The Dudley Group of Hospitals NHS
NHS Foundation Trust


Russells Hall Hospital


Corbett Hospital Outpatient Centre


Guest Hospital Outpatient Centre

Annual Report and accounts 2009/10

incorporating Quality Report and Accounts

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The Dudley Group of Hospitals NHS Foundation Trust
Annual Report and Accounts 2009/10

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Our vision: To be your hospital of choice – whether you are staff choosing to work with us or patients who choose to be cared for by us.

Our values: At The Dudley Group of Hospitals we all work within a set of values that helps 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

Message from the Chairman

I would like to start my welcome to our annual report by announcing that I have decided not to consider applying for reappointment as Chairman when my current term of office expires at the end of October 2010.

I have found this a difficult decision to reach but, after a good deal of soul-searching, I have decided to step down as my wife has now also retired and I feel the time has come to pursue some of the many interests that we both share.

I have enjoyed my time at the Trust enormously and I am very proud of the part I have played in helping to achieve the organisation we know today. Most of all, I have really enjoyed working with all of those dedicated people who make the Trust such a great place to work – I wish you all every success in the future.

Paula Clark replaced Paul Farenden as Chief Executive when he retired in September 2009, and Paula has already had a major influence in achieving high levels of performance demanded of a Foundation Trust. I wish her and the Board team every success.

Our Volunteers team, which was started in 2004, has now reached over 400 members and they each make an invaluable contribution not only to the experiences of patients and visitors who come to our sites but also to staff in assisting with some aspects of patient care while in hospital. Not only do they provide valuable guidance to the location of clinics but also assist patients in some areas with support at mealtimes etc.

A new fundraiser has also joined us this year to boost awareness of the Trust's charity and increase the amount of invaluable donations it receives. Money raised by The Dudley Group of Hospitals Charity supports a wide range of health-related activities which benefit patients and staff.

We all enjoyed a visit from Frank Bruno in November 2009. Frank, who was crowned heavyweight champion of the world in 1995, chatted with patients and staff, posed for photographs and handed out free copies of his autobiography during his hour-long visit to Therapy Services, A2 Orthopaedics and C4 Georgina ward. In addition, our annual Christmas visit from the West Bromwich Albion football team brought festive cheer and much excitement to the Children's ward. The club and players had joined together to buy gifts for the children and stayed to sign autographs and pose for photographs with their young fans.

During the year we have developed our successful health fairs, welcoming more than 250 people into the hospital to find out about our cancer services, cardiology and clinical and specialist support services.

Additionally, 127 Members participated in Trust tours, visiting areas such as medical and surgical wards as well as our emergency care services.

Feedback tells us that members have enjoyed seeing behind the scenes of the hospital and we have enjoyed showing them around and, hopefully, allaying any fears they may have about coming into hospital should the need arise in the future. We will be continuing our popular health fairs and tours in 2010/11 and anyone wishing to attend should look out in our Your Trust magazine for future events or contact our Foundation Trust office on 01384 465111 ext.1419 or 1168.

As a Foundation Trust, we have continued to grow our membership and have worked successfully with our Council of Governors to further develop both their roles and contributions in the governance of the Trust and in the engagement with the Trust Board in developing services for the future.

Finally, on behalf of the Board, I would like to thank all our staff for their dedication and hard work in ensuring that our Trust maintains the high quality services that our patients and visitors rightly expect.

Alf Edwards

Chief Executive's overview

It is a pleasure to be writing this foreword for The Dudley Group of Hospitals annual report as the new Chief Executive since joining the Trust in October 2009. I have come to Dudley having worked in the NHS for the past 18 years and most recently spent four years as Chief Executive of Burton Hospitals NHS Foundation Trust. As a Foundation Trust Chief Executive, I know the contribution and commitment of staff is the greatest asset for any trust and I have enjoyed getting to know the dedicated staff at The Dudley Group and working together with them to help ensure the best possible care for our patients.

It has been a rollercoaster time at the helm of a busy Foundation Trust, joining at a time when the media was taking us to task over a drop in our Care Quality Commission (CQC) rating from Good to Weak, and a visit from the CQC which found certain areas of the Trust to be below the standards both they and we would expect for our patients. I am pleased to confirm that a revisit by the CQC in November 2009 found our standards to be much improved and also that we have already made great strides towards improving our rating in areas in which we had underachieved. Indeed, March 2010 saw us become one of the first organisations in the country to be granted a licence without any conditions by the CQC under the new registration process.

The past year has been one of challenges and recognition for the Trust. Achieving the target to see, treat and admit or discharge 98 per cent of Accident and Emergency (A&E) patients has been the result of the hard work of every member of staff across the Trust as well as partnership working with our Primary Care Trust and I would like to take this opportunity to thank you all. We had a very difficult winter and only got through it by the outstanding teamwork of our staff.

I want you to rest assured that my first five months at the Trust were spent focusing on these difficult operational issues to ensure that patients coming to the Trust can be confident of the best quality of care, and the achievements we have made in this respect are down to the dedication and hard work of the staff at the Trust. This has included approximately £16 million investment in additional nursing and medical staff and the development of a transformation programme to ensure that we are fit for the future.

Some of our teams have received external recognition for their work in 2009/10 which is a real testament to the fantastic work going on every day in the hospitals:

- Maxillofacial Prosthetists: Wim de Ruiter Delft plate for outstanding scientific or technical display for their light-weight breast prosthesis
- Information team: In CHKS top 40 client acute trusts in the country for data quality
- Payments team: Best in the country for 30-day payments
- Midwife Hayley Darby: Johnson's Baby Mums' Midwife of the Year 2010
- Reducing cardiac arrests project: Patient Safety Awards Winner 2010

Going forward the Trust will continue to focus its efforts on quality, patient safety and infection control to ensure that all patients coming into our hospitals are pleased with the service they receive.

With this in mind we will be tackling the issues raised by our patients and commissioners in our outpatients' services during 2010/11. We will be looking at the whole outpatient experience from scheduling and booking of appointments to clinic waiting times.

The coming year will also see us working towards taking over a number of community services from Dudley Primary Care Trust (PCT) under the Transforming Community Services programme. These include long term conditions, acute care rehabilitation, end of life care, community nursing and audiology.

The new financial year will also bring big money challenges to us, and the NHS as a whole and we will be asking all of our staff to help with this over the coming months. Our transformation programme will also play a large part in helping us meet the funding shortfall by helping us to streamline our processes and to cut out waste wherever possible.

The Trust has a strong vision to be the 'hospital of choice' for local people. Excellent work has already taken place to ensure that this becomes a reality and over the coming months I am looking forward to leading our organisation to build on these foundations and take our hospitals to the next level.

Finally, I'd like to take this opportunity to wish a fond farewell to our Chairman who will be standing down at the end of October 2010. My colleagues and I would like to wish Alf a very happy retirement and thank him for his outstanding commitment to The Dudley Group of Hospitals and the wider health economy over the past 16 years – he will be greatly missed.

Paula Clark

Report from the Board of Directors

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 and Guest hospitals in Dudley and Corbett Hospital 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 18 months ago with effect from 1st October 2008.

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 56 of this annual report details contractual arrangements with local Primary Care Trusts (PCTs) for provision of services and details of our performance against key national priorities can be found within the Quality Report on page 23 of this report.

We entered 2009/10 in good health, with good performance recorded against the majority of key business indicators in the previous year, providing a sound platform for further service development and growth. However, during 2009/10, in common with many acute providers in the UK, the Trust has encountered a new range of challenges as the UK economy moved into recession, with corresponding pressure on Primary Care Trust (PCT) funding streams at a time of growing clinical activity and customer expectations. Against this background our overall business achievements have been commendable and can be summarised as:

- Financial surplus (before exceptional item of £1.2m impairment) of £3m
- Monitor financial rating of 4.3 (out of 5 maximum)
- Achievement of the 18-weeks national maximum waiting targets for both admitted and non-admitted patients
- Further reductions in healthcare associated infections, with MRSA levels (2 post 48 hour in 12 months) now among the lowest in the West Midlands
- Achievement of the four hour waiting target in A&E
- Significant investment in additional clinical staff and resources

The Trust has set as its key strategic vision to be the clear 'hospital of choice' for its core resident populations in the Dudley Metropolitan Borough Council wards, the Wyre Forest and the West of Sandwell. During 2009/10 the Trust continued to see and treat more patients than ever before. While in part this was driven by a national requirement to ensure that virtually all patients referred by GPs to hospitals are

treated within a maximum timescale of 18-weeks, the Trust also coped with around five per cent more patients presenting with emergency conditions than estimated by local Primary Care Trusts.

Responding to this unprecedented demand on services, at a time when the Trust had planned a managed growth in planned activity, placed particular strain on clinical departments during the year. This was exacerbated by delays in the discharge of medically fit patients into community settings or to their homes and we continue to work with our colleagues in primary and social care to help them improve this process for those patients requiring ongoing care once they are ready to leave hospital. It is to the credit of clinicians across specialties that the vast majority of performance targets were either achieved or exceeded during the year, while the Trust's Quality Accounts (see pages 23 to 47) illustrate continued improvements in the overall quality of care provided to our patients.

Additional workload necessitated both the commissioning of additional bed and operating capacity during the year and this has resulted in significant unplanned spending on bank and agency staff at high premium costs. As a result, the Trust exceeded budget for the year by £2m, trading at a monthly loss during the particularly busy winter period and seeing its annual surplus fall from £8m for our six months as a Foundation Trust last year to £3m before exceptional items.

The main operational challenge experienced by the Trust in 2009/10 was the sustained achievement of the national target that 98 per cent of patients presenting in A&E should be seen, treated and discharged within a maximum of four hours. This target is measured by the Care Quality Commission (CQC) across the Dudley health economy – this is because the Emergency Department at Russells Hall Hospital works closely with the Walk In Centre located in the local community which is operated by the local PCT. Dudley health economy achieved the target for the year with a compliant percentage of 98.13 per cent. However, it was disappointing that the Trust narrowly missed this 98 per cent target in its own right for two quarters during the year. As a result Monitor, the regulator of foundation trusts, informed us in December 2009 that its Board had found the Trust to be in 'significant breach' of its authorisation as a foundation trust due to concerns about missing this important target and, therefore, about our arrangements for governance. As noted, the overall CQC performance target of 98 per cent was in fact achieved for the year and in quarter four the Emergency Department at Russells Hall Hospital also achieved a compliance level of over 98 per cent. In addition, the Trust has commissioned an independent review of its local arrangements for Board assurance and has adopted and taken steps to enact all recommendations contained within it.

During 2009/10 the Trust took the decision to invest heavily in front line clinical services to continually improve its quality of care to patients.

This strategy was reinforced during 2009 when the CQC issued an overall rating of 'weak' in respect of the quality of services element of the rating for the Trust during the previous financial year (2008/09).

From April 2010, the Department of Health has introduced a system of legal registration of service providers in England and requires a clear demonstration and

evidence of the achievement of standards of healthcare. In support of our application for registration from that date, the Trust has made various declarations to the CQC and shared its development plans in a number of clinical areas including the ongoing training of clinical staff (and the appropriate recording of this) and the improvement of the quality and availability of clinical notes. It is pleasing to note that the Trust was among the first cohort of NHS Trusts awarded full and unqualified registration by the CQC from April 2010.

In view of the impact of the UK recession on the local economy, the Trust has adopted a policy of settling the invoices of local suppliers within 10 days of receipt (30 days is the sector norm). In 2009/10 the Trust settled 99 per cent of trade invoices within 30 days and in February 2010 a national survey declared the Trust the promptest payer within the NHS.

As an NHS Foundation Trust we have made no political or charitable donations during 2009/10.

In our Annual Business Plan for 2009/10 we emphasised the need to invest in quality of care to differentiate ourselves from our competitors. During the year we have concluded a thorough review of nurse staffing and skill mix levels and have agreed an investment plan with matrons and commenced a wide-scale nursing recruitment exercise. We have also embarked upon an ambitious project to secure the seven days per week provision of pharmacy, radiology and therapy support services across the Trust and we have completed a ward reconfiguration plan to further reduce the risk of exposure to infections such as MRSA and to improve patient care and the quality of service the Trust provides.

To promote improved patient safety, the Trust has begun a patient safety walkabout programme for Board Directors and has worked closely with patient groups and Members and Governors of the Foundation Trust to develop a more responsive service to patients.

In addition, the Trust has invested heavily in medical equipment during the year and during 2009 work commenced on a £7m new multi-tiered staff car park at Russells Hall Hospital.

In summary, 2009/10 has been a challenging year for the Trust in both a clinical and business sense but has also been a year of significant and sustained achievement.

Your Hospital of Choice: Patients

Our services

Russells Hall Hospital	Corbett Hospital Outpatient Centre	Guest Hospital Outpatient Centre
Anaesthetics	Anaesthetics provide some services at Corbett	Outpatient clinics including:
Anticoagulation	Dietetic clinic	• Dermatology
Audiology	Integrated Living Team	• Gastroenterology
Cancer services	Multi-professional rehabilitation	• Neurology
Cardiology	Orthotics	• Pain Management
Clinical Haematology	Outpatient clinics including:	• Renal
Critical Care Unit	• Cardiology	• Respiratory
Day Case Unit	• Dermatology	Pharmacy
Dermatology	• Gastroenterology	Physiotherapy
Diabetes and Endocrinology	• Obstetrics and Gynaecology	Surgical pre-operative assessment
Dietetics	• Older persons and stroke	Radiology (X-ray)
Emergency Assessment Unit	• Trauma and Orthopaedics	Speech and Language Therapy
Emergency Department	• Urology	
Fracture clinics	Pharmacy	
Gastroenterology	Phlebotomy (blood tests)	
Genito-urinary medicine	Physiotherapy	
Head and Neck surgery including Ear, Nose and Throat (ENT) and Maxillofacial	Podiatry	
Maternity	Radiology (X-ray, DEXA bone scanning)	
Medical and clinical inpatient services	Speech and Language Therapy	
Medical High Dependency Unit	Wheelchair service	
Neurology		
Obstetrics and Gynaecology		
Older Persons and Stroke		
Oncology		
Ophthalmology		
Orthodontics		
Orthoptics		
Orthotics		

Russells Hall Hospital		
Outpatients		
Paediatrics and Neonatology		
Pain Management		
Pathology		
Pharmacy		
Phlebotomy (blood tests)		
Plastic Surgery		
Podiatry		
Pre-operative assessment		
Psychology		
Radiology (X-ray, MRI and CT scanning)		
Renal		
Respiratory Medicine		
Rheumatology		
Speech and Language Therapy		
Surgery including breast, colorectal, upper and lower GI and vascular		
Surgical Assessment Unit (for GPs)		
Surgical High Dependency Unit		
Theatres		
Therapy Services including Physiotherapy and Occupational Therapy		
Trauma and Orthopaedic including fracture neck of femur unit		
Urology		
Women and Children's Outpatient Department		

As a Foundation Trust we give priority to the delivery of high quality care to all patients by ensuring that patient safety is at the heart of everything we do.

While it is important for us to meet national targets and to remain in financial balance, this must not be achieved at the expense of the safety of our patients. As part of this we ask all staff to complete incident forms if things do go wrong so that we can investigate the circumstances, learn lessons and change practice, when relevant.

We provide safe, high quality care to many thousands of people every year but sometimes, despite our best efforts, things can and do go wrong. If a patient is harmed as a result of a mistake or error in their care, we believe that they, their family or those who care for them, should receive an apology, be kept fully informed as to what has happened, have their questions answered and know what is being done in response. This is something that we call being open.

Being open, learning from our mistakes and changing practice contributes to the high quality of care we aspire to.

Delivering Same-Sex Accommodation declaration of compliance
Ensuring the privacy and dignity of our patients is also important to us and we are proud to confirm that at the end of 2009/10 we declared that mixed sex accommodation has been virtually eliminated in all our hospitals.

Every patient has the right to receive high quality care that is safe, effective and respects their privacy and dignity and the Trust is committed to providing every patient with same-sex accommodation because it helps to safeguard their privacy and dignity when they are often at their most vulnerable.

Patients who are admitted to any of our hospitals will only share the room where they sleep with members of the same sex, and same-sex toilets and bathrooms will be close to their bed area. Of the approximate 700 beds in the hospital, 206 are single ensuite rooms with the remainder in same-sex bays of mainly four beds, with each bay having its own toilet facilities. Sharing with members of the opposite sex will only happen by exception based on clinical need (for example where patients need specialist equipment such as in high and critical care dependency units), or when patients choose to share, such as in the renal dialysis unit.

This means that, other than in the circumstances set out above, patients admitted to the Trust can expect to find the following:

- The room where their bed is will only have patients of the same sex
- Toilet and bathroom facilities will be single gender, and will be close to their bed area

It is possible that there will be both male and female patients on the ward, but they will not share a sleeping area, nor will patients have to walk through opposite-sex areas to reach the bathroom. Some communal areas may be shared, however, such as day rooms or dining rooms, and it is very likely that patients will see both men and women patients as they move around the hospital (e.g. on the way to X-ray or the operating theatre).

Service and operational improvements

Emergency Department
In order to reduce waiting time in the department in line with the national target to see, treat and admit or discharge 98 per cent of patients within four hours, we have established a process for direct admission of patients from the Emergency

Department to specialist wards. The team has also designed and implemented improved visual management via whiteboards which are kept up to date with information about what stage the patient is at in assessment or treatment of their condition. On the occasions when breaches of the four hour target do occur, a process is now in place to analyse the root cause and agree preventative actions. A review of the clinical process resulted in a decision to implement a Senior Clinician Lead Assessment Team (Rapid Assessment Team). The purpose of this team is to allow for early clinical decisions to be made of patients needs, again contributing to less waiting time for our patients.

Emergency Assessment Unit
The Emergency Assessment Unit (EAU) at Russells Hall Hospital underwent a major overhaul towards the end of 2009 to improve patient comfort and privacy.

The new-look EAU, which looks after patients either referred by local GPs or from the hospital's Accident and Emergency Department, now boasts increased trolley capacity, a dedicated GP assessment and triage facility, extra rooms and cubicles for assessment and treatment, and a waiting area.

The area, which is open 24 hours a day, seven days a week, also includes a new patient monitoring system, drug administration system with finger print recognition, brand-new drip stands and drugs trolleys and new computers and laptops with wireless connection.

The department has also been completely redecorated and fitted with an easy clean wall covering in high-use areas.

The team has also redesigned the visual management of the ward in a similar manner to the Emergency Department. Further operational improvements include:

- A daily multi-disciplinary team (MDT) review where clinical staff from different specialisms come together to discuss patients' treatment
- Introduction of a Rapid Assessment Team for early clinical decision making
- Introduction of an Impact Team (including a resident social worker, occupational therapist and physiotherapist) to identify, upon admission, patients who have complex social needs so that actions can be put in place for when they are discharged
- Implementation of a clinician-led telephone triage process for GPs to discuss possible referrals

Surgical Assessment Unit
During the year the Trust also opened a new Surgical Assessment Unit at Russells Hall Hospital for GPs to refer patients whose condition requires a period of assessment before a decision is made on whether emergency surgery is required.

The unit, which is based on ward B3, aims to put patients directly into a surgical ward, rather than via the Emergency Assessment Unit, thus taking out a stage of their journey and providing a more seamless service for the patient.

Stroke
During the year funding was received from our main commissioner to support our stroke services. Two advanced stroke nurses were funded to assess suspected stroke patients in the Emergency Department and Emergency Assessment Unit to ensure more speedy transfer to the Stroke Unit. This has improved the service offered to patients arriving at the hospital with suspected stoke or Transient Ischaemic Attack (TIA) symptoms through having specialist staff available in areas other than the stroke ward itself.

The funding has also been used to purchase a Doppler Scanner that will greatly enhance diagnosis and treatment of ischaemic stroke in accordance with national guidance. The equipment enhances measurement and assessment of blood flow conditions such as clots providing improved outcome for the patient.

To further support the development of its stroke services in line with national and local strategy, the Trust has approved the appointment of a third consultant stroke physician. The job description has been submitted to the Royal College of Physicians for approval and recruitment should commence shortly. It is anticipated that the post will commence in June/July 2010.

We have also invested in a new database to provide both clinical and managerial information on stroke services.

Maxillofacial
The Trust became one of only three trusts in the UK to install a specialist shade matching machine at Russells Hall Hospital during 2009/10 which gives patients with facial prostheses a near-perfect skin tone match.

The equipment, costing £8,000, takes digital skin colour measurements o produce a computerised colour 'recipe' which precisely matches the skin tones. The machine matches the translucency of the skin and the result is much more natural looking prostheses than if matched by eye. The process is much speedier for the patient too and those patients to the Maxillofacial Prosthetics Department who have benefited from computerised colour matching have all been delighted with the results.

Ward discharge
To ensure that our patients don't need to stay in hospital any longer than necessary, we now have daily multi-disciplinary team meetings at each ward station to discuss the status of the patients and agree actions to enable a timely discharge once they are medically fit to go home.

To facilitate these discussions we have implemented a Discharge Goal Plan and visual board to document the discussion/actions. If a decision is made that it is unlikely that a patient will be able to return home or will need extra support at home via Social Services, a notification is issued (section 2). We now circulate, on a daily basis, a list of all current patients with social needs to the community service providers to act as a forecasting tool. The bottom up communication of needs, starting at ward level MDTs through to the final social care provider, is expected to reduce the overall number of delays for patients with complex care needs.

Research and development
During 2009/10 the department received a grant of £628,000 from the Comprehensive Local Research Network (CLRN) which has enabled us to continue our vital work by employing an additional three research nurses and two data managers for cancer studies. The funding has also enabled us to carry out extra CT research scans and complex drug treatments.

It has also been possible, for the first time, to dedicate money for research nurse time in the areas of gastroenterology, obstetrics and gynaecology.

Two of our rheumatology clinical research fellows, Drs Holly John and Tracey Toms, secured prestigious PhD funding from the Arthritis Research Campaign to enable them to continue their studies into improving the lives of people suffering from arthritis.

The Trust's reputation continues to grow academically with the publication of 44 papers, including four invited reviews and 22 shorter pieces, in scholarly journals.

The ongoing work of the Research and Development Directorate plays a crucial role in the development of new medicines and treatments.

Researchers from all departments, with the permission of the patients, trial unevaluated medicines and treatments that are not currently on the market. This enables us to offer new medicines and treatments that could benefit patients.

Listening and learning

The Trust values and welcomes all feedback to help us ensure we meet the needs and expectations of our patients, their families, our staff and our stakeholders; and as a Foundation Trust we are also legally obliged to take consideration of our Members' views as expressed through our Council of Governors.

An extensive re-organisation of the Trust's wards and departments has taken place this year with the aim of improving patients' experience of our services. This, together with an extension to pharmacy opening hours, has all been achieved through using information available to the Trust via surveys, comments and reports and, of course, consultation with our staff.

The Trust has a number of systems in place for obtaining patient feedback:

Patient and public experience steering group
This group is chaired by Denise McMahon, Director of Nursing, and meets bi-monthly to provide feedback both from and to the Trust and to the Council of Governors on matters relating to service developments and patient experience. There are representatives from our Local Involvement Network (LINk), Primary Care Trust and other user-led organisations on the group.

The group receive reports and presentations on complaints and concerns figures, and monitors progress against patient survey actions.

Members have overseen the relocation of the ATM (cash) machine from the shop to the main reception to allow 24/7 access and are working with our private finance partners to look at the feasibility of card payments in the restaurant.

Complaints, claims, concerns and compliments

We believe that everyone has the right to receive a good service and do our upmost to provide this, but we also understand that occasionally things do go wrong and we also believe that we should do everything we can to put things right if this happens. To this end our Patient Advice and Liaison Service (PALS) works closely with our complaints department not only to ensure the Board of Directors receives reports on this valuable source of patient feedback but also to ensure the best outcomes for the patient.

The Trust Board receives quarterly 'patient experience' reports with complaints, concerns, claims and compliments information and also 'patient stories' either delivered on behalf of patients by PALS or directly from a patient. The patient experience report is also monitored at an operational level by the Patient and Public Experience Steering Group and the Council of Governors.

Our feedback does not just focus on complaints but includes information on all the positive comments and compliments we receive. We are proud of the number of compliments our services receive, with over 300 formal thank you letters or cards during the year, and this figure does not include the many verbal compliments made directly to staff and the numerous boxes of chocolates kindly given.

For people who may have a query or concern about their care, or the Trust in general, our PALS team acts as the first point of contact and provides a one stop impartial advice centre for patients, their carers and families. During 2009/10 our PALS team has seen an increase in activity from 987 contacts to 1082 contacts. Our PALS team can be contacted on 0800 073 0510.

On 1st April 2009 new legislation was introduced to govern the NHS and Social Care complaints systems to make it easier and more seamless for patients to be able to raise any concerns or complaints. The complaints process is structured around three main principles: listening, responding and improving. The national complaints system now has only two stages: local resolution direct with the Trust and the second stage with the health ombudsman. Complainants can now also, for the first time expect a single response from several providers (where a complaint may cross organisations) and are also able to complain about a provider to the commissioning body.

The Trust takes all complaints and claims very seriously and has a robust system in place to ensure each one is investigated thoroughly and lessons are learnt. We encourage complainants to meet with staff to discuss their concerns in detail and allow the Trust the opportunity to fully resolve their concerns. This appears to give greater satisfaction to complainants than previous methods of simply providing a written response.

