu Committee continues to meet bi-annually to develop a Trust plan based on the national plan, and which integrates with the whole health and social care economy. Two briefings were presented to the Executive Board and Performance and Delivery Group.

A nationally recognised fractured neck of femur service in North Staffordshire

Under the leadership of Mr Philip Roberts, Consultant Orthopaedic Surgeon, we have been key in transforming the treatment for fractured neck of femur service in North Staffordshire.

We are one of the leading UK Trusts with our care pathway, pioneering techniques, and success in reducing the mortality and infection rates among this group of mainly elderly patients.

Treating nearly 550 patients a year, the service has significantly improved the mortality rate for patients - surviving a year after surgery - in the last 5 years, from the national average of approximately 12% down to 6% in North Staffordshire.

Mr Roberts said: "Breaking the femur is not an uncommon injury but can be potentially life threatening particularly among those patients who are fragile and elderly. After all, it is the biggest bone in the human body.

"The approach we have developed is designed to ensure that they get the right care and treatment for these conditions, and that they have the right coping mechanisms in place to support then when they return home."

Our staff and volunteers

During 2007/08 our staff, supported by a dedicated team of volunteers, continued to work extremely hard to ensure the best care was delivered for all our patients. Our staff are key to the success of the Trust and we have put in place a number of schemes which will not only provide development opportunities for existing staff but enhance our reputation as the 'Employer of Choice' so that we can attract high calibre candidates for vacancies and retain them.

We have a Healthcare Careers and Skills Academy onsite which offers a wide range of National Vocational Qualifications in clinical and non-clinical subjects as an effective way of supporting employees' development in the workplace. In addition there is a broad selection of other development opportunities available for all staff based on skills needs, such as management development, IT skills, and essential skills. Within the last 12 months the Academy won a Regional Training Award and has been 'highly commended' at the NHS Health and Social Care Awards.

Recent funding from the European Regional Development Fund and the Department for Education and Skills will enable the Academy to further develop ensuring both the current and future workforce have access to a facility to support skills development needs.

The Healthcare Careers and Skills Academy is a partnership with a number of organisations including North Staffordshire Regeneration Zone, Skills for Health, Learning and Skills Council, Stoke-on-Trent College, Job Centre Plus, 14-19 Collegiate and Staffordshire University. The catchment area covers the large urban areas of Stoke-on-Trent and Newcastle-under-Lyme, the smaller urban population centres at Leek, Cheadle and Biddulph and the rural areas around them.

We have formally committed to encourage learning through signing the National Skills Pledge. This is a voluntary commitment to supporting learning and development and we are aiming for all employees to attain at least a Level 2 qualification.

Our plans include ensuring an effective supply of the future workforce. This is achieved by providing skills and career development programmes for 14 to 19 year olds and adults seeking to return to work. As the second largest employer locally, our Learning Strategy also includes key elements of the NHS Corporate Citizen Agenda relating to employment and skills, working closely with North Staffordshire Regeneration Partnership.

Research and Development (R&D)

'Best Research for Best Health' has reduced the R&D levy received by the Trust (£1.6m in 2007/08). This will be fully withdrawn from our Trust by April 2009, however there is a parallel reinvestment programme through the introduction of new initiatives such as programme grants and research networks. This process started in April 2006. During 2007/08 we have been successful in obtaining research grants which included:

- Research for Innovation Speculation and Creativity grant (£98K) exploring a novel spectroscopic method for diagnostic monitoring of COPD – Professor Monica Spiteri
- Health Technology Assessment grant (£900K) looking at asthma management in children – Professor Lenney
- Research for Patient Benefit grant (£200K) looking at oxygen supplementation following stroke – this is led by Combined Healthcare (CHC) through Dr Christine Roffe. This is technically a CHC grant but will be delivered at our Trust as the services sit here.

We also published over 100 papers in peer-reviewed journals for calendar year 2007.

A major change in the delivery of R&D will be introduced which creates both a measured risk and an immense opportunity for our Trust in relation to future R&D aspirations and funding. It will require us to focus on core research strengths when competing with other NHS Trusts for grant income and revenue generation from its project activity. We are currently developing our research strategy which will be available by the end of 2008.

Funding of national research has changed dramatically offering North Staffordshire an excellent opportunity to focus on research which will specifically benefit our local patients. Our research strengths are in respiratory, musculoskeletal, renal, neurological and women's diseases. We are streamlining our R&D support to help grow these and other areas of support. We have a sound financial plan and are working closely with Keele University and other collaborating centres throughout the UK.

Clinical Developments and Research

Many of our consultants, doctors and nursing staff are involved in clinical developments and research. The new Guy Hilton Research Centre officially opened in 2006. The Centre is a joint project between the NHS and Keele University and provides patient-focused facilities which will allow us to translate our laboratory-based advances into a clinic environment, applying new therapies and technologies to improve health. The first patients to take part in research at the Centre did so in May 2007.

