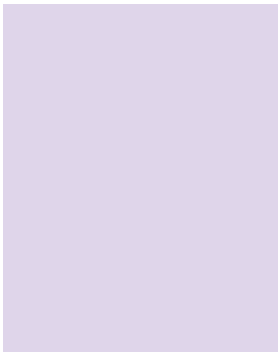


# Annual Report & Accounts

1st December 2007 - 31st March 2008





# Annual Report & Accounts

**1st December 2007 - 31st March 2008**

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



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# Chairman's Statement

**We were delighted to receive authorisation to become an NHS Foundation Trust on 1st December 2007 which culminated in months of hard work from staff across the organisation.**

The move towards achieving Foundation status presented a demanding programme of work over and above the day to day job of delivering high quality healthcare to our population. However, staff rose to the challenge and helped us put forward a strong and successful bid within a very tight timescale whilst improving our performance and raising standards of patient care.

In our application we stated that Foundation Trust status would bring new freedoms and opportunities that would enable us to work much more closely with the local community. We look forward to achieving this through working in partnership with our Council of Governors and our membership.

The Governors have been positive and committed in embracing their new role and are already making an important contribution towards the achievement of our objectives and in helping to determine our priorities for the coming year.


In addition, we have started to engage with our growing membership and at the end of March 2008 we had more than 4,000 staff members and almost 5,000 public members. The views of our members are extremely important in ensuring that the services we provide are what local people want and are of the highest quality. Over the coming months we will be holding regular members events to inform and involve our members in our future plans.

Over the next few years we will face increasing competition from within and outside the NHS and we believe that by becoming an NHS Foundation Trust we will be able to build on our strengths whilst having the flexibility to meet these challenges. We will be using our financial flexibilities to

develop new state-of-the-art buildings and services to provide 21st century healthcare for our patients. Our plans include a new multi-million pound Women's and Children's Unit and a new integrated surgical block. These are much welcomed developments and will vastly improve the environment and facilities for our staff and patients. We would not have been able to press ahead with these developments so quickly without our new financial freedoms.

Although achieving Foundation Trust status was very much at the forefront of our minds this year, delivering high quality care to patients remained our top priority and this was clearly demonstrated in a number of ways.

We now have shorter waiting times than ever before, patients spend less time in hospital and the quality of clinical care our patients receive has improved. Throughout the year we hit all



our performance targets and we were particularly proud of our achievement of the 18-week target. We were one of only a few Trusts in the country to hit the target by December 2007 – 12 months ahead of the national target.

Once again we were one of the best performing Trusts for our achievement of the four hour A&E target and many patients are seen much sooner as the Trust has set its own local three hour target.

Investments in services have continued to be made throughout the year and we recently opened a new Tertiary Haematology Unit following a major refurbishment. The unit now treats patients with haematological cancers from across Lancashire and Cumbria.

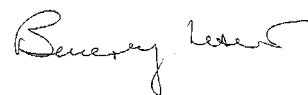
At the end of March we also celebrated the opening of a new £1.4m state-of-the-art Endoscopy Unit at Blackpool Victoria Hospital. The unit has doubled its capacity and patients are now seen in bright modern facilities and are benefiting from shorter waiting times.

We also made huge progress in developing the Blackpool Way, ensuring staff feel valued and respected and that their work is rewarded and recognised. At this point we would like to say a special thank you to all of our staff and volunteers who have worked so hard this year to achieve all that we have.

Looking ahead to the future we can build on the solid foundations we have laid. We are confident that by working with our Governors



and listening to and involving our members we will go from strength to strength and the Trust will achieve its vision of delivering “best in NHS” care for our patients.



**Beverly Lester**  
11th June 2008



“Although achieving Foundation Trust status was very much at the forefront of our minds this year, delivering high quality care to patients remained our top priority and this was clearly demonstrated in a number of ways.”

# Statement by Board of Directors

In producing this Annual Report so far as the Directors are aware, there is no relevant audit information of which the auditors are unaware. The Directors have taken all of the

steps we ought to have taken as Directors in order to make ourselves aware of any relevant audit information and have established that the auditors are aware of this information.



## Directors' Report

### Board of Directors

The Board of Directors comprises Non-Executive Directors and Executive Directors as follows:

#### Non-Executive Directors:

Miss Beverly Lester  
*Chairman\**

Mrs Christine Breene\*

Mr Michael Brown\*

Mr Malcolm Faulkner\*

Mr Peter Hosker\*

Mr Paul Olive\*

Mr Bill Robinson\*

### Executive Directors:

Mr Julian Hartley  
*Chief Executive\**

Mr Aidan Kehoe  
*Deputy Chief Executive\**

Mr Tim Welch  
*Finance Director\**

Dr Paul Kelsey  
*Medical Director\**

Mrs Mandie Sunderland  
*Director of Nursing and Quality\**

Mr Nick Grimshaw  
*Director of Human Resources and Organisational Development\**

Mr Mike Gallagher  
*Director of Facilities*

*\* voting rights*



The Trust was one of the first in the country to complete the Deep Clean initiative

## Principal Risks

### Governance Risk

The Board of Directors is confident that the Trust will remain compliant in 2008/09 with the compliance framework. Delivery of infection prevention targets is seen as a high risk area and a robust performance management framework has been introduced by the Trust to mitigate this risk.

### Significant Governance Risks

The most challenging issue for the Trust remains the elimination of healthcare acquired infections. A range of initiatives have been implemented by the Trust which will have a positive impact on infection prevention. These include:

- A new performance management structure
- Expanding screening of patients on admission
- Implementation of interventions specified in the 100,000 lives and Saving Lives initiatives that are proven to reduce healthcare acquired infections.
- Participation in the Deep Clean initiative.
- All staff signing an infection prevention pledge
- All staff attending an infection prevention 'roadshow'
- A major publicity campaign to raise awareness of the risk of infection both amongst staff and public



A major public awareness campaign 'Ban The Bugs' was launched in March 2008

The Trust will continue to work with and support Blackpool Primary Care Trust and North Lancashire Primary Care Trust to influence the incidence of community acquired infection and prevent the transfer of infection into hospital.

“Risk Management and Quality is embedded within the Trust through key committees which enable the Trust to operate a robust risk management process to ensure effective integrated governance.”

## Risk Management Approach

The organisation has a system of integrated governance with a Director of Nursing and Quality on the Board of Directors. The Healthcare Governance Committee is a main sub-group of the Board of Directors and oversees governance including:

- Corporate Governance
- Clinical Governance
- Financial Governance
- Risk Management
- Information Governance
- Research Governance

The Healthcare Governance Committee is chaired by the Chief Executive and includes representatives from the Executive Directors and other senior representatives including the Chairman. The Finance Director and the Associate Director of Governance are members of the Healthcare Governance Committee and provide Governance and Risk Management assurance to the Audit Committee at each of its meetings, thus ensuring an integrated risk management approach. The Healthcare Governance Committee gathers evidence to assure the Board of Directors and Governors that the governance arrangements for the Trust are robust. The Trust has undertaken a self-assessment of compliance

against the twenty-four Core ‘Standards for Better Health’ to include a self-assessment in terms of safety, clinical and cost effectiveness, governance, patient focus, accessible and responsive care, care environment and amenities and public health. These are the Standards for Better Health and the Trust has declared full compliance with the standards based on documentary evidence.

The elements of the Board Assurance Framework reflect the Standards for Better Health and the organisation’s objectives and is monitored and reviewed on a quarterly basis by the Healthcare Governance Committee and the Audit Committee followed by the Board of Directors. The Corporate Risk Register reflects the risks identified by the Divisions and is monitored and reviewed on a quarterly basis by the Healthcare Governance Committee and the Board of Directors. Risk Registers are also held at Ward, Departmental, Directorate and Divisional level. The Divisional Risk Registers are monitored by the Divisional Boards and the Healthcare Governance Committee to provide assurance that risk is being managed effectively throughout the Trust.

Risk Management and Quality is embedded within the Trust through key committees identified in the Corporate Governance structure and consists of clinical and non-clinical committees, which will enable the Trust to operate a robust risk management process to ensure effective integrated governance.

The Learning from Incidents and Risks Committee, which comprises senior staff, meets on a monthly basis to ensure concerns identified from incidents, claims, and complaints are investigated to ensure that lessons are learned and as a method of sharing best practice. The Trust fosters an environment where individuals are treated in a fair and just way and where lessons are learned rather than blame being attributed.

Training sessions have been held to provide staff with guidance and feedback on the Risk Management processes. The organisation has also established links with the University of Central Lancashire to develop teaching opportunities in Risk Management and Governance.

## Mandatory Services Risk Trust Profile

There are no foreseeable service changes that threaten the delivery of mandatory services provided by the Trust and there are no issues of accreditation that threaten the viability of a service in 2008/09.

The Trust continues to work with the Cumbria and Lancashire Cancer Network to implement Improving Outcomes Guidance for Cancer Patients and this will involve on-going collaboration and networking of services with other local service providers.

The Trust has developed a robust set of business continuity and contingency plans to ensure that services can continue to be provided in the event that a catastrophic event takes place which impacts upon patient services. These plans have been cascaded throughout the organisation and, where appropriate, have been fully tested.

The Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust was established on 1st December 2007 under the National Health Service Act 2006.

The Trust comprises:

- Blackpool Victoria Hospital - the main District General Hospital
- Clifton Hospital
- Fleetwood Hospital
- Rossall Rehabilitation Unit
- Wesham Rehabilitation Unit
- Bispham Rehabilitation Unit
- The National Artificial Eye Service
- Blackpool Child Development Centre

Blackpool Victoria Hospital - the main District General Hospital

The Trust has three main purchasers; Blackpool Primary Care Trust, North Lancashire Primary Care Trust and, for Cardiac services, the North West Specialist Commissioner. Further information on the funding streams of the Trust is provided in the financial review section of this report.

There are extremely good transport links from Blackpool to the rest of the North West. The M55 motorway links Blackpool with the M6 motorway, and therefore enables easy access to the major cities of Manchester and Liverpool, as well as the major conurbation of East Lancashire. Direct rail services are available to many parts of Lancashire, Greater Manchester and Yorkshire, and connecting services are available to Preston to join the West coast main line.

## Financial Risk

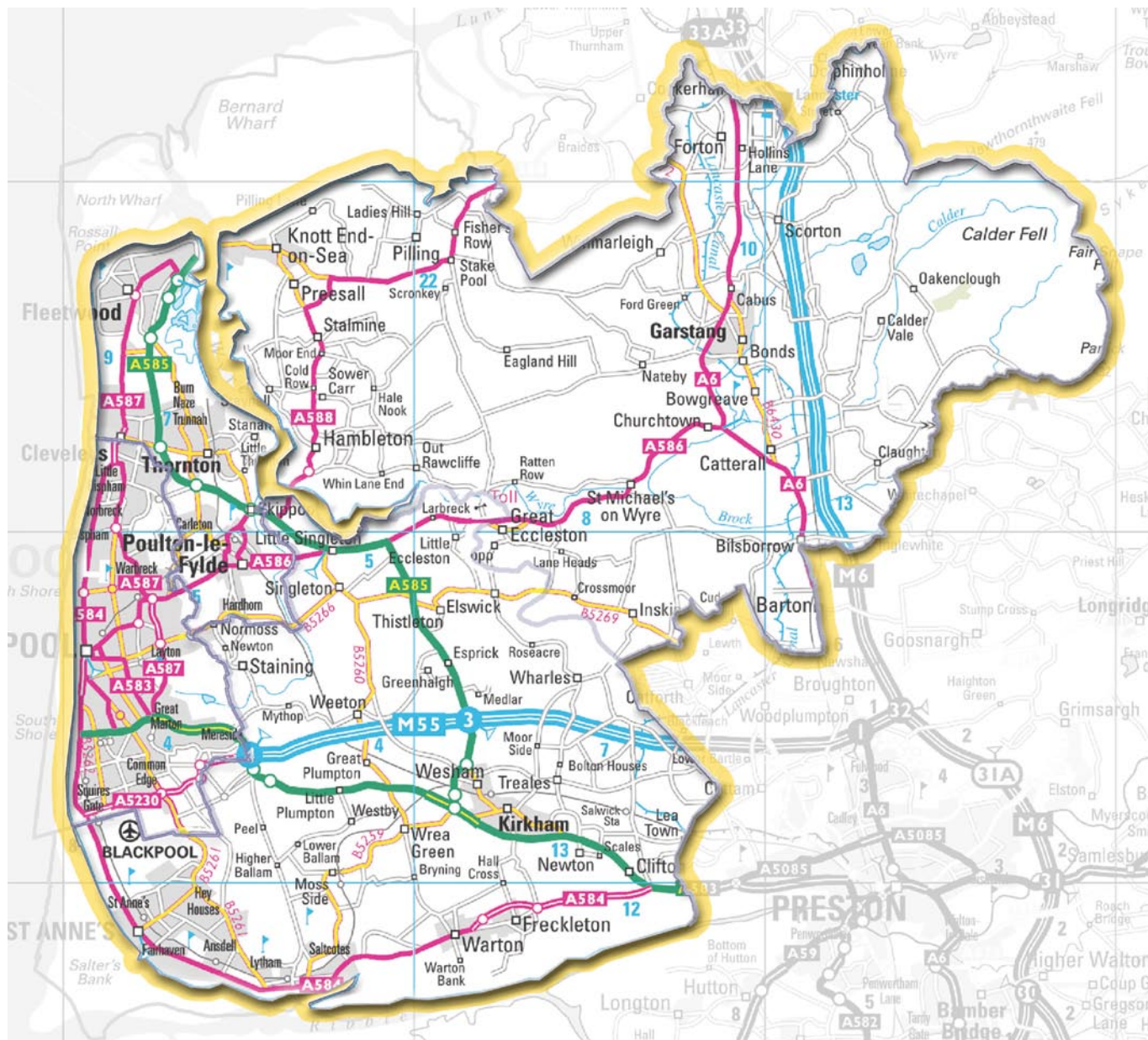
The Trust's self assessment indicates a financial risk rating of 4 for 2008/09, based on the key assumptions.

As part of the Trust's established budget setting procedures, financial risks have been reviewed and provided for where appropriate.



# Location Map

## of Blackpool, Fylde and Wyre



The Trust has an extremely busy District General Hospital and also provides tertiary Haematology and Cardiac services. We are one of four specialist Cardiac Centres in the North West of England, providing services to a

catchment population of 1.6 million across Lancashire and South Cumbria. Cardiac services are provided from one of the most modern facilities available in the country; our patients having benefited from the opening of a new

£52 million state-of-the-art Cardiac Centre in April 2006. The Trust also opened a new Tertiary Haematology Centre in September 2007 for patients with haematological cancers from across Lancashire and South Cumbria.

From 1st December 2007 to 31st March 2008, we had treated approximately 29,000 day-cases and in-patients (elective and non elective)

## Trust Profile

Our Trust serves a population of approximately 344,000 residents of the Boroughs of Blackpool, Fylde and Wyre. In addition, as a tourist centre, Blackpool receives 11 million visitors annually and this results in a high number of A&E attenders. We employ 4,470 staff, have a turnover in excess of £200 million per year and have 864 beds. In the period from 1st December 2007 to 31st March 2008, we had treated approximately 29,000 day-cases and in-patients (elective and non elective), 86,000 out-patients and had 30,000 A & E patient attendances. We also employ assets to the value of approximately £200 million to facilitate our services. Renal, Oncology and Neurology services are provided on site by clinicians from the Lancashire Teaching Hospitals NHS Foundation Trust.

Over the past two years the Trust has undergone significant service reconfiguration, which has resulted in the reduction of 227 beds and the closure of 3 local hospitals at Lytham, Devonshire Road and South Shore. This has been accompanied by successful staffing changes, equating to a reduction of 523 posts within the organisation with only 10 redundancies and successful redeployment of over 400 staff.

The Trust has maintained a high standard of patient care by continuing as a high performer on all national targets. The Trust has used this solid platform and its experience of delivering national performance targets to establish itself as an early achiever site for delivery of the 18 week wait for patients from referral to treatment.

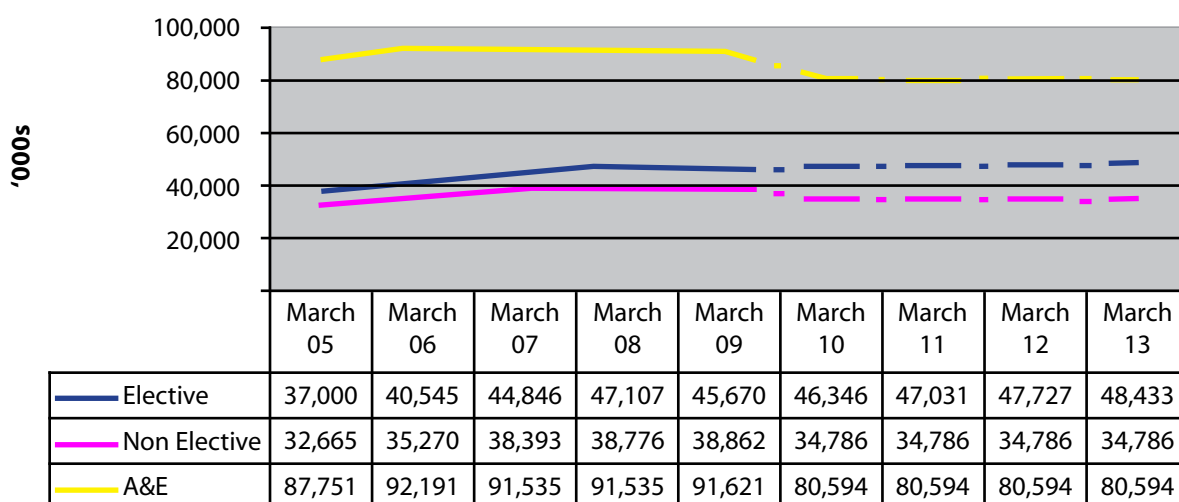


The Trust also hosts The National Artificial Eye Service. This service provides a manufacturing and fitting service for the supply of ocular and facial prostheses to all eligible patients throughout England. This is provided from a number of centres around the country and each one of those has a number of outreach clinics associated with it, giving local access.

The Trust has seen a steady growth in all areas of activity over recent years and this trend is projected to continue. However, it is projected that demand management programmes in primary care, including the development of an Urgent Care Centre, will help to stem any increase in demand in the acute sector. In relation to elective work, the projection reflects the fact that the Fylde Coast has traditionally purchased activity in that sector and volumes are not expected to change significantly over future years. The table overleaf shows the historical activity growth and the projection for future years.



