

Annual Report and Accounts



07-08



Countess of Chester Hospital NHS
Foundation Trust

Annual Report & Accounts 2007 / 2008

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



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The Countess of Chester Hospital NHS Foundation Trust is a 580-bed, single site General Hospital situated on the outskirts of Chester. The Trust has over 3,000 employees and provides acute, emergency and elective services, primary care direct access services and obstetric services to more than 400,000 patients a year primarily from Chester and surrounding rural areas, Ellesmere Port and Neston and the Deeside area of Flintshire.

In April 2004, the Countess of Chester Hospital was established as one of the first ten NHS Foundation Trusts in the country. As a NHS Foundation Trust, we will use our independence as a public-benefit corporation and the associated financial, managerial and governance freedoms to enhance and grow the services we provide to patients in our community and indeed beyond.

The Countess of Chester Hospital has an excellent reputation for delivering high quality patient care and is nationally accredited at the highest levels in many areas, in particular those relating to clinical outcomes and patient safety.

Our aim is to be the preferred hospital of choice for our traditional community, and a preferred hospital of choice for patients from a wider area, and to continue to provide a comprehensive, high quality, and accessible range of emergency and elective services to all our patients.

We want our patients to be assured that they will receive their care as rapidly as possible in a first-class environment, be treated with courtesy and dignity, and be confident that the outcome of their clinical care will be of the highest standards and safety.

Chairman's statement

Welcome to the Annual Report of the Countess of Chester Hospital NHS Foundation Trust for the year 2007/8.

This is our fourth year as an NHS Foundation Trust and I believe that we have made excellent progress in progressing our key strategic aims of improving patient safety, providing excellent service to our patients and extending the range of services available. At the same time we have continued to modernise the hospital facilities whilst further strengthening the financial and asset base of the Trust.

The financial performance of the Trust was excellent with a £4.5m surplus achieved to support future investment in the capital infrastructure of the Trust.

We anticipate that this will result in a financial risk rating of 5 for the third consecutive year, the only Foundation Trust to have achieved this.

Our high clinical standards and outcomes were once again recognised with the award for the 40Top Hospitals Award, one of only 5 Trusts in the country to achieve this for eight consecutive years.

Our work towards further improving patient safety progressed as a national pilot site, in conjunction with North-East Wales Hospital Trust, in the Health Foundation's Safer Patients Initiative. The Trust were also successfully re-accredited at level 3 of the National Health Service Litigation Authority (NHSLA) general standards –one of only 10 Trusts in the country to hold this.

As an early implementer pilot site we delivered the new 18 week waiting list target in England in advance of most Trusts in the country and in advance of the December 2008 target deadline, achieving 89% for admitted patients and 96% for non-admitted patients. Income associated with the additional activity required to deliver this target contributed to the financial surplus. Longer waiting time targets are set by the Welsh Assembly for Welsh residents and we ensured these were also met by year end.

Combating healthcare associated infection is of enormous importance to the Trust and in 2007/8 we reduced the incidence of MRSA bacteraemia infections to 12 cases of infection acquired within the Hospital, a 47% reduction on the previous year. Seven additional patients with an MRSA infection acquired in the community were treated in the hospital.

In common with elsewhere in the country, the first few months of 2008 saw the Trust experiencing high levels of Norovirus and Clostridium Difficile. This created enormous pressures in managing the admission and discharge of patients. Whilst 98.3% of patients attending A & E overall were seen within the 4-hour target within the year, this proved difficult to achieve consistently in the last quarter of 2007/8.

Targets relating to cancer waiting times were surpassed and other national targets and standards were largely met, with some underachievement in those targets which related to delayed discharges and the number of cancelled operations for non-medical reasons.

In 2007/8 a programme of modernising the older parts of the Hospital was commenced and the first of a long-term programme of ward upgrades was completed, together with improvements to theatres and refurbishment of the endoscopy suite and outpatient facilities. A new state-of-the art colposcopy and fertility suite was also opened during the year.

Advanced automated blood analyser equipment was installed following reconfiguration works in the pathology department which has significantly improved operational efficiency and the speed of reporting of diagnostic results.



The Board of Directors continued to work closely with the Board of Governors during the year. Joint workshops of the two Boards were held to discuss the strategic objectives and contribute to the Annual Plan of the Trust. We recruited 27% more public members than at the beginning of the year, the net increase in public membership taking into account members leaving was 17.5%.

Our staff have again risen to the challenges of dealing with high levels of patient activity whilst at the same time continuing to improve the way we work to ensure safe and effective patient care. Their dedication and commitment remains at the core of our continued success.

Whilst we can be proud of our achievements during the year, we recognise that more needs to be done in some areas and we will continue to drive forward improvements to the experience of the patients we serve.

A handwritten signature in dark ink, appearing to read 'J Sharples', written in a cursive style.

Sir James Sharples

Chairman

The Countess of Chester Hospital NHS Foundation Trust

The Countess of Chester Hospital is a 580-bed, single site general hospital situated on the outskirts of Chester. The Trust has over 3,000 employees and provides acute emergency and elective services, primary care direct access services and obstetric services to a population of approximately 250,000 residents mainly in Chester and surrounding rural areas, Ellesmere Port and Neston and the Deeside area of Flintshire.

More than 400,000 patients attend the hospital for treatment every year – ranging from a simple outpatient appointment to major cancer surgery.

We are the main Trust serving Western Cheshire Primary Care Trust, and provide services to approximately 30% of the population covered by Flintshire Local Health Board in Wales. Welsh patients represent approximately one fifth of the workload of the Trust.

Services provided

The Trust provides services in all the surgical and medical specialties common to a District General Hospital and in certain specialist areas:

Breast surgery

ENT

General surgery

Gastro-intestinal Surgery

Gynaecology

Orthopaedics

Ophthalmology

Oral surgery

Orthodontics

Pain Management (Anaesthesia)

Plastic surgery

Urology

Vascular surgery.

Within Medical subspecialties we

offer services in Endocrinology, Cardiology, Respiratory Medicine, Gastro-enterology, Haematology, Rheumatology, Dermatology, Nephrology, Medicine for the Older person and Sexual Health Medicine.

Paediatric medicine and surgery are provided at the Trust, together with a full Obstetric service and fertility service.

Cardiac catheterisation

Renal dialysis and outpatient services

The Trust also provides a full complement of Accident and Emergency, outpatient and direct access services. All main specialties are supported by a comprehensive range of clinical services in therapies, pharmacy, pathology, radiology and cardio-respiratory. We provide facilities to other Trusts for Neurology, Psychiatric Liaison, Community Dental services and Oncology. The renal dialysis and outpatients service at the Countess of Chester Hospital is currently provided on a joint basis linked to the inpatient service at Wirral Hospitals NHS Trust.

The Hospital facilities

The Trust predominantly provides services from the Countess of Chester Hospital situated on the Countess of Chester Health Park, a site shared with Western Cheshire Primary Care Trust and a Mental Health facility managed by the Wirral and Cheshire Partnership NHS Trust. Outreach clinics are, however, provided in five other locations in acute and community settings across a wide range of specialties.

In recent years a continuous programme of capital development has seen the creation of the Jubilee Day Surgery



Centre; an additional ward; new outpatient facilities, community dental facilities and a comprehensive Breast Services Unit; local anaesthetic facilities for minor surgery; refurbishment of the maternity unit; new offices for consultants; refurbishment of the junior doctors' mess; new staff residences and on call accommodation, extended assessment facilities in Accident and Emergency, additional assessment and observation beds for emergency admissions, and facilities for renal dialysis and outpatients, cardiac catheterisation, urology, ENT and audiology services.

An ambitious capital development plan will further modernise the Trust over the next few years.

Directors' Report

The Board of Directors

Sir James Sharples	Chairman
Alastair Findlay	Vice Chairman and Senior Independent Director
Samantha Dixon	Non-Executive Director
Dr Gerald Levy	Non-Executive Director
Wendy Williams	Non-Executive Director
Sarah Jane Goulbourne	Non-Executive Director
Peter Herring	Chief Executive
Jane Tomkinson	Deputy Chief Executive and Director of Finance and Performance
Gaynor Hales	Director of Nursing and Patient Services
Dr William Kenyon	Medical Director
Carole Spencer	Director of Planning and Development
David Wood	Director of Human Resources and Corporate Services



Introduction

The Countess of Chester Hospital NHS Foundation Trust was one of the very first ten Foundation Trusts to be established in April 2004 as a public-benefit corporation independent of government control. Today we strive to ensure patients receive their care quickly in a safe, attractive environment, are treated with dignity and respect and are confident that the outcome of their care is of the highest standard. We have and will continue to expand the scope and range of healthcare provided both in the hospital and out in the community and be the hospital of choice for a wider range of people. A motivated caring workforce delivers our services and our financial strategy supports investment in the delivery of high quality services. An enthusiastic Board of Governors and growing membership help inform us of what patients and their visitors expect from their local hospital.

Corporate objectives

Our service plans are developed within the context of seven key strategic themes:



By striving towards excellence and the highest levels of safety in the delivery of patient services we will further enhance our reputation and brand and remain the hospital of choice for both the majority of our traditional catchment population and increasingly for patients from further afield.

Business review for 2007/8

The Trust made excellent progress against these objectives during 2007/8. A surplus of £4.5m underpinned a year in which we treated more patients, significantly reduced maximum and average waiting times, improved patient safety and the quality of service we deliver, extended our range of services and continued to modernise the Hospital.

The strong financial performance in 2007/8 and in previous years has provided a solid basis for future investment in the hospital facilities and patient care. The levels of activity required to deliver improved waiting time targets underpin our forward income base but the Trust's ability to further exploit secondary care market opportunities are to a degree constrained by current limitations in our physical capacity.

Our underlying financial strength will be directed in future years towards increasing our operational efficiency and capacity in order to exploit future market opportunities, and improving the patient experience so that patients will increasingly choose to receive their care at the Hospital. At the same time we will diversify our range of specialist services and grow our income base accordingly; the negotiation of new services to combat Age-related Macular Degeneration and the repatriation of cardiac pacing from Liverpool Cardiothoracic Centre provide momentum for this strategy into 2008/9.

Our performance and the quality of services we provide is reliant upon our partners in primary and community care providing adequate services to facilitate the discharge of patients who no longer require medical care and controlling community acquired

infection. We have suffered from reduced access to intermediate care services in 2007/8 experiencing 22% less access to Ellesmere Port Hospital (currently managed by the PCT provider arm) but agreement in principle has been reached with Western Cheshire PCT for them to commission improved access in 2008/9.

We aim to strengthen our influence and direct involvement in primary care and the community sector. Partnership arrangements with a partnership of general practitioners to tender for the provision of extended GP and associated services in a new centre to be built in Blacon, Chester and with the PCT provider arm regarding the provision of services in Ellesmere Port Hospital have seeded the ground for the future expansion of business into this sector.

The Board of Directors look forward to working with the Board of Governors and in conjunction with our staff, patients and membership to continue in the new financial year the sound progress we have made during 2007/8 in advancing our strategic aims.

Service growth

In agreement with our main commissioner of services, Western Cheshire Primary Care Trust (PCT), the Trust achieved the new 18 week target in England, for the maximum time a patient waits from referral to treatment, 9 months in advance of the national deadline. In addition improvements in waiting times for Welsh residents were commissioned by Flintshire Local Heath Board.

Emergency activity remained relatively stable in comparison with the previous year, mainly due to reduced numbers of Welsh patients admitted. To deliver the lower waiting targets a significant refocusing of elective work to an increased volume of daycases took place. Outpatient work increased substantially to support the significant reduction in waiting time required to deliver commissioners targets.

Patients treated	2006/7	2007/8	% variation
Emergency patients	36,689	36,641	-0.1%
Elective inpatients	6,643	6,158	-7.3%
Daycase procedures	19,634	23,603	+20.2%
New outpatients	84,419	89,833	+6.4%
Review outpatients	179,311	186,489	+4.0%
A & E attendances	65,795	66,648	+1.3%
All patients	392,491	409,372	+4.3%

Overall the Trust treated nearly 17,000 (4.3%) more patients, the income associated with which contributed significantly to the delivery of the financial surplus.

Financial performance

2007/8 represented the fourth year as a Foundation Trust; over the previous three years, a strong underlying financial position has been consolidated into year on year increases in surplus; new investments in services and quality and low levels of risk. The trust continues to be a top financial performer achieving a Monitor financial risk rating of 5 for a third consecutive year; the only Foundation trust to have achieved this.

The overall aim of the 2007/8 financial strategy was to maintain and improve our financial strength to ensure we can develop the quality of patient care and the hospital environment.

The following objectives were set:

Objectives	Outcomes
Delivering a minimum £1.6m surplus	Surplus of £4.5m achieved
Achieving a Monitor risk rating of 4	Calculated risk rating of 5 achieved
Delivery of £3.5 cost reductions	£3.9 saving
Implementing and service line management framework	Operating divisions organised under SLM principles
Increasing clinical income	Income 8.3% higher than 2006/7

The Trust experienced a further year of income and surplus growth which has enhanced the underlying position and provided a firm base for revenue and capital investment in the hospital and its services.

	2005/6 £m	2006/7 £m	2007/8 £m
Income	132.8	137.6	148.8
Expenses	(125.2)	(129.0)	(138.5)
EBITDA	8.6	8.6	10.3
Interest / depreciation / dividend	(6.0)	(5.9)	(5.8)
Net Operating Surplus	2.6	2.7	4.5

Review of progress against strategic objectives

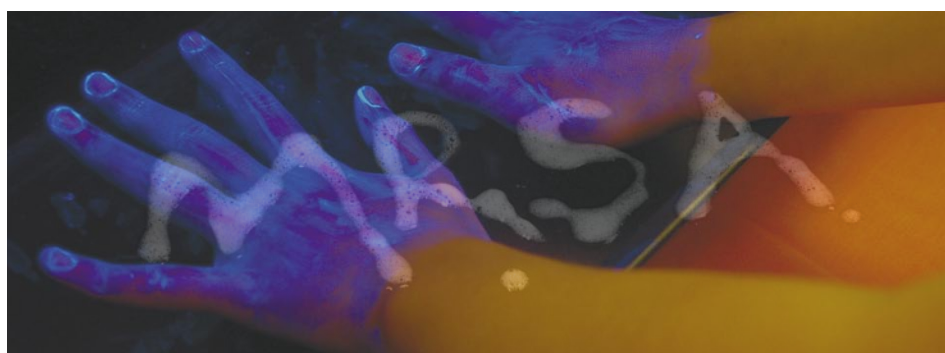
Sound service and financial delivery was combined with excellent progress against each of our key strategic aims:

Becoming one of the safest hospitals in the country

We reduced the incidence of MRSA bacteraemia acquired in the hospital by 47% to 12 cases in the year. A further 7 patients with the infection acquired in the community were treated in the hospital.

Continued participation as a national pilot site in the Health Foundation's Safer Patients Initiative aimed at reducing morbidity and mortality in hospitals.

We invested £150k in additional screening of MRSA.



Providing excellent service to our patients

We treated 17000 (4.3%) more patients.

The numbers of patients waiting for an elective procedure or outpatient appointment was reduced by 22%.

The average time patients waited to be operated upon reduced by 20% to an average of 8 weeks.

The average time patients waited to be seen in outpatients reduced by 12% to an average of less than 6 weeks.

All imaging requests from GPs were met within a maximum of 2 weeks.

We invested in improving the quality of services provided to patients through:

- £253k in additional cleaning
- £200k in critical care medical staff
- £40k in cancer clinicians

Surpassing national targets and standards

The Trust achieved the new 18 week target for the maximum time a patient waits from referral to treatment 9 months in advance of the national deadline.

We were one of only 5 Trusts in the country to receive the 40Top Hospitals Award for eight consecutive years.

The Trust was reaccredited at level 3 (best possible) of the National Health Service Litigation Authority (NHSLA) general standards – one of only 10 Trusts in the country to hold this.

We gained accreditation at level 2 in the maternity standards and we aim to achieve level 3 in 2009.

Virtually 100% of patients with suspected cancer were treated within the 31 and 62 day national targets.

The Standards for Better Health and all other national targets were met or surpassed with the exception of MRSA, delayed discharges and cancelled operations:

Modernising our hospital and facilities

The first in a programme of major ward refurbishments was completed, providing a much enhanced ward environment.

Theatres, endoscopy suite, outpatients and the cytotoxic unit were refurbished and upgraded.

Automated blood analyser equipment was installed, significantly improving operational efficiency and the speed of diagnosis.

A new colposcopy and fertility suite was created providing very high standards of patient and laboratory accommodation.

£3.3m was spent on replacing medical, Information technology and other equipment and generally improving the patient environment.

Design and development of schemes to create new critical care facilities, new elective and urgent care facilities, and a major upgrade of the paediatric ward and outpatient facilities proceeded during the year.



Extending the range of services & delivering in the community

Endobronchial ultrasound for the diagnosis and staging of lung cancer was introduced. A significant percentage of patients who would normally have to wait for a PET scan are diagnosed more effectively leading to speedier diagnosis.

We were approved during the year as the second centre in Cheshire & Merseyside to provide Endovascular Repair of Abdominal Aortic Aneurysms (EVAR) – a new and far more effective technique to repair aortic aneurysm. The service will commence in 2008/9.

Negotiations for the Trust to introduce an Age Related Macular Degeneration (AMD) service to significantly reducing the incidence of irreversible sight loss were successful and the service is being introduced in 2008/9.

Patients requiring cardiac pacing services have had to travel to Liverpool to receive this service, we negotiated for this service to be repatriated to the Countess and this commenced in April 2008.



Developing a motivated, caring & empowered workforce

The Trust embarked on the diagnostic phase of its Organisational Development Strategy action plan for implementation in 2008/9.

We have continued to run our successful Consultant Foundation Programme, which provides personal and organisational insight into the workings of the NHS for newly-appointed consultant medical and dental staff.

The Trust has developed a package of flexible benefits (Countess Options) which include child care, car parking and bicycle schemes, introduced under the terms of 'salary sacrifice'. Over 2,000 staff signed up to the car parking scheme which, generally, has reduced the monthly cost of on site parking. Further schemes are under consideration for 2008, including those linked to staff accommodation and staff restaurant charges.

We were one of the leading national pilot sites for the redesign of out-of-hours emergency services and through this we have achieved high levels of compliance in the reduction in junior doctors hours required to meet The European Working Time Directive by 2009



Being a good corporate citizen, promoting health & wellbeing

The Trust was successful in obtaining £1.2m from the Department of Health's Energy and Sustainability Fund. Schemes will reduce the carbon footprint, remove inefficient and outdated plant and improve control of the environmental conditions.

The Trust continued to work closely with the Carbon Trust and actively pursued a programme to reduce energy consumption with a number of energy saving schemes.

The Trust is on target to achieve a 5% reduction in single occupancy vehicles, in line with the key performance indicators within the Trust's Green Transport Strategy, to achieve by 2011.

Further work towards greater recycling initiatives was undertaken and we now have in place a bottle bank for the recycling of glass (provided by Chester City Council). In addition, we continue to work to identify ways in which we can reduce the amount of waste the Trust produces.

A strategy and action plan to develop a co-ordinated approach to improving the Trust's contribution as a good corporate citizen was drawn up.



Equality and Diversity

The Trust is a responsible employer, which values diversity and actively promotes policies on gender, age, disability, and race. Our policies ensure that we are demonstrably fair in all our employment practices (recruitment, development, retention etc), achieve equality of opportunity and outcome in the workplace and provide a safe working environment. Information about the equality schemes are available on the Trust's internet site at www.coch.nhs.uk under 'Corporate Information'.

Engagement with staff

In an effort to engage with and listen to our staff, the Trust's Executive Directors have run a series of sessions on the Trust's financial and service strategy. In spring 2007, over 100 staff participated in focus groups as part of the implementation of the diagnostic phase of the Organisational Development Strategy. The outcome of this work was reported to the Board and formed the basis of an action plan, the final content and resourcing of which will be agreed by the Board in 2008.

The Trust's intranet continues to be developed, to allow much more, and, more relevant, information for staff to be widely available. The Trust launched a Staff Suggestion Scheme in 2007, encouraging contribution and ideas by staff of all

disciplines. Those ideas felt to have merit will receive small financial rewards initially, pending development of actions and measurable benefits. The best ideas will receive formal recognition at the annual Celebration of Achievement event.

Accounting information

The accounts are independently audited by KPMG as external auditors in accordance with the National Health Service Act 2006 and Monitors Code of Audit Practice. As far as the Directors are aware, all relevant audit information has been fully disclosed to the auditor and that no relevant audit information has been withheld or made unavailable. Nor have any undisclosed post balance sheet events occurred.

Fixed assets are reflected in the balance sheet based on an interim valuation undertaken on 1st April 2008 in accordance with FRS15 and they represent current market values. Full details can be found at note 1.5 – 1.6 of the accounts.

No political or charitable donations were made by the Trust during 2007/8.

The management of risk is a key function of the Board, The Trust seeks to minimise all types of service, operational and financial risk through the Board Assurance framework.