Communications

The Trust has continued to develop mechanisms for communicating effectively with its staff. The intranet includes forums for staff to raise questions and answers are posted, and the Chief Executive has held Communication Days where she has addressed multi-disciplinary groups of staff across all sites about issues affecting the Trust. These forums have been useful for staff and have provided them with the opportunity to raise issues directly with the Chief Executive. The Trust is committed to developing communication links both internally and externally and the Communications Department is looking to develop communications both internally and externally as we move forward into 2008/09.

Equality and Diversity

We have declared non-compliance against the Equality and Diversity Standard for 2007/08 and have been visited by the Healthcare Commission who have reported back to us on the areas that require further developments. We have established an Equality and Diversity Committee during 2007/08 which includes non-executive input and we remain committed to equal opportunities and to building a valued workforce whose diversity reflects our community. Our Equality and Diversity Committee will undertake to review our policies to ensure all current UK and EU legislation and guidelines are followed. Our Single Equality Scheme and Action Plan are currently being updated and will be made available on our intranet site during 2008/09. We also work closely with a number of community groups to build relationships with those groups that have traditionally been hard to reach.

The 'A' Team has arrived

A new weapon in our battle against infection arrived on wards this year.

The new Rapid Response Team, known among staff as The 'A Team', initially provided services during the day and evening but have now been extended to provide 24 hour cleaning.

The special cleaning team is additional to our core team of cleaning staff who provide dedicated cleaning on individual wards.

Working in teams of two or three, they are called in by clinical site managers and bed managers to deal with particular cleaning needs. This could be as simple as a spillage within a public area, a thorough clean of a bed area or side room after a patient has left, or special cleaning of an area affected by Clostridium difficile.

The team is giving patients more confidence in the hospital's standards of cleanliness, but a major benefit is that ward staff are able to make beds available more quickly after a thorough clean. This means that patients admitted through the Emergency Department can get settled into a bed on a ward more quickly.

The team's work has already been recognised and applauded by those who call on their help.

We believe that unlawful discrimination is unacceptable and aim to become an equal opportunities organisation by ensuring that all patients, applicants, employees, contractors, agency staff and visitors will receive appropriate treatment and will not be disadvantaged by conditions or requirements which cannot be shown to be justified. This is particularly important on the grounds of ethnic origin, nationality, disability, gender, sex, age, sexual orientation, trade union activity, political or religious beliefs.

Partnership working

We work with a wide variety of people and organisations to deliver our services.

Our partner consortium in building and providing some services in our new hospital is John Laing Social Infrastructure Ltd. Laing O'Rourke, the construction arm of the consortium, has already begun work on the Maternity and Oncology building.

We are working jointly with PCTs to deliver the Service and Workforce Transformation that is required in order to deliver on the *Fit for the Future* project. Dedicated programme management arrangements have been put in place with the aim of transforming our workforce and our services. Transformation is key to:

- sustaining 18 week delivery for elective services
- becoming a Foundation Trust
- moving into the new hospital
- developing the role as educator and research forerunner
- continuous improvement for the Trust
- addressing low productivity / low efficiency and effectiveness.

We have close working relationships with other organisations within the local NHS. This includes the North Staffordshire Combined Healthcare NHS Trust, West Midlands Ambulance Service NHS Trust and the PCTs who commission and pay for the services we provide. In addition, Stoke-on-Trent PCT, as a partner in the *Fit for the Future* project, is developing a new community hospital at Haywood Hospital, where we provide some clinical and non-clinical services.

We also do our best to involve patients and the public in the development of our services through patient groups. A key one of these has been the PPI Forum. As from April 2008 the PPI Forum has been disbanded and the Trust will be working with the new LINKS (Local

Involvement Networks), which will be hosted locally and involve all providers of health and social care.

Finally we are grateful for the support of many local people who contribute to the work and life of the hospital through our charitable funds.

Contributing to the community

One of our strategic objectives is partnership and social responsibility, and we are committed to ensuring that the Trust plays a full role in local public health and regeneration programmes.

We aim to build sustainability into new developments, minimise the production of waste and dispose of any waste safely, prevent pollution and promote a culture of 'reduce, recycle and re-use'. Our new hospital is being designed to meet tight targets on energy usage. Our objective is to be a good corporate citizen.

To encourage reduced use of cars we have a Travel Plan and, in partnership with Stoke-on-Trent City Council, we have introduced a car sharing scheme.

As we move towards NHS Foundation Trust status our members will have an opportunity to get involved in issues relating to the environment, car parking and other issues facing service users.

Patient choice

Outpatients can expect to be offered a choice of at least four providers for their appointments, with information available locally to support their choice and from 2008 patients will be able to choose any hospital in the country.

The role of the Choose and Book System in the NHS is now well established. All NHS organisations are using Choose and Book, along with 90% of GP practices in England, and there are 22,000 bookings taking place every day, 115,000 every week.

