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Patient Advice and Liaison Service

If you require information, support or advice about our services, please contact:
PALS Office
Tel: 020 7188 8801 (St Thomas') or 020 7188 8803 (Guy's)
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Membership

If you are interested in becoming a member of Guy's and St Thomas' NHS Foundation Trust, please contact:
Tel: 020 7188 2004
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Recruitment

If you are interested in applying for a job at Guy's and St Thomas', please contact:
The Recruitment Centre
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Communications

If you have a media enquiry or would like more copies of this report, or the report covering April to June 2004, please contact:
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Leading teaching hospitals

Guy's and St Thomas' NHS Foundation Trust is made up of two of London's oldest and best known teaching hospitals. The hospitals have a long history, dating back almost 900 years, and have been at the forefront of medical innovation and progress since they were founded. Both hospitals have built on these traditions and continue to enjoy a reputation for excellence and innovation.

The Trust became one of the first NHS Foundation Trusts in July 2004 and, for the third year running, it was awarded a maximum three stars in the national performance ratings.

As well as providing a full range of hospital services for our local communities in Lambeth, Southwark and Lewisham, the Trust provides specialist services for patients from further afield, including cancer, cardiothoracic, renal and children's services. Guy's is also home to the largest dental school in Europe.

As major teaching hospitals, Guy's and St Thomas' work closely with our major academic partner, King's College London. The Trust plays a key role in the education and training of tomorrow's doctors, nurses and other health professionals.

The Trust has many exciting plans. It opened a new Women's and Neonatal Centre at St Thomas' in 2002 and the new £60 million Evelina Children's Hospital will open at St Thomas' later this year in a landmark building. The Knowledge & Information Centre recently celebrated its first anniversary and a new £1 million fracture clinic was unveiled. The Trust also continues to install state-of-the-art scanners which benefit cancer and other patients, and to invest in renal satellite units so that patients receive dialysis closer to home.

The Trust is one of the largest employers locally, with around 8,500 staff, and is working hard to reflect the cultural and ethnic diversity of the communities it serves. The Trust is also strengthening its partnerships with patients and local people, as well as neighbouring NHS Trusts, strategic health authorities, local authorities, GPs and voluntary organisations.

The success of our hospitals depends on the commitment and dedication of our staff, many of whom are world leaders in the fields of health care, teaching and research. The Trust continues to work hard to recruit and retain the best doctors, nurses, therapists and the full range of other staff on whom the smooth running of our services depends.

Cover photograph – Daniel Dunkley

The atrium of the new Evelina Children's Hospital, opening October 31 2005.

The Evelina Children's Hospital Appeal is raising £10 million to help equip the new hospital. So far £7.4 million has been raised. If you are interested in getting involved in fundraising for the Appeal please call 020 7188 7711 or visit www.evelinaappeal.org

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Guy's and St Thomas' NHS Foundation Trust

Presented to Parliament pursuant to Schedule 1, paragraph 25(4) of the
Health and Social Care (Community Health and Standards) Act 2003.



Senior Play Specialist Cathy Gill chats to a young renal patient in the Trust's Paediatric Transplant and Chronic Renal Failure clinic. The clinic sees 160 children on a regular long-term basis. In the first year after a kidney transplant most will visit the clinic at least 80 times.

Chairman's report

Our first annual report as an NHS Foundation Trust is a record of significant achievement. The increased autonomy and independence bring new duties, especially in the financial regime (covered in the Chief Executive's report) and in the accountability framework embodied in the 2004 legislation and implemented in our own constitution.

The responsibility of the Members' Council for the appointment and remuneration of the Chairman and the Non-Executive Directors gives it a central role in our governance arrangements and enables the Trust to attract appropriately experienced people to the Board from its own membership.

This has already proved to be an important function. The Members' Council has endorsed two appointments and one reappointment. Professor Robert Lechler replaced Professor Gwyn Williams as the University nominated Non-Executive Director. Professor Williams gave the Trust Board and Guy's, King's and St Thomas' School of Medicine long and faithful service for which we owe him a great debt of gratitude. He also served as Vice-Chairman, a position now taken by Professor Lechler, who joined us with an international reputation as a nephrologist, scientist and researcher.

Subsequently Rory Maw, a local Foundation Trust member, joined the Board specifically to strengthen our Audit and Finance Non-Executive capability. Rory has a substantial career record in financial services and lives in Southwark. We were also delighted that the Members' Council reappointed Keith Palmer for a further four year term. Keith gives exceptional service as Chairman of the Audit and Financial Performance sub-committee, a particularly crucial role in the Foundation Trust regulatory regime. Our status brings with it substantial financial demands and exposes the Board to new risks, so it is important that the Members' Council has confidence in a strong financial team at Board level.

We are fortunate now to have a wide mix of relevant experience among our Non-Executive Directors. As well as financial expertise, we have those with high level experience and knowledge of social services, the voluntary and charitable sector, medical ethics, education and training, personnel and diversity issues, and planning matters. There is also reasonable gender and ethnic balance. Members' Council members who have a suitable professional background have also advised on the appointment of the Trust's auditors.

We are grateful for the enthusiasm of our Members' Council and its willingness to experiment with new ways of working. Together with the Trust, a range of opportunities have been developed through which the members of the Members' Council can understand their role and exercise their functions of advising and influencing the Board.

Several induction seminars took place after the Council was constituted in July 2004, and all members were invited to informal discussions with the Chairman. A number of small working groups have met to consider environmental and service issues as well as race equality, communications and membership development. Most importantly a strategy working group fed into the Board's vision of the Trust's future.

The contribution of our elected patient, public and staff members is central to our approach, but I also pay tribute to our appointed partners from the NHS and other bodies. It is particularly significant that both Councillor Nicholas Stanton, Leader of Southwark Council and Councillor Peter Truesdale, Leader of Lambeth Council, recognised the importance of the Trust within their communities and personally took up places on the Members' Council. It is unlikely that Foundation Trust membership within inner city boroughs will ever be extensive, but we are endeavouring to engage both our existing members and external local groups in a continuing recruitment exercise. In the long term, our hospitals should become increasingly responsive to the interests and concerns of patients and of local people. For example, we have been made aware of public anxiety about healthy eating and about cleanliness which have added strength to the Board's commitment to action on these matters.

Regular mailings are sent to our wider membership and we have had huge attendance at our public meetings where members have been able to raise issues both with members of the Members' Council and with members of the Trust Board. We do emphasise also that Foundation Trust members

though centrally important, are not the only people with an interest in our services. We are always grateful for the support and dedication of our two local Members of Parliament, Simon Hughes and Kate Hoey. Simon and Kate are both well known and respected throughout the Trust for their unswerving commitment to the NHS and their pride in our hospitals. The Trustees of the Guy's and St Thomas' Charity (previously the Guy's and St Thomas' Charitable Foundation) continue to be constant in their generosity and wisdom towards the Trust as the main beneficiary of the Charity, and we are always grateful to them. In particular, of course, this year we are grateful for their generous support for the magnificent Evelina Children's Hospital.

On behalf of the Board I would like to thank Stanley Fink, Chairman of the Evelina Children's Hospital Appeal Committee, and the other Appeal Committee members for their tremendous support for our fundraising efforts to ensure the Evelina will have the very latest equipment and furnishings when it opens in the autumn. Through their tireless efforts, we have already raised £7 million of the £10 million target we set ourselves.

The Trust's Open Day planned for July 23 will give further opportunities for public participation and comment. Our community magazine *South of the River* both communicates events to our membership and also disseminates useful health advice, as does the BBC's popular *City Hospital* programme. This has been watched by over a million viewers a day and generates much positive interest in our services. We are also active participants in a number of partnerships both along the South Bank and with our local authorities.

The Board has also paid particular attention to the important relationship with the Independent Regulator, Monitor. If the Foundation Trust is to succeed in the long term, we need to be mindful always of the rigorous standards that Monitor requires of our business performance and compliance with our terms of authorisation. This is in addition to the inspection regime of the Healthcare Commission and exposure to the Overview and Scrutiny Committees of our two boroughs. All these partnerships require vigilant attention.

To this end, the Trust Board has worked meticulously to implement robust governance processes. I am always enormously grateful to my colleagues for their tenacity and patience as we apply ourselves every month to an impressive range of issues both strategic and financial in a professional and thoughtful manner.

We also spend time considering exciting new opportunities that are opening up for service development and expansion. This is guided by our Chief Executive, whose outstanding performance won well merited national recognition with the award of his Knighthood in the New Year Honours. Sir Jonathan continues to lead us with wisdom and determination as we continue to meet our targets and to maintain our three star status. We all know that our central responsibility is the provision of the best possible clinical care for our patients and we remain united in that ambition.



Patricia Moberly
Chairman



Nadia Sawalha presents BBC1's 'City Hospital' programme live from the Trust. Over a million people tune in every morning to follow the lives of both staff and patients at Guy's and St Thomas'. In recent years the programme has broadcast around 280 episodes from the Trust, showcasing cutting edge technology, medical advancements and promoting good health.



Surgeon Mr Nizam Mamode examines some xrays. The Trust employs 510 consultants across a wide range of specialties from intensive care to cancer services.

Chief Executive's report

A strong all round performance

The past year has been a very significant one for the Trust as it has been our first year – or nine months to be precise – as an NHS Foundation Trust. Our Foundation status, which we acquired on July 1 2004, marks a new chapter in the long history of our hospitals.

As well as receiving our official Authorisation from Monitor, the new independent regulator for Foundation Trusts, we have seen changes to the way our organisation works through the creation of our Members' Council and the wider membership, and we have begun to operate within the new financial framework which is both the result of our Foundation status and the introduction of a new financial regime for the NHS known as Payment by Results. As a Foundation Trust, we have been one of the first Trusts to use the national tariff to determine the income we receive for our services.

We have adopted a steady and pragmatic approach as we understand and make the new governance and financial arrangements work for us.

We have done this against the background of another busy and successful year for the Trust as a whole, one in which we met the demanding operational and financial targets required of us and we achieved a maximum three star national performance rating for the third year in succession.

An overview of our financial performance in our first nine months as an NHS Foundation Trust begins on page 13. This includes a summary of the external factors that may impact on future performance, and is followed by details of our operational performance. Our audited accounts begin on page 45.

Challenging ourselves

During the year, we took the opportunity to launch a major modernisation programme within the Trust, which we have called *Delivering Excellence*. This ambitious programme aims to increase our organisational and financial efficiency, improve services for patients and improve the experience of staff working at the Trust.

At the heart of the *Delivering Excellence* programme are both our service strategy work, which has continued throughout the year, and changes to our management structure and performance culture that are designed to allow us to deliver the strategy and to achieve our aspirations as a Foundation Trust.

The strategy work has led to a new vision for the Trust, underpinned by six strategic themes that will guide our development as we go forward – you will find these on page 23 of this report. Much of the early strategy work focused on cardiac services and this allowed us to develop methods of working which we are now using to draw up strategies for other areas, including cancer and pathology services.