## Activity Trends and Projections



## Range of Services and Activity

The Trust provides a wide range of secondary and tertiary services and the table below highlights the top ten specialties in terms of overall patient numbers.

### Activity by Specialty (December 2007 - March 2008)

Specialty	Out-Patient Attendances	Out-Patient Procedures	Day Cases	Elective In-Patients	Elective Total	Non-Elective In-Patients
Cardiology	5,031	0	639	596	1,235	643
Dermatology	8,798	942	23	59	82	4
ENT	5,567	0	725	231	956	222
General Medicine	1,604	0	46	18	64	4,692
General Surgery	5,462	729	869	610	1,479	1,405
Gynaecology	3,952	354	925	301	1,226	491
Obstetrics	4,162	0	0	0	0	2,097
Ophthalmology	9,645	243	1,764	57	1,821	274
Trauma & Orthopaedics	12,587	80	1,060	335	1,395	592
Urology	2,755	290	1,194	406	1,600	45
Others	26,431	867	4,754	555	5,309	3,082
<b>TOTAL</b>	<b>85,994</b>	<b>3,505</b>	<b>11,999</b>	<b>3,168</b>	<b>15,167</b>	<b>13,547</b>

## Activity by Specialty (Full Year April 2007 - March 2008)

Specialty	Out-Patient Attendances	Out-Patient Procedures	Day Cases	Elective In-Patients	Elective Total	Non-Elective In-Patients
Cardiology	14,322	0	1,815	1,846	3,661	2,010
Dermatology	28,043	2,943	94	164	258	23
ENT	17,393	0	2,294	834	3,128	656
General Medicine	5,040	4	188	106	294	13,387
General Surgery	17,320	2,466	3,148	1,956	5,104	4,362
Gynaecology	11,599	1,100	2,837	972	3,809	1,455
Obstetrics	13,358	0	0	0	0	6,104
Ophthalmology	30,865	950	5,650	203	5,853	624
Trauma & Orthopaedics	39,758	279	3,452	1,026	4,478	2,021
Urology	8,828	813	3,987	1,377	5,364	185
Others	79,451	2,633	14,710	1,521	16,231	9,381
<b>TOTAL</b>	<b>265,977</b>	<b>11,188</b>	<b>38,175</b>	<b>10,005</b>	<b>48,180</b>	<b>40,208</b>

## Summary of Operational Performance

Performance since the Trust was awarded Foundation Trust status on 1st December 2007 has been excellent with key operational performance targets being delivered for the benefit of patients.

Performance against the targets established by the Healthcare Commission is summarised in the following tables.

### Existing National Targets

Target	Performance
All cancers: one month from diagnosis (decision to treat) to treatment	Achieved
All cancers: two month wait from urgent GP referral to treatment	Achieved
All cancers: two week wait from referral to outpatient appointment	Achieved
Cancelled operations and those not admitted within 28 days	Achieved
Convenience and choice - elective (inpatient and day case) and outpatient booking	Achieved
Convenience and Choice - provider information in place to support choice	Achieved
Delayed transfers of care reduced to a minimal level	Achieved
Number of inpatients waiting longer than the standard (local target of 6 weeks)	Achieved
Number of outpatients waiting longer than the standard (local target of 4 weeks)	Achieved
3 months maximum wait for revascularisation	Achieved
Thrombolysis - 60 minute call to needle time	Achieved
Total time in A&E: four hours or less from arrival to admission, transfer or discharge	Achieved
Maximum 2 week wait for access to the Rapid Access Chest Pain Clinic	Achieved

## New targets

Target	Performance
Access to genito-urinary medicine (GUM) clinics within 48hrs	N/A
Inpatient waiting time milestone for the 18-week referral-to-treatment target	Achieved
Outpatient waiting time milestone for the 18-week referral-to-treatment target	Achieved
Waiting time for diagnostic tests	Achieved
Trusts assessed on the provision of information, existence of clear screening and referral processes for drug misusers presenting to A&E and/or using maternity services	Achieved
Improvement in the experience of Patients	Achieved
Reduce the number of MRSA Bacteraemia to 26 for the year	Failed
Reduce Clostridium difficile associated disease (CDAD) infection	Achieved
Completeness of trust coding for ethnicity in patient data sets	Achieved
Improve rates for smoking during pregnancy and breastfeeding initiation	Achieved
Reduce the number of emergency bed days	Achieved
Obesity: compliance with NICE guidance	Achieved
Participation in audits	Achieved
Processes in place to ensure compliance with NICE guidelines on the treatment and management of self harm in emergency departments.	Achieved

The Trust does not provide genito-urinary medicine (GUM) clinics, therefore this target does not apply.

A new Tertiary Haematology Centre opened at Blackpool Victoria Hospital in September 2007

In terms of this performance the following is of particular note:

### 18 weeks

On 31st December 2007 the Trust became one of only three NHS Acute Trusts to deliver an 18 week wait for patients from referral to treatment. This was a full 12 months in advance of the national target set by the Department of Health. This achievement was delivered through the commitment and hard work of our staff and has delivered real benefits for patients.

### Emergency Access Targets

During the year the Accident and Emergency Department delivered a performance well in advance of the national target with over 99% of patients being treated, admitted or discharged within 4 hours of arrival. The department also delivered a local target of 70% of patients being treated, admitted or discharged within 3 hours of arrival.

### Cancer Plan Access Targets

The Trust delivered all Cancer Plan targets during the year with 100% of patients being seen within 2 weeks of a fast track cancer referral, in excess of 99% of patients diagnosed with cancer having their treatment



within 31 days of that treatment being agreed and in excess of 95% of cancer fast track patients being diagnosed and treated within 62 days of referral.

### Healthcare Acquired Infection

During the year the Trust reduced the number of MRSA and Clostridium Difficile cases from the number recorded in 2006/07. However, the number of MRSA cases exceeded the target set by the Trust by 14 cases. A number of major initiatives has taken place during the year to rectify this situation and the Trust has identified this issue as its number one priority for the coming year in relation to patient safety and confidence in local services.

### Improving Patient Care

During the year the Trust has continued to deliver on its commitment to implement service changes approved as part of the public consultation, 'Improving Patient Care'. This has resulted in further reduced hospital length of stays,

increased day case rates and the development of state-of-the-art facilities such as the Tertiary Haematology Centre, serving the population of Lancashire and South Cumbria.

In addition to sustaining the strong performance outlined above the Trust will continue to develop the services provided as set out on pages 25 to 28.

### Financial Performance

The Trust has continued to build upon the financial processes and discipline developed since the start of 2006/07 and delivered a small surplus (£8k) for the period since authorisation as a Foundation Trust. Further detail is set out in the financial review section of this report of pages 29 to 35, with the full accounts for the period set out in Annex D.

# Strategic Overview

## Trust Vision

The Trust's Vision statement was developed early in 2006 through a series of workshops, led by the Chief Executive. These workshops were attended by over 300 of our staff and support for our Vision was also received from partner organisations. The Board endorsed the Trust's Vision and Values in April 2006.

The Trust's Vision is based on 4 key themes:

### Our Vision

Blackpool, Fylde and Wyre Hospitals  
NHS Foundation Trust

- To offer 'best in NHS' care for our patients
- To be the first choice for the residents of the Fylde Coast and beyond
- To offer outstanding value for money for the taxpayer
- To be a great place to work

To deliver this Vision a number of key actions, with outcome measures have been agreed by the Trust Board. In summary they are:

- To achieve top 10% performance across the NHS for all key performance indicators such as healthcare acquired infections, length of stay and day case rates
- To provide high quality care, as demonstrated by being a top 10% performing Trust and offer competitive waiting times, through the delivery and maintenance of an 18 week pathway from referral to treatment for our population
- To achieve financial surplus to support future service investment and development, whilst delivering high quality accessible services through redesigning patient pathways to eliminate waste and reduce overheads
- To enhance staff involvement in the future direction of the Trust through implementation of the Blackpool Way. This will support a more team-based approach to continuous improvement of patient pathways

## Whole Health Economy Vision

Between June and September 2006, the Health Community on the Fylde Coast undertook a public consultation, entitled 'Improving Patient Care' to ask patients about the future configuration of health services on the Fylde Coast. There was strong public support for the vision set out in the consultation document and this resulted in the following Health Community vision being agreed:

Our Vision is to develop excellence  
in patient and customer care

- **Deliver excellence in patient and customer care**
- **Support the delivery of locally based community services, where appropriate**
- **Provide services from facilities that support the efficient delivery of patient care in the 21st century**
- **Support Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust in providing high quality services that patients will choose to use**
- **Ensure that all locations are attractive places for patients and staff working there**



This Health Community vision is entirely consistent with the Trust's Vision and has enabled us to move quickly on making changes to improve services for patients over the last two years. However, there is still further work to be undertaken and details of our strategy and key plans to further deliver our vision are outlined below.

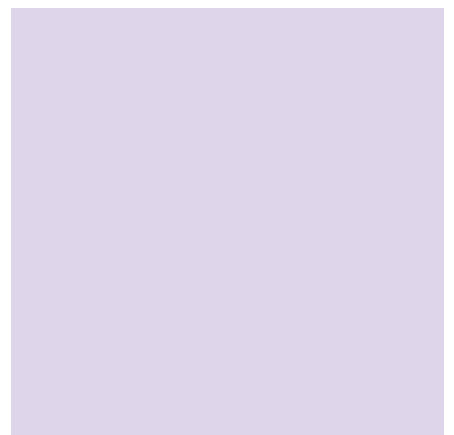
# Strategic Developments

## Fit for Foundation

Our five Clinical Divisions (Cardiac, Medicine, Surgery, Women's and Children's, Clinical Support) are the heart of the Trust. This is where the majority of our patient services are delivered, our costs relate and the vast majority of our income is earned. Given that our Clinical Divisions are at the centre of the Trust, all other services should regard their business as serving the needs of the Divisions. The Trust's direction of travel needs to allow our Clinical Divisions to pursue excellence by allowing each Division a degree of 'earned autonomy' based on performance. This approach is similar to the development of 'devolved business units' that exist in commercial organisations. There are, of course, two important considerations before pursuing this approach; the first is the need to ensure that each Division is capable of handling a greater degree of autonomy in terms of its governance and controls; the second is the need to ensure that Divisions work towards the strategic objectives of the Trust, as set by the Trust Board.

The Monitor model of regulation of Foundation Trusts works on the basis of risk ratings for governance, finance and mandatory services with a 'light touch' approach allowing Foundation Trusts to progress their business. We currently manage our Divisions tightly with a high degree of central control. This has been necessary in order to deliver financial turnaround and sustain high performance on waiting times. The proposed approach is that, as a Board, we 'license' each Division once we are assured it is sufficiently strong in terms of leadership, governance, finance, quality, workforce. Having 'licensed' a Division it then benefits from a scheme of delegation which offers certain freedoms and benefits. The purpose of this approach is to strengthen organisational performance, by incentivising Divisions to develop, grow stronger and deliver excellence. Work on Fit for Foundation commenced in 2007/08 and the timetable is for all Divisions to be licensed by 1st April 2009.

"The Trust's direction of travel needs to allow our Clinical Divisions to pursue excellence by allowing each Division a degree of 'earned autonomy' based on performance."



The Trust has made significant progress in implementing The Blackpool Way

## Clinical Excellence

The Trust has set itself an ambitious target of achieving top 10% performance across a range of measures. This level of performance is already being delivered for many of the 'hard targets' that exist, such as patient waiting times and cancer plan performance. The Trust is now looking to improve the quality of its patient services by moving to top 10% performance across a range of clinical quality measures.

Discussions have taken place between the Medical Director, the Associate Director of Performance Improvement and the clinical teams to identify clinical performance measures which will be benchmarked against 'best practice'. This will bring a performance management approach to the delivery of clinical excellence.

To support delivery of this goal the Trust is a wave one site for the North West Advancing Quality Programme. This seeks to benchmark the Trust across a number of clinical conditions, ensuring that interventions, that are known to improve patient outcomes, are consistently delivered.



As part of the move to top 10% performance there will be a Trust wide focus on mortality rates. Management arrangements will be put in place to regularly review mortality rates, by specialty, and regular reviews by clinical teams implemented. Information on mortality will also be published on the Trust website for patients to access.

inspired and motivated workforce. Management success will, therefore, be measured in future not only by results, but how those results were obtained.

- Introducing a policy deployment approach where management ensures that local priorities match the overall imperatives and performance measures of the organisation

## Blackpool Way

The Blackpool Way is the Trust's organisational development programme and is aimed at fundamentally changing the way in which the organisation is run by:

- Developing a fully engaged workforce, where individuals and teams have greater influence and autonomy in driving the Trust towards best in class performance
- Charging managers with achieving the Trust's objectives through an

The Trust has recently undertaken a review of the impact of the Blackpool Way and this has highlighted that in a large number of areas huge progress has been made and that this has made a significant contribution to the Trust's overall Vision. In some areas further work needs to be undertaken and the principles of the Blackpool Way adopted more rigorously. To support this work an action plan is being developed which will be overseen by the Blackpool Way Steering Group.

## The Local Competitive Situation

The competitive situation for the Trust has improved since Foundation Trust status was achieved. The proposed development of a CATS (Capture Assess Treat and Support) Service for the Fylde Coast has been deemed not to represent good value for money by the Department of Health. In the main this has been due to the Trust delivering an 18 week waiting time for patients. The Trust continues to work with local independent sector providers with whom good long term relationships exist.

Practice Based Commissioning is being developed on the Fylde Coast with consortiums being developed covering Blackpool and the remainder of the Fylde Coast. The Trust will be seeking to develop strong links with these consortia once they have their management structures in place. In addition the Trust plans to appoint a Primary Care Adviser who is a General Practitioner within the North Lancashire PCT area.

## Developing our Marketing and Competitive Capability

Our management arrangements have recently been revised whereby an Executive Director has been given responsibility for the Trust's marketing function in order to enhance our market research and marketing capability. In addition, an Associate Non Executive Director with marketing experience in the private sector was appointed in June 2007 and, following authorisation as a Foundation Trust status we took the opportunity to appoint permanently.

A Marketing Strategy Group was established early in 2008 which is chaired by this Non-Executive Director and has Governor representation with marketing experience. This group will ensure that our future plans and objectives are tailored to meet the known needs and wishes of patients, commissioners and general practitioners. The Board of Directors also approved a Marketing Strategy in March 2008.

## Contracting

The Trust has signed a three year legally binding contract with commissioners, with Blackpool PCT acting as Co-ordinating Commissioner. The activity levels set out in the contract reflect the activity levels contained in the long term finance model in the Integrated Business Plan. Discussions are on-going with commissioners regarding activity levels required to maintain an 18 week waiting time and the agreement reached will be treated as a variation to the contract.

## Engagement with Governors and Members

A number of events have taken place over the last few months both for Governors and the wider membership. In order to develop our membership and ensure good communications, a Membership and Communications Officer has been appointed to support the membership activity. The postholder is responsible for organising the seminars, events and newsletters as well as dealing with member enquiries, recruitment events, the membership database and generally promoting membership.

## Innovation and Development of Commercial Opportunities

A number of healthcare developments are taking place on the Fylde Coast. These include the expansion of GP Practices and the creation of a number of new GP Practices, as well as the development of Primary Care Centres offering locally based services to patients. The Trust has expressed an interest in the first of the GP Practice tenders to be issued and we will be exploring with the PCT how this interest can be taken forward.

Initial discussions have taken place with Commissioners regarding the Trust locating clinical services in Primary Care Centres. Specialty sub groups have been established and more detailed work is planned.

## Workforce Development

During 2008/09 the Trust will continue to pursue the four key themes of its workforce strategy:

- Planning the workforce
- High impact HR
- Model employer (becoming a "great place to work")
- Developing the workforce (skills escalator)

The new workforce planning process introduced across the organisation will be further developed with a particular focus on supporting workforce re-design aligned to continuous improvement. In addition the patient focussed workforce planning methodology will feature as an integral part of the Phase VI surgical development.

In relation to high impact HR, the Trust will continue to focus on reducing sickness absence with stretching targets for improvement for each area supported by comprehensive HR and occupational health advice. During the year a project will commence, working

closely with the Health and Safety Executive, aimed at tackling the causes of long term absence i.e. over 28 days, particularly work related stress. The roll out of Hospital at Night will also be concluded with a new multi-disciplinary team in place improving patient care through better identification of and support to high risk patients out of hours. The HR Directorate will work with divisions to develop the HR Manager role to better assist the development of good people management and high quality HR and OD support to Divisions.

To support our Vision of creating a great place to work the new Trust Appraisal System will be embedded and a suite of management and clinical leadership programmes will be introduced. The Blackpool Way, Investors in People and Staff Survey Action Plans will be consolidated into a single coherent action plan.

"The Trust will continue to focus on reducing sickness absence with stretching targets for improvement for each area supported by comprehensive HR and occupational health advice."

## Relationship with Commissioners and Stakeholders

In recognition of the progress made in this area and feedback from our recent Investors in People assessment, the Trust has registered an interest in becoming an Investors in People Champion.

Early achievement of EWT (European Working Time Directive) 2009 through a re-profiling of the medical workforce will be a key goal for 2008/09. At the same time, the focus on medical education will increase with a new infrastructure, management and personal development arrangements to support both undergraduate and postgraduate training. In addition, the planned improvements in educational facilities on the back of investment of Strategic Health Authority monies for student doctors will be to the advantage of all staff.

As part of the skills escalator the Trust will further develop the use of competencies and promote life long learning for all. Having signed up to the Leitch Pledge the Trust will work to improve skill levels across the workforce with a particular focus on developing and supporting staff in pay bands 1-4, with a view to taking the first steps towards a fully qualified workforce. There will also be an emphasis on improving 'on the job' training and training for staff in equality and diversity issues. These were areas signalled as relatively weak in the 2007 staff survey.

The Trust continues to build on the joint working that has taken place with Commissioners over the last two years. This joint working has seen great improvements to patient care, most notably an agreed and implemented plan for the configuration of healthcare services across the Fylde Coast and the delivery of an 18 week wait from referral to treatment for patients, 12 months in advance of the national target. The Trust meets regularly with its main commissioners, including Board to Board meetings to discuss and agree strategy and review progress on operational plans. The Trust is also a key contributor to the Blackpool Overview and Scrutiny Committee playing a role in promoting and improving health in the local population.