For us this means that our services and the facilities we offer, both clinical and non-clinical, must meet the standards expected by our patients and we are committed to delivering 'excellence in healthcare'. Patients can now choose to go elsewhere for their treatment and we want to be the hospital of choice for our local residents. Research shows that waiting times, success rates, cleanliness and infection rates are all important indicators that impact on the choices patients make. Accessibility and transport as well as car parking are all major factors in choosing a hospital. It will therefore be vital as we develop our new hospital that we continue to provide adequate car parking for patients and visitors and good public transport links.

During 2008/09 we will be undertaking a public consultation to become an NHS Foundation Trust. We need to ensure we address patient expectations, encouraging local people to make ours their hospital of choice and enabling us to attract additional patients from across the UK.

Changes in the national contract

For the year 2007/08 a single national model contract for all acute secondary care providers was introduced to avoid having a confusing mix of contract types. The contract covers agreements between PCTs and providers of acute hospital based care. While there is some scope for local agreement, minimum requirements are set for activity, performance and quality standards.

The contract is the main method of accountability between commissioners and us as providers of acute care. It defines expectations, quality, controls the balance of risk and prescribes timeframes.

The contract is reviewed on a monthly basis and there is a joint review of performance in terms of activity, finance, completeness of information submitted and performance against national access standards and clinical standards.

The common contract was further developed during 2007 and a revised version was introduced for 2008/09.

Our Health, Our Care, Our Say

As we have been developing the plans for our new hospital and progressing our *Fit for the Future* project, we have been working on the premise that more care will be delivered closer to patients' homes in community settings in the future.

This is in line with the government's white paper *Our Health, Our Care, Our Say*. The intention is to ensure patients can access services without the need to travel to hospital. Specialist services will continue to be provided in the hospital for the times when their condition becomes more complex or severe, and we will continue to deliver core acute services.

Our Health, Our Care, Our Say also brings social care and health services closer together. This is important because many patients who no longer need the type of care provided by our hospital nonetheless need support to enable them to return to their home.

Looking forward

A top priority for us during 2007/08 was to achieve financial close on *Fit for the Future* and getting the go ahead to build our new hospital is a major boost for the staff and users of our services. We also continued to focus on achieving financial balance while continuing to improve efficiency.

2008/09 will see the opening of some of our new facilities but we also hope to make further progress towards achieving Foundation Trust status. This will continue to be a key objective during 2008/09. We plan to do this with the help of our staff and local population who will have a greater say in the way in which we deliver our services through membership.

Clinical developments

We have taken over responsibility for the elderly care wards previously run by CHC on the City General site. This will enable greater integration of this care with our other services. Many of our patients are elderly and this will enable more consistent care for all of them.

We are undertaking a programme to improve our outpatient services. These have changed very little for a long time. Our aim is to involve more closely our clinical staff in the planning of the service and offer better care for patients using it. We are undertaking a huge transformation agenda which alongside the build of the new hospital will seek to transform the way in which we work and deliver our services. This agenda is challenging and requires the co-operation of all staff, but we are committed to improving efficiency and ultimately the patient experience.

Governance

We recently put in place revised leadership and management arrangements to support the introduction of service line management and to strengthen the role of senior clinicians in the leadership and management of clinical services. This will be developed during 2008/09.

Workforce

The key focus of the workforce agenda during 2008/09 will be around the workforce planning and transformation that is required to support the move towards the new hospital development.

This will emphasise the importance of building on our capability and capacity in workforce planning and will involve working closely with clinical leaders to develop service transformation plans and affordable workforce projections.

Estate rationalisation

Changes we have made have already enabled us to close some of our older and poorer condition wards. In 2008/09 we plan to continue this with the demolition of the Nines Block, also known as the Norton Building. We also plan to close and demolish some non-clinical buildings, making better use of others and saving unnecessary costs.

NHS Foundation Trust status

During 2007 we made a decision to take forward our application to become an NHS Foundation Trust. We appointed a director to lead the work to make sure that we had sufficient dedicated resource to maximise the benefits that foundation status will offer us.

We believe that achieving the new governance standards, required to allow us to operate as an NHS Foundation Trust, is work that we should be doing anyway. The most significant difference and benefit that we see of doing this is for our local population, as they will have greater opportunities to become engaged in the planning of the future direction of the Trust. Working more closely with our local community, we can ensure that we can better meet their needs, as well as we hope, offer a sense of greater local ownership of our hospital and greater accountability to the public in North Staffordshire. Public involvement will be achieved through the operation of a Membership Council that will be made up of appointed and elected Governors from our membership, who will have to be representative of the local population.

We have begun to gather prospective members already, and we plan to continue encouraging both staff and public to join us as members during 2008. Our plan is to utilise as many of the existing community leaders and community networks as we can, so that we can ensure that we engage with those who may be harder to reach in our communities. We plan to communicate with our

members using a variety of forums and actively engage with them and listen to their views, to ensure that they are involved in helping us to develop our services and shaping our Trust as a hospital of which North Staffordshire can be proud.