The number of complaints against patient activity is 0.05 per cent. During 2009/10 the Trust received 364 complaints, an increase of 1.5 per cent on the previous year, against an increase in activity of three per cent across all specialties. The Trust has

acknowledged all complaints within three working days of receipt and, although the new legislation means we will agree timescales for responses with the complainants, we have continued to seek to provide a response within 25-30 days to 85 per cent of complaints. Complaints form part of the discussion at directorate risk meetings where potential for changes in practice are discussed.

Complainants who are dissatisfied with the Trust's response to their concerns can request the Health Service Ombudsman accept it for further review. During 2009/10 no complaints were accepted for review by the Ombudsman; any referrals to the Ombudsman were returned to the Trust for further local resolution and were then closed.

Below are some examples of changes to be made and changes made as a result of complaints investigated during 2009/10:

- Trust-wide review of outpatient appointment system being undertaken
- New triage system in EAU to reduce waiting times and prioritise patients
- Communication issue to be highlighted at lead nurse meeting to raise awareness with staff
- Reduce number of patients on consultants' list to reduce delays
- Monitor trend in referral letters to ensure urgency of procedure is noted
- Audit of documentation to be undertaken and action plan reviewed monthly
- All staff to be made aware of issues relating to privacy and dignity
- Malnutrition Universal Screening Tool (MUST) score process to be reviewed
- Ensure all staff adhere to the red tray system for mealtime assistance for patients
- Families to be given opportunity to attend case conferences
- Member of staff to attend older person mental health study day
- Review skills mix of medical staff in Emergency Department
- Increase nurse staffing levels in Emergency Department
- Manufacturers attended hospital to train all qualified staff in use of their particular syringe driver

Patient surveys – 'Tell us your views and we'll change'
Patient surveys form an important part of the feedback we receive from patients providing a structured way to find out your views. We take part in the national programme of patient surveys, which are developed and reviewed by the Care Quality Commission (CQC). The results form part of the rationale for the CQC's rating for the Trust. The results for 2009 show a disappointing decline in the number of patients that would rate their overall care as good, very good or excellent from 92.3 per cent in 2008 to 88 per cent in 2009. Each survey has an action plan for improvements and from this year's inpatient survey we have focused some work on mealtime assistance for patients.

In the past few months a new volunteer mealtime assistance service has been launched. These volunteers help with menu selection, hand cleansing, replenishing drinking water, encouraging patients to eat, feeding patients and making drinks.

The Trust is actively recruiting more volunteer mealtime assistants to expand this much needed service.

Patient information
The Trust's Patient Information Officer continues to develop resources for staff and patients that help explain what to expect when patients come into hospital and also about specific procedures or treatments to help them through their hospital journey.

Improvements include:

- Review and approval through Integrated Governance Committee of the policy for producing patient information
- New centralised system for archiving of patient information
- Patient Information Steering Group established to monitor standards
- Review of patient information available on the Trust website
- Review and redesign of Trust-wide template for patient information leaflets
- Standard information available outside each ward on notice boards
- Design and introduction of new patient and visitor 'way-finding' maps

Hospital Volunteer service
The Hospital Volunteer Service is part of our PALS service and is managed by the volunteer co-ordinator. The service is very successful in recruiting people from the local community who are willing to offer their time and expertise to support patients, visitors and staff at the Trust. Over 400 volunteers give their time on a regular basis but this includes constant rolling recruitment to replace volunteers that move on (often to paid employment or higher education).

Some of the tasks volunteers have undertaken include:

- Distribution and collation of patient surveys
- Clerical support
- Patient friends
- General ward volunteers
- Mealtime assistance
- Outpatient hosts
- Emergency Department hosts
- X-ray Department support
- Main reception way-finding
- Enquiry desk
- Chaplaincy

The dedicated work of all our volunteers is highly valued by the Trust, and it is pleasing to realise that volunteers also get satisfaction from their role. The following comments were received from volunteers:

What our volunteers say:
‘I like meeting people and it is nice to know you are helping people at a time when they really need it."

‘My time as a volunteer really helped me to know that a career in nursing was the right path for me."

“I have found my volunteering a great way to gain experience to increase my chances of gaining employment.”

Quality report

Part one – statement on quality from the Chief Executive

Quality is at the heart of everything we do at The Dudley Group of Hospitals NHS Foundation Trust and all of our staff play a vital part in achieving the high quality of care people expect. This standard consists of care which is safe, effective and patient centred. We can only deliver that standard of quality across our services with the full involvement of staff who help to provide those services, our volunteers, patients, Members and Governors.

Our vision is to be 'the hospital of choice' for both patients and staff. This is underpinned by the quality of services we provide. A key part of delivering quality care is for our staff to live our values: care, respect, pride, effectiveness, responsibility and partnership in everything we do.

Last year was the first year we publicly reported our chosen priority areas for quality measures. We are proud that great progress has been made particularly in the areas of clinical effectiveness and safety. One of our priority areas (priority one) won a prestigious Health Service Journal/Nursing Times National Patient Safety Award for our work on the deteriorating patient (see page 25). We are also proud to have one of the lowest rates of healthcare associated infections in the West Midlands for MRSA and have greatly reduced our rates of Clostridium difficile infection, while also being one of the first trusts regionally to achieve all the national cancer waiting times. We recognise that there is still some work to be done to improve our patient experience of the services we provide and more can be found on this work on page 31.

We continue to embed the culture of quality throughout the Trust with ongoing work to ensure staff are provided with good quality information on which to monitor their performance. The introduction of Nursing Care Indicators is just one example of a measure we have introduced to ensure monthly reporting straight to the Trust Board on key quality issues for nursing staff such as nutrition, falls assessments and patient experience helping to ensure the channels of communication between the Trust Board and wards are open and easy to assess.

The Trust is currently reviewing our information technology systems to ensure we are able to monitor and evaluate quality as precisely as our financial information. Work is also underway to ensure our organisational objectives are still relevant and fit for purpose to ensure our Trust becomes 'Your Hospital of Choice'. We recognise that there is much hard work ahead but we are setting the strategy to ensure we achieve our vision to provide the best possible patient care.

I can confirm that, to the best of my knowledge, the information contained in this document is accurate.

Signed Date: 27th May 2010

Paula Clark
Chief Executive

What are quality accounts?
Quality accounts are annual reports to the public from NHS bodies about the quality of services they provide, focusing on three dimensions of patient safety, clinical effectiveness and patient experience. They are designed to sit alongside financial accounts that describe how we are looking after the money and aim to help people understand:

- What we are doing well
- Where improvements in service quality are required
- What are our priorities for quality improvement for the coming year are
- How we have involved service users, staff and others with an interest in the Trust in determining the priorities.

How we have prioritised our quality improvement initiatives
We are committed to delivering a patient-centred service that has high quality at its heart, underlined by the Trust values which are our promises to patients. The NHS Constitution sets out the rights patients have to levels of service and care and we are striving to provide every time those levels of care that we would all expect for ourselves and our families.

To embed the quality improvement cycle within the Trust, we have this year set up a Planning for Quality Steering Group, chaired by Director of Nursing Denise McMahon, with representation from all sectors of staff, as well as our Local Involvement Network (LINk) and Council of Governors. The group, which meets quarterly, reports into the Trust Board and is responsible for monitoring quality improvements against our priorities and making proposals for new quality initiatives.

There are many measures of performance and quality across the NHS and this report is designed to give patients, staff and the public information about the standards of quality that we feel are priorities and any areas where improvements are needed. It is not a comprehensive list of all the quality measures we have in place.

Involving our patients and public in quality improvement
Throughout the year we have engaged with our patients and the public about what is important to them in our quality accounts. At a recent event organised by the Primary Care Trust, 32 out of 37 people said they will use quality accounts as a way to evaluate the performance of their local NHS organisations. During our own engagement with the Local Involvement Network, our Governors and other patient groups key suggestions for priorities for quality improvement plans were raised, these included:

- Communication between organisations and professionals
- Being treated with dignity and respect
- Staff taking the ‘time to care’
- Communication and changes of appointment times

As well as the feedback we have gained from patients, the public and staff, we have used the three main dimensions of quality - safety, effectiveness and experience – to help set our priorities and, following Trust Board agreement, the five priorities for quality in 2010/11 will be:

Priority one: Maintain the levels of cardiac arrests as per the December 2009 figure (17) by December 2010 and ensure that there is a 15 per cent improvement in the recording of patient observations from the December 2009 figure every quarter through to December 2010

Priority two: Reduce our MRSA rate in line with the national and local priorities. We will only be measured in 2010/11 on post-48 hour cases and our target is no more than two.

Priority three: Reduce our Clostridium difficle rate in line with the national and local priorities – this is no more than 161 for 2010/11.

Priority four: Increase the number of patients who rate their overall care highly from 88 per cent in the national inpatient survey to 91 per cent and show an increase in patients who would recommend The Dudley Group of Hospitals NHS Foundation Trust to a friend or relative.

Priority five: Increase the number of hip fracture patients who undergo hip fracture surgery within 36 hours from admission to the Emergency Department (where clinically appropriate to do so).

Following discussions with patients, community groups and staff, we have decided this year to keep the first four priorities the same as last year as people feel they are useful indicators of quality and important to many. We have also added the hip fracture priority as we recognise the length of time taken from admission to surgery has an impact on the outcome for patients.

Part 2 – Priorities for improvement

Priority one: consolidate the reduction in the number of cardiac arrests and improve recording of patient observations

Following the publication of the National Institute of Clinical Excellence (NICE) Guidance on 'Acutely Ill Patients in Hospital', the Trust set up a multi-disciplinary group to implement the recommendations. 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 death'*. Our multi-disciplinary team set out to improve our systems in this regard.

Progress during 2009/10

Last year, the following aims were set:

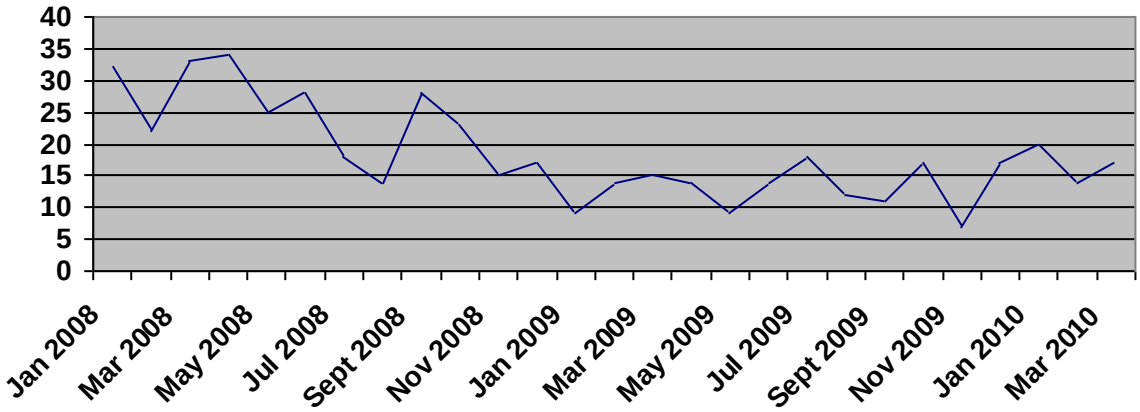
a) Reduce the number of cardiac arrests from the January 2008 figure by 30 per cent by June 2009
b) Reduce the number of cardiac arrests from the June 2009 figure by five per cent by June 2010

✓ It can be seen on the table below that by June 2009 the Trust had in fact reduced the rate by over 40 per cent and so both targets were achieved together. The work that has been done to achieve this fall has been recognised both internally and externally by a number of awards:

- Winner of Performance Excellence Award for the Outreach Team at the Trust's Committed to Excellence Staff Awards 2009
- Winner of Critical and Intensive Care Award at the National Patient Safety Awards 2010 (Health Service Journal/Nursing Times)
- Runner up of Patient Safety Award at West Midlands Health and Social Care Awards 2009

Figures to June 2009 show a 53 per cent decrease in the rate of cardiac arrests:

Number of cardiac arrest calls



Following the marked fall in cardiac arrests, the team agreed that we should endeavour to maintain these levels over the next year. In addition, it has been agreed to improve the accuracy and timeliness of bed-side patient observations and completion of the colour coded 'track and trigger' observation chart. This is fundamental to maintaining improvement because the observations are the basis of the alerting process and trigger the Critical Care Outreach and Medical Emergency teams. Because this is such an important component of the project, we have set an ambitious target for improvement.

Also in 2009/10, the team piloted a system to ensure that nurses requesting help from the Outreach Team use a common communication tool so that the outreach staff can prioritise requests.

Main aims/goal for 2010/11

a) Maintain the levels of cardiac arrests as per the December 2009 figure (17) by December 2010
b) Ensure that there is a 15 per cent improvement in the recording of patient observations from the December 2009 figure every quarter through to December 2010

Measuring and recording

The numbers and details of cardiac arrest calls are collected as they occur and monitored by the multi-disciplinary group at its regular meetings throughout the year with a summary made available to the Trust's Integrated Governance Committee. Data on the patient observations undertaken by nurses are collected from all wards on a monthly basis. This information is also monitored by the multi-disciplinary group. It is also part of a wider collection of nursing quality indicators, which is monitored by the Trust Board.

Multi-disciplinary Group Members

Dr M. Cushley, Consultant Physician
Dr J. Sonksen, Consultant Anaesthetist
Dr D. Pandit, Consultant Physician
Dr C. Patel, Consultant Anaesthetist
R. Anslow, Outreach Lead
W. Dainty, Resuscitation Officer
D. Eaves, Clinical Governance Co-ordinator
D. Powell, Lead Nurse
K. Sheppard, Matron

Priority two: to further reduce our MRSA rate

Progress during 2009/10

We are proud to have among the lowest MRSA infection rates in the West Midlands region and this, coupled with feedback from patients, community groups and the Care Quality Commission, has meant we have decided to keep our infection control targets in the quality priorities for 2010/11.

Our target is agreed locally with our Primary Care Trust (PCT) and was no more than 12 cases for pre and post 48 hour cases for 2009/10. Pre 48 hour cases are those patients considered not to have acquired the infection in hospital but rather to have developed the infection before admission to hospital. Those patients who develop MRSA infection after they have been in hospital for more than two days are considered post 48 hours.

- ✓ We are pleased that during 2009/10 we have continued to reduce the number of MRSA infections with only two of the ten cases being post 48 hours. We

have also achieved our health economy target of no more than 12 pre and post cases for 2009/10.

Main aim/goal for 2010/11

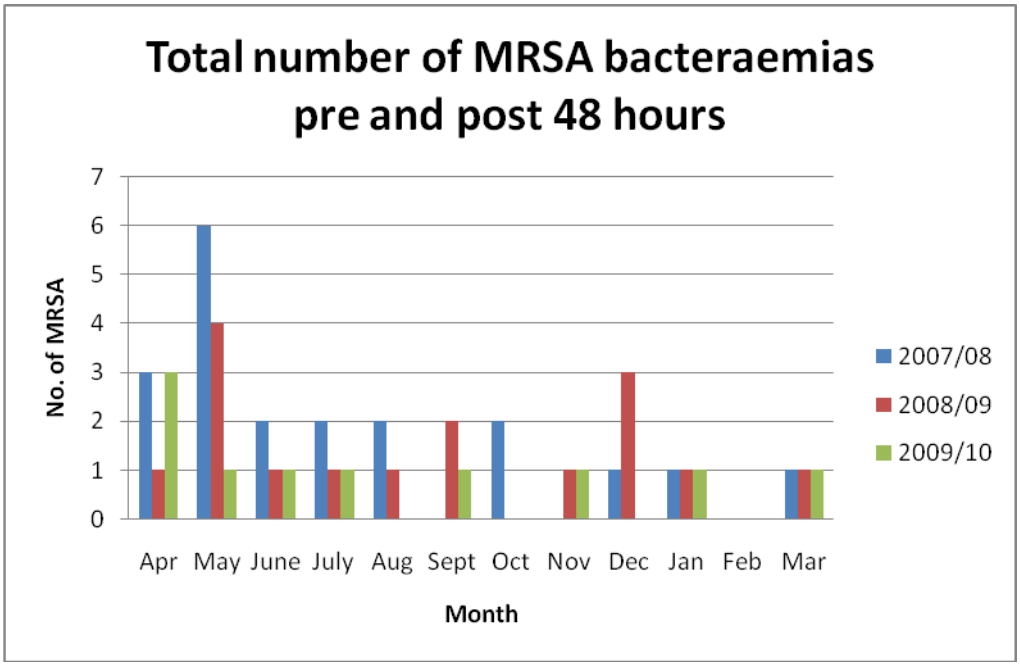
To reduce our MRSA rate in line with the national and local priorities. We will be measured in 2010/11 on only the post 48 hour cases and our target is no more than two.

Measuring and recording

When our pathology laboratory has a positive result for MRSA the information is fed directly into the MESS (MRSA Enhanced Surveillance System) national database. From here the data for all trusts nationally is collated and sent to the Health Protection Agency (HPA) for publication.

Current status

The graph below shows the continued reduction of MRSA bacteraemia cases (pre and post 48 hours), from a total of 19 in 2007/08 to a total of 10 in 2009/10.



	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
2007/08	3	6	2	2	2	0	2	0	1	1	0	1	20
2008/09	1	4	1	1	1	2	0	1	3	1	0	1	16
2009/10	3	1	1	1	0	1	0	1	0	1	0	1	10

Identified areas of improvement for 2010/11

- Strengthen a zero tolerance approach to all infections including MRSA and C difficile
- Continue to improve partnership working with the community services to ensure people do not contract MRSA or C difficile in other settings outside of hospital

- Improve our root cause analysis process for MRSA bacteraemia and C difficile
- Continue to enforce 'Bare Below the Elbows' in clinical contact

Initiatives in 2009/10

- Appointment of four infection control champions to work alongside ward staff to challenge practice, complete audits and carry out ward-based teaching
- Appointment of a consultant nurse in Infection Control to lead the infection control service and develop future strategies
- Major initiatives on promoting hand hygiene, 'Bare Below the Elbows' and environmental cleanliness. Regular audits on compliance with these initiatives and challenges to non-compliance
- Monthly audits against the Department of Health Saving Lives High Impact Interventions with the development of a web-based tool for Saving Lives audits
- Sharing of Infection Control patient management system with the PCT infection control team
- Joint working with the PCT on root cause analysis developed
- Quarterly environmental audits by matrons started with reports to the Board
- Appointment of Surveillance/Practice Development Nurse to enhance the surgical site surveillance programme at the Trust and develop training and education programmes, including e-learning, induction and mandatory refresher programmes

Board Sponsor: Denise McMahon, Director of Nursing

Operational Lead: Dawn Westmoreland, Consultant Nurse, Infection Control

Priority three: to further reduce our Clostridium difficile (C difficile) rate

Progress during 2009/10

We are proud to have continued to reduce our rates of C difficile infections during the year. This, coupled with feedback from patients, community groups and the Care Quality Commission, has meant we have decided to keep our infection control targets in the quality priorities for 2010/11.

- ✓ We have continued our progress on reducing C difficile infections and are pleased to have achieved a 47 per cent reduction in numbers of C difficile cases during 2009/10. The target set for 2009/10 was no more than 238 but the Trust only had 126 post 48 hour cases.

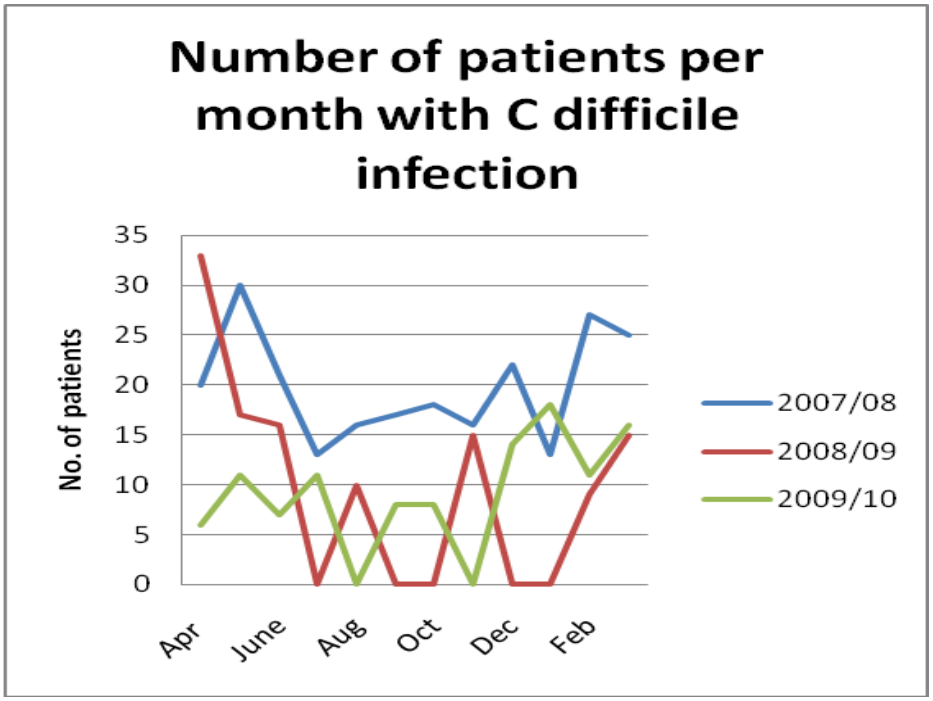
For the purposes of this report we have shown the number of C difficile cases classed as post 48 hours. It is important to note patients who develop their infection after they have been in hospital more than two days are known as post 48 hours. Those patients who develop their infection within 48 hours of admission are not counted as hospital acquired.

Since 2007/08 we have reduced the number of C difficile infections from 355 to 126 in 2009/10.

Main aim/goal for 2010/11
To reduce our C difficile rate in line with the national and local priorities – this is no more than 161 for 2010/11.

Measuring and recording
If a patient shows symptoms of C difficile, a sample is taken and sent to the laboratory for testing. When our pathology laboratory has a positive result for C difficile the information is fed directly into the MESS national database. From here the data for all trusts nationally is collated and sent to the Health Protection Agency (HPA) for publication.

Current status



	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Total
2007/08	20	30	21	13	16	17	18	16	22	13	27	25	238
2008/09	33	17	16	9	10	7	7	15	7	9	9	15	154
2009/10	6	11	7	11	7	8	8	9	14	18	11	16	126

Identified areas of improvement and initiatives in 2009/10
As per priority two MRSA see pages 27-29.

Board Sponsor: Denise McMahon, Director of Nursing

Operational Lead: Dawn Westmoreland, Consultant Nurse, Infection Control

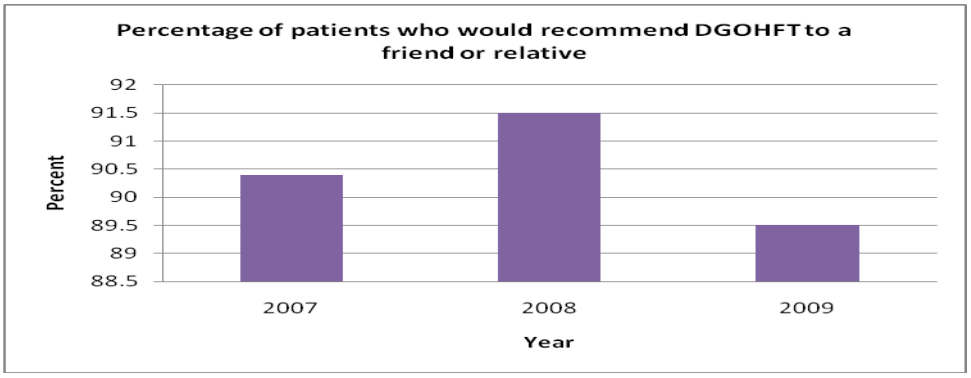
Priority four: increase the number of patients who rate their overall care highly from 88 per cent in the national inpatient survey to 91 per cent and show an increase in patients who would recommend The Dudley Group of Hospitals NHS Foundation Trust to a friend or relative.

Patient experience feedback is a vital part of how the NHS makes clinical improvements and it is more important now than ever before that trusts are responsive to the needs of their patients.

Progress during 2009/10
Last year, the following aims were set:

- Increase the number of patients who rate their overall care highly from 92 per cent in the national inpatient survey to 95 per cent
- To show an increase in patients who would recommend The Dudley Group of Hospitals NHS Foundation Trust to a friend or relative

We are disappointed by the fall in the two measures of patients' experience we have used for 2009/10 as shown in the graphs below.



Measuring and recording
The Trust takes part in the annual National Patient Surveys for the Care Quality Commission (CQC). The surveys are conducted by an independent partner for the Trust and a sample of 850 inpatients and 850 outpatients are surveyed each year.

The results of the surveys are fed directly to the CQC for national comparison and publication. The results also form part of the way the CQC monitor trusts.

Main aims/goals for 2010/11

a) Increase the number of patients who rate their overall care highly from 88 per cent in the national inpatient survey to 91 per cent (we have changed the target for this aim to ensure we are being realistic about the levels of change we can achieve in one year)
b) To show an increase in patients who would recommend The Dudley Group of Hospitals NHS Foundation Trust to a friend or relative

Identified areas of improvement for 2010/11

- Ensuring enough assistance is provided to those who need it at mealtimes
- Improve patient information in advance and while in hospital

Initiatives in 2009/10

In recognising the need to improve our patients' experience we have this year implemented a continuous patient survey system helping to give staff more real time feedback on what people think of our services and help plan improvements. We have also reinvigorated a Patient and Public Engagement Steering Group which reports into the Trust Board to ensure we capture all sources of patient feedback and have a coordinated approach to improvement planning.