# Service Development Plans 2008/09

## Endoscopy Services and Bowel Cancer Screening

A state-of-the-art endoscopy facility will be open to patients on 1st April 2008. This new facility has four scoping rooms, enabling the Trust to double its capacity and provide a much improved environment for staff and patients. The new facility has supported a number of developments in endoscopy services as set out below.

The Trust recently received approval to become a specialist Bowel Cancer Screening Centre. Blackpool Victoria Hospital will be the administrative centre and will co-ordinate the bowel screening service to the 1.3 million catchment population of Blackpool, Fylde, Wyre, Preston, Blackburn and Burnley. The service will begin in May 2008 and will lead to reduced levels of mortality from bowel cancer disease.



Staff prepare for the opening of the new Endoscopy Unit

Over the last 12 months staff in the unit at Blackpool Victoria Hospital have worked hard to reduce waiting times to some of the best in the region. This has supported the delivery of cancer waiting times and the 18 week pathway for patients. To maintain this position, an additional Nurse Endoscopist has been appointed to work within the new unit.

Another development for the Endoscopy Unit includes the introduction of endoscopic ultrasound. Previously this

service was only available to Fylde Coast residents in Blackburn or Liverpool and the new service is seen as an important local development.

The above developments will enable the Trust to deliver an additional 500 endoscopic procedures per year to support maintenance of 18 week and cancer pathway waiting times.

## Cardiac Expansion

In order to deliver an 18 week pathway within Cardiothoracic Surgery, the Trust has agreed an increased level of activity with the 'Specialist Commissioner' for 2008/09. Additional infrastructure is required to deliver this work and approval has been given by the Board of Directors for an expansion in Cardiothoracic surgical beds, intensive care beds and an additional theatre. The costs of this expansion can be met within the income generated from the additional work under Payment by Results.

During 2008 the Trust will be discussing with Commissioners the development of additional specialist services within the Tertiary Centre. This will include a Heart Failure Service and an Electrophysiologist Service. Patients from Lancashire and South Cumbria currently access these services at Tertiary Centres in Liverpool and Manchester and the Trust is keen to develop locally based services for its catchment population.

## Cancer Reform Strategy/ Improving Patient Outcomes

The Cancer Reform Strategy was published in December 2007 and builds on the progress made since the publication of the NHS Cancer Plan. The Strategy has been developed to meet the following challenges:

- The incidence of cancer is increasing, as people live longer
- More people are alive having survived cancer
- Scientific understanding of cancer is improving greatly
- There are new opportunities for early diagnosis (genetics; screening; new diagnostic technologies)
- There are many new treatments in the pipeline
- There is considerable potential to introduce new service models to improve convenience and outcomes for patients

The Strategy sets out a clear direction for cancer services for the next five years focussing on action across ten areas as set out below:

Six key areas for action

- Prevention
- Diagnosing cancer earlier
- Ensuring better treatment
- Living with and beyond cancer
- Reducing cancer inequalities
- Delivering care in the most appropriate setting

Four key drivers for delivery

- Using information to drive quality and choice
- Stronger commissioning
- Funding world class cancer care
- Planning for the future

The Trust has already implemented measures that will support the implementation of the Strategy, such as putting all cancer patients on a 'fast track' pathway, and is now working with partners to identify further actions required to implement all the measures and deliver improved services for cancer patients.

A further piece of work to be undertaken with partner organisations is supporting the introduction of a preferred place of death strategy for patients with terminal illness. This will provide support for patients who wish to die at home and reduce the number of patients coming into hospital to die.

## Out of Hospital Care

The proposal to move services from hospital into the community was tested during our public consultation, 'Improving Patient Care'. The outcome of the consultation

was that patients and the public told us that they wanted to see services delivered in the community closer to their homes. The table below, taken from the Trust's Integrated

Business Plan, illustrates the number of patients who would benefit from this shift in services, using 2001 Census data.

### Number of People with Limiting Long Term Illness, or Not in Good Health, by Locality

	England		Blackpool		Fylde		Wyre	
	No	%	No	%	No	%	No	%
Limiting Long term Illness	8,369,174	17	33,862	25	14,311	20	22,697	22
Not in Good Health	4,249,859	9	18,580	13	6,982	10	11,273	11

Report on the Health of the Population of Blackpool Fylde and Wyre 2006

"Patients and the public told us that they wanted to see services delivered in the community closer to their homes."

As a Health Community we are working jointly to identify the range of services that will be provided in a community setting in the future.

The Trust will also be looking to develop its strategy, and a detailed action plan, that sets out how it will support the public health agenda. This is with the aim of developing our role as a provider of public health services and health education programmes.



The Trust has introduced a Stroke Thrombolysis Service for patients that have suffered a stroke

## Stroke

In December 2007 the Government published the National Stroke Strategy with the aim of raising awareness of stroke and improving prevention and treatment. The Trust has been working with healthcare partners during the last 12 months to improve care for patients who have had, or are at risk of having, a stroke. Actions taken include:

- Development of a vascular laboratory facility, providing rapid access diagnostic services and treatment for patients who have had a suspected TIA (transient ischaemic attack), also known as minor strokes
- Development of a combined Stroke Unit on the Blackpool Victoria Hospital site
- Improved access to surgery for patients at risk of stroke
- Introduction of a thrombolysis (clot busting drug) assessment and treatment service for patients who have suffered a stroke

The health community will be looking to build on these developments over the coming year to improve access to thrombolysis, providing a 24 hour 7 day a week service



for stroke sufferers. This will involve developing out of hours diagnostic services to provide round the clock CT scanning for patients who have had a stroke. In addition the Trust has set itself a target of delivering surgery for at risk patients within 2 weeks of their assessment. A Health Community action plan has been developed to deliver these ambitious targets and ensure compliance with all performance measures in the Stroke Strategy.

## Infection Prevention

Healthcare acquired infection is an issue of significant importance for patients. The Trust has agreed with local commissioners a challenging target for the reduction of healthcare acquired infection in the current year. This reflects the fact that the Board of Directors has identified Infection Prevention as the number one clinical priority for 2008/09.

The Trust has undertaken a number of major initiatives to support the delivery of this goal, including:

- Adoption of all infection control measures identified in the 'Saving 100,000 Lives' and 'Saving Lives' campaigns
- All staff signing an infection prevention pledge
- All staff attending an infection prevention 'roadshow'
- A major media campaign aimed at both public and staff
- Introduction of a new performance management framework
- Extension of the 'Deep Clean' programme

The eradication of healthcare acquired infections will not only provide a safer service for patients, it will also help us ensure that patients choose to have their treatment at this hospital rather than another hospital.

# Financial Review

## Summary of Financial Performance

The accounts for the four month period to the end of March 2008 represent the first trading period for the Trust since it achieved Foundation Trust status on 1st December 2007.

In this period the Trust delivered a surplus of £8k. This is in addition to the surplus generated as an NHS Trust of £3.8m between April and November 2007. This therefore equates to a surplus of £3.8m for the 2007/08 financial year. The overall improvement in performance was driven by improved income recovery (see below) offset by the revenue impact of the revaluation of the Trust's assets at 31st March 2008.

The Trust continued to build upon the processes introduced in 2006/07 with cost improvements of £6.5m delivered across the year, with the programme effectively delivered two months early in January 2008.

The Trust's cash balance at 31st March 2008 was £23.9m against a forecast balance of £3.0m. Whilst a proportion of this increase is driven by the improved surplus, the majority of the available cash is already committed by the Trust to pay for goods and services received or to fund the Trust's future capital investment programme (see page 35).

At authorisation the Trust was allocated a financial risk rating of 3. Following the performance referred to above, the Trust achieved a financial risk rating of 4.

The following table summarises the key financial performance indicators.

## Key Financial Performance Indicators

	2005/06	2006/07	Period to 30/11/07	Period to 31/03/08	2007/08 annual equivalent	2007/08 plan
Surplus	£0.1m	£1.9m	£3.8m	£0.0m	£3.8m	£1.4m
Cash Balance	£0.2m	£0.2m	£13.5m	£23.9m	n/a	£3.0m
Financial Risk Rating	n/a	n/a	n/a	4	4	4

The full accounts for the period are set out in Annex D to this report.

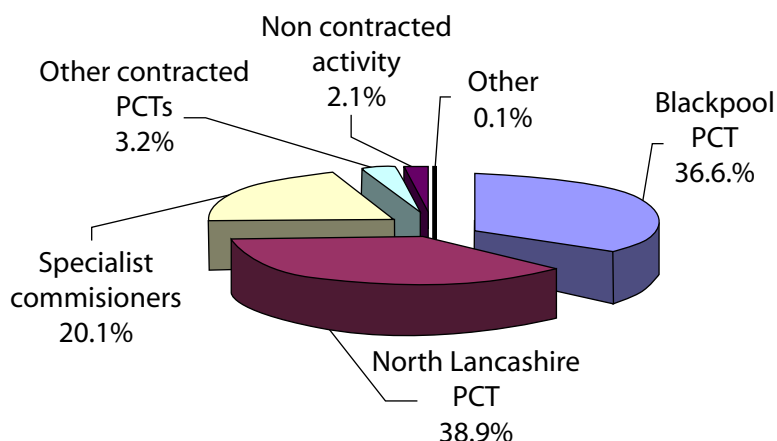
# Trust Income

## NHS Clinical Income

The majority of Trust income (£75.3m or 87%) during the period was earned by providing clinical services to NHS patients. The provision of these services is covered by Service Level Agreements with Commissioners, particularly Primary Care Trusts.

The following chart summarises clinical income recovery by commissioner.

### Clinical Income by Commissioner



The level of income earned by the Trust from patient activity grew during the period. The following table summarises income generation by point of delivery.

## NHS Clinical Income by Point of Delivery

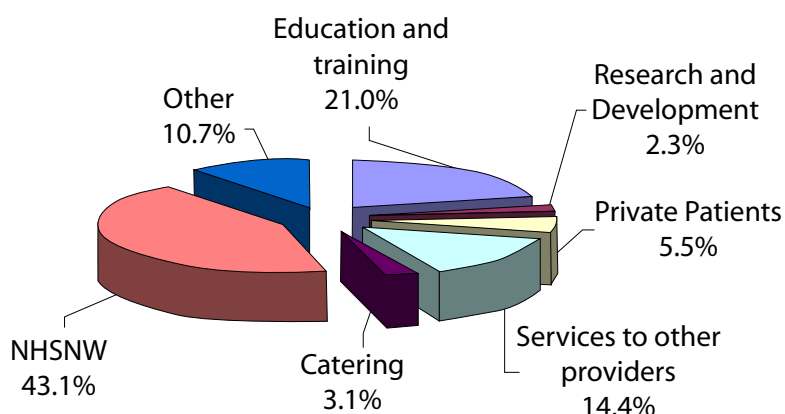
	2005/06 £'m	2006/07 £'m	Period to 30/11/07 £'m	Period to 31/03/08 £'m	2007/08 Annual equivalent £'m	2007/08 plan £'m
Elective	41.3	46.1	34.1	20.2	54.3	54.8
Non-Elective	60.6	66.2	45.5	22.5	68.0	68.3
Out-Patients	23.1	26.6	20.5	8.6	29.1	27.6
A&E attendances	7.1	6.9	4.7	2.0	6.7	7.0
Other	46.2	43.7	27.7	22.1	49.8	44.8
<b>Total</b>	<b>178.4</b>	<b>189.4</b>	<b>132.5</b>	<b>75.4<sup>a</sup></b>	<b>207.9</b>	<b>202.6</b>

<sup>a</sup> The variation between Total NHS Clinical Income and Table 2.1 on page xi of the Accounts, relates to Private Patient Income (£0.6m) and the NHSNW Non-Recurrent Income (£5.0m). These values have been included in the chart on page 31.

## Other Income

In addition to the NHS clinical income described above, the Trust receives a number of other income streams. These are summarised in the following chart.

### Non-NHS Clinical / Non-Clinical Income by type

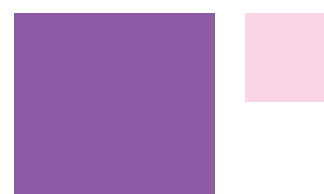


## Private Patient Cap

These income streams equated to £11.6m<sup>b</sup> or 13% of the total income earned for this period. Of this £10.5m or 12% relates to the provision of other services not directly related to healthcare, including catering and car park income. These services help reduce the cost of patient related activities.

Under the terms of the authorisation as a Foundation Trust, the proportion of total patient related income of the Trust in any financial year devised from private charges should not exceed that generated in the 2002/03 financial year.

The results for the period are summarised in the following table.



### Private Patient Cap performance

	2005/06 £'m	2006/07 £'m	Period to 30/11/07 £'m	Period to 31/03/08 £'m	2007/08 Annual equivalent £'m	2007/08 plan £'m
Private Patient Income	£2.6m	£2.8m	£1.6m	£0.6m	£2.2m	£2.9m
Total Patient Related Income	£181.7m	£193.3m	£134.7m	£76.4m	£211.1m	£206.2m
Proportion as a %	n/a	n/a	n/a	0.8%	1.0%	1.4%

<sup>b</sup> As detailed in footnote a, on page 30. The variation between the income streams detailed above and Table 3 on page xii of the Accounts, relates to Private Patient Income (£0.6m) and the NHSNW Non-Recurrent Income (£5.0m). These values have been included in the chart above.

## Delivering Value for Money

The National Tariff for 2007/08 included an efficiency assumption of 2.5%. In order to deliver the approved budgeted surplus for the year, the Trust agreed a £6.3m cost improvement programme for the financial year, of which £0.5m related to this financial period.

This target was delivered by January 2008 with an overachievement of £0.2m delivered by the end of March 2008.

Performance to deliver savings is closely monitored at divisional level with a number of schemes identified. The key themes for delivering efficiencies were:

- More effective procurement
- Increasing Trust income
- Reconfiguration of services
- Improved efficiency and performance through the application of lean methodologies

## The Prudential Borrowing Limit

As an NHS Foundation Trust, the Trust, from 1st December 2007, has greater freedoms to borrow money in order to finance capital investment.

The limits on the amount the Trust can borrow and the conditions that it must meet to demonstrate that the levels of borrowing are affordable are set out in the Prudential Borrowing Code (PBC), published by Monitor. The PBC sets out five minimum financial ratios that the Trust must meet if it is to undertake any borrowing.

The maximum cumulative borrowing or Prudential Borrowing Limit (PBL) that the Trust may make is set by Monitor with reference to the Trust's annual financial risk rating (see below). The Trust was authorised on 1st December 2007 with a financial risk rating of 3 and as a result a PBL of 15% of total Trust assets. This equates to £39.1m.

During the period to 31st March 2008, the Trust did not have any borrowing. Trust performance against the PBC ratios is summarised in the following table.

### Prudential Borrowing Code Ratio Performance

	Target	2007/08 annual performance	2007/08 plan
Maximum debt/asset ratio	<15%	0%	0%
Minimum dividend cover	>1	3.9	2.5
Minimum interest cover	>3	-	-
Minimum debt service	>2	-	-
Maximum debt to service revenue	<3%	0%	0%

"During the period to 31st March 2008, the Trust did not have any borrowing."

## Performance Against Monitor's Compliance Framework

As a Foundation Trust, the Trust is required to demonstrate that it is operating within Monitor's Compliance Framework. The Framework sets out Monitor's approach to regulating Foundation Trusts using a risk-based methodology.

A key element of the Framework sets out the approach by which the level of financial risk facing the Trust is assessed and the likelihood that the Terms of Authorisation will be breached.

A Foundation Trust that has a high risk of breaching the financial element of their Terms of Authorisation would achieve a financial risk rating of 1. A low risk would achieve a financial risk rating of 5.

Based on its financial performance for 2007/08, the Trust achieved a risk rating of 4.

The table below shows the Trust's performance against the Compliance Framework metrics.

### Compliance Framework Metric Ratios

	Target (level 3 risk)	2007/08 annual performance	2007/08 plan
EBITDA % achieved	>70%	100%	100%
EBITDA margin	>5%	11.1%	7.4%
Rate of return on assets	>3%	7.7%	4.0%
I&E surplus margin	>1%	4.1%	0.6%
Liquid Ratio	>15 days	41 days	60 days

## Post Balance Sheet Events

In the opinion of the Directors there are no material Post Balance Sheet events.

## Revaluation of Assets

In order to comply with Financial Reporting Standard 15, an interim valuation was undertaken at 31st March 2008. The impact of this valuation is reflected in the Trust's balance sheet as at that date and had a £6.5m impact on the Income and Expenditure position.

This reduction is reflected in the surplus achieved for the period as identified above.

## Management Costs

Information on the Trust's management costs are provided on page 61 of this report.

## Remuneration

Senior employees remuneration is set out on page 63 in the Remuneration section of this report.

## Accounting Policies

The Trust's main accounting policies used to prepare the accounts are set out in Annex D to this report. The format of the accounts and the supporting accounting policies were reviewed by the Trust's Audit Committee at its meeting on 11th April 2008.



## Going Concern

The Trust is building upon the strong financial base that it established in 2006/07 and 2007/08 and has budgeted for a £4.4m surplus in 2008/09. This supports the Trust's strategy to deliver surpluses so that the cash generated can be invested in improving its infrastructure and the quality of services provided to patients.

The Trust's financial plans are based on prudent growth assumptions that have been agreed with its commissioners, combined with expenditure budgets that have taken into account the likely cost risks for 2007/08 and include the requirement for 3% efficiencies as set out in the NHS Operating Framework published in December 2007.

On this basis the Board of Directors has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason the Trust has adopted the going concern basis in preparing the accounts.

## External Auditors

The Council of Governors has approved the continued appointment of PricewaterhouseCoopers as the Trust's external auditors until 31st March 2009.

PricewaterhouseCoopers were paid £88k in respect of statutory audit fees and £31k in respect of other work (IFRS and MRSA reviews).

## Capital Investment

The Trust invested over £8.9m in capital schemes during the period.

