The Dudley Group of Hospitals NHS
NHS Foundation Trust


Russells Hall Hospital


Corbett Hospital Outpatient Centre


Guest Hospital Outpatient Centre

ANNUAL REPORT AND ACCOUNTS 2008/09

your hospital of choice

This report covers the period 1st October 2008 to 31st March 2009

Our Vision

To be your hospital of choice

Our Values

The management and staff of the Trust work within a set of values that help us to shape the way we work and deliver the very best services to our patients

Care

We are passionate about what we do

Respect

We respect one another

Pride

We take pride in everything we do

Responsibility

We take responsibility for our actions

Effectiveness

We deliver what we promise

Partnership

We work as one team

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

The Dudley Group of Hospitals NHS
NHS Foundation Trust

ANNUAL REPORT AND ACCOUNTS 2008/09

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MESSAGE FROM THE CHAIRMAN

I am pleased to have the opportunity to contribute to this Annual Report. 2008/09 has been a very successful year for The Dudley Group of Hospitals NHS Foundation Trust, topped by the achievement of Foundation Trust status in October 2008, thus becoming the first Trust in the Black Country to join the group of the UK's leading hospitals.

We have spent and continue to spend time with our newly appointed Council of Governors on development of their role in our quality and governance structures, to ensure the Council contributes positively to both the improvement of services and the strategic development of the Trust. Our membership base continues to grow and we now have more than 13,000 people whose common goal is to help improve the quality of health services in our local area.

Financial balance has again been achieved for the fifteenth year in succession, and our balance sheet position remains strong. We have made significant investments in medical equipment and have succeeded in gaining planning consent for the construction of a new multi-tiered staff car park which will considerably improve facilities at the Russells Hall site. The health service, while currently enjoying a degree of protection from the economic crisis, will soon be faced with a very challenging financial resource position. This, coupled with the development of world class commissioning, patient choice initiatives and private sector health care involvement, will provide a very challenging environment.

The Board of Directors and Council of Governors are committed to working together to meet these challenges and we will continue to build upon existing relationships with our all our partners across the health economy to improve the quality and delivery of patient care.

I recognise the hard work and dedication of all our staff and volunteers and would like to congratulate them on their significant achievements over the past year.

We look forward to another successful year in 2009/10.

Alf Edwards

Left: Paul Farenden, Chief Executive,
Right: Alf Edwards, Chairman

CHIEF EXECUTIVE'S STATEMENT

The media has once again ensured that the NHS remains at the forefront of the public's mind, most notably through publicising the difficulties faced by some trusts in achieving consistently high levels of quality and securing the safety of their patients. I am delighted that The Dudley Group of Hospitals NHS Foundation Trust (DGoH) is once again able to demonstrate significant achievements in both areas, despite the continued challenge to achieve demanding financial and performance targets. This would not be possible without the dedicated team of staff who work for the Trust and I would like to take this opportunity to thank each and every colleague for their personal contribution.

The year has highlighted how patients and the public are having a bigger say on how healthcare is delivered and reviewed. In response to various reports by its predecessor body the Healthcare Commission, the new Care Quality Commission has established a whole range of new safeguards for patient safety which we warmly welcome. In particular, new Rapid Response Teams will hold 'risk summits' which include all local health watchdogs, inspectorates and NHS regional chiefs, to ensure all elements of patient safety monitoring and reporting are properly co-ordinated. This is a very sensible development and one in which we in Dudley will play a full and active part.

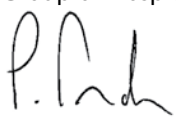
Some of the key highlights this year include:

- We once again received a rating of 'good' for use of resources and 'good' for quality of care from the Healthcare Commission (now the Care Quality Commission)
- We have achieved or exceeded virtually all of our operational targets
- We have met and exceeded our infection control targets
- Over 91% of our patients, who were surveyed, said they would recommend The Dudley Group of Hospitals NHS Foundation Trust to a friend or relative
- Two research and development projects won MidTECH industry innovation awards
- Three Trust projects/teams have been selected as finalists for the West Midlands Health and Social Care Awards
- We have signed up to the national 'Patient Safety First' campaign
- We have met the new 18-week maximum wait time from GP referral to treatment target
- Monitor approved our application for NHS Foundation Trust status from October 2008

Some of the key areas we will continue to target for further improvement in 2009/10 are:

- We will continue our improvements to ensure we sustain the target to see, treat and admit or discharge patients in Accident and Emergency within four hours
- We will continue to strive to further reduce our infection rates
- We are reconfiguring our ward capacity to provide an emergency/elective (planned) split to improve the patient experience
- We will further improve our patient experience through listening to their feedback
- Our Governors play a major strategic role in our Trust, and we will continue to develop our relationship with our Council of Governors and the membership they represent to help develop plans for the future

This year is the last time I will write this foreword to the Annual Report as I retire from my career in the NHS, spanning 41 years, in September 2009. I would like to take this opportunity to say a public thank you to my colleagues on the Board and to the staff at DGoH and all my friends and colleagues within the health economy for their valued support over the years. I wish you all the very best for the future of healthcare at The Dudley Group of Hospitals NHS Foundation Trust.



Paul Farenden

DIRECTOR'S REPORT AND MANAGEMENT COMMENTARY

Directors in post during the financial period

More detailed information about each Director can be found on pages 24 – 27.

Chairman:	Alf Edwards
Chief Executive:	Paul Farenden
Director of Finance and Information:	Paul Assinder
Operations Director:	Paul Brennan
Director of Human Resources and Organisational Development:	Janine Clarke
Director of Nursing:	Denise McMahon
Medical Director:	Paul Harrison
Non-Executive Director	David Badger
Non-Executive Director	Ann Becke
Non-Executive Director	Jonathan Fellows
Non-Executive Director	Kathryn Williets
Non-Executive Director	David Wilton

Principal activities of the Trust

The Dudley Group of Hospitals NHS Foundation Trust is the main provider of hospital services to the populations of Dudley, significant parts of the Sandwell borough and smaller, but growing, communities in South Staffordshire and Wyre Forest.

Currently we serve a population of around 400,000 people from three sites at Russells Hall Hospital and Guest Hospital Outpatient Centre in Dudley and Corbett Hospital Outpatient Centre in Stourbridge, providing the full range of secondary care services and some specialist services for the wider populations of the Black Country and West Midlands regions.

The Trust was authorised by Monitor, the independent regulator of NHS Foundation Trusts, to commence operation as an NHS Foundation Trust with effect from 1st October 2008. Hence this is the first Annual Report prepared by Directors for this organisation.

There is one material event which the Directors wish to report since the balance sheet date, 31st March 2008, namely that Mr Paul Farenden, Chief Executive, has announced his intention to resign from his post in September 2009. The Trust is currently seeking to recruit a replacement for Mr Farenden.

The Trust has published its future plans in its Integrated Business Plan April 2008, which covers the medium term strategy period 2008 to 2013. The Trust has set out ambitious plans to stabilise and enhance the range of clinical services available to its growing population through innovative approaches to the provision of secondary care in association with our healthcare partners and commissioners. The Trust's corporate objectives may be summarised as follows:

"To be the Hospital of Choice for our population by providing tailored care and clinical expertise designed to meet patient needs" – achieved by:

Quality	Providing high quality and safe services which are differentiated from our competitors
Market Share	Growing our catchment population to secure our clinical base by co-operating or competing with other providers to address patient needs
Finance	Deliver efficiencies and a financial surplus each year to fund service investment and secure the future of the Trust

During 2008/09, the first year of this strategy, the Trust has invested heavily in front line clinical and support staff, invested £2.6m in new medical equipment and commenced work on a £6m multi-tiered staff car park at Russells Hall Hospital.

The Trust will continue to invest its financial surplus, generated through more efficient working practices, to support front line services, invest in patient safety and patient services in 2009/10. Our 2009/10 plans are informed by close working with our 13,000 strong membership and Council of Governors to better address the needs of the community.

Clinical education and research is a vital area of the Trust's activities and in 2009/10 we remain committed to building upon our deserved reputation for post-graduate and undergraduate clinical education and research and development. In the area of clinical research, the Trust is rightly proud of the awards it received during 2008/09 and is committed to the further encouragement of such activities during the coming year.

Research and development

The Dudley Group of Hospitals' researchers published 42 articles, including 18 papers in the field of rheumatoid arthritis and cardiac risk, and two invited review articles, during the period of this report. A number of these papers have informed national and international clinical guidelines for the treatment of rheumatoid arthritis.

Two higher degrees in rheumatology-related fields were also awarded and a further clinical fellow is the recipient of both a prestigious Arthritis Research Campaign scholarship award worth £188,000 and the Trust's Ron Grimley award for research.

Local researchers planned a number of studies connected with physical activity for women who have had breast cancer, in preparation for a nationally funded trial.

Research pharmacy staff came into post, and a new national system for Research and Development (R&D) approvals was initiated nationwide, necessitating a substantial amount of training for R&D office administrative staff. Funding from the Birmingham and the Black Country Comprehensive Local Research Network has been used to employ a full time research nurse and 0.60 whole time equivalent (WTE) of nurse time in the chemotherapy unit. For the first time ever, it has also been possible to allocate dedicated research funding to the Radiology department.

With preparations underway to open several new academic trials and commercial cardiology and rheumatology studies in 2009/10, next year promises to be even busier.

Taking care of our staff

Our staff are our biggest asset so looking after them and listening to what they say is crucial in all that we do.

The Trust continues to be accredited with the two ticks disability symbol – a national standard which recognises that we are positive about employing disabled people.

Following the revised Equal Opportunities Policy in 2007, all line managers in the Trust have had the opportunity to attend an equal opportunities training session.

A full review of Mandatory Training has taken place this year and this has resulted in a new and fresh way of delivering training which has ensured that all staff have the opportunity to update their knowledge in the most efficient and effective way.

Equality and Diversity Impact Assessments have also been a high priority for the Trust over the last three years and every service in the Trust has been assessed to ensure that it is equally available to all parts of the local community.

Communicating with our staff

Staff are provided with up to the minute news, corporate briefings and policies and guidelines via 'The Hub', the Trust's intranet site. This is supported by email cascades, a monthly newsletter and briefings by managers to ensure that front line staff, who may not have regular access to a computer, don't miss out on important information.

During the period the Trust also implemented an 'Ask the Board' feedback mechanism, inviting members of staff to submit questions about matters of importance to them, for example the building of the new staff car park. Questions and answers are then posted onto the Trust's intranet site so that other staff can share the information. This mechanism has also been used to consult staff on a proposed reconfiguration of the hospital, which would see elective and emergency patients treated on separate wards. Staff were able to look over the plans and feedback any ideas or concerns. This feedback has resulted in changes being made to the proposals.

Restructuring

The Trust's Operations Directorate re-structured during the period to form eight clinical directorates each headed by a Clinical Director. This clinically-led management structure enables us to:

- Be a 'localised' organisation by devolving decision making to staff, who are the experts in the delivery and development of care
- Increase local ownership of services, promoting clinical and managerial synergy
- Engage and involve all clinical, and other staff, in managing services and performance, in order to maximise our ability to drive opportunities for innovation in the way in which services are provided

The Operations Directorate has established a Trust Management Executive Team which undertakes performance monitoring and develops future plans. This team report to the Board of Directors and link into the Integrated Governance Committee and Finance and Performance Committee, as appropriate.

Promoting financial awareness among staff

The Trust continues to work closely with its 3,000 plus staff and our PFI partners to promote effective financial management and the importance of providing value for money in its activities. The Director of Finance works closely with our eight Clinical Directors to ensure that the 300 plus budget holders in the Trust are well trained and supported in their financial accountabilities. The Trust has a range of continuously reviewed policies and procedures to support managers and these are all available on the Trust's intranet 24 hours a day. Financial policy is determined by Directors through consultation with the Council of Governors, which includes six staff Governors. The Council also monitor financial performance during the year. The Trust has commissioned a state of the art on-line financial management training resource for managers and budget holders.

Number of employees

The Trust is the second largest employer in the borough. It has 2994 whole time equivalent staff:

As at 31st March 2009	
Staff Grouping	**WTE**
Professional Scientific & Technical	408
Non-Clinical	604
Additional Clinical Services	548
Medical & Dental	404
Nursing & Midwifery Registered	1,030
Total	**2,994**

The Trust's Private Finance Initiative (PFI) partner, Summit Healthcare and their contractors, mainly Interserve FM and Siemens Healthcare, employ around a further 1,000 staff. These staff work in the Trust's hospitals providing portering, cleaning, laundry, transport, medical equipment maintenance and IT services.

During the period work has been done on the Trust's Recruitment Policy to bring it into line with the Trust's Vision and Values (see page 2). These Vision and Values are to form the basis for the Trust's new performance management system.

Staff turnover and absence

Labour turnover has remained consistent over the year at 11.2%. Exit interviews have been conducted and this has established that most people leaving the Trust (60.6%) have within 0 to 5 years service.

A new Sickness Absence Policy has been implemented and, following training with the line managers, this has resulted in a reduction of sickness in the Trust from 4.80% last year to 4.13% this year, which is below the target of 4.50% for the year. This has been achieved through a programme of upskilling for line managers in conjunction with the launch of a new Absence Management policy.

Listening to our staff

The National Staff Survey for 2008 showed that staff experience had improved in quality of job design, job satisfaction and support from immediate managers. Plans are in place to implement a new Performance Management system in the Trust that will result in an increased number of people having development plans to develop job skills and ultimately patient care.

The Trust has also been running an internal staff satisfaction 'Pulse' survey which has given the Clinical Directors feedback about how their teams are feeling about things like training, patient care and living the Trust Values. Clinical Directors then have the opportunity to work on action plans to address this feedback.

The Joint Negotiating Committee (JNC), which brings together union and Trust representatives, continues to be well established in the rhythm and routine of running the Trust with active participation at each meeting.

The Trust has also undertaken audits on all people-related areas in advance of the official Healthcare Commission (now the Care Quality Commission) review and this has given line managers the opportunity to pro-actively work on the core standards to ensure that we are delivering a consistently high level of implementation.

Volunteers

The Trust is fortunate to have an army of dedicated volunteers from the local community. This much valued group of helpers work in many wards and departments around the hospitals, as well as providing a popular 'way-finding' service to help patients find their way around the sites.

Health and Safety

A continuous review of Health and Safety in the Trust over the year has resulted in a reduction of 13% in recorded incidents.

During October 2008 the Trust held a Health and Safety awareness week, to coincide with the national campaign. Staff within the Trust were tested on their knowledge of health and safety procedures in a competition which saw one lucky member of staff win a week's holiday.

The Trust has also been awarded a prestigious RoSPA award. After 13 consecutive awards – five Gold Awards, five Gold Medal Awards and three President Awards – the Trust has now received an Excellence Award demonstrating its sustained commitment to ensuring health and safety.

We have also reviewed the Trust's Security Policy this year to ensure that we are maintaining the best possible secure environment for both our patients and staff.

Countering fraud and corruption

The Trust takes its responsibility towards countering fraud and corruption in the NHS very seriously.

The Trust's Fraud and Corruption Policy lays down its absolute commitment to maintaining an honest, open and well-intended atmosphere within the Trust. This commitment is the cornerstone of an anti-fraud culture, championing the deterrence and prevention of fraud and the rigorous investigation of any cases of fraud or corruption. Where fraud is proven, the Board will apply all available sanctions i.e. disciplinary/criminal action, and use of the civil law to recover funds.

Incidents involving personal data

There were no incidents involving loss of personal data or breach of confidentiality.

Social and community matters

Patient feedback

During the period since we became a Foundation Trust and the end of the financial year, the Trust received 173 complaints, though three of these were withdrawn.

The percentage of complaints against activity at the Trust equates to 0.05%.

We take complaints received at the Trust very seriously and always try to respond promptly to patients' concerns. To this end, we achieved a rate of 100% of complaints responded to within the 25-day target (or by the extension date agreed with the complainant).

We always apologise when we have got things wrong and attempt to remedy the situation. All complaints are assessed by the individual department groups, as well as the Trust-wide Patient Safety Group which considers lessons that need to be learned and makes recommendations to the Board.

We are also pleased to receive many compliments – in the first six months of being a Foundation Trust we received 31 official compliments on our services, but each ward/department also received many individual thank-you messages from patients.

As well as attempting to resolve concerns for individual patients, our PALS and complaints teams feed back to appropriate managers within the Trust those matters that require more investigation and have also raised wider issues that merit a review of practice.