Background information

Foundation of Trust

The Countess of Chester Hospital NHS Foundation Trust was one of the first ten Foundation Trusts founded in 2004 under the Health and Social Care (Community Health and Standards) Act 2003.

Accounting statements

Accounting policies for pensions and other retirement benefits are set out in note 1.13 of the Annual Accounts and details of senior employees remuneration is found in note 4.3.

External Auditors

The Trust external auditor is KPMG, the external audit fee was £48k and the audit was carried out in accordance with the Audit Code. A further £25,000 was for non audit services to the Tax Advisory Service outside Monitors Audit Code for Foundation Trusts but in accordance with the Trusts Policy for engagement of External Auditors for non Audit work.

Private Finance Initiative

Private Finance Initiative (PFI) schemes are currently declared to be off balance sheet for accounting purposes. The Trust has a PFI scheme for the provision of a managed patient administration and information system. The majority of the scheme relates to the software and its development and thus the value is difficult to quantify. The scheme was extended beyond its original term and is now due to expire in 2010/11.

The Trust has entered into a public private partnership arrangement with Frontis Homes Ltd, a registered social landlord. This provides staff accommodation and on-call facilities to the Trust. The £5.9m agreement, which commenced in 2005/06, will run for a further 38 years.



Operating and Financial Review 2007/8

Operating Review

The local health economy 2007/8

The financial position of the local health economy in 2007/8 showed a marked improvement from the substantial deficit position of the local primary care trusts in 2006/7. The new Western Cheshire PCT established in October 2006, moved into the new year on a sound financial footing and through constructive relations with the PCT we have engaged in a number of important joint workstreams.

The PCT promoted and financially supported the Trust to become an early implementer in delivering the 18 week waiting time target with the aim to deliver the target by the end of 2007. This substantially increased the volume of activity and associated income of the Trust.

Protracted negotiations with Flintshire Local Health Board to increase the funding base of the Trust were concluded with an agreement to provide an additional £1m to support the delivery of Welsh waiting time targets. Whilst this resolved an element of the underlying deficit in Welsh funding, further negotiations will take place in 2008/9 in relation to future years.

Operational performance

Overall performance in the year was good and we met the majority of our access and activity targets in relation to the Foundation Trust Regulator (Monitor's) Compliance Framework. The table below shows how we met the challenging targets and standards contained in Monitor's Compliance Framework. In those areas where we marginally missed targets we are working hard to improve our performance.

The Trust is subject to much external and independent review from a number of areas:

Monitors' Compliance regime
Primary Care Trusts through performance clauses and targets in the legally binding contract
Welsh local Health Boards through service level agreements Health Care Commission
Patient and staff surveys run by the Picker Institute
The NHS Litigation Authority
CHKS benchmarking
CEPOD reviews
External audit
PEAT review of hospital food quality and cleanliness
CPA and ISO assessments

The results of these are reviewed by the Board of Directors and Senior Managers and areas for improvement addressed. The Trust is currently implementing Service Line Management principles to correlate key performance indicators on quality, efficiency, workforce and finance which will drive improvement across a range of indicators of patient satisfaction.

During the year no performance improvement notices were issued by any PCT under the terms of the legally binding contract nor any adverse report received from external review bodies.

The Trust constantly strives to improve care and achieve targets and operates a robust performance management system. During 2007/8 our performance against these targets were as follows:

Trust Performance against compliance targets

Governance Target	Threshold	Performance
Maximum 31 day wait from diagnosis to treatment of all cancers	98%	100%
Maximum 62 day wait from referral to treatment of all cancers	95%	99.8%
Maximum wait time of six months to treatment for elective surgery	99.97%	100%
Maximum wait time of 13 weeks for outpatients	99.97%	99.98%
Maximum of 13 MRSA bacteraemia*	13	19
48 hour access to sexual health clinics by March 08	-	100%
Implementing the choose and book electronic system	100%	100%
Maximum 4 hour wait in A&E to treatment transfer or discharge	98%	98.27%
Readmission within 28 days for patients with cancelled operations	95%	100%
Thrombolysis during received within 60 mins of heart attack call	68%	74%
Maximum 14 day wait from urgent GP referral to outpatient for suspected cancer referrals	98%	99.9%
Maximum 14 day wait for rapid access chest pain clinic	98%	100%
Minimising delayed transfers of care	3.5%	4.4%

* Reduction of 44% against previous year achieved.

At present the Health Care Commission have not published their performance thresholds for 2007/8 but the Trusts' assessment is that we will improve on the 2006/7 performance rating of 'fair'.

Improving waiting times for patients

Waiting times - English residents

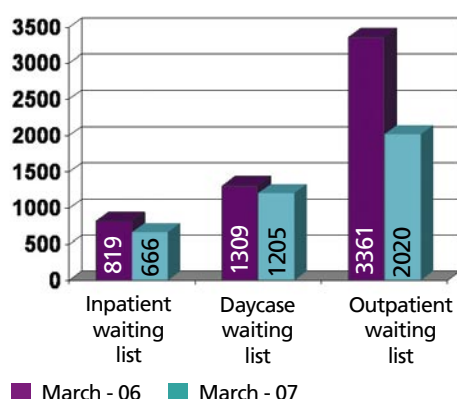
The drive towards the new waiting time target resulted in a significant reduction in the numbers of patients waiting at any one time, and average waiting times. By the year end in respect of English patients ;

- 89% of admitted patients were treated within 18 weeks of referral (national target is 90% by December 2008);
- 96% of non-admitted patients were treated within 18 weeks from referral (national target is 95% by December 2008).

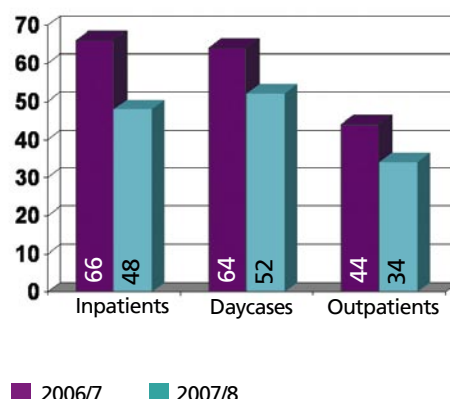
As a result the Trust significantly reduced the overall number of patients waiting for an inpatient, daycase and outpatient appointment.

In addition delivery of the target led to a further reduction in average waiting times from those achieved in earlier years.

Numbers of English residents on waiting list



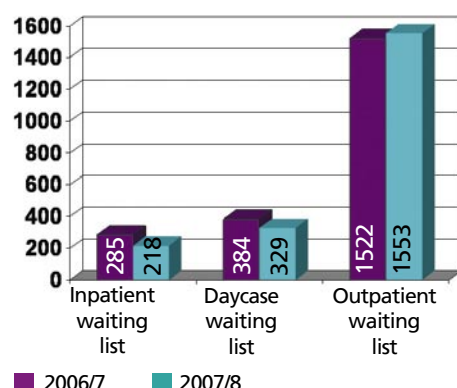
Average waiting times for English residents (days)



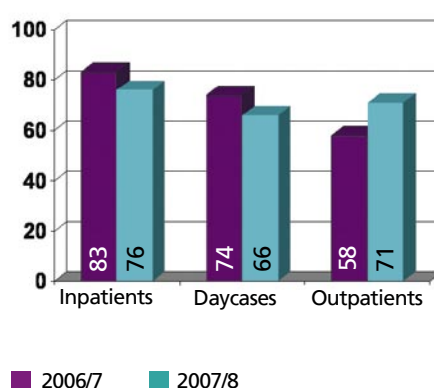
Waiting times - Welsh residents

Whilst the Trust attempts to deliver the same waiting periods to Welsh patients, Welsh Local Health Boards have not invested to achieve English wait times. Welsh patients were treated within the maximum waiting time of 22 weeks for an inpatient/daycase and 22 weeks for an outpatient appointment, and 16 weeks for a diagnostic established by the Welsh Assembly. By the end of the year the number of patients waiting for an inpatient or daycase had again reduced significantly although the outpatient list rose slightly. Average waiting times for an inpatient or daycase procedure were reduced but those for an outpatient appointment rose; nevertheless outpatient waiting time was on average less than half of the 22 week maximum wait.

Numbers of Welsh residents on waiting list



Average waiting times for Welsh residents (days)



Improving and developing the quality, safety and range of clinical services and the hospital environment

Our high clinical standards and outcomes were once again recognised with the award for the 40Top Hospitals Award, one of only 5 Trusts in the country to achieve this for eight consecutive years. This demonstrates our commitment to ensuring excellent clinical outcomes for patients.

Combating healthcare associated infection is of enormous importance to the Trust and in 2007/8 we reduced the incidence of MRSA bacteraemia infections to 12 cases of infection acquired within the Hospital, a 47% reduction on the previous year. Seven additional patients with an MRSA infection acquired in the community were treated in the hospital.

Our work towards further improving patient safety progressed as a national pilot site, in conjunction with North-East Wales Hospital Trust, in the Health Foundation's Safer Patients Initiative.

The Trust were also assessed against the National Health Service Litigation Authority (NHSLA) general standards and were successfully re-accredited at level 3 – the Trust is one of only 10 Trusts in the country to hold this, the highest possible, level of accreditation, and one of only two Trusts to have been re-accredited at this level three times since introduction of the original standards. During the year the Trust also gained accreditation at level 2 in the maternity standards and will aim to achieve level 3 in 2009.

The range of clinical services in the Trust was extended further through the introduction of endobronchial ultrasound, whilst new services relating to cardiac pacing, Endovascular Repair of Abdominal Aortic Aneurysm, and Age-related Macular degeneration were agreed for implementation in 2008/9.

The first in a programme of major ward refurbishments was completed, providing a modern and attractive ward environment. Theatres, endoscopy suite, outpatients and the cytotoxic unit were refurbished and upgraded; a new colposcopy and fertility suite was created; and, automated blood analyser equipment was installed, significantly improving operational efficiency and the speed of diagnosis.

Using Information Technology to enhance Services

The Trust has an impressive track record of utilising information technology as a facilitator of efficiency and improved care. The Trust continues to develop its IT infrastructure through constant review, innovation and investment; during the year access, reliability and functionality of our systems was enhanced by:

- The IM&T team were awarded the BT e-Health 'Acute Care ICT Team of the year' award.
- A wireless local area network was installed allowing free access to the hospital information system to authorised users without the need to find an internet point.
- New computer servers were installed increasing capacity and improving the speed of the network.
- Clinical audit software will facilitate the review of outcomes of endoscopic work.
- An enhanced electronic booking system to facilitate direct booking of outpatient appointments by patients.
- Some clinicians are now using voice recognition software to produce letters, reports and clinic notes without the need for administrative support.
- Work was completed to improve the security of patient information and to enhance our score against the information governance toolkit indicators.

Listening to and communicating with our patients

The Trust welcomes feedback from patients and relatives about the care and services we provide. In doing so, this gives us an opportunity to identify areas for improvement that are important to our patients. The Trust takes a proactive approach to dealing with any concerns raised and aims to try and resolve these at the earliest opportunity. During the year, the Trust received 206 formal complaints, an increase on the previous year of 11%, and was able to respond to 99% of these within the recommended timescale. None of these complaints was subsequently referred to the Healthcare Commission.

We have actively engaged the PPI Forum, patients and our membership in a number of areas in particular relating to physical improvements, infection control and monitoring of cleaning. Periodic patient surveys are conducted and these together with the information available from the national patient survey are used to monitor patient satisfaction and target areas that require further action.

Looking forward

The Trust finished the year with a strong financial performance, and activity and income levels looking forward remain stable. Our market position continues to strengthen with increasing numbers of patients wishing to use our services and we have the potential to extend the scope and range of our services even further. To enable our continued growth the Trust will invest its accumulated surplus and other capital resources in expanding our capacity and improving operational efficiency, whilst continuing to enhance the quality of the hospital facilities.

Financial Review 2007/8

Summary of Financial Performance

2007/8 represented the fourth year as a Foundation Trust; over the previous three years, a strong underlying financial position has been consolidated into year on year increases in surplus; new investments in services and quality and low levels of risk. The Trust continues to be a top financial performer calculating a Monitor financial risk rating of 5 for a third consecutive year; the only Foundation Trust to have achieved this.

The 2007/8 financial strategy was agreed by the Board of Directors and endorsed by the Board of Governors as part of the Trust's strategic objective setting process. The overall aim was to deliver enhance services and capital investment from a strong financial base and is summarised "to maintain and improve our financial strength to ensure we can develop the quality of patient care and the hospital environment".

The following objectives were set:

Objectives	Outcomes
Delivering a minimum £1.6m surplus	Surplus of £4.5m achieved
Achieving a Monitor risk rating of 4	Calculated risk rating of 5 achieved
Delivery of £3.9 cost reductions	£3.9 saving
Implementing and service line management framework	Operating divisions organised under SLM principles
Increasing clinical income	Income 8.3% higher than 2006/7

Income and Surplus Growth

The Trust experienced a further year of income and surplus growth which has enhanced the underlying position and provided a firm base for revenue and capital investment in the hospital and its services.

	2005/6 £m	2006/7 £m	2007/8 £m
Income	132.8	137.6	148.8
Expenses	(125.2)	(129.0)	(138.5)
EBITDA	8.6	8.6	10.3
Interest / depreciation / dividend	(6.0)	(5.9)	(5.8)
Net Operating Surplus	2.6	2.7	4.5

Underlying Performance against Monitor's Compliance Regime – Financial Metrics

The 2007/8 compliance regime included a revision to the financial metrics which assess the underlying financial risk of the Foundation Trust; this change means previous years are not an effective comparator but performance in 2007/8 is as follows:

Financial metrics

	Performance	Rating
EBITDA margin	6.9%	3
EBITDA % achieved	126.5%	5
Return on assets	7.8%	5
I & E surplus margin	3.0%	5
Liquid rate	52 days	5
Overall rating		5

This performance further strengthened the Trust's underlying financial base as follows:

Key financial indicators 2004/5 – 2007/8

	2004/5 £m	2005/6 £m	2006/7 £m	2007/8 £m
Surplus	0.1	2.6	2.7	4.5
Total Assets	72.3	82.2	86.9	93.8
Cash & current investments	4.3	10.5	13.8	19.9
Capital investment	5.5	11.7	7.5	7.3
Prudential borrowing limit	5.8	15.5	10.5	31.3
Actual borrowing	-	-	-	-
Monitor Risk Rating	3	5	5	5*

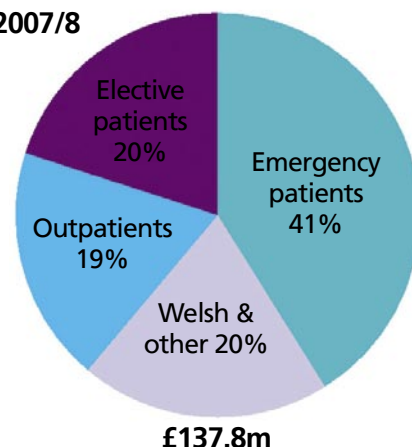
* calculated; to be confirmed by Monitor.

Income Generation

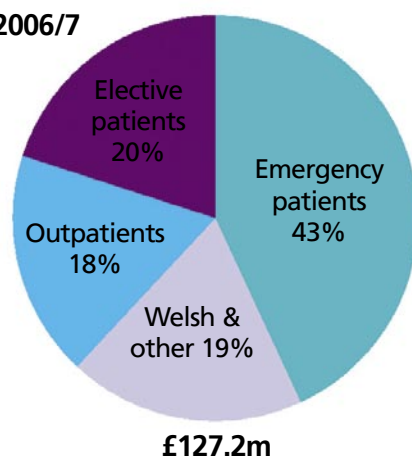
During 2007/8 the Trust generated £148.8m from a range of activities; 93% from direct patient care. In year significantly greater volumes of patients were treated by the Trust as we accelerated the achievement of the 18 weeks waiting time target well in advance of the English timeframe and achieved the Welsh waiting time targets.

Patient care income came from the following areas:

Patient care income 2007/8

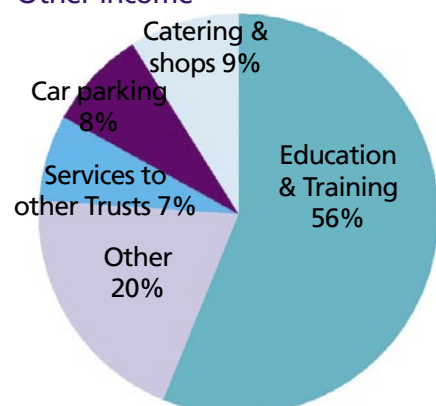


2006/7



With a further £11m from Education, research and other sources.

Other income



In year, patient care tariffs increased by 2.5% net of a 2.5% efficiency reduction; income growth in real terms of 5.8 % facilitated significant investments in quality and safety. 2007/8 was the final year of a four year transition path to full payment by results funding and all PBR activities accrued full tariff based funding. Non payment by results work, including that from Welsh Local Health Board Commissioners attracted a 4% uplift in year to cover mandated cost pressures.

Improving efficiency and ensuring value for money

The Trust is continuously striving to improve efficiency in its use of resources by reviewing systems and pressures, evaluating skill mix, optimising the use of capacity and ensuring best value through robust procurement practices. In year, £3.9m or 2.5% of our cost base was saved through a variety of ongoing and one off schemes. Internal efficiency is independently reviewed through our external audit work on the use of resources and reported to the Trusts Audit Committee.

During the year work to standardise the use of resources continued and the Trust has now agreed the use of a single knee prosthetic following an extensive tendering and trialling process. In year, a proactive and inclusive procurement strategy delivered savings of £2.2m.

Capital Investment

The Trust utilises its freedoms as a Foundation Trust to improve the infrastructure and ensure the most modern equipment and technology is available for patient care. Over the previous four years we have reinvested surpluses, reinvested retained depreciation and exploited opportunities to obtain public dividend capital with the aim of providing the best possible environment. During 2007/8 over £7m was invested in capital assets as follows:

The Trusts investment and disposal strategy is summarised as follows:

	2006/7 £	2007/8 £
Investment in fixed assets	7.5m	7.6m
Disposal of unprotected asset	0.2m	0.2m

Although the Trust has a borrowing limit of £31.3m this was not required to finance the capital investment strategy which was funded in full from the Trusts internally generated resources.

Private Patient Cap

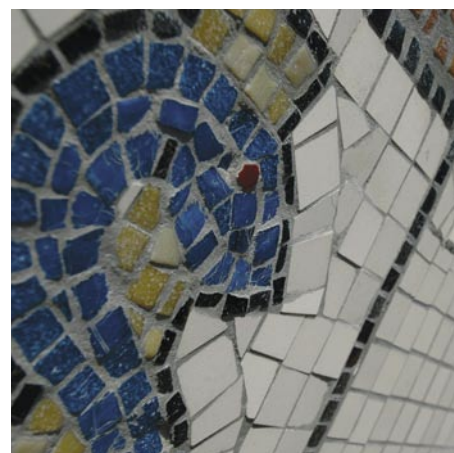
In accordance with section 15 of The Health and Social Care (Community Health and Standards Act 2003) the Trust must not exceed the proportion of income generated from treating private patients compared to total patient income as generated in 2002/3. The 2007/8 position is as follows and confirms the Trust stayed within its Private Patient Cap.

Achievement of private patient cap

	2006/7	2007/8	2002/3
Private patient income	£449k	£497k	£520k
Total patient related income	£127m	£138m	£89m
Proportion as a percentage	0.35%	0.36%	0.58%

Charitable Funds

The Board of Directors is the Corporate Trustee to the Countess of Chester Hospital Charitable Funds and ensures that donations are spent in accordance with the objectives of each fund. The Funds provide support to patient care and advance the health and welfare of patients, carers and staff. During the year a new major appeal to raise £600k for a relatives facility in the Critical Care Unit 'The Relative Comfort' appeal was approved for launch in 2008/9. During the year £277k was contributed from charitable funds and the donated asset reserve to support patient care.

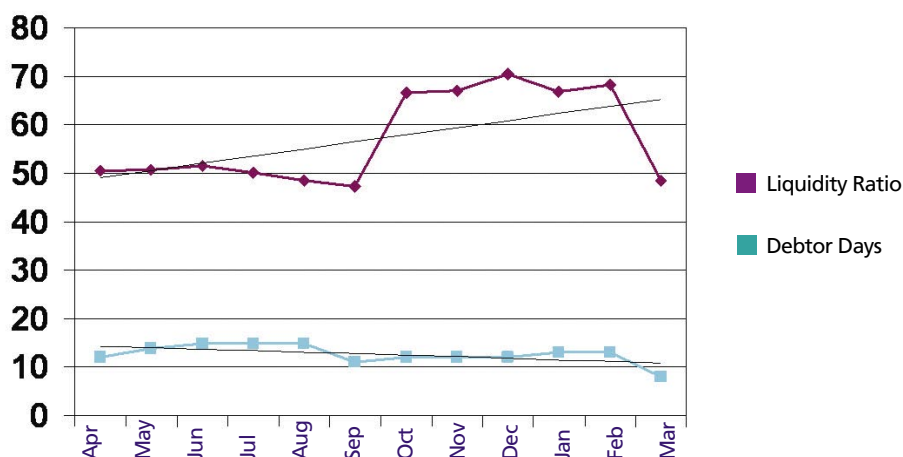




Working Capital

Throughout the year the Trust had access to a £10m committed 364 day working capital facility. This was not required during the year as the Trust had strongly liquidity which improved further in year linked to robust treasury management and debt management policies as demonstrated in the graph below.