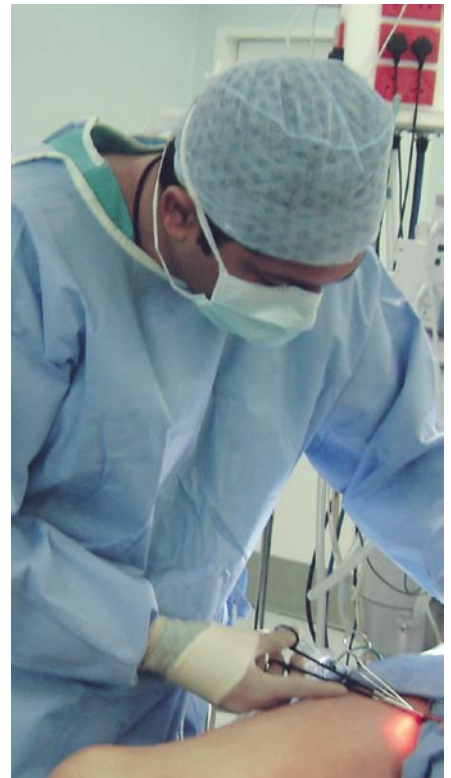
Expenditure during the period included the following significant investments:

- Redevelopment of Gastroenterology facilities to support the expansion of these services and the establishment of a bowel cancer screening service.
- Development of a Clinical Decision Unit to improve the admission process for emergency patients
- A number of ward upgrades to ensure these facilities are fit for purpose and are able to support the Trust's management of winter pressures and the delivery of the 18 week target
- Development of facilities to support the Trust providing tertiary Haematology services to patients across Lancashire and South Cumbria

- Additional equipment to support the delivery of the 18 week target in Cardiac Services
- A Pharmacy robot that will reduce the turnaround time for prescriptions and reduce the potential for prescribing errors

The majority of the above expenditure was funded from internally funded resources with £2.2m provided from Public Dividend Capital.

In 2008/09 the Trust will continue to invest £5m of internally generated resources in a renewal programme that will modernise and improve facilities and equipment.



In addition the Board of Directors has considered the following additional schemes:

- Urgent Care Centre
- Surgical Centre
- Women's and Children's services

To facilitate these the Trust will have to utilise part of its Prudential Borrowing Limit (approximately £25m from 2009/10) to ensure that sufficient cash flow is available. The Trust is negotiating with the Foundation Trust Financing Facility arrangements to secure this funding stream.

# Patient Care And Stakeholder Relations

## Patient and Public Involvement

The Trust wide Patient and Public Involvement Strategy is monitored through the Patient Experience Committee.



Following authorisation as a Foundation Trust and the establishment of the Council of Governors, it was decided to disband the Trust's Patients' Panel. However, panel members do continue to actively engage in committees and work streams across the Trust, including the Reader's Panel, the essence of care audit and the 18-week pathway.

The Head of Patient Experience has been actively engaged in the planning and procurement of the Local Involvement Networks (LINKs) for the Blackpool Authority.

The Trust provides language and signing services as required.

## Listening to Patients

### Dignity and Respect - Nursing

The staff induction programme includes training on Equality and Diversity.

The National Patient Surveys and the local Matrons' Satisfaction Surveys monitors patient satisfaction.

The Equality and Diversity Committee monitors complaints and concerns raised via the Patient Advice and Liaison Service.

### National Patient Survey

The Patient Experience Committee monitors the action plan for the National Inpatient Survey which was undertaken in 2006/2007. The results of the National Inpatient Survey undertaken in 2007-2008 are pending.

The Head of Midwifery has developed an action plan as a result of the National Maternity Survey that was undertaken in 2007/2008 and progress will be monitored through the Patient Experience Committee.



## Patient Advice and Liaison Service (PALS)

Patient Advice and Liaison Services are one of the key mechanisms for Patient and Public Involvement in health and was first implemented in 2002 by the NHS Plan (Secretary of State for Health 2000). The aim of PALS is to put patients and other service users at the heart of service planning, delivery and improvement.

The Patient Advice and Liaison Service has been operational in its current format for over five years. However, as the Trust strives to continually improve the quality of the service, we are currently undertaking a formal review of our service.

Since its implementation in 2002, PALS has handled over 11,000 cases on behalf of Blackpool, Fylde and Wyre Hospitals Foundation Trust, Blackpool Primary Care Trust, Lancashire Care Foundation Trust and North Lancashire Primary Care Trust.

Between 1st December 2007 and 31st March 2008, PALS handled 547 issues relating to the Blackpool, Fylde and Wyre Hospitals Foundation Trust, 414 of which were closed with a satisfactory outcome.

Clients contact PALS with a wide variety of concerns and enquiries with the main themes focusing on administration, communication, treatment issues, appointments and enquiries about NHS services.

PALS utilises a proven information system that allows a combination of intelligence with complaints, incidents and risk management and track and “close the loop” on action plans. Mechanisms allow the integration of qualitative information that describes the lived experience of NHS service users. Central to this is the collaborative working relationships between PALS and staff to ensure that the service users voice is heard and is then used to bring about organisational and cultural change.

Some service users contact PALS because they do not wish to make a formal complaint but wish to seek either an apology or an assurance that the same situation will not arise again either for themselves or to others. PALS is best placed to deal with their concerns and to achieve a positive outcome to their concerns. During the financial year only 37 cases progressed to a formal complaint, equating to 2.34% of the total number of PALS cases for the Acute Trust.

## Complaints

The Trust Complaints Policy and Procedure was reviewed and ratified in January 2008 and complies with the NHS Complaints Regulations.

The Trust has achieved 100% of complaint responses within the 25-day target from November 2007 to February 2008. The total number of formal complaints received during 2007/2008 totalled 356, of which 122 were received during the period 1st December 2007 to 31st March 2008, which was a reduction of 37 complaints on the previous year.



## Lessons Learned

The action plan and lessons learned regarding complaints over the last six months has recently been completed. There have been several lessons learned and, as a result, changes to policies have occurred to ensure compliance with the changes required.

The Healthcare Commission considered 30 complaint reviews between 1st December 2007 and 31st March 2008, 16 of which were referred back to the Trust for further local resolution and 14 of which were subject to a full Healthcare Commission review. Divisional staff have provided a full response as required and implemented action plans accordingly.

The Internal Audit Department has undertaken an audit of the complaints function and has confirmed that there is significant assurance that the system of internal control meets the organisation's objectives.

Complaint trends are discussed at the Learning from Incidents and Risk Committee and Head Nurses maintain Divisional spreadsheets demonstrating lessons learned from complaints.

“The Trust has achieved 100% of complaint responses within the 25-day target from November 2007 to February 2008.”

# Council Of Governors

The Council of Governors was formed with effect from 1st December 2007 in accordance with the National Health Service Act 2006 and the Trust's Constitution.

The roles and responsibilities of the Council of Governors are:

- To appoint or remove the Chairman and the other Non-Executive Directors
- To approve an appointment (by the Non-Executive Directors) of the Chief Executive
- To decide the remuneration and allowances and other terms and conditions of office of the Non-Executive Directors
- To appoint or remove the Foundation Trust's auditor
- To appoint or remove any other external auditor appointed to review and publish a report on any other aspect of the Foundation Trust's affairs
- To be presented with the annual accounts, any report of the auditor on them and the annual report
- To provide their views to the Board of Directors when the Board of Directors is preparing the Foundation Trust's forward plans

- To respond as appropriate when consulted by the Board of Directors in accordance with the constitution
- To undertake such functions as the Board of Directors shall from time to time request
- To prepare and from time to time review the Foundation Trust's membership strategy and its policy for the composition of the Council of Governors and of the Non-Executive Directors and, when appropriate, make recommendations as to the revision of the Trust's constitution

We have a total of 31 Governors, comprising 15 Public Governors (from the constituencies of Blackpool, Fylde, Wyre and Lancashire & South Cumbria), 5 Staff Governors (from the Trust) and 10 Appointed Governors (representing a range of key stakeholder organisations).


Unlike the elected Governors, who are appointed for either two years or three years, the term of office for Appointed Governors is at the discretion of the nominating organisation.

In February 2007, one of our Staff Governors from the Nursing and Midwifery category resigned from the Trust and a replacement Governor has subsequently been elected. All elections to the Council are conducted by the Electoral Reform Services Limited on behalf of the Trust and in accordance with the Model Election Rules.

"We have a total of 31 Governors, comprising 15 Public Governors, 5 Staff Governors and 10 Appointed Governors."

## Council of Governors


Name	Constituency/Organisation	Term of Office
<b>Public Governors</b>		
John Butler	Blackpool	3 years
Michael Hodkinson	Blackpool	3 years
Maureen Horn	Blackpool	3 years
Michael Carr	Blackpool	2 years
Clifford Chivers	Blackpool	3 years
Hannah Harte	Blackpool	2 years
Chris Thornton	Blackpool	2 years
Cerise Fleming	Blackpool	2 years
Carol Gradwell	Fylde	2 years
Godfrey Hirst	Fylde	3 years
Anne Smith	Fylde	3 years
Peter Askew	Wyre	3 years
Patricia Fish	Wyre	2 years
Jean Marsh	Wyre	2 years
Austin McNally	Wyre	3 years
Bill Holmes	Lancashire and South Cumbria	2 years
<b>Staff Governors</b>		
Dr Tom Kane	Medical and Dental	3 years
Karen Harte	Nursing and Midwifery	3 years
Andrew Goacher (from April 2008)	Nursing and Midwifery	2 years
Tina Daniels	Non-Clinical Support	3 years
Richard Day	Clinical Support	2 years
<b>Appointed Governors</b>		
Tony Shaw	Blackpool Primary Care Trust	N/A
Dr Frank Atherton	North Lancashire Primary Care Trust	N/A
Councillor Roy Haskett	Blackpool Council	N/A
County Councillor Keith Riley	Lancashire County Council	N/A
Doug Garrett	Re Blackpool	N/A
Pamela Parr	BFW Hospitals Trust Patient and Public Involvement	N/A
Councillor Ramesh Gandhi	Council for Voluntary Service	N/A
Denise Wilson	Lancashire Care Trust	N/A
David Slater	Business Link North West	N/A
Eileen Martin	University of Central Lancashire	N/A



The Council of Governors has a number of statutory powers including the appointment of the Chairman, the Non-Executive Directors and the Trust's External Auditors.

Meetings of the Council of Governors are held on a quarterly basis and there have been two meetings (17th December 2007 and 5th March 2008) since the date of the Trust's authorisation on 1st December 2007 to 31st March 2008.

The Executive Directors and Non-Executive Directors attended the first meeting of the Council of Governors to support the Council in its formation and to obtain the Governors' views on various issues. To date, the Council has received regular updates from the Chief Executive, had a presentation about the Trust's infection prevention publicity campaign and received a recommendation from the Audit Committee Chairman about the appointment of the Trust's External Auditors.



The remaining scheduled meeting dates for the Council of Governors are as follows:

- 4th July 2008
- 6th October 2008
- 14th January 2009

A Governors' Induction was held on 28th January 2008 which included presentations from Executive Directors about finance, governance and workforce.

Arrangements are being made for a Governors' training event to take place in July 2008 and a schedule of bi-monthly visits to various wards/departments across the Trust is being organised for the Governors.



The following table summarises attendance at Governors' meetings since the Trust was authorised on 1st December 2007.

## Governor attendance

Number of meetings	2
John Butler	2
Michael Hodgkinson	2
Maureen Horn	0
Michael Carr	1
Clifford Chivers	2
Hannah Harte	2
Chris Thornton	2
Cerise Fleming	2
Carol Gradwell	1
Godfrey Hirst	2
Anne Smith	1
Peter Askew	1
Patricia Fish	1
Jean Marsh	1
Austin McNally	2
Bill Holmes	2
Dr Tom Kane	1
Karen Harte	2
Andrew Goacher	N/A
Tina Daniels	1
Richard Day	2
Tony Shaw	1
Dr Frank Atherton	1
Councillor Roy Haskett	2
County Councillor Keith Riley	2
Doug Garrett	1
Pamela Parr	0
Councillor Ramesh Gandhi	2
Denise Wilson	2
David Slater	1
Eileen Martin	1

Governors are required to comply with the Trust's Code of Conduct and to declare interests that are relevant and material to the Council.

All Governors have read and signed the Trust's Code of Conduct which includes a commitment to actively support the NHS Foundation Trust's vision and values and to uphold the Seven Principles of Public Life, determined by the Nolan Committee.

All Governors have declared their relevant and material interests and the Register of Interests is available for inspection by members of the public via the Foundation Trust Secretary at the following address:

Address:  
**Trust Headquarters**  
**Victoria Hospital**  
**Whinney Heys Road**  
**Blackpool**  
**FY3 8NR**

Telephone:  
**01253 306856**

Email:  
**judith.oates@bfwhospitals.nhs.uk**

Any member of the public wishing to make contact with a member of the Council of Governors should, in the first instance, contact the Foundation Trust Secretary.

Two sub-committees of the Council of Governors have been established, namely a Nominations Committee and a Membership Committee.

In addition, Governor representation has been included on the following existing Trust Committees:

- Marketing Strategy Group
- Charitable Funds Committee
- Information Governance Committee
- Patient Environment Action Team
- Transport Committee
- Equality and Diversity Committee
- Patient Experience Committee

# Board Of Directors

The Board of Directors comprises seven Non-Executive Directors (including the Chairman) and six Executive Directors (including the Chief Executive).

As a self-governing Foundation Trust, the Board of Directors has ultimate responsibility for the management of the Trust but is accountable for its stewardship to the Trust's Council of Governors and Members. In addition, the Trust's performance is scrutinised by Monitor (the Regulator for Foundation Trusts) and by the Healthcare Commission. The Board of Directors provide leadership to the Trust within a framework of effective controls which enables risk to be assessed and managed. The Board of Directors:

- Set the strategic aims of the Trust, taking into consideration the views of the Council of Governors
- Ensure compliance with the Terms of Authorisation, Constitution, Monitors mandatory guidance, statutory requirements and contractual obligations

- Ensure robust assurance, governance and performance management arrangements are in place to ensure the delivery of identified objectives
- Ensure the quality and safety of healthcare services, education, training and the application of the principles and standards of robust clinical governance

The Trust's Constitution sets out the types of decisions that are required to be taken by the Board of Directors. The scheme of delegation identifies those decisions that are reserved for the Board of Directors and those that can be delegated to its sub-committees and Trust managers.

The Non-Executive Directors are appointed and removed by the Trust's Council of Governors as set out in the Trust's Constitution. They must form the majority of the Directors. All Non-Executive Directors are considered Independent Directors.

The Board undertook a self-assessment in September 2007, the results of which were presented at the Board Seminar in February 2008.

The Board considers that it has an appropriate balance of expertise and experience and has access to specialist advice as required.

The Chairman has committed to spend three days per week on Trust business and the Non-Executive Directors are committed to spend four days per month on Trust business.

The Board of Directors meets on a monthly basis and the Board Agenda is produced to ensure that sufficient time is devoted to strategic, operational and financial matters. There have been three Board of Directors' Meeting and one Board Seminar between 1st December 2007 and 31st March 2008.

There are six sub-committees of the Board as follows:

- Audit Committee
- Charitable Funds Committee
- Finance and Performance Committee
- Healthcare Governance Committee
- Human Resources and Organisational Development Committee
- Remuneration Committee

In addition, a Marketing Strategy Group has recently been established which is chaired by one of the Non-Executive Directors and includes three Governors within its membership.

From 1st April 2008 the work of the Finance & Performance Committee has been absorbed into the Board of Directors meeting.

Attendance at the Board of Directors and Committee meetings (where not identified elsewhere in this report) since authorisation on 1st December 2007 is summarised in the following table.

### Board of Directors and Committee meeting attendance

	<b>Board</b>	<b>Finance &amp; Performance</b>	<b>Healthcare Governance</b>	<b>Human Resources and Organisational Development</b>
<b>No of meetings</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>2</b>
Beverly Lester	3	4	1	1
Paul Olive	3	4	N/A	N/A
Chris Breene	3	4	N/A	1
Michael Brown	3	4	N/A	N/A
Peter Hosker	2	3	N/A	N/A
Bill Robinson	3	3	N/A	2
Malcolm Faulkner	3	4	N/A	N/A
Julian Hartley	3	4	0	1
Aidan Kehoe	3	4	0	N/A
Tim Welch	3	4	0	0
Mandie Sunderland	3	4	1	1
Dr Paul Kelsey	3	4	1	0
Nick Grimshaw	3	4	1	2
Mike Gallagher	3	4	1	N/A

The work of the committees is evaluated on an annual basis against agreed work programmes, with summary reports and minutes provided to the Board of Directors.

The Board of Directors undergo an annual performance assessment, reviewing performance against agreed objectives, personal

skills and competencies and progress with personal development plans.

All Directors have declared their relevant and material interests. The Register of Interests is available for inspection by members of the public via the Foundation Trust Secretary at the following address:

Address:  
**Trust Headquarters**  
**Victoria Hospital**  
**Whinney Heys Road**  
**Blackpool**  
**FY3 8NR**

Telephone:  
**01253 306856**

Email:  
**judith.oates@bfwhospitals.nhs.uk**

# Profile of the Board

## Voting members of the Board of Directors:



**Beverly Lester**  
(Chairman) – term of office from  
1.11.05 to 31.10.09  
(second term)

**Experience:**

- Former Chairman of Blackpool, Wyre and Fylde Community Health Services NHS Trust
- Retired partner in Law Firm
- Part time Deputy District Chairman and Tribunal Chairman for the Tribunals Judiciary (Department for Constitutional Affairs)
- Trustee of the Ladies Sick Poor Association
- Governor of Carters Primary School
- Member of the SHA Regional Training Board
- Member of Blackpool Council's Children's Trust Board
- Member of the Court – University of Central Lancashire
- Former Deputy District Judge
- Trustee of Thornton Horse Club

**Qualifications:**

- Qualified Solicitor – LL.B



**Paul Olive**  
(Non-Executive Director) – term  
of office from 20.5.06 to 19.5.10  
(second term)

**Experience:**

- Former Finance Director of Stanley Leisure plc
- Former Non-Executive Director of Crown Leisure plc
- Former Governor of Blackpool Sixth Form College
- Trustee of Age Concern

**Qualifications:**

- Chartered Accountant – Fellow Institute of Chartered Accountants



**Chris Breene**  
(Non-Executive Director) – term  
of office from 20.5.06 to 19.5.10  
(second term)

**Experience:**

- Former Non-Executive Director of the Blackpool, Wyre and Fylde Community Health Services NHS Trust
- Former Manager for Marks and Spencer
- Vice Chairman of the Employment Committee for Blackpool, Wyre and Fylde Blind Society
- Former Member of the Blackpool Partnership Against Crime Community Group
- Former Governor of Blackpool Sixth Form College



**Michael Brown**  
(Non-Executive Director) – term  
of office from 1.3.04 to 30.11.08

**Experience:**

- Former Chief Executive of Wyre Borough Council
- Former Board Member - LAWTEC
- Former Board Member - Lancashire Learning & Skills Council
- Former Vice Chairman of Business Link Lancashire
- Former Member of Blackpool and the Fylde College Governing Body
- Former Governor of Baines School
- Chairman of Wyre Housing Association
- Managing Director of Eccleston Services Ltd
- Former Director of Canatxx Gas Storage Ltd

**Qualifications:**

- Qualified Solicitor – LL.B



**Peter Hosker**  
(Non-Executive Director) – term  
of office from 1.7.06 to 30.6.10

**Experience:**

- Former Senior Partner at Napthens Solicitors
- Part time Deputy District Chairman and Tribunal Chairman for the Tribunals Judiciary (Department for Constitutional Affairs)
- Chairman of the AvenCentral Regeneration Partnership in Preston
- Select Vestryman of the Churches of St John the Evangelist and St George the Martyr in Preston.
- Director of The Select Vestry of Preston Charity Ltd
- Former Trustee of the British Red Cross in Lancashire
- Vice Patron of Deafway
- Governor and Trustee and former Chairman of the Kirkham Educational Foundation and Kirkham Grammar School

**Qualifications:**

- Qualified Solicitor – LL.B (Hons)



**Bill Robinson**  
(Non-Executive Director) – term  
of office from 1.7.06 to 30.6.10

**Experience:**

- Former Director of Finance at South Ribble Borough Council
- A Vice President of Lancashire County Cricket Club
- Former Chairman of the Lancashire Youth Cricket Coaching Committee
- Honorary Treasurer of the Lancashire Cricket Board
- Director/Trustee and Honorary Company Secretary to the British Commercial Vehicle Museum Trust

**Qualifications:**

- Chartered Public Finance Accountant – C.P.F.A.