In launching *Delivering Excellence*, I made it clear that we have a long and proud history, with a reputation for clinical excellence and innovation, a strong performance record and a highly skilled and committed workforce. *Delivering Excellence* is designed to allow us as an organisation and the people working within it, to shape the Trust's future and realise our ambition to be one of the best health care providers, not only in the NHS, but also by international standards.

The programme has been a key focus for the past year and is wholly consistent with our decision to apply for Foundation Trust status. We are committed to leading the way and actively seeking new and better ways of doing things for the benefit of our patients and the communities we serve. We are currently planning the next steps of the programme, which include aligning the *Delivering Excellence* work with the Trust's corporate priorities.

Valuing our staff

The commitment and hard work of our staff underpin each of the achievements described in this annual report. They keep our hospitals functioning smoothly 24 hours a day, 365 days a year and enable us to provide around three quarters of a million patient contacts a year.

Personally and on behalf of the Board of Directors, I would like to pay tribute to and thank our staff. Their professionalism and desire to provide the very best for our patients often extends far beyond the call of duty, and this is equally true of staff providing essential support services and those who deliver direct patient care.

It goes without saying that we place a significant focus on being a good employer and on continuing personal and professional development. We have an enviable training programme that offers a wide range of opportunities for all our staff, as well as an impressive training facility in the recently refurbished General Lying In Hospital at Waterloo.

Given the diversity of the communities we serve, we also work hard to ensure we have a workforce that reflects that diversity. This makes perfect sense to us both as a major local employer and also as an organisation that is committed to delivering culturally sensitive services that meet the needs of all our patients. As part of this commitment, we are working hard to support staff from Black and Minority Ethnic backgrounds to fulfil their potential and progress into more senior roles within the Trust.

As well as the staff we employ directly, we are also a major centre for teaching, training, and research and development. This is a sometimes hidden – but equally important – part of our role as major university teaching hospitals and our important partnership with King's College London supports this.

Training the health professionals of tomorrow and remaining at the cutting edge of scientific research, medical and technical innovation and new methods of service delivery are core to our current business and to our future success. This is clearly acknowledged in the strategy we have set for the Trust going forward and builds on a long history of clinical innovation and leading edge development.

Patients at the centre

As an NHS organisation, we must never lose sight of the fact that our primary purpose is to diagnose, treat and care for the literally hundreds of thousands of patients who pass through our doors each year. Central to our vision is a clear aim to put patients at the heart of our thinking and service delivery.

We have made a wide range of exciting and innovative service improvements and developments during the year, and these cannot go unnoticed here, although many are also described more fully elsewhere in this report. We have also started the detailed work that will prepare the Trust for the new era of Patient Choice and the new booking arrangements which mean patients will soon be offered a choice of up to five hospitals for their treatment.

Through the Members' Council, as well as the many active patient groups that exist in the Trust, we continue to involve and listen to patients and to engage them in our work, particularly when planning service developments.

Around the country, and particularly in the media, there has been considerable attention on the issue of hospital associated infection and we know this matters to our patients. Although this is a challenging area for us as we treat many high risk patients, we recognised the need to improve our performance. I am pleased to report that we are making good progress, and we will continue to strive to further reduce hospital associated infections and to raise public awareness of this important, but complex issue.

Highlights during the year have included the opening of a completely redesigned fracture clinic at St Thomas' and, with generous support from the Lane Fox Patients' Association and the Guy's and St Thomas' Charity, a similar project to completely redesign the Lane Fox Unit, which is a highly specialised respiratory unit for patients whose lives often depend on mechanical assistance with their breathing.

Whilst over a £1 million has been invested in each of these schemes, we have also completed numerous smaller projects to improve the environment for patients, ranging from the refurbishment of Stanley Ward for cancer patients at Guy's, which will provide a model for other ward

upgrades, to bathroom improvements and basic redecoration. There has also been substantial investment behind the scenes during the year, for example, to upgrade our electrical infrastructure.

Many developments are the result of the continuing support we enjoy from the Guy's and St Thomas' Charity (previously the Guy's and St Thomas' Charitable Foundation) and of which we are the main beneficiary. As well as acknowledging the grants they have provided, we welcome the fact that the Charity continues to challenge and encourage us to do things differently.

The £60 million Evelina Children's Hospital is the obvious example – it was the Charity's decision to hold an architectural competition, which then led to the appointment of Hopkins Architects and the creation of a breathtaking landmark building. There are also other, more modest examples, and anyone who has used the Knowledge & Information Centre (KIC) will know that this is an innovative service that encourages patients to find out more about their condition and get involved in their care.

Also supported by the Charity, the *Modernisation Initiative* is allowing us to work closely with our NHS partners locally to make a major investment in renal, stroke and sexual health services. In doing so, we are enabling patients and service users, as well as the latest international research and best practice, to underpin our service transformation.

Similarly, whilst it is still early days, the *Face Initiative* to transform the hospital environment and the patient experience is using the latest thinking to challenge how we do things. We know that it is often the way that our staff communicate with people, or the standard of the cleaning, food or environment that make a lasting impression on patients and visitors and so we need to get these things right.

Looking forward

The scale and scope of the investment that we are making in our services is something about which we are justifiably proud. We have an extensive capital programme for the current financial year, with projects valued at £63 million funded both by the Trust's own operational capital and the Public Dividend Capital we receive via the Department of

Health and the South East London Strategic Health Authority.

Whilst we do not anticipate any immediate need to borrow against the Prudential Borrowing Limit which we received as an NHS Foundation Trust, this is likely to change going forward. As our strategic vision for the Trust and our services develop, we will submit proposals to secure the resources we require within the borrowing limit that applies at that time.

The Trust is also fortunate to have an extremely successful corporate development department that generates income, the profits from which are used to support our services. I am delighted to report that in January 2005 we signed a new eight year contract with the Ministry of Defence to continue to provide hospital services to British Forces and their families in North Europe.

I am extremely proud to be able to report on such a successful first year as an NHS Foundation Trust. I believe we have laid firm foundations for the future in many ways, whether it is by challenging ourselves to do better through the *Delivering Excellence* programme, or by taking time to test new ways of working so we get the most from our Members' Council and the new financial incentives and opportunities we have as an ambitious and forward thinking Foundation Trust.

In concluding this report, I want to thank the Chairman Patricia Moberly for her tireless work on behalf of the Trust, and also our Non-Executive and Executive Directors for their continuing support. Finally, it is an opportunity for me to welcome Eileen Sills, who joined the Trust as Chief Nurse/Joint Director of Clinical Leadership in February 2005, bringing considerable skill and expertise to the executive team that will help us collectively to drive forward our vision and further improve patient care.

I do hope that you find this report informative. If you have any feedback, I would be delighted to hear from you.



Sir Jonathan Michael
Chief Executive



Davinia Smith,
Biomedical Scientist,
examines a sample in the
main haematology
laboratory. The Trust has
a number of laboratories
on both sites which are
used for a wide range of
activities including
chemical pathology,
blood transfusion and
microbiology.

Operational and financial review

Our financial performance

Guy's and St Thomas' has a strong track record in terms of financial performance, having broken even and met all the required financial targets in every year since the two hospitals merged into a single organisation as an NHS Trust in 1993. We have built on this success in the past year.

In the year 2004/05, we have produced two sets of annual accounts to reflect the fact that we officially became an NHS Foundation Trust on July 1 2004. We will therefore publish a three month set of accounts for the period prior to becoming a Foundation Trust (April 1 to June 30, 2004), in addition to the nine months accounts covering the period July 1 2004 to March 31 2005 which are published here and begin on page 45.

The table below sets out the actuals for both of these accounting periods, as well as the year overall. When the financial year 2004/05 is taken as a whole, the Trust achieved a surplus of £4.2 million. After deducting an exceptional item of £1.9 million, the Trust's full year surplus, is £2.3 million.

Table 1

	April 1 - June 30 2004 £000s	July 1 - March 31 2005 £000s	Total £000s
Income	145,240	455,845	601,085
Expenditure	-138,658	-443,740	-582,398
Operating surplus	6,582	12,105	18,687
Interest etc	62	483	545
PDC	-3,772	-11,315	-15,087
Surplus/(deficit)	2,872	1,273	4,145
Exceptional items	0	-1,881	-1,881
Surplus/(deficit)	2,872	(608)	2,264

In our first accounting period as an NHS Foundation Trust, the nine months to March 31 2005, the Trust made a surplus of £1.3 million. However, because we were required to charge the exceptional item of £1.9 million to the expenditure account (relating to a loss on revaluation, which is described above*), rather than to the revaluation reserve as has been the accounting convention within the NHS in previous years, we show a technical deficit of £608,000 in the table above.

**The exceptional item of £1.9 million relates to a loss on revaluation, which is as a result of a revaluation of Trust assets. This is a non-cash adjustment and so the Trust's overall financial position is consistent with delivering a surplus of £1.3 million for nine months and a surplus of £4.2 million for the 2004/05 financial year overall.*

Financial performance

The £4.2 million surplus is primarily due to increased activity leading to an increase in income from Primary Care Trusts (PCTs), as well as the recovery of prior year income which had been fully provided for in 2003/04. The increase in activity and related income was largely offset by the increased costs associated with providing this additional work, hence the increase in expenditure during the year.

In 2004/05 the Trust launched its *Delivering Excellence* programme designed to improve overall efficiency both in financial terms, for example through better use of Trust assets, and operationally, for example by reviewing and redesigning organisational processes to increase effectiveness. The overall aim is to improve the quality, efficiency and effectiveness of services for patients, and to make the Trust a better and more efficient place for staff to work.

Underpinning the programme is a determination to reduce the overall cost base of the Trust and to reinvest the resources saved into more effective service delivery and other improvements. In order to achieve this 'financial headroom' going forward, challenging savings plans are linked to the *Delivering Excellence* programme.

In 2004/05, the Trust's savings plans of £15.8 million were largely achieved, supported by the *Delivering Excellence* work. The balance of £1 million, which was needed to achieve the overall saving plan, was found from additional income.