Liquidity 2006/7 - 2007/8



In future years cash balances and thus liquidity will reduce in line with a significant capital investment program which will be financed through our own resources.

Accounting Policies

The Trust prepares the financial statements in accordance with the NHS Foundation Trust reporting manual (2007/8) and fully complies with UK Generally Accepted Accounting Practices (UKGAAP).

The Trusts accounting policies are set out in the annual accounts and have been consistently applied over the comparative period. The main changes to accounting policies affecting the Trust are in respect of the measurement and disclosure of financial instruments (Financial Reporting Standards 25, 26 and 29). There are a number of new disclosures included in the accounts at notes 1.19, 10, 11, 12, 15.3, and 21.

The areas which required the exercise of judgment were in accounting for fixed assets and provisions and have been reviewed by external audit.

Going Concern

Through the financial statements and financial performance indicators the Trust can demonstrate a strong underlying and improving financial position. Previous challenges with the host Primary Care Trusts finances have been rectified and a robust recovery plan has now generated a PCT surplus position.

The 2008/9 Annual Plan provides for ongoing surplus of £2.1m (1.35% of turnover) increasing to 1.57% and 2.0% by 2010/11 based on prudent estimates of growth in demand and continued delivery of Government targets. The Directors view is that the Trust is a going concern and can make the disclosure as recommended by the Accounting Standards Board that:

"After making enquiries the Directors have a reasonable expectation that the Countess of Chester Hospital NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts".

Board of Directors and Board of Governors

Board of Directors' roles and responsibilities and working arrangements

The Board of Directors provide active leadership of the Trust within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board of Directors:

- Ensure compliance with the Terms of Authorisation, constitution, Monitor's mandatory guidance, statutory requirements and contractual obligations.
- Set the strategic aims of the Trust, taking into consideration the views of the Board of Governors;
- Ensure that the necessary financial and human resources are in place for the Trust to meet its objectives and review management performance in meeting those objectives.
- Are responsible for ensuring the quality and safety of services, and education, training and research delivered by the Trust, and applying the principles and standards of clinical governance set out by the Department of Health, the Healthcare Commission, and other relevant NHS bodies.
- Ensure that the Trust exercises its functions effectively, efficiently and economically.
- Set the Trust's values and standards of conduct and ensure that its obligations to its members, patients and other stakeholders are understood and met.

The Board of Directors meet monthly; on four occasions a year Board meetings are held in public. The Board additionally engage in Board

workshops to develop strategy or governance direction. They also engage with the Board of Governors in workshops to jointly consider corporate objectives and forward plans, or other key issues of significance.

The Board of Directors develop a work programme for the year which ensures its responsibilities and objectives are effectively achieved and that enables the continued development of its long term strategic direction. A Board sub-committee framework supports this work and the remit and terms of reference of each committee are reviewed annually.

The Board of Directors may delegate any of its powers to a Committee of Directors or to an Executive Director. The Board has reserved the issues set out in its Scheme of Reservation and Delegation and further guidance on the operation of the Trust is set out in the Standing Orders and Standing Financial Instructions. The main decisions taken by the Board of Directors include those relating to:

- Strategic direction and policy determination.
- Actions required to address significant performance issues.
- Its governance and compliance arrangements.
- Major business cases for capital or revenue investment.
- The Annual Plan and financial strategy and Annual Report.
- The acquisition, disposal or change of land or buildings.
- Private Finance Initiative proposals.
- Major contracts.

- Risk, clinical governance standards and policies.
- The constitution and working arrangements of its committees.
- Approval of standing orders, standing financial instructions and schemes of reservation and delegation.
- Arrangements for the Trust's responsibilities as a corporate trustee for its charitable funds.

The Trust's management team are responsible for the running of the Trust and the operational delivery and development of the Trust's strategy; its annual plan and corporate objectives, and its regulatory and compliance framework.

Board of Governors' roles and responsibilities and working arrangements

The Board of Governors meets five times each year. The specific roles and responsibilities of the Board of Governors are:

- To appoint or remove the Chair of the Trust (who shall also be Chair of the Board of Directors) and the other Non-Executive Directors.
- To approve an appointment (by the Non-Executive Directors) of the Chief Executive.
- To decide the remuneration and allowances, and the other terms and conditions of office, of the Non-Executive Directors.

- To appoint or remove the Trust's Financial Auditor.
- To appoint or remove any Auditor appointed to review and to publish a report on any other aspect of the Trust's affairs.
- To be presented with the annual accounts, any report of the financial auditor on them and the annual report.
- To provide their views to the Board of Directors when the Board of Directors is preparing the document containing information about the Trust's forward planning.
- To respond as appropriate when consulted by the Board of Directors in accordance with the constitution.
- To undertake such functions as the Board of Directors shall from time to time request.
- To prepare and from time to time to review the Trust's membership strategy, and its policy for the composition of the Board of Governors.

The Board of Governors and its sub-committees are responsible for:

- Advising the Board of Directors on the Annual Plan.
- Appraising the Chair annually together with Non-Executive Directors.
- Arranging for the election/selection of the Deputy Chair.
- Promoting public and patient involvement, involving members in the work of the Trust and extending membership penetration in all constituencies.
- Communicating effectively with members via a variety of media and methods (e.g. personal contact, newsletters, website, e-mail, open days, lectures)
- Reviewing, via the Chair's appraisal and a periodic effectiveness review, the Trust's relations with key stakeholders

(e.g. SHA, PCTs, County Councils; OSC; voluntary and commercial organisations) to ensure the potential benefits are maximised.

- Organising elections to its membership.
- Monitoring election processes and outcomes and their democratic effectiveness.
- Monitoring attendance at Board meetings promoting active membership.
- Ensuring the Board is effectively represented on designated Trust sub-committees.

Composition of Board of Governors

The total number of Governors is 31 and a breakdown is as follows:

Chester & Rural Cheshire	8
Ellesmere Port & Neston	4
Flintshire	3
Out of area	1
Staff Foundation Trust Governors	5
Partnership Organisation Foundation Trust Governors	10
Total Governors	31

The membership of the Board of Governors during 2007/08, whether they were elected or appointed and their length of tenure, is as follows:-

Governor	Constituency	Term of Office
Mrs Maureen Brady	Public Chester and Rural Cheshire	Re-elected for a 2nd term 3 years until 2009
Mr William Buxton	Public – Chester and Rural Cheshire	Re-elected for a 2nd term 3 years until 2008
Mrs Helen Clifton	Public – Chester and Rural Cheshire	2 years until October 2008
Ms Sheila Dunbar	Public – Chester and Rural Cheshire	3 years until October 2007
Mrs Sue Elphick	Public – Chester and Rural Cheshire	3 years until October 2007
Ms Penny Pallett	Public – Chester and Rural Cheshire	2 years until October 2007
Mr George Potter	Public – Chester and Rural Cheshire	3 years until October 2009
Mr Gareth Pritchard	Public – Chester and Rural Cheshire	3 years until October 2010
Mr Stanley Skyrme	Public – Chester and Rural Cheshire	Re-elected for a 2nd term 3 years until October 2009
Mr Richard Taylor	Public – Chester and Rural Cheshire	3 years until 2010
Mrs Ann Thomason	Public – Chester and Rural Cheshire	Re-elected for a 2nd term 3 years until October 2008
Dr David Britt	Public - Ellesmere Port & Neston	3 years until October 2007

Governor	Constituency	Term of Office
Mrs Pat Clare	Public - Ellesmere Port & Neston	Re-elected for a 2nd term 3 years until October 2010
Mr Stan France	Public - Ellesmere Port & Neston	3 years until October 2009
Mr Keith Higham	Public - Ellesmere Port & Neston	3 years until October 2008
Cllr Sue Kettle	Public - Ellesmere Port & Neston	Year years until October 2009
Mr Gordon Donaldson	Public - Flintshire	Re-elected for a 2nd term 3 years until October 2010
Mrs Liz Kevan	Public - Flintshire	3 years until October 2009
Dr Peter York	Public - Flintshire	3 years until October 2008
Mr Eric Huntington	Public – Out of Area	3 years until October 2009
Cllr David Andrews	Appointed – Cheshire County Council	Appointed 2007
Mr Barry Harrison	Appointed – Partnership Organisation Flintshire LHB	Appointed October 2004
Cllr Graham Jones	Appointed – Flintshire County Council	Appointed September 2004
Cllr Edward Lloyd	Appointed – Ellesmere Port & Neston Borough Council	Appointed September 2006
Mrs Dorothy Marriss	Appointed – University of Chester	Appointed October 2004
Mrs Eileen Prestidge	Appointed – Flintshire CHC	Appointed October 2004
Cllr Eric Plenderleath	Appointed – Chester City Council	Appointed 2007
Mr Robert Tinston	Appointed – Partnership Organisation Primary Care Trust	Appointed October 2006
Mr Michael Hemmerdinger	Appointed – Voluntary Services	Appointed October 2005
Mr Matthew Alley	Appointed – Youth	Appointed September 2007
Mrs Millie Bradshaw	Staff – All other staff groups	Re-elected for a 2nd term 3 years until 2010
Mrs Lesley Freeman	Staff – Nurses/Midwives	Elected until October 2007
Mr Ian Harvey	Staff – Doctors	Elected until October 2010
Dr Iain Keeping	Staff – Doctors	Elected until October 2007
Mr Chris Lube	Staff – Nurses/Midwives	Elected until October 2010
Mrs Lynne Podmore	Staff – Nurses/Midwives	Elected until October 2009
Ms Heather Shilliday	Staff – Allied Health Professionals/Technical Scientific	Re-elected for a 2nd term 3 years until October 2010



Attendance at Board of Governors Meetings

There have been five Board of Governors meetings held during 2007/08 and the attendance by Governors are given below:-

No. of meetings held in 2007	5
Board of Governors	
Mrs Maureen Brady	3
Mr William Buxton	4
Mrs Helen Clifton	3
Mr George Potter	5
Mr Stanley Skyrme	4
Mrs Ann Thomason	4
Mrs Pat Clare	3
Mr Stan France	4
Mr Keith Higham	5
Cllr Sue Kettle	5
Mr Gordon Donaldson	5
Mrs Liz Kevan	5
Dr Peter York	4
Mr Eric Huntington	4
Cllr David Andrews – Appointed June 2007?	1
Mr Barry Harrison	3
Cllr Graham Jones	1
Cllr Edward Lloyd	0
Mrs Dorothy Marriss	3
Mrs Eileen Prestidge	5
Cllr Eric Plenderleath	2
Mr Robert Tinston	3
Mr Michael Hemmerdinger	5
Mrs Millie Bradshaw	3
Mr Ian Harvey	0
Mrs Lynne Podmore	5
Ms Heather Shilliday	4
Terms of office expired Oct 2007	
Ms Sheila Dunbar	1
Mrs Sue Elphick	2
Ms Penny Pallett	2
Dr David Britt	3
Mrs Lesley Freeman	2
Dr Iain Keeping	3
Appointed September 2007	
Mr Matthew Alley	2
Elected October 2007	
Mr Gareth Pritchard	0
Mr Richard Taylor	1
Mr Chris Lube	2

Board of Directors	
Sir James Sharples, Chairman	5
Mr Alastair Findlay, Non Executive Director	3
Dr Gerald Levy, Non Executive Director	4
Mrs Samantha Dixon, Non Executive Director	3
Mrs Sarah Goulbourne, Non Executive Director	4
Mrs Wendy Williams, Non Executive Director	4
Mr Peter Herring, Chief Executive	4
Mrs Jane Tomkinson, Director of Finance and Performance/Deputy Chief Executive	5
Mr David Wood, Director of Human Resources and Corporate Services	3
Dr Will Kenyon, Medical Director	3
Mrs Carole Spencer, Director of Planning and Development	2
Mrs Gaynor Hales, Director of Nursing and Patient Services	1



Election of Board of Governors

Elections were held in October 2007 in the following public constituencies:-

- Chester & Rural Cheshire – 2 Governors elected
- Ellesmere Port & Neston – 1 Governor elected

The election turnout was as follows:-

- Chester & Rural Cheshire – 30.5%
- Ellesmere Port & Neston – 26.3%

In two other constituencies five Governors were elected unopposed. (Flintshire - 1 and Staff - 4).

The Board can confirm that forthcoming elections will be held in accordance with the election rules stated in the constitution.

Summary of Declaration of Interests of Governors

The register of Declaration of Interests is held by the Secretary to the Board, and can be accessed by contacting Mrs Jackie Hughes.

Telephone – 01244 365816 or email jackie.hughes@coch.nhs.uk

Board of Directors' involvement with Governors and Members

The Board of Directors have developed an understanding of the views of the Governors and Members about the Trust in the following ways:

- Regular attendance at the Board of Governors' meetings.
- Joint workshops of the two Boards.
- Regular attendance at Board of Governors' Strategy Sub Committee meetings.
- Discussion at Annual Members' Meetings/Open Days.

Board of Directors – composition, backgrounds and interests

Composition of the Board of Directors

The composition of the Board of Directors during 2007/08 was as follows:-

Chairman – Sir James Sharples appointed on 1st July 2005 for an initial term of 3 years.

Vice Chairman – Alastair Findlay – Appointed 7th March 2006

Senior Independent Director – Alastair Findlay – Appointed 5th June 2007

Chief Executive - Peter Herring

Non Executive Directors

Samantha Dixon - 1st term of office – appointed September 2002 for a fixed term contract of four years until September 2006. Re-appointed for a 2nd term of office by the Board of Governors on 26th September 2006.

Dr Gerald Levy - 1st term of office - appointed on 1st December 2000 to 30th November 2003. Re-appointed for a 2nd term of office further four years until 31st October 2007. Re-appointed for a 3rd term of office by the Board of Governors on 25th September 2007.

Alastair Findlay - Appointed by Board of Governors on 1st April 2005 for an initial term of 3 years until 1st April 2008. Re-appointed for a 2nd term of office for a further three years.

Wendy Williams - Appointed by the Board of Governors on 1st November 2005 (1st term of office - 3 years) until 31st October 2008.

Sarah Jane Goulbourne - Appointed by the Board of Governors on 1st November 2005 (1st term of office - 3 years) until 31st October 2008

The Board of Governors is responsible for the appointment and removal of the Non Executive Directors through the Nominations Committee.

All Non Executive Directors are considered independent Directors.

Executive Directors of the Board

Peter Herring – Chief Executive

Jane Tomkinson – Deputy Chief Executive and Director of Finance and Performance

Gaynor Hales – Director of Nursing and Patient Services

Dr William Kenyon – Medical Director

Carole Spencer – Director of Planning and Development

David Wood – Director of Human Resources and Corporate Services



Left to right: Stephen Cross, Sarah Jane Goulbourne, Gaynor Hales , Alastair Findlay, Dr Virginia Clough, Wendy Williams , David Wood , Samantha Dixon, Jane Tomkinson, Dr Gerald Levy , Sir James Sharples, Peter Herring.

Background of the Board Members

Sir James Sharples QPM DL – Chairman

Sir James was appointed to the Trust in January 2001 as a Non-Executive Director and was subsequently appointed by the Board of Governors as Chairman of the Trust on 1st July 2005. He served as a police officer for 35 years, retiring in 1998 after ten years as Chief Constable of Merseyside Police. During that period he was involved at national level in the development of policing policy and has extensive experience of the local and national government scene. He was heavily involved in developing policy in the field of community relations, equal opportunities and firearms. Jim has held a number of posts in various bodies. He was County Director of the St John's Ambulance Service for Merseyside, a Council member of the Economic and Social Research Council, and other bodies.

Peter Herring - Chief Executive

Peter Herring took over as Chief Executive of the Hospital in May 2000. He started his career in local government and qualified as an accountant before moving to the NHS in 1980. Peter has held a number of senior posts including Deputy Regional Treasurer at Mersey Regional Health Authority, District Treasurer and Deputy General Manager of St. Helens & Knowsley Health Authority and Director of Finance and General Manager of St. Helens & Knowsley Hospitals Trust. Prior to moving to the Countess of Chester Hospital, he was Chief Executive of Liverpool Women's Hospital for six years.



Jane Tomkinson – Deputy Chief Executive and Director of Finance and Performance

Jane commenced her career in finance in 1983 in local government. After qualifying as an accountant, she held a number of senior positions in local government. In 1990 she joined the NHS working in the Sunderland Royal Infirmary and City Hospitals Sunderland. She was appointed to the Countess as Deputy Director of Finance in 1998 and then Director of Finance in 2002. Jane completed an MBA at Keele University. She was appointed Deputy Chief Executive in 2005. Jane was awarded Director of Finance of the Year in the HFMA annual awards for 2007/8.



Gaynor Hales - Director of Nursing & Patient Services

After completion of her training Gaynor took up post as a staff nurse and sister at Broadgreen Hospital. In 1996 Gaynor moved to Southport & Formby NHS Trust as a Nurse Manager in the Spinal Injuries Unit and also as Professional Development Manager for the Trust. She then progressed to Nurse Manager/Advisor to the Medical Clinical Service Group. In May 2000 Gaynor moved to the Countess as Deputy Director of Nursing and Midwifery and in May 2002 was appointed Director of Nursing & Midwifery. She holds a Masters in Health Service Management.

Dr Will Kenyon – Medical Director

After qualifying in medicine at Cambridge and Liverpool universities in the early 70s, Dr Will Kenyon took up House Officer posts at Broadgreen Hospital, Liverpool. Further training in histopathology followed, also at Broadgreen and at Addenbrooke's Hospital, Cambridge. Will was subsequently appointed Lecturer in Pathology at Liverpool University and then Consultant Histopathologist at Broadgreen Hospital in 1980. He later served as Medical Director at Broadgreen from 1991 until 1995, when he came to Chester as Consultant Histopathologist. Will was subsequently appointed Clinical Director of Pathology and, since 1998, Medical Director. Will's medical interests include pulmonary pathology, postgraduate education and medical management. He has served as Regional Advisor (Mersey Deanery) for the Royal College of Pathologists. He is a member of the Board of the British Association of Medical Managers and the Association of Trust Medical Directors and is co-chairman of the Cheshire and Merseyside Medical Directors Forum. Will finished his role as Medical Director on 31st March 2008.

Carole Spencer - Director of Planning & Development

Carole started her career in the City where she worked as a City Analyst for a major bank. She moved to Management Consultancy, where she focused on business improvement services and this is where her interest in Health Service management began. She joined the NHS in 1992 where she was Director of Business Planning at Alder Hey Children's Hospital. She later moved to the North West Regional Office where she developed early Private Finance Initiatives and NHS Capital Scheme

development with Local Trusts. She joined the Countess of Chester Hospital NHS Trust in 1997.

David Wood - Director of Human Resources & Corporate Services

David has worked in Personnel and Human Resources since 1982. In 1984 he was awarded the Diploma of the Institute for Health Services Management. His previous employers include Argyll & Clyde Health Board and North Tynes Health NHS Trust, where he became Deputy Director of Personnel in 1989. He took up his current position here at the Countess in November 1994. He acted as examiner for the 'Personnel and Management' (more recently 'Human Resources') paper of the Institute of Health Record Information and Management's 'Certificate' programme, between 2000 and 2005. He has also assessed for the NHS Management Training Scheme. David is currently national Chairman of the Foundation Trust Network's HR Directors' Group through which he is a member of the Department of Health's Equal Pay Project Board and NHS Indicators Reference Group.



Alastair Findlay - Non-Executive Director & Vice Chairman, Senior Independent Director

Alastair Findlay took up the role of Non-Executive Director on 1st April 2005. Alastair is a chartered accountant. After a career as an investment banker in London, he spent ten years as Finance Director of The Mersey Docks and Harbour Company, a stock

exchange listed company based in Liverpool. He left Mersey Docks at the end of 2005 after its acquisition by a privately owned group. Alastair has expertise and experience in corporate financial matters, corporate governance including investor relations, acquisitions & disposals and pensions. He was a trustee of the Dock Charitable Fund. Alastair is an independent director of the trustees of the AMEC plc Staff and Executive pension funds and is Vice-Chairman of Skipton Building Society.



Sarah Goulbourne – Non-Executive Director

Mrs Sarah Goulbourne joined the Board in November 2005. Sarah was educated locally and after reading law at university in London. She attended Law school in Chester and after qualifying as a solicitor she worked for several years in the North West both in industry and private practice. She was Legal Counsel and Company Secretary with Stanley Leisure plc until April 2006 when she attended Manchester Business School to study for a Masters in Business Administration. Sarah joined Carpenters Solicitors as Chief Executive in February 2008.