**Malcolm Faulkner**  
(Non-Executive Director) – term  
of office from 1.6.07 to 31.5.11

**Experience:**

- Former Independent Consultant
- Former Director of United Utilities
- Former Chairman of Norweb
- MD of Norweb Energy and Telecommunications Division
- Former Commercial Director of Norweb plc

**Qualifications:**

- B.Sc. (Hons) M.Sc. Electrical Engineering
- Diploma in Management Studies
- Chartered Engineer



**Julian Hartley**  
(Chief Executive) – appointed in  
December 2005

**Experience:**

- Former Chief Executive of Tameside and Glossop Primary Care Trust
- Former Director of Planning and Operations at North Tees and Hartlepool NHS Trust
- Joined NHS as National Trainee of the NHS General Management Training Scheme
- Non Executive Director of Skills for Health
- Trustee of National Association of Assistants in Surgical practice

**Qualifications:**

- Master of Business Administration
- Certificate in Healthcare Marketing
- Certificate in Managing Health Services
- Post Graduate Certificate in Education
- BA Hons – English Language and Literature



**Aidan Kehoe**  
(Deputy Chief Executive)  
– appointed in April 2004

**Experience:**

- Former Director of Operations at Blackpool, Fylde and Wyre Hospitals NHS Trust
- Former Divisional Manager at University Hospital Birmingham NHS Trust
- Joined NHS as National Trainee of the NHS General Management Training Scheme

**Qualifications:**

- Qualified Chartered Accountant – Institute of Chartered Accountants (ACA)
- Diploma in Health Service Management (Dip HSM)
- B.sc (Hons) – Managerial and Administrative Studies



**Tim Welch**  
(Director of Finance) – appointed  
in August 2005

**Experience:**

- Former Director of Finance at City and Hackney Teaching PCT
- Former Deputy Director of Finance at City and Hackney Teaching PCT
- Joined NHS as Financial Management Trainee

**Qualifications:**

- CIPFA CPD Certified
- Member CIPFA
- BSc (Hons) – Biochemistry



**Mandie Sunderland**  
(Director of Nursing and Quality)  
– appointed in January 2001

**Experience:**

- Former Director of Nursing and Patient Services at Halton General Hospital NHS Trust
- Former Nursing Officer for Quality at the NHS Executive, Department of Health

**Qualifications:**

- Registered General Nurse
- MSc Health Professional Practice (Nursing)
- Post Graduate Certificate in Education (ENB Approved Registered Nurse Tutor)
- BSc Healthcare Studies
- Diploma in Management



**Dr Paul Kelsey**  
(Medical Director) – appointed in  
June 2006

**Experience:**

- Consultant Haematologist at Blackpool, Fylde and Wyre Hospitals NHS Trust
- Former Senior Registrar in Haematology – North West Rotational Training Scheme

**Qualifications:**

- M.B.,B.S. (Hons) – Pathology
- MRCP (UK)
- MRCPATH

## Non-voting member of the Board of Directors:



**Nick Grimshaw**  
(Director of Human  
Resources and Organisational  
Development) – appointed in  
May 2007

### **Experience:**

- Former Director of Human Resources at Tameside and Glossop Acute Services NHS Trust
- Former Director of Human Resources at Greater Manchester Workforce Development Confederation
- Former Director of Human Resources at North Manchester Healthcare NHS Trust

### **Qualifications:**

- BA - English and History
- Post Graduate Diploma in Management
- Post Graduate Diploma in Personnel (MCIPD)



**Mike Gallagher**  
(Director of Facilities) –  
appointed in July 1989

### **Experience:**

- Former Director of Facilities at Blackpool Victoria Hospital NHS Trust
- Director of Estates at Blackpool, Wyre and Fylde Health Authority
- Deputy Director of Estates at Wigan Health Authority

### **Qualifications:**

- PhD in Environmental Management
- MSc in Facilities Management
- Royal Institution of Chartered Surveyors
- Chartered Institute of Building

# Audit Committee

Membership of the Audit Committee is as follows:

Mr P Olive – Chairman  
Mrs C Breene  
Mr M Brown  
Mr M Faulkner  
Mr P Hosker  
Mr B Robinson  
Miss J A Oates – Secretary

One meeting of the Audit Committee took place between December 2007 and March 2008 and attendance was as follows:

Mr P Olive – Chairman  
Mrs C Breene  
Mr M Faulkner  
Miss J A Oates – Secretary

The Trust's Audit Committee has the following responsibilities:

## Constitution

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (The Committee). The Committee is a Non-Executive Committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference.

## Membership

The Committee shall be appointed by the Board and shall consist of all the Non-Executive Directors of the Trust with the exception of the Chairman of the organisation who shall not be a member of the Committee. One of the members will be appointed Chair of the Committee by the Board and, in his/her absence, one of the remaining Non-Executive Directors may deputise.

## Quorum

A quorum shall be three members.

## Deputy Attendance

All Non-Executive Directors are members of the Audit Committee, therefore it is not appropriate for a deputy to be nominated.

## Attendance

The Director of Finance and appropriate Internal and External Audit representatives shall normally attend meetings. However, at least once a year the Committee should meet privately with the External and Internal Auditors.

The Chief Executive and other Executive Directors should be invited to attend, but particularly when the Committee is discussing areas of risk or operation that are the responsibility of that director.

The Chief Executive should be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Statement on Internal Control.

The Foundation Trust Secretary, or whoever covers these duties, shall be Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chairman and Committee members.

## Governance, Risk Management and Internal Control

### Frequency

Meetings shall be held not less than six times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

### Authority

The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### Duties

The duties of the Committee can be categorised as follows:

The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.


In particular, the Committee will review the adequacy of:

- All risk and control related disclosure statements (in particular the Statement on Internal Control and declarations of compliance with the Standards for Better Health), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board
- The underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements

- The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements
- The policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the Counter Fraud and Security Management Service

In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

This will be evidenced through the Committee's use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.



"The Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these audit functions."

## Internal Audit

The Committee shall ensure that there is an effective internal audit function established by management that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- Consideration of the provision of the Internal Audit Service, the cost of the audit and any questions of resignation and dismissal
- Reviewing and approving the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Assurance Framework
- Consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources
- Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation
- Annual review of the effectiveness of internal audit

## External Audit

The Committee shall review the work and findings of the External Auditor, appointed by the Council of Governors, and consider the implications and management's responses to their work. This will be achieved by:

- Consideration of the appointment and performance of the External Auditor
- Discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure co-ordination, as appropriate, with other External Auditors in the local health economy
- Discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee
- Review all External Audit reports, including agreement of the annual audit letter before submission to the Board and the Council of Governors and any work carried outside the annual audit plan, together with the appropriateness of management responses

Where the Trust is planning to appoint outside consultants to undertake work, consideration is given to whether the auditors can be included in the list of firms to be considered, or whether they should be excluded as the work would potentially compromise their independence as auditors. Consideration is given to such factors as the likely fees for the work, the area in which the work is to be undertaken and whether the auditors are likely to review the area as part of their work.

The auditors have their own procedures for concluding whether possible non audit work could compromise their independence, or be perceived to compromise it. In line with ICAEW's ethical standards, if they cannot put in place appropriate safeguards they will not propose for the work.

**Other Assurance Functions**  
The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

These will include, but will not be limited to, any reviews by Department of Health Arms Length Bodies or Regulators/ Inspectors (e.g. Healthcare Commission, NHS Litigation Authority, etc.) professional bodies with responsibility for the performance of staff or functions, e.g. Royal Colleges, accreditation bodies, etc.).

In addition, the Committee will review the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will particularly include the Clinical Governance Committee and any Healthcare Governance committees that are established.

In reviewing the work of the Clinical Governance Committee, and issues around clinical risk management, the Audit Committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.

## Management

The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

They may also request specific reports from individual functions within the organisation (e.g. clinical audit), as they may be appropriate to the overall arrangements.



## Financial Reporting

The Audit Committee shall review the Annual Report and Financial Statements before submission to the Board, focusing particularly on:

- The wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee
- Changes in, and compliance with, accounting policies and practices
- Unadjusted miss-statements in the financial statements
- Major judgemental areas
- Significant adjustments resulting from the audit

The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

## Agenda Items

An annual timetable will be provided with dates for agenda items to be submitted. Items for the agenda should be submitted to the Secretary to the Committee a minimum of two weeks prior to the meeting. Members wishing to discuss an item on the agenda must attend the meeting.

Members will be expected to provide reports as required by the agreed dates.

A list of minutes received will be included on the agenda.



## Reporting

The minutes of Audit Committee meetings shall be formally recorded by the Foundation Trust Secretary and submitted to the Board. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

The Committee will report to the Board annually on its work in support of the Statement on Internal Control, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embeddedness of risk management in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment against the Standards for Better Health.

## Other Matters

The Committee shall be supported administratively by the Foundation Trust Secretary, whose duties in this respect will include:

- Agreement of agenda with Chairman and attendees and collation of papers
- Taking the minutes and keeping a record of matters arising and issues to be carried forward
- Advising the Committee on pertinent areas

The Council of Governors, at its meeting held on 5th March 2008, accepted the Audit Committee's recommendation to continue the appointment of PricewaterhouseCoopers as the Foundation Trust's External Auditors in 2008/09.

PricewaterhouseCoopers are based at 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW.

## Review and Evaluation

The membership of the group and Terms of Reference will be reviewed every two years.



# Nominations Committee

## Performance Management and Appraisal:

The Council of Governors established a formally constituted Nominations Committee at its meeting held on 17th December 2007 and comprises three Governors as follows:

Mr Peter Askew – Chairman  
Mr Doug Garrett  
Canon Godfrey Hirst

There has been one meeting of the Nominations Committee since the establishment of the Foundation Trust and all three members were present.

The Nominations Committee has the following responsibilities:

- To draw up person specifications for each of these posts to take account of general and specific requirements in terms of roles and responsibilities
- To determine a schedule for advertising, shortlisting, interview and appointment of candidates with requisite skills and experience. This will include identification of appropriate independent assessors for appointment panels
- To recommend suitable people for appointments to be ratified by the Council of Governors
- To agree a process for the setting of objectives for Non-Executive Directors, subsequent appraisal by the Trust Chair and feedback to the Governing Council
- To agree a mechanism for the evaluation of the Trust Chair, which would be led by the Senior Independent Director
- To address issues related to Board development and to ensure that plans are in place for succession to posts as they become vacant so that a balance of skills and experience is maintained

## Recruitment and Appointment of Non-Executive Directors:

- To agree the skill mix and process for the appointment of Non-Executive Directors, in accordance with the Trust's Terms of Authorisation and Monitor requirements

## Terms and Conditions – Chair and Non-Executive Directors:

- To recommend salary arrangements and related terms and conditions for the Chair and Non-Executive Directors for agreement by the Council or Governors

# Membership

Members of the public and staff are invited to participate in NHS Foundation Trust status by becoming members. Membership brings important benefits, for example, being able to stand for, or vote in, the Governor elections and becoming involved in how our services are planned and delivered.

Our membership has continued to increase since our authorisation by Monitor on 1st December 2007. Eligibility for membership is as follows:

Public Members - all members of the public who are 16-years-old and over and who live in Blackpool, Fylde and Wyre or the wider catchment area of Lancashire and South Cumbria where we provide tertiary cardiac and haematology services. Trust Volunteers are also eligible to become members under the public constituency.

Staff Members - staff who work for the Trust automatically become members unless they choose to opt out. These include:

- Staff who are employed by the Foundation Trust under a contract of employment which has no fixed term, or has a fixed term of at least 12 months, or
- Staff who have been continuously employed by the Foundation Trust under a contract of employment

## Analysis of Current Membership

The following tables summarise the membership position as at 31st March 2008.

## Membership Overview

Borough of Blackpool Public Constituency	1,963
Borough of Fylde Public Constituency	986
Borough of Wyre Public Constituency	1,302
Lancashire & South Cumbria Public Constituency	248
<b>Total public membership</b>	<b>4,499</b>
Medical and Dental staff constituency	506
Non-medical clinical staff constituency	1,466
Nursing and Midwifery staff constituency	1,404
Other clinical professional staff constituency	1,638
Unknown staff constituency	5
<b>Total staff membership</b>	<b>4,535</b>
<b>TOTAL MEMBERSHIP</b>	<b>9,034</b>

## Breakdown of Public membership

	Borough of Blackpool	Borough of Fylde public	Borough of Wyre	Lancashire & South Cumbria	Total public membership
<b>Ethnicity</b>					
White	1,718	844	1,145	229	3,936
Black	9	2	0	0	11
Asian	22	5	9	5	41
Other	5	0	5	1	11
Mixed	5	1	4	1	11
Unknown	204	134	139	12	489
<b>Total</b>	<b>1,963</b>	<b>986</b>	<b>1,302</b>	<b>248</b>	<b>4,499</b>
<b>Gender</b>					
Male	1,266	578	862	162	2,868
Female	690	398	443	86	1,607
Unknown	7	10	7	0	24
<b>Total</b>	<b>1,963</b>	<b>986</b>	<b>1,302</b>	<b>248</b>	<b>4,499</b>
<b>Age range</b>					
16-35	249	56	104	32	441
36-50	305	110	142	45	602
51-65	487	227	356	61	1,131
66-80	612	369	474	76	1,531
80+	205	138	155	21	519
Unknown	105	86	71	13	275
<b>Total</b>	<b>1,963</b>	<b>986</b>	<b>1,302</b>	<b>248</b>	<b>4,499</b>

"Our membership has continued to increase since our authorisation by Monitor on 1st December 2007."

## Growth of Public Members

The number of public members has steadily increased during the year and now stands at 4,499. We are currently on target to have recruited a total of 8,000 public members by 2010.

## Recruitment of Members

A number of initiatives have taken place to encourage new public members. These include:

- Recruitment stands in hospital out-patient departments, libraries and supermarkets
- Mailshots to major local businesses such as Blackpool Council
- Radio and newspaper advertising campaigns
- Articles in local newsletters
- Online membership forms on our website

## Retention of Members

A number of initiatives have been introduced to communicate with our existing members. In March 2008 we launched our first quarterly members newsletter 'Your Hospitals'. This includes

information about key Trust issues and Council of Governors activity and gives members the opportunity to feedback on our services.

A members' discount card is being launched which enables staff and public members to obtain discounts from local businesses who advertise in the membership newsletter.

Regular members seminars are to be held. The first seminar will take place in May 2008 and has already received a good response from members who wish to attend. It is proposed that topics for future seminars could include infection control, research and development, heart disease, diabetes, healthy eating and bereavement. A programme of events is currently being developed.

A Membership Committee, comprising Governors from each of our staff and public constituencies, has been established to discuss ways to retain our existing membership, recruit new members and target under-represented groups.

A dedicated members' hotline and a dedicated members' email address have been set up for members enquiries.

## Membership Representation

It is vital that our membership is representative of the community we serve. Over the next 12 months we will be looking closely at our membership and targeting areas that are currently underrepresented.

One of the areas for growth is our young membership, particularly those under 21. Over the past 12 months we have built relationships with the local Grange Park youth community and we have visited local schools/sixth form colleges. Further events are planned including targeting young people and introducing a youth membership.

Governors are also being encouraged via the Membership Committee to recruit new members and promote membership in their own constituencies.

# Public Interest Disclosures

## Staff Engagement and Provision of Information

The Trust works closely with Trade Union staff representatives through the Joint Negotiating and Consultative Committee (JNCC) and for medical staff the Joint Local Negotiating Committee (JLNC). The committees meet on a bimonthly basis and a range of issues are discussed. The minutes for each meeting are available from the Human Resources Department.

The Trust's Executive team produce a briefing for all staff (the Team Brief) that is presented to senior management teams on the last Wednesday of the month. This is cascaded by managers to staff locally. Further information is provided to staff through a variety of media including the Trust Intranet site.

Effective communication with staff is critical to the organisation's success and is a central part of the Blackpool Way. Further detail on the Blackpool Way is included in page 19 of this report.

The Trust plans to continue to build on the strong progress made in 2007/08 and action plans are in place to improve further on the Annual Staff Survey results published in September 2007.

The Trust is proud of the achievements of its staff and in 2008/09 will build upon previously held celebration events including:

- Long service/achievement awards
- Celebrating success awards
- Nurses Day
- Divisional and departmental recognition days

## Emergency Preparedness

The Trust has in place robust systems in the event of a major incident. The Major Incident Plan is reviewed annually, is regularly tested, and is fully compliant with "Handling Major Incidents: An Operational Doctrine" and all other NHS guidance on major incident preparedness and planning.

The Trust held its first Celebrating Success Awards to reward and recognise staff achievement



## Disability Discrimination Act

The Trust has a Policy on the Employment of Disabled Persons and has achieved the Two Tick Symbol in relation to its recruitment practices. Training and the introduction of E-Recruitment have further diminished the chances of discrimination in this area. The Occupational Health Department routinely advises on disability issues and the way in which posts can be re-designed to cater for those employees affected by disability.