Trends in activity, income and expenditure

The charts 1 to 5 overleaf show activity, income and expenditure growth over a four year period from April 2001 to March 2005. The Trust has seen sustained demand for its services and

Chart 1: Finished consultant episodes '000s

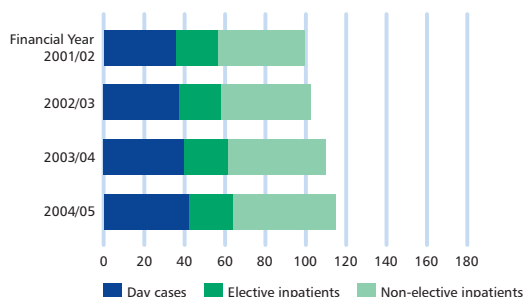


Chart 2: Outpatient attendances '000s

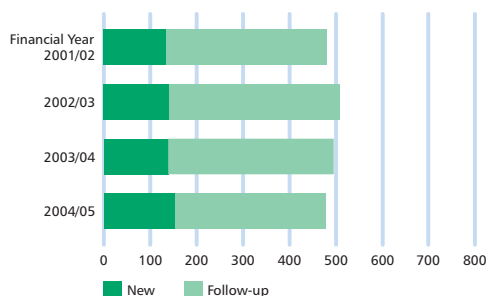


Chart 3: A&E attendances '000s

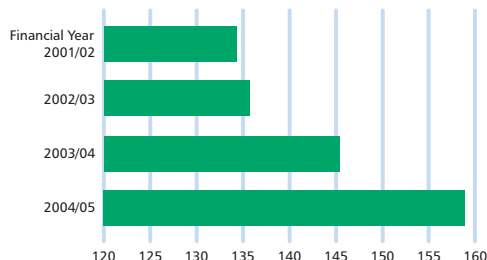


Chart 4: Total income (£'000'000)

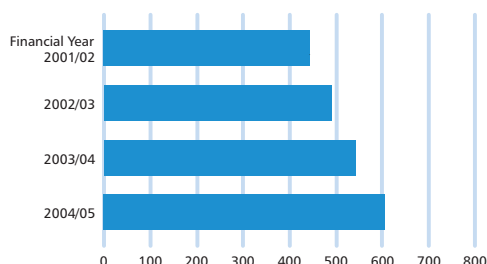
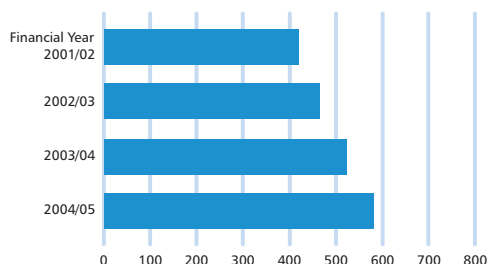


Chart 5: Total expenditure (£'000'000)



consequential income and expenditure increases over this period. Looking forward we predict similar levels of growth to continue. We have submitted detailed plans to Monitor, the independent regulator for Foundation Trusts, which include forecasts to this effect. These are also described in the Trust's *Annual Plan, May 2005*.

Activity trends

Charts 1 to 3 show a growth in inpatient and day case activity (measured as finished consultant episodes) – up by 16 per cent – and growth in new outpatient attendances – up by 14 per cent.

The growth in inpatients/day case activity relates to increased demands for specialist tertiary services and increased activity purchased by Primary Care Trusts in order to achieve *NHS Plan* access targets.

Outpatient activity has remained relatively constant over the period. New referrals are up, but follow-up activity has reduced by six per cent. As a result, the ratio of new to follow-up attendances has improved.

A&E attendances have increased – up by over 18 per cent over the four year period – and access times have improved in line with national targets.

Income trends

Chart 4 shows the growth in income over the four year period April 2001 to March 2005. Income has grown at slightly more than 10 per cent a year, which is around five per cent above the agreed NHS inflation funding increases. The increase in income above inflation is, in the main, as a result of Primary Care Trusts purchasing the additional activity referred to above.

Expenditure trends

Chart 5 shows the growth in expenditure over the four year period. Expenditure has also grown at a rate slightly in excess of 10 per cent a year. This was in the main as a result of additional staff costs and non-pay consumable costs required to deliver the additional activity referred to above.

Cash flow and balance sheet

There have been a number of significant changes in the Trust's balance sheet and working capital during the year.

The Trust ended the year with £18.5 million cash in the bank, against a plan of £9.7 million. The increase in cash was largely due to slippage in the introduction of *Agenda for Change*, (the new terms and conditions for NHS staff) and in implementing the new consultant contract, as well as a higher than expected level of invoiced income being recovered from Primary Care Trusts, and an increase in creditors and the year-end surplus.

The increase in cash was partially offset by deferring income from the Guy's and St Thomas' Charity for the Evelina Children's Hospital (the Charity has contributed a grant of £50 million towards the construction costs and a charitable appeal is helping to ensure the new hospital will be exceptionally well equipped) and £1.6 million of Public Dividend Capital (PDC) due, but not received.

The Trust had a projected NHS capital expenditure of £44.9 million for the

year and also expected to draw-down Public Dividend Capital (PDC) of £24.9 million. The actual capital expenditure during the year was £21.8 million. Therefore, after depreciation charges and loss on disposal totalling £20.2 million, the Trust is due £1.6 million Public Dividend Capital. This has been accrued in the accounts with the cash expected in 2005/06. In addition, the Trust expects a further £48 million of Public Dividend Capital for schemes agreed by the Department of Health and the Strategic Health Authority.

Whilst the Trust has considerable experience in managing a major capital programme, we have recently introduced a new capital allocation procedure to ensure capital is spent in a timely manner. The £60 million Evelina Children's Hospital is due to open in autumn 2005. This will also help by freeing up management capacity in the capital and projects teams, allowing them to deliver the future capital programme to timescale.

There has been no change to the Trust's schedule of protected and non-protected assets during the year.

Commercial income

The Trust has a large commercial portfolio. It is assumed that these contracts will be maintained over the next eight years, although some reduction in their value is anticipated.

In accordance with the NHS Foundation Trust legislation, the Trust's private patient income is capped at 2.9 per cent of income from patient care activities, based on the Trust's 2002/03 financial out-turn. Our plans assume private patient income will remain constant in real terms and therefore will remain within the required limit.

Senior managers' pay

Pay for the Trust's most senior managers is determined by the Trust's Remuneration Committee, which consists of the Chairman and the Non-Executive Directors. Details of remuneration, including the salaries of the Board of Directors, are published in the annual accounts.

Prudential Borrowing Limit

A Prudential Borrowing Limit (PBL) for the Trust is

set by Monitor, and is to be reviewed at least once a year. The total value of what the Trust borrows must be within this Prudential Borrowing Limit. Monitor sets the limit with reference to financial ratios and the Trust's working capital facility.

As expected, the Trust did not need to borrow against its Prudential Borrowing Limit during 2004/05. Performance against the PBL indicators is described in note 24 of the final accounts.

External audit services

The Members' Council has agreed that the Audit Commission will be the Trust's external auditor for 2004/05 and 2005/06. The provision of external audit services for future years is currently out to tender.

The Trust incurred £159,000 in audit services fees in relation to the statutory audit for the nine months to March 31 2005. No other audit services were provided during the accounting period.

Monitoring Trust performance

The Trust has developed a balanced scorecard to review and monitor performance at a Trustwide, divisional and service delivery unit (SDU) level. Incorporated within this are the metrics used by Monitor to assess the financial risk rating of the Trust.

Monitor uses four criteria to assess the Trust's financial risk rating: underlying financial performance; achievement of the financial plan; financial efficiency; and liquidity. Overall the Trust achieved a risk rating of four, within a range of one to five where five is the best performance.

Identifying potential financial risks

In assessing the financial risks faced by the Trust, we have assessed the external factors which are likely to impact on the organisation.

The external environment in which the Trust, along with all other NHS organisations, must operate is changing in an unprecedented way. Through our strategic development work, senior managers and clinical leaders in the Trust have identified six key drivers of change that present both opportunities and threats to our future operation. These are:

- The national *Patient Choice* initiative;

- The new financial regime, *Payment by Results*;
- More services for patients with long term conditions being provided in the community;
- Increases in independent sector provision;
- Changes to funding for research;
- Changes to funding for teaching and training.

Using an economic model developed as part of the Trust's strategy work, it was concluded that, on balance, the threats associated with this rapidly changing external environment generally outweighed the potential gains.

Patient Choice, whereby patients will be offered a choice of up to five hospitals for their treatment, was considered to be both the most significant threat and the greatest opportunity. *Payment by Results* was also considered to be a potentially significant threat, as well as an opportunity. As an early implementer of *Payment by Results*, we formed a consortium of trusts to understand the implications of the new national tariff. The key issue with both this and *Patient Choice* is the inherent uncertainty in predicting future income.

Responding to potential financial risks

In responding to these potential risks, in particular the change and uncertainty we face in terms of the external environment, the Trust set itself challenging financial targets over the next three years. These aim to deliver a cumulative surplus of £22 million which we would then be available to reinvest in development opportunities.

The degree to which these targets are achieved will determine the levels of future investment that the Trust is able to undertake. Aspects of the *Delivering Excellence* programme are also described elsewhere in this report. The following description of the work being undertaken in each of the four workstreams therefore focuses on efforts to achieve greater efficiency and financial savings.

Clinical operations

Work includes better matching of nursing staffing levels to activity and patient dependency and the early indicators are that staffing levels are being managed more appropriately. Closely

linked to this is a major project to reduce length of inpatient stay where appropriate, and this too is producing positive results. Other projects are increasing efficiency within our operating theatres, reviewing and addressing the processes that impact on this, from the supply chain for theatre equipment through to the pre-admission processes and clinics by which patients are scheduled onto theatre lists.

Procurement

Work has focused on reducing expenditure and improving efficiency in terms of use of agency staff; pharmaceutical expenditure and prescribing; and effective purchasing and use of medical and surgical supplies and equipment, as well as catering consumables. The number of staffing agencies used has been streamlined, contracts renegotiated, and a staff bank for non-nursing personnel has been established. In 2003/04, the Trust spent around £240 million with external suppliers and so the scale and scope of this work is significant.

Organisation

Work to review and redesign the Trust's recruitment process will ensure a faster process, with appropriate checks and better control of overall staffing numbers. The Trust currently recruits to around 2,500 posts a year in a competitive marketplace and so this project will have both financial and organisational benefits. The other major area of work is around patient booking and this will help the Trust to meet the national '*Choose and Book*' targets, as well as improve internal scheduling and processes.

Strategy

As part of the work to develop the Trust's service strategy, the agreement of a high level vision and strategic themes – see page 23 – has been complemented by detailed service planning at a specialty level. Much was learnt from a pilot in cardiac services and the approach, which includes detailed activity and economic forecasting, assessments of the market, competition and medical and technological advances, is being rolled out to other areas such as cancer and pathology services.