During the period of this report, the following changes have been made as a result of feedback from patients:

- Falls training initiated and supported by audit
- Posters displayed on wards showing senior staff members
- All reports of outpatient department ultrasound scans routinely forwarded to GPs
- Electronic system introduced to improve process for requesting records
- Nurses raise cot sides when nursing elderly or confused patients
- Physiotherapists now attend early morning ward rounds
- Patients who are barrier nursed asked not to bring cuddly toys and other, non-cleanable, items into hospital
- Patients telephoned if required to re-attend following review of X-ray
- Number of initiatives commenced to minimise cancellations
- Triage process reviewed to minimise delays
- Refurbishment of Emergency Assessment Unit GP admission area planned
- Car parks give 10 minutes free to allow drivers to locate a space, or to leave the car park

Feedback is also received and lessons learned to improve services via the Trust's newly launched patient 'Pulse' surveys. The surveys, which are in line with national guidance and the NHS Constitution, were first piloted at the Trust in March 2009. These quarterly surveys will help us to understand what we do well and what we can improve on and are designed to link with our staff 'Pulse' surveys to gain a full overview of staff and patients' experiences of the Trust.

Freedom of information

The Trust complies with Freedom of Information legislation to publish and respond to requests for information about its business and activities. Our publication scheme can be viewed by visiting our website at www.dgoh.nhs.uk and clicking on the Freedom of Information icon at the bottom of each web page.

Patient information

The Trust is constantly striving to ensure that we provide relevant and jargon free information to our patients. To this end, the Trust has commenced a programme to redesign its website, and has employed a patient information co-ordinator.

Environmental performance

The Trust has in place a contract which incentivises our PFI provider to reduce energy consumption across the three hospital sites.

Local groups

Across the Trust there is wide consultation with patients, GPs, practice managers, staff, support groups, cancer and cardiac networks and the newly formed Local Involvement Networks (LINks). These networks enable us to ensure that our services remain patient focused. We also work closely with our stakeholders in the local health economy areas that make up our membership constituencies.

Public and patient involvement

The Trust Board has consulted with the Council of Governors on the Annual Plan for 2009/10 through the Council's Service Strategy sub-committee. Non-Executive Directors have also been involved with the Communications and Membership sub-committee to ensure the Board hear the views of the Governors in their decision making processes.

The Trust's Patient and Public Involvement strategy set out to improve and empower both staff and patients to work together to improve the patient experience. The strategy will be reviewed and evaluated during 2009/10 to further develop our strong links with our patients.

Business review

As part of its terms of authorisation, the Trust is required to maintain a range of clinical services and protected assets as set out in Monitor's Schedules 2 and 3. The Trust is able to confirm adherence to these requirements during the year.

In developing its financial plans for 2009/10 and the future, the Directors have acknowledged the potential impact of the economic recession on the NHS. It specifically has sighted the affordability of present and projected levels of spending by PCTs in the acute care sector, the ability of the Trust to achieve ever increasing efficiency reductions to the national NHS tariff for clinical procedures and central manipulations of the tariff as representing its main business risks. The Trust's 2009/10 Annual Plan will address mitigation approaches to minimise the risk of such issues on the achievement of our corporate objectives.

During 2008/09 the Trust has pursued a policy of paying local suppliers at the earliest opportunity to support the local economy during the recession. The Board has adopted a policy of paying local suppliers within 10 days of receipt of goods or invoice and has more generally achieved a 95% plus 30 days payment turnaround. The Trust plans to continue and, if possible, to improve upon this prompt payment regime in the future.

The outturn for 2008/09 demonstrates excellent performance continuing our strong track record of achievement. In many ways the achievement of Foundation Trust status in October 2008, being the culmination of much hard work and commitment over many years, was the highlight of the year. The Trust Board sees the considerable freedoms and privileges of Foundation Trust status as a magnificent opportunity to build upon the successes of its historical and recent past to drive further quality improvements for the communities it serves. Of note is the considerable contribution to the development of strategy and to the

governance of the Trust by its committed and active Council of Governors and the much larger community of now over 13,000 Foundation Trust members who are either members of the local community, members of staff or patients of the Trust.

Contractual arrangements

The Trust's hospitals form part of a Private Finance Initiative (PFI) with Summit Healthcare and its service providers: Interserve Facilities Management and Siemens Healthcare.

Page 17 of this annual report details contractual arrangements with local Primary Care Trusts (PCTs) for provision of services.

18-week maximum waiting time targets

During the year the Trust has experienced significant increases in the volume of work across our departments and clinical specialties, mainly to achieve the 18-week maximum waiting target. Such trends have, however, contributed towards a failure to meet the national performance standard that 98% of patients attending the Russells Hall Accident and Emergency department are seen, treated and discharged from the department in a maximum of four hours of arrival. This target was not achieved in quarters three and four of the financial year 2008/09. The Board of Directors of the Trust take their responsibilities to deliver national standards and to provide high quality and timely access to our services for patients extremely seriously and have agreed a range of additional actions with Monitor which are designed to restore the achievement of this important standard.

A most pleasing aspect of our work in 2008/09 was the achievement of the national 18-week maximum wait from referral to treatment targets in December 2008 and subsequently for both admitted (inpatient) and non-admitted (outpatient) groups. The Board allocated significant additional resources to this objective in 2008/09 and are grateful to the organisational skills and dedication of clinical staff and managers in achieving this challenging target during a period of increasing demand.

Performance standards

During the year, all other national performance standards and targets set out both in Monitor's Compliance Framework and in local service contracts with PCTs were met or exceeded by the Trust. Financially the Trust enjoyed another highly successful year, with audited accounts expected to show annual turnover of £228m, up 10.5% on the previous year, EBITDA of £14m (+6.1% margin), retained surplus of £8m and a strengthened liquidity position and balance sheet.

In its Annual Business Plan the Trust focused upon improving MRSA and Clostridium difficile (C. diff) infection rates against very challenging national performance targets, which were resultant from our comparatively low base year rates when indicators were introduced. Overall levels of both MRSA and C. diff were reduced in 2008/09 and contractual targets met. The Trust continues to maintain a zero tolerance culture to infection. Patient safety will continue to be the Board's principal focus, as it has been in 2008/09. We have drawn upon the experiences of the Healthcare Commission and other agencies in learning the lessons of other NHS organisations.

Our strategies required us to be innovative in the way we provided services during 2008/09. To ensure we achieved the required changes we further developed the 'Enterprise' Programme. This aligned all aspects of changes being delivered across the Trust and was supported by dedicated and resourced project teams operating within a robust project management methodology and using established change management techniques and processes. Performance of 'Enterprise' was monitored by a Project Board that reports to the Board and Integrated Business Plan strategic objectives were measured by the Board during the year. Generally business objectives for 2008/09 were achieved to timescale.

Political and charitable donations

As an NHS Foundation Trust we make no political or charitable donations.

Financial performance

The 2008/09 financial year has once again been successful for the Trust with turnover, Cost Improvement Programme (CIP) and liquidity targets achieved or exceeded. The achievement of Foundation Trust status on 1st October 2008 effectively divided the financial year into two accounting periods. Similarly the Trust experienced very different trading conditions during the two periods with the first half year characterised by high activity growth in elective areas (towards the 18 week maximum wait targets) and Accident and Emergency activity, with strong income growth and increasing margins as work was accommodated largely within existing capacity. EBITDA was, however, below plan due to significant increases to energy costs (£0.5m), increased provisions for employment claims (£0.3m) and significant IT spending (£2.5m). In the second half of the year, as the Trust moved into the winter period and emergency pressures began to bite (again compounded by the December 2008 18 weeks wait target), clinical stepped costs were increasingly incurred and tiny or, in some instances, negative margins were experienced. As is noted elsewhere, although the Trust coped admirably with the 18-weeks challenge, the target to treat and discharge A&E patients within four hours was missed during the period.

For the period of operation as an NHS Trust (April to September 2008) the Trust exceeded plan in all financial aspects:

- Turnover of £111m was £5.8m above plan
- EBITDA of £7.2m (6.5%) was £0.3m below plan (this followed a one off payment of £2.1m to our PFI provider to bring Trust purchased IT equipment into the PFI contract)
- Retained surplus of £3.9m (3.5%) was £0.2m below plan
- Return on assets for the period was 9.7%
- Cash balance at 30th September 2008 was £29.8m and exceeded plan by £5.4m
- A liquidity ratio of 78 days was recorded at 30th September 2008

This financial performance in quarter one and quarter two of the year was the result of increased clinical income of £3.8m in the period. This was driven by significant over-performance against contracts agreed with local PCTs:

- Accident & Emergency attendances + 3.1%
- Non-elective spells - 3.0%
- Day cases + 10.7%
- New outpatient attendances + 16.4%

In the same period operating costs grew above budget by £6.2m, principally related to diagnostics departments' consumables, theatre non-pay, energy consumption and additional one off costs incurred on IT related projects.

During the year the Trust has engaged the District Valuer to conduct a market equivalent asset valuation of the Trust's land and buildings. Due to the general reduction in land and property values in the UK this has resulted in an impairment charge to the Trust's income and expenditure accounts of £802,000 in the first half of the year.

For the second six months of the year, operating as a newly-established Foundation Trust (October to March), income growth has been strong, with the Trust exceeding the Plan by £12m. However, this gain has been offset by significant additional operating costs. Key financial performance results for the six months period are as follows:

- Turnover for the quarter three and quarter four period was £117m, £12m above plan
- EBITDA was £7.2m (6.2%) which was £0.9m better than the period plan
- Retained surplus of £4.1m (3.6%) was £1.2m above period plan
- Return on assets for the period of 8.3%
- Cash balance at 31st March 2009 was £34.5m and exceeded the quarter three and quarter four plan by £9m
- Liquidity ratio was 80 days at 31st March 2009

Equivalent activity levels compared with plan in quarter three and quarter four were as follows:

- A&E attendances + 1.1%
- Non-elective spells + 5.1%
- Day cases + 15.6%
- New outpatients + 15.3%

During the second half of the year, while clinical income of £111m was generated, total expenditure of £109.5m was incurred in the form of premium rate costs resulted from bringing on stream 48 additional beds, hiring operating and bed capacity in the private sector and paying significant additional waiting list and supplementary payments to clinical staff.

Table 1 Trust financial performance 2008/09

	Quarter 1 & 2 Performance – NHS Trust			Quarter 3 & 4 Performance – Foundation Trust			Financial Year In Full		
	Plan £m	Actual £m	Var £m	Plan £m	Actual £m	Var £m	Plan £m	Actual £m	Var £m
NHS clinical income	99.9	103.7	3.8	98.8	110.7	11.9	198.7	214.4	15.7
Total income	105.0	111.0	6.0	104.2	117.1	12.9	209.2	228.1	18.9
Operating expenditure	-97.7	-103.8	-6.1	-97.7	-109.9	-12.2	-195.4	-213.7	-18.3
EBITDA	7.5	7.2	-0.3	6.4	7.2	0.8	13.9	14.4	0.5
Net surplus	4.1	3.9	-0.2	3.0	4.1	1.1	7.1	8.0	0.9

Capital spending in the year has been lower than plan due to delays in planning consent on the multi-tiered car park scheme at Russells Hall Hospital. To utilise cash resource in year various items from the 2009/10 equipment replacement programme were brought forward. See table 2.

In its first months as a Foundation Trust the organisation has maintained a positive Financial Risk Rating of above four. However it will be noted that as a newly authorised FT a rating of 'four' is the maximum permitted. See table 3.

Table 2 Capital programme 2008/09

	Plan £m	Outturn £m	Variance £m
Multi-tiered car park	6.0	0.3	5.7
Medical equipment	1.7	3.0	-1.3
North Wing cladding	0.9	0.3	0.6
North Wing lifts	0.3	0.1	0.2
IT programme	0.7	0.4	0.3
Other Works	0.4	0.0	0.4
PFI residual interest	1.3	1.3	0.0
Total	11.3	5.4	5.9

Table 3 Financial risk ratings 2008/09

	YTD Actual	YTD Rating
EBITDA margin	6.3%	3
EBITDA achieved	100%	5
Return on assets	9.9%	5
I&E surplus margin	3.9%	5
Liquidity ratio	80	5
Weighted average score		4.5

Table 4 Comparison of IBP Plan with Outturn 2008/09

Table 4, below, compares 2008/09 outturn expenditure with the Integrated Business Plan (IBP) forecast.

	IBP £000	Outturn £000	Variance £000	Notes
Clinical income	198,603	215,234	16,631	1
Non-clinical income	880	1,303	423	
Other income	7,788	9,684	1,896	
PFI income	1,974	1,929	-45	
Total income	**209,245**	**228,150**	**18,905**	
Pay spend	-114,146	-125,397	-11,251	2
Non-pay spend	-81,233	-88,379	-7,146	3
Total expenditure	**-195,379**	**-213,776**	**-18,397**	
EBITDA	**13,866**	**14,374**	**508**	4
Retained surplus	**7,143**	**8,027**	**884**	
Year end cash	26,600	34,541	7,941	5

The main variances against the IBP during 2008/09 are explained below:

1. NHS clinical income

The Trust's main service contracts are held with Dudley PCT (£146m) and Sandwell PCT (£21m).

The 2008/09 IBP activity plan was based upon signed contracts with PCTs, that is income secured rather than at risk. Locally the Board took a more realistic view of likely referral levels based upon the poor record of demand management exercises in Dudley, the attraction to local GPs of historically low waiting times and the higher levels of additional PCT activity required to hit the 18-weeks maximum waiting target. Thus Trust activity targets were set at a higher level than the IBP and included an increased 'at risk' element. In reality even this elevated plan under-estimated actual activity flows and the Trust made greater than anticipated progress in achieving its strategy to attract additional work from Wyre Forest, Staffordshire and Sandwell areas.

Table 5 Outturn Activity against Plan 2008/09

	Annual Plan (IBP)	Planned Growth (%)	Outturn	Variance	Actual Growth (%)
Accident & Emergency atts	96,257	0.0%	96,150	-107	-0.1%
Elective spells	43,538	2.3%	48,100	4,562	10.5%
Non-elective spells	48,190	1.2%	48,400	210	0.4%
Outpatients attendences	325,435	-3.3%	358,800	33,365	10.3%

2. Pay spend

Pay spend has increased to service additional capacity brought on stream in year – Sandringham and C8 wards. Significant unplanned additional expenditure on waiting list initiative, private sector and overtime working to deliver additional capacity demands has also been recorded. An additional £0.7m has also been spent on promoting additional IT and related projects towards connecting for health targets.

3. Non-pay spend

The principal causes of additional non-pay spending in 2008/09 are the variable cost impacts (drugs, consumables, prosthetics, diagnostics) of additional activity levels. In addition the Trust negotiated an expansion to the outsourced IT PFI contract with Siemens to cover directly purchased IT equipment. Further, the Trust has been exposed to significant additional energy costs during 2008/09.

4. EBITDA

EBITDA for the year as a whole fell slightly below plan, mainly as a result of £2.1m one off IT costs. Much of the benefit of a £17.3m increase in income was offset by increased unit costs of additional elective activity (as stepped costs were incurred and premium costs accrued) and the additional costs of energy in 2008/09.

5. Cash Balance

Year end cash balances are higher than anticipated due to slippage on the Russells Hall car park project.

The year was marked by the approval of the Trust's Foundation Trust application and authorisation in October 2008. As such the year has been rather artificially 'split' into two segments: pre and post authorisation. While both parts of the year have been characterised by additional activity above plan, capacity has been markedly more strained in the latter half of the year and this has led to a failure of the A&E target for four hours treatment and discharge. Cost pressures were a particular factor during the second half of the year, offsetting much of the benefit of increased income. However target EBITDA was still achieved.

During 2008/09 the Trust operated within a Prudential Borrowing Limit set for the year by Monitor of £35.2m of long term borrowing. The Trust maintained, but did not utilise, a committed working capital facility with Barclays Bank of £16m, equivalent to 30 days normal trading.

2008/09 represented a challenging year for the Trust. However it is pleasing that we have continued to produce sound financial performance, achieved the 18-weeks waiting target and have significantly reduced the levels of hospital acquired infections. With growing membership, we are well placed to deliver our corporate objectives for the year ahead.

The Accounts of the Trust have been prepared in accordance with guidance issued by Monitor, under the UK GAAP basis. The Directors of the Trust have taken all necessary steps to make themselves aware of any relevant information and made the auditors aware of such information in connection with their report. The Directors are aware of no relevant information of which the auditors are unaware. After making enquiries, the Directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

The Trust can confirm that it has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. This guidance discusses how public sector organisations should charge for information.

Monitoring improvements in quality

The Trust has implemented a number of arrangements to monitor improvements in quality. These include the use of performance dashboards, a clinical audit programme, the review and introduction of Quality Care Indicators and robust monitoring against local and national targets for healthcare acquired infections (HCAI).

During 2008 the Trust received a follow-up visit from the Department of Health HCAI team with positive findings. The Trust also underwent an unannounced Hygiene Code inspection in February 2009, which identified a breach of the Hygiene Code at Duty 4. The Trust immediately implemented robust actions following the Healthcare Commission's inspection and has increased

the frequency of audits undertaken to monitor the action taken. The remainder of the inspection was positive with the Trust evidencing that it met the remaining sub-duties.

The Trust also participated in the Healthcare Commission's Safeguarding Children Review (March 2009). The Trust has not received any feedback to date.