During this year we have made significant progress with our NHS Foundation Trust application. There are still a number of critical factors, including our financial position and continuing to reduce the number of hospital acquired infections, that we are focused on as priorities for 2008/09. We have a number of work streams underway to underpin our application. These include the publication of a Five Year Integrated Business Plan, development of a representative membership, close working with service users and patient advocates using community focus groups and strengthening our governance arrangements so that our decision making processes are open and transparent. Although the Strategic Health Authority recognises that we have made good progress so far, there is still work to be done.

Our Board

Our Board consists of five executive directors, five non-executive directors and a non-executive Chairman, all of whom have voting rights. There are also four non-voting executive Board members. Some of these directors sit on sub-committees of the Board, as well as the Board itself. This is summarised in the table below.

Membership of Board Sub-Committees	Remuneration	Audit	Governance and Risk Committee	Major Projects and Transformation	Charitable Funds Committee	Equality and Diversity
CURRENT VOTING BOARD MEMBERS						
Julia Bridgewater Chief Executive (Substantive from June 2007, previously Acting Chief Executive from October 2006)				Chair		
Chris Calkin Director of Finance (from 01.01.08)						
Val Doyle Chief Operating Officer (from 07.01.08)						
Rob Courteney Harris (from 01.10.07) Medical Director						
Sarah Byrom Chief Nurse						
Mike Brereton Chairman	Chair		Chair		Chair	
Kevin Fox Non-Executive Director						
Ian Tordoff Non-Executive Director						
Keith Norton Non-Executive Director		Chair				
Prof Andrew Garner Non-Executive Director						
Prof Paulene Collins Non-Executive Director						Chair
OTHER BOARD MEMBERS DURING 2007/08						
Mark Mansfield Director of Finance (to 31.08.07)						
Peter Hollinshead Interim Director of Finance (01.09.07 to 31.12.07)						
Dr Pat Chipping Medical Director (until 30.9.07)						

Key: = committee membership during time in office. Current chairs only are indicated.

01. **Julia Bridgewater**
Chief Executive

02. **Chris Calkin**
Director of Finance

03. **Rob Courteney Harris**
Medical Director

04. **Sarah Byrom**
Chief Nurse

05. **Mike Brereton**
Chairman

06. **Kevin Fox**
Non-Executive Director

07. **Ian Tordoff**
Non-Executive Director

08. **Keith Norton**
Non-Executive Director

09. **Prof Andrew Garner**
Non-Executive Director

10. **Prof Paulene Collins**
Non-Executive Director

The four Board members who are non-voting members are:

Andrea Green	Director of Foundation Trust Development
Margot Johnson	Director of Human Resources
Paul Tulley	Director of Strategy and Planning
Andrew Underwood	Director of Corporate Services

The Board is further supported by the following:

Dr Gavin Russell	Medical Director Strategic Planning and Transformation
Prof Warren Lenney	Associate Medical Director (Research and Development)
Manjit Obrhai	Associate Medical Director (Medical Education)

Declarations of interest

Dr Pat Chipping	Member of the Council at Keele University
Chris Calkin	Chairman of the Healthcare Financial Management Association
Mike Brereton	Director of North Staffordshire Regeneration Zone
Prof Paulene Collins	Lay Chair of Continuing Health Care at West Midlands Strategic Health Authority
Prof Andrew Garner	Executive Dean for Health at Keele University

No other executive or non-executive directors during the period had any significant interests to declare.

Board appointments

There have been a number of changes to the Board during the year.

Mark Mansfield left our Trust on September 30, 2007 and an Interim Director of Finance, Peter Hollinshead, was appointed. Peter stayed with our Trust until the end of December 2007 when Chris Calkin joined as Director of Finance/Deputy Chief Executive.

The post of Chief Operating Officer was vacant for the first part of the Year and Val Doyle joined our Trust in January 2008 to take up the post.

Andrea Green was appointed as NHS Foundation Trust Director in September 2007 after completing the role as Turnaround Director.

In October 2007 we appointed a Company Secretary, Karen Murray, to support the Chairman and Chief Executive and strengthen the Governance arrangements in our Trust.

Remuneration

The Trust Chairman and non-executive directors are appointed through a formal recruitment process by the NHS Appointments Commission. They are appointed to serve for an initial term of four years. The Chairman works a minimum of three to three and a half days a week and the non-executive directors two and a half days a month. Their remuneration is fixed nationally. They receive no pension.

Our executive directors are appointed by formal appointment panels and have standard substantive NHS contracts. The notice period for executive directors is six months. They do not receive any additional termination payments.

Remuneration for executive directors is fixed by the Remuneration Committee, whose membership is the Chairman and non-executive directors. Remuneration is benchmarked to be in line with the salaries for similar posts in other large trusts and annual increases are in line with recommendations by the Secretary of State.