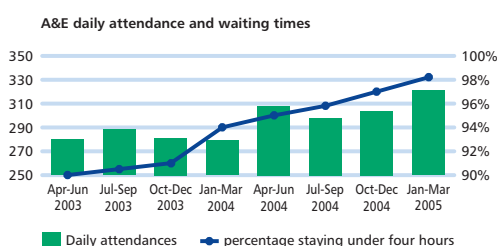
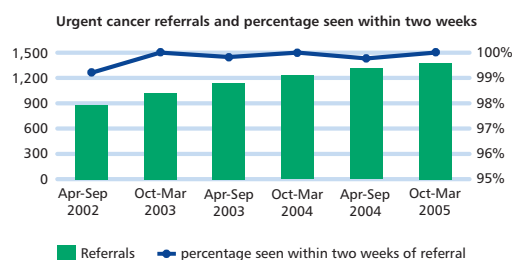
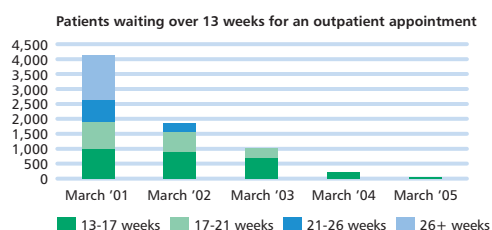
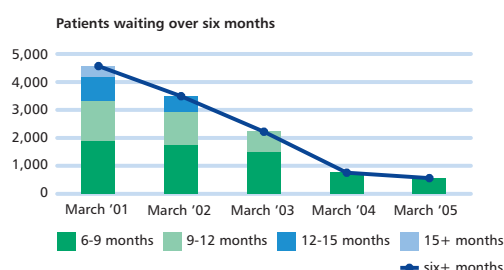
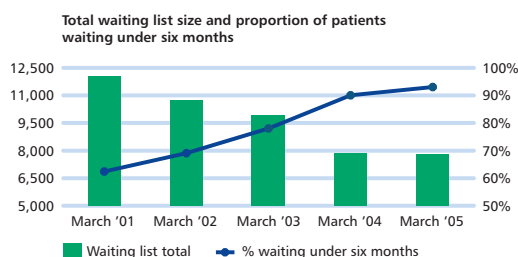


Ade Gbadebo, a Senior Orthopaedic Technician, at the Fracture Clinic at St Thomas' examines one of his patients. The clinic was reopened in May after a £1 million refurbishment created a state-of-the-art facility where patients can be diagnosed, treated and booked in for follow up appointments all in one place.



Roxanne Mohammed Klein, Clinical Nurse Manager for Infection Control, uses one of the alcohol gel dispensers which staff and visitors use on wards and clinics around the Trust to help prevent the spread of infection. Rates of MRSA infection have fallen steadily over the past year as a result of a series of initiatives. These include a high profile campaign to encourage staff, patients and visitors to wash their hands.

Our operational performance



The Trust achieved a maximum three stars for the third year running in the NHS performance ratings which were published in July 2004 by the Healthcare Commission.

We achieved all of the nine key targets including the targets for maximum inpatient and outpatient waiting times, waiting times in A&E and urgent cancer referrals, as well as financial performance, cleanliness and progress with Improving Working Lives – the NHS wide initiative to improve the work-life balance of staff.

We were also in the top band of trusts nationally for two of the three other performance areas that are measured – ‘clinical focus’ and ‘capability and capacity’ – and in the middle band for ‘patient focus’.

The 2004 Patient Environment Action Team (PEAT) inspection at Guy’s and St Thomas’ showed both sites to be acceptable under their new assessment framework. In 2003, St Thomas’ was graded as amber, and Guy’s as green. Our latest inspection took place in March 2005 and we are awaiting the results from NHS Estates.

The Trust has spent the year working towards the reassessment of our Level 2 accreditation under the Clinical Negligence Scheme for Trusts (CNST). The accreditation measures how good our processes and procedures are for managing risk in clinical areas. The Trust was the first to achieve 100 per cent compliance at Level 1 and Level 2 for the acute trust standard, and one of only 12 trusts to have achieved Level 2 for the maternity standard early in 2004.

Performance against national targets

The Trust is one of the busiest in the country and has seen a considerable increase in the number of patients using our services. On average we have 1,250 beds in use – 850 beds at St Thomas’ and 400 beds at Guy’s – and up to 50 specialist baby cots. During 2004/05, the Trust saw 478,000 outpatients and treated 72,000 inpatients and 42,000 day case patients.

Our performance shows how we have met challenging access targets, despite considerable increases in the number of patients coming to our hospitals. For example, in the last three months of the year, our Accident and Emergency department saw a 15 per cent increase in attendances.

Outpatient waiting times: The national outpatient waiting time target for 2004/05 was that no GP-referred patient should wait longer than 17 weeks for a first outpatient appointment throughout the year. We successfully achieved this standard and continue to work hard to further reduce outpatient waiting times for all our patients.

Inpatient waiting times: The national inpatient waiting time target for 2004/05 was that no patient should wait longer than nine months for inpatient or day case treatment throughout the year. We successfully achieved this standard and also continue to work hard to further reduce waiting times for inpatient treatment.

Emergency access waiting times: The national target was for a quarter-by-quarter improvement in the percentage of patients spending less than four hours in A&E – rising from 95 per cent of patients to meet this standard in the first quarter to 98 per cent in the final quarter. Successfully meeting this

Our operational performance

challenging target involved both the A&E department and staff in many other areas of the hospital.

Cancer treatment waiting times: The national targets were to ensure that all urgent GP referrals for suspected cancer were seen within two weeks, and that all patients with breast cancer should begin treatment within one month of a decision to treat being agreed. In addition, breast cancer patients referred urgently should begin treatment within two months of the original referral. In the course of the year, there were only five breaches of these standards. Overall, our compliance was 99.9 per cent against the two-week standard; 100 per cent against the one month standard; and 98 per cent against the two month standard.

Cardiac treatment waiting times: The Trust achieved the maximum waiting time target of three months for revascularisation at the end of March 2005, and also continued to ensure that no cardiac patient waited more than six months for inpatient treatment throughout the year. The Trust achieved the target for the two week wait for rapid access chest pain clinics in February and March.

Patient-agreed booking rates: The Trust exceeded the target that 87 per cent of patients added to a waiting list for inpatient or day case treatment should be offered a choice of appointment in accordance with the standards set out in the patient agreed booking initiative, achieving 92 per cent. The proportion of GP-referred appointments booked in this way has been sustained at an average of 78 per cent, against a target of 66 per cent.

Corporate objectives

In addition to the national targets, the Trust set itself nine corporate objectives to achieve last year. In the main, these focused on aspects of our performance that are not directly monitored through other assessments.

The objectives ranged from an ambitious target to reduce the likelihood that patients would acquire an infection as a result of coming into hospital – we aimed to reduce MRSA acquisitions by 25 per cent – through to objectives to ensure patients did not stay in hospital longer than

clinically necessary and avoided an unnecessary overnight hospital stay following an operation.

There were also objectives to reduce unnecessary tests and prescriptions, modernise key employment practices and improve the overall experience of patients and visitors attending the hospital. Further objectives aimed to speed up cancer treatment, make it easier for patients to choose their appointment, and to improve the quality and availability of patient records in clinics within the hospitals.

We achieved some of these fully, including a significant reduction in our infection rates which exceeded the 25 per cent target, while in other cases we have made progress, but know that we have more work to do. Many of our achievements are described in other sections of this report, and much of the ongoing work is built into the *Delivering Excellence* programme.

This year, we have taken the decision to bring the corporate objectives more formally together with the *Delivering Excellence* programme and we have identified 16 Trustwide initiatives to support our strategic development. As part of the new performance management framework that we are introducing, progress against each initiative will be measured and reported during the year.

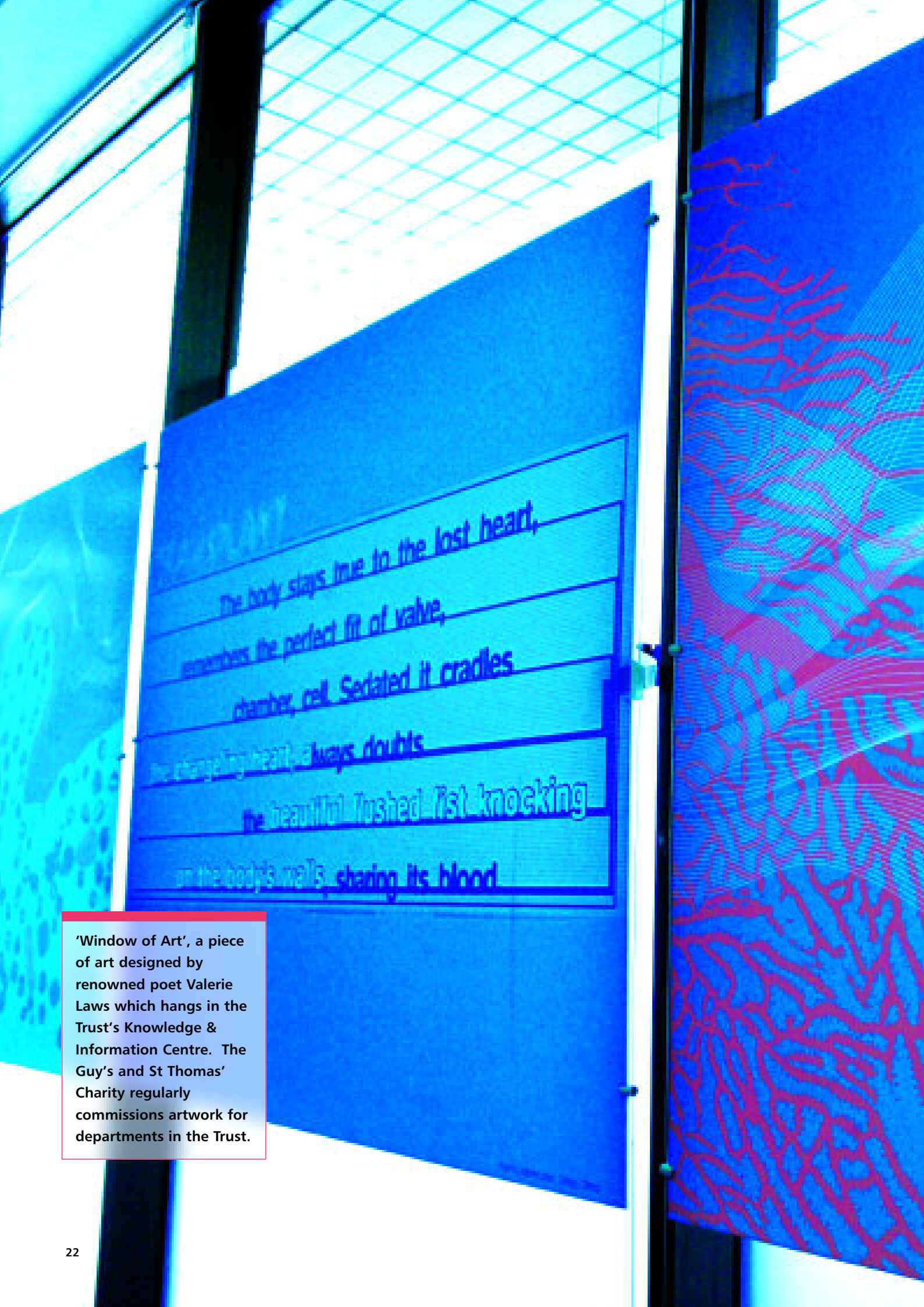
Openness through Freedom of Information

The Freedom of Information Act took full effect from January 1 2005, and the Trust has worked hard to ensure that requests for information are dealt with openly and efficiently in the spirit of the new legislation.