The Trust has monitored its annual performance against the Healthcare Commission's 'criteria for assessing core standards in 2008/09 (Acute Trusts)'. The Trust considered all aspects of their services against the criteria in order to judge whether they had reasonable assurance that they met the published criteria for assessment. Evidence reviewed to consider assurance included Trust Board and sub-committee reports and minutes together with other internal assurances and external assurances (for example internal audit reports and external service reviews). The Trust declared itself compliant against all core standards with the exception of Safeguarding Children (core standard C2). Following the Baby P incident the Trust reviewed its safeguarding arrangements. While the Trust has systems in place including a Trust Board lead, a named doctor and a named nurse, it was evident that little management information had been received by the Trust Board. The Board therefore decided to declare 'insufficient assurance' for this standard. The Trust has already implemented actions relating to this which includes the receipt of a quarterly report on safeguarding by the Trust Board and is confident it will be able to declare compliance with this standard for the 2009/10 declaration.

Progress towards targets with local commissioners and details of key quality improvements

The Trust meets with the PCT at a bi-monthly clinical quality group to ensure that quality of service is monitored regularly.

New or significantly revised services

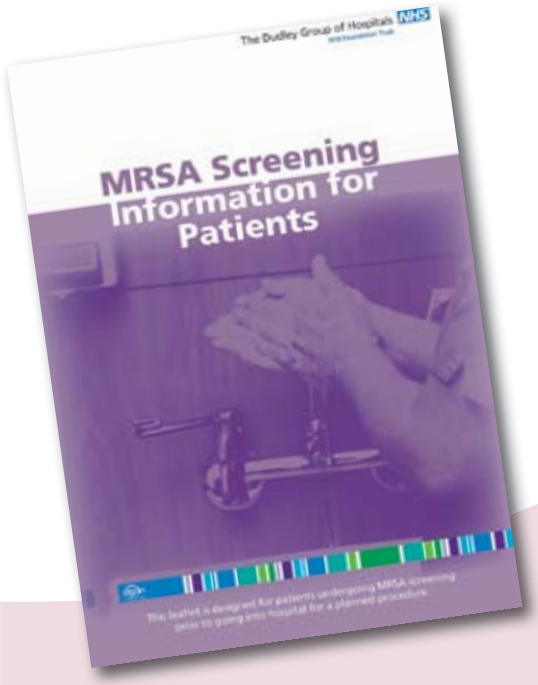
The Trust undertook a review of its Pre-operative Assessment services during the year. As a result several improvements have been made. Patients are now given an initial assessment in the Outpatient department as soon as a decision has been made that surgery is required. This initial assessment determines those that will need a full pre-operative screening, but allows many patients to be placed on the list for surgery without the need for another hospital visit before their operation.

The 'one stop' pre-assessment includes all required blood and electrocardiography (ECG) testing, and the Trust is looking to extend this to include spirometry.

This year, national guidance was received on providing screening for MRSA for all elective patients. This screening test now forms part of the pre-operative assessment for surgical patients.

For all other elective admissions to the Trust an MRSA screening 'drop in' service is available in the Outpatient departments at all three of the Trust's hospital sites. Evening clinics are also available at the Corbett Hospital Outpatient Centre for those patients who cannot attend during the day. Results are managed by the MRSA Screening Co-ordinators and we are currently working with the Pharmacy department to develop a Patient Group Directive approach. This means that the patient starts their treatment quickly and without prescription charge.

A combined pre-assessment and screening service has been implemented for all 'fast track' referrals from community-based orthopaedic practitioners. This ensures that screening meets Trust requirements without impacting on the fast track pathway time limits.



Working with our stakeholders

The Trust has been working in partnership with GPs and Primary Care Trusts to ensure patients receive the best quality treatment and care at the time of need and to make our services easily accessible.

The Trust prides itself on forming partnerships with its stakeholders to develop and establish innovative ways of working with GPs and Primary Care Trusts. The focus has remained on patient-centred care and putting patients at the centre of all decisions made.

In October 2008, a pilot study commenced between The Dudley Group of Hospitals and GP practices in the Kidderminster area, offering the opportunity to Kidderminster patients and their GPs to use a wider range of our services. Although the practices do send their patients to us, we were not their principal provider. Therefore the pilot also allowed an assessment of whether a more extensive and permanent flow of patients should be established.

Six months into the pilot, a satisfaction survey was undertaken by the Kidderminster GPs and the results were quite encouraging. The Trust scored very well in the following areas:

- Patients treated with dignity and respect
- Comfort of surroundings
- Satisfaction with quality of care

Patients and GPs also stated that they found the telephone advice lines in the Rheumatology and Renal departments extremely helpful. The Trust has taken these comments on board and is working with other specialties to investigate the possibility of setting up more telephone advice lines where appropriate.

The Trust has also been working in partnership with Sandwell Primary Care Trust and GPs to develop an integrated pathway for renal patients – Sandwell Community Outpatient Renal Service. This pilot commenced in February 2009 and so far has had some positive feedback from the users of the service.
The Trust has complied with the Monitor NHS

NHS FOUNDATION TRUST CODE OF GOVERNANCE

Foundation Trust Code of Governance during the year. The Trust is governed by a Board of Directors which meets monthly to set and monitor the strategic direction of the Trust and the achievement of corporate objectives. The Trust also reserves the power to set budgets and allocate resources and delegated authority to its Directorates. The Board operates through the following sub-committees:

Finance and Performance committee
Audit committee
Integrated Governance committee
Remuneration committee
Nominations committee
Investment committee

The Board operates through an assurance framework. The effectiveness of the assurance framework is reviewed by the Audit Committee. The Board reviews its range of skills and competencies and operates a systematic effectiveness evaluation approach.

Council of Governors

The Trust has 39 Governors in total, 20 are publicly elected and represent the following constituencies:

Dudley – 15 Governors
Rowley Regis – 1 Governor
Tipton – 1 Governor
South Staffs – 1 Governor
Wyre Forest – 1 Governor
Rest of the West Midlands – 1 Governor

We also have six staff elected Governors and 13 appointed from various stakeholder organisations. (See table on page 22 for full details)

The Board works closely with the Trust's Council of Governors. The Council is consulted by the Board on the determination of its strategy and is accountable to the Council for the Trust's compliance with its terms of authorisation. The Council meets on a quarterly basis.

The Council of Governors operates through the following sub-committees:

Communications and Membership sub-committee
Strategy sub-committee
Remuneration sub-committee
Appointments sub-committee

The Council of Governors is developing their role within the structure of the Trust to ensure they engage positively with the Board of Directors on strategic plans and the future of the Trust.

The Non-Executive Directors attend Council of Governors meetings on a regular basis and have been involved in the Communications and Membership sub-committee with plans for Non-Executive input into all of the Council of Governors' groups. This will help ensure we are seeking and listening to the views of our Governors and members at Board level. We will continue to build upon our strong foundations during 2009/10 as our Foundation Trust develops.

Governor Name	Elected/appointed	Constituency	Attendance at meetings out of 3
Mr R. Brookes	Public Elected Governor	Brierley Hill	2
Mr S. Waltho	Public Elected Governor	Brierley Hill	2
Mrs W. Hadley	Public Elected Governor	Brierley Hill	2
Mr B. Ferguson	Public Elected Governor	Central Dudley	3
Dr P. D. Gupta	Public Elected Governor	Central Dudley	2
Mr A. Janjua	Public Elected Governor	Central Dudley	1
Mrs R. Bennett	Public Elected Governor	North Dudley	3
Mr S. Biggs	Public Elected Governor	North Dudley	3
Mr H. Woolf	Public Elected Governor	North Dudley	3
Mr J. Balmforth	Public Elected Governor	Halesowen	2
Mrs J. Beard	Public Elected Governor	Halesowen	2
Mr R. Johnson	Public Elected Governor	Halesowen	2
Mr D. Adams	Public Elected Governor	Stourbridge	2
Ms C. Earle	Public Elected Governor	Stourbridge	2
Mr R. Savin	Public Elected Governor	Stourbridge	3
Mr A. Jones (resigned January 2009)	Public Elected Governor	Tipton	2
Mrs J. Robinson	Public Elected Governor	Rowley Regis	1
Mrs D. Jones	Public Elected Governor	South Staffordshire	2
Mrs P. Siviter	Public Elected Governor	Wyre Forest	1
Mr H. Perrin	Public Elected Governor	Rest of the West Midlands	2
Mr D. Deeley (resigned March 2009)	Staff Elected Governor	Allied Health Professionals and Healthcare Scientists	2
Dr A. Hamlyn	Staff Elected Governor	Medical and Dental	2
Mr D. Ore	Staff Elected Governor	Non-Clinical Staff	2
Mr G. Russell	Staff Elected Governor	Nursing and Midwifery	2
Ms J. Southall	Staff Elected Governor	Nursing and Midwifery	2
Mr S. Tovey	Staff Elected Governor	Partner Organisations' Staff	2
Mr M. Cooke	Appointed Governor	Dudley PCT	1
Ms R. Harris	Appointed Governor	Dudley PCT	2
Ms B. Hill	Appointed Governor	Sandwell PCT	1
Dr L. Abudu (resigned February 2009)	Appointed Governor	Worcestershire PCT	0
Cllr. P. Miller	Appointed Governor	Dudley MBC	0
Cllr. A. Hingley	Appointed Governor	Wyre Forest DC	2
Ms P. Boucher	Appointed Governor	DGoH Volunteers appointed by Dudley Council for Voluntary Services	2
Mrs M. Turner	Appointed Governor	Dudley Council for Voluntary Services	2
Mr I. Mullins	Appointed Governor	Summit Healthcare	1
Ms D. Lee	Appointed Governor	West Midlands Ambulance Service	2
Mr D. Horrocks (resigned April 2009)	Appointed Governor	Youth Council	2
Prof. M. Kendall	Appointed Governor	University of Birmingham Medical School	2
Prof. L. Lang	Appointed Governor	Wolverhampton University School of Health	3

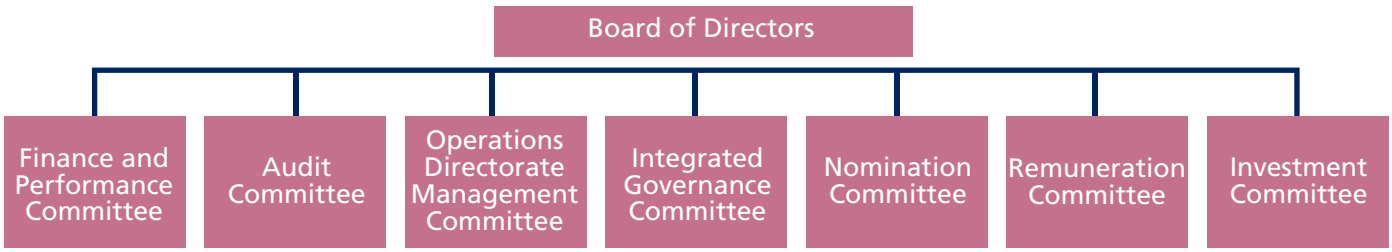
Board of Directors' attendance at Council of Governors meetings

Name	Appointment	Attendance at meetings out of 3
Mr A. Edwards	Chair	2
Mr J. Fellows	Non-Executive Director	1
Mr D. Wilton	Non-Executive Director	1
Mr D. Badger	Non-Executive Director	3
Mrs K. Williets	Non-Executive Director	2
Mrs A. Becke	Non-Executive Director	1
Mr P. Farenden	Chief Executive	2
Mr P. Assinder	Director of Finance & Information	3
Mr P. Brennan	Operations Director	0
Mr P. Harrison	Medical Director	0
Mrs J. Clarke	Director of Human Resources	0
Mrs D. McMahon	Nursing Director	1

NOTE

1. Governors were appointed on 1st October 2008 for a three year period. However, by agreement, a rolling programme of voluntary resignation and re-election has been established with planned resignations to commence in March 2010.
2. A Register of Governors Interests is held by the Board Secretary and is available for inspection on request.

BOARD OF DIRECTORS



Board meetings attendance

All in office throughout the period 1st October 2008 to 31st March 2009.

Name	Appointment	Attendance at Board of Directors out of 6
Mr A. Edwards	Chair	6
Mr D. Badger	Non-Executive Director/ Deputy Chair/ Senior Independent Director	5
Mr J. Fellows	Non-Executive Director	5
Mr D. Wilton	Non-Executive Director	4
Mrs K. Williets	Non-Executive Director	5
Mrs A. Becke	Non-Executive Director	3

Board meetings attendance continued

Name	Appointment	Attendance at Board of Directors out of 6
Mr P. Farenden	Chief Executive	6
Mr P. Assinder	Director of Finance & Information	5
Mr P. Brennan	Operations Director	5
Mr P. Harrison	Medical Director	3
Mrs J. Clarke	Director of Human Resources	4
Mrs D. McMahon	Nursing Director	5
Mr R. Callender	Deputy Medical Director	5

Appointment of Non-Executive Directors

The appointment of Non-Executive Directors to the Trust is the responsibility of the Council of Governors.

Individuals appointed as initial Non-Executive Directors of the Foundation Trust at its authorisation (1st October 2008) shall continue for the unexpired period of their term of office as it stood with the NHS Trust. If, on appointment, that period is less than 12 months, they shall be appointed for 12 months. The Chairman was also appointed for a 12 month period from authorisation.

Board members' profiles

Alf Edwards,
Chairman

Alf has had plenty of experience of working within an NHS environment due to previous responsibilities of chairing the Trust's Audit Committee and the PFI Project Board from the outset. Following two terms as a Non-Executive Director helping to form the Trust, Alf became the Chairman in November 2001.

Prior to being involved in the Trust, Alf gained a wealth of expertise as the Managing Director of successful private sector companies which, provided exposure to, and responsibility for, financial and business development. His previous roles also gained him wide international exposure to sales and marketing.

As a Chartered Electrical Engineer, Alf is still a practicing Consultant Engineer. Outside of the working environment Alf enjoys participating in activities within his local community.

Ann Becke,
Non-Executive Director

Ann brings to the Trust 26 years in global sales and marketing working for a FTSE 100 Global Services Company delivering IT services in over 170 countries with a turnover of £20.2 billion. As Head of Professional Services covering a wide range of companies with a diverse market place she has provided strategic direction and leadership and managed revenues of over £140m. Her career in BT has been mainly in Consultative Sales and Sales Management but she also graduated in World Class Service Management from Leeds University. She has represented BT at conferences both here and abroad and worked with Market Bridge and Harvard University to help define BT's multi channels to market.

She was recognised as a member of the BT Talent Pool and has been a role model for the delivery of Inspirational Leadership, Customer Satisfaction and Diversity. She is a trained coach and mentor and has been instrumental in setting up a Global BT external client 'women in business' network.

Passionate about equality and diversity, Ann is an active member of London Women's networks working with such companies as Everywoman and The Adelaide Group to promote talent in the Boardroom.

Ann is vice chair of the charity Chernobyl Children Lifeline (Wolverhampton/Kinver link) and founder of Kinver Chernobyl Children. A confident and competent public speaker she is actively involved in both the

local and business community, raising awareness and significant funding to support the aims of the charity. Prior to becoming a Non-Executive Director Ann spent 12 months as a member of the Patient and Public Involvement Forum and was a member of the SHA strategic forum on Choice.

David Badger,
Non-Executive Director

Between 1989 and 2001 David held the roles of Education Local Authority Assistant Director/Head of Service (Chief Officer) for Education which included lead for Leisure Services and Community Regeneration. Continuing within the education environment David was also initially the Vice Chair and then later the Chair of City Challenge Education and Training Group. He has also been a governor in a Further and Higher Education College and a Board member of the Black Country Connexions Service Through Development.

All of these roles and responsibilities have provided David with a vast skill base, providing experience of regeneration and community involvement, stakeholder development and strategic planning with community consultation. He has knowledge of support services in-house, private sector development and PFI. His financial awareness includes revenue and capital funding. Finally, David understands public sector Human Resources which has aided his management of workforce service reorganisation and change.

David is committed to developing the Trust into an effective organisation with greater public accountability. His experience of linking public services to the communities served will greatly aid the Trust.

Jonathan Fellows,
Non-Executive Director

Jonathan joined the Trust Board in October 2007, bringing with him 10 years of experience operating at executive level on boards of large publicly listed companies. He has also spent eight years successfully leading and growing private equity backed businesses. Jonathan has led major cost reduction projects in three public companies and increased shareholder value in every company he worked for. He has extensive experience of raising finance for major capital projects and implementing cost control and reduction. Jonathan is also well practiced in delivering business visions, improving customer service, PR and communications. Jonathan is a Fellow of the Chartered Association of Certified Accountants and a member of the Association of Corporate Treasurers.

Kathryn Williets,
Non-Executive Director

Kathryn joined the Trust as a Non-Executive Director in May 2004 bringing with her a background in criminal, family and childcare law. Qualified at the Bar in 1989 and then re-qualifying as a solicitor in 1994, Kathryn is currently a sole practitioner providing agency services to solicitors' firms. She has also obtained a teaching qualification and has taught in a range of legal subjects. Kathryn is a member of the Law Society and the Chair of the Governing Body at Manor Way Primary School in Halesowen.