Dr Gerald Levy - Non-Executive Director

Dr Gerald Levy joined the Board in December 2000. A management psychologist by training, he was formerly Director of MBA programmes at the Liverpool Business School. During this time he was involved in the post-graduate education of some 900 NHS and private sector managers, as well as

working with many large companies both in the UK and overseas. He has a special interest in people in organisations and strategy and has written extensively in these areas. Due to ill health Gerald had to retire from John Moores University in February 2000 but still actively undertakes academic research and publishing. He is a trustee of the Multiple Sclerosis Support Centre in Saltney.

Samantha Dixon - Non-Executive Director

Mrs Samantha Dixon lives in Upton, Chester. She was brought up locally and has lived and worked in the area for most of her life. Her background is in Press and public relations most notably working for international fine art auctioneers Sotheby's at their New Bond Street Salerooms. In 1997, Samantha began working for Chester's MP, Christine Russell as her Parliamentary Office Manager until the birth of her first child. She is now a full-time mother with three daughters, all born at the Countess of Chester Hospital. Samantha was appointed in 2002 for a term of four years and re-appointed in 2006 for a further three.

Wendy Williams - Non-Executive Director

Mrs Wendy Williams joined the Board in November 2005. Wendy was educated locally and at University in Liverpool. She has twenty years' senior level experience as HR Director in large organisations - both private and public sector. Wendy was previously a Non-Executive Director in a Liverpool NHS Trust, a position she held for six years. Her professional background is working as HR & Change Director both nationally and internationally and for UK Central Government.



Attendance at Board of Directors and Board Committee meetings

Attendance at the 12 Board meetings held during 2007/08 and various Board Committees was as follows:

	Board of Directors	Audit Committee	Finance Sub Committee	Human Resources Committee	Remuneration Committee
No of Meetings held for 2007/08	12	4	7	5	2
Sir James Sharples	12	-	7	-	2
Peter Herring	12	3	5	-	-
Jane Tomkinson	12	4	6	-	-
Carole Spencer	11	-	6	-	-
David Wood	11	-	-	5	-
Will Kenyon	12	-	6	-	-
Gaynor Hales	8*	-	-	0*	-
Alastair Findlay	12	4	7	-	2
Samantha Dixon	12	4	-	-	2
Gerald Levy	10	-	-	3**	1
Wendy Williams	11	4	-	5	2
Sarah Goulbourne	9	1***	-	-	2

* Due to long term sickness

** Resigned from the Human Resources Committee in November 2007.

*** Appointed to the Audit Committee from January 2008

The Trust recognises that the Board of Directors should provide a portfolio of skills and expertise to reflect the business, patient care and clinical requirements of a high performing and effective organisation. The Board members provide a breadth of public and private sector expertise at executive levels and provide a mix of gender and age profiles. These requirements are periodically reviewed.

The Board of Directors have developed a robust review process for evaluating its committees. The Chair of each committee prepares an annual evaluation of the work undertaken during the year end, and review attendees at each meeting; additionally the terms of reference are reviewed annually and updated to reflect changes in the operating environment and best practice. These reviews are presented to the full Board of Directors. The process for evaluating the performance of the Board of Directors has been developed, drawing on a number of models used in the private and public sectors. We have been assisted in this process by a leading authority on Governance issues and effective Boards, Professor Bob Garrat of Cass Business School. This is an on-going developmental process a Board effectiveness programme already developed for 2008/9.

The Directors of the Board undergo an annual performance assessment, reviewing performance against agreed objectives, personal skills and competencies and progress with personal development plans.

Summary of Declaration of Interests of Directors

The register of Declaration of Interests is held by the Secretary to the Board, and can be accessed by contacting Mrs Jackie Hughes.

Telephone – 01244 365816 or email jackie.hughes@coch.nhs.uk

The Chairman has no other significant commitments.



Audit Committee

The Audit Committee consists of four independent Non-executive Directors chaired by a qualified accountant; a number of other Directors and Senior Staff regularly attend the committee as does internal and external audit. The overall purpose of the Trust's Audit Committee is to review the establishment's effectiveness and maintenance of the Trust's system of internal control and risk management. Private meetings with either internal or external audit are held after each committee. During 2007/8 the Committee met on these occasions with the following attendance:

Attendance at Audit Committee meetings

	Chairman of Audit Committee Mr A Findlay	Non- Executive Director Mrs W Williams	Non- Executive Director Mrs S Dixon	Non- Executive Director Mrs S Goulbourne*
April	✓	✓	✓	N/A
May	✓	✓	✓	N/A
September	✓	✓	✓	N/A
January	✓	✓	✓	✓

* appointed to the Audit Committee from January 2008

During the year the Committee undertook the following in discharging its responsibilities:

- Reviewed the statement on internal control and supporting assurance processes in conjunction with the audit opinion.
- Approved a risk based internal audit plan and actively reviewed the findings of all audits.
- Approved the plan and reviewed the work of the Trust's local counter fraud specialist.
- Reviewed and approved the updated corporate governance manual covering standing orders, standing financial instructions and scheme of delegation.
- Agreed the nature and scope of the external audit plan and reviewed the reports, recommendations and management responses.
- Reviewed the Trusts annual financial statements and recommended their adoption of the Board of Directors.
- Reviewed the effectiveness of the Committee using an independent framework.
- Approved bad debt write offs and contract extensions/tender waivers.

The Trust external auditors are KPMG who were appointed by the Board of Governors for a period of three years from the 2006/07 audit. The audit fee for 2007/8 was £48k. A policy to ensure the continued independence of external audit was adopted by the Audit Committee in April 2007 and was operational throughout the year.

During the year, the Tax Advisory arm of KPMG was commissioned to undertake a specialist piece of work assisting the Trust with the introduction of a tax efficient salary scheme as part of the 'Countess Options' initiative. This project was approved by the Audit Committee in accordance with the policy.

Alastair Findlay, Chairman Audit Committee.

Nominations Committee

There have been no new appointments in relation to the Chairman and Non Executive Directors and therefore the Nominations Committee has not had the need to meet during 2007/8. When it is necessary to appoint a Nominations Committee expressions of interest will be invited.

Foundation Trust Membership

Eligibility to be a Member

The members of the Foundation Trust are those individuals whose names are entered in the register of members. Every member is either a member of one of the public constituencies or a member of one of the classes of staff constituency. Membership is open to any individual who is over sixteen years of age.

Public Membership

There are four public constituencies:

Chester & Rural Cheshire

Ellesmere Port & Neston

Flintshire

Wider Area

Membership of a public constituency is open to individuals:-

- Who live in the relevant area of the Foundation Trust;
- Who are not a member of another public constituency, and
- Who are not eligible to be members of any of the classes of the staff constituency.

The public constituencies comprise the following local authority ward areas:-

Chester & Rural Cheshire – Audlem, Barrow, Blacon Hall, Blacon Lodge, Boughton, Boughton Heath, Bunbury, Christleton, City & St Anne's College, Curzon & Westminster, Dodleston, Elton, Farndon, Forest, Frodsham North, Frodsham South, Handridge & St Mary's, Helsby, Hoole All Saints, Hoole Groves, Huntington, Kelsall, Kingsley, Lache Park, Malpas, Mara, Mickle Trafford, Mollington, Newton Brooke, Newton St Michaels, Peckforton, Saughall, Tarporley & Oulton, Tattenhall, Tarvin, Tilston, Upton Grange, Upton Westlea, Vicars Cross, Waverton, Wrenbury.

Ellesmere Port & Neston – Burton & Ness, Central, Grange, Groves, Ledsham, Little Neston, Parkgate, Pooltown, Rivacre, Rossmore, Stanlow, Sutton, Westminster, Willaston & Thornton, Whitby, Wolverham.

Flintshire – All wards within Flintshire

Out of Area – Wirral Metropolitan Borough Council, Halton Borough Council, Wrexham Borough Council, Crewe and Nantwich Borough Council (with the exception of Audlem, Burbury, Peckforton and Wrenbury) or Vale Royal Borough Council (with the exception of North and South Frodsham, Forest, Kingsley, Helsby and Tarporley & Oulton).

Staff Membership

The staff constituency is divided into four classes as follows:

- Doctors
- Nursing and midwifery
- Allied healthcare professionals and technical/scientific
- Other

Membership of one of the classes of the staff constituency is open to individuals:

- Who are employed under a contract of employment by the Foundation Trust and who either:
- Are employed by the Foundation Trust under a contract of employment which has no fixed term or a fixed term of at least 12 months, or
- Who have been continuously employed by the Foundation Trust or the NHS Trust for at least 12 months; or
- Who are not so employed but who nevertheless exercise functions for the purposes of the Foundation Trust and who have exercised the functions for the purposes of the Foundation Trust for at least 12 months. For the avoidance of doubt, this does not include those who assist or provide services to the Foundation Trust on a voluntary basis.

A person may not become a member of the Foundation Trust if within the

last five years they have been involved as a perpetrator in a serious incident of violence at the Hospital or its facilities or against any of the Foundation Trust's employees or other persons who exercise functions for the purposes of the Foundation Trust, or against registered volunteers.

Membership size and movements

Membership changes in the previous year and those estimated for 2007/08 are shown below:-

Membership size and movements		
Public Constituency	Last year (2007/08)	Next year (estimated (2008/9))
At year start (1st April)	4,382	5,153
New Members	1,200	2,039
Members Leaving	429	207
At year end (31st March)	5,153	6,985
Staff Constituency	Last year (2007/08)	Next year (estimated (2008/9))
At year start (1st April)	3,048	3,166
New members	512	481
Members leaving	394	457
At year end (31st March)	3,166	3,190

Analysis of membership

The total membership as at the 31st March 2008 is 8,319

Analysis of current membership		
Public constituency	Number of members	Eligible membership
Age (years)		
0 - 15	67	0
16	24	24
17 - 21	166	166
22+ Age not declared	4,506	4,506
Unknown	457	457
Ethnicity		
White	4,774	4,711
Black	10	10
Asian	36	36
Other	12	12
Mixed	0	0
Unknown	388	384
Socio-economic groupings		
ABC1		4,267
C2		
D		873
E		



Gender Analysis	Number of members	Eligible members
Male	2,054	2,033
Female	3,155	3,109
Unknown	11	11

Membership Overview	
Chester City and Rural Cheshire Public Constituency	2,596
Ellesmere Port & Neston Public Constituency	1,071
Flintshire Public Constituency	1,045
Wider Area Public Constituency	441
Total Public Membership	5,153

Membership commentary

The target for 20% increase in public membership was achieved. The target for an increase in membership for 2008/9 is 25% which will take the total membership to just over 10,000 members.

Youth Members

The youth membership 17 – 21 age groups continue to be somewhat unrepresented. However progress is being made by the Communication and Membership Committee of the Board of Governors. We have a Youth Governor on the Board of Governors and have no difficulty in replacing that person each year. Through our Youth Governor we have created a youth forum to examine and develop youth membership. This links to the wider Board through one of the adult governors and one the Non Executive Director Children's Champion and a local schools representative.

The Trust has a work placement programme which is contributing towards enhancing the number of youth members. Additionally a forum is being created in partnership with a Consultant Physician to go into the wider community in particular schools and colleges to talk about NHS careers and how youngsters can get involved with their local hospital. This will also facilitate the recruitment of new youth members. The above initiatives demonstrate our commitment to increasing membership in this group.

Adult membership

Recruitment of new members has been undertaken by various means. These include regular membership recruitment campaigns within public areas of the hospital. A presentation by Governors demonstrating the value of membership of the Trust is being promoted in the community particular the voluntary sector and parish councils.

Governors also take the opportunity to get involved in functions and events with the Trust e.g. open day, fundraising which creates an opportunity to meet current members and an opportunity to recruit new members.

As regards membership it has been recognised that a more effective relationship between the Board of Governors and the wider membership is desirable. In this connection one of the Strategic objectives for the Board of Governors is to enhance that relationship with the membership of the Trust. Therefore a Board effectiveness process for the Board of Governors has been devised and this will help to measure the success of this objective.

Contact for members to communicate with Governors and Directors is available on the website and contact details are also available in the Foundation Trust's Feedback circulated to all members four times per year.

Public Interest Disclosures

Countering Fraud and Corruption

The NHS Counter Fraud and Security Management Service has provided the Trust with a framework to minimise losses through fraud. Section 47 of the Trusts legally binding contract with Healthcare Commissioners requires us 'to take all necessary steps to counter fraud affecting NHS funded services'. To deliver this the Finance Director is nominated to ensure these requirements are fulfilled and commissions a local counter fraud specialist through our internal auditors, Mersey Internal Audit Agency. The Trust's approach to countering fraud is through a proactive awareness culture supported by an Audit Committee endorsed counter fraud plan covering a range of deterrence and preventative measures.

Management Costs

In line with best practice the Trust continues to monitor expenditure on management costs in accordance with Department of Health definitions. In 2007/8 3.95% of our total income was incurred on management costs and increases were managed below the annual rate of increase in NHS expenditure.

Better Payment Practice Code

The Better Payment Code requires 95% of undisputed invoices are paid within 30 days of receipt; the Trust strives to achieve this as a minimum to ensure the ethical treatment of our suppliers and in 2007/8 performance improved further.

Payment practice code performance 2005/6 – 2007/8

	2005/6	2006/7	2007/8
Volume	96.5%	97.6%	98.2%
Value	98.0%	98.5%	98.8%

The Trusts payment policy ensures that discounts for prompt payments are maximised and no interest was paid to suppliers under the Late Payments of Commercial Debts (Interest) Act 1998.

Other Income

Material elements of 'other' income are described in note 3 to the accounts but include £6.2m from education and training, £1.0m from staff catering and retail sales and £890k from staff, patient and visitor car parking.

Protecting Patient Information

The security of patient information is paramount to ensure confidentiality and adhere to the Data Protection Act (1998). The Trust undertakes an annual review of its information governance using the Information Governance toolkit. During 2007/8 the Trust scored 'green' on its self assessment as an indicator of risk and effectiveness. In year this work was enhanced through a series of actions:

- An internal review of information security during transit was undertaken.
- An enhanced information governance strategy based on best practice principles was agreed by the Executive Director Team.
- An Information Governance Steering Group was established, chaired by the Trusts Caldicott Guardian, this will agree key actions and monitor performance.
- Data awareness and information security training sessions were detailed to groups of staff supported by an awareness campaign to all staff.
- An information governance post was established and funded.

The information governance assurance programme provides assurance to the Board on the management of information risk. During 2007/8 12 minor incidents relating to data security were reported; there were no serious incidents relating to information security.

Personal data incidents 2007/8

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises	5
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	6
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	1
V	Other	0

Consultation and communication with employees

The Trust's signatory staff organisations reaffirmed their commitment to partnership working through the development of a new 'recognition agreement',

which was produced in January 2008. The agreement now provides two seats for non-union members, thus ensuring greater 'inclusivity' in discussions about issues affecting the Trust's staff. Appendices to the agreement include a 'working together agreement', which sets out a code of conduct for discussions and a 'partnership in practice' note which emphasises the intended working arrangements.

Once again, the Trust participated in the Healthcare Commission's annual Staff Opinion Survey, facilitated locally by Quality Health. Results have been disseminated to the Board, staff and their representatives and specific reports produced for Divisions, to allow specific action plans to be developed through staff involvement. The results of the 2007 survey were generally better than in 2006, although work continues on those areas jointly agreed as worthy of improvement.

In an effort to engage with and listen to our staff, the Trust's Executive Directors have run a series of sessions on the Trust's financial and service strategy.

In spring 2007, over 100 staff participated in focus groups as part of the implementation of the diagnostic phase of the Organisational Development Strategy. The outcome of this work was reported to the Board and formed the basis of an action plan, the final content and resourcing of which will be agreed by the Board in 2008.

The Trust's intranet continues to be developed, to allow much more (and more relevant) information for staff to be widely available. Specific intranet pages have now been established for the Local Negotiating Committee (including the publication of the CV applications of Consultants successful in the year's Clinical Excellence Awards) and Staff Partnership Forum.

The Trust launched a Staff Suggestion Scheme in 2007, encouraging contribution and ideas by staff of all disciplines. Those ideas felt to have merit will receive small financial rewards initially, pending development of actions and measurable benefits. The best ideas will receive formal recognition at the annual Celebration of Achievement event.

Disabled employees, equality and diversity

The Trust Equality and Diversity Steering Group has refocused during 2007/08. The three main aims of Equality across the organisation were clarified as:

- **For our users:** To consistently deliver services to our community that are accessible, responsive and sensitive to the needs of different groups and individuals
- **For our staff colleagues:** To ensure we are demonstrably fair in all our employment practices (recruitment, development, retention etc), achieve equality of opportunity and outcome in the workplace and provide a safe working environment
- **For our community:** To make a positive difference to the lives of our local people

An update report, on Trust activity and progress, was provided to the HR Committee in December 2007. As an organisation, we have embraced changes in legislation and have treated them as an opportunity to widen access for all, and support the reduction of emerging health inequalities in Chester and the surrounding areas.

A key development this year has been the establishment of a clearer reporting structure for equality and diversity. This framework provides for sub/ task groups to specifically focus on the tangible deliverables that support the action plans of each equality scheme. These sub-groups are:

- Race & Religious Belief
- Gender & Sexual Orientation
- Disability
- Age

The full schemes for Race, Disability and Gender, along with supporting information, are available on the Trust's internet site at www.coch.nhs.uk under 'Corporate Information'.

The Trust has completed the training of managers in Equality Impact Assessments and a programme of assessments of all functions is due in 2008.

The Trust has re-established the role of Voluntary Services Co-ordinator with a view to maximising the contribution of volunteers in the workplace, with particular emphasis on improving the quality of patient experience.

Health & Safety and occupational health

A Stress Management Policy has been developed, in partnership with staff representatives, which includes a specific risk assessment for managers to use. Occupational Health Services were reviewed in year, as part of a Cheshire-wide consortium. Decisions around future service provision are likely to be taken in 2008. Pro-active rehabilitation programmes, staff support and workplace adjustments have made significant inroads into reducing long term sickness absenteeism.



Remuneration Report

The remuneration and conditions of service of the Chief Executive and Executive Directors are determined by a Remuneration Committee, comprising membership as below. During 2007/08, the Committee met on 2 occasions, with attendance by member indicated in brackets:

Chair – Sir James Sharples, Chairman (2)

Alastair Findlay, Non-Executive Director (2)

Wendy Williams, Non-Executive Director (2)

Samantha Dixon, Non-Executive Director (2)

Sarah Jane Goulbourne, Non-Executive Director (2)

Gerald Levy, Non-Executive Director (1)

In 2007/08, the Remuneration Committee considered the progressive effect of Agenda for Change salary ranges for senior staff and current 'market rates' on the spot salaries of Executive Directors. A differential pay award was made to the Executive Directors as a consequence. Under normal circumstances, the Remuneration Committee takes into account the national inflationary uplifts recommended for other NHS staff, any variation in or change to the responsibility of Executive Directors and relevant benchmarking with other NHS and public sector posts.

A new peer assessment process was agreed for and applied to Non-Executive Directors and the Chairman, linked to annual appraisal. The outcome of this process was reported to the Board of Governors. The performance of Executive Directors and the Chief Executive was discussed at Remuneration Committee. A new appraisal and peer assessment process for Executive Directors was drafted for implementation in 2008.

With the exception of the Medical Director, the contracts of employment of all Executive Directors, including the Chief Executive, are permanent and are subject to six months notice of termination.

The Medical Director held a 'fixed term' contract of employment, which was separate from that relating to his substantive contract as Consultant Histopathologist. Such contract expired on 31st March 2008 and was not renewed following the incumbent's 9 years in the role. A new Medical Director took up post on 1st April 2008.

No performance-related pay scheme (e.g. pay progression or bonuses) is currently in operation within the Trust and there are no special provisions regarding early termination of employment.

All other senior managers are subject to Agenda for Change pay rates, terms and conditions of service, which are determined nationally.