We have actively recruited extra volunteers specifically to provide mealtime assistance and these have been trained to be able to provide this assistance. The initiative is currently being piloted on a couple of wards before roll out across the Trust.

New Patient Information Officer appointed to the Patient Advice and Liaison Service to improve the quality of our patient information and ensure new developments are progressed. This person has already reviewed and revised our patient information policy and archiving systems and is working on templates to help standardise patient information across the Trust.

New initiatives to be implemented in 2010/11

- Review the patient 'pulse' surveys to ensure they are providing useful information to staff to make improvements and also whether patients feel they are useful in getting their views across
- Ensure all sources of patient experience feedback are coordinated into a central system to provide more useful information to staff to enable service improvements where needed
- Embed and implement the new patient information template and identify new areas for improvement following audit of patient information

Board Sponsor: Denise McMahon, Director of Nursing

Operational Lead: Liz Abbiss, Head of Customer Relations and Communications

Priority five: hip fracture surgery

Good hip fracture care depends on minimising pre-operative delay, which currently varies widely across the UK. Delays which are not clinically necessary can contribute towards a poorer result for the patient and adds to costs. National Hip Fracture Database (NHFD) participation offers routine monitoring and evaluation of the effectiveness of measures we take.

Main aims/goals for 2010/11
To reduce unexplained variation in quality and adopt best practice:

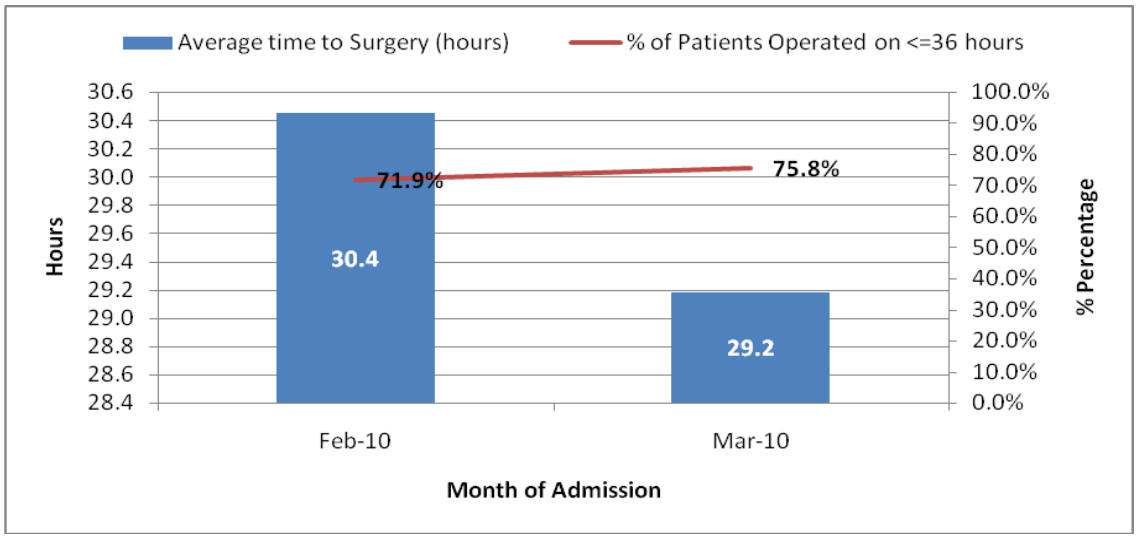
a) Where clinically appropriate, hip fracture patients to be operated on within 36 hours of arrival in the Emergency Department (or time of diagnosis if an inpatient) to the start of anaesthesia
b) Admit patients under the joint care of a consultant orthopaedic surgeon and orthogeriatrician
c) Admit patients using an assessment protocol agreed by Orthopaedics, Anaesthesia and Geriatric Medicine
d) To have an assessment by a geriatrician within 72 hours of admission
e) To have postoperative multi-professional rehabilitation that promotes mobility and self-care and prevents falls

Initiatives in 2009/10
Hip fracture practitioners provide a seven day service during the busy times of 8am to 8pm.

Current status

	Month of Admission	
	Feb-10	**Mar-10**
No. of Patients Operated	32	33
Average time to Surgery (hours)	**30.4**	**29.2**

No. of Patients Operated on <=36 hours	23	25
% of Patients Operated on <=36 hours	**71.9%**	**75.8%**



New initiatives to be implemented in 2010/11

- Review of current integrated care pathway for hip fractures to include all elements of national best practice
- Improve systems of data collection enabling both easier analysis internally and benchmarking with national data
- Capture patient experience of hip fracture journey through patient experience interviews

Measuring and recording

As soon as a patient is admitted to hospital with a hip fracture, data is submitted to the National Hip Fracture Database (NHFD). This data remains live until the patient has completed all of their care, including any intermediate care and rehabilitation if necessary, following their surgery.

Board Sponsor: Richard Beeken, Director of Operations (from 15th June 2010)

Operational Lead: Jennie Muraszewski, General Manager

Review of services

During 2009/10 The Dudley Group of Hospitals NHS Foundation Trust provided and/or sub contracted 38 NHS services.

The Trust reviewed all the data available to them on the quality of care in all of these NHS services.

The above reviews were undertaken in a number of ways. With regards to patient safety, the Trust Executive and Non-Executive Directors undertake Patient Safety Leadership Walkrounds. These commenced in January 2009 and remain ongoing and a regular schedule is in place.

Also covering patient safety but including the second element of quality (effectiveness), is the morbidity and mortality reviews undertaken by the Chairman, Chief Executive and Medical and Deputy Medical Directors. From 2010, the Non-Executive who is the Chairman of the Trust Audit Committee will be invited to attend. These occur within an 18 month rolling programme covering all services. Each service presents information from a variety of sources, including internal audits, national audits, peer review visits, as well as activity and outcome data such as readmission rates, day case rates and standardised mortality rates.

For all general inpatient areas, a monthly review of the quality of nursing care takes place and the results are presented to the Trust Board.

For the final third element of quality (patient experience), all areas within the Trust have taken part in the 'patient pulse' surveys, which gain patient views of the services. The results are presented to the Trust Board.

The income generated by the NHS services reviewed in 2009/10 represents 99.4 per cent of the total income generated from the provision of NHS services by the Dudley Group of Hospitals NHS Foundation Trust for 2009/10.

Participation in national clinical audits and confidential enquiries
During 2009/10, 35 national clinical audits and five national confidential enquiries covered NHS services that the Trust provides.

During that period the Trust participated in 32 (91 per cent) national clinical audits and five (100 per cent) national confidential enquiries of the national clinical audits and national confidential enquiries, which it was eligible to participate in.

The national clinical audits and national confidential enquiries that the Trust was eligible to participate in, actually participated in, and for which data collection was completed during 2009/10, are listed below alongside the number of cases submitted to each audit or enquiry as a percentage of the number of registered cases required by the terms of that audit or enquiry.

National Clinical Audits

Title	Lead/Contact	Participated Yes/No	% Submitted
The National Bowel Cancer Audit Programme (NBOCAP)	Mr R Patel/H Coyle	Y	100
Data for Head and Neck Oncology (DAHNO)	Dr C Brammer/H Coyle	Y	100
National Lung Cancer Audit (NLCA)	Dr M Healy/H Coyle	Y	100
British Thoracic Society (BTS); Emergency Oxygen	N Millard/Dr M Doherty	Y	100
BTS; Non-Invasive Ventilation (NIV)		N	-
BTS; Adult Asthma		N	-
Oesphago-gastric (stomach) Cancer	Mr J Dmitrewski/H Coyle	Y	80 *
Mastectomy and Breast Reconstruction	Mr P Stonelake/H Coyle	Y	100
National Neonatal Audit (NNAP)	P Smith/Dr A Mohite	Y	18^
Diabetes (National Diabetes Audit NDA)	Dr J Dale/K Obrenovic	Y	100
Renal registry; Renal Replacement Therapy	J Pain/B Capewell-Dubber	Y	100 +
National Kidney Care Audit Patient Transport – Russells Hall	J Pain	Y	50-60%º
National Kidney Care Audit Patient Transport – Kidderminster	J Pain	Y	80-90%º
National Joint Registry (NJR)	R Rai/C Hipkiss	Y	99.7

Title	Lead/Contact	Participated Yes/No	% Submitted
MINAP (Myocardial Infarction National Audit Programme)	Dr J Martins/A Hunter/M Massey	Y	100
National Sentinel Stroke Audit	A Gregory	Y	100
Services for people who have fallen	Dr A Michael/B Howells/ K Obrenovic	Y	100
Continence	Dr S Duja/K Obrenovic	Y	100
Hip Fracture Database	Mr S Quraishi/C Sylvester/ Dr A Michael	Y	88
Vascular Society Database	Mrs S Shiralkar	Y	42
ICNARC (Intensive Care National Audit & Research Centre); Adult Critical Care Units	Dr J Sonksen	Y	100
National Elective Surgery PROMs (Patient Reported Outcome Measurement): Hip Replacement	J Muraszewski/K Holmes	Y	100
National Elective Surgery PROMs: Knee Replacement	J Muraszewski/K Holmes	Y	93
National Elective Surgery PROMs: Varicose Veins	J Muraszewski/K Holmes	Y	39
National Elective Surgery PROMs: Groin Hernia	J Muraszewski/K Holmes	Y	42
TARN (Trauma Audit & Research Network)		N	-
NHS Blood and Transplant; Potential Donor Audit	Dr J Sonksen/Rebecca Timmins	Y	100
National Comparative Audit of Blood Transfusion; Blood Collection	Dr C Taylor/C Stone	Y	100
National Comparative Audit of Blood Transfusion; Bedside Transfusion	Dr C Taylor/C Stone	Y	100
National Comparative Audit of Blood Transfusion; Use of Red Cells in Neonates/Children	Dr C Taylor/C Stone	Y	100
Emergency Medicine Asthma	Mr N Stockdale/K Obrenovic	Y	100
Emergency Medicine Fracture Neck of Femur	Mr N Stockdale/K Obrenovic	Y	100
Major Complications in Airway Management in UK (Royal College of Anaesthetists)	Dr H Becker Phase 1	Y	100
	Dr H Becker Phase 2	Y	100
Management of Osteoarthritis related to NICE Guidance	Dr N Erb	Y	100

* Total number of eligible patients
+ Calendar year 2009
“ Numbers up to March 2010
º Patient questionnaires
^ The Trust (like others in the West Midlands) submitted all cases into the intermediary West Midlands database but the whole data was not then transferred to the national database

National Confidential Enquiries

Title	Lead/Contact	Participated Yes/No	% Submitted
NCEPOD (National Confidential Enquiry into Patient Outcome & Death): Parenteral Nutrition	Dr N Fisher/A Dufill	Y	52
NCEPOD: Elective and Emergency Surgery in Elderly	A Duffill	Y	88
CMACE; (Centre for Maternal & Child Enquiries); Stillbirths	J Edwards	Y	100
CMACE; Neonatal Deaths	J Edwards	Y	100
CMACE; Obesity in Pregnancy	J Edwards	Y	100

The reports of five national clinical audits were reviewed by the provider in 2009/10 and the Trust intends to take the following actions to improve the quality of healthcare provided:

- Appointment of local transplant coordinator
- Transfusion safety awareness campaign to be launched in the Trust by the Hospital Transfusion Team including posters and leaflets to be distributed to all staff with payslips
- Patient scenario competition to be rolled out during patient safety week
- Business case submitted for electronic bedside checking system. If implemented, this system would almost eliminate the risk of a wrong unit of blood being transfused and would ensure all required checks are performed and recorded
- Use of timers to remind staff to perform required observations, piloted successfully on EAU. To be rolled out Trust-wide
- Improve the numbers and timing of brain scans for stroke patients
- Improve the nutritional screening of stroke patients
- Improve the numbers of stroke patients who have a swallowing screen within four hours of admission

The reports of 130 local clinical audits were reviewed by the provider in 2009/10 and the Trust has taken, or intends to take, the following actions to improve the quality of healthcare provided:

- Redesign of GP referral for DEXA scanning and osteoporosis service
- Have direct referrals from the Emergency Department to the Maternity service to reduce delays in examination and treatment
- Undertake pre-operative assessment of obese pregnant women at the High Risk Obstetric clinic
- Re-write the information leaflet regarding the pre-operative fasting of children
- Include cannula forms in all intravenous cannula packs to improve documentation
- Introduce a new prescription chart with Enoxaparin and TED (surgical) stockings explicitly stated to improve Venous-thromboembolism (VTE) prophylaxis
- Introduce a specific informed consent form for laser treatment in ophthalmology
- Draw up a new guideline on augmentation of labour with syntocinon
- Have a specific checklist of risks and benefits of vaginal birth after caesarean section
- Introduce a 'hold' request on blood group and save requests to reduce unnecessary laboratory work
- Introduce three new clinical fellows in obstetrics/gynaecology

The Trust participates in large multi-centre trials in the fields of cancer, cardiology and musculoskeletal medicine, undertaking both academic and commercial studies. The provision of a dedicated laboratory in the Clinical Research Unit has been instrumental in facilitating participation in commercial research, providing specimen storage and centrifuges for sample preparation.

Recruitment can be broken down into interventional and observational studies. During the period 01/04/2009 to 31/03/2010 364 patients were recruited into interventional and 794 into observational studies. Approximately six per cent of these subjects were recruited into commercial studies.

The Dudley Group of Hospitals is co-sponsor of TRACE RA, a large multi-centre placebo-controlled clinical trial, with a target recruitment of 3,808 subjects, investigating the use of statins in patients with Rheumatoid Arthritis (RA). The Trust also hosts two Arthritis Research Campaign clinical research fellows. One researcher is investigating lipid profiles; the other is designing an educational intervention to reduce cardiovascular disease in RA sufferers.

The number of patients receiving NHS services provided or sub-contracted by The Dudley Group of Hospitals in 2009/10 that were recruited during that period to participate in research approved by a research ethics committee, was 1158.

CQUIN framework

A proportion of The Dudley Group of Hospitals income in 2009/10 (amounting to 0.5 per cent or £1.008m) was conditional on achieving quality improvement and innovation goals agreed between The Dudley Group of Hospitals and any person or body they entered into a contract, agreement or arrangement with for the provision of NHS services, through the Commissioning for Quality and Innovation Payment Framework.

Further details of the agreed goals for 2010/11 and for the following 12 month period are available on request from the Director of Operations.

2009/10 CQUINS

a) TIA patients scanned within 24 hours of admission
b) Smoking status during pregnancy
c) Breastfeeding status
d) PROMs – pre-operative questionnaires Item1: Hips
   PROMs – pre-operative questionnaires Item 2: Knees
   PROMs – pre-operative questionnaires Item 3: Varicose Veins
   PROMs – pre-operative questionnaires Item 4: Hernias
e) Electronic discharge summary

2010/11 CQUINS

Goal no.	Description of goal	Quality Domain(s)
1	Reduce avoidable death, disability and chronic ill health from Venous-thromboembolism (VTE)	Safety
2	Improve responsiveness to personal needs of patients	Patient Experience
3	Missed doses	Safety
4	Warfarin prescribing medicines acute	Safety
5	Smoking acute	Safety Effectiveness
6	Think Glucose	Safety Effectiveness Patient Experience
7	Tissue viability	Safety Effectiveness
8	Dementia pathway	Effectiveness Innovation
9	Breastfeeding	Effectiveness
10	End of life care Advance Care Planning (ACP) enables patient choice and preferences, improves patient experience and quality of care	Experience Effectiveness

Care Quality Commission (CQC)

The Dudley Group of Hospitals is required to register with the Care Quality Commission and its current registration status is 'registered' with the Care Quality Commission with no conditions attached to registration.

The Care Quality Commission has not taken enforcement action with The Dudley Group of Hospitals during 2009/10.

The Dudley Group of Hospitals is subject to periodic reviews by the Care Quality Commission and the last review was on 5th November 2009.

The CQC's assessment of The Dudley Group of Hospitals following that review was that the Trust had implemented recommendations and carried out suggested improvements to four areas highlighted by the CQC following an initial inspection on 15th September 2009.

The Dudley Group of Hospitals has not participated in any special reviews or investigations by the CQC during the reporting period.

The Trust has implemented and maintains 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, Nursing Care Indicators and robust monitoring against local and national targets for healthcare associated infections (HCAI).

CQC Registration 2010/11

We are pleased to announce that The Dudley Group of Hospitals has successfully registered for the Care Quality Commission's (CQC) new system for monitoring standards, and were delighted to be named as one of the first organisations in the country to be granted a licence without any conditions by the CQC on 19th March 2010.

The new system requires trusts to assess their compliance against 16 new quality and safety standards. Registration is carried out by self-assessment and, as we were not satisfied we could give sufficient assurance in five areas, we declared non-compliance to give us the opportunity to meet the high standards we set ourselves and those demanded by the CQC. The five areas were:

Standard number	Standard type	Actions to be taken
Outcome 11 Regulation 17	Safety, availability and suitability of equipment	Evaluate guidelines and reflect in training for all staff
Outcome12 Regulation 21	Requirements relating to workers	Review equal opportunities for career progression, implement a revised appraisal process and mandatory training process
Outcome 13 Regulation 22	Staffing	Reassess and implement revised structured workforce planning
Outcome 14 Regulation 23	Supporting workers	Implement revised appraisal process and subsequent training
Outcome 21 Regulation 20	Records	Include record tracking and filing in Trust induction and centralise creation of temporary folders

To ensure we are compliant with the standards as soon as possible, we have provided the CQC with credible, robust action plans which will be monitored on a regular basis by inspectors from the CQC.

Care Quality Commission Rating 2009/10
Every year trusts have to self-assess against a list of standards to ensure they are delivering high standards of health care for patients. Trusts have to declare compliance, non-compliance or insufficient assurance for each of the standards which are then independently reviewed by the CQC.

2009/10 was a year of transition prior to the introduction of a new system of registration and regulations for all Health and Social Care organisations with the Care Quality Commission (CQC). During this interim period the Trust was required to provide a mid-year declaration of its compliance against the Core Standards for Better Health for the period of 1st April to 31 October 2009. In December 2009 we declared full compliance against these standards. Following this any changes to the Trust's assurance of compliance during the remainder of the transitional assessment year (1st November 2009 to 31st March 2010) were then notified to the CQC in March 2010. On revisiting the standards and re-assessing our assurance against each item the Trust decided to declare insufficient assurance against standard C9 Element 1 relating to records management. An action plan has now been put in place to address the shortfall on this standard including improved tracking of health records and regular training updates.

Care Quality Commission Rating 2008/09
The Care Quality Commission's ratings for 2008/09 were announced on 15th October 2009 and the Trust was pleased to receive top marks for standards of care and dignity and respect for our patients, but extremely disappointed by the overall rating of weak for quality of services. Our consistently high standard of financial management was recognised with an 'excellent' score which enables the organisation to invest in services which directly benefit patients and our scores on the standards of care, dignity and respect and safety reflect this.

However, we believe that an overall weak rating for quality of services is not acceptable and by the time of the announcement we had already improved in several of the areas in which we under achieved. We would like to reassure patients that patient care and safety is always our top priority and we have worked hard during 2009/10 to ensure we improved on meeting our targets and on the quality of our information and data which were the main areas of concern for 2008/09.

In our 2008/09 CQC declaration the Trust declared insufficient assurance against one core standard – core standard C2 Safeguarding Children. Following the Baby P incident the Trust reviewed its safeguarding arrangements and decided that while there were systems in place for safeguarding the Trust Board had received very little management information for assurance purposes. For this reason insufficient assurance was declared while actions were implemented to remedy this, such as quarterly boarding reporting. Since this time the Trust's auditor's Deloitte's have undertaken an internal review of our safeguarding purposes and we are pleased to report their findings of full compliance.

Quality of data

The Dudley Group of Hospitals NHS Foundation Trust submitted records during 2009/10 to the Secondary Uses Service (SUS) for inclusion in the Hospital Episode Statistics which are included in the latest published data. The percentage of records in the published data (based on April – February 09/10 SUS data):

which included the patient's valid NHS number was:

99.5 per cent for admitted patient care;

99.8 per cent for outpatient care; and

97.9 per cent for accident and emergency care

which included the patient's valid General Medical Practice Code was:

100 per cent for admitted patient care;

100 per cent for outpatient care; and

100 per cent for accident and emergency care.

The Dudley Group of Hospitals NHS Foundation Trust score for 2009/10 for Management Requirements for which the Information Quality and the Records Management Agenda is addressed, when assessed using the Information Governance Toolkit was 79 per cent.

The Dudley Group of Hospitals NHS Foundation Trust was subject to the Payment by Results clinical coding audit during the reporting period by the Audit Commission and the error rates reported in the latest published audit for that period for diagnoses and treatment coding (clinical coding) were:

Primary procedures coded incorrectly	6.3 per cent
Secondary procedures coded incorrectly	5.2 per cent
Primary diagnosis coded incorrectly	11.3 per cent
Secondary diagnosis coded incorrectly	9.7 per cent
percentage of spells changing HRG	6.6 per cent

The areas reviewed in the audit were as follows:

THEME – Paediatrics (100 episodes)

SPECIALTY – Pain Management (100 episodes)

CHAPTER – EB, Cardiac Disorders (70 episodes)

HRG – QZ14B, Vascular access except for renal replacement therapy without complications (30 episodes)

During 2009/10 there was one incident involving personal data. Six referral forms to the district nurse office were sent in error to a private fax address which had one digit difference to the correct number. The relevant patients were informed, the number was corrected for future use and staff instructed on ensuring they followed the correct process.

Part 3 – Additional information

Quality overview – performance against selected quality indicators
The following measures are ones the Trust has chosen to measure itself against.

Our indicators have remained the same for 2010/11 as the Board and our stakeholders believe these take into consideration both national and local targets which will be important to patients and give a good overall view of the Trust's quality of care.

Patient experience metrics:

	Actual 2007/08	Actual 2008/09	Actual 2009/10	Target 2009/10	Target 2010/11
% of patients that would recommend hospital to relative/ friend**	90.4%	91.5%	89.5%	95%	95%
% of patients who would rate their overall care highly**	93.8%	92%	88%	Increase from 92%	Increase from 91%
% of patients who spent less than 4 hours waiting in A&E (national target)	98.13%*	95.32%	98.13%*	98%	98%
% of patients who felt they were treated with dignity and respect**	97.4%	95.9%	94.6%	N/A	N/A

*****Dudley health economy mapped figure
Data source: **Data from national inpatient surveys conducted for CQC

Safety measures reported:

	Actual 2007/08	Actual 2008/09	Actual 2009/10
Patients with MRSA infection/1,000 bed days*	N/A	0.07	0.04
Patients with C difficile infection/1,000 bed days*	1.45	0.97	0.9
Number of cases of Deep Vein Thrombosis presenting within three months of hospital admission Source: Patient Administration System	49	48	48

*Data source: Numerator data taken from infection control data system and denominator from the occupied bed statistics in patient administration system. *NB MRSA/C diff figures may differ from data available on HPA website due to different calculation methods and Trust calculations using most current Trust bed data.*

Clinical outcome measures reported:

	Actual 2007/08	Actual 2008/09	Actual 2009/10
Trust Readmission Rate for Surgery Vs Peer group West Midlands SHA Source: CHKS Signpost	4.6% Vs 4.1%	3.9%* Vs 4.3%	4.1% Vs 4.2%
Number of cardiac arrests Source: logged switchboard calls	397	250	170
Never events Source: adverse incidents database	0	0	0

*3.8 per cent for 2008/09 in last year's report was April 2008 to February 2009 only

Our performance against key national priorities and National Core Standards

National targets and regulatory requirements	Actual 2009/10	Actual 2008/09	Actual 2007/08	Target 2010/11
The Trust has fully met the CQC core standards, and national targets	23/24***	23/24	24/24	N/A see page 40
A maximum waiting time of four hours in A&E from arrival to admission, transfer or discharge	98.13%	95.32%	98.1%	98%
A maximum two-week wait for standard for Rapid Access Chest Pain Clinics	98.75%	99.89%**	99.98%	100%
Genito-urinary medicine – percentage of patients offered an appointment within 48 hours	99.83%	99.59%	N/A	98%
Percentage of patients who have operations cancelled for non-clinical reason to be offered another date within 28 days	100%	100%	100%	100%
Clostridium difficile year on year reduction	126	154*	N/A	161
MRSA – maintaining the annual number of MRSA bloodstream infections as per the PCT contract	10 (only two of which were post 48 hrs)	16 (only seven of which were post 48hrs)	N/A	No more than 2 post 48 hrs
Screening all elective in-patients for MRSA	100%	N/A	N/A	100%
Maximum time of 18 weeks from point of referral to treatment (admitted patients)	95.8%	92.4%	N/A	90%

National targets and regulatory requirements cont.	Actual 2009/10	Actual 2008/09	Actual 2007/08	Target 2010/11
Maximum time of 18 weeks from point of referral to treatment (non-admitted patients)	99.1%	96.15%	N/A	95%
Two week maximum wait for urgent suspected cancer referrals from GP to first outpatient appointment	98%	100%	100%	100%
A maximum wait of 31 days from decision to treat to start of treatment for all cancers	99.3%	100%	100%	98%
A maximum wait of 62 days from urgent referral to treatment of all cancers	86.5%	99.9%	100%	85%
Proportion of women receiving cervical cancer screening test results within two weeks	97%	90%	90%	90%
Percentage of patients waiting five weeks or less for diagnostic tests	99.58%	99.73%	N/A	95%

All figures are final year end data for 2009/10
N/A applies to targets not in place at that time
*The outcome of verification of year end data for 2009/10 was confirmed after publication of last year's report which stated a figure of 152
**The outcome of verification of year end data for 2009/10 was confirmed after publication of last year's report which stated a figure of 99.98 per cent
*** See page 41 for details

Hospital Standardised Mortality Ratio

We are committed to ensuring the best possible outcome for our patients at The Dudley Group of Hospitals and were disappointed with the mortality ratio of 112.6 assigned to us by Dr Foster for 2008/09. Our internal monitoring systems, which include audits, mortality and morbidity reviews and detailed reviews in areas where mortality alerts have been generated, have not raised any concerns. The Trust also works with CHKS, an external independent organisation that provides comparative performance data in a number of areas, including mortality. This has given the Trust additional reassurance around mortality performance.