As a member of the Trust Board, Kathryn is interested in public and patient issues especially those surrounding elderly care. She is also keen to contribute to audit and governance policies implemented by the Trust.

Kathryn actively promotes the Trust delivering presentations to stakeholders, partners and the public about The Dudley Group of Hospitals' achievements.

David Wilton,
Non-Executive Director

David joined the Trust following a career of 36 years with PricewaterhouseCoopers and its predecessor firms. Over 21 of those years were spent as a partner specialising in advising on issues facing underperforming and troubled organisations across a wide range of countries and industries in both the public and private sector. From his years of experience he has learned to assess people and situations quickly and help deliver solutions to problems in a timely way often working within cost constrained environments.

Within PricewaterhouseCoopers, David was responsible in leading teams of talented, intelligent and motivated people on both client projects and in developing products and markets on a global basis. This experience has immersed him in a wide diversity of business and cultural issues. This experience has developed

a passionate belief in the power of a strong and motivated team working together through co-operation and mutual challenge.

David actively involved himself as a mentor to colleagues at many levels while at PricewaterhouseCoopers and, despite retiring from the firm, continues that role with a number of colleagues.

He holds a degree in Economics (specialising in Regional Economics) and is a Chartered Accountant.

Paul Farenden,
Chief Executive

Paul is a qualified accountant who has over 20 years experience in financial management culminating in seven years as a Director of Finance. For the last 20 years he has performed the role of Chief Executive, directing organisations through system reforms and managing large scale organisational change which has provided him with an in-depth understanding of the NHS and the broader healthcare sectors.

In his first position as Chief Executive, Paul led a first wave NHS Trust and subsequently turned around an acute trust in severe financial difficulties. He has also been involved in major site rationalisations and their associated change management programmes. Paul has led a team with responsibility for the development of a large scale PFI from concept to closure and supervised the physical delivery of the scheme.

A key achievement for Paul has been his track record of deliveries on continuous improvement in organisational performance, including the success of gaining three star ratings from a one star position in 12 months during a period of significant change. Paul's achievements have been built upon his ability to recruit and develop successful teams.

Paul Assinder,
Director of Finance and Information

Paul brings to the Trust Board 26 years of experience in financial management and audit in large commercial and NHS organisations. With the last 18 years of his career at Finance Director level, Paul has significant experience of Board level challenges. This has included negotiating a major PFI deal to financial close.

Today, as the Finance and Information Director of The Dudley Group of Hospitals, one of his roles is to develop and implement the financial aspects of the Trust's strategy. While championing the highest financial management, and audit and governance standards, Paul is also interested in developing clinical performance and accountability frameworks. He is leading the Trust's Service Line Performance Management initiative.

Qualified as a Chartered and Certified Accountant, with a degree in Economics and Management, Paul has lectured and written widely on NHS finance matters. He is a member of a wide range of professional bodies and networks and is a Trustee of the Healthcare Financial Management Association and a Non-Executive Director of the Birmingham Enterprise Agency.

Janine Clarke,
Director of Human Resources and Organisational Development

Janine has many years experience of Human Resources and Organisational Development in a variety of organisations including a Local Authority, two NHS acute trusts and a Not-for-Profit housing organisation. She has held director level positions at three of these organisations, managing large-scale workforce and organisational change to respond to drivers for change. Janine has also contributed to successful mergers and acquisitions.

With an MA in Strategic HR, Janine has a deep understanding of the wide spectrum of HR and organisational development covering resourcing, employee relations, industrial relations, reward, training and development, change management and health and safety.

Her LLB (Honours) degree also provides her with knowledge of various aspects of commercial law.

Denise McMahon,
Nursing Director

A nurse for 30 years, Denise started her nurse training in 1978 at Walsall Manor Hospital having been a nurse cadet for two years. Denise was a senior nurse in medicine and

then a general manager for medicine and surgery until she became Deputy Nurse Director in 1997. Two years later she moved to the Royal Orthopaedic Hospital in Birmingham as Director of Nursing and Operations, and then onto Kettering General in 2001 as Director of Nursing and Midwifery.

In addition to the corporate responsibilities of an Executive Director with specific responsibilities for professional leadership for the Nursing and Midwifery strategy, Denise is also Director of Infection Prevention and Control – a role which she has considerable experience. She also holds the director lead role for Governance.

Denise is passionate about patient care and has continued to do clinical shifts throughout her career.

Paul Harrison,
Medical Director and Consultant Haematologist

As Medical Director and Consultant Haematologist, Paul has a varied role. He actively takes part in numerous Trust committees including Infection Control, Risk Management, Education and IT.

His medical background as a haematologist has given him wide clinical experience and he is a Fellow of both the Royal College of Physicians and the Royal College of Pathologists. He is particularly interested in medical education and has served as regional specialty advisor for both the College of Physicians and Pathologists. He has chaired the Regional Training Committee, is currently Chair of the Haematology Speciality Advisory Committee and is an examiner for the Royal College of Pathologists.

Paul is also called upon to lecture and advise on a variety of clinical, managerial and professional topics and was a member of the Chapter S HRG Expert Working Group.

Key operational achievements have involved the establishment of new services in Dudley. These included a nurse-led open access deep vein thrombosis diagnostic/ treatment service and a peripheral blood stem cell transplantation programme. He also reconfigured working practices in the Haematology department to develop a fully integrated team-based approach by medical staff. He successfully expanded cancer services while maintaining financial balance, ensuring the Trust met cancer waiting time targets.

Paul Brennan,
Operations Director

Paul has over 23 years of experience working in the NHS. He has held Director posts since 1991 covering planning, facilities management, resource management, service quality, PFI and clinical operational management.

One of Paul's key achievements has been leading the major consultation and build for rationalising acute services in Dudley. This required leading on the outline and full business case for the £160 million capital project. Paul led all aspects of the negotiations to the signed and implemented PFI contract and has gained significant change management experience in delivering service redesign.

Paul has a BA Honours degree and an Institute of Health Service Managers diploma.

Appropriateness and evaluation of the Board

The Board of Directors was established and constituted to meet the legal minimum as stated in the Health and Social Care (Community Health and Standards) Act 2003 and the requirements of the NHS Foundation Trust Code Corporate Governance, published by Monitor.

There is a Board evaluation process in place to enable it to undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors, in line with the Combined Code.

A Register of Directors' Interests is held by the Board Secretary and is available for inspection on request.

Audit committee

The Audit committee provides the Trust Board with an objective view of the financial systems used by the Trust and makes sure that the statutory obligations, legal requirements and codes of conduct are followed.

Name	Appointment	Attendance at meetings out of 2
Mr J. Fellows (Chairman)	Non-Executive Director	2
Mr D. Wilton	Non-Executive Director	1
Mr D. Badger	Non-Executive Director	2
Mrs K. Williets	Non-Executive Director	1
Mrs A. Becke	Non-Executive Director	0
Mr P. Assinder	Director of Finance & Information	2
PriceWaterhouse Coopers LLP	External auditor representative	2
Deloitte LLP	Internal auditor representative	2

Independence of external auditors

To ensure that the independence of external auditors is not compromised where work outside the audit code has been purchased from the Trust's external auditors, the Trust has a policy for the approval of additional services by the Trust's external auditors.

Nomination committee

The Trust's Nomination committee meetings are called on an ad hoc basis when an appointment needs to be made.

The committee operates to review and evaluate the board structure and expertise, as well as to agree a job description and person specification for the appointments of the Chief Executive and Executive Directors. The committee also identify and nominate suitable candidates for such vacancies and recommend its proposed appointment for Chief Executive to the Council of Governors.

Name	Appointment	Attendance at meetings out of 1
Mr A. Edwards	Chair	1
Mr J. Fellows (Chairman)	Non-Executive Director	1
Mr D. Wilton	Non-Executive Director	1
Mr D. Badger	Non-Executive Director	1
Mrs K. Williets	Non-Executive Director	1
Mrs A. Becke	Non-Executive Director	1
Mr P. Farenden	Chief Executive	1

Contact procedures for members who wish to communicate with Governors and/or Directors

There are several ways for our members to communicate with Governors and/or Directors:

- At our public Council of Governors meetings which are held quarterly
- At our Annual Members Meeting
- Telephone via our Foundation Trust office on 01384 456111 extension 1419
- Email communication via our Foundation Trust office: foundationmembers@dgoh.nhs.uk or governors@dgoh.nhs.uk
- Written communication via our Foundation Trust office: FREEPOST PLUS RLXY-HJKL-GBAH, The Dudley Group of Hospitals NHS Foundation Trust, Foundation Trust Office, Russells Hall Hospital, 2nd Floor C Block, Pensnett Road, Dudley DY1 2HQ
- You can either contact your local Governor through the email: governors@dgoh.nhs.uk or a number of our Governors are happy to be contacted directly. Their contact details can be found on our website at www.dgoh.nhs.uk/home/governors.asp or by telephoning the Foundation Trust office on 01384 456111 extension 1419

Annual general meeting 2008

MEMBERSHIP

The Dudley Group of Hospitals NHS Foundation Trust set out to ensure we had a strong membership base when we achieved Foundation Trust status and exceeded the target of 8,000 public members by 1st October 2008 by 1,347. We aim to develop new ways of engaging with our community through the membership model, by using feedback from membership to influence further development of quality and patient safety and by increasing our public membership to 13,000 by 2013.

The Trust is committed to ensuring we maintain a level of growth of our membership to attain 13,000 members by 2012/13 and are aiming to recruit 1,500 members throughout 2009/10.

Anyone who lives in one of our constituencies (see page 21) and is over the age of 14 can apply to become a member of the Trust.

To reflect the level of involvement members wish to have with the Trust we have three categories of membership:

Informed	Receive information in a quarterly newsletter
Involved	Trust Tours and member surveys
Active	Involved in providing feedback on specific issues and provide patient and public perspective and views on Trust services

Members are being recruited to reflect the demographic characteristics of the population in each of the 10 public constituencies, as shown in the table overleaf.

Public membership by constituency at 31st March 2009

Public constituency	Number of members	Active members
Dudley North	902	118
Dudley Central	1,549	157
Brierley Hill	1,235	185
Halesowen	1,070	108
Stourbridge	1,197	181
Dudley Total	**5,953**	**749**
Tipton	1,005	42
Rowley Regis	980	47
Sandwell Total	**1,985**	**89**
Wyre Forest	838	13
South Staffordshire	197	25
Membership Subtotal	**8,973**	**876**
Rest of West Midlands	852	149
Membership Total	**9,825**	**1,025**
Staff constituency	**Number of members**	
Medical and Dental	505	
Nursing and Midwifery	1,212	
AHPs and Scientists	1,187	
Non-Clinical	795	
Partner Organisations	N/A	
Staff Total	**3,699**	

Developing our membership

The Dudley Group of Hospitals has a strong record of patient and public engagement and consultation. As a result of this and an ongoing recruitment campaign, the Trust has welcomed more than 9,825 members of the public to become members of the Trust. The table below shows our projected membership growth for the span of our Integrated Business Plan.

The Trust Board of Directors works closely with the Council of Governors to ensure membership is reflective of the local population. The Board of Directors receives monthly membership breakdown reports and updates on the Council of Governors from both the Company Secretary and the Senior Independent Non-Executive. The Council of Governors receives membership information quarterly at Council meetings.

Projected membership growth

Membership Goals	Current	2009/10	2010/11	2011/12	2012/13
Public	9,825	11,000	12,500	12,750	13,250
Staff	3,699	3,700	3,700	3,700	3,700
Total	**13,524**	**14,700**	**16,200**	**16,450**	**16,950**

The Trust is committed to not only recruiting new members, but to developing engagement with existing members to ensure an interested, enthusiastic, informed and involved membership. This will be achieved by:

- A membership engagement and recruitment programme that aims to increase 'active' membership and ensure members' views are considered in strategic planning
- Appointment of a membership database provider to allow regular detailed membership breakdown reporting
- Targeted recruitment and awareness initiatives to recruit members from particular areas and from under-represented socio-economic groups

Membership engagement

Becoming a member is a public display of support for the hospital Trust and our Vision to become 'Hospital of Choice'. If members perceive they receive little of value from the Trust or that it does not 'listen' to their views, then they will loose interest. The Trust aims to ensure members feel interested and engaged in the activities of the Trust.

All members will:

- Receive information about the Trust and its services through a quarterly newsletter 'Your Trust'
- Be involved in shaping the future of healthcare through consultation and surveys
- Be able to vote for who they wish to represent them on the Council of Governors
- Be able to stand for election to represent their constituency

We intend to strengthen the relationships with partners across the health economy with both our existing partners and broaden our scope of influence to work with new partners.

Following the initial public consultation phase of our FT application process, we continued to build on our strong membership base and have attended various community events. These events have been spread across constituencies by age and geographical area to ensure we are recruiting a representative membership.

Health fair, 2009

QUALITY REPORT

The past year has been a significant year for the Dudley Group, highlighted when the Trust achieved Foundation Trust status in October 2008. Our application was driven by our desire to take advantage of the new financial freedoms as a vehicle to making our hospitals Your Hospital of Choice. Our quality strategy is central to our core business as we implement additional quality improvement initiatives designed to improve the safety, experience and outcomes for all our patients, staff and visitors. As well as testing and implementing quality measures across the Trust we also seek to embed further our vision and values which provoke and encourage a culture of quality improvement. We would like to thank everyone for all their achievements during the past year and look forward to continuing our progress over the coming years.

Paul Farenden
Chief Executive

Alf Edwards
Chairman

QUALITY-

Embedding the principles of 'Board to Ward'

We are committed to delivering a patient centred service that has high quality at its heart, this is underlined by the Trust Values which are our promises to patients. We are delighted to be working with the King's Fund on a national project sponsored by the Burdett Trust to make tangible these promises. We are working on implementing our own quality indicators that measure and describe care, patient satisfaction and staff satisfaction. King's Fund are also observing and advising the Trust Board on the strategy of quality and care and how the Board assure themselves of the quality of patient services.

KEY DIMENSIONS OF QUALITY

QUALITY

SAFETY

"Ensure that providers do no harm"

E.g. Reduce infection rates

EFFECTIVENESS

"Evaluate clinical quality of care, and clinical and functional outcomes"

E.g. Reduce the amount of cardiac arrest calls through early intervention for the deteriorating patient

EXPERIENCE

"Ensuring good quality of non-clinical care"

E.g. Make patient experience central to quality improvements

How we have prioritised our quality improvement initiatives

Quality is embedded within our Integrated Business Plan which was developed with extensive consultation with staff and public, on the three elements of quality, marketing and finance. We have set out to differentiate from others on the quality of care we provide through: ensuring good patient experience within a customer care culture, patient safety, our impressive facilities and environment, motivated workforce, partnerships with commissioners and the freedom to invest surplus back into improvements in service quality.

We have used the three dimensions of quality (on page 34) to prioritise our quality measures and initiatives and following Board agreement the four priorities for quality in 2009/10 will be:

Priority 1:

To reduce the number of cardiac arrests from the January 2008 figure by 30% by June 2009 and a further 5% from the June 2009 figure by June 2010.

Priority 2:

To continue to reduce our MRSA infection rate and achieve the national target of no more than 12 per year.

Priority 3:

To continue to reduce our Clostridium difficile rates and achieve the national target of no more than 238 cases.

Priority 4:

a To increase the number of patients who rate their overall care highly from 92% in the national inpatient survey to 95%.

b To show an increase in patients that would recommend The Dudley Group Of Hospitals NHS Foundation Trust to a friend or relative.

These have been signed off by our Trust Board.

The four priorities have come from our Integrated Business Plan, which sets out the Trust's strategic plans for the next five years, our involvement in the national Patient Safety First campaign and feedback from our patient experience surveys. We have also considered areas highlighted from inspection reports and national standards.

Each of the priorities with proposed initiatives for 2009/10 are described in detail on the following pages.

PRIORITY 1:

Care of the Deteriorating Patient

Description of issue and rationale for prioritising

Following the publication of the NICE Guidance on 'Acutely Ill Patients in Hospital', the Trust set up a multidisciplinary group to implement the recommendations.

As the introduction to the guidance states: 'any patient in hospital may become acutely ill. However, the recognition of acute illness is often delayed. This may result in late referral and avoidable admissions to Critical Care and may lead to unnecessary deaths.' Our multidisciplinary team set out to improve the system with regards to these issues at the Trust.

Main Aims/Goals

a Reduce the number of cardiac arrests from the January 2008 figure by 30% by June 2009.

b Reduce the number of cardiac arrests from the June 2009 figure by 5% by June 2010.

Identified Areas of Improvement

Introduce a new 'Trigger System', which is an early warning system for intervention, for ward staff to call for assistance.

Extend and enhance the Cardiac Arrest Team so that it also responds to medical emergencies.

Extend the availability of nurse 'Outreach' Team from the limited weekday hours to 24 hours per day, seven days per week.