Between January 1 and March 31, we received 70 requests for information – 36 about policy documents, 30 for general information and four about health records. We met the maximum 20 working days response time for all but one of these enquiries. We have also updated our online Publication Scheme and are encouraging people to use the Trust's website to make their requests.



Dr Mark Kinirons chats to one of his patients on the elderly care ward at St Thomas'. The Trust has 1,250 beds across both hospitals and treated 72,000 inpatients last year. Around 42,000 patients also visited the Trust for a day case procedure and we provided around 478,000 appointments in our busy outpatient departments.



The body stays true to the lost heart,
remembers the perfect fit of valve,
chamber, cell. Sedated it cradles
the changing heart, always doubts
the beautiful flushed fist knocking
on the body's walls, sharing its blood

'Window of Art', a piece of art designed by renowned poet Valerie Laws which hangs in the Trust's Knowledge & Information Centre. The Guy's and St Thomas' Charity regularly commissions artwork for departments in the Trust.

Our vision

Over the next five years, the Trust will provide top quality care to the local community and become both the first choice for clinical care in South East England (from Kent to Hampshire) and internationally distinctive in research, teaching, and the management of health services.

The new vision for the Trust is underpinned by six strategic themes. To realise our vision, we will:

- Focus on patients;
- Develop high quality and innovative local services;
- Seek to grow identified services, starting with cardiac and continuing with cancer and pathology;
- Be nationally and internationally distinctive in our research and teaching programme;
- Seek to attract, develop and retain the best people across all our staff groups;
- Provide effective support to our patient services.

We believe that this vision is right for the Trust for at least the next five years, and will help us to respond appropriately to the opportunities, as well as the challenges, we are likely to face. Further details of these can be found on pages 15 and 16.

The vision is based on a belief that patients should expect to receive high quality care at times convenient to them and in an appropriate environment, either within our hospitals or more locally through working with our partners. By growing some services we will be able to deliver better care to more people. The location of our hospitals near to Waterloo and London Bridge stations mean that we are conveniently located for patients and their families from a wide geographical area.

Each year a programme of Trustwide initiatives will be agreed, some taking several years to achieve. These will help us in making progress against the six strategic themes and achieving our vision.

Our organisational structure

As an NHS Foundation Trust we established a Members' Council (our equivalent of the Board of Governors as described in the legislation) which met for the first time on July 1. The Members' Council provides support and advice to the Trust to ensure that we deliver services that best meet the needs of patients and the communities we serve.

The Trust Board became the Board of Directors on July 1 when the Trust formally became a Foundation Trust, whilst the Management Executive has continued as before.

Board of Directors

The role of the Board of Directors is to manage the Trust by:

- Setting the overall strategic direction of the Trust, within the context of NHS priorities;
- Regularly monitoring our performance against objectives;
- Providing effective financial stewardship through value for money, financial control and financial planning;
- Ensuring that the Trust provides high quality, effective and patient-focused services through clinical governance;
- Ensuring high standards of corporate governance and personal conduct;
- Promoting effective dialogue between the Trust and the local communities we serve.

The Board of Directors is made up of our Chairman, six other Non-Executive Directors and six Executive Board Directors. See pages 42 to 44 for further details. The Board has the following sub-committees:

- Assurance and Risk;
- Audit and Financial Performance;
- Personnel and Workforce;
- Remuneration;
- Strategy and Estates.

The role of the sub-committees was reviewed during the year and details of the membership can be found on pages 42 to 44. For details of the previous sub-committees, please contact the

Head of Corporate Affairs at Guy's Hospital.

Board meetings are held in public each month. Members of the public are welcome to come and listen to the discussions. The agenda, papers and minutes are published on our website. In September we hold an Annual Public Meeting, where local people, patients, staff and other local stakeholders are invited to come and find out how we have performed during the year. There is an opportunity to ask the Chief Executive, Chairman or Executive Board Directors questions. Dates of all these meetings are available on our website.

To view the register of interests for our Board of Directors, please contact the Head of Corporate Affairs at Guy's Hospital.

Trust Management Executive

The Trust's Management Executive brings together Executive Board Directors, Trust Directors and the Divisional Directors. The role of the Trust Management Executive is to:

- Monitor the management of risk, including agreement of any action plans or resources;
- Contribute to the development of the Trust's service strategy and agree the strategy to be submitted to the Board of Directors for approval;
- Review and agree detailed business plans and performance contracts;
- Monitor the delivery of the Trust's service activity and financial objectives;
- Agree policies and procedures to ensure the delivery of external and internal governance;
- Develop and monitor the implementation of plans to improve the efficiency, effectiveness and quality of the Trust's services.

The Management Executive has the following sub-committees:

- Capital Investment;
- Clinical Governance;
- Clinical Records Management;
- Enterprise Executive;
- Information Strategy Group;

- Medical Workforce;
- Research and Development;
- Risk Management;
- Workforce Planning and Development.

Our membership

Guy's and St Thomas' NHS Foundation Trust has three membership constituencies – patient, public and staff. At March 31 there were 2,778 patient members, 2,191 public members and 8,462 staff members – a total of 13,431.

The *patient constituency* is made up of people who:

- Are currently a patient of the Trust or have been a patient in the last three years;
- Are not eligible to become a staff member;
- Are 18 years of age or above.

The *public constituency* is made up of people who:

- Live in the area of the Trust, which is defined as the London Boroughs of Lambeth and Southwark;
- Are not eligible to become a staff member and are not members of any other constituency;
- Are 18 years of age or above.

The *staff constituency* is made up of people who:

- Are employed by the Trust;
- Are employed by King's College London or by the London South Bank University and whose place of work is at the Trust;
- Are the staff of contractors, who work full time at the Trust;
- Are registered volunteers and not eligible to become a staff or patient member;
- Are 18 years of age or above.

A person who is eligible to be a staff member may not be a member of any other constituency. Staff membership for staff employed by the Trust is by an 'opt out' membership scheme, where staff advise if they do not wish to be a member. Membership of the patient or public constituencies, or for others in the staff constituency, is by application.

For full details of the membership criteria and information about becoming a member, telephone 020 7188 2004 or email members@gstt.nhs.uk

Developing the membership

The Members' Council and the Board of Directors have given a clear commitment to the development of a membership that is representative of the diverse communities that the Trust serves. Membership is seen as a way of encouraging people to participate in our aim to put patients at the centre of everything we do, as well as foster a feeling of ownership and responsibility.

Members receive a quarterly postal mailing, including a dedicated members' newsletter, a copy of *South of the River* (the Trust's 16 page community magazine), a letter from the Chairman and Chief Executive and details of forthcoming events and Members' Council meetings.

The Members' Council meeting in January 2005 was designed so that the wider membership had the opportunity to meet the members of Members' Council, as well as staff from our A&E and cardiac services, two of the areas that members had told us they were particularly interested in. Over 200 people attended the event and we received very positive feedback.

The Membership Development Strategy was agreed at the Members' Council in March 2005 and the main aims for the coming year are:

- to make progress towards achieving a membership which is drawn 55 per cent from the patient and public constituencies and 45 per cent from the staff constituency (the aim is for approximately 11,000 patient and public members, and 9,000 staff members);
- to actively recruit members from diverse communities;
- to ensure members are actively engaged with the Trust and the work of the Members' Council.

To help us recruit new members, we will work with voluntary organisations, patient groups, Primary Care Trusts and other local partners, and we plan to introduce a 'recommend a friend' scheme. We have built up a comprehensive demographic profile

Our organisational structure

of the membership and we will be working hard to engage 'hard to reach' sections of the community during the next few months.

The Members' Council

The Members' Council provides support and advice to the Trust to ensure that we deliver services that best meet the needs of patients and the communities we serve. It consists of 10 public, 10 patient and seven staff members, all elected from the membership, together with 10 representatives nominated from local organisations.

The Members' Council fulfils a number of formal functions such as the appointment of external auditors. The Members' Council may, at a General Meeting, appoint or remove the Chairman and the other Non-Executive Directors of the Trust, although the decision to remove a Non-Executive Director would require the support of three-quarters of the Members' Council.

To view the register of interests for our Members' Council please contact the Head of Corporate Affairs at Guy's Hospital.

Elections to the Members' Council

The 27 patient, public and staff members of the Members' Council are elected from the membership by the members. Elections for the Members' Council closed on April 23 2004, and all positions on the Members' Council were filled as a result of this process. In addition, ten representatives were nominated from local organisations. The names of those who sit on our Members' Council are detailed on page 40.

Our Members' Council supports the work of the Trust outside meetings, supported by Executive Directors and the Chairman. Three working groups were established and met during the past year:

Face working group

The Face working group has been supporting the Trust's *Face Initiative* which aims to transform the patient environment and improve the experience of people who use and visit the hospital. It has looked at mobile phone usage in the hospital, the Trust's new No Smoking policy and the wayfinding and signage strategy. The group has also advised on the Face capital projects and the Improving Patient Experience project which is being piloted in the Evelina Children's Hospital. This working group is now going to look at wider patient experience issues, working closely with our Chief Nurse and Joint Director of Clinical Leadership, Eileen Sills.

Strategy working group

The Strategy working group has advised on the wording of the Trust's strategic vision. The group has explored the potential for joint working across primary care and hospital services, as well as the opportunities for the Trust to set a good example through our commitment to a healthy workplace and our support for healthy lifestyles.

Membership and communications working group

The Membership and communications working group contributed to and endorsed the membership development strategy that seeks to ensure a growing, representative membership. The group considered ways to develop effective communication with the wider Foundation Trust membership and recommended a system of quarterly mailings, twice yearly public meetings and the development of seminars targeted at members.

For the current year, the Members' Council has established a new working group on race and equality. The race equality scheme working group has started to consider the Trust's Race Equality Scheme and the wider Equality and Diversity Plan, providing feedback to the Board of Directors. They have also considered the Trust's new Black and Ethnic Minority (BME) mentoring programme, as well as the potential to commission research to consider diversity and service delivery issues.



Eileen Sills, the Trust's new Chief Nurse and Joint Director of Clinical Leadership joined the team earlier this year. She is working closely with the Face working group to look at improving the experience patients have when they visit our hospitals.

Listening to our patients

The past year has seen Guy's and St Thomas' actively listening to and engaging with our patients and local communities. From the development of new services to improving the patient environment, we have worked closely with our membership and also the wide range of patient support groups active at the Trust.

PALS

The PALS team receives more than 4,000 enquiries a year from patients and visitors about our services and the choices that are available to them. These range from requests for information about specialist services to how to get involved in the development of our services. The PALS team also manages two health kiosks which provide information 24 hours a day. Over 1,650 people visit our health kiosks each month for information on health issues, support groups and local services. The most popular topics include medical conditions, healthy living, surgical operations, local information and travel health.

Learning from comments and complaints

We are determined to not only learn from complaints made by patients, but also to address concerns before they become complaints through our PALS team. The Trust's central complaints team works hard to facilitate face to face meetings, resolving issues at an early stage wherever possible. All formal complaints are investigated and then responded to in writing by the Chief Executive.