The salary and pension entitlements of senior managers are as follows:



Peter Herring

Chief Executive



Salary and Pension Entitlements of Senior Managers

Name and Title	Salary	Other Remuneration	Benefits in kind	Salary	Other Remuneration	Benefits in kind
	(bands of £5,000)	(bands of £5,000)	(to nearest £100)	(bands of £5,000)	(bands of £5,000)	(to nearest £100)
	2007/8	2007/8	2007/8	2006/7	2006/7	2006/7
	£000	£000	£	£000	£000	£
Chairman						
Sir James Sharples QPM DL	45-50	-	-	30-35	-	-
Non-Executive Directors						
Mr Alastair Findlay	15-20	-	-	10-15	-	-
Mrs Samantha Dixon	10-15	-	-	10-15	-	-
Mrs Sarah Jane Goulbourne	10-15	-	-	10-15	-	-
Dr Gerald Levy	5-10	-	-	5-10	-	-
Mrs Wendy Williams	10-15	-	-	10-15	-	-
Executive Directors						
Mr Peter Herring - Chief Executive	140-145	-	-	125-130	-	-
Mrs Jane Tomkinson - Deputy Chief Executive and Director of Finance and Performance.	120-125	-	-	105-110	-	-
Mrs Gaynor Hales - Director of Nursing and Patient Services	95-100	-	-	85-90	-	-
Dr William E Kenyon - Medical Director	35-40	125-130	-	30-35	125-130	-
Mrs Carole Spencer - Director of Planning and Development	80-85	-	300	75-80	-	200
Mr David Wood - Director of Human Resources and Corporate Services	95-100	-	-	85-90	-	-



Pension Benefits						
	Real Increase in Pension at age 60	Real Increase in Automatic Lump Sum at age 60	Total accrued pension at age 60 at 31 March 2008	Total Related Lump sum at 31 March 2008	Cash Equivalent Transfer Value at 31 March 2008	Cash Equivalent Transfer Value at 31 March 2007
	(bands of £2,500)	(bands of £2,500)	(bands of £2,500)	(bands of £2,500)	(bands of £1,000)	(bands of £1,000)
4.3/2 Pension Benefits	£000	£000	£000	£000	£000	£000
Mr Peter Herring - Chief Executive	7.5-10	22.5-25	65-67.5	197.5-200	1130-1131	958-959
Mrs Jane Tomkinson - Deputy Chief Executive and Director of Finance and Performance	5-7.5	17.5-20	35-37.5	110-112.5	507-508	400-401
Mrs Gaynor Hales - Director of Nursing and Patient Services	0-2.5	5-7.5	20-22.5	62.5-65	296-297	253-254
Dr William E Kenyon - Medical Director	0	0	75-77.5	230-232.5	N/A	1,389-1,390
Mrs Carole Spencer - Director of Planning and Development	2.5-5	7.5-10	12.5-15	37.5-40	181-182	137-138
Mr David Wood - Director of Human Resources and Corporate Services	2.5-5	7.5-10	32.5-35	100-102.5	467-468	407-408

Notes:

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised 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 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. The NHS Pension scheme will not make a cash equivalent transfer once a member reaches the age of 60 and therefore is not applicable.

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.



Countess of Chester Hospital NHS
Foundation Trust

Annual Accounts for the year ended 31 March 2008

Statement of Accounting Officer's Responsibilities

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

Under the National Health Service Act 2006, Monitor has directed the Countess of Chester Hospital 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 Countess of Chester Hospital NHS Foundation Trust and of its Income and Expenditure, Total Recognised Gains and Losses and Cash Flows for the financial year.

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

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

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him 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.

The annual accounts are prepared by the Directors of the Countess of Chester Hospital NHS Foundation Trust and are reviewed by the Audit Committee. The Board of Directors adopts the accounts following recommendation by the Audit Committee and once it is satisfied that the accounts give a true and fair view of the Trust's state of affairs, the Board of Directors also considers going concern and signs the Management Representation letter.

After making enquiries, the Directors have a reasonable expectation that the NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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.



10th June 2008
Peter Herring - Chief Executive

Statement in respect of 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, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS Foundation Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

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 Countess of Chester Hospital 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 Countess of Chester Hospital NHS Foundation Trust for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Trust has in place a Risk Management Strategy which makes it clear that whilst overall responsibility for risk management is placed with the Chief Executive, responsibility for specific risk management areas remains with the Board of Directors. The Audit Committee, Executive Directors Risk Review Group, Clinical Governance Board and other sub groups support the Directors in the management of risk. The Board of Directors has delegated the ongoing development, implementation and monitoring of the Risk Management Strategy to the Executive Directors Risk Review Group. Risk Management is a core component of the job descriptions of senior management. Other staff involved in the co-ordination of risk management, including health & safety, patient safety and infection control, belong to action groups which report to the Executive Directors Risk Review Group.

The roles and responsibilities of staff in relation to the identification and management of risk are clearly identified within the Risk Management Strategy and other risk management related policies, for example "Incident Reporting" and "Reporting of Serious Unoward Incidents". All relevant policies are available on the Trust's intranet.

A range of risk management training is provided to all staff groups to ensure that risk management is embedded throughout the Trust. Training records are held in the Oracle Learning Module within the Electronic Staff Record System that became operational on 1 April 2007. The HR Department review mandatory training and report direct to the Clinical Governance Board. Good practice and lessons learnt are widely shared through mechanisms such as Team Brief, E-Team Brief, The Pulse, and the Risk and Health & Safety Operational Group.

The risk and control framework

The risk management framework is set out in a comprehensive Risk Management Strategy and is underpinned by the policy and procedure for risk management. These policies are reviewed

annually and endorsed by the Board of Directors. The strategy is regularly reviewed during the year to ensure that it is fully embedded in the day to day management of the Foundation Trust and conforms to good practice. The risk management strategy:

- defines the objectives of risk management and the process and structure by which it is undertaken;
- sets out the lead responsibilities and the organisational arrangements as to how these are discharged;
- sets out the key policies, procedures and protocols governing risk management;
- identifies the link between directorate and corporate risk management;
- sets out the approach to the identification, assessment, scoring, treatment and monitoring of risk;
- defines acceptable risk together with the description of the 5 by 5 matrix and classifications for impact and likelihood. The classifications follow the National Patient Safety Agency (NPSA) guidance; and
- develops whole system solutions to clinical and non-clinical operational risks that have the greatest potential to disrupt patient care.

Risk is identified by examining the principal objectives of the organisation and evaluating the risks to the achievement of these objectives. The most significant risks are recorded on the Board Assurance Framework, which is underpinned by Divisional Assurance Frameworks and the DATIX Risk Register. Risk management is embedded in the activity of the organisation through:

- the Executive Directors Risk Review Group, Clinical Governance Board and the Audit Committee receive reports and instigate action to deal with risks which have been identified;
- the national pilot for the

“Safer Patient Initiative” that is underpinned by the Institute of Health Improvement Foundation. This will be mandated for all Trusts in 2008/09. As a consequence leadership walk rounds were started in July 2007 and outcomes are reported to the Clinical Governance Board;

- developing and continued monitoring of risks within the Assurance Framework, in line with national guidance. This framework has been utilised to identify the principal risks in achieving the corporate objectives. The Assurance Framework has been reviewed both in-year and at the end of the financial year by the Board of Directors. Individual action plans have been developed to address gaps in control and / or assurances;
- ward, departmental and divisional risk registers which have been in place for the full year and continue to be promulgated by robust systems for risk assessment across all areas of the organisation;
- an integrated SBAR (situation, background, assessment and recommendation) reporting system that underpins the identification of every type of risk and adverse event for review by the Executive Directors Risk Review Group;
- an integrated risk management system (DATIX) that is utilised to record incidents, complaints, claims and PALS issues, which enable management to have access to incidents in their own area of responsibility;
- quarterly directorate progress reports, which are submitted to the Risk and Clinical Governance Manager and Risk and Health & Safety Operational Group;
- risk assessment being an integral part of the process for developing all new projects. The Trust business case approvals process has been reviewed in year to strengthen existing controls;

- business continuity plans and delegated responsibilities; and
- The Information Governance Assurance Program (IGAP), in respect of the management and control of information supports the Trust’s aim to ensure the effective management and security of data primarily patient related information. During the year the Trust participated in the first phase of the IGAP and self-assesses annually against the NHS Information Governance Toolkit.

The public and patients are involved in identifying risk and bringing this to the attention of the Trust in a variety of ways:

- Foundation Trust membership and Board of Governors;
- Patient and Public Involvement in Health forum, which is supported by the PPI Steering Group, Patient Experience Group, and on-going self support groups;
- Patient Satisfaction Surveys;
- Complaints, claims and Patient Advice and Liaison (PALS) concerns;
- Public Stakeholders are involved in managing risk which impact on them, for example the Western Cheshire Clinical Risk Forum is attended by all local health providers on a quarterly basis; and
- The Board of Governors Strategy Group review the draft Standards for Better Health Declaration and input is obtained from the Overview and Scrutiny Committee and other patient /public forums.

The system of internal control is strengthened by compliance with the Code of Governance Framework and Compliance Framework established by Monitor, and the Standards for Better Health. The Board of Directors formally sign off the Governance Declaration and the Standards for Better Health Declaration.

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 NHS Pension Scheme 2007/08 Contributions Assurance Statement has been duly completed and issued.

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

The Foundation Trust has robust arrangements in place for setting objectives and targets on a strategic and annual basis, and these are cascaded Trust wide. Procedures are in place to ensure all strategic decisions are considered at Executive and Board level. These arrangements include ensuring the financial strategy is affordable, scrutiny of cost savings plans to ensure achievement, compliance with terms of authorisation and coordination of individual objectives with the corporate objectives as identified in the Annual Plan. The Foundation Trust has achieved a surplus financial position for the fourth consecutive year. Performance against objectives is monitored and actions identified through a number of channels:

- Approval of the annual budget and annual plan by the Board of Directors;
- Monthly reporting to the Board of Directors. The performance management dashboard, reports and information pack are provided to members of the Board of Directors and these are underpinned with sound processes. The effectiveness of these reports enables senior management to monitor, review and take appropriate action to ensure that its key targets are met or remedial action taken to improve areas where necessary;

- Bi-monthly review of financial performance by the Finance Sub Committee, which is a formal sub-committee of the Board;
- Monthly reporting to Divisions through the budgetary control and risk system;
- Periodic performance management of Divisions by the Executive Team covering performance against key objectives;
- Quarterly reporting to Monitor and compliance with terms of authorisation; and
- Review of key HR statistics, for example staff sickness, staff in post, professional registrations checked, which are included within the monthly performance report.

The Trust ensures effective performance management through:

- Monthly review by the Management Board and Board of Directors of performance against national targets and standards. Achievement against the targets is measured on a traffic light system of red, amber, green and in respect of financial performance on the basis of a financial risk rating of between 1 and 5 (1 being the highest level of risk and 5 the lowest); and
- The Trust achieved a score of 72% ('green') rating for its Information Governance against the self assessment tool demonstrating good practice in many areas and in year a revised strategy to enhance security was agreed by the Board of Directors;
- Benefits realisation of the Agenda for Change process;
- Subscribes to a national benchmarking organisation that provides comparative information analysis on patient activity and clinical indicators; and
- The Trust has a standard assessment process for future business plans to ensure value for money and full appraisal

processes are employed when considering the effect on the organisation.

During 2007/8 the Trust did not fully meet the targets in the areas of MRSA, cancelled operations as a percentage of total elective workload; and minimising delayed transfers of care by 2008. Overall performance against the A & E target exceeded 98% for the year but was missed on some occasions on a rolling four week basis.

In respect of MRSA, major initiatives have continued with screening, hand hygiene programmes, observational audits, root cause analysis investigations, and the Winning Ways action plan. The Board of Directors monitors progress against infection control initiatives. A major review of the Trust's systems for managing healthcare acquired infection will produce a robust action plan for delivery of the Foundation Trust targets in 2008/09.

In respect of cancelled operations, additional bed capacity and improved discharge management processes have been implemented. Agreement has now been reached in principle with the Local Primary Care Trust to ensure sufficient capacity is in place in 2008/9 to minimise the high level of delayed discharges which also contribute to the level of cancelled operations.

All other key targets were met within accepted thresholds and the Trust declared compliance with the Standards for Better Health.

The Foundation Trust has consistently achieved a financial risk rating of 4 during the course of the year and anticipates a final financial risk rating of 5 for the third year running.

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 manage-

ment letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

- The Board of Directors provide active leadership of the Trust within a framework of prudent and effective controls that enable risk to be assessed and managed. An on-going Board Effectiveness Programme was developed early in the year;
- The Audit Committee, as part of an integrated committee structure, is pivotal in advising the Board of Directors on the effectiveness of systems of internal control;
- The Executive Directors Risk Review Group and Clinical Governance Board are key components by which I am able to assess the effectiveness and assure the Board of Directors of risk management generally and clinical risk;
- The Internal Audit plan is risk based and includes a number of the key priority areas that are identified within the Assurance Framework. Quarterly reports are provided to the Audit Committee and full reports to the Director of Finance, and line management. The Audit Committee also receives details of actions that remain outstanding following any follow up of previous audit work. The Director of Finance also meets regularly with the Audit Manager. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework, the Standards for Better Health process and on the controls reviewed as part of the internal audit work;
- The Local Counter Fraud Specialist has a remit to build a strong anti-fraud culture throughout the organisation and the Specialist Security

Manager has a remit to promote and protect the security of people in the hospital;

- The External Auditor provides progress reports to the Audit Committee and the annual report and accounts are presented to the Finance Sub Committee, Audit Committee and the Board of Directors for approval. The Annual Audit letter is presented to the Board of Governors;
- Significant risks have been identified within the Assurance Framework and reviewed in-year by the Executive Directors Risk Review Group and by the full Board of Directors;
- The final Standards of Better Health declaration identifies that all areas are compliant.

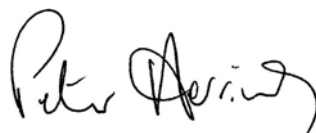
Assurance from independent reviewers has been received in a number of areas for example:

- The national staff survey results have been received from the Healthcare Commission and a summary report provided to the Board of Directors;
- Annual patient survey results are presented to the Board of Directors;
- An independent review of the Trust's processes for managing healthcare acquired infection was undertaken by a Department of Health team and systems were found to be good;
- An external review of the self certification process to Monitor concluded that adequate structures were in place and Board processes were satisfactory;
- The national "Deep Clean" initiative has been completed;
- NHSLA level 3, reassessed January 2008. The Countess of Chester Hospital NHS Foundation Trust is one of only ten acute trusts to hold the level 3 accreditation, and only the second acute trust to be reassessed and maintain level 3 compliance for three consecutive assessments;
- Clinical Negligence Scheme for Trusts (CNST) Maternity level 2, reassessed in June 2007;
- Clinical Pathology Accreditation has been achieved for all departments;
- Investors in People has been awarded in a number of departments; and
- Royal College reports.

Conclusion

Whilst acknowledging that three of the national targets have not been fully achieved the Foundation Trust has implemented robust action plans to attempt to resolve the issues and minimise risk where possible.

In summary, the Trust has a sound system of Internal Control in place, which is designed to manage the key organisational objectives and minimise the Trust's exposure to risk. The Board of Directors is committed to continuous improvement and enhancement of the systems of internal control.



Peter Herring - Chief Executive

10th June 2008

Independent Auditors' Report to the Board of Governors of Countess of Chester Hospital NHS Foundation Trust

We have audited the financial statements of Countess of Chester Hospital NHS Foundation Trust for the year ended 31 March 2008 under the National Health Service Act 2006. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to NHS Foundation Trusts set out therein.

This report is made solely to the Board of Governors of Countess of Chester Hospital NHS Foundation Trust ('the Trust'), as a body, in accordance with the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Board of Governors of the Trust, as a body, those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Accounting Officer and Auditors

As described on page 2 the Accounting Officer is responsible for the preparation of the financial statements in accordance with directions issued by Monitor.

Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by Monitor and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view of the state of affairs of the Trust and its income and expenditure for the year ended 31 March 2008. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

We review whether the statement on internal control on pages 3 to 6 reflects compliance with Monitor's guidance issued in the NHS Foundation Trust Financial Reporting Manual. We report if it does not meet the requirements specified by Monitor or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Directors' statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the information contained in the Annual Report and the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

The maintenance and integrity of the Countess of Chester Hospital NHS Foundation Trust web site 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 web site.

Basis of Audit Opinion

We conducted our audit in accordance with the National Health Service Act 2006 and the Code of Audit Practice issued by Monitor, which requires compliance with relevant auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of Countess of Chester NHS Foundation Trust as at 31 March 2008 and of its income and expenditure for the year then ended; and
- the information given in the Directors' Report is consistent with the financial statements.

Certificate

- We certify that we have completed the audit of the accounts in accordance with the requirements of the National Health Service Act 2006 and the NHS Foundation Trust Audit Code of Practice issued by Monitor.

KPMG LLP
Chartered Accountants
St James Square
Manchester
M2 6DS
11th June 2008

Foreword to the accounts

These accounts for the year ended 31 March 2008 have been prepared by the Countess of Chester Hospital NHS Foundation Trust in paragraphs 24 and 25 of Schedule 7 of 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.

A handwritten signature in black ink, appearing to read 'Peter Herring', with a stylized, cursive script.

10th June 2008

Peter Herring - Chief Executive

Income and Expenditure Account

for the year ended 31 March 2008

	NOTE	2007/08 £000	2006/07 £000
Income from activities:			
Continuing operations	2	137,783	127,226
Other operating income			
Continuing operations	3	11,034	10,363
Operating expenses:			
Continuing operations	4-5	(142,880)	(132,794)
OPERATING SURPLUS			
Continuing operations		5,937	4,795
Loss on disposal of fixed assets	8	(217)	(209)
SURPLUS BEFORE INTEREST		5,720	4,586
Finance Income - interest on loans and receivables		1,320	805
SURPLUS FOR THE FINANCIAL YEAR		7,040	5,391
Public Dividend Capital dividends payable	6	(2,506)	(2,658)
RETAINED SURPLUS FOR THE YEAR		4,534	2,733

The notes on pages 14 to 32 form part of these financial statements

Balance Sheet

as at 31 March 2008

	NOTE	31 March 2008 £000	31 March 2007 £000
FIXED ASSETS			
Tangible fixed assets	8.2	87,211	84,566
		87,211	84,566
CURRENT ASSETS			
Stocks and work in progress	9	1,798	1,683
Debtors	10	5,102	4,669
Current asset investments	15.3	-	13,524
Cash at bank and in hand	15.3	19,936	265
		26,836	20,141
CREDITORS: Amounts falling due within one year	11	(17,027)	(14,968)
NET CURRENT ASSETS		9,809	5,173
TOTAL ASSETS LESS CURRENT LIABILITIES		97,020	89,739
CREDITORS: Amounts falling due after more than one year	11	(977)	(1,071)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(2,252)	(1,692)
TOTAL ASSETS EMPLOYED		93,791	86,976
FINANCED BY:			
Public dividend capital		60,609	58,834
Revaluation reserve	13	17,060	17,809
Income and expenditure reserve	13	13,516	8,655
Donated asset reserve	13	2,092	1,068
Other reserves	13	514	610
TOTAL FUNDS	18	93,791	86,976

The notes on pages 14 to 32 form part of these financial statements.

The financial statements were approved by the Board of Directors on 10 June 2008 and are signed on its behalf by:

Signed: 

Peter Herring - Chief Executive

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2008

	2007/08 £000	2006/07 £000
Surplus for the financial year before dividend payments	7,040	5,391
Unrealised deficit on fixed asset revaluations	(373)	(466)
Receipt of donated assets	610	15
Reductions in the donated asset reserve due to the depreciation and disposal of donated assets	(226)	(142)
Additions in "other reserves"	495	36
	7,546	4,834
Prior year adjustment	-	(760)
Total recognised gains	7,546	4,074

The notes on pages 14 to 32 form part of these financial statements.

Cash Flow Statement

for the year ended 31 March 2008

		2007/08	2006/07
	NOTE	£000	£000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	15.1	11,936	9,189
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,320	805
Net cash inflow from returns on investments and servicing of finance		1,320	805
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(6,873)	(6,892)
Receipts from sale of tangible fixed assets		-	143
Net cash outflow from capital expenditure		(6,873)	(6,749)
PDC DIVIDENDS PAID			
Net cash inflow before management of liquid resources and financing		(2,506)	(2,658)
		3,877	587
MANAGEMENT OF LIQUID RESOURCES			
Movement in short-term deposits	15.3	13,524	(3,989)
Net cash inflow/ (outflow) from management of liquid resources		13,524	(3,989)
FINANCING			
Public dividend capital received		1,775	2,620
Other capital receipts		495	36
Net cash inflow from financing		2,270	2,656
Movement in cash	15.3	19,671	(746)

The notes on pages 14 to 32 form part of these financial statements.

Notes to the Accounts

1 Accounting Policies

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business. NHS Foundation Trusts, in compliance with HM Treasury's Financial Reporting Manual, are not required to comply with the FRS3 requirements to report "earnings per share" or historical profits and losses.

1.2 Acquisitions and discontinued operations

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

- a. The sale (this may be at nil consideration for activities transferred to another public sector body) or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- b. If a termination, the former activities have ceased permanently.
- c. The sale or termination has a material effect on the nature and focus of the reporting NHS Foundation Trust's operations and represents a material reduction in its operating facilities resulting either from its withdrawal from a particular activity or from a material reduction in income in the NHS Foundation Trust's continuing operations; and
- d. The assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Activities are considered to be 'acquired' whether or not they are acquired from outside the public sector.

1.3 Income recognition

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

The NHS Foundation Trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results methodology in 2004/05. As an early implementer the transition to full National Tariff is phased over a four year period resulting in the Countess of Chester Hospital NHS Foundation Trust receiving 100% of national tariff in 2007/08.

1.4 Expenditure

Expenditure is accounted for by applying the accruals convention.

1.5 Tangible fixed assets Capitalisation

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

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

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The costs arising from financing the construction of the fixed assets are not capitalised but are charged to the income and expenditure account in the year to which they relate.

All land and buildings are revalued using professional valuations in accordance with FRS15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The last full asset valuation was undertaken in 2004 as at the prospective valuation date of 1 April 2005, which was accounted for on 31 March 2005. An interim valuation has been carried as at 1 April 2008, and is reflected in the accounts for 2007/2008.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.