Current Initiatives in 2008/09

In October 2008, the Medical Emergency Team (MET), a 24 hour Outreach Nursing Team and a new Trigger system was introduced.

New Initiatives to be implemented in 2009/10

A system to ensure that nurses requesting the Outreach Team use a common communication process so the Outreach Team can easily prioritise the requests.

To ensure that all patients have a clear physiological measurement plan and the prescribed measurements are undertaken.

Multidisciplinary Group Members:

Dr M Cushley, Consultant Physician
Dr J Sonksen, Consultant Anaesthetist
Mr A Mukherjee, Emergency Department Consultant
Dr D Pandit, Locum Consultant Physician
Dr C Patel, Consultant Anaesthetist
Mr P Stonelake, Consultant Surgeon
R Anslow, Outreach Lead
W Dainty, Resuscitation Officer
D Eaves, Clinical Governance Co-ordinator
D Powell, Lead Nurse
K Sheppard, Matron

Current Status

PRIORITY 2:

To further reduce our Methicillin Resistant Staphylococcus Aureus (MRSA) rate

Our target for MRSA is agreed locally with our Primary Care Trust (PCT) and was 12 post 48 hour cases for 2008/09. Patients who have developed their infection after they have been in hospital for more than two days fall within this category. Those patients who develop MRSA within 48 hours of admission are not considered to be hospital acquired by our regulator Monitor. This is because they are deemed to have already had the infection prior to coming in to hospital.

Description of issue and rationale for prioritising

Despite a reduction of over 40% from the previous year the number of MRSA bacteraemia in 2007/08 was above the target of 12 (pre and post 48 hour combined) with 20 reported cases. We have introduced further measures to reduce the number of MRSA bacteraemia during 2008/09 in line with the national priority to reduce all hospital acquired infections. The national target for 2008/09 for pre and post 48 hours considered together was 15. However we achieved 16 cases which narrowly missed the national target.

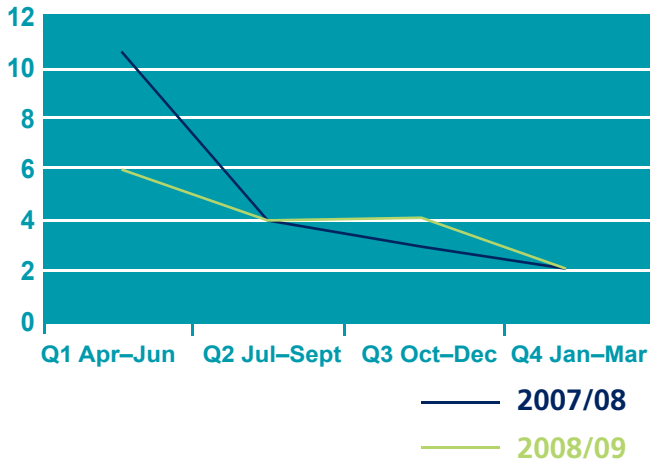
In 2008/09 the local PCT target of 12 post 48 hour cases was achieved as of the 16 cases, seven were post 48 hour and nine cases came into hospital with the infection.

Aim/Goal

To reduce our MRSA rate in line with the national and local priorities. The PCT and national target for 2009/10 is no more than 12 cases for pre and post 48 hours.

Current status

Total number of MRSA bacteraemias per quarter



The graph above identifies the continued reduction of MRSA bacteraemia cases (pre and post 48 hours)

Identified areas of improvement

- Strengthen MRSA root cause analysis process
- Strengthen a zero tolerance approach
- Audit of interventions with improved system of feedback to clinical directorates

Current initiatives in 2008/09

- Revised root cause analysis system for MRSA bacteraemias
- Introduction of a 'Bare Below the Elbow' policy
- Infection control champions seconded from clinical areas to support the infection control agenda

New initiatives to be implemented in 2009/10

- MRSA screening for all elective patients
- Infection control champion posts appointed on a permanent basis
- Appointment of an Infection Control Nurse Consultant

Board sponsor:

Denise McMahon, Nursing Director

Operational lead:

Yvonne O'Connor, Associate Operations Director

PRIORITY 3:

To further reduce our Clostridium difficile (C difficile) rate

Our target for C difficile is a national target. Patients that develop their infection after they have been in hospital more than two days are known as post 48 hours. Those patients who develop their infection within 48 hours of admission are not counted as hospital acquired.

Description of issue and rationale for prioritising

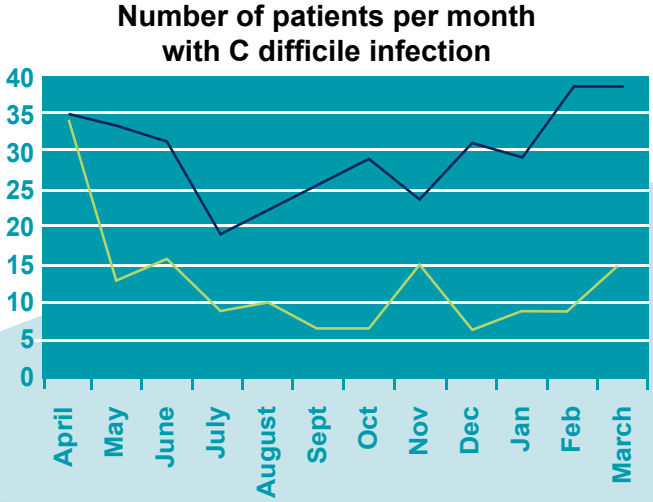
In 2007/08 the number of C difficile cases was approximately 9% above our national target of 329 cases. This was not satisfactory to the Trust, nor was it in line with the national priority of reducing C difficile infections. As a result we prioritised reducing the rates of C difficile. In 2008/09, the target of no more than 299 cases was achieved with the Trust recording 152 cases which was an excellent reduction.

Aim/Goal

To reduce our C difficile rate in line with the national and local priorities. The national and Primary Care Trust target for 2009/10 is no more than 238.

Current status

The graph shows the number of post 48 hour cases of C difficile per month.



Identified areas of improvement

- Increase training and awareness of C difficile
- Further promote handwashing initiatives to patients and visitors
- Strengthen root cause analysis process

Current initatives in 2008/09

- Revised root cause analysis system for C difficile infections
- Review of the Trust cleaning policy in line with national guidance
- Infection control champions seconded from clinical areas to support the infection control agenda

New initiatives to be implemented in 2009/10

- Improved system of audit through use of Quality Care Indicators

Board sponsor:

Denise McMahon, Nursing Director

Operational lead:

Yvonne O'Connor, Associate Operations Director

PRIORITY 4:

Patient experience counts

Description of issue and rationale for prioritising

The Darzi review 'Our NHS, Our Future' set the scene nationally for improved quality, not only through measurable clinical improvements, but also through patient experience of the services. We are committed to ensuring the patient experience is central to how we make service improvements.

Main Aims/Goals

a Increase the number of patients who rate their overall care highly from 92% in the national inpatient survey to 95%.

b To show an increase in patients who would recommend The Dudley Group Of Hospitals NHS Foundation Trust (DGOHFT) to a friend or relative.

Identified areas of improvement

Discharge co-ordination – patients are not involved and informed of their plans soon enough after discharge.

Current initiatives in 2008/09

The Patients Accelerating Change Project to make improvements based on patient feedback from national surveys.

New initiatives to be implemented in 2009/10

- Introduction of a quarterly patient 'Pulse' survey to measure 'real time' patient experience to incorporate into quality care indicators.
- Recruit extra volunteers to help collect patient feedback, wayfinding and mealtime assistance.
- Recruit to a new post in the Patient Advice and Liaison Service to improve and co-ordinate patient information.

Board sponsor:

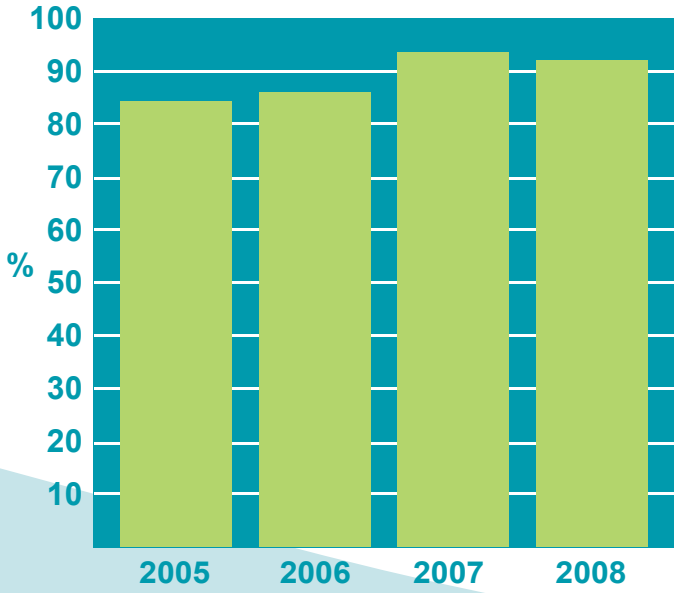
Denise McMahon, Nursing Director

Implementation lead:

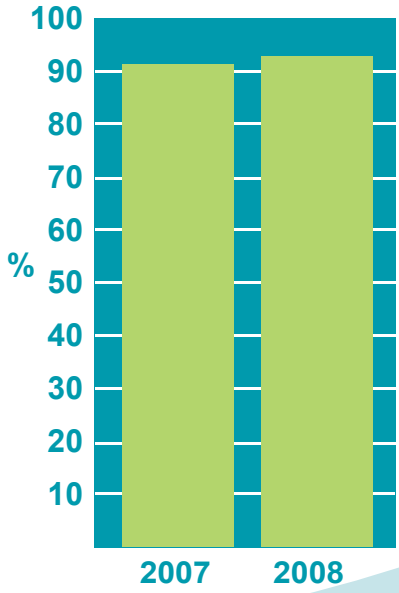
Liz Abbiss, Head of Customer Relations and Communications

Current Status

Percentage of patients who rate overall care at DGOHFT as Good, Very Good or Excellent



Percentage of patients who would recommend DGOHFT to a friend or relative



Response to feedback from our stakeholders, members and Governors

The Trust has a strong history of patient and public engagement in developing services and has begun to develop a relationship with the newly established Local Involvement Network (LINk) to work on joint initiatives to drive public engagement in quality improvements.

We are developing the role of our Council of Governors in patient feedback and will be considering new ways of working in this area during 2009/10.

We are striving to forge stronger links with our wider communities and there are several stakeholder groups that we work with on specific issues including:

The ADC group
The Learning Disability Partnership Board
Dudley Cancer Centre
Dudley LINk
Pensioners' associations
Local schools and colleges
The Overview and Scrutiny Committee

During 2008/09, we have reintroduced the Patients Accelerating Change Programme, where we encourage Governors and patients to get involved in stakeholder days to help us with our action plans. The programme gives members of the public a real chance to have their say on how we improve on our national patient experience surveys and the actions we take to make those improvements real.

Some examples of feedback from the public included:

- Length of time waited for pain relief in A&E
- Concern over the lack of information about the hospital people receive on admission

The Trust has implemented a number of arrangements to monitor improvements in quality. These include the use of performance dashboards, a clinical audit programme, the review and introduction of Quality Care Indicators and robust monitoring against local and national targets for healthcare acquired infections (HCAI).

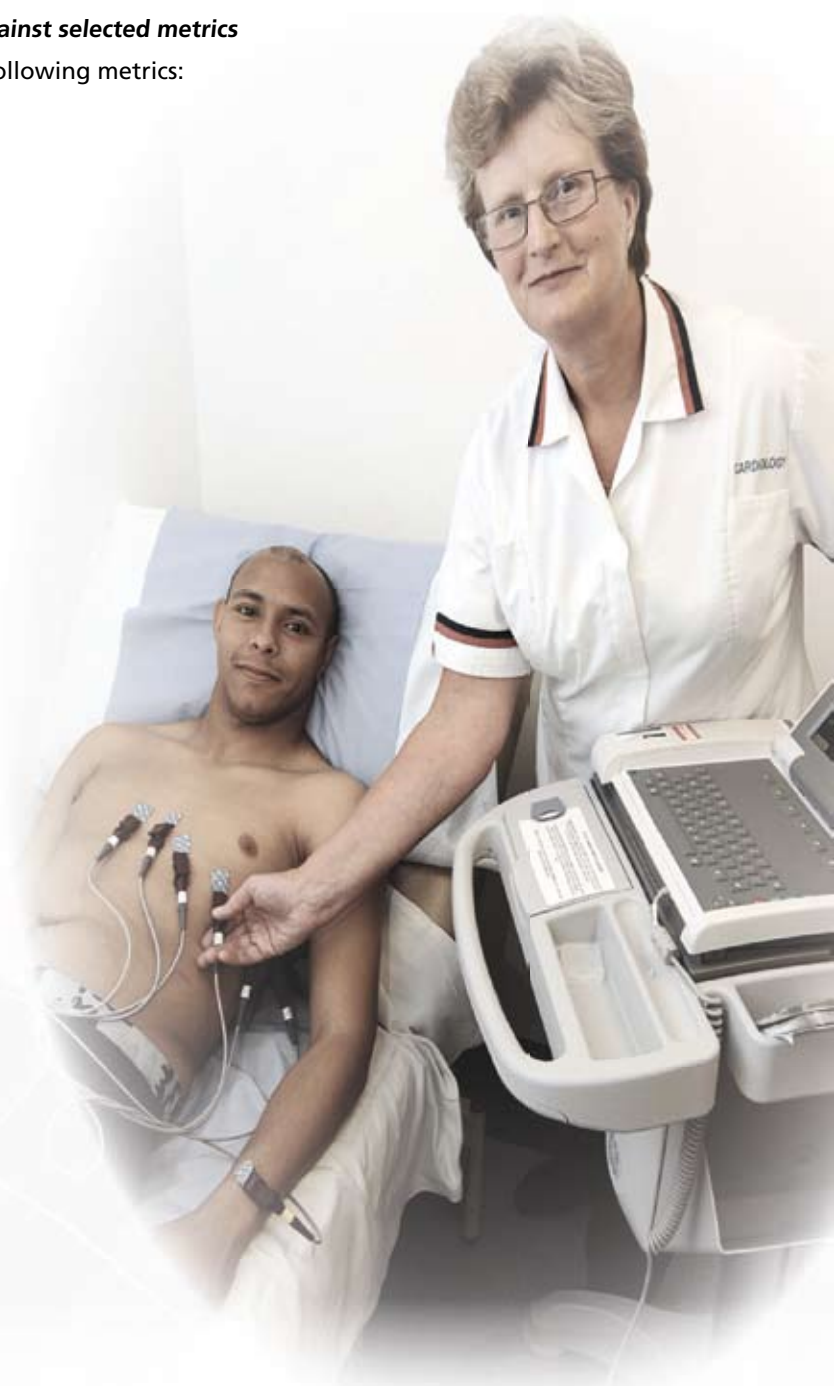
During 2008, the Trust received a follow-up visit from the Department of Health HCAI team with positive findings. The Trust also underwent an unannounced Hygiene Code inspection in February 2009, which identified a recommendation within the Hygiene Code at duty 4. The Trust immediately implemented robust actions following the Healthcare Commission's inspection and has increased the frequencies of audits undertaken to monitor the action taken. The remainder of the inspection was positive with the Trust evidencing that it met the remaining sub-duties.

The Trust also participated in the Healthcare Commission's Safeguarding Children Review (March 2009). The Trust has not received any feedback to date.

The Trust has monitored its annual performance against the Healthcare Commission's 'Criteria for assessing core standards in 2008/09 (Acute Trusts)'. The Trust considered all aspects of their services against the criteria in order to judge whether they had reasonable assurance that they met the published criteria for assessment. Evidence reviewed to consider assurance included Trust Board and sub-committee reports and minutes together with other internal assurances and external assurances (for example, internal audit reports and external service reviews). The Trust declared itself compliant against all core standards with the exception of safeguarding children. Following the Baby P incident, the Trust reviewed its safeguarding arrangements. While the Trust has systems in place including a Trust Board lead, a Named Doctor and a Named Nurse, it was evident that little management information had been received by the Trust Board. The Board therefore decided to declare 'insufficient assurance' for this standard. The Trust has already implemented actions relating to this which includes the receipt of a quarterly report on safeguarding by the Trust Board and is confident it will be able to declare compliance with this standard for the 2009/10 declaration.