Directors do not receive performance related pay. Nonetheless their performance is subject to annual appraisal.

Where directors have joined or left the Trust during 2007/08, or the period up to the publication of this report, this is indicated in the previous table of Board and Committee memberships.

Details of remuneration, pensions etc. for directors who served in 2007/08 are given in the following tables.

REMUNERATION REPORT

NAME AND TITLE	2007/08			2006/07		
	Salary	Other remuneration	Benefits in kind	Salary	Other remuneration	Benefits in kind
	Bands of £5,000	Bands of £5,000	Rounded to the nearest £000	Bands of £5,000	Bands of £5,000	Rounded to the nearest £000
Mrs J Bridgewater (from October 2006) Chief Executive	155-160	-	-	70-75	-	-
Mrs J Bridgewater (to September 2006) Chief Operating Officer	-	-	-	55-60	-	-
Mr A Sumara (to September 2006) Interim Chief Executive	-	-	-	65-70	-	-
Dr P Chipping (to September 2007) Medical Director	45-50	30-35	-	35-40	125-130	-
Dr R Courteney-Harris (from October 2007) Medical Director	40-45	30-35	-	-	-	-
Mrs S Byrom (from June 2006) Chief Nurse	95-100	-	-	75-80	-	-
Mr M Mansfield (to September 2007) Director of Finance	50-55	-	-	115-120	-	-
Mr P Hollinshead (from October 2007 to December 2007) Interim Director of Finance	80-85*	-	-	-	-	-
Mr C Calkin (from January 2008) Director of Finance	30-35	-	-	-	-	-
Mrs V Doyle (from January 2008) Chief Operating Officer	25-30	-	-	-	-	-
Mr M Brereton (from May 2006) Chairman	20-25	-	-	15-20	-	-
Mr K Norton (to May 2006) Interim Chairman	-	-	-	0-5	-	-
Mr K Norton (from October 2006) Non-Executive Director	5-10	-	-	0-5	-	-
Mr I Tordoff (from July 2006) Non-Executive Director	5-10	-	-	0-5	-	-
Mr K Fox (from July 2006) Non-Executive Director	5-10	-	-	0-5	-	-
Prof A Garner (from January 2007) Non-Executive Director	5-10	-	-	0-5	-	-
Prof P Collins (from March 2007) Non-Executive Director	5-10	-	-	0-5	-	-

* Peter Hollinshead was Acting Director of Finance. His salary costs are based on invoices which also included amounts for travel expenses, overheads of his business and pension contributions. These costs are not directly comparable to the salaries of other directors.

REMUNERATION REPORT

NAME AND TITLE	Real increase in pension at age 60	Real increase in pension lump sum at age 60	Total accrued pension at age 60 at 31st March 2008	Lump sum at age 60 related to accrued pension at 31st March 2008	Cash equivalent transfer value at 31st March 2008	Cash equivalent transfer value at 31st March 2007	Real increase in cash equivalent transfer value	Employer's contribution to stakeholder pension
	Bands of £2,500	Bands of £2,500	Bands of £5,000	Bands of £5,000	£000	£000	£000	£000
Mrs J Bridgewater (from October 2006) Chief Executive	17.5-20	55-57.5	45-50	135-140	610	345	265	0
Dr P Chipping (to September 2007) Medical Director	N/A	N/A	N/A	N/A	N/A	873	N/A	0
Dr R Courteney-Harris (from October 2007) Medical Director	N/A	N/A	30-35	95-100	461	N/A	N/A	0
Mrs S Byrom (from June 2006) Chief Nurse	2.5-5	10-12.5	25-30	85-90	406	345	61	0
Mr M Mansfield (to September 2007) Director of Finance	N/A	N/A	N/A	N/A	N/A	313	N/A	0
Mr P Hollinshead (from October 2007 to December 2007) Interim Director of Finance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
Mr C Calkin (from January 2008) Director of Finance	N/A	N/A	55-60	165-170	971	N/A	N/A	0
Mrs V Doyle (from January 2008) Chief Operating Officer	N/A	N/A	25-30	85-90	465	N/A	N/A	0

Summary Financia

A commentary on our financial position is included earlier in this report in the Operating and Financial Review. The following pages are our Summary Financial Statements.

The **Income and Expenditure** statement shows how much money we earned and how we spent it. The main source of our income is PCTs, with whom we have agreements to provide services for their patients.

Our biggest expense is on the salaries and wages of our staff. On average during this year we employed the equivalent of 6,070 full-time staff (compared to 5,996 in the previous year). The actual number of individuals working for the hospital is more because a number work part-time so the full-time equivalent is less.

We also spend money buying services from other parts of the NHS, mainly the cost of ambulances to transport patients. We buy clinical and general supplies, maintain our premises, and pay for gas and electricity, rent and rates. We also allow for depreciation, the wearing out of buildings and equipment, which need to be replaced.