## Equality Statement

The Trust has an Equal Opportunities Policy and trains managers in best practice. The Trust has developed a Race Equality Scheme and has an action plan to ensure compliance with legislative changes.

“The Health and Safety Committee meet regularly to receive reports from all areas.”

## Health & Safety

The Trust has a Health and Safety Committee that is made up of representatives across the organisation. It meets regularly to receive reports from all areas and in particular assesses the:

- Attendance on mandatory health and safety training courses
- The number of slips, trips and falls
- The number of health and safety audits and action plans completed

It is the policy of the Trust to safeguard the health and safety of its employees, patients, visitors and anyone affected by its activities, so far as is reasonably practicable. This includes the provision of safe and healthy working conditions and ensuring that there is a systematic approach to the identification of risks and allocation of resources to control them.

Additionally it is the policy of the Trust that every member of staff is medically screened before starting work. A comprehensive Occupational Health service is available to provide advice and assistance to staff and managers.

## Counter Fraud

The NHS Counter Fraud and Security Management Service has set out the framework within which the NHS plans to minimise losses through fraud. The Trust's local policy complements the national and regional initiatives and sets out the arrangements for the reporting and elimination of fraud.

The Finance Director is nominated to ensure that the Trust's requirements are discharged and is aided by a local counter fraud specialist (LCFS). The LCFS developed a plan that aimed to proactively reduce fraud and create an anti-fraud culture supported by appropriate deterrence and prevention measures. Progress against the plan is regularly reported to the Audit Committee.



## Better Payment Practice Code

To comply with best practice the Trust is required to pay 95% of undisputed invoices within 30 days of receipt. The following table summarises performance for the four months to 31st March 2008.

	Number	£000
Total Non-NHS trade invoices paid in the year	18,705	25,451
Total Non NHS trade invoices paid within target	17,453	23,897
Percentage of Non-NHS trade invoices paid within target	93%	94%
Total NHS trade invoices paid in the year	490	5,483
Total NHS trade invoices paid within target	418	5,217
Percentage of NHS trade invoices paid within target	85%	95%

No interest was paid to suppliers under the late payment of Commercial Debts (Interest) Act 1998.

## Overview and Scrutiny

The Trust attends and presents a report on its activities and performance to every Overview & Scrutiny committee meeting of Blackpool Borough Council. There were no issues that required formal consultation across this period.

“A continual review of our operations takes place to determine how we can minimize the environmental impact of our activities.”

## Corporate Citizenship Management costs

The Trust is committed to being a good corporate citizen. A continual review of our operations takes place to determine how we can minimize the environmental impact of our activities. This includes working with local partners on healthy transport schemes, investment in proven technologies e.g. combined heat and power plant and seeking to widen employment opportunities through links with local schools.

In 2008/09, the Trust has set itself the goal of becoming a World Health Organisation – Health Promoting Hospital to support improving the health of our local population.

During the period 1st December 2007 to 31st March 2008, the Trust spent £3.4m on management costs which represents 4.0% of total income. By comparison, in 2006/07, management costs as a percentage of total income were 4.6%.

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

# Remuneration Report

The membership of the Trust's Remuneration Committee includes all six Non-Executive Directors, plus the Chairman, and is chaired by Mr Michael Brown.

## Membership of the Remuneration Committee:

Mr M Brown \* - Chairman  
Mrs C Breene \*  
Mr M Faulkner  
Mr P Hosker  
Miss B Lester \*  
Mr P Olive \*  
Mr B Robinson \*  
Miss J A Oates – Secretary

The Committee met once during 2007/08, with the asterisk above identifying attendees of that meeting.

The Committee establishes pay ranges, progression and pay uplift arrangements for Executive Director posts and for other Director posts that report to the Chief Executive.

The Committee undertakes its duties by reference to national guidance, pay awards made to other staff groups through national awards and by obtaining intelligence from specialists in pay and labour market research.

At a meeting in the 2006/07 financial year the Remuneration Committee had requested a report on Directors pay assisted by the provision of benchmarking data with other NHS employing organisations. This report was considered in 2007/08 and, as a result, the salaries of the executive team were adjusted. The Chief Executive's salary was set by reference to market forces data. The responsibilities of the executive team were each then assessed and their salaries adjusted to an approximate percentage of the Chief Executive's pay based on the extent of their overall job weight. No additional cost of living rise was awarded in 2007/08.

The Chairman assesses the performance of the Chief Executive and the Chief Executive assesses the performance of the other Directors. All Executive Directors and other Directors who report to the Chief Executive are employed on substantive contracts of employment, i.e. not fixed term, and all have notice periods of six months.

Termination payments are made in accordance with the provisions set out in the standard NHS conditions of service and NHS pension scheme as applied to all staff.

The following tables provide details of the remuneration and pension benefits for senior managers for the four months to 31st March 2008. These tables are subject to audit review.

Signed:



Julian Hartley - Chief Executive

Dated: 11th June 2008

Values subject to audit review

## A) Remuneration

Name and Title	1st December 2007 to 31st March 2008		
	Salary (bands of £5000)	Other Remuneration (bands of £5000)	Benefits in Kind rounded to the nearest £100
	£000	£000	£
B Lester - Chairman	10 - 15		
J Hartley - Chief Executive	50 - 55		
A Kehoe - Deputy Chief Executive	35 - 40		1,200
T Welch - Director of Finance	35 - 40		
P Kelsey - Medical Director	5 - 10	40 - 45	
A Sunderland - Director of Nursing and Quality	30 - 35		2,400
M J Gallagher - Director of Facilities	30 - 35		1,000
N Grimshaw - Director of HR & OD	30 - 35		
C Breene - Non-Executive	0 - 5		
P A Olive - Non-Executive	5 - 10		
M Brown - Non-Executive	0 - 5		
P Hosker - Non-Executive	0 - 5		
W G Robinson - Non-Executive	0 - 5		
M G Faulkner - Associate non-exec director	0 - 5		



Values subject to audit review

## B) Pension Benefits

	Real increase in pension at age 60 (bands of £2500)	Total accrued pension at age 60 (bands of £2500)	Real increase in related lump sum at age 60 (bands of £2500)	Related lump sum at age 60 at 31 March 2008 (bands of £2500)	Cash Equivalent transfer value at 31 March 2008 (rounded to the nearest £1000)	Cash Equivalent transfer value at 30 November 2007 (rounded to the nearest £1000)	Real increase in Cash Equivalent transfer value (rounded to the nearest £1000)
Name and Title	£000	£000	£000	£000	£000	£000	£000
J Hartley Chief Executive	0 - 2.5	32.5 - 35	5 - 7.5	100 - 102.5	426	382	31
A Kehoe Deputy Chief Executive	0 - 2.5	22.5 - 25	0 - 2.5	72.5 - 75	342	310	22
T Welch Director of Finance	0 - 2.5	17.5 - 20	0 - 2.5	57.5 - 60	208	197	8
P Kelsey Medical Director	0 - 2.5	57.5 - 60	0 - 2.5	172.5 - 175	983	954	20
A Sunderland Director of Nursing and Quality	5 - 7.5	22.5 - 25	15 - 17.5	72.5 - 75	387	311	53
N Grimshaw Director of Human Resources	0 - 2.5	22.5 - 25	0 - 2.5	67.5 - 70	302	279	16
M J Gallagher Director of Facilities	0 - 2.5	45 - 47.5	5 - 7.5	140 - 142.5	836	780	39

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at

a particular point in time. The benefits valued are the member's and any other contingent spouse's pension payable from.

# Annex A

## Statement of the Chief Executive's Responsibilities as the Accounting Officer of Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust

The National Health Service Act 2006 ("2006 Act") states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of Accounting Officer, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper accounts, are set out in the Accounting Officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Under the 2006 Act, Monitor has directed the Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial period.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS Foundation Trust Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the NHS Foundation Trust Financial reporting Manual have been followed, and disclose and explain any material departures in the financial statements, and
- Prepare the financial statements on a going concern basis

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Signed:



Julian Hartley - Chief Executive

Dated: 11th June 2008

# Annex B

## Statement in respect of Internal Control

### 1 Scope of Responsibility

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

### 2 The Purpose of the System of Internal Control

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

internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Trust successfully achieved Foundation Trust status on the 1st December 2007. The system of internal control has been in place in Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust from 1st December 2007 and remained in place up to the year ended 31st March 2008 and up to the date of approval of the annual report and accounts.

#### 2.1 Compliance with the NHS Pension Scheme

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

### 3 Capacity to Handle Risk

#### 3.1 Leadership

As Accounting Officer, I have overall accountability and responsibility for Risk Management within the Trust. I lead the Risk Management process as Chair of the Trust's Healthcare Governance Committee, which meets on a quarterly basis.

The Director of Nursing and Quality provides leadership at Board level for the implementation of Integrated Governance and Risk Management. The Director of Finance is designated as the accountable and responsible officer for managing financial risk in the Trust. The Trust Risk Management Strategy clearly defines the responsibilities of individual Executive Directors specifically and generally. The Risk Management Strategy applies to all employees and requires an active lead from managers at all levels to ensure risk management is a fundamental part of the total approach to quality, corporate and clinical governance, performance management and assurance.

## 3.2 Training

To ensure the successful implementation and maintenance of the Trust's approach to risk management, staff at all levels are appropriately trained in incident reporting and carrying out a risk assessment. An ongoing risk management training programme has been developed which includes Health and Safety, Clinical Risk Management, Patient Safety, Fire Safety, Resuscitation, Moving and Handling, Child Protection, Infection Prevention and Conflict Resolution training which is mandatory for appropriate staff.

The Learning from Incidents and Risks Committee comprising senior staff, meets on a monthly basis to ensure concerns identified from incidents, claims, and complaints are investigated to ensure that lessons are learned and as a method of sharing good practice. The Trust fosters an environment where individuals are treated in a fair and just way, and where lessons are learned rather than blame being attributed.

## 4 The Risk and Control Framework

### 4.1 Key Elements Of The Risk Management Strategy

The Risk Management Strategy is Board approved, covers all risks and is subject to an annual review to ensure it remains appropriate and current. Staff accountable and responsible for risk management are clearly identified as well as the system for identifying, managing, evaluating and controlling individual risk. Risks are identified from risk assessments and from the analysis of untoward incidents. The Risk Management Strategy is cross referenced to a series of related risk management documents, for example, The Patient Safety Strategy; Investigating an Incident and Serious Incident Reporting Procedure etc. The Risk Management Strategy is available to all staff via the Document Library on the Trust intranet.

### 4.2 How Risk Management Is Embedded In The Activity Of The Trust

Risk Management is embedded in the activity of the organisation through induction training, regular Risk Management training and ad hoc training when need is identified. An untoward incident reporting system is in place and incidents are entered onto a database for analysis. Root cause analysis is undertaken and identified changes in practice are implemented.

Risk Management is embedded within the Trust through key committees identified in the Corporate Governance Structure and consists of clinical and non-clinical committees, which report to the Healthcare Governance Committee.

The Healthcare Governance Committee links to the Audit Committee and the Clinical Governance Committee and also reports direct to the Board.

The Board Assurance Framework has been in place during 2007/08. The Assurance Framework:

- Covers all of the Trust's main activities
- Identifies the corporate objectives and targets the Trust is striving to achieve
- Identifies the risks to the achievement of these objectives and targets
- Identifies the system of internal control in place to manage the risks
- Identifies and examines the review and assurance mechanisms, which relate to the effectiveness of the system of internal control
- Records the actions taken by the Board to address control and assurance gaps
- Covers the core standards on which the Trust has been required to declare its compliance during 2007/08

The Information Governance Committee identifies and manages information risks, which reports to the Healthcare Governance Committee. The Finance Director who is also the nominated Board Lead for Information Risk chairs the Information Governance Committee. There have been no serious untoward

incidents involving data loss or confidentiality breaches.

The Healthcare Governance Committee considers significant risks and if appropriate, recommends their inclusion on the Corporate Risk Register and/or Board Assurance Framework. The Trust Board considers significant risks and approves their inclusion on the Board Assurance Framework and Corporate Risk Register.

Risk prioritisation and action planning is informed by the corporate objectives which have been derived from internal and external sources of risk identified from national requirements and guidance, complaints, claims, incident reports and audit findings. This also includes any other sources of risk derived from Ward, Departmental, Directorate and Divisional risk assessments, which feed up to Divisional and Corporate level management.

Action plans are developed for unresolved risks and the rating of risks is adapted from the Australian Risk Management Process.

Lead Executive Directors and Lead Managers are identified to deal with the gaps in control and assurance and are responsible for developing

action plans to address the gaps. The Board Assurance Framework serves to assure the Board of Directors that the organisation is addressing its risks systematically. The action plan arising from each risk also serves as a work plan for the Lead Manager to ensure mitigation against risks and closure of any gaps in control or assurance.

The elements of the Board Assurance Framework are monitored and reviewed on a quarterly basis by the Healthcare Governance Committee and the Audit Committee followed by the Board of Directors. This provides evidence to support the Statement on Internal Control.

The Audit Committee is a sub-committee of the Board of Directors and provides independent assurance on aspects of governance, Risk Management and internal controls. The Finance Director and the Associate Director of Governance are also members of the Healthcare Governance Committee and provide Governance and Risk Management assurance to the Audit Committee at each of its meetings, thus ensuring an integrated risk management approach.

### 4.3 Public Stakeholders involved in Managing Risks

Public Stakeholders, which include Blackpool Primary Care Trust, North Lancashire Primary Care Trust, Blackpool Overview and Scrutiny Committee, Lancashire Overview and Scrutiny Committee, Patient and Public Involvement Health Forum, and the Blackpool Local Safeguarding Children's Board, are consulted on service developments and changes. These Public Stakeholders are identified within the Board Assurance Framework; this ensures that they are involved in managing the risks, which impact upon them.

Issues raised through the Trust's Risk Management processes that impact on partner organisations, for example, Blackpool Primary Care Trust, North Lancashire Primary Care Trust, and Lancashire Care NHS Trust, would be discussed in the appropriate forum so that action can be agreed.

An established communications framework is in place in the form of a Major Incident Plan, and cross community emergency planning arrangements are in place.

### 5 Review of Economy, Efficiency and Effectiveness of the Use of Resources

The Trust has robust arrangements in place for setting objectives and targets on a strategic and annual basis. These arrangements include ensuring the financial plan is affordable, ensuring delivery of Cost Improvement requirements, compliance with the terms of authorisation and coordination of individual objectives with corporate objectives as identified in the Integrated Business Plan. In future years, this will be identified in the Annual Plan. Performance against objectives are monitored and actions identified through a number of channels:

- Approval of the annual budgets by the Board of Directors
- Monthly reporting to the Board on key performance indicators covering finance, activity and human resources targets
- Weekly reporting to the Executive Team on key influences on the Trust's financial position including activity and workforce indicators

- The Divisions play an active part in ongoing review of financial performance including Cost Improvement delivery
- Periodic performance management of Divisions by the Executive Team covering performance on key areas
- Periodic reporting to Monitor and compliance with the terms of authorisation

The Trust also participates in initiatives to ensure value for money for example:

- Value for money is an important component of the internal and external audit plans that provides assurance to the Trust regarding processes that are in place to ensure effective use of resources
- The Trust subscribes to a national benchmarking organisation (CHKS) that provides comparative information analysis on patient activity and clinical indicators. This is used for the risk management process and to identify where improvements can be made
- The Trust's self-assessment declaration of compliance against the twenty-four Core 'Standards for Better Health' demonstrates continuous improvement against the standards. Supporting

evidence is available for all members of the Board to review as a source of assurance

The Trust has a standard assessment process for future business plans to ensure value for money and to ensure that full appraisal processes are employed when considering the effect on the organisation. Procedures are in place to ensure all strategic decisions are considered at Board level.

## 6 Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the Executive Directors within the NHS Foundation Trust who have responsibility for the development and maintenance of the system of internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Healthcare Governance Committee and a plan to

address weaknesses and ensure continuous improvement of the system is in place.

In describing the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control I have detailed below some examples of the work undertaken and the role of the Board of Directors, Internal Audit, External Audit and Committees in this process:

- The Annual Risk Management Report and the Clinical Governance Reports, which evidence action on all aspects of governance including, risk management
- The Board Assurance Framework itself provides me with evidence of the effectiveness of controls that manage the risks to the organisation
- The Board of Directors, Audit Committee, and the Healthcare Governance Committee have advised me on the implications of the result of my review of the effectiveness of the system of internal control. These committees also advise outside agencies and myself on serious untoward events

- All the relevant committees within the Corporate Governance Structure have a clear timetable of meetings and a clear reporting structure to allow issues to be raised
- A plan to address weaknesses and ensure continuous improvement of the system is in place
- The Trust's self-assessment declaration of compliance against the twenty-four Core 'Standards for Better Health' demonstrates continuous improvement against the standards. Supporting evidence is available for all members of the Board of Directors to review as a source of assurance and is an essential part of the Trust's system of internal control
- The Board of Directors also monitors and reviews the effectiveness of the Board Assurance Framework on a quarterly basis
- The Healthcare Governance Committee manages and reviews the Board Assurance Framework, which is agreed in conjunction with Executive Directors. The minutes of the Healthcare Governance Committee are presented to the Board of Directors

The Healthcare Governance Committee produces an annual Risk Management report, which is presented to the Audit Committee followed by the Board of Directors to provide assurance on controls

- The Audit Committee reviews the establishment and maintenance of an effective system of Integrated Governance, Risk Management and internal control across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the organisation's objectives. The Audit Committee reviews the Board Assurance Framework on a quarterly basis
- Internal Audit reviews the Board Assurance Framework and the effectiveness of the system of internal control as part of the internal audit work to assist in the review of effectiveness
- NHS Litigation Authority (NHS LA) assessment on 18th May 2007 resulted in the achievement of Clinical Negligence Scheme for Trusts (CNST) Maternity Level 2 status that provided assurance on controls

- My review also takes account of comments made by external auditors and other review bodies in their reports for example, the Department of Health assessed the Trust regarding national infection control standards on 2nd October 2007 and a positive report was received. The Healthcare Commission also assessed the Trust on 31st August 2007 regarding implementation of the Hygiene Code and a subsequent report and recommendations were produced in December 2007, which stated no material breaches of the Hygiene Code

There have been no significant internal control issues and gaps in control identified. Internal Audit provided overall significant assurance although areas of limited assurance have been identified. The Trust has received twenty one internal audit reports of which only four identify 'Limited Assurance' and actions have been identified to improve systems of control. The management team has already implemented or is in the process of implementing these actions in order to improve systems of control in the areas identified.