The Trust is not alone in having a retrospective increase in Dr Foster's mortality ratio applied to our performance. This is due to Dr Foster not only changing the base line for mortality during the year but also changing the methodology of calculating mortality ratio in year.

Annex to Quality Report/Account

Comment from NHS Dudley
NHS Dudley is pleased to provide a supporting statement for The Dudley Group of Hospitals NHS Foundation Trust Quality Accounts. We have carefully reviewed the contents of the Quality Accounts prepared by the Trust. It is our belief and understanding that the content of the accounts is a true and accurate reflection of the performance information recorded by the Trust. As such, we are happy to endorse the contents of the Quality Accounts and provide assurance that the figures recorded in the accounts reflect our current understanding of activity and performance at The Dudley Group of Hospitals NHS Foundation Trust.

We shared the Trust's disappointment when the Care Quality Commission highlighted areas of need for quality improvements and welcome the good progress being demonstrated through our joint Clinical Quality review system. We will continue to support the Trust in its robust endeavours to improve patients' experiences of care.

Furthermore, we welcome the 'Planning for Quality' steering group set up by the Trust and recognise the opportunities this affords the stakeholders involved, including Trust Governors and Members, to work together to agree priorities and drive improvements in quality and patient experience in the future.

Comment from Dudley Local Involvement Network (LINk)
Dudley Local Involvement Network (LINk) is pleased to comment on these Quality Accounts. The LINk has been working hard within the community to hear people's views and experiences and, because of the relationship that the LINk has built up with The Dudley Group of Hospitals, has enabled these views and experiences to be heard. Hopefully the contribution that the LINk has made is reflected in the improvements that these accounts show, as well as indicating to us that there is still work to do.

There is a very impressive statement on quality from the Chief Executive, Paula Clark. There is no doubt that a considerable effort has been made by all concerned to improve standards of quality across the provision of hospital services for our community. Great progress has been made in three of the four priority areas, namely:

<u>Priority One: reduce numbers of cardiac arrests</u>
The targets set to reduce the number of cardiac arrests were exceeded in substantial margin, which resulted in fact with several awards given for excellence. Winner of Performance Excellence Award for the Outreach Team at Trust, winner of Critical and Intensive Care Award at National Patient Safety awards 2010 etc.

<u>Priority Two: reduce MRSA rates</u>
The possibility of catching MRSA in Dudley hospitals has been a real concern to residents. A reduction in the MRSA rate of infection was substantially achieved and was one of the lowest recorded in the West Midlands region. The LINk believes that one reason for this reduction is the hard work and determination of Dawn Westmoreland and her team, as well as all the staff working within our hospitals.

Priority Three: to further reduce C difficile rate
Again, a substantial reduction was achieved. **A reduction of some 67 per cent from 2007/08**.

Priority Four: patient experience
Patient experience during 2009 was very disappointing, going from a high of some 94 per cent in 2007 of patients who rated for overall care to a low of some 88 per cent in 2009.

However, this trend has been recognised by management who have implemented a continuous patient survey system helping to give staff more 'real time feedback' on what patients think. We are pleased that a Patient Information Officer has been appointed to improve the quality of patient information.

Areas for improvement indentified are: provide more volunteer assistance at mealtimes for patients and improve patient information in advance and in hospital. The LINk believes that this could include more information for outpatients for delays, and improved help and support for patients with impairments.

Priority Five: hip fractures
No previous figures are available for this comparison. The main aims this year will be to improve the 'hip fracture journey' for patients and to establish that all patients with a hip fracture who are medically fit should have surgery within 36 hours of admission.

Overview and Scrutiny Committee
The draft Quality Accounts were also emailed to the clerk of Dudley Overview and Scrutiny Committee (OSC) prior to publication for their comments, but due to the general election the OSC has been disbanded and was therefore unable to comment this year. We welcome its input in future years.

Your Hospital of Choice: Staff

The Trust is the second largest employer in the Dudley borough with 3257 whole time equivalent (WTE) staff, an increase of 263 WTE staff from 2009.

As at 31st March 2010	
Staff Grouping	**WTE**
Professional Scientific and Technical	426
Non-Clinical	670
Additional Clinical Services	627
Medical and Dental	425
Nursing and Midwifery Registered	1,109
Total	**3,257**

Communicating and consulting with staff

In a 24/7 organisation, it is always a challenge to ensure everyone is communicated with and able to take part in consultation. We have developed a number of ways of doing this which include the ever popular Trust intranet called 'The Hub' where staff can access information on Trust issues, policies, news and views from colleagues. We also publish a quarterly staff and Members' newsletter named 'Your Trust' which incorporates our former staff newsletter 'Insideout'. We have also held a number of discussion groups following Pulse Staff Surveys to understand more fully the views of staff and what they would like to see change to improve standards both for patients and staff.

During the year our new Chief Executive started a monthly team briefing with updates on the Trust's strategic direction together with any new policies published that month. This is a great way of getting information out to everyone including those who do not have regular access to The Hub.

Our Pulse Staff Survey is now in its third year, which enables staff to give feedback on how the Trust is doing and how staff are feeling about working at the Trust. We have also had two major consulting exercises this year when we changed the opening hours of pharmacy to include weekends. This was successfully completed and the Trust now has a seven day a week service which is of great benefit to our patients. Staff were also consulted about a ward reconfiguration, which took place during the year. We listened to what staff had to say and as a result of their feedback final plans were changed to incorporate their recommendations.

Work has continued with our clinical directors to ensure that each month they are provided with a statement of their directorates' financial position. This enables them to make proactive decisions at their management meetings about budget management. Feedback from staff is also gathered in the Staff Pulse Survey about how they view the financial success of the Trust. Each budget holder has now been trained on E-Budgeting and this provides online up-to-date budget information. Messages about Foundation Trust performance can also be communicated via The Hub and the Chief Executive's team briefing.

Taking care of our staff

We know that having a committed and motivated workforce depends on staff feeling that they are treated with fairness, respect and dignity and that they have equal opportunities for self-development. We want to ensure that our staff are not discriminated against on the grounds of their ethnic origin, physical or mental ability, gender, age, religious beliefs or sexual orientation. If this happens, we want staff to feel confident about using our policies to raise concerns and to have them addressed.

The Trust is committed to employing people with disabilities and again this year we have been awarded the two tick's disability symbol – a national standard which recognises that we are positive about employing disabled people. We are passionate about maintaining both our employment statistics from NHS Jobs and our training activity to ensure that everyone is able to access the jobs and training that is right for them. To this end, it is the Trust's policy to interview all candidates with a disability who meet the minimum 'essential' criteria as identified on the job person specification. As the vast majority of job applications are now processed through NHS Jobs, this maintains anonymity of applicants during the shortlisting process and our recruitment and selection process also includes discrimination awareness training. The Trust would make reasonable adjustments to the work area for any employees who may become disabled while working at the Trust following an 'access to work' assessment to identify necessary adjustments.

The Health and Safety team has worked on the reduction in accidents in the Trust and we are pleased to report that they have fallen this year by 13 per cent. This was further supported by another successful Health and Safety week in November 2009 to raise awareness of the prevention of accidents in the Trust.

In addition, our security team has reported that the Trust has among the lowest recorded incidents of violence and aggression. This has been achieved by a great working relationship with our Private Finance Initiative (PFI) partners.

During the year our Occupational Health department has successfully trialled a new early access physiotherapy service for staff with musculoskeletal injury and we hope to roll this out as a permanent service in 2010, linked to recommendations in the NHS Health and Wellbeing Boorman review.

Our sickness absence rates continue to fall with the Trust finishing at 4.04 per cent this year which is 0.36 below the target for the year of no more than 4.4 per cent. Labour turnover continues to remain consistent at 10.37 per cent for the year and we are continuing with a programme for line managers on how to handle employment related topics.

Labour turnover 2009/10

Q1 actual	3.57%
Q2 actual	3.91%
Q3 actual	4.46%
Q4 actual	4.17%
Full year actual	4.04%

Equality and diversity report

Equality and diversity at The Dudley Group of Hospitals was led by our Director of Human Resources (HR), Janine Clarke during the year. We are constantly assessing any review of policies or service through our programme of equality impact assessments and new for 2010 is the development of a single equality scheme. The HR team is in the process of researching this now, to ensure that our new single equality policy is fit for purpose.

Equality and diversity impact assessments have been a high priority in the Trust over the last 12 months. In 2008/09 we completed a full programme of service impact assessments and during 2009/10 we have been actively following up action plans from these to ensure that the Trust is offering the best possible service to a complete cross section of the community. All our policies are equality and diversity impact assessed before being approved.

The Trust has a three year rolling programme of equality impact assessments linked to the review of policies and services in the Trust. Each policy or service originator is responsible for completing an impact assessment and publishing this on the Trust website. In line with publication duties the Trust publicises its diversity statistics on our website and compare them to the local population. These statistics are also used to monitor our performance.

During 2009/10 the Trust's internal auditors have signed off actions identified in our plan to address any shortfalls in equality and diversity. The only ongoing action is to build equality and diversity into our procurement process and this will be completed by March 2011.

Summary of performance – NHS workforce statistics

An analysis of our staff indicates that this is comparable with both the local Dudley population and other NHS Acute Trusts. Historically the Trust has seen a higher proportion of female workers than males, and this is typically reflected across other NHS Acute Trusts.

	Workforce	
	1st October 2008 to 31st March 2009	1st April 2009 to 31st March 2010
Age		
18-19	0.3%	0.2%
20-24	6.5%	7.4%
25-29	12.8%	12.5%
30-34	11.0%	11.4%
35-39	14.1%	13.4%
40-44	15.0%	15.0%
45-49	15.8%	15.7%
50-54	10.6%	11.0%
55-59	7.9%	7.9%

	Workforce	
	1st October 2008 to 31st March 2009	1st April 2009 to 31st March 2010
60-64	5.0%	4.6%
65+	0.9%	0.8%
Gender		
Male	17.7%	17%
Female	82.3%	83%
Ethnicity		
White	75.7%	75%
Mixed	0.7%	0.8%
Asian or Asian British	9.6%	9.7%
Black or Black British	3.0%	2.7%
Other	1.4%	1.5%
Not stated	9.5%	10.3%

Disability

		% breakdown of all applications received	% of applications shortlisted	% of applications appointed
Disabled Person	Yes	3.2%	17.9%	0.8%
	No	96.3%	15.0%	1.5%
	Undisclosed	0.5%	18.1%	1.7%

Future priorities and targets

During 2010 the Trust will continue to follow up action plans set by wards and departments on the service equality impact assessments. This, with the rolling programme for reviewed and new services and policies, will be the focus for the year. We will also be developing the new single equality policy for the Trust.

An action plan to deliver the single equality policy is being developed and part of this will include consulting with people inside and outside the Trust to ensure we develop a policy that is right for the Trust, staff and local community.

Monitoring and measuring

All impact assessments, policies and statistics will continue to be reviewed and published on the Trust website.

A robust approvals process of Trust policies ensures that no policy can be approved without an equality impact assessment being completed.

Staff engagement report

Our Directors regularly visit wards and departments to talk to staff and patients to gather feedback and see first-hand how their decisions make a high level impact on daily life in the Trust.

The Trust's own staff survey 'Pulse' is collated quarterly and the feedback is given to our clinical directors for them to create action plans with their management teams using the staff feedback from their areas.

National staff survey summary of performance

	2008/09	2009/10	Trust improvement/ deterioration
Response rate	Trust	Trust	% increase/ decrease
	41%	33%	-8%

	2008/09		2009/10		Trust improvement/ deterioration
Top 4 ranking scores	Trust	National average	Trust	National average	% increase/ decrease
Percentage of staff experiencing physical violence from staff in the last 12 months	1%	2%	0%	2%	-1%
Percentage of staff experiencing harassment, bullying or abuse from staff in last 12 months	12%	13%	10%	18%	-2%
Percentage of staff suffering work related injury in last 12 months	17%	n/a	13%	17%	-4%
Percentage of staff feeling pressure in last three months to attend work when feeling unwell	n/a		21%	26%	-5% better than national average

	2008/09		2009/10		Trust improvement/ deterioration
Bottom 4 ranking scores	Trust	National average	Trust	National average	% increase/ decrease
Percentage of staff appraised in last 12 months	49%	66%	46%	70%	-3%
Percentage of staff appraised with personal development plans in last 12 months	38%	87%	40%	59%	+2%
Percentage of staff agreeing that their role makes a difference to patients	87%	83%	85%	90%	-2%
Percentage of staff having structured appraisals in last 12 months	n/a		22%	30%	-8% lower than national average

Action plans have been put in place to enable us to address these bottom four ranking scores. Three out of the bottom four responses relate to appraisals and therefore we have set plans in place to achieve the following:

- That all staff have an appraisal by June 2010 together with a personal development plan for the coming year. We have also agreed four generic objectives to sit alongside and professional objectives. These relate to the Trust Vision and Values together with the operational goals.

With regard to the question around 'staff agreeing that their role makes a difference to patients', we already have 85 per cent of people who believe that it does, therefore we need to identify the reasons why the remaining 15 per cent of people do not feel that their role makes a difference and work with them to make changes as appropriate.

Local staff survey summary of performance

In order to understand how engaged our staff are at regular intervals, local staff surveys are completed each quarter. In order to quantify the results produced, questions are split in to three categories:

Engaged

Enabled

Empowered

An average score is produced from these results to produce the overall workforce commitment index. Over the course of the year all employees are invited to respond to the survey.

	2008/09	2009/10	Trust improvement/ deterioration
Total Workforce Commitment	740	742	+2 points
Engaged	722	729	+7 points
Enabled	774	775	+1 point
Empowered	721	723	+2 points

Scores taken out of a thousand

Future priorities and targets

We will be targeting the response rates to the national survey this year with a marketing company to ensure that people know when it is and that their feedback is valuable for the future running of the Trust. We can do this by ensuring that we have fully engaged with people in the actions from the 2009 results. Working with clinical directors and the Communications Department we can create a transparent process of consulting to gather views on how we are doing and a system of feedback from the Trust on 'you said we did'.

Further priorities for next year include the introduction by our Chief Executive of 'Listening into Action' groups which will be a great way of getting first-hand feedback from staff, along with the introduction of development groups for lead nurses and management development sessions for newly appointed managers.

Monitoring and measuring

We will continue to monitor and measure staff engagement through the national staff survey and our own local pulse surveys.

Financial performance

In line with recent years, the Trust has once again reported good financial results for 2009/10. Total income has increased by 11.2 per cent to £253.7 million with an Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) of £24.7 million which equates to 9.8 per cent of turnover. This excellent financial performance means that the Trust achieves an overall Financial Risk Rating of four from Monitor.

As in the previous year, the Trust experienced very different trading conditions during the first and second half of the financial year. During the first half of the year the Trust experienced high levels of activity performance, especially in elective work, which created headroom for the continued successful delivery of the 18-weeks referral to treatment target. Outpatient activity had also increased and was well in excess of the plan. This led to a beneficial income position compared to plan which helped the Trust achieve an EBITDA margin and surplus margin above plan for the first half of the year despite experiencing stepped cost issues as a result of the increased activity.

High levels of activity performance continued for the second half of the year but the Trust found that by sustaining these levels of activity the premium rate working and agency costs in particular adversely affected our financial performance. The Trust had also invested significant resources into A&E and bed management to assist the Trust in achieving the four hour A&E wait target. The effect of the premium costs and investment led to the Trust achieving an EBITDA margin and surplus margin below plan for the second half of the year.

During the year the Trust has engaged the district valuer to conduct a market equivalent asset valuation of the Trust's land and buildings. The continued reduction in land and property values in the UK during 2009/10 has resulted in an impairment charge to the Trust's income statement of £1.205 million which has contributed to the variance in net surplus.

Table 1: Trust Financial Performance 2009/10

	Plan	Actual	Variance
	£000's	£000's	£000's
Income	237,993	253,684	15,691
Expenditure	(211,229)	(228,943)	(17,714)
EBITDA	**26,764**	**24,741**	**(2,023)**
Net Surplus	**5,169**	**1,862**	**(3,307)**
EBITDA Margin	11.2%	9.8%	(1.4%)
EBITDA % Plan Achieved	103.9%	92.4%	(11.5%)
Return on Assets	6.8%	6.0%	(0.8%)
IS Surplus Margin	2.2%	1.3%	(0.9%)
Liquidity Days	62.7	65.6	2.9

Income and Expenditure
The table below compares the original planned income and expenditure with the outturn position for 2009/10.

	Plan	Actual	Variance	Notes
	£000's	£000's	£000's	
Activity Income	225,225	236,715	11,490	**1**
Other Clinical Income	1,153	1,517	364	
Other Operating Income	11,615	15,452	3,837	**2**
Total Income	**237,993**	**253,684**	**15,691**	
Pay Spend	(134,984)	(142,419)	(7,435)	**3**
Non-Pay Spend	(76,245)	(86,524)	(10,279)	**4**
Total Expenditure	**(211,229)**	**(228,943)**	**(17,714)**	
EBITDA	**26,764**	**24,741**	**(2,023)**	**5**
Retained Surplus	**5,169**	**1,862**	**(3,307)**	

1. Activity Income
The Trust signed contracts totalling £214.6m for 2009/10 including £1m for specific quality improvements. The main PCT contracts are held with Dudley (£160.5m), Sandwell (£26.8m), South Staffordshire (£7.2m) and Specialised Services (£12.0m).

The activity plan was based upon signed contracts with PCTs that is income secured rather than 'at risk'. However, similar to the previous financial year, the Board developed a more realistic view of the likely level of activity and approved higher activity target levels amounting to £10.5m of 'at risk' income. This was based on a more realistic view of likely referral levels, growth and the impact of PCT demand management schemes. It also factored in additional activity linked to the Trust strategy to attract additional work from Wyre Forest, Sandwell and Staffordshire. In reality even this elevated plan under-estimated actual activity flows, signalling continued strong activity performance from the Trust.

	Annual Plan	Outturn	Variance	Growth (%)
Accident & Emergency attendances	96,514	94,800	(1,714)	(1.8%)
Elective spells	45,197	51,079	5,882	13.0%
Non-elective spells	46,926	53,320	6,394	13.6%
Outpatient attendances	461,339	464,925	3,586	0.8%
Outpatient procedures	19,280	31,798	12,518	64.9%

2. Other Operating Income

The Trust successfully attracted other operating income in excess of planned levels, notably for training and education and research and development. The Trust received the penultimate year of financial support for the PFI scheme and remained well within the private patient income cap.

3. Pay Spend

Pay costs have increased significantly throughout the year linked to growth in activity, improved quality and from the impact of achieving key targets, i.e. A&E. During the year, the budgeted establishment increased from 3,219 to 3,406 Whole Time Equivalents. Over the same period, the staff contracted to the Trust grew from 2,994 to 3,257 Whole Time Equivalents. The Trust has actively sought to reduce vacancies during the year, particularly for nurses following two very successful recruitment days. However, the significant increase in work, coupled with the level of vacancies and requirement to operate safely, has resulted in excessive unplanned additional expenditure on agency, waiting list initiative and overtime working.

4. Non-Pay Spend

Additional non-pay spending has occurred as a direct result of additional activity with significant unplanned spends occurring on medical equipment, surgical instruments, dressings, pathology consumables and cleaning. In addition, non-pay spend has also increased on computer equipment, stationery/postage and office furniture and equipment. Additional expenditure has occurred with our PFI partner linked to temporary car parks, additional waiting list clinic facility costs including the temporary opening of Sandringham, and a variation for unsocial hours for agenda for change.

5. EBITDA

EBITDA for the year as a whole fell slightly below plan linked to in-year developments and the high cost of premium rate working. While remaining profitable in the first seven months of the year, stepped costs were encountered from thereon, resulting in a loss over the final five months as the cost of premium rate working outstripped the additional income achieved linked to the growth in work.

Capital and Cash

In 2009/10 the Trust invested £6.8 million on new facilities and equipment. The construction of the multi-tiered car park commenced in November 2009. This is a £7.2 million scheme which will provide the Trust with 691 additional staff car parking spaces. The second largest investment was in medical equipment. The Trust spent £2.1 million on new equipment and replacing equipment that had reached the end of its useful life.

Investment 2009/10	**Amount**
	£000's
Multi Tiered Car Park	1,858
Medical Equipment	2,137
North Wing Upgrade	36
Ward Reconfiguration	509
Information Technology	688
Other Works including PFI Lifecycle	1,572
Total	**6,800**

The Trust ended the year with a healthy cash balance of £36.9 million, £26.9m in cash and cash equivalents and £10m in short-term fixed deposit accounts. This will be used to support our planned capital expenditure over the next three years.

During 2009/10 the Trust operated with a Prudential Borrowing Limit (PBL) set for the year by Monitor of £166.7 million of long-term borrowing. The Trust maintained, but did not utilise, a committed working capital facility with Barclays Bank of £16 million, equivalent to 30 days normal trading.

During 2009/10 the Trust continued its policy of paying all local suppliers at the earliest opportunity to support the local economy during these difficult economic times. The Trust continues to perform strongly against the best practice payment policy target of 95 per cent compliance. During 2009/10 the Trust paid 98.6 per cent of non-NHS and 96.9 per cent of NHS suppliers within 30 days of receipt of goods or invoice.

Better payment code of practice

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 comparative performance for the periods 1st April 2009 to 31st March 2010 and 1st October 2008 to 31st March 2009.

	2009/10		2008/09	
	Number	£000	Number	£000
Total non-NHS trade invoices paid in the year	50,284	135,016	22,493	65,551
Total non-NHS trade invoices paid within target	49,584	134,368	22,285	64,972
Percentage of non-NHS trade invoices paid within target	99%	100%	99%	99%
Total NHS trade invoices paid in the year	1,687	37,502	972	16,185
Total NHS trade invoices paid within target	1,635	36,926	941	15,872
Percentage of NHS trade invoices paid within target	97%	98%	97%	98%

Audit Information

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

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.

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.

Council of Governors and Members

The Council of Governors is responsible for holding the Trust Board of Directors to account for its stewardship of the organisation; the majority of our Governors are elected through our membership. Our Council of Governors was formed with effect from the 1st October 2008 and consists of 39 Governors in total:

Public elected – 20 Governors
Staff elected – 6 Governors
Appointed from our key stakeholders – 13 Governors

A table summarising the Council of Governors and the constituencies they represent can be found on pages 61-62.

The Trust Board works closely with our Council of Governors and, over the last twelve months, has strengthened these links through development networking sessions. The Council is consulted by the Board on the determination of its strategy. The Board is accountable to the Council of Governors ensuring it meets its terms of authorisation. During 2009/10 the Council and Trust Board felt it was appropriate to meet more frequently than quarterly during our first full year as a foundation trust (see table page 61-62 of Council meetings and attendance at such). General meetings of the Council of Governors are held in public. During the year 2009/10, the Council of Governors has met formally on seven occasions.