Our **Balance Sheet** summarises our assets and liabilities. It tells us the value of land, buildings and equipment we own, and of supplies we hold in stock for the day to day running of the hospital. It also shows money owed to us and the money we owe to others, mainly for goods and services received but not yet paid for.

The **Cash Flow Statement** shows where the money has come from, the way in which cash has been used and any net increase or decrease in cash during the year.

The **Public Sector Pay Policy – Measure of Compliance** shows how quickly we pay our bills. As a result of our deficit our performance against this policy has been poor compared to previous years.

We also include details of a number of other aspects of our financial position.

These Summary Financial Statements might not contain sufficient information for a full understanding of the Trust's financial position and performance.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

INCOME	2007/08 £000	% Share	2006/07 £000
Strategic Health Authorities	0	0.0	0
NHS Trusts	21	0.0	13
Primary Care Trusts	342,685	87.0	278,750
Department of Health	8,633	2.2	10,656
NHS Other	0	0.0	2,127
Non-NHS other	1,539	0.4	1,402
Private Patients	1,752	0.4	1,884
Overseas Patients (non-reciprocal)	0	0.0	0
Road Traffic Act	891	0.2	804
Education, Training and Research	22,570	5.7	22,044
Charitable and other contributions to expenditure	97	0.0	105
Other	15,727	4.1	16,070
TOTAL	393,915	100.0	333,855

EXPENDITURE	2007/08 £000	% Share	2006/07 £000
Services from other NHS Trusts	2,307	0.6	4,889
Services from other NHS bodies	0	0.0	237
Directors' costs	776	0.2	728
Staff costs	222,601	58.0	209,656
Supplies and services - clinical	55,737	14.5	49,852
- general	3,263	0.8	2,955
Establishment	3,225	0.8	2,704
Transport	4,259	1.1	419
Premises	13,705	3.6	12,010
Bad debts	180	0.0	183
Depreciation and Amortisation	15,707	4.1	12,802
Fixed Asset Impairments & Reversals	51,695	13.5	136
Audit fees	283	0.1	256
Other Auditor's Remuneration	0	0.0	0
Clinical negligence	3,662	1.0	3,911
Redundancy	170	0.0	8,100
Other	6,401	1.7	18,576
TOTAL	383,971	100.0	327,414

OPERATING SURPLUS	9,944		6,441
Loss on disposal of fixed assets	(103)		0
SURPLUS BEFORE INTEREST	9,841		6,441
Interest receivable	1,487		731
Interest payable	0		0
Other finance costs - change in discount rate on provisions	0		0
SURPLUS FOR THE FINANCIAL YEAR	11,328		7,172
Public dividend capital dividends payable	(7,338)		(6,861)
RETAINED SURPLUS FOR THE YEAR	3,990		311

BALANCE SHEET AS AT 31 MARCH 2008

FIXED ASSETS		31-3-08 £000	31-3-07 £000
Intangible Assets:	Software licences	258	256
Tangible Assets:	Land	34,079	32,475
	Buildings, installations and fittings	108,434	138,568
	Dwellings	5,832	9,605
	Assets under construction	42,299	14,008
	Plant and machinery	17,399	16,698
	Transport equipment	577	9
	Information technology	2,311	2,144
	Furniture and fittings	2,618	2,963
TOTAL		213,807	216,726

CURRENT ASSETS	31-3-08 £000	31-3-07 £000
Stocks	5,306	5,012
Debtors: Amounts falling due within one year	95,302	37,492
Amounts falling due after one year	3,436	0
Cash at bank and in hand	6	7
TOTAL CURRENT ASSETS	104,050	42,511
CREDITORS: Amounts falling due within one year	(37,801)	(25,250)
NET CURRENT ASSETS/(LIABILITIES)	66,249	17,261
TOTAL ASSETS LESS CURRENT LIABILITIES	280,056	233,987
CREDITORS: Amounts falling due after more than one year	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	(483)	(431)
TOTAL ASSETS EMPLOYED	279,573	233,556
FINANCED BY:		
TAXPAYERS' EQUITY		
Public dividend capital	188,508	158,476
Revaluation reserve	43,579	73,474
Donated asset reserve	2,549	2,918
Government grant reserve	1,211	1,152
Income and expenditure reserve	43,726	(2,464)
TOTAL CAPITAL AND RESERVES	279,573	233,556

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

INFLOW	2007/08 £000	2006/07 £000
Net cash inflow from operating activities	24,666	220
Interest received	1,486	731
Receipts from sale of tangible fixed assets	0	0
Public dividend capital received	30,168	31,176
Other capital receipts	0	36
TOTAL	56,320	32,163
OUTFLOW		
Interest paid	0	0
Dividends paid	(7,338)	(6,861)
Payments to acquire tangible fixed assets	(48,821)	(22,203)
Payments to acquire intangible assets	(26)	(54)
Public dividend capital repaid (not previously accrued)	(136)	(3,045)
Public dividend capital repaid (accrued in prior period)	0	0
TOTAL	(56,321)	(32,163)
INCREASE/(DECREASE) IN CASH	(1)	0