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

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

Depreciation, amortisation and impairments

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

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

Buildings and installations are depreciated over the estimated remaining life of the asset as assessed by the NHS Foundation Trust's professional valuers. Equipment is depreciated evenly over the estimated life of the asset, as follows:

	Years
Plant & Machinery	5 to 15
Transport Equipment	5 to 7
Information Technology	5 to 10
Furniture & Fittings	5 to 10

Fixed asset impairments resulting from losses of economic benefits are charged to the Income and Expenditure Account. All other impairments are taken to the revaluation reserve and reported in the Statement of Total Recognised Gains and Losses to the extent that there is a balance on the revaluation reserve in respect of the particular asset.

1.6 Donated Fixed Assets

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

1.7 Current Asset Investment

Current Asset Investments are short term deposits which are readily convertible into known amounts of cash, at or close to their carrying amounts. They are treated as liquid resources in the cashflow statement.

1.8 Government Grants

Government grants are grants from Government bodies other than income for the provision of services. Grants from the Department of Health are accounted for as Government grants as are grants from the Big Lottery Fund (previously the New Opportunities Fund). Where the government grant is used to fund revenue expenditure it is taken to the Income and Expenditure account to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to the Income and Expenditure Account over the life of the asset on a basis consistent with the depreciation charge for that asset.

1.9 Private Finance Initiative (PFI) Transactions

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

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

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

1.10 Stocks and work-in-progress

Stocks and work-in-progress are valued

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

1.11 Cash, bank and overdrafts

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

1.12 Provisions

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

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 12 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.

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 Trust is disclosed at note 12.

Non-clinical risk pooling

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

1.13 Pension costs

Past and present employees are covered by the provisions of the NHS Pension 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. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date

of 31 March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations, the Government Actuary provides an update of the scheme liabilities for FRS17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary Report which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

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

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

1.14 Taxation

The Countess of Chester Hospital NHS Foundation Trust is a Health Service body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to disapply the

exemption in relation to the specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the scope of Corporation Tax in respect of activities which are not related to, or ancillary to, the provision of healthcare, and where the profits therefrom exceed £50,000pa. There is no tax liability arising in respect of the current financial year.

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

1.15 Foreign Exchange

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

1.16 Third Party Assets

In accordance with the Foundation Trusts Financial Reporting Manual 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. See note 22. However, they are disclosed in a separate note to the accounts in accordance with the requirements of the HM Treasury Financial Reporting Manual.

1.17 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The interest element of the finance lease payment is charged to the Income and Expenditure

Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.18 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital (PDC) is a type of public sector equity finance.

A charge, reflecting the forecast cost of capital utilised by the NHS Foundation Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS Foundation Trust. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Office of the Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets. Note 6 to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

1.19 Financial Assets 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.

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

De-recognition

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

when the obligation is discharged, cancelled or expires.

Classification and Measurement

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets. The Trust's loans and receivables comprise cash at bank and in hand, trade debtors, accrued income and other debtors.

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

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

(ii) 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 balance sheet date, which are classified as long-term liabilities. The Trust's financial liabilities comprise trade creditors, accruals, other creditors and provisions for legal claims and backdated pay.

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

(iii) Determination of fair value

Fair value is determined from market prices, independent appraisals and discounted cashflow analysis as appropriate to the financial asset or liability. Where required, cashflows are discounted at the Treasury's discount rate of 2.2%.

(iv) Impairment of Financial Assets

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

Consistent with the measurement of financial assets at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income and expenditure account and in the case of trade debtors, the carrying amount of the asset is reduced through the use of an allowance for irrecoverable amounts, and for other financial assets the carrying amount is reduced directly.

2 Income from Activities

2.1 Income from activities comprises:

	2007/08 £000	2006/07 £000
Elective income	27,639	25,291
Non elective income	50,808	49,986
Outpatient income	26,023	23,558
Other type of activity income	27,529	23,689
A&E income	5,287	5,013
Total income	137,286	127,537
PBR clawback	-	(760)
Income from activities (before private patient income)	137,286	126,777
Private patient income	497	449
Income from activities	137,783	127,226

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 re-imburse 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 protected services.

2.2 Income from activities comprises:

	2007/08 £000	2002/03 £000
Private patient income	497	520
Total patient related income	137,783	89,454
Proportion as a percentage	0.4%	0.6%

Section 44 of the National Health Service Act 2006, requires that the proportion of 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 was compliant for 2007/08.

3 Other Operating Income

	2007/08 £000	2006/07 £000
Research and development	193	183
Education and training	6,217	5,785
Charitable and other contributions to expenditure	159	248
Amortisation of Government Grants	94	94
Transfers from donated asset reserve	226	142
Non-patient care services to other bodies	749	1,019
Other income	3,396	2,892
	11,034	10,363

Other income includes £1,023,000 (2006/07 £1,029,000) in respect of staff catering and shop income and £891,000 (2006/07 £848,000) in respect of car parking.

The Terms of Authorisation sets out the mandatory education and training that the Trust is required to provide (protected education and training). All of the income from education and training shown above is derived from the provision of protected education and training. All other operating income is un-protected.

4 Operating Expenses

4.1 Operating expenses comprise:

	2007/08 £000	2006/07 £000
Services from NHS Foundation Trusts	702	145
Services from NHS Trusts	830	1,090
Services from other NHS bodies	219	418
Purchase of healthcare from non NHS bodies	365	226
Directors' costs	843	745
Staff costs	100,997	93,707
Supplies and services		
- clinical	19,802	18,287
- general	2,404	2,211
Establishment	1,652	1,534
Transport	139	111
Premises	6,516	6,459
Depreciation and amortisation	4,362	3,794
Audit fees	48	48
Taxation Services	25	-
Clinical negligence	2,212	2,076
Training courses	605	614
Other	1,159	1,329
	142,880	132,794

4.2 Operating Leases

4.2.1 Operating expenses include:

	2007/08 £000	2006/07 £000
PFI Scheme (see note 20.1)	862	897
Hire of Plant and Machinery	263	245
Other operating lease rentals	791	779
	1,916	1,921

4.2.2 Annual commitments under non - cancellable operating leases are:

	Land and Buildings		Other Leases	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Operating leases which expire:				
Within 1 year	-	32	22	-
Between 1 and 5 years	-	-	915*	919
	-	32	937	919

*Other lease commitments expiring between 1 and 5 years includes PFI scheme costs of £915,000 (2006/07 £897,000), see note 20.1

5 Staff Costs and Numbers

5.1 Staff costs

	Total 2007/08 £000	Permanently Employed £000	Other £000	Total 2006/07 £000
Salaries and wages	85,580	78,537	7,043	79,119
Social Security Costs	6,189	6,189	-	5,683
Employer contributions to NHS Pensions Agency	9,077	9,077	-	8,724
Agency and contract staff	877	-	877	832
	101,723	93,803	7,920	94,358

5.2 Average number of persons employed

	Total 2007/08 Number	Permanently Employed Number	Other Number	Total 2006/07 Number
Medical and dental	348	131	217	332
Administration and estates	599	564	35	590
Healthcare assistants & other support staff	617	595	22	554
Nursing, midwifery & health visiting staff	760	730	30	745
Nursing, midwifery & health visiting learners	17	16	1	22
Scientific, therapeutic and technical staff	470	434	36	445
Total	2,811	2,470	341	2,688

5.3 Retirements due to ill-health

During 2007/08 (prior year 2006/07) there was 1 (2) early retirement from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £56,000 (£29,000). The cost of these ill-health retirements will be borne by the NHS Pensions Agency. These retirements represented 0.23 per 1,000 active scheme members.

6 Public Dividend Capital Dividend

The Trust is required to pay a dividend to the Department of Health at a real rate of 3.5% of average relevant net assets. The Trust's public dividend payable in year totals £2,506,000. This represents 3.18% of the actual average carrying amount of relevant net assets held.

7 Losses and special payments

NHS Foundation Trusts are required to record cash payments and other adjustments that arise as a result of losses and special payments. In the year the Trust had 90 separate losses and special payments, totalling £17,000 (2006/07 £20,000). The bulk of these were in relation to bad debts and damage / loss of hospital property.

8 Tangible Fixed Assets

8.1 Loss on Disposal of Fixed Assets

Loss on the disposal of fixed assets is made up as follows:

	2007/08 £000	2006/07 £000
Loss on disposal of fixed assets (unprotected)	(217)	(209)

8.2 Tangible fixed assets at the balance sheet date comprise the following elements:

	Land £000	Buildings Excluding Dwellings £000	Assets Under Construction £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & Fittings £000	Total £000
Cost or valuation								
at 1 April 2007	12,329	61,823	1,590	21,974	26	3,568	1,703	103,013
Additions - purchased	515	1,344	3,320	876	-	282	100	6,437
Additions - donated	-	508	-	693	-	-	-	1,201
Reclassifications	-	1,868	(2,203)	248	-	-	87	-
Other in year revaluation	(3,114)	(3,194)	-	-	-	-	-	(6,308)
Disposals	-	(12)	-	(551)	-	-	-	(563)
At 31 March 2008	9,730	62,337	2,707	23,240	26	3,850	1,890	103,780
Accumulated depreciation								
at 1 April 2007	-	3,808	-	13,560	16	675	388	18,447
Other in year revaluation	-	(5,935)	-	-	-	-	-	(5,935)
Disposals	-	(1)	-	(304)	-	-	-	(305)
Provided during the year	-	2,128	-	1,504	3	546	181	4,362
At 31 March 2008	-	-	-	14,760	19	1,221	569	16,569
Net book value								
- Purchased at 1 April 2007	12,329	57,491	1,590	7,870	10	2,893	1,315	83,498
- Donated at 1 April 2007	-	524	-	544	-	-	-	1,068
Total at 31 March 2007	12,329	58,015	1,590	8,414	10	2,893	1,315	84,566
- Purchased at 31 March 2008	9,730	61,287	2,707	7,438	7	2,629	1,321	85,119
- Donated at 31 March 2008	-	1,050	-	1,042	-	-	-	2,092
Total at 31 March 2008	9,730	62,337	2,707	8,480	7	2,629	1,321	87,211

All land and buildings are used in the provision of mandatory goods and services and so are protected.

8.3 The net book value of land, buildings and dwellings at 31 March 2008 comprises:

	31 March 2008 £000	31 March 2007 £000
Freehold	72,067	70,344

9 Stocks and Work in Progress

	31 March 2008 £000	31 March 2007 £000
Raw materials and consumables	1,798	1,683

10 Debtors

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
Trade debtors	1,976	2,544
Accrued income	450	364
Amounts due under the NHS Injury Scheme	821	725
VAT recoverable	318	76
Other debtors	249	416
Prepayments	1,288	544
	5,102	4,669

The carrying values of trade debtors, accrued income and other debtors approximate to their fair value.

10.1 Provision for impairment of Trade Debtors

Trade debtors is stated net of an estimate for irrecoverable amounts. The movement in the year was as follows:

	31 March 2008 £000	31 March 2007 £000
At 1 April 2007	792	567
Arising during the year	931	486
Utilised during the year	(199)	(63)
Reversed unused	(298)	(198)
At 31 March 2008	1,226	792

10.2 Ageing analysis of Trade Debtors

The ageing of trade debtors is as follows:

	Gross 31 March 2008 £000	Impairment 31 March 2008 £000	Gross 31 March 2007 £000	Impairment 31 March 2007 £000
Not past due date	1,886	580	1,747	60
Up to 3 months	824	154	1,025	168
over 3 months	492	492	564	564
Total	3,202	1,226	3,336	792

11 Creditors

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
Payments received on account	-	3,500
Trade creditors	9,947	5,890
Accruals	812	951
Tax and Social Security	2,050	2,009
NHS Pension Scheme	1,323	1,109
Other creditors	643	294
Deferred government grant income	94	94
Deferred income	2,158	1,121
	17,027	14,968
Amounts falling due after more than one year:		
Deferred Government Grant income	977	1,071
	977	1,071

The carrying values of trade creditors, accruals and other creditors approximate to their fair value.

12 Provisions for Liabilities and Charges

	Pensions Relating to Other Staff £000	Legal Claims £000	Backdated pay provision £000	Permanent injury benefit £000	Total 31 March 2008 £000	Total 31 March 2007 £000
At 1 April 2007	232	280	981	199	1,692	2,970
Arising during the year	-	133	1,072	441	1,646	1,592
Utilised during the year	(18)	(44)	(924)	(6)	(992)	(2,870)
Reversed unused	-	(37)	(57)	-	(94)	-
At 31 March 2008	214	332	1,072	634	2,252	1,692
Contingent liability						
In addition to the provision above there is a contingent liability which is not provided for	-	51	-	-	51	44
Expected timing of cashflows:						
Within 1 year	17	332	1,072	23	1,444	1,287
1 - 5 years	69	-	-	93	162	107
Over 5 years	128	-	-	518	646	298

Provisions for capitalised pension benefits are based on tables provided by the NHS Pensions Agency, reflecting years to normal retirement age and the additional pension costs associated with early retirement.

Legal claims consist of amounts due as a result of third party and employee liability claims. The values are based on information provided by the Trust's solicitors and the NHS Litigation Authority.

The provision for backdated pay is in respect of Agenda for Change and other pay reforms that could give rise to back pay.

Permanent Injury Benefits are payable to eligible individuals, and are calculated in the same way as capitalised pension benefits.

£18,062,000 is included in the provisions of the NHS Litigation Authority at 31/3/2008 in respect of clinical negligence liabilities of the Trust (31/3/2007 £13,902,000).

The provisions for legal claims and backdated pay are calculated by reference to expected cash flows discounted back at the Treasury discount rate of 2.2%. The carrying value is therefore equivalent to fair value.

13 Movements on Reserves

	Revaluation Reserve	Donated Asset Reserve	Other Reserves	Income and Expenditure Reserve	Total
	£000	£000	£000	£000	£000
At 1 April 2007	17,809	1,068	610	8,655	28,142
Transfer from the Income and Expenditure Account	-	-	-	4,534	4,534
Deficit on other revaluations of fixed assets	(422)	49	-	-	(373)
Receipt of donated assets	-	1,201	(591)	-	610
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated assets	-	(226)	-	-	(226)
Transfer of realised surpluses / (deficits) to income and expenditure reserve	(327)	-	-	327	-
Other reserve movements	-	-	495	-	495
At 31 March 2008	17,060	2,092	514	13,516	33,182

Other reserves represents the balance remaining on a charitable contribution for the purchase of medical equipment.

14 Prudential Borrowing Limit

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

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

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

The Trust had a prudential borrowing limit of £31,300,000 in 2007/08 (2006/07 £10,500,000). The Trust has not yet borrowed against this limit.

The Trust had an approved working capital facility limit of £10,000,000 in 2007/08 (2006/07 £10,000,000), the Trust had in place an actual working capital facility of £10,000,000 (2006/07 £10,000,000).

The five ratio tests and the Trusts performance against them is set out below:

Financial ratios	Actual 2007/08	Approved 2007/08	Actual 2006/07	Approved 2006/07
Maximum Debt / Capital Ratio	-	25%	-	10%
Minimum Dividend Cover	4.63	1	3.53	1
Minimum Interest Cover	-	3	-	3
Minimum Debt Service Cover	-	2	-	2
Maximum Debt Service to Revenue	-	3%	-	3%

Until such time as the Trust draws down a loan only the Minimum Dividend Cover ratio is relevant. The Trust was within the approved limit.

15 Notes to the Cash Flow Statement

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

	2007/08	2006/07
	£000	£000
Total operating surplus	5,937	4,795
Depreciation and amortisation charge	4,362	3,794
Amortisation income	(94)	(94)
Transfer from donated asset reserve	(226)	(142)
Increase in stocks	(115)	(221)
(Increase)/Decrease in debtors	(433)	98
Increase in creditors	1,945	2,237
Increase/(Decrease) in provisions	560	(1,278)
Net cash inflow from operating activities	11,936	9,189

15.2 Reconciliation of net cash flow to movement in net funds

	2007/08	2006/07
	£000	£000
Increase/(Decrease) in cash in the period	19,671	(746)
Cash (outflow)/inflow from (decrease)/increase in liquid resources	(13,524)	3,989
Net funds at 1 April 2007	13,789	10,546
Net funds at 31 March 2008	19,936	13,789

15.3 Analysis of changes in net funds

	Interest rate	At 31 March 2008	Cash changes in year	At 31 March 2007
		£000	£000	£000
Cash at bank and in hand	floating	19,936	19,671	265
Current asset investments	fixed at 5.35%	-	(13,524)	13,524
		19,936	6,147	13,789

Cash at bank and in hand at 31 March 2008 is held in instant access bank accounts. Current asset investments comprise short-term money market investments and other deposit accounts denominated in sterling. Both attract interest at rates based on LIBOR or equivalent market or public sector rates. The carrying amounts are equivalent to their fair values.

16 Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £2,488,000 (2006/07 £636,000).

17 Post Balance Sheet Events

There are no disclosable post balance sheet events.

18 Movements in Total Funds

	2007/08 £000
Surplus for the financial year	7,040
Public dividend capital dividends	(2,506)
	<u>4,534</u>
Losses from revaluation of purchased fixed assets	(422)
New public dividend capital	1,775
Movement on donated asset reserve	1,024
Movement on other reserves	(96)
	<u>6,815</u>
Net addition in total funds	
	<u>86,976</u>
Opening total funds	
	<u>93,791</u>
Closing total funds	
	<u>93,791</u>

19 Related Party Transactions

The Countess of Chester Hospital NHS Foundation Trust is a public interest body Authorised by Monitor - the Independent Regulator for NHS Foundation Trusts.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with the Countess of Chester Hospital NHS Foundation Trust.

The Trust has received £159,000 revenue and £118,000 capital payments from a number of charitable funds for which the Trust acts as Corporate Trustee.

Other main NHS entities with which the Countess of Chester Hospital NHS Foundation Trust are regarded as related parties. During the year the Countess of Chester Hospital NHS Foundation Trust had a number of material transactions with other NHS entities which are listed below:

Related Party Transactions

	Income £000	Expenditure £000
Cheshire and Wirral Partnership NHS Foundation Trust	1,128	411
Wirral University Teaching Hospital NHS Foundation Trust	2,522	1,496
North Cheshire Hospitals NHS Trust	18	4,348
North West Ambulance Service NHS Trust	34	497
Royal Liverpool And Broadgreen University Hospitals NHS Trust	69	817
Royal Liverpool Childrens NHS Trust	1	561
North West Strategic Health Authority	6,401	31
Central And Eastern Cheshire PCT	2,765	-
Halton And St Helens PCT	1,602	10
Western Cheshire PCT	94,584	354
NHS Blood and Transplant Agency	-	1,103
NHS Business Services Authority	6	2,751
NHS Litigation Authority	-	2,257
Wirral PCT	2,452	21

Related Party Balances

	Debtor £000	Creditor £000
Cheshire and Wirral Partnership NHS Foundation Trust	114	283
Wirral University Teaching Hospital NHS Foundation Trust	57	307
North Cheshire Hospitals NHS Trust	4	834
North West Ambulance Service NHS Trust	7	74
Royal Liverpool And Broadgreen University Hospitals NHS Trust	5	688
Royal Liverpool Childrens NHS Trust	-	96
North West Strategic Health Authority	37	23
Central And Eastern Cheshire PCT	176	3
Halton And St Helens PCT	94	11
Western Cheshire PCT	1,233	730
NHS Blood and Transplant Agency	-	-
NHS Business Services Authority	-	297
NHS Litigation Authority	-	2
Wirral PCT	110	318

20 Private Finance Transactions

20.1 PFI schemes deemed to be off-balance sheet

	2007/08	2006/07
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet	862	897

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

	2007/08	2006/07
	£000	£000
PFI scheme which expires; 2nd to 5th years (inclusive)	915	897

	£000
Estimated capital value of the PFI scheme	4,300

Contract Start date: 1999/2000

Contract End date: 2010/2011

The PFI scheme is for the provision of a managed patient administration and information system.

The contract initially was for eight years starting in 1999/2000. The option to extend has been exercised and is now due to expire in 2010/2011.

The capital value for the scheme is difficult to estimate, since the majority of 'property' is software and software development.

20.2 PPP Schemes

In 2005/06, the Trust entered into a Public Private Partnership with Frontis Homes Limited, a registered social landlord, to provide our staff accommodation and on-call facilities. The £5.9m scheme has significantly improved the quality of the previous accommodation, and increased the ability of the Trust to continue to attract the best staff. The Trust will contribute a total of £354,000 (index linked) annually toward the cost of the rent and services to be provided for the on-call facility. The term of the agreement is 40 years.

21 Financial Instruments

FRS29, Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Countess of Chester Hospital NHS Foundation Trust actively seeks to minimise its financial risks. In line with this policy, the Trust neither buys nor sells financial instruments. 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.

21.1 Market Risk

21.1(i) Interest-Rate Risk

All of the Trust's financial liabilities carry nil or fixed rates of interest. In addition, the only element of the Trust's assets that are subject to a variable rate are short term cash investments. The Trust is not, therefore, exposed to significant interest-rate risk. Interest rate profiles of the Trust's relevant financial assets and liabilities are shown in notes 12 and 15.3.