Quality Overview- *Performance of our Trust against selected metrics*

We have chosen to measure our performance against the following metrics:



Safety measures reported:

	2008/09	2007/08
Patients with MRSA infection/1,000 bed days	0.07	N/A
Patients with C difficile infection/1,000 bed days	0.97	1.45
Number of Deep Vein Thrombosis and pulmonary embolisms presenting back to the Trust within three months of hospital admission	48	49

Clinical outcome measures reported:

	2008/09	2007/08
Re-admission rate for surgery	3.8%*	4.6%
Number of cardiac arrests	250	397
Never events	0	0

* April 2008 – February 2009

Patient experience reported:

	2008/09	2007/08
% of patients that would recommend hospital to relative/friend	91.5%	90.4%
% of patients who would rate their overall care highly	92%	93.8%
% of patients who spent less than four hours waiting in A&E	95.32%	N/A
% of patients who felt they were treated with dignity and respect	95.9%	97.4%

National targets and regulatory requirements:

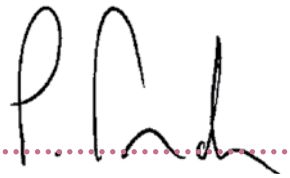
	2008/09	2007/08	Target 2009/10
The Trust has fully met the HCC core standards, and national targets	23/24	24/24	24/24
Clostridium difficile year on year reduction	152	N/A	238
MRSA – maintaining the annual number of MRSA bloodstream infections as per PCT contract (post 48 hour)	7	N/A	12
Two week maximum wait for urgent suspected cancer referrals from GP to first outpatient appointment	100%	100%	100%
Maximum waiting time of 31 days from diagnosis to treatment for all cancers	100%	100%	98%
Maximum waiting time of 62 days from all referrals to treatment for all cancers	99.9%	99.9%	95%
18-week maximum wait from point of referral to treatment (admitted patients)	92.4%	N/A	90%
18-week maximum wait from point of referral to treatment (non-admitted patients)	96.15%	N/A	95%
Maximum waiting time of four hours in A&E from arrival to admission, transfer or discharge	95.32%	98.1%	98%
Percentage of patients waiting five weeks or less for diagnostic tests	99.78%	N/A	95%
Percentage of patients waiting two weeks or less to be seen at Rapid Access chest pain clinic	99.98%	99.88%	100%
Genito-Urinary Medicine – percentage of patients offered an appointment within 48 hours	99.59%	N/A	98%

* N/A applies to targets that were not in place in 2007/08

ACCOUNTS
For the period 1 October 2008 to 31st March 2009

Foreword to the Accounts

These accounts for the period 1 October 2008 to 31 March 2009 have been prepared by The Dudley Group of Hospitals NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006 in the form which Monitor, the Independent Regulator of NHS Foundation Trusts, has, with the approval of the Treasury, directed.

Signed  Chief Executive

Date: 28 May 2009

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Department of Health. These include ensuring that:

– there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;

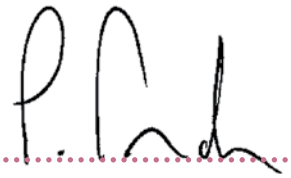
– value for money is achieved from the resources available to the trust;

– the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;

– effective and sound financial management systems are in place; and

– annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an accountable officer.

Signed  Chief Executive

Date: 28 May 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;

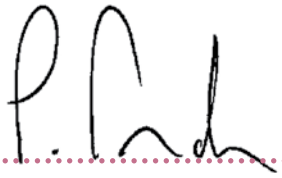
- make judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board.

Signed  Chief Executive

Date: 28 May 2009

Signed  Finance Director

Date: 28 May 2009

Statement on Internal Control

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, while 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.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of The Dudley Group of 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 system of internal control has been in place in The Dudley Group of Hospitals NHS Foundation Trust for the year period 1st October 2008 to 31st March 2009 and up to the date of approval of the Annual Report and Accounts.

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

Capacity to handle risk

The Trust has developed an Integrated Governance Strategy that brings together arrangements for managing both clinical and other risks. This policy and strategy was further reviewed and updated in January 2008 and has operated effectively since this date.

The Director of Nursing has Board level responsibility for the Trust's risk management policies and processes. The Trust operates an Integrated Governance sub-committee of the Board. This committee meets monthly to review corporate and directorate risks and associated mitigation plans. Each Directorate of the Trust operates independent Risk Management Groups that report through to the Corporate Group. The Integrated Governance sub-committee is chaired by myself as Chief Executive.

Ongoing training in risk management is undertaken through the management structure, enhanced by specific sessions on both general risk management and clinical risk, delivered as part of the Trust's three year statutory training programme and the Trust Induction Programme. Good practice is disseminated through the risk managed structure to the directorate groups.

The risk and control framework

The Trust's Risk Management Policy and Strategy provides guidance on the identification and assessment of risk, and on the development and implementation of action plans designed to reduce risk.

All the Trust's directorates are required to undertake risk management activities, maintain risk registers and implement

agreed action plans. Progress in these areas is monitored by the Integrated Governance Committee. The Trust Board is also required to undertake its own collective risk assessment and undertakes risk management workshops. Information risks are also managed and controlled through this risk management process. The Trust has an Information Governance Group, which reports into the Integrated Governance Committee. The Trust uses and completes the Information Governance Toolkit and has also been through an extensive audit process and was given all 'green' ratings. The Deputy Medical Director has Board level responsibilities for Information Governance. In 2008/09 the Trust has completed a programme of encryption of all sensitive and clinical information leaving the Trust and a review of physical security of IT equipment.

An Assurance Framework has been developed, and approved by the Trust Board, that identifies:

- The risks to the achievement of the Trust's objectives
- The action plans put in place to address those risks
  and
- The independent assurance mechanisms that relate to the effectiveness of the Trust's system of internal control

The Trust has undertaken a self-assessment against the Healthcare Commission Core Standards. Compliance requires the standard to have been met for the full year April 2008 to March 2009. The Trust has declared full compliance for all standards for 2008/09, with the exception of the standard relating to the safeguarding of children and vulnerable adults, where the Board of Directors declared that they had insufficient assurance of staff training levels.

It is of note that the Trust has sought extensive external advice to strengthen its performance in respect of infection control during the year. Of particular note is the major visit by the Department of Health team in October 2008.

As part of business planning the Trust undertakes risk scenario modelling, to ensure risk is properly considered when producing long-term plans.

The Trust is committed to involving stakeholders as appropriate in all areas of the Trust's activities. This includes informing and consulting on the management of any significant risks. Key stakeholders include Dudley PCT, our PFI partners Summit Healthcare (Dudley) Ltd, voluntary groups, the Council of Governors, our Foundation Trust members, patient groups, patients, the local community and the Local Authority Overview and Scrutiny Committee. General public awareness of the strategy is achieved through its presentation to the Council of Governors, explicit references within the Trust's annual report and by ensuring the general availability of the strategy on the Trust's website.

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

The Trust's Corporate Business Plan (the IBP) represents the principal mechanism which the Board uses to review economy, efficiency and the effective use of resources. This sets an Annual Delivery Plan, which is aligned to the Trust's strategic objectives. As Accounting Officer, I have overall accountability for delivery of this Plan and am supported by the Executive Directors who have delegated accountability and responsibility for delivery of specific targets and performance objectives. These are formally reviewed and monitored on a monthly basis by the Trust Board and its committees. Independent assurance on the use of resources is provided through the Trust's internal audit programme, Audit Committee and external agencies such as Monitor, External Audit and the Healthcare Commission.

The key processes that are embraced within the Trust in order to ensure that resources are used economically, efficiently and effectively centre around a robust budgetary setting and control system which includes activity related budgets and periodic reviews during the year which are considered by the Executive Management Team and the Trust Board. The budgetary control system is complemented by a clear set of Standing Financial Instructions, Scheme of Delegation and Financial Approval Limits. This process enables regular review of financial performance by highlighting areas of concern via variance analysis.

A component of the Trust's financial planning is the implementation and delivery of a Cost Improvement Programme which is monitored by the Trust Board monthly. The Trust compares its reference costs with national tariffs to highlight the potential areas of inefficiency and compares its use of resources with other acute trusts.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of Internal Control is informed by the work of the Internal Auditors and the Executive Managers within the NHS Foundation Trust who have responsibility for the development and maintenance of the Internal Control Framework, and comments made by the External Auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of Internal Control by the Trust Board, the Audit Committee and the Integrated Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

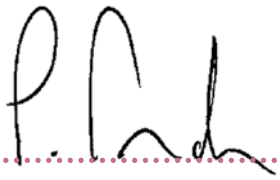
The Assurance Framework and the Trust's risk management system provide me with evidence that the effectiveness of controls to manage the risks to the Trust achieving its principal objectives have been reviewed. The Trust undertakes regular surveys of its patients, staff and other stakeholders to gather views on the Trust. My review is also informed by the work of external assessors including:

- Healthcare Commission Healthcare Standards and Annual Health check
- Monitor Quarterly Reporting
- Health and Safety Executive
- NHS Litigation Authority assessment of Risk Management Standards
- Dr Foster and CHKS clinical benchmarking organisations
- External Audit
- Peer Reviews
- The Head of Internal Audit's Opinion

Each level of management, including the Board, reviews the risks and controls for which it is responsible. I, together with the Board will monitor the implementation through the robust risk reporting structures, defined in the Integrated Risk Management Policy and Strategy and the Assurance Framework.

Conclusion

No significant control issues were identified for the Trust during the period of these accounts. I believe that the Statement on Internal Control is a balanced reflection of the actual control position.

Signed  Chief Executive

Date: 28 May 2009

Independent Auditor's Report

To the Council of Members of The Dudley Group of Hospitals NHS Foundation Trust

We have audited the financial statements of Dudley Group of Hospitals NHS Foundation Trust for the 6 month period ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes. The financial reporting framework that has been applied in their preparation is the NHS Foundation Trust Financial Reporting Manual issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement in Respect of the Accounts, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant statute, the Audit Code for NHS Foundation Trusts issued by Monitor and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Board of Governors of Dudley Group of Hospitals NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the NHS Foundation Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Foundation Trust; and the overall presentation of the financial statements.

Opinion on financial statements

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 the NHS Foundation Trust's affairs as at 31 March 2009 and of its income and expenditure and cash flows for the 6 month period from 1 October 2008 to 31 March 2009; and
- have been properly prepared in accordance with the NHS Foundation Trust Financial Reporting Manual.

Opinion on other matters prescribed by the Audit Code for NHS Foundation Trusts

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Financial Reporting Manual; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exceptions

We have nothing to report in respect of the following matters where the Audit Code for NHS Foundation Trusts requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from locations not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Statement on Internal Control does not meet the disclosure requirements set out in the NHS Foundation Trust Financial Reporting Manual or is misleading or inconsistent with information of which we are aware from our audit; or
- we have not been able to satisfy ourselves that the NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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.

Mark Jones (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date: 29 May 2009

(a) The maintenance and integrity of the Dudley Group of Hospitals NHS 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.

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

Income and Expenditure Account

For the period 1st October 2008 to 31st March 2009

	Note	£'000
Income from activities	**3**	**111,215**
Other operating income	**4**	**5,924**
Operating expenses	**5**	**(111,811)**
OPERATING SURPLUS/(DEFICIT)		**5,328**
Cost of fundamental reorganisation/restructuring/other		0
Profit/(loss) on disposal of fixed assets	7	(1)
SURPLUS/(DEFICIT) BEFORE INTEREST		**5,327**
Finance income		456
Finance costs – interest expense		0
Other net gains/(losses) on financial instruments		0
Other finance costs – unwinding of discount		0
Other finance costs – change in discount rate on provisions		0
SURPLUS/(DEFICIT) BEFORE TAXATION		**5,783**
Taxation		0
Minority interest		0
SURPLUS/(DEFICIT) AFTER TAXATION AND MINORITY INTEREST		**5,783**
PDC dividends payable		(1,653)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		**4,130**

The notes on pages 54 to 82 form part of these accounts.

All income and expenditure is derived from continuing operations.

Balance Sheet

As at 31st March 2009

	Note	31 March 2009 £'000	1 October 2008 £'000
FIXED ASSETS:			
Intangible assets	10	729	766
Tangible assets	11	62,316	61,229
Investments	14	0	0
TOTAL FIXED ASSETS:		**63,045**	61,995
CURRENT ASSETS:			
Stocks and work in progress	12	2,272	2,174
Debtors			
Amounts falling due within one year	13	7,504	10,471
Amounts falling due after more than one year	13	27,237	25,281
Investments	14	20,000	18,000
Cash at bank and in hand		14,541	11,860
TOTAL CURRENT ASSETS:		**71,554**	67,786
CREDITORS:			
Creditors falling due within one year	15	(12,606)	(12,048)
NET CURRENT ASSETS/(LIABILITIES)		**58,948**	55,738
TOTAL ASSETS LESS CURRENT LIABILITIES		**121,993**	117,733
CREDITORS:			
Creditors falling due after more than one year	15	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	16	(1,032)	(856)
TOTAL ASSETS EMPLOYED		**120,961**	116,877
FINANCED BY TAXPAYER'S EQUITY			
Public dividend capital	18	20,927	20,927
Revaluation reserve	19	30,585	30,815
Donated asset reserve	19	386	419
Available for sale investments reserve	19	0	0
Other reserves	19	0	0
Income and expenditure resreve	19	69,063	64,716
TOTAL TAXPAYERS' EQUITY		**120,961**	116,877

The financial statements were approved by the Board of Directors on 28th May 2009 and are signed on its behalf by:

Signed ..... Chief Executive

Date: 28 May 2009

Statement of Total Recognised Gains and Losses

For the period 1st October 2008 to 31st March 2009

	£'000
Surplus/(deficit) for the financial year before dividend payments	5,783
Fixed asset impairment losses	0
Unrealised surplus/(deficit) on fixed asset revaluations	(13)
Net gains/losses on available for sale investments	0
Increase in the donated asset reserve due to receipt of donated assets	24
Reduction in the donated asset reserve due to depreciation, impairment, and/or disposal of donated assets	(57)
Additions/(reduction) on other reserves	0
Other recognised gains and losses	0
TOTAL RECOGNISED GAINS AND LOSSES FOR THE FINANCIAL YEAR	**5,737**
Prior period adjustments	0
TOTAL RECOGNISED GAINS AND LOSSES IN THE FINANCIAL YEAR	**5,737**

Cash Flow Statement

For the period 1st October 2008 to 31st March 2009

	£'000
OPERATING ACTIVITIES	
Net Cash Inflow/(Outflow) from Operating Activities	**8,783**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	519
Interest paid	0
Interest element of finance lease rental payments	0
Net Cash Inflow/(Outflow) from Returns on Investments and Servicing of Finance	**519**
TAXATION PAID/RECEIVED	**0**
CAPITAL EXPENDITURE	
(Payments) to acquire tangible fixed assets	(3,046)
Receipts from sale of tangible fixed assets	135
(Payments) to acquire intangible fixed assets	(81)
Receipts from sale of intangible fixed assets	0
(Payments)/receipts for fixed asset investments	0
Net Cash Inflow/(Outflow) from Capital Expenditure	**(2,992)**
DIVIDEND PAID	**(1,653)**
Net Cash Inflow/(Outflow) Before Management of Liquid Resources and Financing	**4,657**
MANAGEMENT OF LIQUID RESOURCES:	
(Purchase) of current asset investments	(20,000)
Sale of current asset investments	18,000
Net Cash Inflow/(Outflow) From Management of Liquid Resources	**(2,000)**
Net Cash Inflow/(Outflow) Before Financing	**2,657**
FINANCING	
New Public dividend capital received	0
Public dividend capital repaid	0
Loans received from Foundation Trust Financing Facility	0
Other loans received	0
Loans repaid to Foundation Trust Financing Facility	0
Other loans repaid	0
Other capital receipts	24
Capital element of finance lease rental payments	0
Net Cash Inflow/(Outflow) from Financing	**24**
Increase/(Decrease) In Cash	**2,681**

Notes to the accounts

1.1 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 2008/09 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.

1.2 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.

1.3 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 of 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 outside the public sector.

1.4 Income recognition

Income is accounted for by 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. Partially completed spells are valued at the intermediate stage of production. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.5 Expenditure

Expenditure is accounted for by applying the accruals convention.

1.6 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;
- 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 of a 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. The last independent asset valuations were undertaken on 1 April 2008 by the District Valuer. The valuation is undertaken using the Modern Equivalent Asset (MEA) methodology in line with the Red Book standards.

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 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.

The economic useful lives of the main categories of assets, excluding land on which no depreciation is charged, are as follows:

- Buildings – as per District Valuer's estimate
- Plant and Machinery:
  - Engineering Plant and Equipment – short life 5 years
  - Engineering Plant and Equipment – medium life 10 years
  - Engineering Plant and Equipment – long life 15 years
  - Medical Equipment – short life 5 years
  - Medical Equipment – medium life 10 years
  - Medical Equipment – short life 15 years
- Transport Equipment – 7 years
- Information Technology – 5 years
- Furniture and Fittings:
  - Furniture – short life 5 years

1.7 Intangible fixed assets

The Trust recognises computer software licences as intangible assets having a useful economic life of five years.

1.8 Donated fixed assets

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

1.9 Investments

Investments in subsidiary undertakings, associates and joint ventures are treated as fixed asset investments and valued at market value. Fixed asset investments are reviewed annually for impairments.

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cash flow statement. These assets, and other current assets, are valued at cost less any amounts written off to represent any impairments in value, and are reviewed annually for impairments.