	Number of formal complaints received	Concluded within 20 working days	Requests for Independent Review Panels
April 1 2004 – June 30 2004	208	186 (89%)	2
July 1 2004 – March 31 2005	591	397 (67%)	4
Total	799	583 (73%)	6

The number of complaints over the nine month period of this report was 591, of which 397 were concluded within 20 working days. Over the year as a whole we received 799 formal complaints, 583 of which were concluded within 20 working days.

From July 31 2004 the Healthcare Commission took responsibility for Independent Reviews, the second stage of the complaints process. The number of requests nationwide was much larger than expected and a backlog built up. Consequently from August 2004 to February 2005, the Trust received no notifications of requests for Independent Reviews. This means that the number for the year 2004/05 is artificially low, and we expect an increase in the number of notifications as the Healthcare Commission clears the backlog. Prior to the new arrangements taking effect, the Trust had two requests for independent review between April and June 2004. One was referred back for local resolution and the other had no further action.

Language support

Not all of our patients speak English as a first language. In July 2004, we launched a centralised language support service for staff booking interpreters or signers for patients. The service is available 24 hours a day. The team has professional interpreters and health advocates, who are able to translate letters and health plans for patients. The team also provides language support telephone lines – giving patients the opportunity to speak directly to someone in their primary language.

The team receives over 500 requests a month for an interpreter, and works hard to ensure our patients receive the information they need in the language of their choice, making our services – including the new patient agreed booking system – more accessible. The most requested languages are Spanish and Portuguese, followed by Cantonese, Somali, Bengali, Turkish and Arabic.

Knowledge & Information Centre

The Knowledge & Information Centre (KIC) opened at St Thomas' in April 2004 and has gone from strength to strength during the year. Over 300 people – staff, patients and visitors – now visit the KIC each day for health information, advice on careers and benefits, to use the web, read newspapers or seek advice from the helpful KIC team.

New services have been piloted, such as an information prescription service, which encourages clinical staff to 'prescribe' health information for patients. A user group has also been established to get patients, carers and local people's views and suggestions on the health information and resources provided by the KIC.

Modernisation Initiative

The *Modernisation Initiative* is a three year project to improve local health care in Lambeth and Southwark. The project focuses on stroke, kidney and sexual health services, and uses the experiences of service users to ensure that patients are at the heart of service delivery in the future.

A long-term kidney patient from the Trust leads the renal strand of the initiative. Jonathon Hope chairs the kidney project's steering group which is overseeing an innovative redesign of local kidney services, with patient and carer views driving the changes.

The renal team has also recently produced a patient information video to help people who are considering donating a kidney to a family relative. This video, which was produced in collaboration with King's College Hospital and UK Transplant, was designed by staff and patients and features some of them talking about their experiences to help others considering a live transplant to make an informed decision.

Transforming our environment

The Trust has invested £2 million to improve the general environment for patients, staff and visitors. This includes a major redecoration programme and the refurbishment of all public circulation areas, such as corridors and waiting areas, as well as public toilets. In addition, £4.65 million has been invested in ward refurbishments and improvements.

The Trust has also established the *Face Initiative* to transform the hospital environment and patient experience, supported by a £3.7 million grant from the Guy's and St Thomas' Charity. Further improvements will result from the opening of the new Evelina Children's Hospital and the establishment of a dedicated environmental team.

Improving the Patient Experience

The Improving the Patient Experience project will help us to find out directly from patients what, for them, makes their visit to our hospitals good, and what could make it even better.

The team behind the project has been working with children, parents and carers, through the Evelina Children's Hospital Children's Board and the Pride of Guy's (a teenage patients' support group), as well as local school children, to get them to 'tell their stories' about their time in hospital. This is helping us to plan an innovative training and induction programme to support the staff who will be working in the new Evelina Children's Hospital which will, in turn ensure that we offer the best experience for current and future patients.

Lessons learnt from the Improving the Patient Experience work in the new Children's Hospital will eventually be rolled out to other areas throughout the Trust.

Patient transport

The patient transport service provides over 200,000 patient journeys each year. A number of changes have been implemented following complaints about the service. In addition, the waiting areas on both sites have been refurbished to make them more pleasant and comfortable for patients. Patients are now offered refreshments, and there are sandwiches available on request. As well as the hostess service, each patient transport area has a qualified nurse on hand to care for more vulnerable or less able patients.

A workshop was initially held with service users so that they could raise concerns, which then influenced the changes to the service. As part of an ongoing commitment to patient feedback, the department now carries out patient surveys with 100 users picked at random each month. The results of these surveys continue to help us plan further improvements.



Nijole Lauriketiene,
Housekeeping Assistant
in the Trust's Accident
and Emergency
department.

Valuing our staff

The Trust recognises that our success in meeting both our performance targets and the needs of our patients is only as good as the people we employ, and we therefore strive to be a model employer. This was confirmed in the Human Resources Strategy that supported our Foundation Trust application and remains our aspiration.

We hold the *Investors in People* accreditation and will seek re-accreditation during 2005 to re-affirm our commitment to training, developing and engaging our staff.

As an early implementer of *Agenda for Change* – the new pay structure and terms and conditions for the NHS – we are also rolling out the new Knowledge and Skills Framework (KSF), which provides a structured process for performance management and meeting training needs to support career development.

Training and development

The training and development team is located in our dedicated training centre, the former General Lying In Hospital (the GLI), close to St Thomas'. Many training programmes are available to staff, ranging from corporate induction and health and safety courses to leadership development.

In addition to the significant number of doctors and nurses progressing through their professional career pathways, many other staff undertake a range of training programmes that will lead to a formal qualification. Last year an awards ceremony was held at which 45 staff were congratulated on their success in achieving qualifications from NVQs to MBAs.

We are also proud of our initiatives to provide life skills training for both our staff and members of the local community, helping them to progress their careers or get into employment. The Knowledge & Information Centre at St Thomas', and recently opened a new facility in the GLI building, also providing staff and visitors with the opportunity to find out more about the Trust, the NHS and health issues.

Continuing professional development

For staff who have qualified in their chosen profession, continuing professional development is regarded as a high priority and a number of programmes support this. Recent developments in nursing and midwifery include a foundation course for all new nursing staff; an intermediate development programme for band 6 nurses, and courses in acute care skills, as well as a medicines management programme.

During the year, the corporate nursing team launched a booklet *Your Career at Guy's and St Thomas'*, which provides, in one place for the first time, details of all the development opportunities for nurses and midwives. It links into the new pay and career structures which have been implemented under *Agenda for Change* and utilises the Knowledge and Skills Framework, to underpin individual development plans.

We have also developed a *Nursing Excellence* programme as part of the Trust's *Delivering Excellence* work, which has led to many initiatives to improve efficiency and standards of care both at ward and department level. For example, nurses are now using a standardised assessment tool, filed in the patient notes, to capture all the nursing interventions that are required. This has created a single, multidisciplinary record which is updated daily and has saved valuable nursing time on the wards, creating more opportunity for nurses to spend time directly caring for their patients.

Improving Working Lives

The Trust recognises the value of external validation of our employment practices and *Improving Working Lives* – a national NHS scheme – provides an external measure of excellence in workforce management.

The Trust was awarded 'Practice' status in November 2002 and we hope to achieve the next level, 'Practice Plus', during 2005, which will confirm that we have good employment practices and that these are consistently applied across the organisation.

Doctors in training

Over the last year, we have responded to the new working time regulations for doctors in training which result from the European Working Time Directive.

To enable doctors to reduce their hours, we have introduced multidisciplinary, nurse-led teams to provide cover for clinical areas outside normal working hours. This has greatly reduced the hours of duty for doctors in training, whilst ensuring we have staff with the right clinical skills available to care for patients around the clock.

Once the new Evelina Children's Hospital opens in the autumn, we will be able to ensure all areas of the Trust are fully compliant with the Directive.

Celebrating diversity

The Trust remains committed to diversity in employment and service provision. The Trust's Equality and Diversity statement declares that no job applicant, employee or user of our services shall receive less favourable treatment than any other, on the grounds of: gender, sexual orientation, marital status, responsibility for dependents, disability, race, national origin, age, religion, political or trade union affiliations, HIV status or socio-economic background.

The Trust's Black and Minority Ethnic (BME) Staff Network remains active and informs the Trust and our staff on diversity issues. The Board approved our Equality and Diversity Plan and our Race Equality Scheme during the year. These cover career progression and development, how we apply Trust policies and assess the impact they have, as well as how we deliver services and meet our statutory obligations.

Celebrations earlier in 2005 to mark the bicentenary of Mary Seacole, the inspirational Jamaican nursing leader, further raised the profile of diversity issues within the organisation and provided an opportunity to launch a new mentoring programme to support career development amongst our Black and Minority Ethnic staff. The Trust serves diverse communities, particularly in Lambeth and Southwark, and we are pleased that our workforce reflects that diversity. We continue to

work hard to ensure that diversity is reflected at all levels in the Trust.

Changes we are making to our recruitment process will provide easier access to jobs at the Trust and will help us to build on our success in recruiting from our local communities. The Trust recruits to around 2,500 vacancies each year, covering the full range of jobs needed to run major successful teaching hospitals. Vacancy information is available on the Trust's website or from our new Recruitment Centre on 020 7188 0044.

Our volunteers

There are over 350 volunteers working for the Trust, ranging from 18 to 93 years of age. The volunteers help us to improve and extend the range of services we offer, for example, visiting patients, helping with clerical tasks or taking books and magazines to patients on the wards. All volunteers are registered with the Trust's voluntary services department and receive a training programme, meal allowance and information on social events.

Involving our staff

The Trust values the contribution of staff to the development of services and actively seeks to keep staff informed and involved in developments.

The Trust enjoys good and constructive relations with its staff representatives, and we have worked jointly on major projects such as *Agenda for Change* and *Improving Working Lives*. We also encourage staff to get involved in service improvement initiatives such as the *Delivering Excellence* programme, recognising that involving the people who deliver services is often the key to success.

Communications

The Trust is committed to communicating with staff, patients and our local communities, ensuring they are fully informed about our services and changes and developments. We have various ways of communicating to ensure that staff receive important news as quickly as possible, as well as have opportunities to feed in their comments and suggestions at the highest level.

Our popular monthly staff magazine, *People*, was redesigned during the year and is widely available on our sites. A monthly *Team Briefing* helps managers to keep staff up to date with Trust issues and provides an important opportunity for staff to feedback ideas, suggestions and concerns. In addition, the Chief Executive holds monthly question and answer sessions over lunch, where staff can come along and ask any questions, raise issues or make suggestions.

Several staff policy leaflets have also been produced during the year on issues ranging from Freedom of Information to the Improving Working Lives scheme, summarising these important Trust policies and initiatives in a clear format, often supported by poster campaigns and other information.