I have to highlight that the delivery of the MRSA Bacteraemia and Clostridium Difficile targets remain high-risk and continue to be a clinical challenge for the Trust. A detailed action plan has been developed to ensure the following controls and review processes are implemented to address this:

- A Hospital Infection Prevention Steering Group has been established to oversee and make recommendations on the infection control strategy and review MRSA and Clostridium Difficile performance
- Monthly Board performance monitoring report
- MRSA rapid screening is undertaken for patients admitted to Clinical Decision Unit, Surgical Admissions Unit, Orthopaedic Trauma Wards, Intensive Care and High Dependency Units
- Prophylactic eradication therapy is administered to all previously identified MRSA patients in all areas
- Implementation of saving lives high impact interventions audits were conducted in February 2008 and will be re-audited in April 2008 to monitor improvement

- Full implementation of the NPSA 'Clean your Hands Campaign' for Year Three
- Appointment of a Consultant Nurse for Infection Prevention on the 1st December 2007 and a Director of Infection Prevention and Control (DIPC) on the 1st November 2007 who reports directly to the Board
- A robust infection control Link Personnel System is in place on the ward
- Weekly ward and departmental hand hygiene audits undertaken to monitor compliance with hand hygiene and the results are presented to the Divisions on a monthly basis
- 'Ban the Bugs' campaign has been launched
- The new Antibiotic Formulary is now available on the Trust Intranet – to give guidance on antibiotic prescribing
- The 5-Day stop policy has been in place since 1st November 2007, to regulate the prescribing of antibiotics
- Representatives from the Trust are meeting with Blackpool Primary Care Trust and North Lancashire Primary Care Trust to agree the 2008/2009 trajectories for MRSA and Clostridium Difficile

The Trust is planning to limit hospital-acquired infections within the target level through additional investments in screening and personnel, and through participation in the Safer Patients Initiative, which has elements devoted to reducing infection. The Trust has little ability to influence the incidence of community acquired infection but will continue to work with and support Blackpool Primary Care Trust and North Lancashire Primary Care Trust to try to mitigate this risk. The target remains achievable although high risk.

The system of monitoring for MRSA has been reviewed by external audit. The Department of Health assessed the Trust regarding infection control standards on 2nd October 2007 and a positive report was received. The Healthcare Commission also assessed the Trust on 31st August 2007 regarding implementation of the Hygiene Code and a subsequent report and recommendations were produced in December 2007. The Healthcare Commission informed the Trust that the assessment managers found

no material breaches of the Hygiene Code at Blackpool, Fylde and Wyre Hospitals NHS Trust. However, a number of recommendations were made to improve infection prevention and control at the Trust, which have all been implemented. The Department of Health Action Team on Healthcare Associated Infections re-visited the Trust on 12th March 2008 and were extremely pleased with the progress the Trust has made. The Trust is awaiting a formal written report.

Following the advances made in 2006/07 to improve financial control the Trust continues to manage financial risk including the delivery of Cost Improvement requirements.

## 7 Conclusion

There have been no significant internal control issues.

**Julian Hartley**  
Chief Executive  
11th June 2008

# Annex C

## Independent Auditor's Report to the Council of Governors of Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust

We have audited the financial statements of Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust for period ended 31 March 2008 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cashflow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

### Respective Responsibilities of Directors and Auditors

The Foundation Trust is responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with directions issued by the Independent Regulator of Foundation Trusts ("Monitor") under the National Health Service Act 2006. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant statute, the Audit Code for NHS Foundation Trusts issued by Monitor and International Standards on Auditing (UK and Ireland).

This report, including the opinion, is made solely to the Council of Governors of Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006 (the Act) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Director's Remuneration Report to be audited have been properly prepared in accordance with the directions issued by Monitor under the National Health Service Act 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Financial Review which is cross-referenced from the Financial Performance section of the Directors' Report.

We review whether the Accounting Officer's statement on internal control is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Accounting Officer's statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the NHS Foundation Trust's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, Directors' Report, Financial Review, Patient Care and Stakeholder Relations, Council of Governors, Board of Directors, Audit Committee, Nominations Committee, Membership, Public Interest Disclosures and the unaudited elements of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

In addition we report to you if, in our opinion, the NHS foundation trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

The maintenance and integrity of the Foundation Trust website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the

auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Basis of audit opinion**

We conducted our audit in accordance with section 62 and Schedule 10 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the NHS Foundation Trust in the preparation of the financial statements, and of whether the accounting policies are appropriate to the NHS Foundation Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with the NHS Foundation Trust Financial Reporting Manual, of the state of affairs of Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust as at 31 March 2008 and of its income and expenditure for the four month period from 1 December 2007 to 31 March 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and the directions made thereunder by Monitor; and
- the information given in the Directors' Report is consistent with the financial statements.

### **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of Chapter 5 of Part 2 to the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.

Signature:



Date: 16 June 2008

**PricewaterhouseCoopers LLP**

Address: 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW.

# Annex D

Accounts for the Period 1st December 2007 to 31st March 2008

## Foreword to the Accounts

### Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust

These accounts for the period ended 31st March 2008 have been prepared by the Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust in accordance with Schedule 7, sections 24 and 25 of the National Health Services Act 2006.

Signed:



Julian Hartley - Chief Executive

Dated: 11th June 2008

# Annual Accounts 2007/08

## INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 31st March 2008

		4 months ended 31st March 2008
	NOTE	£000
Income from activities	2	81,020
Other operating income	3	<u>5,902</u>
<b>Total Income</b>		<b>86,922</b>
Operating expenses	4	<u>(84,943)</u>
<b>OPERATING SURPLUS BEFORE INTEREST AND TAXATION</b>		<b>1,979</b>
Interest receivable		336
Other finance costs - unwinding of discount	12	<u>(24)</u>
<b>SURPLUS FOR THE FINANCIAL PERIOD BEFORE TAXATION</b>		<b>2,291</b>
Taxation		0
<b>SURPLUS FOR THE FINANCIAL PERIOD AFTER TAXATION</b>		<b><u>2,291</u></b>
Public Dividend Capital dividends payable		<u>(2,283)</u>
<b>RETAINED SURPLUS FOR THE PERIOD</b>		<b>8</b>
All activities reported above relate to continuing operations		

# Annual Accounts 2007/08

## BALANCE SHEET AS AT 31ST MARCH 2008

		31st March 2008	1st December 2007
	NOTE	£000	£000
<b>FIXED ASSETS</b>			
Intangible assets	6	358	374
Tangible assets	7	193,166	197,665
		<u>193,524</u>	<u>198,039</u>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	8	3,865	4,336
Debtors	9	10,581	16,573
Cash at bank and in hand		23,910	13,511
		<u>38,356</u>	<u>34,420</u>
<b>CREDITORS:</b> Amounts falling due within one year	10	<u>(27,705)</u>	<u>(26,224)</u>
<b>NET CURRENT ASSETS</b>		<b>10,651</b>	<b>8,196</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>204,175</b></u>	<u>206,235</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	<b>(3,229)</b>	<b>(3,489)</b>
<b>TOTAL ASSETS EMPLOYED</b>		<u><b>200,946</b></u>	<u>202,746</u>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>	13		
Public dividend capital		139,640	137,430
Revaluation reserve		49,629	49,351
Donated asset reserve		2,869	2,898
Income and expenditure reserve		8,808	13,067
<b>TOTAL TAXPAYERS' EQUITY</b>		<u><b>200,946</b></u>	<u>202,746</u>

The financial statements on pages 1 to 24 were approved by the Trust Board on 9th June 2008 and are signed on its behalf by:

Signed: 

Dated: 11th June 2008

Julian Hartley - Chief Executive



## CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st March 2008

		4 months ended 31st March 2008
	NOTE	£000
<b>OPERATING ACTIVITIES</b>		
Net cash inflow from operating activities	14.1	15,116
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>		
Interest received		<u>336</u>
Net cash inflow from returns on investments and servicing of finance		336
<b>TAXATION (PAID) / RECEIVED</b>		0
<b>CAPITAL EXPENDITURE</b>		
(Payments) to acquire tangible fixed assets		<u>(3,838)</u>
Net cash inflow/(outflow) from capital expenditure		(3,838)
<b>DIVIDENDS PAID</b>		(3,425)
Net cash inflow before management of liquid resources and financing		<u>8,189</u>
Net cash inflow from management of liquid resources		0
Net cash inflow before financing		<u>8,189</u>
<b>FINANCING</b>		
Public dividend capital received		2,210
Net cash inflow/(outflow) from financing		<u>2,210</u>
Increase in cash		<u>10,399</u>

## 1. Accounting policies and other information

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trust Financial Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2007/08 NHS Foundation Trust Financial Reporting Manual issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current costs. NHS foundation trusts, in compliance with HM Treasury's *Financial Reporting Manual*, are not required to comply with the FRS 3 requirements to report "earnings per share" or historical profits and losses.

### 1.2 Acquisitions and discontinued operations

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

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

b) if a termination, the former activities have ceased permanently;

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

d) the assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes. Operations not satisfying all these conditions are classified as continuing. Activities are considered to be 'acquired' whether or not they are acquired from the public sector.

### 1.3 Income recognition

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

The NHS foundation trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results methodology in 2005/06. This change in methodology has led to a reduction in the Trust's income due under payment by results contracts. To manage the financial impact of this change on the NHS foundation Trust and its commissioners, the clawback of income was phased over a three year period from 2005/06, the final clawback being in 2007/08.

### 1.4 Expenditure

Expenditure is accounted for applying the accruals convention.

### 1.5 Tangible fixed assets

#### Capitalisation

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

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

## Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs, such as installation, directly attributable to bringing them into working condition. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The costs arising from financing the construction of the fixed asset are not capitalised but are charged to the income and expenditure account in the year to which they relate. All land and buildings are revalued using professional valuations in accordance with FRS 15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. An interim valuation was undertaken in March 2008 as at the prospective valuation date of 1 April 2008. The revaluation was undertaken by John S. Southern DipSurv DipCon MRICS of the District Valuers Office and was accounted for on 31 March 2008.

The valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value.

Additional alternative open market value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal. Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.

Residual interests in off-balance sheet private finance initiative (PFI) properties are included in assets under construction within tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual with an adjustment. The adjustment is the net present value of the change in the fair value of the residual as estimated at the start of the contract and at the balance sheet date.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

## Depreciation, amortisation and impairments

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

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the NHS foundation trust's professional valuers. Leaseholds are depreciated over the primary lease term.

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

Fixed asset impairments resulting from losses of economic benefits are charged to the income and expenditure account. All other impairments are taken to the revaluation reserve and reported in the statement of total recognised gains and losses to the extent that there is a balance on the revaluation reserve in respect of the particular asset.

## 1.6 Intangible fixed assets

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

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

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

## 1.7 Donated fixed assets

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

## 1.8 Liquid Resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement.

## 1.9 Government grants

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

## 1.10 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of application note F to FRS 5.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the trust has contributed land and buildings, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the income and expenditure account. Where, at the end of the PFI contract, a property reverts to the trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

## 1.11 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Work-in-progress comprises goods and services in intermediate stages of production.

## 1.12 Cash, bank and overdrafts

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

## 1.13 Provisions

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

## 1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 16 where an inflow of economic benefits is probable.

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 16 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

## 1.15 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS foundation trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS foundation trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS foundation trust is disclosed at note 17.

## 1.16 Non-clinical risk pooling

The NHS foundation trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to the NHS Litigation Authority and in return receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses when the liability arises.

## 1.17 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 Secretary of State, in England and Wales. As a consequence it is not possible for the NHS foundation trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17.

The Scheme is subject to a full valuation every four years by the Government Actuary. The last such investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date of 31 March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at [www.nhs.gov.uk](http://www.nhs.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 2004 investigation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. This is after making some allowance for the one-off effects of pay modernisation, but before taking into account any of the scheme changes which come into effect on 1 April 2008. Taking into account the changes in the benefit and contribution structure effective from 1 April 2008, employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008 employees paid contributions at the rate of 6% (manual staff 5%) of their pensionable pay. From 1 April 2008, employees will pay contributions according to a tiered scale from 5% up to 8.5% of their pensionable pay.

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

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

## 1.18 Value Added Tax

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

## 1.19 Corporation Tax

The Trust is a Health Service Body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is power for the Treasury to disapply the exemption in relation to specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly, the trust is potentially within the scope of corporation tax in respect of activities which are not related to, or ancillary to, the provision of healthcare, and where the profits therefrom exceed £50,000 per annum.

## 1.20 Third party assets

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

## 1.21 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS foundation trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the income and expenditure account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the income and expenditure account on a straight-line basis over the term of the lease.

## 1.22 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the original NHS trust.

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

## 1.23 Financial instruments and financial liabilities

### Recognition

Financial assets and financial liabilities which arise from contracts for the purchase of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

### De-recognition

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

### Classification and measurement

Financial assets are categorised as 'Fair Value through Income and Expenditure', or 'Loans and receivables'.

Financial liabilities are classified as 'Fair Value through the Income and Expenditure' or as 'Other Financial Liabilities'.

## 1.23 Financial instruments and financial liabilities (cont)

### Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'

Financial assets and financial liabilities at 'Fair Value through Income and Expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short term.

### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments with are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise: cash at bank and in hand, NHS debtors, accrued income and 'other debtors'.

The Trust's loans and receivables comprise: [current investments, cash at bank and in hand, NHS debtors, accrued income and 'other debtors'].

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account.

Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account.

### Financial liabilities

All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

All [other] financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the income and expenditure account.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the income and expenditure account.

### Impairment of financial assets

At the balance sheet date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' is impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

At the balance sheet date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' is impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income and expenditure account through the use of a bad debt provision

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income and expenditure account and the carrying amount of the asset is reduced - *delete as appropriate*: [directly] or [through the use of an allowance account/bad debt provision]

## 2. Income

### 2.1 Income from Activities by category

	4 months ended 31st March 2008
	£000
Elective income	20,217
Non elective income	22,475
Outpatient income	8,554
A & E income	2,041
Other NHS Clinical income	28,070
PbR (clawback) / relief	(969)
Private patient income	632
	<hr/> 81,020

### 2.2 Private patient income

	4 months ended 31st March 2008
	£000
Private patient income	632
Total patient related income	<hr/> 81,020
Proportion as a percentage *	0.8%
Proportion as a percentage *	

Private patient cap set at 2% of total patient related income from base year 0203.  
0203 Base data private patient income £3.2m as percentage of total income £151.5m = 2%

### 2.3 Income from activities by source

	4 months ended 31st March 2008
	£000
NHS Foundation Trusts	26
NHS Trusts	41
Primary Care Trusts *	77,267
Department of Health	1,555
NHS Other	749
Local Authorities	79
Non NHS:	
- Private patients	632
- NHS Injury scheme income	449
- Other	222
	<hr/> 81,020

Primary Care Trusts \* - Included in this income is a non recurrent receipt of £5m received from NHS Northwest via Blackpool PCT.  
NHS Injury Scheme income is subject to a provision for doubtful debts of 11.8% to reflect expected rates of collection.

## 2.4 Mandatory and Non Mandatory Income

The Trust is required to provide for the Health Service in England. The mandatory goods and services listed in Schedule 2 of the Foundation Trust's Terms of Authorisation. Of the total income from activities, £74.1m relates to Mandatory Goods and Services and £6.9m relates to Non Mandatory Goods and Services.

## 3. Other Operating Income

	4 months ended 31st March 2008
	£000
Research and Development	271
Education, training and research	2,525
Charitable and other contributions to expenditure	56
Transfers from donated asset reserve	118
Non-patient care services to other bodies	1,671
Other *	1,261
	<hr/>
	5,902
	<hr/>

Other\* - includes sales of goods and services £1.042m and rental income £0.18m

## 4. Operating expenses

### 4.1 Operating expenses comprise ;

	4 months ended 31st March 2008
	£000
Services from Foundation Trusts	10
Services from NHS Trusts	425
Services from other NHS bodies	563
Purchase of healthcare from non NHS bodies	866
Non Executive Directors' costs	47
Executive Directors' costs	255
Staff costs	45,085
Drug costs	4,472
Supplies and services - clinical	9,743
Supplies and services - general	2,937
Establishment	1,468
Transport	302
Premises	5,128
Increase / (decrease) in bad debt provision	788
Depreciation and amortisation	2,971
Fixed Asset impairments **	6,535
Audit fees	88
Audit fees - other services	31
Clinical negligence	786
Other *	2,443
	<hr/> 84,943

Other * includes	£(000)
18 week expenditure	332
PFI tariff	120
Lean and Business Improvement techniques	188
Visiting consultants	215
Provision for income at risk - tertiary haematology/WDC (See Note 12)	894
Fixed Asset impairments **	£ 000
Element of downward revaluation not covered by associated revaluation reserve.	6535

### 4.2 operating leases

#### 4.2.1 operating expenses include ;

	4 months ended 31st March 2008
	£000
Hire of plant and machinery	441
Other operating lease rentals	135
	<hr/> 576

## 4.2.2 Annual commitments under non-cancellable operating leases are ;

	4 months ended 31st March 2008	4 months ended 31st March 2008
	Land and buildings	Other leases
	£000	£000
Operating leases which expire ;		
Within 1 year	15	1
Between 1 and 5 years		53
After 5 years	99	408
	<hr/> 114	<hr/> 462

## 5. Staff costs and numbers

### 5.1 Staff costs

	Permanently employed	Other	4 months ended 31st March 2008 Total
	£000	£000	£000
Salaries and wages	37,804		37,804
Social security costs	2,795		2,795
Employers contribution to NHSPA	4,242		4,242
Agency / contract staff	0	499	499
Total	<hr/> 44,841	<hr/> 499	<hr/> 45,340

Total employer pension contributions for the accounting period £4,242,475

Total staff costs above reconciles to the total of Executive Directors' costs and Staff costs on Note 4.1 Operating expenses.