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

- Communications and membership sub-committee
- Strategy sub-committee
- Patient and public experience sub-committee (a sub-committee of the Trust Board with representation from the Council of Governors)
- Remuneration sub-committee
- Nominations sub-committee

The Council of Governors has the following key roles:

- Appointment of the chair, including appraisal and performance management
- Appointment of the non-executive directors
- Appointment of external auditors
- Advising the Trust Board on the views of Members and the wider community
- Ensuring the Board of Directors complies with its terms of authorisation and operates within that licence
- Recruitment and engagement of Members
- Advising on strategic direction

Attendance at Council of Governors Meetings

		20/05/09	04/06/20	02/07/09	20/08/09	12/11/09	10/12/09	18/02/10
Name	**Appointed**							
Ms Pamela Boucher	DGoH volunteers appointed by Dudley Council for Voluntary Services		✓	✓	✓	✓		
Mrs Mary Turner	Dudley Council for Voluntary Services	✓	✓			✓		
Councillor Lesley Faulkner (commenced Nov 09)	Dudley MBC					✓		
Councillor Peter Miller (retired Oct 09)	Dudley MBC		✓					
Mr Mark Cooke (resigned Jan 10)	Dudley PCT			✓				
Ms Rachel Harris (resigned March 10)	Dudley PCT	✓			✓			
Ms Beverley Hill	Sandwell PCT			✓	✓			
Mr Ian Mullins	Summit Healthcare	✓						
Professor Martin Kendall	University of Birmingham Medical School			✓				✓
Professor Linda Lang	Wolverhampton University School of Health		✓			✓	✓	✓
Councillor Anne Hingley	Wyre Forest DC			✓		✓	✓	
Miss Nikky Gill (retired March 10)	Youth Council	✓		✓				
Ms Diane Lee	West Midlands Ambulance Service		✓					
Mr Brian Hanford	Worcestershire PCT				✓			
	Public elected							
Mr Richard Brookes	Brierley Hill	✓		✓	✓	✓	✓	✓
Mr Peter Totney (commenced Nov 09)	Brierley Hill					✓		
Mr Steve Waltho	Brierley Hill	✓	✓		✓		✓	✓
Mr Bob Ferguson	Central Dudley	✓	✓	✓	✓	✓	✓	
Dr P D Gupta	Central Dudley	✓			✓	✓		
Mr Atif Janjua	Central Dudley	✓	✓	✓	✓	✓	✓	
Mr John Balmforth	Halesowen	✓		✓		✓	✓	✓

		20/05/09	04/06/09	02/07/09	20/08/09	12/11/09	10/12/09	18/02/10
Mrs Jane Beard	Halesowen	✓						
Mr Rob Johnson	Halesowen		✓	✓			✓	✓
Mrs Rosemary Bennett	North Dudley	✓	✓	✓	✓		✓	
Mr Simon Biggs	North Dudley			✓		✓		
Mr Harvey Woolf	North Dudley	✓	✓	✓	✓	✓		✓
Mr Howard Perrin (resigned Sep 09)	Rest of the West Midlands				✓			
Mrs Janet Robinson	Rowley Regis		✓		✓	✓		
Mrs Diane Jones	South Staffordshire	✓		✓	✓	✓	✓	✓
Mr Darren Adams	Stourbridge	✓	✓	✓		✓	✓	✓
Ms Catherine Earle	Stourbridge							
Mr Roy Savin	Stourbridge	✓		✓	✓	✓	✓	✓
Mr David Ward (resigned Feb 10)	Tipton				✓		✓	
Mrs Pat Siviter	Wyre Forest		✓	✓	✓	✓	✓	
	Staff elected							
Dr Adrian Hamlyn (retired Sep 09)	Medical and Dental				✓			
Ms Jane Elvidge	Allied Health Professionals and Health Care Scientists				✓		✓	✓
Mr Ian Dukes (commenced March 10)	Medical and Dental							
Mr David Ore	Non clinical staff	✓	✓		✓	✓		✓
Ms Jane Southall	Nursing and Midwifery		✓		✓			✓
Mr Graham Russell	Nursing and Midwifery	✓	✓	✓	✓	✓	✓	
Mr Simon Tovey	Partner Organisations' Staff	✓	✓	✓	✓	✓	✓	✓
Board of Directors								
Mr Paul Assinder		✓	✓	✓	✓			✓
Mr David Badger		✓	✓		✓	✓	✓	✓
Mrs Ann Becke		✓	✓	✓	✓	✓	✓	
Mr Paul Brennan (secondment Oct 09)								
Ms Janine Clarke								
Miss Paula Clark (commenced Oct 09)						✓	✓	
Mr Alf Edwards		✓	✓	✓		✓	✓	
Mr Paul Farenden (left Sept 09)								
Mr Jonathan Fellows						✓	✓	
Mr Paul Harrison				✓		✓	✓	
Mrs Denise McMahon			✓			✓	✓	✓
Ms Ruth Serrell (Acting Operations Director from Oct 09)						✓	✓	✓
Ms Kathryn Williets			✓	✓				✓
Mr David Wilton (left Jan 10)					✓			

The Trust Secretary holds a register of Governors' Interests which is available for public inspection at the Foundation Trust Headquarters. Should you wish to view the register, please contact the Trust Secretary on 01384 456111.

Membership of Council Committees

Membership of Council of Governors sub groups

Lead Governor Darren Adams

Nominations Committee

Chair	Harvey Woolf
Deputy chair	Professor Martin Kendall
Members	Alf Edwards
	John Balmforth
	Janine Clarke (Executive)
Dates of meetings	12th June 2009
	7th August 2009
	5th October 2009
	18th January 2010
	18th February 2010

Governor Development Committee

Chair	Rob Johnson
Deputy chair	David Badger
Members	Darren Adams
	Harvey Woolf
	Paul Assinder (Executive)
Dates of meetings	15th June 2009
	10th August 2009
	1st December 2009
	22nd January 2010

Communications Sub-committee

Chair	Darren Adams (formerly Simon Biggs)
Deputy chair	Harvey Woolf
Members	Atif Janjua
	Diane Jones
	Roy Savin
	Steve Waltho
	Jane Southall (staff)
	Simon Tovey (staff)
Dates of meetings	7th April 2009
	6th May 2009
	1st June 2009
	2nd July 2009
	10th September 2009

30th October 2009
1st December 2009
18th February 2010
19th March 2010

Service Strategy Development Working Group

Chair	John Balmforth (previously Simon Tovey)
Deputy chair	Graham Russell
Members	Darren Adams
	Rob Johnson
	Roy Savin
	Paul Assinder (Executive)
	Ruth Serrell (Executive)
	Paula Clark (Executive)
Dates of meetings	27th April 2009
	18th May 2009
	12th January 2010
	8th February 2010
	12th March 2010

Governor Remuneration Committee

Chair	Alf Edwards
Deputy chair	David Badger
Members	Paula Clark (Executive)
	Darren Adams
	Roy Savin
Dates of meetings	No meetings

Patient and Public Experience sub committee

Chair	Denise McMahon (Executive)
Deputy chair	Liz Abbiss
Members	Roy Savin
	Rob Johnson
	Darren Adams
	David Badger
	Ian Mullins
	David Ore (staff)
	Bob Ferguson (end of term March 31st 2010)
Dates of meetings	22nd July 2009
	16th September 2009
	21st October 2009
	18th November 2009
	17th February 2010

Governor resignations and elections

Governors were appointed on 1st October 2008 for a three year period. However, by agreement, a rolling programme of voluntary resignation has been established.

In accordance with our Constitution, the Trust uses the method of single transferable voting for all elections. This system allows voters to rank candidates in order of preference and, after candidates have either, been elected or eliminated, unused votes are transferred according to the voters next stated preference. Electoral Reform Service (ERS), which is an external agent, has been appointed by the Trust to oversee the election process.

The following organisations have appointed new Governors to the Trust Council during the year:

Dudley Metropolitan Borough Council	Councillor Lesley Faulkner
Dudley PCT	Mrs Sarah Dugan
West Midlands Ambulance Trust	Mr Phil Higgins
Dudley Youth Council	Mr Rafat Hussein

During the year, the Trust received six resignations of elected members from the Council of Governors. Four of those vacancies were filled for a three-year term using the prescribed election process. Elections for remaining vacancies are currently in process in accordance with the election rules, as stated in the Constitution. The tables below set out the movement of Governors during the year as result of resignation:

Resignation date	Ward/constituency	Name of Governor
Sep 09	Public elected: Rest of the West Midlands	Mr Howard Perrin
Jun 09	Public elected: Brierley Hill	Mrs Wendy Hadley
Oct 09	Staff elected: Medical and Dental	Mr Adrian Hamlyn
Jan 10	Public elected: Central Dudley	Mr Bob Ferguson
Jan 10	Public elected: North Dudley	Mr Simon Biggs
Feb 10	Public elected: Tipton	Mr David Ward

Election date	Ward/constituency	Number of eligible voters	Total votes cast	Election result
Jun 09	Public elected: Tipton	Elected unopposed		Mr David Ward
Jun 09	Staff elected: Allied Health Professions and Healthcare Scientists	Elected unopposed		Mrs Jane Elvidge
Oct 09	Public elected: Brierley Hill	1,210	343	Mr Peter Totney
Jan 10	Public elected: Rest of the West Midlands	Elected unopposed		Ms Kacey Akpoteni
Feb 10	Staff elected Medical & Dental	419	129	Mr Ian Dukes

Engagement with Governors and Members

The Trust encourages and supports Governors in raising their profiles within their constituencies and several Governors have undertaken a pilot programme of engagement that ran from November 2009 to March 2010 and is now being rolled out with all Governors. The 'Governors out there' pilot aims to support Governors to undertake their important role in finding out what people think and bringing that feedback to the Trust Board of Directors. Our Council of Governors meetings include presentations and question and answer sessions with key clinicians and staff from across the Trust to help Governors understand how the hospitals work.

2009 saw the launch of our very successful members 'health fairs'. We held three fairs during the year with over 250 members enjoying the informative events on topics that included: rheumatology and joint problems, physiotherapy and other support services, cancer services and cardiology. The events received extremely positive feedback from Members and more such events are planned for the coming year.

The non-executive directors attend Council of Governor meetings on a regular basis and a non-executive representative participates at all of the Governor sub-committees to ensure we are seeking, and listening, to the views of our Governors and Members at Board level.

Contact procedures for people to talk to their Governors and/or Directors of the Trust Board

There are several ways our Members or members of the public can contact either their Governor or a member of the Trust Board of Directors:

- At our public Council of Governors meetings held quarterly
- At our Annual Members' Meeting
  (*dates for both the above from the FT office or on www.dgoh.nhs.uk*)
- Telephone via our Foundation Trust Office on 01384 456111 ext. 1419
- Email: foundationmembers@dgoh.nhs.uk or governors@dgoh.nhs.uk
- Write to: Freepost RSEH-CUZB-SJEG
  2nd Floor C Block, Russells Hall Hospital, Pensnett Road, Dudley, DY1 2HQ

Several of our Governors are also happy to be contacted directly and their details can be found on the Foundation Trust pages of our website or via telephone 01384 456111 ext. 1419.

Developing our Membership

Membership recruitment and engagement

Throughout the year we have taken many opportunities to engage with our communities to help them understand what a foundation trust is and how they can get involved in having their say on healthcare in Dudley. The table below shows the top five most successful engagement events in terms of Members recruited but it is important to note that each event was successful in terms of talking to members of the public and helping them to understand more about The Dudley Group of Hospitals.

Top five most successful recruitment events during 2009/10

01/12/2009	Health and Environment Fair – Halesowen College	237
16/11/2009	Student Nurse Induction	60
11/09/2009	Dudley College Freshers Fayre	42
19/11/2009	Careers event – Crestwood School	39
25/02/2010	Members Health Fair – clinical and specialist support services	27

We set out to achieve membership growth during 2009/10 of 1500 public members. We succeeded in recruiting 1231 and have plans in place to maintain the momentum and achieve our 2010/11 target of 1500 new public Members to reach our 2012/13 target of 13,000 public Members.

Projected membership growth

Membership goals	Current	2010/11	2011/12	2012/13
Public	10,502	11,742	12,750	13,250
Staff (excluding partner organisations)	3,982	3,982	3,982	3,982
Total	14,484	15,724	16,732	17,232

The procurement of a new membership database during the year has led to more effective management ensuring that our data is now 'cleansed' quarterly for 'gone always' and deaths and ensures we are working with the most up to date information we can.

We strive to ensure our membership is reflective of the communities we serve; on the whole, geographically, we are slightly over represented in most constituencies with a slight under representation in South Staffordshire and the Rest of the West Midlands, which are our largest geographical areas. We are working with our Governors in these areas to pilot new recruitment and engagement ideas. There is some work to be done this coming year on the balance of Members when split by age and ethnicity and we continue to develop plans to target these groups. Membership is open to anyone over the age of 14 years who live in one of our constituencies, which are based on geographical boundaries.

Membership Report as at 31st March 2010		
Public constituencies	**Number of members**	**Active members**
Brierley Hill	1,350	280
Central Dudley	1,751	317
Halesowen	948	137
North Dudley	1,074	212
Rest of West Midlands	788	316
Rowley Regis	936	77
South Staffordshire	382	61
Stourbridge	1,382	286
Tipton	1,074	77
Wyre Forest	817	18
Total	10,502	1,781

Staff constituencies	Number of members	
Medical and Dental	538	
Nursing and Midwifery	1,282	
AHP's and Scientists	1,298	
Non Clinical	864	
Total	**3982**	

Membership breakdown by age, gender and ethnicity

	Membership	
	1st October 2008 to 31st March 2009	1st April 2009 to 31st March 2010
Age		
0-16	41	184
17-21	668	1,156
22+	8,810	8,842
Not stated	306	320
Gender		
Male	3,952	4,036
Female	5,873	6,466
Ethnicity		
White	8,939	9,327
Mixed	100	175
Asian or Asian British	486	609
Black or Black British	123	173
Other	37	48
Not stated	140	170

Our main aim is to recruit members to be actively involved with the Trust but people can become involved as little or as much as they want. The Trust has two levels of membership: passive and active. We are pleased that we have increased our 'active' membership by 754 this year taking our total active membership to 1781. All members will:

- Receive information about the Trust via our quarterly newsletter 'Your Trust'
- Be involved in shaping the future of healthcare in Dudley by sharing their views
- Be able to vote for the Governor for their constituency
- Be able to stand for election to represent their constituency
- Be invited to attend our health fairs and member tours

This year saw the launch of our very successful membership health events. This series of events (three in 2009/10) is proving a real hit with our Members that come along to take a 'behind the scenes' look at the hospital and find out more about the services we offer. Over 250 Members and their guests attended the health events, which also helped to recruit a further 57 Members. One hundred and twenty seven Members have also taken up the offer of a tour of the hospital (five during the year) where there is also an opportunity to 'Ask the Board' questions.

Board of Directors

The Board of Directors was established and constituted to meet the legal minimum requirements 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.

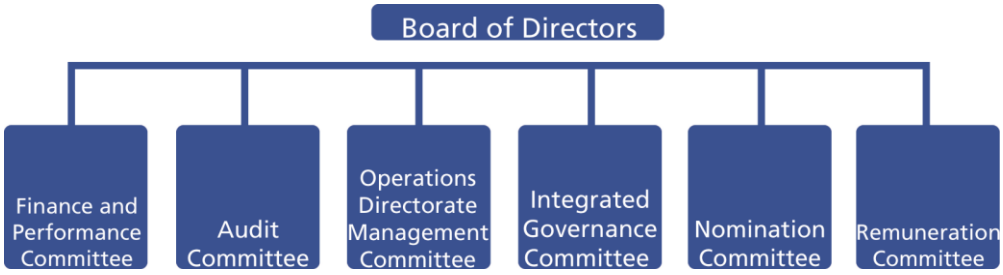
A Board evaluation process is in place to enable it to undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors, in line with the Combined Code.

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

Directors in post during the financial year

Position	Name	Commencing	Contract end
Chairman	Alf Edwards	08.02.94	31.10.10
Chief Executive	Paula Clark	01.10.09	
	Paul Farenden	01.05.98	30.09.09
Director of Finance and Information	Paul Assinder	22.08.05	
Operations Director	Paul Brennan	NHS secondment from Oct 09	
	Ruth Serrell (Acting)	23.10.09	
Director of Human Resources and Organisational Development	Janine Clarke	05.11.02	
Medical Director	Paul Harrison	01.06.06	
Director of Nursing	Denise McMahon	12.05.08	
Non-Executive Director/Deputy Chairman and Senior Independent Director	David Badger	01.12.02	30.10.12
Non-Executive Director	Ann Becke	01.11.05	30.10.12
Non-Executive Director	Jonathan Fellows	25.10.07	30.09.11
Non-Executive Director	Kathryn Williets	01.05.04	30.04.12
Non-Executive Director	David Wilton	19.11.07	15.01.10
	Vacant		

More detailed information about each Director can be found on pages 71-75.



Board and committee meetings attendance

		Attendance at Board of Directors out of 12
Mr A. Edwards	Chair	12
Mr D. Badger	Non-Executive Director/ Deputy Chair/ Senior Independent Director	11
Mrs A. Becke	Non-Executive Director	9
Mr J. Fellows	Non-Executive Director	10
Mrs K. Williets	Non-Executive Director	7
Mr D. Wilton	Non-Executive Director	9 (9 out of 11)

		Attendance at Board of Directors out of 12
Mr P. Farenden	Chief Executive	5 (out of 6)
Ms P. Clark	Chief Executive	6 (out of 6)
Mr P. Assinder	Director of Finance and Information	12
Mr. P. Brennan	Operations Director	7 (out of 7)
Mr R. Callender	Deputy Medical Director	8
Mrs J. Clarke	Director of Human Resources	9
Mr P. Harrison	Medical Director	10
Mrs D. McMahon	Nursing Director	10
Mrs R. Serrell	Acting Director of Operations	5 (out of 5)

Non-Executive Directors

In accordance with the Trust's Council of Governor's standing orders, the appointment or removal of the chair and non-executive directors to the Trust is the responsibility of The Council of Governors.

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 a 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.

David Badger – Non-Executive Director, Deputy Chairman and Senior Independent 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.

Ann Becke – Non-Executive Director
Ann brings to the Trust 26 years experience in global sales and marketing as Head of Professional Services for BT, working mainly in consultative sales and sales management where she provided strategic direction and leadership.

A graduate in World Class Service Management from Leeds University, she is a trained coach and mentor and was instrumental in setting up a global BT external client 'women in business' network to promote talent in the boardroom. She was recognised as a member of the BT talent pool and was a role model for the delivery of inspirational leadership, customer satisfaction and diversity. She was also a member of the Dudley Patient and Public Involvement Forum, later to become Dudley LINk, where she gained a valuable insight into the NHS.

Ann has been chair (and vice-chair) of the charity Chernobyl Children's Lifeline (Wolverhampton/Kinver Link) since 1994 and she is actively involved in both the local and business community raising awareness and significant funding to support

the aims of the charity. Ann is a very active member of the community and in 2009 Kinver Rotary Club recognised Ann with an award for outstanding service in the local community.

In her role as a non-executive director, Ann also has a lead role in Safeguarding, both within the Trust and the wider health economy, in emergency planning and in art and the environment. She is also a Trustee of Dudley Clinical Educational Centre's Charity and represents the Trust on the Dudley Children's Executive Board.

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 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 re-qualifying as a solicitor in 1994, Kathryn is currently a sole practitioner providing agency services to other 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.

Executive Directors

Paula Clark – Chief Executive
Paula joined the Trust as Chief Executive on 1st October 2009 from Burton Hospitals NHS Foundation Trust.

During her four years as Chief Executive of Burton Hospitals, she led the Trust through turn-round and to foundation trust status in 2008.

Paula has worked in the NHS for the past 18 years, with ten years at Chief Executive level.

Her career in the NHS has spanned a wide range of roles and sectors, including Chief Executive of Erewash Primary Care Trust and senior roles at Southern Derbyshire Health Authority, Nottingham City Hospital and Derbyshire Ambulance Service.

Before joining the NHS, Paula worked in sales and marketing in the pharmaceutical industry and was a member of the Chartered Institute of Marketing. She was also a lecturer in Marketing and Business Studies at Clarendon College in Nottingham and led their public relations function.

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.

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.

Paul has been on secondment at another NHS organisation since October 2009.

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.

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 speciality advisor for both the College of Physicians and Pathologists. He has chaired the Regional Training Committee, is currently chair of the Haematology Specialty Advisory Committee and has been 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.

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 in 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.

Ruth Serrell – Acting Operations Director
Ruth Serrell has been Acting Director of Operations for The Dudley Group of Hospitals since October 2009 after serving in a number of roles at the Trust.

After starting as a student nurse in 1982, Ruth moved into NHS management in 1995 when she took up the post of nurse manager of a Russells Hall Outpatient Department.

After a spell as nurse practitioner in the Urology Department at the Trust, Ruth became the Head of Patient Care Services at Mary Stevens Hospice in Stourbridge, in April 1998.

After moving to Wolverhampton City PCT in September 2003, where she served as the Network Director for the Greater Midlands Cancer Network and Black Country Cardiac Network, Ruth rejoined the Trust as Performance Director in August 2007.

Ruth is currently studying for a Masters degree in Business Administration and has a Post Graduate certificate in Management and Leadership.

Audit Committee

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

		Attendance out of 4
Mr J. Fellows (Chairman)	Non-Executive Director	4
Mr D. Wilton	Non-Executive Director	3
Mr D. Badger	Non-Executive Director	3
Mrs K. Williets	Non-Executive Director	4
Mrs A. Becke	Non-Executive Director	3
Mr P. Assinder	Director of Finance & Information	4
PriceWaterhouse Coopers LLP	External auditors representative	4
Deloitte LLP	Internal auditors representative	4

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 identifies and nominates suitable candidates for such vacancies and recommend its proposed appointment for Chief Executive to the Council of Governors.

		Attendance out of 2
Mr A. Edwards	Chair	2
Mr J. Fellows	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	0
Mr P. Farenden	Chief Executive (till 30.09.09)	1

Sustainability Report

Taking care of the environment and minimising our impact on it are important issues at The Dudley Group of Hospitals.

We recognise that the impetus for the sustainability agenda comes from the Climate Change Act 2008 which targets a UK carbon footprint reduction of 80 per cent by 2040 (against 1990 levels of UK emissions). Also, the NHS Operating Framework 2008/09 sets out the contributions that the NHS can make to reduce its carbon impact. The Trust supports the view that it should measure and progressively reduce its own carbon footprint in order to save resources and contribute to reducing the impact of its activities on the environment.

We work very closely in this matter with our PFI partner, Summit Healthcare, who has a responsibility under the PFI contract to purchase utility resources and manage their effective use and also to dispose of waste that is created by the Trust and its partners. To this end the Trust has set up a Sustainable Development Group comprising senior technical, financial and procurement management personnel, drawn from the Trust and its PFI partner, whose responsibilities are directly linked to environmental agenda.

Target areas at present are the procurement process of the Trust, the segregation of waste materials and the effective use of energy.

Our strategy

The Trust's overall sustainability strategy has been developed in the context of having re-developed the hospitals as part of a major PFI including installing energy efficient new plant in modern healthcare facilities. This replaced out-of-date hospital buildings that were closed rationalising plant and equipment. Supporting the District General Hospital at Russells Hall are two Outpatient Centres that help minimise travel distances for patients.

The Trust's strategy can be considered under six headings:

- Building Energy Management
- Travel
- Procurement
- IT
- Waste/Recycling
- Raising awareness

- ***Building Energy Management***
  The Trust's 'Sustainable Development Group' will receive regular updates from the Energy Committee on energy usage and energy savings schemes.

- ***Travel***
  The Trust will continue to work with its 'Green Travel Plan' designed to reduce car journeys by 10 per cent over a five year period (base line year is 2008/09) and evaluate the recently introduced cycle to work scheme.

- ***Procurement***
  The Trust will continue to follow good practise in the procurement of sustainable products by following the Office of Government list of Sustainability Minimum Mandatory Standards 'Quick Wins'.

- ***IT***
  The Trust will continue to purchase IT equipment (through Siemens Plc) from market leaders in the manufacture of environmentally responsible equipment.

- ***Waste/Recycling***
  The Trust is setting up a waste/recycling group to improve its arrangements for controlling waste and recycling. This Committee will report to the Sustainable Development Group on a regular basis.

- ***Raising awareness***
  The Sustainable Development Group will work with the communications manager to raise awareness about the sustainability agenda among staff and the Trust's stakeholders.

Governance

The Trust's Sustainable Development Group is responsible through the Trust Management Executive to the Trust Board of Directors. The group is chaired by the Trust's Clinical Director for Clinical and Specialist Support Services/Deputy Director of Operations and meets at least three times per year to review progress with delivering the Trust's sustainability strategy. An annual energy and carbon reduction report to the Trust Board will monitor and show how the Trust and its PFI Partners are progressing.

Summary of Performance

There are a number of contributing factors which relate to the efficiency and effectiveness of using energy and other utility services in the Trust at the present time:

(a) The increased demand for cooling facilities within clinical areas of the estate. Large areas of the hospital are ventilated by natural ventilation only.
(b) The increased use of modern computer technology and the tendency for staff to leave equipment on standby when not in use.
(c) The use of the hydrotherapy pool facilities.
(d) Though there are areas of the buildings that have movement sensors fitted to the lighting systems, there are significant other areas where the lighting is left on. This needs to be managed and controlled by those who use the facilities.

Area		Non-Financial data (applicable metric)	Non-Financial data (applicable metric)		Financial data (£k)	Financial data (£k)
		2008/09	2009/10		2008/09	2009/10
Waste Minimisation and Management	Absolute values for total amount of waste produced by the Trust (tonnes) Methods of disposal	1,520 • High Temp Waste • Land fill • WEEE	-	Expenditure on waste disposal	£410,940	£426,000
Finite Resources	Water (metre cubed) Electricity (Gigajoules) Gas (Gigajoules) Oil (Gigajoules)	198,053 M^3 57,546 GJ 213,985 GJ 11,272 GJ	190,262 M^3 54,268 GJ 206,912 GJ 10,931 GJ	Water (metre cubed) Electricity (Gigajoules) Gas (Gigajoules) Oil (Gigajoules)	£359,682 £3,154,146	£357,977 £2,443,252

Future priorities and targets

Through the Sustainable Development Group the Trust will:

Building Energy Management

- Regularly report energy use through to users
- Implement schemes to reduce energy use and assess impact during any transition

Travel

- Review its Green Travel Plan in line with new parking and cycling facilities available

Procurement

- Undertake survey of printer usage in Trust HQ to rationalise and reduce number of printers
- Extend electronic procurement system to all users

- Gain Board level support for sustainable procurement policies
- Provide clear advice for budget holders on sound purchasing principles to incorporate environmental and energy considerations into a Trust policy

IT

- Identify the main areas of energy consumption
- Identify and implement opportunities for reducing energy consumption, assessing the impact of each during transition

Waste/Recycling

- Evaluate trial in six areas of reducing plastic used in the collection of sharps
- Quantify the saving in carbon by recently introduced recycling of cardboard and plastic waste
- Extend arrangements for separating recyclable elements of products from non recyclable ones e.g. for furniture.