The intranet was relaunched as *GTi*, following consultation with staff on the name, and contains a huge wealth of practical information from policies and performance data to news and events, discussion boards and intranet polls.

As members of our Foundation Trust, staff receive a regular mailing and copies of our community magazine, *South of the River*, are widely available.

ACE awards

The Trust held its first ever ACE awards during the year – standing for Attitude, Commitment Enthusiasm – recognising the massive contribution our support service staff make every day. More than 300 nominations were received for unsung heroes within the capital, estates and facilities directorate.

The Trust is also looking at how it can ensure there are appropriate mechanisms in place to recognise all staff.

Health and safety at work

The Trust continues to give a high priority to the health, safety and welfare of patients, staff and visitors.

Working as part of the wider risk management team, the health and safety team has continued to provide analysis and investigation of non-clinical incidents and a wide range of training, including training in risk assessment. The team also provides

a link between the Trust and statutory agencies such as the Health and Safety Executive.

The Trust's Health and Safety Committee receives regular activity reports from a number of different health and safety specialists working within the Trust, and has established a partnership-based approach, working closely with staff-side representatives.

The Trust's occupational health department is the largest in England and Wales and looks after the health and wellbeing of our staff, as well as nursing, medical and dental students working at the Trust. The team advises on correct work procedures, carries out pre-employment screening, assesses fitness to work after illness or injury and provides vaccinations.

The department is an approved NHSPlus site. NHSPlus is a network of NHS occupational health departments across England that provide services to non-NHS employers in both the public and private sector.

In 2004 the department changed how it delivered our flu programme, with occupational health nurses going out on site to vaccinate staff. This campaign saw the highest numbers of clinical staff vaccinated to date.

The transfer of the occupational health team into the clinical leadership directorate has strengthened the working relationship between occupational health and other teams such as health and safety.

A smoke free environment

The Government White Paper '*Choosing Health*', commits the NHS to become a 'smoke free' work place and the Trust is already working towards this goal. From March 9 – National No Smoking Day – the Trust's new No Smoking Policy came into effect, banning all smoking in our buildings.

Staff, patients and visitors are now only allowed to smoke in designated external smoking areas and shelters, away from the entrances to our hospitals. As part of this policy, local smoking cessation services have been made available to patients, visitors and staff who want help to kick their smoking habit.



Aamer Safdar, Pharmacist, helps Pre Registration Pharmacists Champa Mohandas (left) and Katie Hatton with their training. The Trust has one of the largest pharmacy departments in the country, employing 300 people across both hospitals.

Teaching and research and development

As a major teaching hospital, we are proud of our collaboration with King's College London both in terms of our role in helping to train the next generation of doctors and for our collaboration and joint work in terms of research and development. This leads to scientific advances and a greater understanding of health issues, as well as new treatments, technologies and ways of working.

Teaching

We continue to work closely with the School of Medicine and the Florence Nightingale School of Nursing. As a result of proposed curricular changes for undergraduate medical students that will have a significant impact on the way teaching is delivered, medical and non-medical staff have been identifying and responding to these increasing teaching needs and the opportunities they present. As the number of medical students continues to increase, we have identified the need for greater administrative support and two staff are being appointed to support the delivery of teaching.

The Trust also enjoys strong links with South Bank University, providing undergraduate training and continuing professional development for many groups of staff, ranging from nurses and therapists to lab technicians and radiographers. see page 31 for further details of the work we are doing in nursing.

In addition, we offer training and development opportunities for many non-clinical staff, for example, we have created four trade apprenticeship positions. These allow younger staff to train into an engineering or building discipline whilst learning the specialist skills needed to work in large and busy hospitals such as ours.

One of our most recent developments will see the introduction of Interprofessional Learning in Practice for students undertaking a placement in the Trust.

From October 2005, students studying medicine, nursing or training to become a pharmacist or an allied health professional, will learn together in mixed groups of seven to 10 students. For example, as part of this joint

training they might map a patient journey to better understand how their different roles combine and impact on the overall experience of patients using our hospitals.

Research and development

The Trust has continued to participate in a wide range of research and development projects, with 500 projects underway during the year. The Trust recorded 400 non-commercial research projects in the year, 230 of which were funded primarily by medical research charities, the research councils or the Guy's and St Thomas' Charity.

The Trust received an NHS Research and Development Levy worth £17.1 million to support non-commercial research and a further £1.2 million was received from 100 commercial research studies. The Trust has continued to develop its 20 'priority and needs' research programmes which cover national priorities such as cancer, diabetes and stroke, as well as address local health priorities such as women's health and sexual health.

Training has been a key focus for the Research and Development Office over the last year. Workshops have been held offering statistics training for staff from the Trust and King's College London, and there has also been a high demand for the consultation service provided by the team's statistician. Extensive training on Good Clinical Practice in Research and the EU Directive on clinical trials, which is now part of UK law, continues to be well received and over 200 researchers attended the courses run over the last year. A three day training course in research skills also continues to be well attended.

Research and development is receiving a higher profile in the Trust with the inclusion of research and development as one of the six strategic themes that underpin the Trust's vision for the next five years. This links closely with a process of shared strategy setting by the Trust and the King's College London School of Medicine.



Martha Barham, a patient on the Trust's elderly care ward. The Trust works in partnership with local Primary Care Trusts and social services to provide services in the community for older people, particularly those who have had a fall. The falls service includes dedicated home and community based exercise classes and an innovative occupational therapy service.

Working in partnership

The Trust prides itself on its close working relationship with a diverse range of partners, including Primary Care Trusts, the Guy's and St Thomas' Charity, patient groups and the many partnerships that exist around our two hospital sites.

Monitor

Since deciding to apply for Foundation Trust status, we have developed a new relationship with Monitor, the independent regulator for NHS Foundation Trusts. During our first year, Monitor has encouraged us as we have sought to make the most of our new status to benefit the communities we serve.

Monitor holds us to account for substantial and significant issues, including our financial plans and performance and our governance arrangements. The relationship is constructive and pragmatic, and is based on an ongoing dialogue. We welcome the support we receive from Monitor, particularly when we need advice or to consult on new issues that arise for us as an early Foundation Trust.

Primary Care Trusts

We have continued to work closely with the Primary Care Trusts (PCTs) that commission our services and in particular our local PCTs, Lambeth and Southwark. We have also collaborated with the PCTs on public health issues and the *Modernisation Initiative*, and worked hard to ensure that patients receive continuity of care whether treated in our hospitals or in the community.

Overview and scrutiny of health

Local Authority Health Scrutiny Committees have a statutory responsibility to oversee local health services and ensure they meet the needs of their local population. The Trust works closely with scrutiny committees in both Lambeth and Southwark, and our staff attend committee meetings when required.

Over the past year we have provided information about complaints, MRSA and planned changes to our services, including the closure of beds in some of our older wards and their replacement with more up to date services that include greater support for patients in their own homes. We have also worked closely with partner health organisations on issues of concern to scrutiny committees, for example, the provision of emergency mental health services.

Patient and Public Involvement Forum

Guy's and St Thomas' Patient and Public Involvement Forum (PPIF) was established during the year, an independent body set up by the Government to provide feedback on our services from a patient and public perspective. We work closely and successfully with our PPIF, holding regular meetings and providing them with information about a wide range of Trust services. PPIF members have provided ideas and suggestions about how we might improve our services, several of which have been implemented. They have inspected cleaning standards at the Trust and, in December, we provided expert speakers at their public meeting about hospital associated infection.

As a result of changes recently announced by the Government, our PPIF is expected to be replaced by a single PPIF for Lambeth. We will work closely with the existing PPIF to ensure a smooth transition to new arrangements.

Queen Elizabeth Hospital

In April 2004 the Trust established a one year collaboration agreement with Queen Elizabeth Hospital NHS Trust in Woolwich, which has now been extended for an unlimited period. The Trust has provided support to the management team at Queen Elizabeth Hospital to address a number of issues, as agreed with the Strategic Health Authority and the local Primary Care Trust.

Our former Chief Operating Officer, John Pelly, was seconded to Queen Elizabeth Hospital as acting Chief Executive and has since been appointed to the substantive post. During the

year, a Joint Executive Committee has managed the implementation of the agreement and there has been frequent senior level contact between the two Trusts. The agreement includes management support, joint work to address financial problems, and other collaborative work covering both clinical and corporate services.

This agreement demonstrates our firm commitment to work together in an imaginative way with our NHS partners. It also reflects our continued commitment to play an active role in the wider NHS within South East London.

Local partnerships

The Trust is committed to participating in and involving the many local groups and organisations that exist in the areas surrounding our two hospital sites, including:

- Better Bankside;
- More London Advisory Board;
- Pool of London Partnership's London Bridge Gateway Group;
- South Bank Employers' Group;
- Waterloo Project Board.

The Trust has been consulted on the development of Business Improvement Districts (BIDs) around the Guy's Hospital site. Better Bankside is working on the areas from Blackfriars Bridge to Borough High Street, whilst the Pool of London Partnership is leading on the area between London Bridge and Tower Bridge. Within the Business Improvement District, businesses contribute directly towards services that will improve the environment, for example extra street lighting or warden services, and Trust staff have been encouraged to give their views on how they would like the local area to develop.

Through the More London Advisory Board, the Trust is working closely with local residents' associations, a local school and the developers of the More London site to advise on the spending of significant Section 106 planning monies for the benefit of the local community.

The Trust also continues to be actively involved in the South Bank Employers' Group which has been focusing on a framework for the development of the Waterloo area.

Guy's and St Thomas' Charity

The Trust benefits greatly from the work of the Guy's and St Thomas' Charity. The Charity uses its charitable funds – the result of donations to both our hospitals over many years – to improve services for patients, to support our staff and to contribute to research and development undertaken within the Trust.

Guy's and St Thomas' is the main beneficiary of the Charity and over the year we received funding for a number of exciting and innovative projects. Overall 10 major grants were made, totalling £6.6 million, including:

- £3 million to completely redesign and reorganise the urology outpatient and diagnostic service so that patients can see all the relevant health professionals and have all the tests they need at one time. As a result, waiting times will be virtually eliminated.
- £537,000 to set up an echocardiography service for use in the intensive care units and in the cardiac surgery operating theatres so that doctors can see and assess a patient's heart more accurately.
- £359,000 to develop an interactive computer-based system for children with developmental disorders such as autism, so that the effectiveness of their treatment and progress can be better monitored.
- £78,000 to support an in-house training programme for radiographers working in radiotherapy (cancer treatment).

The Charity also made 79 smaller grants totalling £506,601 for small projects to improve services or the environment, or for staff development.

The Charity has generously supported the development of the new Evelina Children's Hospital with a grant of £50 million. In addition, the Evelina Children's Hospital Appeal – managed by the Charity – is raising £10 million to help equip the new hospital, with over £7 million raised so far. For further information on the Appeal please visit www.evelinaappeal.org

Founder's Place

The Charity's plans for a major development opposite St Thomas', known as Founder's Place, were further developed during the year in consultation with affected tenants, Trust staff and local communities.