1.10 Government grants

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

1.11 Private Finance Initiative (PFI) transactions

The Trust follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI Transactions" which provides practical guidance for the application of the Application Note F to FRS 5 and the guidance 'Land and Buildings in PFI schemes Version 2'.

Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI obligations are recorded as an operating expense. Where the Trust has contributed assets, 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 an asset under construction.

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.

1.12 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. The Trust holds consignment stocks owned by third parties which are not recognised in the Trust's accounts as the Trust has no beneficial interest in them.

1.13 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.

1.14 Research and development

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and its resulting in a product or services that will eventually be brought into use; and
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Where possible, NHS foundation trusts disclose the total amount of research and development expenditure charged in the Income and Expenditure account separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

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

1.15 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.

1.16 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 24 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 24 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.

1.17 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 16.

1.18 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.

1.19 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees' contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008 is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

The Scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. A lump sum normally equivalent to three years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment. The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.20 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.

1.21 Corporation Tax

All surpluses are generated by activity authorised as an activity relating to the provision of core healthcare or fall below the determined Private Patient Cap and therefore the Trust has determined that there is not a Corporation Tax liability.

1.22 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the income and expenditure account.

1.23 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.

1.24 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 asset and liability are recognised at the inception of the lease and are de-recognised when the liability is discharged, cancelled or expires.

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.

1.25 Public dividend capital

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

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 or on investment. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

1.26 Financial instruments and financial liabilities

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale 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.

The Trust did not hold any financial assets or liabilities in respect of assets acquired or disposed of through finance leases at 31 March 2009.

The Trust has not entered into any regular way purchases or sales in the year to 31 March 2009.

All other financial assets and 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 the receive cash flows 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 'Loans and receivables'. Financial liabilities are classified as 'Other Financial liabilities'.

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 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.

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

Other financial liabilities

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.

They are included in current liabilities except for amounts payable more than 12 months after the balance sheet date, which are classified as long-term liabilities.

Determination of fair value

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from discounted cash flow analysis.

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' are 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 cash flows 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 and the carrying amount of the asset is reduced through the use of a bad debt provision.

2. Segmental reporting

The Trust does not have more than one business segment.

3. Income from activities

3.1 Operating income

Income by Source	2008/09 6 months to 31 March 2009 £'000
NHS Foundation Trusts	0
NHS Trusts	64
Strategic Health Authorities	0
Primary Care Trusts	106,241
Local Authorities	0
Department of Health – grants	0
Department of Health – other	4,280
NHS other	0
Non NHS: Private patients	64
Non NHS: Overseas patients (non reciprocal)	13
NHS injury scheme (was RTA)	531
None NHS: other	22
Income from Activities	**111,215**

This income is also analysed by income type below:

Income by Type	£'000
Elective income	28,914
Non elective income	40,893
Outpatient income	20,741
A&E income	3,487
Other NHS clinical income	17,116
Income at Full Tariff	**111,151**
PBR (clawback)/relief	0
Income from Activities Before Private Patient Income	**111,151**
Private patient income	64
Other non-protected clinical income	0
Income from Activities	**111,215**

As an NHS Foundation Trust, the majority of income in respect of patient care is received under Payment by Results (PBR), which is intended to reimburse Trusts based on the actual activity delivered using the National Tariff of procedure prices.

The Terms of Authorisation set out the mandatory goods and services that the Trust is required to provide (protected services). All of the income from activities before private patient income shown above is derived from the provision of those services.

3.2 Private patient income

	2009 £'000	Base year £'000
Private patient income	64	119
Total patient related income	111,151	134,515
Proportion (as percentage)	0.1%	0.1%

Section 44 of the 2006 Act requires that the proportion of the private patient income to the total patient related income of NHS Foundation Trusts should not exceed its proportion while the body was an NHS Trust in 2002/03. The note above shows that it was compliant for the period 1 October 2008 to 31 March 2009.

4. Other operating income

	2008/09 6 months to 31 March 2009
	£'000
Research and development	274
Education and training	3,640
Charitable and other contributions to expenditure	0
Transfers from the donated asset reserve in respect of depreciation, impairment and disposal of donated assets	57
Non-patient care services to other bodies	666
Other	1,287
TOTAL	**5,924**

Other income is derived from Pharmacy Drugs £469,000 and numerous other small amounts.

5. Operating expenditure

5.1 Operating expenses comprise:

	2008/09 6 months to 31 March 2009
	£'000
Services from NHS Foundation Trusts	231
Services from NHS Trusts	672
Services from other NHS bodies	3,256
Purchase of healthcare from non NHS bodies	738
Executive directors costs	406
Non executive directors costs	64
Staff costs	63,869
Drug costs	9,269
Supplies and services - clinical (excluding drug costs)	7,009
Supplies and services - general	183
Establishment	876
Research and development	81
Transport	934
Premises	1,231
Increase/(decrease) in bad debt provision	(34)
Other impairment of financial assets	0
Depreciation and amortisation	1,862
Fixed asset impairments	0
Fixed asset reversal of impairments	0
Audit fees	
audit fees - statutory audit	69
audit fees - regulatory reporting	0
Other auditors remuneration for futher assurance services and other services	0
Clinical negligence	1,113
Exceptional items	0
Other	19,982
TOTAL	**111,811**

Other expenditure includes £18,380,000 in relation to payments to the Trust's PFI Partner for services provided and numerous other small amounts.

5.2 Better Payment Practice Code

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is the later.

The figures shown below represent the performance for the period 1 October 2008 to 31 March 2009.

	2008/09	
	Number	£'000
Total Non-NHS trade invoices paid in the year	**22,493**	**65,551**
Total Non-NHS trade invoices paid within target	**22,285**	**64,972**
Percentage of Non-NHS trade invoices paid within target	**99%**	**99%**
Total NHS trade invoices paid in the year	**972**	**16,185**
Total NHS trade invoices paid within target	**941**	**15,872**
Percentage of NHS trade invoices paid within target	**97%**	**98%**

5.3 Operating leases

5.3.1 Operating expenses include:

	2008/09 6 months to 31 March 2009
	£'000
Hire of plant and machinery	0
Other operating lease rentals	0
TOTAL	**0**

5.3.2 Annual commitments under non-cancellable leases are:

The Trust does not have any annual commitments under non-cancellable operating leases.

6 Staff costs and numbers

6.1 Staff costs

2008/09 6 months to 31 March 2009

	Total £'000	Permanently Employed £'000	Other £'000
Salaries and wages	50,747	42,212	8,535
Social security costs	4,128	3,460	668
Employers contributions to NHSPA	5,714	5,031	683
Other pension costs	0	0	0
Agency/contract staff	3,686	0	3,686
TOTAL	**64,275**	**50,703**	**13,572**

The pension scheme is accounted for as though it is a defined benefit contribution scheme.

6.2 Average number of persons employed

2008/09 6 months to 31 March 2009

	Total Number	Permanently Employed Number	Other Number
Medical and dental	444	176	268
Ambulance staff	0	0	0
Administration and estates	570	504	66
Healthcare assistants and other support staff	58	56	2
Nursing, midwifery and health visiting staff	1,442	1,352	90
Nursing, midwifery and health visiting learners	11	3	8
Scientific, therapeutic and technical staff	587	551	36
Other	0	0	0
TOTAL	**3,112**	**2,642**	**470**

6.3 Employee benefits

There were no employee benefits paid in 2008/09.

6.4 Retirements due to ill-health

During the period reported for 2008/09 there were no early retirements from the Trust agreed on the grounds of ill-health.

7 Profit/(loss) on disposal of fixed assets and investments

Profit/(Loss) on the disposal of fixed assets and investments for the 6 months to 31 March 2009 is made up as follows:

	£'000
Profit on disposal of fixed asset investments	0
Loss on disposal of fixed asset investments	0
Profit on disposal of intangible fixed investments	0
Loss on disposal of intangible fixed investments	0
Profit on disposal of land and buildings	0
Loss on disposal of land and buildings	0
Profit on disposal of other tangible fixed assets	0
Loss on disposal of other tangible fixed assets	(1)
TOTAL	**(1)**

8. Finance income

Finance income for the 6 months to 31 March 2009 is made up as follows:

	£'000
Interest on loans and receivables	456
Interest on available for sale financial assets	0
Interest on held-to-maturity financial assets	0
Other	0
TOTAL	**456**

9. Losses and special payments

NHS foundation trusts are required to record cash payments and other adjustments that arise as a result of losses and special payments. In the period reported for 2008/09 the Trust had 82 separate losses and special payments, totalling £52,000. These were in relation to cash losses and ex-gratia payments to patients.

There were no clinical negligence, fraud, personal injury, compensation under legal obligations or fruitless payment cases where the net payment for the individual case exceeded £100,000.

Payments are included on a cash basis.

10. Intangible assets

10.1 Intangible assets

	Total £'000	licences £'000	Software Trademarks £'000	Licences & Patents £'000	expenditure £'000	Development Goodwill £'000	Other £'000
Gross Cost at 1 October 2008	1,049	1,049	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Other revaluations	0	0	0	0	0	0	0
Additions - purchased	81	81	0	0	0	0	0
Additions - donated	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Gross cost at 31 March	**1,130**	**1,130**	**0**	**0**	**0**	**0**	**0**
Amortisation at 1 October 2008	283	283	0	0	0	0	0
Provided during the year	118	118	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Other revaluations	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Amortisation at 31 March 2009	**401**	**401**	**0**	**0**	**0**	**0**	**0**
Net book value							
NBV - Purchased at 1 October 2008	766	766	0	0	0	0	0
NBV - Donated at 1 October 2008	0	0	0	0	0	0	0
NBV total at 1 October 2008	**766**	**766**	**0**	**0**	**0**	**0**	**0**
Net book value							
NBV - Purchased at 31 March 2009	729	729	0	0	0	0	0
NBV - Donated at 1 March 2009	0	0	0	0	0	0	0
NBV total at 1 March 2009	**729**	**729**	**0**	**0**	**0**	**0**	**0**

11. Fixed assets

11.1 Tangible fixed assets

	Total £'000	Land £'000	Buildings excluding dwellings £'000	Dwellings £'000	Assets under Construction & POA £'000	Plant & Machinery £'000	Transport Equipment £'000	Information Technology £'000	Furniture & Fittings £'000
Gross Cost at 1 October 2008	91,503	33,708	10,067	1,526	5,568	38,307	135	1,240	952
Additions - purchased	3,226	0	269	0	832	1,909	0	216	0
Additions - donated	24	0	0	0	0	24	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	(46)	0	0	46	0
Other revaluations	(13)	0	0	(13)	0	0	0	0	0
Disposals	(520)	(57)	(269)	(78)	0	(116)	0	0	0
Cost or valuation at 31 March 2009	**94,220**	**33,651**	**10,067**	**1,435**	**6,354**	**40,124**	**135**	**1,502**	**952**
Depreciation at 1 October 2008	30,273	0	1,028	0	0	27,925	121	563	636
Provided during the year	1,744	0	128	0	0	1,463	5	103	45
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	(1)	0	0	1	0	0	0
Other revaluations	0	0	0	0	0	0	0	0	0
Disposals	(113)	0	0	0	0	(113)	0	0	0
Depreciation at 31 March 2009	**31,904**	**0**	**1,155**	**0**	**0**	**29,276**	**126**	**666**	**681**
Net book value									
NBV - Purchased at 1 October 2008	60,494	33,708	9,039	1,526	5,568	9,651	12	677	313
NBV - Donated at 1 October 2008	736	0	0	0	0	731	2	0	3
NBV total at 1 October 2008	**61,230**	**33,708**	**9,039**	**1,526**	**5,568**	**10,382**	**14**	**677**	**316**
Net book value									
NBV - Purchased at 31 March 2009	61,643	33,651	8,912	1,435	6,354	10,177	9	836	269
NBV - Donated at 1 March 2009	673	0	0	0	0	671	0	0	2
NBV total at 1 March 2009	**62,316**	**33,651**	**8,912**	**1,435**	**6,354**	**10,848**	**9**	**836**	**271**

Of the totals at 31 March 2009, no land, buildings or dwellings were values at open market value, assets were values at Modern Equivalent assets values.

Equipment assets were values at depreciated replacement cost.

Residual interests for the Trust's off balance sheet PFI scheme of £669,000 is included within assets purchased. Where the property transfers back to the Trust at the end of the PFI contract, the residual useful economic asset constitutes an asset which the Trust has paid for during the concession period. Any difference (residual interest) must be built up over the life of the contract in order to ensure a proper allocation of payments made between the cost of services under contract and the acquisition of the residual. The estimated fair value on reversion (EFVR) of the residual interest dictates the proportionate split of the annual unitary payment between revenue and capital. The value at which the residual interest is recognized is based on the EFVR valuation made by the District Valuer.

11.2 Analysis of tangible fixed assets

Net book value	Total £'000	Land £'000	Buildings excluding dwellings £'000	Dwellings £'000	Assets under Construction & POA £'000	Plant & Machinery £'000	Transport Equipment £'000	Information Technology £'000	Furniture & Fittings £'000
NBV - Protected assets at 31 March 2009	42,563	33,651	8,912	0	0	0	0	0	0
NBV - Unprotected assets at 31 March 2009	19,753	0	0	1,435	6,354	10,848	9	836	271
Total at 31 March 2009	**62,316**	**33,651**	**8,912**	**1,435**	**6,354**	**10,848**	**9**	**836**	**271**

11.3 The net book value of land, buildings and dwellings at 31 March 2009 comprise:

	Total £'000	Protected £'000	Unprotected £'000
Freehold	43,998	42,563	1,435
Long leasehold	0	0	0
Short leasehold	0	0	0
TOTAL	**43,998**	**42,563**	**1,435**

12. Stocks and work in progress

	31 March 2009	1 October 2008
	£'000	£'000
Raw materials and consumables	2,272	2,174
Work in progress	0	0
Finished goods	0	0
TOTAL STOCKS AND WORK IN PROGRESS	**2,272**	**2,174**

13. Debtors

	31 March 2009			1 October 2008		
	Total £'000	Financial assests £'000	Non-financial assets £'000	Total £'000	Financial assets £'000	Non-financial assets £'000
Amounts falling due within one year						
NHS Debtors	5,967	5,967	0	7,553	7,553	0
Provision for impaired debtors	(539)	(539)	0	(571)	(571)	0
Prepayments	560	0	560	714	0	714
Accrued income	650	650	0	739	739	0
Corporation tax receivable	0	0	0	0	0	0
Other debtors	866	150	716	2,036	1,200	836
Sub total	**7,504**	**6,228**	**1,276**	**10,471**	**8,921**	**1,550**
Amounts due after more than one year						
NHS Debtors	0	0	0	0	0	0
Provision for impaired debtors	0	0	0	0	0	0
Prepayments	26,291	0	26,291	24,475	0	24,475
Accrued income	0	0	0	0	0	0
Corporation tax receivable	0	0	0	0	0	0
Other debtors	946	0	946	806	0	806
Sub total	**27,237**	**0**	**27,237**	**25,281**	**0**	**25,281**
TOTAL DEBTORS	**34,741**	**6,228**	**28,513**	**35,752**	**8,921**	**26,831**

The provision for irrecoverable debts relates to non-NHS debts.

There is no recent history of default within NHS non-impaired debts. The ageing analysis of these non-impaired debts is as follows:

	£'000
Ageing of impaired debtors	
Up to three months	5
In three to six months	65
Over six months	0
Total	**70**
Ageing of non-impaired debtors past their due date	
Up to three months	5,210
In three to six months	685
Over six months	0
Total	**5,895**

14. Investments

14.1 Current asset investments

	£'000
Cost or valuation at 1 October 2008	**18,000**
Additions	65,000
Disposals	(63,000)
Impairments of investments held at cost and/or fair value through reserves	0
Changes in fair value of investments held at fair value through reserves	0
Other revaluations	0
Cost or valuation at 31 March 2009	**20,000**

The investment relates to a cash investment which is not available as a resource until its maturity in April 2009.

14.2 Fixed asset investments

The Trust did not hold fixed asset investments in the period 1 October 2008 to 31st March 2009.

15. Creditors

	31 March 2009			1 October 2008		
	Total	Financial liabilities	Non-financial liabilities	Total	Financial liabilities	Non-financial liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts falling due within one year						
Bank overdrafts	0	0	0	0	0	0
Loans	0	0	0	0	0	0
Payments received on account	0	0	0	0	0	0
NHS creditors (from FTC20)	772	772	0	1,005	1,005	0
Corporation tax payable	0	0	0	0	0	0
Other tax and social security costs	2,604	0	2,604	1,242	0	1,242
Obligations under finance leases and HP contracts	0	0	0	0	0	0
Capital creditors	372	372	0	116	116	0
Other creditors	4,317	4,317	0	5,761	5,761	0
Accruals	2,639	2,639	0	2,226	2,226	0
Deferred income	1,902	0	1,902	1,265	0	1,265
Creditors falling due within one year	**12,606**	**8,100**	**4,506**	**11,615**	**9,108**	**2,507**
Amounts falling due after more than one year						
Loans	0	0	0	0	0	0
Obligations under finance leases and HP contracts	0	0	0	0	0	0
NHS creditors (from FTC20)	0	0	0	0	0	0
Other	0	0	0	0	0	0
Creditors falling due after more than one year	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL CREDITORS	**12,606**	**8,100**	**4,506**	**11,615**	**9,108**	**2,507**

Other creditors, at 31st March 2009, include £4,030,000 in relation to HM Revenue and Customs and numerous other small amounts.