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

	2007/08 £000	2006/07 £000
Surplus for the financial year before dividend payments	11,328	7,172
Fixed asset Impairment losses	(5,209)	0
Unrealised surplus on fixed asset revaluations/indexation	17,700	9,398
Increase in the donated asset reserve due to receipt of donated assets	86	37
Additions/(reductions) in "other reserves"	0	0
Total recognised gains and losses for the financial year	23,905	16,607
Prior period adjustments	0	0
Total gains and losses recognised in the financial year	23,905	16,607

PUBLIC SECTOR PAY POLICY - MEASURE OF COMPLIANCE

The target is to pay non-NHS trade creditors within 30 days of receipt of a valid invoice

	2007/08		2006/07
	Number	£000	£000
Total bills paid	85,933	137,635	112,976
Total bills paid within target	79,571	130,934	103,824
Percentage of bills paid within target	93%	95%	92%

CUMULATIVE YEAR ON YEAR TRUST FINANCIAL POSITION

Year	Turnover £000	Surplus/(Deficit) £000
1997-98 to 2002/03		81
2003-2004	257,641	3
2004-2005	295,327	41
2005-2006	299,619	(15,059)
2006-2007	333,855	311
2007-2008	393,915	3,990
Cumulative break-even position		(10,633)

MANAGEMENT COSTS

	2007/08 £000	2006/07 £000
Management costs	7,903	9,279
Income	342,799	333,855
Percentage of income	2.31	2.78
Note that the 2007/08 income figure has been adjusted to exclude the impairment funding of £51,115,000		

Statements

07 Annual Report 08

To demonstrate that we are running our hospital properly we are required to publish a number of statements, which are signed by our Chief Executive on behalf of our Board and Directors. These statements cover our financial affairs as well as a number of other aspects of managing the Trust.

Our external auditor also checks our accounts and other aspects of our work, and we are required to publish statements from them confirming they are satisfied with what we have done. Those formal statements are reproduced on these pages.

Our external auditor

Our accounts are externally audited by the Audit Commission to meet the statutory requirements of the Department of Health. They received fees of £283,000.

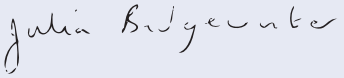
Pension costs

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 Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

Full accounts

A full set of audited accounts for the University Hospital of North Staffordshire NHS Trust, including the full Statement of Internal Control, is available on request from:

The Director of Finance, University Hospital of North Staffordshire, Royal Infirmary, Princes Road, Hartshill, Stoke-on-Trent, ST4 7LN



Julia Bridgewater

Chief Executive

Chris Calkin

Deputy Chief Executive, Director of Finance

2nd September 2008

Statement on Internal Control 2007/8 - Extract

Scope of Responsibility

The Statement of Internal Control is a key component of the annual accountability arrangements for all NHS Bodies. Each year the Chief Executive, as accountable officer, must sign a statement on behalf of the Board which confirms the organisation has a sound system of internal control in place.

In my role as Chief Executive of this organisation, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I hold key responsibilities for ensuring financial duties are met, clinical governance systems are robust and the development of effective partnerships with external bodies and internally with staff. To support this role there are clear systems of accountability with each executive director having delegated areas of operational responsibility.

In order to achieve these objectives a governance and management framework has been established which include:

- performance monitoring and management of the Trust strategic objectives including national targets with regular review and scrutiny by the Trust Board supported through a sub committee structure
- personal objectives are agreed for all executive directors which are linked to the delivery of the strategic objectives
- review and update of the Trust Standing Orders, Risk management policies and Standing Financial Instructions supported by a detailed Scheme of Reservation and Delegation of powers
- a review of the working membership of the Board, including the role and function of the sub committees, in line with emerging guidance on integrated governance. This supports the strategic direction of the Trust and the Assurance Framework
- attendance at key partnership forums, liaison with key partners within the Local Health Economy including the Strategic Health Authority.

These arrangements have been further strengthened during 2007/08 with:

- the appointment of a Company Secretary
- the establishment of a Governance and Risk Committee

- regular meetings with partner organisations including the local PCTs
- holding open public board meetings
- monthly divisional performance reviews.

As Accountable Officer, I work with a number of partner organisations and report on the progress of the *Fit for the Future* programme and other developments including 18 weeks and this progress is monitored by the Strategic Health Authority. An Annual Financial Plan is submitted to the Strategic Health Authority, in addition to financial monitoring returns on a monthly basis. The monthly returns go to the Strategic Health Authority and are then reported to the Department of Health.