Regulatory ratings report

The Trust set the 2009/10 regulatory ratings plan based on the annual risk assessment of the coming financial year 2009/10. Analysis for each area of rating compared with that expected in the annual plan is summarised below:

Financial risk rating
The Trust planned for a rating of five in the annual plan and for the first two quarters of the year the Trust achieved this target. Quarter one was restricted to a rating of four due to the Trust being authorised as a foundation trust for less than one year. During the second two quarters the Trust began to experience high stepped costs in order to maintain activity targets and additional investment in achieving the A&E target. This led to a slight deterioration in our rating to a four by quarter four.

Governance risk rating
The Trust planned for a rating of 'Green' in the annual plan but alerted the Regulator to significant risks of underachievement of the A&E four hour target. The main operational challenge experienced by the Trust in 2009/10 was the sustained achievement of the national target that 98 per cent of patients presenting in A&E should be seen, treated and discharged within a maximum of four hours. Dudley achieved the target for the year with a compliant percentage of 98.12 per cent. However, it was disappointing that the A&E Unit at Russells Hall Hospital narrowly failed this 98 per cent target in its own right for two quarters during the year. This led to the Trust being 'Red' rated by Monitor in quarter three. The Trust has commissioned an independent review of its local arrangements for Board Assurance and has adopted and taken steps to enact all recommendations contained within it.

Mandatory services
The Trust planned for a rating of 'Green' in the annual plan. The Trust made no changes to the range of services provided, or to mandatory assets during the year. A rating of 'Green' was maintained throughout all quarters.

In December 2009, Monitor's board determined that the Trust was in 'significant breach' of its terms of authorisation as an NHS foundation trust for Conditions 2 (General Duty), 5 (Governance) and 6 (Healthcare Standards), with specific concerns expressed about the Trust's inability to achieve the A&E four hour wait target for two quarters in 2009/10 and two quarters in 2008/09. The Trust agreed a recovery plan with Monitor and for the financial year as a whole Dudley health economy has met the four hour wait standard while the Trust narrowly missed it at 97.76 per cent. In addition the Trust commissioned an independent review of its self certification assurance arrangements and has formally adopted and is implementing all recommendations made.

2008/09	Annual Plan 2008/09	Q1 2008/09	Q2 2008/09	Q3 2008/09	Q4 2008/09
Financial risk rating	4	n/a	n/a	4	4
Governance risk rating		n/a	n/a		
Mandatory services		n/a	n/a		

2009/10	Annual Plan 2009/10	Q1 2009/10	Q2 2009/10	Q3 2009/10	Q4 2009/10
Financial risk rating	5	4	5	5	4
Governance risk rating					
Mandatory services					

Accounts

For the period 1st April 2009 to 31st March 2010

Foreword to the Accounts

These accounts for the period 1 April 2009 to 31 March 2010 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 Date 27th May 2010

Paula Clark
Chief Executive

Statement of Accounting Officer's Responsibilities

The NHS Act 2006 states that the Chief Executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the accounting officers' Memorandum issued by the Independent Regulator of NHS foundation trusts ("Monitor").

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

In preparing the accounts, the accounting officer is required to comply with the requirements of the NHS Foundation Trust Annual Reporting Manual and in particular to:

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

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

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

Signed  Date 27th May 2010

Paula Clark
Chief Executive

Statement of Directors' responsibilities in respect of the accounts

The directors are required under the NHS 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 Date: 27th May 2010

Paula Clark
Chief Executive

Signed Date: 27th May 2010

Paul Assinder
Director of Finance

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 ended 31st March 2010 and up to the date of approval of the Annual Report and Accounts.

Capacity to handle risk

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 Trust has developed an Integrated Governance Strategy that brings together arrangements for managing both clinical and other risks. Following the issuing of best practice guidance by the Audit Commission ('Taking it on Trust') the Trust has comprehensively reviewed its risk management arrangements. The outcome of this review will see the creation of a Risk Management Committee in 2010/11 which will manage operational risks across the Trust leaving the Integrated Governance Sub-Committee to concentrate on strategic and corporate risk. This will strengthen our governance and systems of internal control further to ensure that we effectively address the different set of challenges that we will face in the future.

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 continuous risk management to maintain risk registers and to implement agreed action plans. Progress in these areas is monitored by the Integrated Governance Committee. The Trust Board also undertakes its own collective risk assessment. 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 completed a programme of encryption of all sensitive and clinical information leaving the Trust and a review of physical security of IT equipment. Instituted improvements have been continued in 2009/10.

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
- The independent assurance mechanisms that relate to the effectiveness of the Trust's system of internal control

In accordance with the requirements of the Healthcare Commission (HCC) and the newly formed Care Quality Commission (CQC), the Trust has undertaken a self assessment exercise to confirm its compliance with Standards for Better Health. In December 2009 the Trust declared full compliance with all standards for the period 1st April 2009 to 31st October 2009.

In March 2010 the CQC requested that trusts report to them any changes to this compliance for the period 1st November 2009 to 31st March 2010 to inform registration from April 2010. The Trust undertook a second assessment to inform this declaration and chose to declare that insufficient assurance existed to confirm full compliance of five standards in respect of:

i. Safety, availability and suitability of equipment (11-17)
ii. Requirements relating to workers (12-21)
iii. Staffing (13-22)
iv. Supporting workers (14-23)
v. Records (21-20)

In reaching this view the Trust Board acknowledged the findings of the Healthcare Commission in its rating of the Trust's quality of services as 'weak' for 2008/09 (the previous financial year) and an assessment of Risk Management arrangements in General Services and Maternity Care by the NHS Litigation Authority (NHSLA). Ratings of '1' and '0' (previously '2' and '2') were awarded by the NHSLA during 2009/10.

Notwithstanding this declaration DGOHFT was among the first cohort of NHS providers to be notified of full registration with the CQC, without any conditions, with effect from 1st April 2010.

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, the FT 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.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the scheme are in accordance with the scheme rules, and that member pension scheme records are accurately updated in accordance with the timescales detailed in the regulations.

The Foundation Trust in partnership with our PFI Provider has undertaken risk assessments and carbon reduction delivery plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaption Reporting requirements are complied with.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

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

The Trust's Corporate Business Plan 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 CQC.

For the 2008/09 financial year, the CQC rated the Trust's use of resources once again as 'Excellent'. 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 executive directors 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:

- Care Quality Commission
- Monitor
- 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.

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS foundation trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the NHS Foundation Trust Annual Reporting Manual. The assurance framework and effectiveness of the systems of internal control in relation to the

Quality Report are consistent with the Trust's overall system of internal control and the Board have been assured that the Quality Report presents a balanced view and that the data is accurate.

In December 2009, Monitor's Board determined that the Trust was in 'significant Breach' of its terms of authorisation as an NHS Foundation Trust for Conditions 2 (General Duty), 5 (Governance) and 6 (Healthcare Standards), with specific concerns expressed about the Trusts inability to achieve the A&E four hour wait target for two quarters in 2009/10 and two quarters in 2008/09. The Trust agreed a recovery plan with Monitor and for the financial year as a whole has met the four hour wait standard. In addition the Trust commissioned an independent review of its self certification assurance arrangements and has formally adopted and is implementing, all recommendations made.

Conclusion
I believe that the Statement on Internal Control is a balanced reflection of the actual control position. No significant internal control issues have been identified other than the breach of authorisation as an NHS foundation trust highlighted above.

Signed Date 27th May 2010

Paula Clark
Chief Executive

Independent Auditors' Report to the Council of Governors of The Dudley Group of Hospitals NHS Foundation Trust

We have audited the financial statements of The Dudley Group of Hospitals NHS Foundation Trust for the year ended 31 March 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is the NHS Foundation Trust Annual 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 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 Council of Governors of The 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 Annual Reporting Manual, of the state of the NHS Foundation Trust's affairs as at 31 March 2010 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the NHS Foundation Trust Annual 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 Annual 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 exception

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 Annual 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: 7 June 2010

(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.

The Dudley Group of Hospitals NHS Foundation Trust

Statement of Comprehensive Income

For The Year Ended 31 March 2010

	Note	Year Ended 31 March 2010	Six Months To 31 March 2009
		£'000	£'000
Operating Income from operations	3 & 4	253,693	117,139
Operating Expenses of operations	5	(239,887)	(107,962)
OPERATING SURPLUS / (DEFICIT)		**13,806**	**9,177**
FINANCE COSTS			
Finance income	8	230	456
Finance expense - financial liabilities	9	(9,521)	(4,558)
Finance expense - unwinding of discount on provisions		0	0
PDC Dividends payable		(2,653)	(1,653)
NET FINANCE COSTS		**(11,944)**	**(5,755)**
Corporation tax expense		0	0
Surplus/(Deficit) from operations		**1,862**	**3,422**
SURPLUS/(DEFICIT) FOR THE YEAR		**1,862**	**3,422**
Other comprehensive income			
Revaluation gains/(losses) and impairment losses on intangible assets		0	0
Revaluation gains/(losses) and impairment losses property, plant and equipment		(32,412)	(13)
Fair Value gains/(losses) on Available-for-sale financial investments		0	0
Recycling gains/(losses) on Available-for-sale financial investments		0	0
Increase in the donated asset reserve due to receipt of donated assets		37	24
Reduction in the donated asset reserve in respect of depreciation, impairment, and/or disposal of on donated assets		(112)	(57)
Additions/(reduction) in "Other reserves"		0	0
Other recognised gains and losses		0	0
Actuarial gains/(losses) on defined benefit pension schemes		0	0
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		**(30,625)**	**3,376**
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR		**(30,625)**	**3,376**

The notes on pages 5 to 42 form part of these accounts.
All income and expenditure is derived from continuing operations.

The Dudley Group of Hospitals NHS Foundation Trust

Statement of Financial Position

As at 31 March 2010

	Note	31 March 2010	31 March 2009	1 October 2008
Non-current assets		£'000	£'000	£'000
Intangible assets	10	1,111	729	766
Property, plant and equipment	11	203,410	240,348	241,410
Investment Property		0	0	0
Other Investments		0	0	0
Trade and other receivables	13	6,627	7,257	4,937
Other Financial assets		0	0	0
Tax receivable		0	0	0
Other assets		0	0	0
Total non-current assets		211,148	248,334	247,113
Current assets				
Inventories	12	2,949	2,272	2,174
Trade and other receivables	13	8,858	7,504	10,472
Other financial assets	24.7	10,000	20,000	18,000
Tax receivable		0	0	0
Non-current assets for sale and assets in disposal groups	11.8	0	0	135
Cash and cash equivalents	19	26,925	14,541	11,860
Total current assets		48,732	44,317	42,641
Current liabilities				
Trade and other payables	14	(10,665)	(8,100)	(9,108)
Borrowings	18	(4,065)	(4,511)	(4,667)
Other financial liabilities		0	0	0
Provisions	16	(834)	(1,032)	(856)
Tax payable	14	(2,910)	(2,604)	(1,242)
Other liabilities	15	(1,594)	(1,902)	(1,698)
Liabilities in disposal groups		0	0	0
Total current liabilities		(20,068)	(18,149)	(17,571)
Total assets less current liabilities		**239,812**	**274,502**	**272,183**
Non-current liabilities				
Trade and other payables		0	0	0
Borrowings	18	(158,089)	(162,154)	(163,211)
Other financial liabilities		0	0	0
Provisions		0	0	0
Tax payable		0	0	0
Other liabilities		0	0	0
Total non-current liabilities		(158,089)	(162,154)	(163,211)
Total assets employed		**81,723**	**112,348**	**108,972**
Financed by (taxpayers' equity)				
Public Dividend Capital		20,927	20,927	20,927
Revaluation reserve		37,423	70,426	70,656
Donated Asset Reserve		311	386	419
Available for sale investments reserve		0	0	0
Other reserves		0	0	0
Income and expenditure reserve		23,062	20,609	16,970
Total taxpayers' equity		**81,723**	**112,348**	**108,972**

Signed

Date: 27th May 2010

Paula Clark
Chief Executive

The Dudley Group of Hospitals NHS Foundation Trust

Statement of Changes in Taxpayers Equity

For The Year Ended 31 March 2010

	Public Dividend Capital £'000	Revaluation Reserve £'000	Donated Asset Reserve £'000	Income and Expenditure Reserve £'000	Total £'000
Taxpayers' Equity at 1 October 2008	**20,927**	**70,656**	**419**	**16,970**	**108,972**
Surplus / (Deficit) for the year	0	0	0	3,422	3,422
Revaluation gains/(losses) and impairment losses property, plant and equipment	0	(13)	0	0	(13)
Increase in the donated asset reserve due to receipt of donated assets	0	0	24	0	24
Reduction in the donated asset reserve in respect of depreciation, impairment, and/or disposal of on donated assets	0	0	(57)	0	(57)
Transfer of the excess of current cost depreciation over historical cost depreciation to the Income and Expenditure Reserve	0	(217)	0	217	0
Taxpayers' Equity at 31 March 2009	**20,927**	**70,426**	**386**	**20,609**	**112,348**
Surplus / (Deficit) for the year	0	0	0	1,862	1,862
Revaluation gains/(losses) and impairment losses property, plant and equipment	0	(32,412)	0	0	(32,412)
Increase in the donated asset reserve due to receipt of donated assets	0	0	37	0	37
Reduction in the donated asset reserve in respect of depreciation, impairment, and/or disposal of on donated assets	0		(112)	0	(112)
Transfers to the income and expenditure account in respect of assets disposed of	0	(445)	0	445	0
Transfer of the excess of current cost depreciation over historical cost depreciation to the Income and Expenditure Reserve	0	(146)	0	146	0
Taxpayers' Equity at 31 March 2010	**20,927**	**37,423**	**311**	**23,062**	**81,723**

The Dudley Group of Hospitals NHS Foundation Trust

Statement of Cash Flows For The Year Ended 31 March 2010

For The Year Ended 31 March 2010

	31 March 2010 £'000	Six months to 31 March 2009 £'000
Cash flows from operating activities		
Operating surplus/(deficit) from continuing operations	**13,806**	**9,177**
Operating surplus/(deficit) of discontinued operations	0	0
Operating surplus/(deficit)	**13,806**	**9,177**
Non-cash income and expense:		
Depreciation and amortisation	9,605	4,707
Impairments	1,205	0
Reversals of impairments	0	0
Transfer from the donated asset reserve	(112)	(57)
Amortisation of PFI credit	0	0
(Increase)/Decrease in Trade and Other Receivables	(333)	584
(Increase)/Decrease in Other Assets	0	0
(Increase)/Decrease in Inventories	(677)	(98)
Increase/(Decrease) in Trade and Other Payables	2,495	735
Increase/(Decrease) in Other Liabilities	(308)	0
Increase/(Decrease) in Provisions	(198)	175
Tax (paid) / received	307	0
Movements in operating cash flow of discontinued operations	0	0
Other movements in operating cash flows	144	1
NET CASH GENERATED FROM/(USED IN) OPERATIONS	25,934	15,224
Cash flows from investing activities		
Interest received	181	519
Purchase of financial assets	(90,000)	(20,000)
Sales of financial assets	100,000	18,000
Purchase of intangible assets	(648)	(81)
Sales of intangible assets	0	0
Purchase of Property, Plant and Equipment	(6,140)	(2,486)
Sales of Property, Plant and Equipment	27	135
Net cash generated from/(used in) investing activities	3,420	(3,913)
Cash flows from financing activities		
Public dividend capital received	0	0
Public dividend capital repaid	0	0
Loans received	0	0
Loans repaid	0	0
Capital element of finance lease rental payments	0	0
Capital element of Private Finance Initiative Obligations	(4,511)	(2,443)
Interest paid	0	0
Interest element of finance lease	0	0
Interest element of Private Finance Initiative Obligations	(9,521)	(4,558)
PDC Dividend paid	(2,975)	(1,653)
Cash flows from (used in) other financing activities	37	24
Net cash generated from/(used in) financing activities	(16,970)	(8,630)
Increase/(decrease) in cash and cash equivalents	**12,384**	**2,681**
Cash and Cash equivalents at 1 April	14,541	11,860
Cash and Cash equivalents at 31 March	**26,925**	**14,541**

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 Annual Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities, in accordance with the 2009/10 NHS Foundation Trust Annual Reporting Manual issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) 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 Income

Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of healthcare services. Income is recognised in the period in which services are provided, for patients in whose treatment straddles the year end this means income is apportioned across financial years on the basis of length of stay. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred. Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

2 Expenditure on Employee Benefits

Short-term Employee Benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. It is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme. Employers pension cost contributions are charged to operating expenses as and when they become due. Additional pension liabilities arising from early retirements are no funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

The NHS Pension scheme is subject to a full valuation every four years by the Government Actuary. The latest published valuation relates to the period 1 April 1999 to 31 March 2004 which was published in December 2007 and is available on the NHS Pensions Agency Website

The notional deficit of the scheme was £3.3 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1999 to 31 March 2004. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis.

Employer contribution rates are reviewed every four years following the scheme valuation, on advice from the actuary. At the last valuation it was recommended that employer contribution rates should continue at 14% of pensionable pay. From 1 April 2008, employees' pay contributions will be on a tiered scale from 5% to 8.5% of their pensionable pay.

3 Expenditure on Other Goods and Services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

4 Property, Plant and Equipment

Recognition

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust;
- it is expected to be used for more than one financial year; and
- the cost of the item can be measured reliably and;
    - has an individual cost of at least £5,000; or
    - the items form a group of assets which 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 the same managerial control; or
    - form part of the initial equipping and setting up cost of a new building or refurbishment of a ward or unit, and the items collectively have a cost of at least £5,000.

Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

Measurement

Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

For property assets the frequency of revaluations will be at least every five years, in line with Monitors view.

The fair value of land and buildings are determined by valuations carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuations are carried out primarily on the basis of modern equivalent 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.

Assets under construction are valued at cost and are subsequently revalued by professional valuers when they are brought into use if factors indicate that the value of the asset differs materially from its carrying value. Otherwise, the asset should only be revalued on the next occasion when all assets are revalued.

Subsequent expenditure

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation

Items of Property, Plant and Equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

The Trust depreciates its non-current assets on a straight line basis over the expected life of the assets after allowing for the residual value. Useful lives are determined on a case by case basis. The typical lives for the following assets are:

Asset Category	Useful Life (years)
Buildings	As per valuers estimate
Engineering plant & Equipment	5 - 15
Medical Equipment	7 - 10
Transport Equipment	7
Information Technology	5
Furniture & Fittings	5

Freehold land is considered to have an infinite life and is not depreciated.

Property, Plant and Equipment which has been reclassified as ‘Held for Sale’ ceases to be depreciated upon the reclassification.

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.

Revaluation and impairment

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

De-recognition

Assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
- management are committed to a plan to sell the asset;
- an active programme has begun to find a buyer and complete the sale;
- the asset is being actively marketed at a reasonable price;
- the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met. Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated 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 other operating revenue. Similarly, any impairment on donated assets charged to other operating revenue 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.

Private Finance Initiative (PFI) transactions

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in the Annual Reporting Manual issued by Monitor, are accounted for as 'on-balance sheet' by the Trust. The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS 16. An equivalent financial liability is recognised in accordance with IAS 17.

The annual contract payments are apportioned between the repayment of the liability, a lifecycle element, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme. The service charge is recognised in operating expenses and the finance cost is charged to Finance Costs in the Statement of Comprehensive Income.

The lifecycle element is established on the lifecycle plan contained within the financial model. Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value. The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively. Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

5 Intangible Assets

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably. Where internally generated assets are held for service potential, this involves a direct contribution to the delivery of services to the public.

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets. Expenditure on research is not capitalised.
Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Trust intends to complete the asset and sell or use it;
- the Trust has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset; and
- the Trust can measure reliably the expenses attributable to the asset during development.

Software

Software which is integral to the operation of hardware e.g. an operating system is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

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

Asset Category	Useful Life (years)
Software Licences	5

Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management. Subsequently intangible assets are measured at fair value. Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'. Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

Amortisation and impairment

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

6 Government Grants

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

7 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the First In, First Out (FIFO) method.

8 Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours.

9 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. Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below. Regular way purchases or sales are recognised and de-recognised, as applicable, using the settlement date. All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

De-recognition

All financial assets are de-recognised when the rights to receive 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 'Fair Value through Income and Expenditure' or Loans and receivables. Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial liabilities'.

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

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities. These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the Statement of Comprehensive Income.

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: current investments, cash and cash equivalents, NHS debtors, accrued income and 'other debtors'. Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Financial liabilities

All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities. Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

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 Statement of Comprehensive Income and the carrying amount of the asset is reduced through the use of a bad debt provision.

10 Leases

Finance 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 Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. 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 annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income.

Operating leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease.

11 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.

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.

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.

12 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 21 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 21, 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.

13 Public Dividend Capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32. A charge, reflecting the cost of capital utilised by the NHS Foundation Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS Foundation Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets, (ii) net cash balances held with the Government Banking Services and (iii) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result of the audit of the annual accounts.

In 2008/09 the charge was calculated based upon the planned average net relevant assets for the year but was not adjusted to reflect the actual net relevant assets. Consequently this did not result in a PDC dividend balance receivable or payable.

14 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.

15 Foreign Exchange

The functional and presentational currencies of the Trust are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. Where the Trust has assets or liabilities denominated in a foreign currency at the balance sheet date:

- monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the balance sheet date) are recognised in income or expense in the period in which they arise. Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

16 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 HM Treasury's *Financial Reporting Manual*.

17 Corporation Tax

The Trust does not foresee that it will have any material commercial activities on which corporation tax liability will arise under the guidance issued by HM Revenue and Customs

18 Charitable Funds

The Trust is not required to apply IAS 27 in 2009/10 following dispensation obtained by Monitor. However, this only applies to the consolidation of NHS Charitable Funds.

19 Critical accounting judgements and key sources of estimation and uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- Accounting for PFI
- Application of IFRIC 4 Determining whether an Arrangement contains a Lease
- Application of IFRIC12 Service Concession Arrangements

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

- Valuation of Non- Current Assets
- Provisions
- Settlement of Over Performance with Healthcare Purchasers

20 Accounting Standards that have been issued but have not yet been adopted

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010/11. These are not expected to impact upon the Trust financial statements.

IAS 27 (Revised) Consolidated and separate financial statements
Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues
Amendment to IAS 39 Eligible hedged items
IFRS 3 (Revised) Business combinations
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRIC 18 Transfer of assets from customers

2 Segmental Analysis

The Board as 'Chief Operating Decision Maker' has determined that the Trust operates in one material segment, which is the provision of healthcare services. The segmental reporting format reflects the Trust's management and internal reporting structure.

The Trust has identified segments in line with the thresholds in IFRS 8, applying the requirement of the ARM to consider expenditure instead of income as income is not analysed between segments in our monthly finance report to the Trust Board. Following a significance test of the expenditure segments the Trust found that there were five significant operating segments subject to the external reporting requirements of IFRS 8. Applying the aggregation criteria to the Trust's five significant operating segments found that in all cases the segments had similar economic characteristics, the nature of the services are similar, the nature of the production process are similar, the type or class of customer for the services are similar, the methods used to provide the services are similar and the nature of the regulatory environment is similar.

The Trust's significant operating segments satisfy all of the criteria listed for an aggregation to be deemed appropriate. The five significant operating segments of DGOH are all active in the same business – the provision of healthcare, and all operate within the same economic environment – the United Kingdom. Given that the purpose of disclosing segmental information is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments, reporting a single segment of "Healthcare" would be consistent with the core principle of IFRS 8, as it would show the singular nature of both the business activity and the economic environment of the Trust.

Income from activities (medical treatment of patients) is analysed by customer type in note 3 to the accounts on page 14. Other operating income is analysed in note 4 to the accounts on page 15 and materially consists of revenues from healthcare, research and development, medical education, and the provision of services to other NHS bodies. Total income by individual customers within the whole of HM Government and considered material, is disclosed in the related parties transactions note 22 to the accounts on page 34.

	Year Ended 31 March 2010		Year Ended 31 March 2009	
	£'000	%	£'000	%
Trust Income *	253,693		228,150	
Expenditure - aggregated healthcare segment	(213,192)	84.7%	(186,540)	84.2%
Expenditure - other **	(38,639)	15.3%	(34,918)	15.8%
Total Expenditure	(251,831)	100.0%	(221,458)	100.0%
Operating Surplus	1,862		6,692	

* Trust income was not split into individual Directorates in the monthly Finance Report to the board during 2008-09 and 2009-10.

** Other Expenditure is made up of Corporate Directorates, Depreciation, Impairments, PFI Finance Lease Interest and Interest Receivable.

3 Revenue from Activities

3.1 Income By Source	Year Ended 31 March 2010 £'000	6 months to 31 March 2009 £'000
NHS Foundation Trusts	0	0
NHS Trusts	37	64
Strategic Health Authorities	0	0
Primary Care Trusts	237,564	106,241
Local Authorities	0	0
Department of Health - grants	0	0
Department of Health - other	216	4,280
NHS Other	0	0
Non NHS: Private patients	106	64
Non-NHS: Overseas patients (non-reciprocal)	56	13
NHS injury scheme (was RTA)	1,242	531
Non NHS: Other	99	22
Total income form activities	**239,320**	**111,215**

This income is also analysed by income type below:

3.2 Revenue from Activities	Year Ended 31 March 2010 £'000	* Restated 6 months to 31 March 2009 £'000
Elective	52,373	26,810
Non Elective	79,375	36,036
Outpatient	41,892	19,937
A&E	7,745	3,668
Other NHS Clinical Income	55,332	23,109
Income at full Tariff	**236,717**	**109,560**
PBR (Claw back) / Relief	0	0
Income from Activities Before Private Patient Income	**236,717**	**109,560**
Private Patients	106	64
Other non-protected clinical income	2,494	1,591
Total income form activities	**239,317**	**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.