21.1(ii) Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

21.2 Credit Risk

The Trust operates primarily within the NHS market and receives the majority of its income from other NHS organisations, as disclosed in note 19. There is therefore little risk that one party will fail to discharge its obligation with the other. Disputes can arise, however, around how the amounts owed are calculated, particularly due to the complex nature of the Payment by Results regime. For this reason the Trust makes a provision for irrecoverable amounts based on historic patterns and the best information available at the time the accounts are prepared. The Trust does not hold any collateral as security.

21.3 Liquidity risk

The Trust's net operating costs are incurred under three year agency purchase contracts with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust receives such contract income in accordance with Payment by Results (PBR), which is intended to match the income received in year to the activity delivered in that year by reference to the National Tariff procedure cost. The Trust receives cash each month based on an annually agreed level of contract activity and there are quarterly payments made to adjust for the actual income due under PBR. This means that in periods of significant variance against contracts there can be a significant cash-flow impact. To alleviate this issue the Trust has continued to put in place a £10,000,000 working capital facility with its current Bankers, which it has yet to draw on.

The Trust presently finances its capital expenditure from internally generated funds or funds made available from Government, in the form of additional Public Dividend Capital, under an agreed limit. In addition, the Trust can borrow, both from the Department of Health Financing Facility and commercially to finance capital schemes. Financing is drawn down to match the capital spend profile of the scheme concerned and the Trust is not, therefore, exposed to significant liquidity risks in this area.

22 Third Party Assets

The Trust held £4,000 in the Bank (2006/07 - £7,000) which relates to monies held by the NHS Foundation Trust on behalf of patients. This has been excluded from the accounts.

Countess of Chester Hospital NHS
Charitable Funds

Annual Report and Financial Statements for the year ended 31 March 2008

Trustee's Annual Report Structure, Governance and Management

Introduction

The Corporate Trustee presents the Charitable Funds Annual Report together with the Audited Financial Statements for the year ended 31 March 2008.

The Charity's Annual Report and Accounts for the year ended 31 March 2008 have been prepared by the Corporate Trustee in accordance with the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2005. The Charity's report and accounts include all the individual funds which are registered as Designated Funds and Restricted Funds for which the Countess of Chester Hospital NHS Foundation Trust is the main beneficiary. They do not by themselves, constitute charities for accounts purposes and do not need to be separately registered.

Governing Document

The Countess of Chester Hospital NHS Charitable Funds, registered Charity Number 1050015 was created under Trust Deed executed on 19 April 1995 in accordance with the Charities Act 1993.

The Countess of Chester Hospital NHS Trust gained Foundation Trust status in April 2004 following the official passing through Parliament of the relevant statutory instrument. Prior to the creation of the Countess of Chester Hospital NHS Trust, Chester Health Authority administered the various charitable funds as part of a pooling arrangement under the provision of the NHS Act 1973. The charitable monies were transferred to the Trust by Statutory Instrument 1994 No. 1301 which came into effect on 9th June 1994. The Countess of Chester Hospital NHS Foundation Trust is legally recognised by the Charity Commission as Sole Corporate Trustee for all its funds held for the benefit of staff and patients. It is empowered to hold and administer funds for Charitable Health purposes within the scope for the National Health Service and Community Care Act 1990.

Appointment of Corporate Trustee, Induction and Training

The Countess of Chester Hospital NHS Foundation Trust is the Corporate Trustee of the Charitable Funds. The role of Corporate Trustee is therefore carried out by the Board of Directors of the Foundation Trust, the Board being appointed in accordance with the Constitution of the Foundation Trust. The Foundation Trust Board is to consist of a Chairman who is a Non-Executive Director and five further Non-Executive Directors who are appointed (and removed) by the Board of Governors at a General Meeting.

It must also consist of the following Executive Directors:

A Chief Executive (who is the Accounting Officer) who is appointed by the Non-Executive Directors and approved by the majority of the Board of Governors present and voting at a meeting;

A Financial Director, a registered medical practitioner or a registered dentist, a registered nurse or midwife and two other Executive Directors all of whom

are appointed (and removed) by a Committee consisting of the Chairman, the Chief Executive and the other Non-Executive Directors.

A statement of eligibility to Act as a Trustee is signed by members of the Board of Directors.

Induction Policy

The Countess of Chester NHS Hospital Foundation Trust has an Induction Policy for all staff, which is delivered at two levels. Corporate, providing Trust wide information, and local, providing the detail for their department and individual role.

Newly appointed members of the NHS Foundation Trust Board are also given additional information about their responsibilities as the Corporate Trustee which also includes the Charity Commission booklet CC3 - Responsibilities of Charity Trustees.

Financial Awareness Training for Charitable Funds provides ongoing training for members of the Corporate Trustee.

Reference of Administrative Information

The members of the NHS Foundation Trust Board who served during the financial year were as follows:

Executive Directors

Mr Peter Herring	Chief Executive
Mrs Carole Spencer	Director of Planning and Development
Mrs Gaynor Hales	Director of Nursing and Patient Services
Dr William E Kenyon	Medical Director
Mr David Wood	Director of Human Resources and Corporate Services
Mrs Jane Tomkinson	Deputy Chief Executive and Director of Finance and Performance

Non-Executive Directors

Sir James Sharples QPM DL	Chairman
Mr Alastair Findlay	Non-Executive Director
Mrs Samantha Dixon	Non-Executive Director
Dr Gerald Levy	Non-Executive Director
Mrs Sarah Jane Goulbourne	Non-Executive Director
Mrs Wendy Williams	Non-Executive Director

The members of the Charitable Funds Committee who served during the financial year were as follows:

Mr Alastair Findlay	Non-executive Director
Mr Peter Herring	Chief Executive
Dr William E Kenyon	Medical Director
Sir James Sharples QPM DL	Chairman
Mrs Carole Spencer	Director of Planning and Development
Mrs Jane Tomkinson	Deputy Chief Executive and Director of Finance and Performance

Principal Office

The principal office for the charity is:

Executive Office

The Countess of Chester Hospital NHS Foundation Trust

Countess of Chester Health Park

Liverpool Road

Chester CH2 1UL

Principal Professional Advisers:

Bankers for the period under review in these accounts:

Lloyds TSB Bank Plc
Chester Branch
8 Foregate Street
Chester
CH1 1XP

Auditors

KPMG LLP
St James Square
Manchester
M2 6DS

Investment Fund Managers

M & G Charities
PO Box 9038
Chelmsford
CM99 2XF

Organisational Structure

The Countess of Chester Hospital NHS Foundation Trust Board approves the Corporate Governance Manual which comprises the documents for the regulation and proceedings of business. These include:

- Standing Orders
- Standing Financial Instructions
- Scheme of Delegation

These documents set the framework within which all Directors and employees of the Trust must operate. These documents apply equally to the Trust's Charitable Funds as to the Foundation Trust. The Board considers that these arrangements ensure that the activities of the Charity are considered and applied in accordance with the strategic and operational objectives of the Corporate Trustee, thus ensuring that the same consistency and openness is applied to all the Trust's funds.

The NHS Foundation Trust Board has devolved responsibility for the on-going management of funds to the Charitable Funds Committee which administers the Funds on behalf of the Corporate Trustee. This Committee has specific terms of reference approved by the Trust Board and the membership comprises the Chair and nominated Executive and Non-Executive Directors of the Trust.

During the Financial Year the Charitable Funds Committee usually meets at least six times, on a two monthly basis to monitor the overall appropriateness of expenditure from the funds. The minutes of these meetings are submitted to a full Trust Board.

The Director of Finance is the Executive Director nominated by the Board to have prime responsibility for the administration of the Trust's Charitable Fund activities. All expenditure over £10,000 is reported to the Charitable Funds Committee.

Acting for the Corporate Trustee, the Charitable Funds Committee is responsible for the overall management of the Charitable Funds. The committee is required to:

- Ensure the Charitable Funds of the Trust are invested in accordance with the Charitable Funds Registration lodged with the Charity Commission;
- If required to appoint an Investment Advisor qualified within the meaning of the Trustee Investments Act 1961, provide them with guidance and to annually review their performance;
- To monitor the management and performance of the Charitable Funds;
- To make recommendations to the Board of Directors on the nature and frequency of major appeals and to monitor performance;
- To approve the annual Charitable Funds Accounts and
- To ensure adequate processes are in place to approve amendments to the schedule of approved Charitable Funds and to monitor the activity of Charitable Funds in accordance with the Trust's Standing Orders and Standing Financial Instructions and the approved purpose of the individual fund.

The Foundation Trust Finance Department, located at the Principal Office maintains the application process, records all financial transactions and provides a management information service to Fund signatories. The financial records are kept on the main Foundation Trust financial system and Fund signatories receive quarterly fund statements.

The Corporate Trustee fulfils its legal duty by ensuring that funds are spent in accordance with the objects of each fund and by designating funds the Trustee respects the wishes of our generous donors to benefit patient care and advance

the good health and welfare of patients, carers and staff. Where funds have been received which have specific restrictions set by the donors a restricted fund has been established. A full list of funds is on Pages 17 to 20.

Employees

The Charity does not directly employ any members of staff. The Charity does incur staffing costs for fundraising and administration. These staffing contracts are held by the NHS Foundation Trust and a recharge is made to the Charity for the costs incurred relating solely to the Charitable Funds Activity. The Directors do not receive remuneration or expenses from the Charity.

Financial Review

Risk Management

The major risks to which the charity is exposed, as identified by the Corporate Trustee, have been reviewed and systems have been established to manage those risks. Due to the close relationship between the charity and the Countess of Chester Hospital NHS Foundation Trust itself, the charity benefits from the risk and control framework in place at the Foundation Trust.

A specific Charitable Funds risk register is reviewed by the Charitable Funds Committee on an annual basis.

Reserves Policy

The Trustee has developed a reserves policy, in line with Charity Commission guidance to ensure that donated funds are spent within a reasonable timescale of receipt.

The policy is that all funds should turn themselves over at least every five years, unless there is a valid reason for them not to (for example, raising money for the purchase of a particular piece of equipment).

The performance of all funds is monitored on an annual basis, and funds that do not meet the five year requirement are reviewed to ensure that the reasons are valid.

The current Reserves Policy will be amended for the financial year 2008/09.

A Review of our Finances, Achievements and Performance

The net assets of the Charitable Funds as at 31st March 2008 were £1,291,000 (2007 £1,341,000), reducing by £50,000 during the financial year. The loss in the valuation of our unrealised investments was £109,000 (2007 gain of £47,000), and interest receivable was £89,000 (2007 £63,000) from our investments at M&G and short term Bank Investments. A loss of £103,000 was realised on the sale of shares held at the beginning of the financial year.

Incoming resources this year totalled £632,000. Donations of £101,000 were raised through the annual Moonlight walk.

Of the total expenditure of £470,000 (2007 £895,000), charitable expenditure on direct charitable grants was £357,000 (2007 £772,000) and expenditure on support costs was £44,000 (2007 £36,000).

Purchase of new equipment, new building and refurbishment

Out of the expenditure on direct charitable grants the total spend on medical equipment was £182,000 (2007 £105,000), this includes a Corneal Topographer, a new Pasteuriser for the Human Milk Bank, and an Optimedia Pascal Laser System. A further £3,000 (2007 £24,000) was spent on computer equipment and £15,000 (2007 £31,000) on furniture and fittings. The final contribution for the building of the new Haemodialysis Unit in 2007/08 from the B Positive Appeal was £32,000. (£451,000 in 2006/07).

Staff Education and Welfare

Each ward has its own staff amenities fund. Donations made specifically to these funds are then utilised for the benefit of the staff. During the year £14,000 (2007 £17,000) was spent on staff amenities. In addition, these funds also enable staff to attend courses not funded by the NHS, which allows them to keep up to date on new ideas and modern techniques in their individual specialties. A total of £38,000 (2007 £27,000) was spent on Staff attending external Training Courses. These figures are shown in the accounts in Grant funded activity.

Patient Education and Welfare

The total spend on direct patient welfare amounted to £17,000 in 2008 (2007 £29,000), expenditure included Christmas gifts, mastectomy bras and excursions for children. This is in addition to the equipment stated above.

Investment powers, policy and performance

The Trustee's investment powers are governed by the Trust Deed, which permits the charity's funds to be invested in any security listed on the Stock Exchange.

Funds Held as Custodian Trustee

The Countess of Chester Hospital NHS Charitable Funds also administers funds for Western Cheshire PCT. The purposes of these funds have the same overall objectives as the funds held for the benefit of the Countess of Chester NHS Foundation Trust, and they are held in separately identifiable designated funds.

Objectives and Strategy

Mission Statement

The Charity aims to use the charitable income it receives to enhance and improve the patient experience at our hospital, focusing on areas not covered or fully supported by NHS funds. The charity aims to generate income for general purpose and specific projects and administers all donations in a manner that is both professional and sensitive to the needs of the donor.

Objectives

The charity has NHS wide objectives as follows:

“The Trustees shall hold the Trust Fund upon Trust to apply the income, and at their discretion, so far as may be permissible, the capital for any charitable purpose or purposes relating to the National Health Service, wholly or mainly for the service provided by the Countess of Chester Hospital NHS Foundation Trust”

When seeking to proactively raise funds for a specific project, the agreed strategy is to consider the various methods of fundraising and then decide upon the most appropriate way of securing funding based on the requirements of each individual project. These methods include: community fundraising, event organisation, grant applications, corporate fundraising and direct donor mailings.

For larger appeals, the charity sets up a Fundraising Committee incorporating members of the fundraising team, medical staff, plus internal and external volunteers. The Committees are usually chaired by an external volunteer who is often a high profile member of the business community. We are grateful to Peter Overmeer for chairing the successful B Positive Appeal which culminated in the opening of the new Haematology and Oncology Suite which has provided a range of additional benefits and

comforts for our patients. The appeal formally closed in October 2007, but donations continue to be accepted for the new Haematology and Oncology Fund.

Investment powers, policy and performance

The Investment Policy is to maintain income, to generate a steady income stream to maximise contribution towards the costs of central overheads, whilst preserving the real value of its investments. The Policy seeks to obtain the best financial return from the charity's investments consistently and with commercial prudence. The Trustee should decline to invest in a particular company if its activities are directly contrary to the charitable purposes.

The charity's investments have continued to be managed in line with our Investment Policy and the Trust Deed. The Investment Policy is reviewed on an annual basis.

The main aims of the Policy are:

- That the underlying level of funds available for investment should be split equally between long term and short term investments
- The net income from the investments are distributed over all the funds on an average fund balance basis.

Since July 2003 The Countess of Chester NHS Charitable Funds has invested with The M&G Investment Managers, in a unit trust fund called Charifund. This is designed to provide a high and growing income for charities, whilst at the same time protecting their capital from the erosive effect of inflation. During the financial year, however, the fund did reduce in value by £109,000 due to a fall in unit share prices. The investment remains for the long term, and we would expect the value of our investment to recover and to grow in the long term. Investment income received from M&G was £25,000, before deducting management fees.

In addition to the long term investments, short term deposits are invested with nominated Commercial Clearing Banks. The investment income received from this amounted to £64,000.

The portfolio of Investments are monitored by the Charitable Funds Committee on a bi-monthly basis.

Partnership Working and Networks

The Countess of Chester Hospital NHS Foundation Trust is the main beneficiary of the charity and is a related party by virtue of being Corporate Trustee of the charity. By working in partnership with the Trust, the charitable funds are used to best effect. When deciding upon the most beneficial way to use charitable funds, the Corporate Trustee has regard to the main objectives, strategies and plans of the Trust.

We remain indebted to a large number of individual fundraising volunteers, Trust staff and charitable organisations, including the Chester Heart Support Group, the Lions Club of Chester and local Masonic Lodges who regularly support our fundraising activities. Many of our patients and their families have actively undertaken fundraising for us which is very much appreciated, and we are equally grateful to the local business community and Charitable Trusts for the financial and other support they give us. We are always seeking to strengthen our relationships and anybody interested in finding out how they can help us to continue to provide the very best for our patients can contact the fundraising office. Further information can be found on the fundraising page of our website at www.coch.nhs.uk

Annual Review: Our Activities And Future Plans

Annual Review: Our Activities

During the year the funds continued to provide a wide range of charitable and health related activities to benefit both patients and staff. Funds are generally used to purchase the very varied additional goods and services that the NHS is unable to provide including for example medical equipment or enhancement of the patient environment.

Each ward has their own staff charitable fund and donations are made specifically to thank the nursing staff which are then used for charitable activities to benefit the staff. In addition these funds also allow consultants and other staff to attend courses not funded by the NHS, which will update them on the new ideas and modern techniques in their individual specialties.

One of the major fundraising activities undertaken during the year was our second "Countess Moonlight Walk". This took place on a very wet Saturday 23rd June 2007, setting off at Midnight from the hospital's Training and Education Centre with over 800 ladies registered to walk. The 13 mile sponsored walk raised over £100,000 for the second successive year, and this year the funds raised have been split between the Angela Gildea Memorial Fund for breast cancer and the hospital's General Fund. We are indebted to the many volunteer helpers, including Jan and Mike Hill and Chester Lions who were involved in the organisation of the event and are equally grateful to many local businesses for their sponsorship, and

to the local media for their help with publicity both before and after the walk.

Our annual Tree of Lights Appeal took place in December 2007 and funds from this appeal are used to improve the care and support offered to patients at the time of bereavement.

The Sunday Car Boot Sales continue to provide a valuable source of income for the charity, the proceeds of which have been used to purchase equipment for many different wards and departments. The weekly sales were moved to the staff car park at the rear of the hospital from March 2007. We are extremely grateful to Sue Elphick MBE and all the volunteers who regularly give up their time to run these sales despite the inconsistency of the British weather.

Our previous Fundraising Manager Janet Ratcliffe left the Trust in February 2008, and we would like to thank her for all her hard work and dedication for the past eight years.

Our Future Plans

Mindful of the changes in the NHS, including, Agenda for Change, efficiency reviews, payment by results and new employment contracts, the future direction of the charity will be shaped by changes in the NHS. The reconfiguration of services and the plans for designing patient care to meet the needs of the future will influence the priorities for spending funds.

The third Moonlight Walk is scheduled to take place on Saturday 21st June 2008 and our next major appeal, to provide overnight accommodation for families of patients being treated in the Critical Care Unit, will be launched during 2008. With the new appeal will come a wide range of different events and fundraising initiatives.

We will continue to maintain a high profile for the charity within the local community by working closely with our local media. We are grateful to all the local newspapers, Dee 106.3 radio and Marcher Sound for allowing us the opportunity to publicise our various fundraising activities and achievements.

We will be reviewing ways of increasing our charitable income by undertaking a wider range of fundraising events and activities and also increasing the Trust Fundraising remit.

On behalf of the patients and staff who have benefited from improved services provided as a result of donations and legacies we have received this year, the Corporate Trustee would like to thank everybody, including patients, relatives and Trust staff for their support of the charity.

Statement of Trustee's Responsibilities in Respect of the Trustees' Report and the Financial Statements

Under the trust deed of the charity and charity law, the trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the trustees to prepare financial statements for each financial year.

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under section 42(1) of the Charities Act 1993, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

By Order of the Corporate Trustee

Signed:

Chairman 

10th June 2008

Sir James Sharples QPM DL

Trustee 

10th June 2008

Mrs Jane Tomkinson

Independent Auditors' Report to the Trustees of The Countess of Chester Hospital NHS Trust Charitable Funds

We have audited the financial statements of The Countess of Chester Hospital NHS Charitable Funds for the year ended 31 March 2008 which comprise the Statement of Financial Activities, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities on page 8.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

The maintenance and integrity of the Countess of Chester Hospital NHS Foundation Trust web site 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 web site.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 March 2008 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

KPMG LLP

Manchester

11th June 2008

Statement of Financial Activities for the year ended 31 March 2008

	Note	Unrestricted Funds	Restricted Funds	2007-08 Total Funds	2006-07 Total Funds
		£000	£000	£000	£000
Incoming resources	2				
Incoming resources from generated funds:					
Voluntary income:	2.1				
Donations		249	94	343	456
Legacies		13	6	19	141
Fundraising events	2.2	139	42	181	157
Investment income	6.3	68	21	89	63
Total incoming resources		469	163	632	817
Resources expended					
Costs of Generating Funds:	3				
Costs of generating voluntary income		8	4	12	13
Fundraising trading costs		41	7	48	65
Investment Management Costs	6.4	1	1	2	2
Charitable activities:					
Grant funded activity		191	208	399	806
Governance costs	3.1	6	3	9	9
Total resources expended		247	223	470	895
Net incoming/(outgoing) resources					
Net incoming/(outgoing) resources		222	(60)	162	(78)
(Losses)/Gains on revaluation and disposal of investment assets		(74)	(138)	(212)	47
Net movement in funds		148	(198)	(50)	(31)
Reconciliation of Funds					
Fund balances brought forward at 31 March 2007		819	522	1,341	1,372
Transfers between classifications of funds		(10)	10	-	-
		809	532	1,341	1,372
Net movement in funds		148	(198)	(50)	(31)
Fund balances carried forward at 31 March 2008		957	334	1,291	1,341

Balance Sheet as at 31 March 2008

	Note	Unrestricted Funds £000	Restricted Funds £000	Total at 31 March 2008 £000	Total at 31 March 2007 £000
Fixed Assets					
Investments	6	323	125	448	557
Total Fixed Assets		323	125	448	557
Current Assets					
Debtors	7	5	1	6	126
Short term investments and deposits		626	242	868	814
Other investments	6.2	-	-	-	308
Cash at bank and in hand		154	60	214	65
Total Current Assets		785	303	1,088	1,313
Liabilities					
Creditors: Amounts falling due within one year	8	151	94	245	529
Net Current Assets		634	209	843	784
Total Net Assets		957	334	1,291	1,341
Funds of the Charity					
Restricted Income Funds		-	334	334	522
Unrestricted Income Funds		957	-	957	819
Total Funds		957	334	1,291	1,341

Full details of the individual fund balances are shown on pages 17 to 20.