### 5.2 Average number of persons employed

	Permanently employed	Other	4 months ended 31st March 2008 Total
	WTE	WTE	WTE
Medical and Dental	358	10	368
Administration and estates	829	14	843
Healthcare assistants and other support staff	873		873
Nursing, midwifery and health visiting staff	1,223		1,223
Scientific, therapeutic and technical staff	6		6
Bank and agency staff	381		381
Other		10	10
	<hr/> 3,670	<hr/> 34	<hr/> 3,704

### 5.3 retirements due to ill health

In the period ended 31st March 2008 there were 2 early retirements from the Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £98,000. The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

## 6. Intangible fixed assets

	Software Licences	Development Expenditure	Total
	£000	£000	£000
Gross cost at 1st December 2007	271	187	458
Additions purchased	2	0	2
<b>Gross cost at 31st March 2008</b>	<b>273</b>	<b>187</b>	<b>460</b>
Amortisation at 1st December 2007	43	41	84
Charged during the year	10	8	18
<b>Amortisation at 31st March 2008</b>	<b>53</b>	<b>49</b>	<b>102</b>
<b>Net book value</b>			
Purchased at 1st December 2007	228	146	374
Donated at 1st December 2007	0	0	0
<b>Total at 1st December 2007</b>	<b>228</b>	<b>146</b>	<b>374</b>
Purchased at 31st March 2008	220	138	358
Donated at 31st March 2008	0	0	0
<b>Total at 31st March 2008</b>	<b>220</b>	<b>138</b>	<b>358</b>

# Annual Accounts 2007/08

## 7.1. Tangible fixed assets

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1st Dec 2007	20,505	160,590	4,659	1,040	39,417	209	6,595	2,511	235,526
Additions purchased	0	1,956	0	98	5,262	0	1,573	0	8,889
Additions donated	0	0	0	0	93	0	0	0	93
Other in year revaluation *	(2,369)	(15,503)	(359)	0	0	0	0	0	(18,231)
<b>Cost or valuation at 31st March 2008</b>	<b>18,136</b>	<b>147,043</b>	<b>4,300</b>	<b>1,138</b>	<b>44,772</b>	<b>209</b>	<b>8,168</b>	<b>2,511</b>	<b>226,277</b>
Depreciation at 1st December 2007	0	5,625	101	0	26,910	176	4,096	953	37,861
Charged during the year	0	1,927	50	0	758	4	160	54	2,953
Other in year revaluation *		(7,552)	(151)						(7,703)
<b>Depreciation at 31st March 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,668</b>	<b>180</b>	<b>4,256</b>	<b>1,007</b>	<b>33,111</b>
<b>Net book value</b>									
Purchased at 1st December 2007	20,505	152,816	4,558	1,040	11,758	33	2,499	1,558	194,767
Donated at 1st December 2007	0	2,149	0	0	749	0	0	0	2,898
<b>Total at 1st December 2007</b>	<b>20,505</b>	<b>154,965</b>	<b>4,558</b>	<b>1,040</b>	<b>12,507</b>	<b>33</b>	<b>2,499</b>	<b>1,558</b>	<b>197,665</b>
Purchased at 31st March 2008	18,136	144,916	4,300	1,138	16,362	29	3,912	1,504	190,297
Donated at 31st March 2008	0	2,127	0	0	742	0	0	0	2,869
<b>Total at 31st March 2008</b>	<b>18,136</b>	<b>147,043</b>	<b>4,300</b>	<b>1,138</b>	<b>17,104</b>	<b>29</b>	<b>3,912</b>	<b>1,504</b>	<b>193,166</b>

Other in year revaluation \*

This revaluation is a result of the three yearly interim revaluation as at 31st March 2008 carried out by the District Valuer.

		£000	
Outcome of revaluation :	Land and Buildings decrease in value	(15,712)	
	Land and Buildings increase in value	5,184	
	Net Outcome (decrease)	(10,528)	
Treatment of revaluation	Taken to Revaluation Reserve	(3,993)	See Note 13.3
	Taken to Operating Expenses being the element of downward revaluation not covered by associated revaluation reserve balances.	(6,535)	See Note 4.1

## 7.2 Analysis of tangible fixed assets

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value									
Protected assets at 31st March 2008	18,136	147,043	0						165,179
Unprotected assets at 31st March 2008			4,300	1,138	16,487	29	3,887	1,504	27,345
<b>Total at 31st March 2008</b>	<b>18,136</b>	<b>147,043</b>	<b>4,300</b>	<b>1,138</b>	<b>16,487</b>	<b>29</b>	<b>3,887</b>	<b>1,504</b>	<b>192,524</b>
	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value									
Protected assets at 1 December 2007	20,505	154,965	0						175,470
Unprotected assets at 1 December 2007			4,558	1,040	12,507	33	2,499	1,558	22,195
Total at 1 December 2007	20,505	154,965	4,558	1,040	12,507	33	2,499	1,558	197,665

As at the Balance Sheet date all Land, Buildings and Dwellings are Freehold

# Annual Accounts 2007/08

## 8. Stocks and work in progress

	31st March 2008	1st December 2007
	£000	£000
Raw materials and consumables	<b>3,865</b>	4336

## 9. Debtors

### 9.1 Analysis of debtors

	31st March 2008	1st December 2007
	£000	£000
<b>Amounts falling due within one year:</b>		
NHS Debtors	<b>7,605</b>	12,960
Provisions for irrecoverable NHS debts	<b>(1,169)</b>	(1,123)
Other prepayments and accrued income	<b>947</b>	1,794
Other debtors	<b>1,923</b>	1,694
Provisions for irrecoverable Other debts	<b>(206)</b>	(170)
<b>Sub Total</b>	<b>9,100</b>	15,155
<b>Amounts falling due after more than one year</b>	<b>1,680</b>	1,538
Provisions for irrecoverable debts	<b>(199)</b>	(120)
<b>Total</b>	<b>10,581</b>	16,573

### 9.2 Analysis of provision for irrecoverable debts

	NHS Debts	Non NHS Debts	Total
	£000	£000	£000
As at 1st December 2007	1,122	291	1,413
Provision for debtors impairments	1,169	228	1,397
Debtors written off during the year as uncollectible	(238)	(1)	(239)
Unused amounts reversed	(884)	(113)	(997)
<b>As at 31st March 2008</b>	<b>1,169</b>	<b>405</b>	<b>1,574</b>

## 10 Creditors

### 10.1 Creditors at the balance sheet date are made up of :

	31st March 2008	1st December 2007
	£000	£000
NHS Creditors	3,704	11,805
Other Tax and social security costs	2,887	3,068
Capital Creditors	5,547	494
Non NHS Trade creditors	7,879	5,688
Accrual and deferred income	7,688	5,169
<b>Total</b>	<b>27,705</b>	<b>26,224</b>

## 11 Prudential borrowing limit

The NHS foundation trust is required to comply and remain within a prudential borrowing limit. This is made up of two elements:

- the maximum cumulative amount of long-term borrowing. This is set by reference to the five ration tests set out in Monitor's Prudential Monitoring Code (see table below)

The Prudential borrowing limit is also subject to the achievement of a minimum level 3 risk rating against Monitor's Compliance framework

- The amount of any working capital facility approved by monitor.

The Trust had a prudential borrowing limit in 2007/08 as follows:

	£m
Maximum cumulative amount of long term borrowing	39.1
Approved working capital facility	16.0
Prudential borrowing limit	55.1

The Trust had no borrowing in year and therefore only the Minimum Dividend Cover ratio below applies.

Ratio performance in 2007/08	Actual ratios	Approved PBL ratios
Minimum dividend cover	3.9x	>1x
Minimum interest cover	not applicable	>3x
Minimum debt service cover	not applicable	>2x
Maximum debt/capital ratio	0	<15%
Maximum debt service to revenue	0	<3%

## 12 Provisions for liabilities and charges

	Pensions relating to other staff	Permanent Injury Benefit	Legal Claims	Other	Total
	£000	£000	£000	£000	£000
At 1st December 2007	181	1,049	176	2,083	3,489
Change in discount rate	0	0	0	0	0
Arising during the year	0	0	18	1,040	1,058
Utilised during the year	(5)	(19)	(55)	(587)	(666)
Reversed unused	0	0	(4)	(672)	(676)
Unwinding of discount	5	19	0	0	24
<b>At 31st March 2008</b>	<b>181</b>	<b>1,049</b>	<b>135</b>	<b>1,864</b>	<b>3,229</b>
Expected timing of cash flows					
Within one year	16	56	100	1,864	2,036
Between one year and five years	62	213	35		310
After five years	103	780	0		883
Total	181	1,049	135	1,864	3,229

Other Provisions includes:

	£000
Agenda for Change - Bank Nurses <i>being outstanding assimilations</i>	181
Agenda for Change - Review and appeals <i>currently in process</i>	53
Maximum impact of decontamination project	643
WDC Income at risk	144
Western Cheshire PCT - Tertiary Haematology Income at risk <i>WDC/Tertiary Haematology income not utilised in 0708 significant risk of clawback in 0809</i>	750
<i>Audiology provision</i>	93

£20,054,000 is included in the provisions of the NHS Litigation Authority at 31st March 2008 in respect of clinical negligence liabilities of the Trust.

**13 Taxpayers equity****13.1 Movement in taxpayers equity**

	4 months ended 31st March 2008
	£000
Taxpayers' equity at 1st December 2007	202,746
Surplus for the financial period	2,291
Public dividend capital dividends	(2,283)
Fixed asset impairments	6,535
Surplus from revaluation of fixed assets and current asset investments	(10,528)
New public dividend capital received	2,210
Additions / (deductions) in donated asset reserve	(25)
<b>Taxpayers equity at 31st March 2008</b>	<b>200,946</b>

**13.2 Movement in public dividend capital**

	4 months ended 31st March 2008
	£000
Public dividend capital at 1st December 2007	137,430
New public dividend capital received	2,210
<b>Public dividend capital at 31st March 2008</b>	<b>139,640</b>

**13.3 Movement on reserves:**

	Revaluation reserve	Donated asset reserve	Income and ex- penditure reserve	Total
	£000	£000	£000	£000
<b>At 1st December 2007</b>	49,351	2,898	13,067	<b>65,316</b>
Restated *	4,267		(4,267)	
<b>Revised balance at 1st December 2007</b>	<b>53,618</b>	<b>2,898</b>	<b>8,800</b>	<b>65,316</b>
Transfer from the income and expenditure account			8	8
Surplus from revaluation of fixed assets which increased in value **	5,184			5,184
Deficit from revaluation of fixed assets which decreased in value **	(9,173)	(4)		(9,177)
Receipt of donated / government granted assets		93		93
Transfers to the income and expenditure account for depreciation, impairment and disposal of donated assets		(118)		(118)
Other transfers between reserves				0
<b>At 31st March 2008</b>	<b>49,629</b>	<b>2,869</b>	<b>8,808</b>	<b>61,306</b>

Note £000

\* Restatement of opening revaluation reserve to remove negative balances - transfer to opening I&E reserve. 4,267

\*\* Net downward revaluation as a result of interim revaluation as at 31st March 2008 ( being sum of £5.184m and (£9.177m). (3,993)  
See Note 7.1

## 14 Notes to the cash flow statement

### 14.1 Reconciliation of operating expenses to net cash flows from operating activities:

	4 months ended 31st March 2008
	£000
Total operating surplus	1,979
Depreciation and amortisation	2,971
Fixed asset impairment	6,535
Transfer from the donated asset reserve	(118)
(Increase) / decrease in stocks	471
(Increase) / decrease in debtors	5,992
Increase / (decrease) in creditors	(2,430)
Increase / (decrease) in provisions	(284)
<b>Net cash inflow from operating activities before restructuring costs</b>	<b>15,116</b>
Payments in respect of fundamental reorganisation / restructuring	0
<b>Net cash inflow / (outflow) from operating activities</b>	<b>15,116</b>

### 14.2 Reconciliation of net cash flow to movement in net debt:

	4 months ended 31st March 2008
	£000
Increase in cash in the period	10,399
Change in net debt resulting from cash flows	10,399
Non - cash changes in debt	
Net funds at 1st December 2007	13,511
<b>Net debt at 31st March 2008</b>	<b>23,910</b>

## 15 Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £500,000.

## 16 Contingencies

Contingent liabilities	31st March 2008	1st December 2007
	£000	£000
Employer and Occupier Liability	68	67

This is the maximum potential liability for Staff and Occupiers Liability, which the balance of excess covered by the NHS Litigation Authority scheme of which the Trust is a member.

## 17 Related party transactions

Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health

During the period none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust.

Government Departments and their agencies are not considered as related parties due to the exemption for consolidation under FRS8.

## Governing Council

The roles and responsibilities of the Governing Council of the Foundation Trust are carried out in accordance with the Trust's constitution and its terms of authorisation.

The Council has specific powers including:

- appointment and removal of the Chair and non executive Directors
- approval and appointment of the Chief Executive by the Non-Executive Directors
- to determine the remuneration and allowances and the other terms and conditions of the non executive Directors.
- to appoint the Trust's external auditors
- to be presented with the annual accounts, annual report and any other report on them by the financial auditors.
- to provide views to the board of directors relating to the Foundation Trust's forward planning.

The Foundation Trust maintains a register of interest for members of the Governing Council.

## 17 Related party transactions (cont)

The Trust has had transactions with the following organisations

	Relationship	Expenditure £000	Income £000
Blackpool PCT	Member of Governing Council	12	35,310
North Lancashire PCT	Member of Governing Council	367	30,695
Blackpool Borough Council	Member of Governing Council	173	64
Lancashire County Council	Member of Governing Council	0	24
Lancashire Care Trust	Member of Governing Council	80	1,260
UCLAN	Member of Governing Council	13	36

The Trust has also received revenue and capital payments from Blackpool, Fylde and Wyre Hospitals Charitable Fund. The Charity is registered with the Charity Commissioners (Registered Charity 1051570) and has its own Trustees drawn from the Foundation Trust Board.

## 18. Private Finance Transactions

### 18.1 PFI schemes deemed to be off-balance sheet

	4 months ended 31st March 2008 £000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	690
Net charge to operating expenses	690
The NHS Trust is committed to make the following payments during the next year.	£000
PFI scheme which expires;	
26th to 30th years (inclusive)*	2,234
	£000
Estimated capital value of the PFI scheme	10,000
Contract Start date:	April 2001
Contract End date:	May 2028

At the end of the primary lease period, ownership of the Rossall and Wesham PFIs reverts back to the Trust. The Bispham PFI ownership is retained by the contractor. The basis of the valuation is that provided by the District Valuer from the five yearly National Revaluation Exercise.

The value of the residual interest of the off balance sheet PFI schemes, included in Assets Under Construction is as follows:

	2007/08 £000
Rossall	634
Wesham	418
	<u>1,052</u>

## 19 Financial Instruments

The trust does not have any listed capital instruments and is not a financial institution.

Due to the nature of the Trust's Financial Assets/Financial Liabilities, book value also equates to fair value.

All Financial Assets and Financial Liabilities are held in sterling.

### Credit Risk

The bulk of the trusts commissioners are NHS, which minimises the credit risk from these customers. Non-NHS customers do not represent a large proportion of income and the majority of these relate to bodies which are considered low risk - e.g. universities, local councils, insurance companies, etc.

### Liquidity Risk

The Trust's net operating costs are incurred under service agreements with local primary care Trust, which are financed from resources voted annually by Parliament. The Trust largely finances capital expenditure through internally generated funds and from loans that can be taken out up to an agreed borrowing limit. The borrowing limit is based upon a risk rating determined by Monitor, the Independent Regulator for Foundation Trusts and takes account of the Trust's liquidity. The Trust is therefore not exposed to significant liquidity risk.

### Market Risk

All of the Trust's financial liabilities carry nil or fixed rate of interest. In addition the only element of the Trust's financial assets that is currently subject to variable rate is cash held in the Trust's main bank account and therefore the Trust is not exposed to significant interest rate risk.

#### 19.1 Financial Assets by category

	31st March 2008	1st December 2007
	Loans and Receivables	Loans and Receivables
	£000	£000
NHS Debtors	6,436	11,837
Accrued Income	182	149
Other Debtors	1,924	1,694
Cash	23,910	13,511
<b>Total Financial Assets</b>	<b>32,452</b>	<b>27,191</b>

#### 19.2 Financial Liabilities by category

	31st March 2008	1st December 2007
	Other Financial liabilities	Other Financial liabilities
	£000	£000
NHS Creditors	(3,704)	(10,035)
Other Creditors	(13,426)	(6,182)
Accruals	(5,211)	(5,169)
<b>Total Financial Liabilities</b>	<b>(22,341)</b>	<b>(21,386)</b>

## 20 Third party assets

The Trust held £20,405 cash at bank and in hand at 31st March 2008 which related to monies held by the Trust on behalf of patients. This has been excluded from the cash at bank and in hand.

The Trust held £3,985,751 cash at bank and invested at 31st March 2008 which relates to monies held on behalf of Blackpool Fylde and Wyre Hospitals Charitable Funds. This has been excluded from the cash and bank and in hand figure reported in the accounts, as this is reported separately to the Charities Commission.

## 21 Losses and special payments

There were 9 cases of losses and special payments totalling £43,529 in the accounting period.



## Notice of the Trust's Annual Public Meeting/Annual Members' Meeting

The Annual Public Meeting/ Annual Members' Meeting of the Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust will be held on Monday 22nd September 2008 at 6.00 pm in the Heron's Suite, De Vere Hotel, Blackpool.

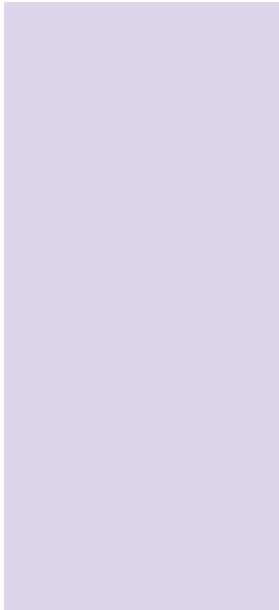
Further copies of the Annual Report and Accounts for the period 1st December 2007 to 31st March 2008 can be obtained by writing to:

Miss J A Oates  
Foundation Trust Secretary  
Blackpool, Fylde and Wyre  
Hospitals NHS Foundation Trust  
Trust Headquarters  
Blackpool Victoria Hospital  
Whinney Heys Road  
Blackpool  
Lancashire  
FY3 8NR

Alternatively they can be downloaded from our website [www.bfwhospitals.nhs.uk](http://www.bfwhospitals.nhs.uk)

If you have any comments on our Annual Report or would like any further information, please write to:

Mr J Hartley  
Chief Executive  
Blackpool, Fylde and Wyre  
Hospitals NHS Foundation Trust  
Trust Headquarters  
Blackpool Victoria Hospital  
Whinney Heys Road  
Blackpool  
Lancashire  
FY3 8NR



# Annual Report & Accounts

1st December 2007 - 31st March 2008