* The 2008/09 figures have been restated following a purist review of the classification of income.

3.3 Private Patient Income

	2009/10 £'000	2008/09 £'000	Base Year £'000
Private Patient Income	106	64	119
Total Patient Related Income	239,214	111,151	134,515
Proportion (as percentage)	0.04%	0.06%	0.09%

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 whilst the body was an NHS Trust in 2002/03. The note above shows that the Trust continues to be compliant.

4 Other Operating Revenue

	Year ended 31 March 2010 £'000	6 months to 31 March 2009 £'000
Research and development	1,028	274
Education and training	7,891	3,640
Charitable and other contributions to expenditure	0	0
Transfer from donated asset reserve in respect of depreciation on donated assets	93	57
Non-patient care services to other bodies	1,946	666
Profit on disposal of fixed asset investments	0	0
Profit on disposal of intangible fixed assets	0	0
Profit on disposal of land and buildings	0	0
Profit on disposal of other tangible fixed assets	9	0
Gain on disposal of assets held for sale	0	0
Reversal of impairments of assets held for sale	0	0
Amortisation of PFI deferred credits		
Main scheme	0	0
Additional lifecycle assets received	0	0
Other	3,406	1,287
Total other operating income	**14,373**	**5,924**

Other income is derived from Staff Recharges £1,234,000 (2008/09 these were shown net within the Employee Expenses - Staff line of Note 5 to the accounts on page 16); Pharmacy Drugs £872,000 (2008/09 £469,000); a claim against our PFI Partner relating to the unavailability of the Asceptic Suite within the Pharmacy Department £1,000,000 and numerous other small amounts.

5 Operating Expenditure	Year ended 31 March 2010	6 months to 31 March 2009
5.1 Operating Expenses	£'000	£'000
Services from NHS Foundation Trusts	238	231
Services from NHS Trusts	1,479	672
Services from other NHS Bodies	8,563	3,256
Purchase of healthcare from non NHS bodies	419	738
Employee Expenses - Executive directors	963	406
Employee Expenses - Non-executive directors	125	64
Employee Expenses - Staff	142,020	63,869
Drug costs	21,512	9,269
Supplies and services - clinical (excluding drug costs)	14,304	7,009
Supplies and services - general	380	183
Establishment	1,934	876
Research and development	143	81
Transport	1,852	934
Premises	3,201	1,231
Increase / (decrease) in bad debt provision	164	-18
Other impairment of financial assets	0	0
Depreciation on property, plant and equipment	9,340	4,589
Amortisation on intangible assets	265	118
Impairments of property, plant and equipment	1,205	0
Impairments of intangible assets	0	0
Reversal of impairments of property, plant and equipment	0	0
Reversal of impairments of intangible assets	0	0
Audit fees		
audit services- statutory audit	79	58
audit services -regulatory reporting	0	11
Other auditors remuneration		
further assurance services	0	0
other services	20	0
Clinical negligence	4,078	1,113
Loss on disposal of investments	0	0
Loss on disposal of intangible fixed assets	0	0
Loss on disposal of land and buildings	0	0
Loss on disposal of other property, plant and equipment	134	1
Loss on disposal of assets held for sale	0	0
Impairments of assets held for sale	0	0
Legal fees	0	53
Consultancy costs	720	313
Training, courses and conferences	0	0
Patient travel	0	9
Car parking & Security	0	53
Redundancy	75	60
Early retirements	0	0
Hospitality	0	0
Publishing	0	0
Insurance	0	42
Other services, eg external payroll	0	0
Losses, ex gratia & special payments	0	2
Other	26,674	12,739
TOTAL	**239,887**	**107,962**

Other expenditure includes £25,017,000 (2008/09 £11,116,000) in relation to payments to the Trust's PFI Partner for services provided and numerous other small amounts.

5.2 The Late Payment of Commercial Debts (interest) Act 1998

During the year 2009/10 (2008/09 nil) the Trust was not charged interest for the late payment of commercial debts.

6 Operating Leases

6.1 Payments recognised as an expense	Year ended 31 March 2010 £'000	6 months to 31 March 2009 £'000
Minimum lease payments	40	0
Contingent rents	0	0
Sub-lease payments	0	0
	40	0
Total future minimum lease payments		
Payable:		
Not more than one year	29	0
Between one and five years	35	0
After 5 years	0	0
Total	64	0

7 Employee Expenses and Numbers

7.1 Employee Costs

	Year Ended 31 March 2010			6 months ended 31 March 2009		
	Total	Permanent	Other	Total	Permanent	Other
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries and wages	107,700	91,387	16,313	50,747	42,212	8,535
Social security costs	8,168	6,814	1,354	4,128	3,460	668
Pension costs - defined contribution plans						
Employers contributions to NHS Pensions	12,144	10,786	1,358	5,714	5,031	683
Termination benefits	0	0	0	0	0	0
Agency/contract staff	15,046	0	15,046	3,686	0	3,686
Total	143,058	108,987	34,071	64,275	50,703	13,572

7.2 Average Number of Persons Employed

	Year Ended 31 March 2010			6 months ended 31 March 2009		
	Total	Permanent	Other	Total	Permanent	Other
	£'000	£'000	£'000	£'000	£'000	£'000
Medical and dental	462	183	279	444	176	268
Administration and estates	609	545	64	570	504	66
Healthcare assistants and other support staff	127	123	4	58	56	2
Nursing, midwifery and health visiting staff	1,490	1,338	152	1442	1352	90
Nursing, midwifery and health visiting learners	12	3	9	11	3	8
Scientific, therapeutic and technical staff	599	567	32	587	551	36
Bank and agency staff	0	0	0	0	0	0
Total	3,299	2,759	540	3,112	2,642	470

7.3 Employee Benefits

Employees benefits include payment of salaries/wages and pensions contributions. There were no other employee benefits paid in 2009/10 (2008/09 nil)

7.4 Retirements due to Ill-health

During the period 2009/10 there were 2 (2008/09 nil) early retirements from the Trust on the grounds of ill-health.
The estimated additional pension liabilities of these ill-health retirements will be £110,376

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division. These retirements represented 0.62 per 1,000 active scheme members.

7.5 Sickness Absence

The detail of staff sickness / absence from work for the year 1 April 2009 to 31 March 2010 details are:

Absence Full Time Equivalent (FTE)	45,997
Available Employee Time (FTE) for the year	1,139,403
Sickness Rate	4.04%

8 Finance Income	Year ended 31 March 2010 £'000	6 months to 31 March 2009 £'000
Interest on loans and receivables	230	456
Interest on available for sale financial assets	0	0
Interest on held-to-maturity financial assets	0	0
	230	456

9 Finance Costs	Year ended 31 March 2010 £'000	6 months to 31 March 2009 £'000
Finance Costs in PFI obligations		
Main Finance Costs	6,518	3,294
Contingent Finance Costs	3,003	1,264
	9,521	4,558

10 Intangible Assets

10.1 2009/10

	Computer Software	Total
	£'000	£'000
Gross Cost as at 1 April 2009	1,130	1,130
Additions Purchased	648	648
Additions Donated	0	0
Disposals	(46)	(46)
Gross Cost as at 31 March 2010	1,732	1,732
Amortisation as at 1 April 2009	401	401
Provided during the Year	266	266
Disposals	(46)	(46)
Amortisation as at 31 March 2010	621	621
Net Book Value		
Purchased at 1 April 2009	729	729
Donated at 1 April 2009	0	0
Total at 1 April 2009	729	729
Net Book Value		
Purchased at 31 March 2010	1,111	1,111
Donated at 31 March 2010	0	0
Total at 31 March 2010	1,111	1,111

10.2 1 October 2008 to 31 March 2009

	Computer Software	Total
	£'000	£'000
Gross Cost as at 1 October 2008	1,049	1,049
Additions Purchased	81	81
Additions Donated	0	0
Gross Cost as at 31 March 2009	1,130	1,130
Amortisation as at 1 October 2008	283	283
Provided during the Year	118	118
Amortisation as at 31 March 2009	401	401
Net Book Value		
Purchased at 1 October 2008	766	766
Donated at 1 October 2008	0	0
Total at 1 October 2008	766	766
Net Book Value		
Purchased at 31 March 2009	729	729
Donated at 31 March 2009	0	0
Total at 31 March 2009	729	729

11 Tangible Assets

11.1 2009/10

	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Cost at 1 April 2009	280,345	33,651	195,591	1,435	790	46,289	135	1,502	952
Additions - purchased	6,152	0	1,999	0	1,980	2,138	0	35	0
Additions - donated	37	0	0	0	0	37	0	0	0
Impairments charged to revaluation reserve	(45,351)	(7,301)	(37,973)	(77)	0	0	0	0	0
Reclassifications	0	0	0	0	(97)	97	0	0	0
Revaluation surpluses	70	0	0	70	0	0	0	0	0
Transferred to disposal group as asset held for sale	0	0	0	0	0	0	0	0	0
Disposals	(18,756)	0	0	0	0	(18,010)	0	(318)	(428)
Gross Cost at 31 March 2010	222,497	26,350	159,617	1,428	2,673	30,551	135	1,219	524
Accumulated depreciation at 1 April 2009	39,997	0	6,249	0	0	32,275	126	666	681
Provided during the year	9,339	0	5,340	75	0	3,639	3	196	86
Impairments recognised in operating expenses	1,205	0	1,205	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluation surpluses	(12,869)	0	(12,794)	(75)	0	0	0	0	0
Transferred to disposal group as asset held for sale	0	0	0	0	0	0	0	0	0
Disposals	(18,585)	0	0	0	0	(17,840)	0	(318)	(427)
Accumulated depreciation at 31 March 2010	19,087	0	0	0	0	18,074	129	544	340
Net book value									
NBV - Owned at 1 April 2009	56,366	33,651	8,796	1,435	790	10,580	9	836	269
NBV - PFI Finance lease at 1 April 2009	183,596	0	180,430	0	0	3,166	0	0	0
NBV - Donated at 1 April 2009	386	0	116	0	0	268	0	0	2
NBV total at 1 April 2009	240,348	33,651	189,342	1,435	790	14,014	9	836	271
NBV - Owned at 31 March 2010	48,329	26,350	7,302	1,428	2,673	9,711	6	675	184
NBV - PFI Finance lease at 31 March 2010	154,770	0	152,202	0	0	2,568	0	0	0
NBV - Donated at 31 March2010	311	0	113	0	0	198	0	0	0
NBV total at 31 March 2010	203,410	26,350	159,617	1,428	2,673	12,477	6	675	184

11 Tangible Assets

11.2 2008/09

	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Cost at 1 October 2008	276,929	33,651	195,591	1,448	672	43,240	135	1,240	952
Additions - purchased	3,790	0	269	0	164	3,141	0	216	0
Additions - donated	24	0	0	0	0	24	0	0	0
Impairments charged to revaluation reserve	(13)	0	0	(13)	0	0	0	0	0
Reclassifications	0	0	0	0	(46)	0	0	46	0
Revaluation surpluses	0	0	0	0	0	0	0	0	0
Transferred to disposal group as asset held for sale	0	0	0	0	0	0	0	0	0
Disposals	(385)	0	(269)	0	0	(116)	0	0	0
Gross Cost at 31 March 2009	280,345	33,651	195,591	1,435	790	46,289	135	1,502	952
Accumulated depreciation at 1 October 2008	35,520	0	3,575	0	0	30,625	121	563	636
Provided during the year	4,590	0	2,675	0	0	1,762	5	103	45
Impairments recognised in operating expenses	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
Revaluation surpluses	0	0	0	0	0	0	0	0	0
Transferred to disposal group as asset held for sale	0	0	0	0	0	0	0	0	0
Disposals	(113)	0	0	0	0	(113)	0	0	0
Accumulated depreciation at 31 March 2009	39,997	0	6,249	0	0	32,275	126	666	681
Net book value									
NBV - Owned at 1 October 2008	55,347	33,651	10,422	1,448	672	8,152	12	677	313
NBV - PFI Finance lease at 1 October 2008	185,211	0	181,478	0	0	3,733	0	0	0
NBV - Donated at 1 October 2008	852	0	116	0	0	731	2	0	3
NBV total at 1 October 2008	241,410	33,651	192,016	1,448	672	12,616	14	677	316
NBV - Owned at 31 March 2009	55,964	33,651	8,797	1,435	790	10,177	9	836	269
NBV - PFI Finance lease at 31 March 2009	183,596	0	180,430	0	0	3,166	0	0	0
NBV - Donated at 31 March 2009	788	0	115	0	0	671	0	0	2
NBV total at 31 March 2009	240,348	33,651	189,342	1,435	790	14,014	9	836	271

11 Tangible Assets

11.3 Analysis of Tangible Assets

Net Book Value	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NBV - Protected Assets at 31 March 2010	185,417	25,800	159,617	0	0	0	0	0	0
NBV - Unprotected Assets at 31 March 2010	17,993	550	0	1,428	2,673	12,477	6	675	184
	203,410	26,350	159,617	1,428	2,673	12,477	6	675	184
		Restated							
NBV - Protected Assets at 31 March 2009	222,180	32,838	189,342	0	0	0	0	0	0
NBV - Unprotected Assets at 31 March 2009	18,168	813	0	1,435	790	14,014	9	836	271
	240,348	33,651	189,342	1,435	790	14,014	9	836	271

The Land values at 31 March 2009 have been restated to reflect the classification change from Protected to Unprotected for the land associated with Dwellings.

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NBV - Protected Assets at 1 October 2008	224,854	32,838	192,016	0	0	0	0	0	0
NBV - Unprotected Assets at 1 October 2008	16,555	813	0	1,448	672	12,615	14	677	316
	241,409	33,651	192,016	1,448	672	12,615	14	677	316

11 Tangible Assets

11.4 2009/10 Net Book Value of Assets Held Under PFI Finance Leases

	Total	PFI Arrangements
	£'000	£'000
Gross Cost at 1 April 2009	191,688	191,688
Additions - purchased	2,045	2,045
Impairments charged to revaluation reserve	(35,367)	(35,367)
Gross Cost at 31 March 2010	158,366	158,366
Accumulated depreciation at 1 April 2009	8,092	8,092
Provided during the year	5,693	5,693
Revaluation surplus	(10,189)	(10,189)
Accumulated Depreciation at 31 March 2010	3,596	3,596
NBV total at 1 April 2009	183,596	183,596
NBV total at 31 March 2010	154,770	154,770

11.5 2008/09 Net Book Value of Assets Held Under finance Leases

Gross Cost at 1 October 2008	190,458	190,458
Additions - purchased	1,230	1,230
Gross Cost at 31 March 2009	191,688	191,688
Accumulated depreciation at 1 October 2008	5,247	5,247
Provided during the year	2,845	2,845
Accumulated Depreciation at 31 March 2009	8,092	8,092
NBV total at 1 October 2008	185,211	185,211
NBV total at 31 March 2009	183,596	183,596

11.6 Impairment Losses

The Trust carried out an impairment review of its non-current assets in February 2010. For land, buildings and dwellings the Trust received a valuation report from the District Valuer prepared on a MEA basis. The valuation report was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6TH Edition, insofar as the terms are consistent with the requirements of HM Treasury, the National Health Service and Monitor. On application of the revaluation there was a fall in value, reflecting the change in market prices, of the Trust's land, buildings and dwellings compared to the carrying value at that time. In line with IFRS the Trust was able to offset the fall in value of its land, buildings and dwellings against any relevant revaluation balances held for the applicable assets. The impairment loss of £1,205,000 related to 'North Block' for which the Trust had no revaluation reserve balance to offset the fall in valuation. This impairment relates to the Expenditure - other operating segment of the Trust. The recoverable amount is measured as value in use as the Block is still owned and in use by the Trust.

11.7 Asset Valuations

The Trust received a MEA valuation from the District Valuer in February 2010. The updated valuations of the Trust's land, buildings and dwellings were applied to the Trust financial statements in March 2010 and enable the Trust to disclose an up to date position with regard to asset valuations. No significant assumptions were made as part of the valuation process as minimum capital expenditure had been applied to the land and buildings since the previous full revaluation exercise. If the Trust had not received this updated valuation the carrying values of land, buildings and dwellings would have been £33,651,000; £186,001,000 and £1,360,000 respectively.

11.8 Non Current Assets Held For Sale

	Total £'000	Property, Plant and Equipment £'000
NBV of Non Current Assets Held For Sale in disposal groups at 1 October 2008	135	135
Assets classified as available for sale during the year	0	0
Assets sold during the year	(135)	(135)
NBV of Non Current Assets Held For Sale in disposal groups at 31 March 2009	**0**	**0**
Assets classified as available for sale during the year	0	0
Assets sold during the year	0	0
NBV of Non Current Assets Held For Sale in disposal groups at 31 March 2010	**0**	**0**

The disposal during 2008/09 referred to one of the dwellings owned by the Trust, and the disposal took place on the open housing market.

11.9 Capital Commitments

Commitments under capital expenditure contracts at the end of the period, not otherwise included in these financial statements were £6,366,000 (31 March 2009 £ 266,000). This amount relates entirely to property, plant and equipment. There are no contracted capital commitments for intangible assets.

12 Inventories

12.1 Inventories	Year ended 31 March 2010 £'000	As at 31 March 2009 £'000	1 October 2008 £'000
Materials	2,949	2,272	2,174
Work in progress	0	0	0
Finished goods	0	0	0
Inventories carried at fair value less costs to sell	0	0	0
TOTAL Inventories	2,949	2,272	2,174

12.2 Inventories recognised in expenses	Year ended 31 March £'000	6 months to 31 March 2009 £'000	As at 1 October 2008 £'000
Inventories recognised in expenses	23,037	13,641	0
Write-down of inventories recognised as an expense	0	0	0
Reversal of any write down of inventories resulting in a reduction of recognised expenses	0	0	0
TOTAL Inventories recognised in expenses	23,037	13,641	0

There were no inventories recognised in expenses at 1 October 2008.

13 Trade Receivables and Other Receivables

13.1 Trade Receivables and Other Receivables

	Year Ended 31 March 2010			As at 31 March 2009			As at 1 October 2008		
Current	Total £'000	Financial Assets £'000	Non Financial Assets £'000	Total £'000	Financial Assets £'000	Non Financial Assets £'000	Total £'000	Financial Assets £'000	Non Financial Assets £'000
NHS Receivables	5,211	5,211	0	5,967	5,967	0	7,877	7,877	0
Other receivables with related parties	0	0	0	0	0	0	0	0	0
Provision for impaired receivables	(670)	(670)	0	(539)	(539)	0	(571)	(571)	0
Prepayments	883	0	883	560	0	560	278	0	278
PFI Prepayments									
Prepayments - Capital contributions	0	0	0	0	0	0	0	0	0
Prepayments - Lifecycle replacements	0	0	0	0	0	0	0	0	0
Accrued income	2,198	2,198	0	650	650	0	739	739	0
Corporation tax receivable	0	0	0	0	0	0	0	0	0
Finance Lease Receivables	0	0	0	0	0	0	0	0	0
PDC receivable	322	0	322	0	0	0	0	0	0
Other receivables	914	133	781	866	150	716	2,149	1,313	836
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	8,858	6,872	1,986	7,504	6,228	1,276	10,472	9,358	1,114
Non Current									
Prepayments	4,185	0	4,185	4,660	0	4,660	2,745	0	2,745
PFI Prepayments									
Prepayments - Capital contributions	0	0	0	0	0	0	0	0	0
Prepayments - Lifecycle replacements	1,288	0	1,288	1,651	0	1651	1,386	0	1,386
Other Receivables	1,154	0	1,154	946	0	946	806	0	806
TOTAL NON CURRENT TRADE AND OTHER RECEIVABLES	6,627	0	6,627	7,257	0	7,257	4,937	0	4,937

Other current and non current receivables include the NHS Injury Scheme (was RTA)

13.2 Provision for impairment of receivables

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 1 October 2008 £'000
At 1 April	539		
At start of period for new FT's	0	571	571
Increase in provision	218	58	0
Amounts utilised	(33)	(14)	0
Unused amounts reversed	(54)	(76)	0
At 31 March	670	539	571

13.3 Analysis of impaired receivables

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 1 October 2008 £'000
Ageing of impaired receivables			
Up to three months	0	5	4
In three to six months	3	65	25
Over six months	23	0	0
Total	26	70	29
Ageing of non-impaired receivables past their due date			
Up to three months	1,027	5,210	1,229
In three to six months	0	685	174
Over six months	38	0	0
Total	1,065	5,895	1,403

14 Trade and Other Payables

	As at 31 March 2010			As at 31 March 2009			As at 1 October 2008		
	Total	Financial Liabilities	Non Financial Liabilities	Total	Financial Liabilities	Non Financial Liabilities	Total	Financial Liabilities	Non Financial Liabilities
Current	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Receipts in advance	0	0	0	0	0	0	0	0	0
NHS payables	3,265	3,265	0	772	772	0	2,246	2,246	0
Amounts due to other related parties	0	0	0	0	0	0	0	0	0
Trade payables - capital	441	441	0	372	372	0	116	116	0
Other trade payables	0	0	0	0	0	0	0	0	0
Taxes payable	2,910	0	2,910	2,604	0	2,604	1,242	0	1,242
Other payables	3,995	3,995	0	4,317	4,317	0	5,276	5,276	0
Accruals	2,964	2,964	0	2,639	2,639	0	1,470	1,470	0
PDC payable	0	0	0	0	0	0	0	0	0
Reclassified to liabilities held in disposal groups in year	0	0	0	0	0	0	0	0	0
TOTAL CURRENT TRADE & OTHER PAYABLES	13,575	10,665	2,910	10,704	8,100	2,604	10,350	9,108	1,242
Non-current									
Receipts in advance	0	0	0	0	0	0	0	0	0
NHS payables	0	0	0	0	0	0	0	0	0
Amounts due to other related parties	0	0	0	0	0	0	0	0	0
Trade payables - capital	0	0	0	0	0	0	0	0	0
Other trade payables	0	0	0	0	0	0	0	0	0
Taxes payable	0	0	0	0	0	0	0	0	0
Other payables	0	0	0	0	0	0	0	0	0
Accruals	0	0	0	0	0	0	0	0	0
TOTAL NON CURRENT TRADE & OTHER PAYABLES	0	0	0	0	0	0	0	0	0

Taxes payable consists of employment taxation only (Pay As You Earn and National Insurance contributions), owed to HM Revenue and Customs at the period end.

15 Other Liabilities	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 1 October 2008 £'000
Current			
Deferred Income	1,594	1,902	1,698
Deferred PFI credits	0	0	0
Deferred Government Grant	0	0	0
Net Pension Scheme Liability	0	0	0
TOTAL OTHER CURRENT LIABILITIES	1,594	1,902	1,698
Non-current			
Deferred Income	0	0	0
Deferred PFI credits	0	0	0
Deferred Government Grant	0	0	0
Net Pension Scheme Liability	0	0	0
TOTAL OTHER NON CURRENT LIABILITIES	0	0	0

The classification of Deferred Income does not change as a result of the restatement from UK GAAP to IFRS.
Where income has been received for a specific activity which is to be delivered in the following financial year, that income is deferred.

16 Provision for Liabilities and Charges

	Current			Non-current		
	31 March 2010	31 March 2009	1 October 2008	31 March 2010	31 March 2009	1 October 2008
	£'000	£'000	£'000	£'000	£'000	£'000
Pensions relating to former directors	0	0	0	0	0	0
Pensions relating to other staff	0	0	0	0	0	0
Other legal claims	101	100	118	0	0	0
Agenda for Change	20	281	139	0	0	0
Other	713	651	599	0	0	0
Total	834	1,032	856	0	0	0

	Total	**Pensions - former directors**	**Pensions - other staff**	**Other legal claims**	**Agenda for Change**	**Other**
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2008	856	0	0	118	139	599
Arising during the year	503	0	0	48	142	313
Utilised during the year	(31)	0	0	(18)	0	(13)
Reversed unused	(296)	0	0	(48)	0	(248)
At 31 March 2009	1,032	0	0	100	281	651
Arising during the year	64	0	0	1	1	62
Utilised during the year	(254)	0	0	0	(14)	(240)
Reversed unused	(8)	0	0	0	(8)	0
At 31 March 2010	834	0	0	101	260	473
Expected timing of cashflows:						
- not later than one year;	834	0	0	101	260	473
- later than one year and not later than five years;	0	0	0	0	0	0
- later than five years.	0	0	0	0	0	0
TOTAL	834	0	0	101	260	473

Other Legal Claims include claims under Employers and Public Liability.
Agenda for Change include staff yet to be assimilated.
Other provisions include assessed liabilities in respect of the balance outstanding for Middle Grade Doctors Pay Award

The NHS Litigation Authority has included in its provisions at 31 March 2010 £36,528,000 (2008/09 £33,325,000) in respect of clinical negligence liabilities for the Trust.

17 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 £182,700,000 in 2009/10. The Trust has not borrowed in 2009/10 and at 31 March 2010 its long term borrowing was £158,109,000 in relation to the finance lease of the Trust PFI Scheme. The Prudential Borrowing Limit is the sum of the following:

(i) Maximum cumulative long term borrowing: £166.7M and
(ii) Approved Working Capital Facility of: not to exceed £16.0M

Financial Ratio	2009/10		2008/09 *	
	Actual	Plan	Actual	Plan
Maximum Debt / Capital Ratio	62.0%	55.0%	57.0%	56.0%
Minimum Dividend Cover	5.3x	5.9x	5.8x	5.8x
Minimum Interest Cover	2.5x	2.8x	3.1x	3.1x
Minimum Debt Service Cover	1.7x	1.9x	2.0x	2.0x
Maximum Debt Service to Revenue	5.5%	5.9%	6.1%	6.7%

* Full year figures for 2008/09 have been provided for comparator purposes.