The Chief Executive Officers' Partnership Board allows for collaboration between all Chief Executive Officers within the Local Health Economy. The Board ensures that risks facing the Health Economy are discussed and risk reduction programmes are put into place. The Board, chaired by the Chief Executive Officer of the Strategic Health Authority, is an important forum for delivering effective partnership working.

The working relationship with the Local Authority Overview and Scrutiny Committees has continued and include the development of a joint and interactive programme of work whereby stakeholders are actively involved in understanding the work, achievement and challenges of the Trust. The Trust continued to work with the Patient and Public Involvement Forum until March 31, 2008 when the forum was dis-established and is committed to working with the Links partnerships. The Trust has facilitated Community Focus Events and has more planned for 2008/09 and we are committed to listening to the views of our community.

The Trust submitted its Annual Health Check Declaration in accordance with the national timescales and has ensured that the national standards have been embedded into the Trust Assurance Framework and Risk and Assurance Registers. Action Plans have been put in place to address the identified remedial risks.

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

The System of Internal Control has been in place in the University Hospital of North Staffordshire NHS Trust for the year ended March 2008 and up to the date of approval of the Annual Report and Accounts.

The risk and control framework

The Trust has an integrated approach to managing risk, which considers all aspects of risk including clinical, non-clinical, strategic, organisational and financial risks. The Trust's aim is to minimise its exposure to clinical, financial and operational risk; the methodology for this is in accordance with sound risk management practices.

The Trust also aims to empower all staff to assume responsibility for contributing to effective risk management by setting out a framework that meets the needs of day to day risk management practice and encourages a 'freedom to act hierarchy'. The key elements of the Trust Risk Management Strategy are to manage and control identified risks, whether clinical, non-clinical or financial, appropriately. This is achieved through a sound organisational framework that promotes early identification of risk.

The Trust has an embedded assurance framework at a corporate level and is continuing to apply these processes across all areas of the organisation. The Trust Board receives regular reports highlighting those extreme risks that are considered to be business critical, and which put the achievement of the strategic objectives at risk. All Board members have been involved in the development of the Risk Management Strategy and have ongoing input into the identification, quantification and prioritisation of the risks and the subsequent action planning to address areas for improvement. Extreme risks are reviewed in detail at each Governance and Risk Committee meeting.

Significant control issues

The Trust acknowledges the following significant control issues which require specific disclosure.

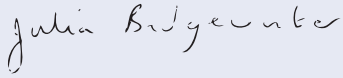
Non-compliance with the following Core Standards of the Annual Health Check Declaration:

- C4(d) Healthcare organisations keep patients staff and visitors safe by having systems to ensure that

medicines are handled safely and securely. The Trust acknowledges that significant progress has been made during 2007/08, with the publication of a Medicines Management Strategy however the Trust Board felt that compliance for the whole of the year was not evident and therefore declared non compliance

- C7(e) Healthcare organisations challenge discrimination, promote equality and respect human rights. The Healthcare Commission visited the Trust in January of this year and has provided feedback which has helped to inform our action plans, the Equality and Diversity Committee has been reviewed and we aim to make significant improvements against this standard during 2008/9.

In addition, the Trust outsourced its provision for payroll services during 2006/07. Following implementation of a new payroll system (ESR) by the outsourced payroll service provider in July 2007, a number of significant problems were experienced which affected a large number of employees. The Trust and the payroll service provider took remedial action when problems were identified. The service has improved, but not as quickly as had been expected. As a result, the Trust is working to transfer its payroll to a new service provider, North Staffordshire Shared Services, which currently provides services to other bodies in the local health economy. The issues experienced have been reported and considered at both the Trust's Audit Committee and the Trust Board. The Trust has been working closely with its internal and external auditors to ensure that staff are paid correctly and to ensure that any control weaknesses are addressed. The Trust has made every effort to minimise the impact on individual members of staff and is running payroll surgeries to resolve any outstanding queries.



Julia Bridgewater
Chief Executive

2nd September 2008
(on behalf of the Board)

Independent auditors' statement to the Directors of the Board of University Hospital of North Staffordshire NHS Trust

I have examined the summary financial statements set out on pages 27 to 31.

This report is made solely to the Board of University Hospital of North Staffordshire NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. My responsibility is to report to you my opinion on the consistency of the summary financial statements within the Annual Report with the statutory financial statements. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the summary financial statements.

Basis of opinion

I conducted my work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. My report on the statutory financial statements describes the basis of our audit opinion on those financial statements.

Opinion

In my opinion the summary financial statements are consistent with the statutory financial statements of the Trust for the year ended March 31, 2008. I have not considered the effects of any events between the date on which I signed my report on the statutory financial statements (5 August 2008) and the date of this statement.

Mark Stocks
District Auditor

Audit Commission, 2nd Floor, 1 Friarsgate,
1011 Stratford Road, Solihull, West Midlands B90 4EB

2nd September 2008

Committed to improving working lives of staff

University Hospital of North Staffordshire

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