The notes at pages 12 to 16 form part of this account.

Approved by the Chairman of the Board on 10th June 2008

Signed:



Sir James Sharples QPM DL

Notes to the Account

Accounting Policies

1.1 Basis of Preparation

The Financial Statements have been prepared under the historic cost convention, with the exception of investments which are included at market value at the Balance Sheet date. The Financial Statements have been prepared in accordance with applicable United Kingdom Accounting Standards and Policies, the Charities Act 1993 and Accounting and Reporting by Charities, Statement of Recommended Practice 2005 issued by the Charity Commissioners.

1.2 Funds Structure

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor.

Funds where the capital is held to generate income for charitable purposes and cannot itself be spent are accounted for as endowment funds. The Countess of Chester Hospital NHS Charitable Funds has thirteen Restricted Funds, but no endowment funds.

Unrestricted income funds comprise those funds which the Trustee is free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include designated funds earmarked by Trustees, where the donor has made known their non-binding wishes, as outlined explicitly on the donation receipt form.

Transfers between funds are approved in line with agreed expenditure procedures and in accordance with the Standing Financial Instructions.

Details of all the funds are shown on pages 17-20.

1.3 Incoming Resources

a) All incoming resources are included in full in the Statement of Financial Activities as soon as the following three factors can be met:

- i) entitlement - arises when a particular resource is receivable or the charity's right becomes legally enforceable;
- ii) certainty - when there is reasonable certainty that the incoming resource will be received; and
- iii) measurement - when the monetary value of the incoming resources can be measured with sufficient reliability.

b) Legacies

Legacies are accounted for as incoming resources once the receipt of the legacy becomes reasonably certain and quantifiable. This will generally be once confirmation has been received from the representatives of the estates that payment of the legacy will be made or property transferred and once all conditions attached to the legacy have been fulfilled.

1.4 Resources expended

All expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party.

a) Fundraising Costs

Fundraising Costs are the costs associated with generating income for the Charitable Funds.

b) Costs of Generating Voluntary Income

Costs of Generating Voluntary Income reflects the time spent by the Fundraising Manager on promotion generally for the benefit of all funds.

c) Charitable activities

Grants payable are payments, made to third parties (predominantly NHS bodies) in the furtherance of the charitable objectives. They are accounted for on an accruals basis where the conditions for their payment have been met or where a third party has a reasonable expectation that they will receive the grant. This includes grants paid to NHS bodies.

d) Governance Costs

These are accounted for on an accruals basis and are all costs incurred in the governance of the charity. These costs include costs related to statutory audit together with an apportionment of overhead and support costs from the Countess of Chester Hospital NHS Foundation Trust.

e) Allocation of overhead and support costs

Overhead and support costs have been allocated as a direct cost or apportioned on an appropriate basis (refer to note 3) between Charitable Activities and Governance Costs. Once allocation and/or apportionment of overhead and support costs has been made between Charitable Activities and Governance Costs, the costs attributable to Charitable Activities are apportioned across those activities in proportion to actual spend.

1.5 Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

1.6 Investment Fixed Assets

Investment fixed assets are shown at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation during the year.

The Investment Fund Units are included in the Balance Sheet at the closing valuation at 31 March 2008.

Investment income and central costs, including governance costs are apportioned across all funds quarterly.

1.7 Current Assets

Shares held at 31st March 2007 were previously valued at £308,000 at that date but were sold for £205,000 in July 2007. This resulted in a realised loss of £103,000 this financial year.

1.8 Gains and losses

All realised gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (or date of purchase if later). Unrealised gains and losses are calculated as the difference between market value at the year end and opening market value (or date of purchase if later).

1.9 Pensions Contributions

The cost of employer pensions contributions to the NHS Superannuation and other schemes is charged to the Statement of Financial Activities.

The Pension contributions relate to staff employed by the Countess of Chester Hospital NHS Foundation Trust who are engaged in furtherance of charitable objectives who are members of the NHS Pension Fund (details of which are in the Foundation Trust Accounts a copy of which can be obtained from the Principal Office, detailed on page 3).

1.10 Change in the Basis of Accounting

There has been no change in the basis of accounting during the year.

2 Incoming Resources

2.1 Analysis of Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2008 £000	Total 2007 £000
Donations	249	94	343	456
Legacies	13	6	19	141
	262	100	362	597

2.2 Incoming Resources from Fundraising

	Unrestricted Funds £000	Restricted Funds £000	Total 2008 £000	Total 2007 £000
Income from Fundraising	139	42	181	157

2.3 Transfers between Funds

Material transfers during the financial year were a transfer of £10,000 from the Intensive Care / Therapy Fund (unrestricted) to the Relative Comfort appeal (restricted) to provide day and night facilities for the families of patients on the Critical Care Unit. There were other smaller transfers that occurred through the year.

3 Resources Expended

3.1 Allocation of Support Costs and Overheads

	Total 2008 £000	Allocated to Governance £000	Residual for apportionment to Charitable Activity £000	Basis of apportionment
Financial Services	15	1	14	Proportionate to expenditure
Salaries and related costs	25	-	25	Proportionate to expenditure
External Audit	8	8	-	Governance
Central Fundraising Costs	5	-	5	Proportionate to expenditure
	53	9	44	

Included in governance costs as Financial Services are the cost of Corporate Trustee meetings.

Apportionment of Support costs across Charitable Activities

	Fundraising £000	Purchase of New Equipment £000	Training Costs £000	Other Grants including Building £000	Support Costs Total £000
Financial Services	1	6	2	5	14
Salaries and related costs	1	13	3	8	25
Central fundraising costs	-	2	1	2	5
	2	21	6	15	44

Analysis of Charitable Expenditure

	Grant Funded Activity Unrestricted £000	Grant Funded Activity Restricted £000	Support Costs Unrestricted £000	Support Costs Restricted £000	Total £000
Fundraising Trading Costs	39	7	2	-	48
Purchase of New Equipment	66	134	10	12	222
Training Costs	36	2	5	-	43
Building Costs	10	32	2	3	47
Other Grants	54	23	8	2	87
	166	191	25	17	399

3 Analysis of Charitable Activity

The vast majority of grants are made to the Countess of Chester Hospital NHS Foundation Trust and the Corporate Trustee operates a scheme of delegation, through which all grant funded activity is managed by Fund Signatories responsible for the day to day disbursements on their projects in accordance with the directions set out by the Trustee. The Trustee does not make grants to individuals. Included in grant funded activity is amounts paid from staff and patient amenities funds. The Charitable Funds also administers seven funds for Western Cheshire PCT total grants paid during the financial year on their behalf amounted to £529. These funds have the same overall objectives as the Countess of Chester Hospital NHS Charitable Funds, and they are held in separately identifiable designated funds.

4 Analysis of Staff Costs

	Total 2008 £000	Total 2007 £000
Salaries and wages	54	49
Social security costs	5	5
Other pension costs	7	7
	66	61
Average monthly number of staff in the year	3	2

Staff costs relate to employees of the Countess of Chester Hospital NHS Foundation Trust.

5 Auditor Remuneration

The auditors' remuneration of £7,800 (2007 £7,800) related solely to the audit with no other additional work undertaken.

6 Analysis of Fixed Asset Investments

6.1 Fixed Asset Investments:

	Total 2008 £000	Total 2007 £000
Market value brought forward	557	510
Net (loss)/gain on revaluation	(109)	47
Market value at 31 March	448	557
Historic cost at 31 March	353	353

6.2 Market value at 31 March:

	Held in UK £000	2008 Total £000	2007 Total £000
Investments in a Common Investment Fund	448	448	557
Investment in Shares	-	-	308
	448	448	865

6.3 Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2008 £000	Total 2007 £000
Bank Investment Income	43	21	64	38
Unit Trust Fund Income	25	-	25	25
	68	21	89	63

6.4 Investment Management Costs

The investments in the M& G unit trust fund incurs an annual charge of 0.4625% of the average balance of the funds held by them.

7 Analysis of Debtors

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
Accrued income	5	126
Total debtors falling due within one year	5	126

8 Analysis of Creditors

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
Other creditors	220	16
Accruals	25	513
Total creditors falling due within one year	245	529

Other creditors represent sums owed at the year end by the charity to a related party, the Countess of Chester Hospital NHS Foundation Trust.

9 Related Party Transactions

The Charitable Funds have made direct revenue and capital grant payments of £357,000 including amounts for staff and patient amenities (2007 £772,000) to the Corporate Trustee, the Countess of Chester Hospital NHS Foundation Trust.

Fund Statements and Objectives

Type of Fund

	2008 Value £	2007 Value £	Details on page
General Purpose Fund	82,583	49,280	17
Restricted Funds	348,586	500,660	17
Designated Funds	913,636	735,043	18-20
Unrealised (Loss)/Gain on investments	(53,337)	55,715	
	1,291,468	1,340,698	

The unrealised loss on investments has been allocated between restricted and unrestricted funds on a percentage of the total balance at the 31st March 2008 as shown on the Balance Sheet in Total Funds.

General Purpose Funds

Held by the Countess of Chester NHS Charitable Funds

The General Purpose Fund income is generally available for the benefit of patients, their families and staff.

Name of Fund	Purpose	Fund Balance 31 March 2008 £	Fund Balance 31 March 2007 £
Countess General Fund	General purpose/ Long Service Awards/ Career Development Awards	82,583	49,280

Restricted Funds

Held by the Countess of Chester NHS Charitable Funds

Name of Fund	Purpose	Fund Balance 31 March 2008 £	Fund Balance 31 March 2007 £
Chapel Refurbishment Fund	To refurbish the Chapel area - Multi Faith Centre	15	27
Sensory Garden Fund	Provide sensory garden for people with disabilities	2,446	4,224
Tree Of Lights	To improve bereavement care	20,701	12,754
B Positive	Expand medical day unit	9,885	655
Chester Human Milk Bank Appeal	Purchase equipment/provide a milk pasteurising room. Support costs	240,319	331,995
Bladder Scanner Appeal	Purchase bladder scanner for ward 45	11,686	8,213
The Dale Jones Fund	Purchase a VAC Machine	4,478	-
SCBU Incubator Appeal	Purchase an incubator for SCBU.	10,452	-
The Peter McFerran Incubator Appeal	Purchase an incubator for SCBU.	1,590	-
Relative Comfort	Provide day & overnight facilities for patients' families in Critical Care	11,581	-
Coronary Care Unit	Equipment & staff training	33,262	51,619
Chester Cardiac Fund	Cardio respiratory services & staff amenities	-	1,003
Chester Eye Fund	Ophthalmic equipment and benefit of patients	2,171	90,170
		348,586	500,660

Restricted Funds

The restricted funds have arisen as they are appeals funds and therefore the donors have an expectation that the funds will be spent in the way advertised in the fundraising literature. Once the appeal targets have been reached the remaining funds will be unrestricted to enable the Trustees to utilise the funds in accordance with the objects of the charitable funds.

Restricted funds also arise when a legacy bequest is received, and the legator wished the funds to be used for a specific purpose. These funds are held as restricted funds until the legacy is fully expended.

Funds Held as Custodian Trustee on Behalf of Others

There are seven funds as shown on pages 18 - 19 which are held on behalf of Western Cheshire PCT (previously Cheshire West PCT). These are accounted for in separate designated funds the balance of these being £6,506 (2007 £1,998) at 31 March 2008.

Designated Funds

The funds detailed below are all Designated Funds in that there are usually particular objectives to be achieved.

Income is earmarked for particular projects to the ultimate benefit of patients and their families.

		31 March 2008 £	31 March 2007 £
Name of Fund	Purpose		
Accident Prevention Prog for Schools	To provide a budget for a regional co-ordinator, trainers & resource books	467	460
A & E Critical Care	Nursing Care improvements in A & E	315	-
Accident & Emergency	To support the A&E department's patients, relatives and staff	5,065	5,888
Angela Gildea Breast Equipment	Equipment for breast screening and treatment of cancers	78,383	20,139
Anna Williams Fund	Respiratory equipment & courses	3,505	3,212
Antenatal Outpatient Services	Purchase equipment to improve services for women	231	-
Appeals Fund	Open to application from wards and depts	25,736	5,529
Audiology	Staff training, books & equip in department	2,924	2,643
Back Service/Spinal Research	Spinal research to support requirements of spinal service	5,703	4,627
Billy Birch Fundraising	Purchase of equipment. Patient amenities	-	498
Breastcare Trust Fund	Research, education & training. Staff and patient amenities	32,453	30,762
Breastcare Unit Equipment & Education	Equipment used in breastcare, ongoing costs. Training/education. Patient facilities	88,247	40,074
Cancer Educ for Nurses & AHP's	To support training for nurses and AHP's	353	340
Car Boot Fund	Purchase medical & surgical equipment for the Hospital	36,820	25,211
Cardiac Catheter Lab Fund	To purchase equipment, provide training and materials. Patient amenities.	779	138
Cardiac Equipment Fund	Purchase equipment and improve Cardiology Unit	33,741	31,439
Cardiac Rehabilitation Fund	Cardiac monitoring equipment, improve coronary care and cardiac rehab	8,763	9,239
Catering Equipment	Small catering equipment. Staff amenities	1,247	1,079
CC Arts Group	To improve the visual environment of the Hospital	306	302
Chapel	Improve facilities and cover ongoing costs in the Chapel. Staff training.	1,885	2,859
Chest Clinic	To purchase equipment for the clinic	6,322	5,284
Chesh West PCT Acquired Brain Injury	Purchase equipment & tools for direct patient intervention, enhance delivery	356	350
Chesh West PCT Breast Feeding Support	To provide equipment and resources for the service.	323	329

Chesh West PCT Comm Heart Failure Nurses	To fund study days and further education	41	40
Chesh West PCT COPD Fund	To provide equipment and support.	2,150	1,215
Chesh West PCT Dads' Baby Massage Group	To fund the set up and running costs for the group (evening sessions)	-	-
Chesh West PCT Physiotherapy	Equipment for physiotherapy department	549	414
Chesh West PCT Tarporley District Nurses	To purchase equipment to benefit patients support staff training	3,087	2,361
Chester Activity And Ageing	Books/equipment for the care of the elderly. Support training in dept.	750	738
Chester Assisted Conception	Support & develop assisted conception service. Staff amenities	49	1,294
Chester Cardiac Fund	Cardio respiratory services & staff amenities	13,048	10,862
Chester Eye Fund	Ophthalmic equipment and benefit of patients	35,811	28,109
Chester Rheumatology Fund	Staff & patient education, information and development. Equipment	571	299
Chester Urology Fund	Equipment and training	6,506	6,090
Chester VHSG	Amenities to support visually handicapped patients attending the eye clinic	-	207
Childrens' Community Nurses Fund	Fund activities and equipment for children with chronic illness and support staff	5,715	4,803
Childrens' Playground Fund	Enable redesign and refurbish outside play area	983	1,147
Coronary Care Unit	Equipment & staff training	27,097	18,970
Dermatology	Equipment, materials, leaflets & training in the department	451	487
Diabetes Trust Fund	Improvements in diagnosis, treatment & management of diabetes	26,691	20,079
Dietetics	Used for purchases not covered by Dietetic budget	2,977	2,694
E.N.T. Fund	Benefit of E.N.T. patients and staff	5,093	2,617
Endovascular Graft	Endovascular graft procedures	7,595	7,480
Environmental Spend	Improve the environment of wards	1,095	1,078
Eye Library Fund	Purchase equipment and support education	46	45
Financial Services	Improve facilities & support training. Staff amenities	515	935
G.U.Medicine	Medical & patient education and training. Support research by funding work	956	1,017
Gastroenterology Research	Gastroenterology research	255	747
General Theatres	Training & development of staff in the department & staff amenities	171	205
Gynaecology Cancer Fund	Benefit of cancer patients & staff, related training expenses	265	261
Haematology and Oncology Suite	To benefit the haematology and oncology suite and provide patient amenities	38,987	19,680
Haemo Dialysis Fund	Provide a patients room. Other purchases to benefit patients	37,734	38,113
HDU Equipment Fund	HDU equipment & staff training. Patient & staff amenities	10,580	10,337
Heart Equipment Fund	Purchase equipment & support the dept. Staff and patient amenities	14,083	13,638
Heart Failure Fund	Equipment and staff training & support department	487	577
Improving The Environment-Art	Finance contracts for artists for Arts Strategy plus materials	325	444
Infant Feeding & Parent Education	Infant feeding study days. Equipment & training for parents	25	80
Infection Control	Infection control projects & staff amenities	1,077	1,060
Intensive Care / Therapy	Intensive care / therapy	13,850	25,740
Intra Venous Therapy Fund	Education for staff involved within service	11	11
Laparoscopic Upper GI Equipment Fund	To further care of patients with upper GI diseases.	3,728	697

Lipid Clinic Research Fund	Biochemistry department research and support lipid clinic	1,026	1,010
Maxillo-Facial	To fund education & research in department	262	248
Medical Day Unit Fund	Staff and patient amenities. Support ongoing costs	677	15,231
Neonatal Fund	Funds for the purpose of the neonatal unit	60,051	42,236
Nephrology Education Fund	Educational support for Nephrology personnel	2,008	1,978
Nursing Development Fund	Nurses further education	3,863	4,425
O & G Course Fund	Equipment, books, educational, tutor fees & expenses	12,676	12,485
Occupational Therapy	Equipment & training in the department	2,247	2,213
Orthopaedic Teaching&Research	Orthopaedic teaching & research	4,593	9,496
Orthoptic Post-Diploma Training	Training of orthoptists employed in department	849	936
Osteoporosis Research Fund	Osteoporosis research	1,893	1,865
Out Patient Leg Ulcer	Equipment & training in the department	1,007	3,958
Paediatric Fund	Wards 29, 30, & paediatric outpatients	21,892	24,975
Palliative Care	For the ongoing improvement including education and research	7,973	8,375
Parent Accommodation	Provide parent accommodation & support on going costs	5,571	5,487
Pathology	Books, equipment etc. in department	56	55
Patients Amenities	Benefit of patients at Countess of Chester Hospital	50,746	44,147
Pharmacy Fund	Support pharmacy department & staff	7,909	7,790
Physiotherapy Trust Fund	Equipment and educational purposes within physiotherapy	5,915	5,652
Plastic Surgery	Books, equipment, support training and research	1,333	1,023
Play Staff Training	Equipment & training for play staff	923	909
Prenatal Diagnosis Fund	Equipment and training. Staff amenities	3,682	3,862
Prostate Cancer Fund	To support development of an improved service for patients	1,331	512
Radiology Educational Courses	Administer courses & other projects	1,051	1,035
Radiology Research	Educational material for staff training. Staff & patient amenities	2,494	3,432
Renal Dialysis Unit Fund	Purchase of equipment. Staff and Patient amenities	1,388	1,305
Rheum Spec Nurse Education	Finance study days/conferences for rheumatology nurses	450	251
SNAPS	Equipment for nursery. Educational material and courses.	7,563	7,312
Staff Amenities	Benefit of staff at Countess of Chester Hospital	30,712	23,835
Stoma Care	Equipment/training for colorectal disease	2,954	3,057
Stork Parents Support Group	Extra facilities and equipment for benefit of parents on the unit	2,303	1,080
Stroke Area Fund	To upgrade ASSA where and when needed. Staff training	7,901	4,428
Surgery Research	To purchase equipment & training within department	104	53
Teenage Room Fund	To supply magazines, CD's for teenage waiting room in A&E	-	1
The Matthew Jones Fund	Purchase of baxter pumps for ITU	208	1,780
The Pain Service Trust Fund	Equipment and education/finance research projects	15,497	16,383
Tissue Viability	Equipment and support training within department	5,308	662
Tissue Viability Equipment	Purchase equipment and materials for tissue viability/wound care	-	4,082
Ultrasound Fund	Educational material for staff training. Staff & patient amenities	2,164	3,470
Undergraduate Education	To support education infrastructure	3,045	2,999
Urology Nurse Training	Nurse training within Urology department	1,356	1,335
Vascular Education	Staff educational and training	24,740	38,697
Vascular Surgery	Research expenses & audit	8,047	5,424
Ward 44 Staff Education Fund	Support training for nurses in department	435	429
Ward 55 Equipment Fund	Purchase teaching equipment, books etc	155	152
		913,636	735,043

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