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 2010.

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

There has been no necessity to make use of the Trust's Prudential Borrowing Limit or to use its overdraft facility. The increase in the Trust's Prudential Limit to £166.7M (31 March 2009 £51.2M) is in relation to compliance with the International Financial Reporting Standards (IFRS) which require the assets and liabilities of the Trust's PFI Initiative scheme to be accounted for within its Statement of Financial Position, see note 23 to the accounts.

18 Borrowings

	As at 31 March 2010	As at 31 March 2009	As at 1 October 2008
Current	£'000	£'000	£'000
Obligations under Private Finance Initiative contracts	4,065	4,511	4,667
Total Current borrowings	4,065	4,511	4,667
Non Current			
Obligations under Private Finance Initiative contracts	158,089	162,154	163,211
Total Other non Current Liabilities	158,089	162,154	163,211

19 Cash and Cash Equivalents

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 1 October 2008 £'000
Cash and Cash Equivalents	26,925	14,541	11,860
Broken down into:			
Cash at commercial banks and in hand	9	0	2
Cash with the Government Banking Service	16,916	14,541	11,858
Other current investments	10,000	0	0
Cash and cash equivalents as in Statement of Financial Position	26,925	14,541	11,860
Bank overdraft	0	0	0
Cash and cash equivalents as in Statement of Cash Flows	26,925	14,541	11,860

Other current investments are instant access cash deposits held with UK Bank Institutions.

20 Events after the reporting period

The Trust does not have any post reporting period events.

21 Contingencies

The Trust has a possible obligation to award damages in relation to an employment tribunal to the value of £100,000 at 31 March 2010. The probability of the success of this claim is low and thus has been included as a contingent liability.

22 Related Party Transactions

The Dudley Group of Hospitals NHS Foundation Trust is a public benefit corporation which was established under the granting of authority by Monitor, the Independent regulator for Foundation Trusts. Key management personnel, namely the Trust Board Directors and Non Executive Directors, are those persons having authority and responsibility for planning, directing and controlling the activities of the Trust. During the year none of the key management personnel have parties related to them that have undertaken any material transactions with The Dudley Group of Hospitals NHS Foundation Trust.

The table below details, on an aggregate basis, key management personnel compensation:

	31 March 2010	31 March 2009
Compensation	£ million	£ million
Salaries and short-term benefits	1.08	0.52
Post-employment benefits	1.14	0.85
	2.22	1.37

The Trust considers other NHS Foundation Trusts to be related parties, as they and the Trust are under the common performance management of Monitor. During the year the Trust contracted with certain other Foundation Trusts for the provision of clinical and non clinical support services. The value of activity undertaken with these organisations was not material to the accounts. The Department of Health is also regarded as a related party. During the year the 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:

	Year ended 31 March 2010				6 months to 31 March 2009				As at 1 October 2008	
	Income	Expenditure	Receivable	Payable	Income	Expenditure	Receivable	Payable	Receivable	Payable
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Department of Health	0.20		0.30		4.40				0.11	
West Midlands Strategic Health Authority	7.60	0.04	0.02		3.60		0.11		0.10	
Birmingham East & North PCT	11.90			0.05	5.40			0.09		
Dudley PCT	175.20	2.54	1.43		80.40	0.33	2.48		4.41	0.08
Sandwell PCT	31.08		0.67		12.20		1.64		1.30	
South Staffordshire PCT	8.60		0.12		3.50		0.09		0.04	
Wolverhampton City PCT	3.80		0.68		1.50		0.08		0.01	
Worcestershire PCT	4.09		0.97		1.70		0.46		0.39	

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. These entities are listed below:

	Year ended 31 March 2010				6 months to 31 March 2009				As at 1 October 2008	
	Income	Expenditure	Receivable	Payable	Income	Expenditure	Receivable	Payable	Receivable	Payable
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
HM Revenue & Excise		7.50		2.91		3.70		2.60		1.24
NHS Blood and Transplant Agency		2.06		0.07		0.90		0.07		
NHS Business Services Authority		3.90		0.18		1.70		0.08		0.07
NHS Litigation Authority		4.20				1.10	0.04			
NHS Pensions		12.10		1.59		5.70				1.41
NHS Professionals		3.02		0.28		1.20		0.23		0.10
Dudley Metropolitan Borough Council	0.16	1.20			0.07	0.50	0.01			

23 Private Finance Initiatives

23.1 PFI schemes on the Statement of Financial Position

The Dudley PFI project provided for the refurbishment and new building of major inpatient facilities at Russells Hall Hospital, the building of new facilities at Guest Hospital and Corbett Hospital. The Capital value of the scheme was £160.2m. The Project agreement runs for 40 years from May 2001 (except IT, which runs for 15 years from completion). The Dudley PFI is a combination of buildings (including hard FM services) and a significant range of allied and clinical support services.
The standard Unitary Payment changes periodically as a consequence of:

- Inflation (based on RPI and reviewed annually)
- Deductions for poor performance (Deficiency points and financial penalties for poor performance or non-compliant incidents).
- Variations to the Project Agreement (agreed under Variations procedure in the PA)
- 50% of market testing or refinancing impact
- Energy tariff adjuster (the difference between actual energy tariff changes and the uplift that comes through RPI)
- Volume adjuster (computed by comparing actual in patient days against that in the schedule, with a tolerance of plus or minus 3%)

The Trust has the rights to use the specified assets for the length of the Project Agreement and has the rights to expect provision of the range of allied and clinical support services. At the end of the Project Agreement the assets will transfer back to the Trust's ownership.

The PFI transaction meets the IFRIC 12 definition of a service concession, as interpreted in the Annual Reporting Manual (ARM) issued by Monitor, and therefore the Trust is required to account for the PFI scheme 'on-balance sheet' and this means that the Trust treats the asset as if it were an asset of the Trust and the substance of the contract is that the Trust has a finance lease and payments comprise two elements, an imputed finance lease charge and service charges.

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 1 October 2008 £'000
Gross PFI Liabilities	171,359	176,186	177,227
of which liabilities are due			
- not later than one year;	13,270	14,032	14,016
- later than one year and not later than five years;	16,260	17,550	18,668
- later than five years.	141,829	144,604	144,543
Finance charges allocated to future periods	(9,205)	(9,521)	(9,349)
Net PFI liabilities	**162,154**	**166,665**	**167,878**
- not later than one year;	4,065	4,511	4,667
- later than one year and not later than five years;	16,260	17,550	18,668
- later than five years.	141,829	144,604	144,543

The Trust is committed to make the following payments for on-SoFP PFIs obligations during the next year in which the commitment expires:

	31 March 2010 £'000	31 March 2009 £'000	1 October 2008 £'000
Within one year	0	0	0
2nd to 5th years (inclusive)	0	0	0
6th to 10th years (inclusive)	0	0	0
11th to 15th years (inclusive)	0	0	0
16th to 20th years (inclusive)	0	0	0
21st to 25th years (inclusive)	0	0	0
26th to 30th years (inclusive)	0	0	0
31st to 35th years (inclusive)	33,574	33,655	33,060
36th year and beyond	0	0	0
Total length of the project (years)	36		
Number of years to the end of the project	31		

24 Financial Instruments and Related Disclosures

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. The nature of the Trust's activities means that exposure to risk, although not eliminated, is substantially reduced.

The key risks that the Trust has identified are as follows:

24.1 Financial Risk

Because of the continuing service provider relationship that the Trust has with Primary Care Trusts (PCT's) and the way those PCT's are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Investment Committee.

24.2. Currency Risk

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

24.3 Market (Interest Rate) Risk

All of the Trust financial assets and all of its financial liabilities carry nil or fixed rates of interest. The Trust is not therefore, exposed to significant interest rate risk.

24.4 Credit Risk

The majority of the Trust's income comes from contracts with other public sector bodies, resulting in low exposure to credit risk. The maximum exposures as at 31 March 2010 are in receivables from customers, as disclosed in note 13 to the accounts. The Trust mitigates its exposure to credit risk through regular review of debtor balances and by calculating a bad debt provision at the end of the period.

24.5 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 minimises such risk. The working capital facility level has been derived by taking into consideration the forecast month end cash balances for the coming two years. 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 17 “Prudential Borrowing Limit.”

The Trust is therefore not exposed to significant liquidity risk.

24.6 Fair Values

All of the financial assets and all of the financial liabilities of the Trust are measured at fair value on recognition and subsequently amortised cost.

24.7 Financial Assets By Category

The following table shows by category the Trust's financial assets and financial liabilities at 31 March 2010, 31 March 2009 and 1 October 2008.

Financial Assets	As at 31 March 2010		As at 31 March 2009		As at 1 October 2008	
	Total	Loans and Receivables	Total	Loans and Receivables	Total	Loans and Receivables
	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other receivables excluding non financial liabilities	6,872	6,872	6,228	6,228	9,358	9,358
Other Investments	0	0	0	0	0	0
Other Financial Assets	10,000	10,000	20,000	20,000	18,000	18,000
Non current assets held for sale and assets held in disposal group excluding non financial assets	0	0	0	0	0	0
Cash and cash equivalents (at bank and in hand)	26,925	26,925	14,541	14,541	11,860	11,860
	43,797	43,797	40,769	40,769	39,218	39,218

Other Financial Assets are fixed term cash investments with UK Bank Institutions

Financial Liabilities	As at 31 March 2010		As at 31 March 2009		As at 1 October 2008	
	Total	Other Financial Liabilities	Total	Other Financial Liabilities	Total	Other Financial Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings excluding Finance lease and PFI liabilities	0	0	0	0	0	0
Obligations under finance leases	0	0	0	0	0	0
Obligations under Private Finance Initiative contracts	162,154	162,154	166,665	166,665	167,878	167,878
Trade and other payables excluding non financial assets	10,912	10,912	8,100	8,100	9,108	9,108
Other financial liabilities	0	0	0	0	0	0
Provisions under contract	834	834	1,032	1,032	856	856
Liabilities in disposal groups excluding non-financial assets	0	0	0	0	0	0
	173,900	173,900	175,797	175,797	177,842	177,842

25 Third Party Assets

The Trust held £7,006 cash at bank and in hand at 31 March 2010 (31 March 2009 £7,773 ; 1 October 2008 £1,890) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figures reported in the accounts.

26 Losses and Special Payments

NHS Foundation Trusts are required to record payments and other adjustments that arise as a result of losses and special payments on an accruals basis. In the period reported for 2009/10 the Trust had 102 (2008/9 82) separate losses and special payments, totalling £58,000 (2008/9 £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.

27 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.

28 Transition to IFRS

Under UK GAAP the Trust's Private Finance Initiative (PFI) scheme was accounted for 'off-balance sheet'. This mean that the amount the Trust paid the PFI Provider each year was simply charged direct to the Income and Expenditure Account. Under IFRS the PFI transaction meets the IFRIC 12 definition of a service concession, as interpreted in Annual Reporting Manual (ARM) issued by Monitor, and therefore the Trust is required to account for the PFI scheme 'on-balance sheet' and this means the arrangement is accounted for much the same as a Finance Lease.

The Trust now recognises the PFI buildings as a non-current asset on the Statement of Position (previously the Balance Sheet). The PFI building is then accounted for the same as all our other owned buildings in that it is depreciated and revalued in line with our accounting policies. The Trust is also required to recognise a Finance Lease Creditor in the Statement of Position, this fundamentally being the amount of debt owed for the provision of the buildings over the contract term. The annual unitary payment made to the PFI Company is then split between payment of the debt, interest on the debt, lifecycle and the service provision.

The Trust reported under UK GAAP in its published financial statements for the year ended 31 March 2009. The Trust has adopted International Financial Reporting standards (IFRS) for these statements for the year ended 31 March 2010.

Key impacts

The main impacts of IFRS on the reported results of the Trust are listed below and are described in greater detail in the following sections.

* Service Concession arrangements (IFRIC 12) accounting by Private Sector operators involved in the provision of Public Sector infrastructure assets and services.

The analysis below shows a reconciliation of taxpayers' equity (assets employed) and comprehensive income reported under UK GAAP for the six months ended 31 March 2009 to the revised taxpayers' equity and comprehensive income under IFRS as reported in these financial statements. There is a reconciliation of tax payers' equity under UK GAAP to IFRS at the transition date for the Trust being 1 October 2008.

Reconciliation of Retained Surplus for the six months to 31 March 2009

	6 months to 31 March 2009 £'000
Retained Surplus Under UK GAAP as previously reported	4,130
IFRIC 12 Depreciation and Finance Lease Costs	(708)
Surplus for the year under IFRS	3,422

		Year ended 31 March 2009 £'000	1 October 2008 £'000
Tax payers' equity under UK GAAP as previously reported		120,961	116,877
IFRIC 12	Property Plant & Equipment	178,032	180,316
	Trade and Other Receivables	(19,980)	(20,343)
	Current Liabilities - Borrowings	(4,511)	(4,667)
	Non Current Liabilities - Borrowings	(162,154)	(163,211)
Total taxpayers' equity (total assets employed) under IFRS		112,348	108,972

Reconciliation of the Statement of Comprehensive Income for the six months to 31 March 2009

	Reference	UK GAAP Year ended 31 March 2009 £'000	IFRS Year ended 31 March 2009 £'000	Difference £'000
Operating Income		117,139	117,139	0
Operating Expenses	1	(111,812)	(107,962)	3,850
Operating Surplus		5,327	9,177	3,850
Finance costs				
Finance Income		456	456	0
Finance Expense - Financial Liabilities	2	0	(4,558)	(4,558)
PDC Dividends Payable		(1,653)	(1,653)	0
Net Finance Costs		(1,197)	(5,755)	(4,558)
Surplus For The Year		4,130	3,422	(708)

		6 months to 31 March 2009 £'000
Reference 1		
Operating Expenses		
IFRIC 12	Service Concession Depreciation and Costs	3,850
Reference 2		
Finance Expense - Financial Liabilities		
IFRIC 12	Service Concession Lease Payment	(4,558)

Reconciliation of total tax payers' equity (total assets employed) at 31 March 2009 and 1 October 2008 (date of transition to IFRS)

	Reference	UK GAAP Year ended 31 March 2009 £'000	IFRS Year ended 31 March 2009 £'000	Difference £'000	UK GAAP 1 October 2008 £'000	IFRS 1 October 2008 £'000	Difference £'000
Non Current Assets							
Intangible Assets		729	729	0	766	766	0
Property, Plant & Equipment	1	62,316	240,348	178,032	61,229	241,410	180,181
Trade & Other Receivables	2	0	7,257	7,257	0	4,937	4,937
Other Assets		0	0	0	0	0	0
		63,045	248,334	185,289	61,995	247,113	185,118
Current Assets							
Inventories		2,272	2,272	0	2,174	2,174	0
Trade & Other Receivables	3	34,741	7,504	(27,237)	35,752	10,472	(25,280)
Other Current Assets	4	20,000	20,000	0	18,000	18,000	0
Non Current Assets Held For Sale	5	0	0	0	0	135	135
Cash at Bank and In Hand		14,541	14,541	0	11,860	11,860	0
		71,554	44,317	(27,237)	67,786	42,641	(25,145)
Current Liabilities							
Trade & Other Payables	6	(12,606)	(8,100)	4,506	(12,048)	(9,108)	2,940
Borrowings	7	0	(4,511)	(4,511)	0	(4,667)	(4,667)
Provisions		(1,032)	(1,032)	0	(856)	(856)	0
Tax Payable	8	0	(2,604)	(2,604)	0	(1,242)	(1,242)
Other Liabilities	9	0	(1,902)	(1,902)	0	(1,698)	(1,698)
		(13,638)	(18,149)	(4,511)	(12,904)	(17,571)	(4,667)
Non-Current Liabilities							
Borrowings	10	0	(162,154)	(162,154)	0	(163,211)	(163,211)
Other Liabilities		0	0	0	0	0	0
		0	(162,154)	(162,154)	0	(163,211)	(163,211)
Total Assets Employed		**120,961**	**112,348**	**(8,613)**	**116,877**	**108,972**	**(7,905)**
Financed by Taxpayers' Equity							
Public Dividend Capital		20,927	20,927	0	20,927	20,927	0
Revaluation Reserve	11	30,585	70,426	39,841	30,815	70,656	39,841
Donated Asset Reserve	12	386	386	0	419	419	0
Income & Expenditure Reserve	13	69,063	20,609	(48,454)	64,716	16,970	(47,746)
Total Taxpayers' equity		**120,961**	**112,348**	**(8,613)**	**116,877**	**108,972**	**(7,905)**

The differences are explained as follows:		Year ended 31 March 2009 £'000	1 October 2008 £'000
Reference 1 - Property Plant & Equipment			
IFRIC 12	Incorporation of PFI Assets	178,032	180,314
	Reclassification of Property Held For Sale	0	(133)
		178,032	180,181
Reference 2 - Trade & Other Receivables			
	Reclassification of long term receivables	7,257	4,937

		Year ended 31 March 2009 £'000	1 October 2008 £'000
Reference 3 - Trade & Other Receivables			
IFRIC 12	Removal of PFI deferred asset - short term	(19,980)	(20,343)
	Removal of PFI deferred asset - long term	(7,257)	0
	Reclassification of long term receivables	0	(4,131)
	Reclassification of Non Trade Debtor	0	(806)
		(27,237)	(25,280)
Reference 4 - Other current Assets			
	Reclassification of Non Trade Debtor	0	0
Reference 5 - Non Current Assets Held For Sale			
	Reclassification of Property which is available For Sale	0	135
Reference 6 - Trade & Other Payables			
	Reclassification of Tax Payable and Other Liabilities	4,506	2940
Reference 7 - Borrowings			
IFRIC 12	PFI Finance Lease Short Term Creditor	(4,511)	(4,667)
Reference 8 - Tax Payable			
	Reclassification of Tax Payable	(2,604)	(1,242)
Reference 9 - Other Liabilities			
	Reclassification of Other Liabilities	(1,902)	(1,698)
Reference 10 - Borrowings			
IFRIC 12	PFI Finance Lease Long Term Creditor	(162,154)	(163,211)
Reference 11 - Revaluation Reserve			
IFRIC 12	PFI Property Plant & Equipment	39,841	39,841
Reference 12 - Donated Asset Reserve		0	0
Reference 13 - Income & Expenditure Reserve			
IFRIC 12	PFI In Year Income and Expenditure	(8,613)	(47,746)
	PFI Property Plant & Equipment	(39,841)	0
		(48,454)	(47,746)

Reconciliation of the statement of cash flows for the year ended 31 March 2009

		Year ended 31 March 2009		
		UK GAAP	IFRS	Difference
	Reference	£'000	£'000	£'000
Cash flows from operating activities				
Operating surplus/(deficit) from continuing operations	1	5,328	9,177	(3,849)
Operating surplus/(deficit)		5,328	9,177	(3,849)
Non-cash income and expense:				
Depreciation and amortisation	2	1,862	4,707	(2,845)
Transfer from the donated asset reserve		(57)	(57)	0
(Increase)/Decrease in Trade and Other Receivables	3	783	584	199
(Increase)/Decrease in Other Assets			0	0
(Increase)/Decrease in Inventories		(98)	(98)	0
Increase/(Decrease) in Trade and Other Payables	3	790	735	55
Increase/(Decrease) in Other Liabilities			0	0
Increase/(Decrease) in Provisions		175	175	0
Other movements in operating cash flows		**0**	1	(1)
NET CASH GENERATED FROM/(USED IN) OPERATIONS		8,783	15,224	(6,441)
Cash flows from investing activities				
Interest received		519	519	0
Purchase of financial assets		(20,000)	(20,000)	0
Sales of financial assets		18,000	18,000	0
Purchase of intangible assets		(81)	(81)	0
Purchase of Property, Plant and Equipment	4	(3,046)	(2,486)	(560)
Sales of Property, Plant and Equipment		135	135	0
Net cash generated from/(used in) investing activities		(4,473)	(3,913)	(560)
Cash flows from financing activities				
Capital element of Private Finance Initiative Obligations	5	0	(2,443)	2,443
Interest element of Private Finance Initiative Obligations	5	0	(4,558)	4,558
PDC Dividend paid		(1,653)	(1,653)	0
Cash flows from (used in) other financing activities		24	24	0
Net cash generated from/(used in) financing activities		(1,629)	(8,630)	7,001
		2,681	2,681	0

All references above are in accordance with IFRIC 12 - PFI coming on to the Trust Balance Sheet
The respective adjustments referred to above are
1 Unitary Payment adjustments for the removal of residual interest
2 Incorporation of the in year depreciation from the PFI Buildings
3 Working Capital adjustments for the removal of the deferred current asset
4 Removal of the residual interest element of the PFI Contract
5 Incorporation of the capital and interest elements of the PFI Finance Lease

Audited Remuneration report

Salary and Pension entitlements of Senior Managers **2009/10**

A) Remuneration

Name and Title	Note	2009-10			2008-09 **(6 months only)**		
		Salary (bands of £5000)	Other Remuneration (bands of £5000)	* Benefits in Kind (Rounded to the nearest £100)	Salary (bands of £5000)	Other Remuneration (bands of £5000)	* Benefits in Kind (Rounded to the nearest £100)
		£000	£000	£00	£000	£000	£00
Paula Clark, Chief Executive	a	90-95					
Paul Farenden, Chief Executive	b	90-95			90-95		
Paul Assinder, Finance Director		140-145			70-75		
Paul Harrison, Medical Director		60-65	106-110		30-35	50-55	
Paul Brennan, Director of Operations		135-140		6,500	65-70		3,200
Janine Clarke, Director of Human Resources		100-105		6,100	50-55		3,000
Denise McMahon Nursing Director		115-120			55-60		
Ruth Serrell, Acting Director of Operations	d	40-45					
Roger Callender Associate Director		70-75			30-35		
Alfred Edwards, Chairman		45-50		400	20-25		200
David Badger, Non-exec		15-20			5-10		
Kathryn Williets, Non-exec		10-15			5-10		
Ann Becke, Non-exec		10-15		100	5-10		
David Wilton Non-exec	c	10-15			5-10		
Jonathon Fellows Non-exec		10-15			5-10		100
Aggregate Total		940-1,015	106-110	13,100	435-500	50-55	6,500

Note:

The figures shown for 2008/09 are for the period 1st October 2008 to 31st 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

a Paula Clark commenced 1st October 2009

b Paul Farenden retired on 30th September 2009

c David Wilton left on 15th January 2010

d Ruth Serrell commenced 23rd October 2009

B) Pension Benefits

Name and Ttitle	Note	Real increase in pension at age 60 (bands of £2500)	Real increase in lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2010 (bands of £5000)	Lump sum at age 60 related to accrued pension at 31 March 2010 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2010	Real Increase in Cash Equivalent Transfer Value	Employers Contribution to Stakeholder Pension To nearest £100
		£000	£000	£000	£000	£000	£000	£00
Paula Clark, Chief Executive	1	0 - 2.5	2.5 - 5.0	30 - 35	100 - 105	697	35	0
Paul Farenden, Chief Executive	2	0 - 2.5	2.5 - 5.0	90 - 95	280 - 285	-	-	0
Paul Assinder, Finance Director		2.5 - 5.0	7.5 - 10.0	45 - 50	140 -145	963	98	0
Paul Brennan, Director of Operations		0 - 2.5	5.0 - 7.5	45 - 50	135 - 140	841	86	0
Janine Clarke, Director of Human Resources		0 - 2.5	5.0 - 7.5	30 - 35	100 - 105	584	77	0
Paul Harrison, Medical Director	4	2.5 - 5.0	10.0 - 12.5	45 - 50	140 - 145	810	101	0
Denise McMahon Nursing Director		2.5 - 5.0	10.0 - 12.5	45 - 50	135- 140	870	108	0
Ruth Serrell, Acting Director of Operations	3	0 - 2.5	5.0 - 7.5	25 - 30	85 - 90	493	39	0

Note:-

1 Paula Clark commenced 1st October 2009

2 Paul Farenden retired on 30th September 2009

3 Ruth Serrell commenced 23rd October 2009

4 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.

Signed Date 27th May 2010

Paula Clark
Chief Executive

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.

		Attendance out of 2
Mr A. Edwards	Chair	2
Mr J. Fellows	Non-Executive Director	2
Mr D. Wilton	Non-Executive Director	2
Mr D. Badger	Non-Executive Director	1
Mrs K. Williets	Non-Executive Director	1
Mrs A. Becke	Non-Executive Director	0
Miss P. Clark	Chief Executive (from 1st October 2009)	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 included in their individual contracts of employment which includes notice periods and any termination arrangements.

Glossary of abbreviations:

A&E	Accident and Emergency
C. diff	Clostridium difficile (infection)
CQC	Care Quality Commission
DGoH	The Dudley Group of Hospitals NHS Foundation Trust
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
EFVR	Estimated Fair Value on Reversion
FT	Foundation Trust
GAAP	Generally Accepted Accounting Principles
GP	General Practitioner
HCAI	Healthcare Associated Infection
HR	Human Resources
IBP	Integrated Business Plan
IFRS	International Financial Reporting Standards
I&E	Income and Expenditure
IT	Information Technology
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
PbR	Payment by Results
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

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