16. Provisions for liabilities and charges

	Total £'000	Pensions-former directors £'000	Pensions-other staff £'000	Other legal claims £'000	Other £'000
At 1 October 2008	856	0	0	118	738
Change in the discount rate	0	0	0	0	0
Arising during the year	503	0	0	48	455
Utilised during the year	(31)	0	0	(18)	(13)
Reversed unused	(296)	0	0	(48)	(248)
Unwinding of discount	0	0	0	0	0
As 31 March 2009	**1,032**	**0**	**0**	**100**	**932**
Expected timing of cashflows					
- within one year	1,032	0	0	100	932
- between one and five years	0	0	0	0	0
- after five years	0	0	0	0	0
TOTAL	1,032	0	0	100	932

Other provisions include assessed liabilities in respect of the balance outstanding for Agenda for change.

The NHS Litigation Authority has included in its provisions at 31 March 2009 £33,325,000 in respect of clinical negligence liabilities for the foundation trust.

17. Movement in taxpayers' equity

	£'000
Taxpayers' equity at 1 October 2008	**117,310**
Surplus/(deficit) for financial year	5,783
Public dividend capital dividends	(1,653)
Fixed asset impairments	0
Surplus/(deficit) from revaluations of fixed assets and current asset investments	0
Net gains/(losses) on available for sale investments	0
New public dividend capital received	0
Public dividend capital repaid in year	0
Public dividend capital repayable (creditor)	0
Public dividend capital written off	0
Other movements in public dividend capital in year	0
Additions/(reductions) in donated asset reserve	(466)
Additions/(reductions) in other areas	(13)
Taxpayers' equity at 31 March 2009	**120,961**

18. Movement in public dividend capital

	£'000
Public dividend capital at 1 October 2008	**20,927**
New public dividend capital received	0
Public dividend capital repaid in year	0
Public dividend capital repayable (creditor)	0
Public dividend capital written off	0
Other movements in public dividend capital in year	0
Public dividend capital at 31 March 2009	**20,927**

19. Movements on reserves

	Total £'000	Revaluation reserve £'000	Donated asset reserve £'000	Available for sale investments reserve £'000	Other reserves £'000	Income and expenditure reserve £'000
At 1 October 2008	**96,383**	**30,815**	**852**	**0**	**0**	**64,716**
Transfer from the income and expenditure account	4,130	0	0	0	0	4,130
Fixed asset impairment	0	0	0	0	0	0
Surplus/(deficit) on revaluations of fixed assets	(13)	(13)	0	0	0	0
Revaluations of available for sale investments - gross	0	0	0	0	0	0
Revaluations of available for sale investments - tax	0	0	0	0	0	0
Transfer of realised profits/(losses) to the income and expenditure reserve	0	0	0	0	0	0
Net agins/(losses) on available for sale investments through the income and expenditure account	0	0	0	0	0	0
Receipt of donated assets	24	0	24	0	0	0
Transfers to the income and expenditure account for depreciation, impairment and disposal of donated assets	(57)	0	(57)	0	0	0
Other transfers between reserves	(433)	(217)	(433)	0	0	217
Other movements on reserves	0	0	0	0	0	0
At 31 March 2009	**100,034**	**30,585**	**386**	**0**	**0**	**69,063**

20. Prudential borrowing limit

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

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

As per Section 46 of the Act, the Trust has a Prudential Borrowing Limit of £51,200,000 in 2008/9. The Trust has not borrowed in 2008/09 and at 31 March 2009 did not have any outstanding borrowing. The Prudential Borrowing Limit is the sum of the following:

(i) Maximum cumulative long term borrowing: £35.2m,
and
(ii) Approved working capital facility of: not to exceed £16.0m

Financial Ratio	Actual 2008/09	Plan 2008/09
Maximum Debt/Capital Ratio	0%	0%
Maximum Dividend Cover	4.6x	4.5x
Maximum Interest Cover	0%	0%
Maximum Debt Service Cover	0%	0%
Maximum Debt Service to Revenue	0%	0%

The Trust has an approved working capital facility of £16.0m. The Trust had not drawn down any of its working capital facility at 31 March 2009.

Until the Trust draws down a loan only the Minimum Dividend Cover is relevant. The Trust was within the appropriate limit.

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

21. Notes to the cash flow statement

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

	£'000
Total operating surplus/(deficit)	5,328
Depreciation and amortisation	1,862
Fixed asset impairments	0
Fixed asset reversal of impairments	0
Transfer from the donated asset reserve	(57)
Other Movements	0
(Increase)/decrease in stocks	(98)
(Increase)/decrease in debtors	783
Increase/(decrease) in creditors	790
Increase/(decrease) in provisions	175
Net cash inflow/(outflow) from operating activities before restructuring costs	**8,783**
Payments in respect of fundemental reorganisation/restructuring	0
Net cash inflow/(outflow) from operating activities	**8,783**

21.2 Reconciliation of net cash flow to movement in net funds/(debt):

	£'000
Increase/(decrease) in cash in the year	2,681
Cash (inflow) from new debt	0
Cash outflow from debt repaid and finance lease capital payments	0
Cash **(inflow)** outflow from (decrease)/increase in liquid resources	2,000
Change in net funds/(debt) resulting from cash flows	**4,681**
Non-cash changes in debt	0
Change in net funds/(debt)	4,681
Net funds/(debt) at 1 October 2008	29,860
Net funds/(debt) at 31 March 2009	**34,541**

22. Capital commitments

Commitments under capital expenditure in the Balance Sheet were £271,000

23. Post balance sheet events

The Trust will be required to account under International Financial Reporting Standards (IFRS) from 1 April 2009. This will have an impact on the Trust accounts mainly as a result of the Trust PFI scheme coming 'On Balance Sheet.'

24. Contingencies

The Trust has a possible obligation to award damages in relation to an employment tribunal to the value of £250,000 at 31st March 2009. This has been included as a contingent liability.

25. Related party transactions

The Dudley Group of Hospitals NHS Hospital NHS Foundation Trust is a public benefit corporation which was established under the granting of authority by Monitor, the independent regulator for Foundation Trusts, on October 1st 2008.

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

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

- Department of Health £4.4 million
- West Midlands Strategic Health Authority £3.6 million
- Birmingham East & North PCT £5.4 million
- Dudley PCT £80.4 million
- Sandwell PCT £12.2 million
- South Staffordshire PCT £3.5 million
- Wolverhampton City PCT £1.5 million
- Worcestershire PCT £1.7 million

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies.

- HM Revenue & Customs £3.7 million
- NHS Blood and Transplant Agency £0.9 million
- NHS Business Services Authority £1.7 million
- NHS Litigation Authority £1.1 million
- NHS Pensions £5.7 million
- NHS Professionals £1.2 million
- Dudley Metropolitan Borough Council £0.5 million

26. Private Finance Initiatives

26.1 PFI schemes deemed to be off balance sheet

On 17th May 2001, the Trust entered into a 40 year contract with Summit Healthcare (Dudley) Ltd for the provision of fully serviced healthcare facilities as described in the Trust's approved Full Business Case 'Shaping the Future'. Practical completion of the building works was achieved from 1st April 2005. Accordingly from 2005/06 onwards the Trust will make unitary payments, as detailed below:

	£'000
Gross charge to operating expenses in respect of off balance sheet PFI transaction(s)	18,817
Amortisation of PFI deferred asset(s)	(366)
Net charge to operating expenses in respect of off-balance sheet PFI transaction(s)	18,451

The Trust is committed to make the following payments during the next year:

	£'000
Within one year*	0
2nd to 5th years (inclusive)*	0
6th to 10th years (inclusive)*	0
11th to 15th years (inclusive)*	0
16th to 20th years (inclusive)*	0
21st to 25th years (inclusive)*	0
26th to 30th years (inclusive)*	0
31st to 35th years (inclusive)*	36,312
36th year and beyond (Give 5 year banding details in free-text schedule)*	0

	£'000
Estimated capital value of project	160,000
Value of Deferred Assets	21,641
Value of Residual Interest	5,564

Total length of project (years)	36
Number of years to the end of the project	32

27. Financial instruments

The Dudley Group of Hospitals NHS Hospital NHS Foundation Trust seeks to minimize its financial risks through its treasury management policy.

Liquidity risk

Liquidity risk is the possibility that the Trust might not have funds available to meet its commitments to make payments. Prudent liquidity risk management includes maintaining sufficient cash and the availability to draw funding from the

Trusts £16,000,000 working capital facility minimizes such risk. NHS Foundation Trusts are committed to comply with the Prudential borrowing Code made by Monitor, the Independent Regulator of Foundation Trusts, and further details of the Foundation Trusts compliance can be found at note 19 'Prudential Borrowing Limit.'

The Trust is therefore not exposed to significant liquidity risk.

Credit risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Foundation Trust. Credit risk arises from deposits with banks as well as credit exposures to the Foundation Trusts commissioners and other debtors. Surplus operating cash is only invested in the Government National Loans Fund.

The Trust's operating costs are incurred under service level agreements with NHS Primary Care Trusts who are financed annually from resources voted from Parliament. Such contract income is received in accordance with the NHS funding mechanism Payments by Results with regular twelfth payments made monthly and a quarterly adjustment made to bring payments in line with actual activity. This can generate a short-term cash flow impact which would be covered by the Trusts £16,000,000 working capital facility. The Trust aims to fund capital schemes by internally generated funds. In addition the Trust can borrow from the Department of Health's financing facility or commercially.

Interest rate risk

The Foundation Trust's financial assets and financial liabilities carry nil or fixed rates of interest. The Foundation Trust is not, therefore, exposed to significant interest-rate risk.

Foreign currency risk

The Trust has negligible foreign currency income or expenditure.

27.1 Financial assets and liabilities

Set out below is an analysis, by category, of the Trust's financial assets and liabilities as at March 31st 2009. Fair value approximates to the book value because of the short maturity of these instruments.

27.2 Financial assets

Assets as per Balance sheet	Total £'000	Loans and receivables £'000	Assets at fair value through the I&E £'000	Held to maturity £'000	Available-for-sale £'000
Fixed Asset Investments	0	0	0	0	0
NHS Debtors	5,967	5,967	0	0	0
Provision of Irrecoverable Debts	0	0	0	0	0
Accrued Income	650	650	0	0	0
Other Debtors	150	150	0	0	0
Current Asset Investments	20,000	20,000	0	0	0
Cash at Bank and in Hand	14,541	14,541	0	0	0
Total at 31 March 2009	**41,308**	**41,308**	**0**	**0**	**0**

27.3 Financial liabilities

Liabilities as per Balance sheet	Total £'000	Other financial liabilities £'000	Liabilities at fair value through the I&E £'000
Bank Overdrafts	0	0	0
Loans	0	0	0
NHS Creditors	772	772	0
Other Creditors	4,317	4,317	0
Accruals	2,639	2,639	0
Capital Creditors	372	372	0
Finance Lease Obligations	0	0	0
Provisions	1,032	1,032	0
Total at 31 March 2009	**9,132**	**9,132**	**0**

28. Third party assets

The Trust held £7,773 cash at bank and in hand at 31 March 2009, (£1,890 at 1 October 2008), which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

29. Auditors liability

In accordance with the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, the liability of the Trust Auditors, PricewaterhouseCoopers LLP is restricted to £1,000,000 in respect of liability to pay damages for losses arising as a direct result of breach of contract or negligence in respect of services provided in connection with or arising from their letter of engagement dated 12 January 2009.

AUDITED REMUNERATION REPORT

Salary and Pension entitlements of senior managers

A) Remuneration

Name and Title	Note	2008 – 09		
		Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	*Benefits in Kind (Rounded to the nearest £100)
Paul Farenden, Chief Executive		90 - 95		
Paul Assinder, Finance Director		70 - 75		
Paul Harrison, Medical Director		30 - 35	50 - 55	
Paul Brennan, Operations Director		65 - 70		3,200
Janine Clarke, Director of Human Resources		50 - 55		3,000
Denise McMahon, Nursing Director		55 - 60		
Alfred Edwards, Chairman		20 - 25		200
David Badger, Non-Executive Director		5 - 10		
Kathryn Willietts, Non-Executive Director		5 - 10		
Ann Becke, Non-Executive Director		5 - 10		
David Wilton, Non-Executive Director		5 - 10		
Jonathan Fellows, Non-Executive Director		5 - 10		100
Aggregate Total		435 - 500	50 - 55	6,500

Note:-

The figures shown for 2008/09 represent the period from 1 October 2008 to 31 March 2009.

*Benefits in kind relate to leased cars in respect of the Executive Directors and home to base travel reimbursement for Non-Executive Directors.

Salary and Pension entitlements of senior managers
B) Pension Benefits

Name and Title	Note	Real increase in Pension at age 60 (bands of £2,500)	Real increase in lump sum at at age 60 (bands of £2,500)	Total accrued Pension at age 60 at 31 March 2009 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2009 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2009	Real increase in Cash equivalent Transfer Value	Employers Contribution to Stakeholders Pension (To nearest £100)
		£000	£000	£000	£000	£000	£000	£00
Paul Farenden, Chief Executive		5.0 - 7.5	20.0 - 22.5	85 - 90	265 - 270	0	0	0
Paul Assinder, Finance Director		2.5 - 5.0	12.5 - 15.0	40 - 45	125 - 130	824	172	0
Paul Brennan, Operations Director		2.5 - 5.0	12.5 - 15.0	40 - 45	120 - 125	719	139	0
Janine Clarke, Director of Human Resources		2.5 - 5.0	7.5 - 10.0	30 - 35	90 - 95	483	88	0
Paul Harrison, Medical Director	1	5.0 - 7.5	17.5 - 20.0	40 - 45	120 - 125	675	160	0
Denise McMahon, Nursing Director		7.5 - 10.0	25.0 - 27.5	40 - 45	120 - 125	726	190	0

Note:-
The figures shown for 2008/09 represent the period from 1 October 2008 to 31 March 2009.

1. Medical Director figures shown include accrued benefits and contributions in respect of full salary, which will include both management and medical contributions.

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 accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Remuneration committee (unaudited information)

The Remuneration committee is a sub group of the Board which determines the appropriate levels of remuneration for the Executive Directors and senior managers. Remuneration levels are normally determined by reference to such factors as those applying in equivalent organisations, changes in responsibility, performance and salary increases agreed for other NHS staff.

Name		Attendance at meetings out of 2
Mr A. Edwards	Chair	2
Mr J. Fellows (Chairman)	Non-Executive Director	2
Mr D. Wilton	Non-Executive Director	1
Mr D. Badger	Non-Executive Director	2
Mrs K. Williets	Non-Executive Director	2
Mrs A. Becke	Non-Executive Director	2
Mr P. Farenden	Chief Executive	1

Additional advice was given to the Remuneration committee by the Chief Executive and the Director of Human Resources.

Remuneration for Executive Directors does not include any performance-related elements.

No significant financial awards have been made to past senior managers during the period of this report.

The terms and conditions for the Executive Directors and senior managers of the Trust are subject to the usual Agenda for Change requirements.

Glossary of abbreviations:

A&E	Accident and Emergency
C. diff	Clostridium difficile (infection)
CIP	Cost Improvement Programme
CQC	Care Quality Commission
DGoH	The Dudley Group of Hospitals NHS Foundation Trust
EBITDA	Earnings before interest, taxation, depreciation and amortisation
ECG	Electrocardiography
EFVR	Estimated fair value on reversion
FT	Foundation Trust
GAAP	Generally accepted accounting practice for companies
GP	General Practitioner
HCAI	Healthcare acquired infection
HCC	Healthcare Commission
HR	Human Resources
IBP	Integrated Business Plan
IFRS	International Financial Reporting Standards
I&E	Income and expenditure
IT	Information Technology
JNC	Joint Negotiating Committee
LINks	Local Involvement Networks
MRSA	Methicillin Resistant Staphylococcus Aureus (infection)
NBV	Net book value
NHS	National Health Service
NHSLA	National Health Service Litigation Authority
PALS	Patient Advice and Liaison Service
PBC	Practice Based Commissioning
PCT	Primary Care Trust
PDC	Public dividend capital
PFI	Private Finance Initiative
R&D	Research and development
RoSPA	Royal Society for the Prevention of Accidents
SHA	Strategic Health Authority
WTE	Whole time equivalent
VAR	Variance
VAT	Value added tax
YTD	Year to date

The Dudley Group of Hospitals NHS Foundation Trust
Russells Hall Hospital
Dudley
West Midlands
DY1 2HQ

Telephone: 01384 244 404