In April 2005, the Guy's and St Thomas' Charity submitted a detailed plan to Lambeth Council. Subject to planning permission being granted, it is hoped that work will start in 2006.

Founder's Place will provide key worker accommodation for over 400 staff, as well as a health facility and new nursery for the children of Trust staff. The scheme also includes a new Ronald McDonald House for the families of sick children being cared for in the new Evelina Children's Hospital, as well as accommodation for the long-term tenants of the Charity who live in Stangate and Canterbury Houses (the existing buildings on the site). The scheme also includes private residential accommodation which will help to finance the development.

Modernisation Initiative

The Guy's and St Thomas' Charity has funded the *Modernisation Initiative* to support the modernisation of local health care services. The *Modernisation Initiative* is a partnership between Guy's and St Thomas' NHS Foundation Trust, Lambeth and Southwark Primary Care Trusts, King's College Hospital and the South East London Strategic Health Authority.

The aim is to transform kidney, stroke and sexual health services across Lambeth and Southwark, using the experiences of service users to drive change and ensure that the patients are at the heart of service delivery in the future. Some examples of the work so far include:

Kidney services: Renal clinicians from the Trust are working together with colleagues in primary care to use different techniques to help reduce the risk of hypertension and therefore the risk of patients developing kidney disease. Other work has focused on the redesign of the renal transplant and dialysis outpatient services, involving both patients and staff.

Stroke services: the team has introduced a thrombolysis and acute response service to improve the early management of stroke, as well as better access to specialist clinics for local Transient Ischaemic attacks (mini-strokes), which has reduced waiting times by 14 days.

Sexual health: the team has reduced the length of time service users spend in genito-urinary clinics from four hours to less than 90 minutes, and have been piloting community Chlamydia testing in three high street pharmacies to improve access and speed up test results. The team is also developing a team of 'mystery shoppers' to evaluate local services and feedback on their experiences.

Our Members' Council

The following people are members of our Members' Council:

Patient members

Mary Coales
James Heaton
Gerald Hine
John R Hyde
Derek Lee
Jeremy Marsh
Dr John Mathews
John McLaughlin
Jane Wardle
Clive Welch

Public members

Pauline Anderson
Stephen Beer
Susan Brooks
Stephen Bubb
James Cronin
Edward Heckels
Daphne McKenzie
Wendy Mathews
Karen Pardoe
Sir Michael Weir

Members nominated from local organisations

Julia Barfield, South Bank Employers Group (London Eye Company)
Chris Bull, Chief Executive, Southwark Primary Care Trust
Dr Lynn Carlisle, Deputy College Secretary, King's College London
Sarah Fox, Director, South East London Workforce Development Confederation
Roma Grant, Non-Executive Director, South East London Strategic Health Authority
Brian Lymbery, Chairman, Lewisham Primary Care Trust
Madeliene Long, Chair, South London and Maudsley NHS Trust
Jane Ramsey, Chair, Lambeth Primary Care Trust
Cllr Nicholas Stanton, Leader, Southwark Council
Cllr Peter Truesdale, Leader, Lambeth Council

Staff members

Doctor and dentist category:

Mike Smith, Consultant Orthopaedic Surgeon
Sir Richard Thompson, Consultant Physician specialising in Gastroenterology, until March 31 2005
Dr John Coltart, Consultant Cardiologist, from April 1 2005.

Nurse and midwife category:

Wendy Cookson, Lead Nurse, Private Patients
Natalie Forrest, Staff Development Sister in the Intensive Care Unit, until April 8 2005
Jackie Dunkley-Bent, Consultant Midwife, from April 9 2005.


Other health professional category:

Hamish Wallis, Superintendent Physiotherapist.

Other staff category:

Jacky Lewis, Environment Services Manager.
Hendrika Santer Bream, Personnel Manager, – Modernisation Support.

In accordance with the Constitution, two elected staff members who have since ceased employment with the Trust have been replaced by the staff member in their staff group who received the next highest number of votes in the election. Dr John Coltart and Jackie Dunkley-Bent joined the Members' Council in April 2005 and they will each serve until the expiry of the original term of the member they replaced.

A photograph of a woman with dark hair, smiling and holding a baby. The baby is wrapped in a white blanket and has a nasal cannula. The background is a light blue wall with a patterned curtain on the left.

Patient Tehinja Hinds with mum Massirat Naz on Rothschild Ward in the Evelina Children's Hospital. A brand new children's hospital will open its doors in October 2005 and will be the first new children's hospital in London for more than 100 years. The 140 bed hospital, which will have its own Paediatric Intensive Care Unit and dedicated theatres, was designed in consultation with patients and their families.

Executive Directors



Sir Jonathan Michael **Chief Executive**

Sir Jonathan Michael has been Chief Executive of Guy's and St Thomas' since November 2000. Sir Jonathan trained as a doctor at St Thomas', qualifying in 1970, and spent the next ten years training as a physician specialising in kidney disease at Guy's.

In 1980 he became a Consultant Physician at the Queen Elizabeth Hospital in Birmingham where he was responsible for the development of what is now the largest kidney unit in the UK. During the 1990s he became more closely involved in hospital management, serving as Clinical Director, then Medical Director, and finally Chief Executive of University Hospitals Birmingham NHS Trust. He received a knighthood in 2005 in the New Year's Honours List in recognition of a lifetime commitment to the NHS.

Jonathan is a member of the Assurance and Risk, Personnel and Workforce, and Strategy and Estates sub-committees and is in attendance at the Audit and Financial Performance and Remuneration sub-committees.



Dallas Ariotti **Director of Delivery**

Dallas Ariotti joined the Trust as its first Director of Performance and Information Management in January 2002 from University Hospitals Birmingham NHS Trust where she was Director of Clinical Governance and Information. Dallas's career has included nursing, clinical psychology and academic statistics and research, and she has worked in a wide variety of international policy development and management roles, including as Principal Adviser to the Minister for Health and Community Services in Australia and the Commonwealth Department of Health. Dallas became Director of Delivery in April 2004.

Dallas is a member of the Assurance and Risk, Personnel and Workforce, and Strategy and Estates sub-committees and is in attendance at the Audit and Financial Performance sub-committee.



Dr Edward Baker **Joint Director of Clinical Leadership and Medical Director**

Ted Baker became Medical Director in October 2003. Ted has been a consultant paediatric cardiologist at the Trust since 1987. Since then he has also been Assistant Medical Director, Clinical Director of Children's Services and Group Director of Women's and Children's Services. Ted was one of the pioneers of magnetic resonance imaging of the heart. He trained as a junior doctor at both Guy's and St Thomas', as well as at several other hospitals, including Pittsburgh Children's Hospital in the USA.

Ted is a member of the Assurance and Risk sub-committee.



Tim Higginson **Director of Strategy and Policy**

Tim Higginson has a long history of service within the Trust, before his appointment as Personnel Director in 1997 and more recently as Director of Strategy and Policy in April 2004. Tim was previously the Trust's Assistant Chief Executive, Head of Personnel at St Thomas' Hospital and held a personnel post with the West Lambeth Health Authority. Tim is a local school governor at Geoffrey Chaucer Technology College in Southwark.

Tim is a member of the Personnel and Workforce, and Strategy and Estates sub-committees and is in attendance at the Remuneration sub-committee.



Steve McGuire **Director of Capital, Estates and Facilities Management**

Steve McGuire joined the Trust as its first Director of Capital, Estates and Facilities Management in January 2003 from the Leeds Teaching Hospitals NHS Trust where he was Director of Property and Support Services. Steve joined the NHS in 1992 and has been Director of Facilities at both Leeds Health Authority and St James and Seacroft NHS Teaching Trust. Previously Steve worked for the British Coal Corporation where he held a variety of posts. He is a Chartered Mining Engineer.

Steve is a member of the Assurance and Risk, Personnel and Workforce, and Strategy and Estates sub-committees.



Martin Shaw **Director of Finance**

Martin Shaw has been Director of Finance since 1998. Martin joined West Lambeth Health Authority in 1983 and was Deputy Director of Finance there until 1993 when he joined Guy's and St Thomas' as Business and Financial Planning Manager before becoming Strategy Director and Projects Director. He is a member of the South East London Workforce Development Confederation, where he chairs the performance management and audit committee.

Martin is a member of the Strategy and Estates sub-committee and is in attendance at the Audit and Financial Performance sub-committee.

Non-Executive Directors



Eileen Sills
Joint Director of
Clinical Leadership
and Chief Nurse

(from February 2005)

Eileen Sills joined the Trust in February 2005 from Whipps Cross University Hospital NHS Trust where she had been Director of Nursing, Deputy Chief Executive and Acting Chief Executive. She qualified as a Registered General Nurse in 1983, and held a number of nursing and clinical leadership posts before moving into nursing management roles at University College London Hospitals, Homerton Hospital and the Royal Free Hospitals. Eileen's first Director post was at the Royal National Orthopaedic Hospital in 1999. Eileen was awarded a CBE in the New Year's honours list in 2003 in recognition of her contribution to the development of nursing locally and nationally.

Eileen is a member of the Assurance and Risk, and Personnel and Workforce sub-committees.



Patricia Moberly
Trust Chairman

Patricia Moberly chairs both the Board of Directors and

the Members' Council. Patricia has significant experience of local health services. Before joining the Guy's and St Thomas' Board in December 1997, initially as a Non-Executive Director, she had been Chairman of Lambeth Community Health Council and a member of West Lambeth Community Health Council. She was also a member of West Lambeth District Health Authority and a lay member of the Research Endowments Committee and the St Thomas' Ethics Committee. Patricia is a lay member of the General Medical Council and a magistrate. She was Head of Sixth Form at Pimlico School until 1998. Patricia was reappointed as Chairman in June 2002.

Patricia chairs the Remuneration, and Strategy and Estates sub-committees. She is also a member of the Assurance and Risk sub-committee.



Professor D Gwyn Williams
Vice Chairman
(until October 2004)

Gwyn Williams was the university representative until his retirement in October 2004. He was Professor of Medicine and an Honorary Consultant Physician in Renal Medicine, and was Head of Guy's, King's and St Thomas' School of Medicine until August 2004. Professor Williams was previously Chairman of the Trust's Medical and Dental Advisory Committee and worked at Guy's and St Thomas' from 1974.

Gwyn was a member of the Remuneration, and Strategy and Estates sub-committees.



Professor Robert Lechler
(from November 2004)
Vice Chairman
(from March 2005)

Professor Robert Lechler has been the Dean of Guy's, King's and St Thomas' School of Medicine since September 2004. He has a distinguished career in academic medicine which began in 1979 as a Medical Research Council Training Fellow in the Department of Immunology at the Royal Postgraduate Medical School, London. He has held many senior posts, including Chief of Immunology Services at Hammersmith Hospital NHS Trust; Professor of Molecular Immunology at the Royal Postgraduate Medical School; and Professor and Director of Immunology and Head of the Division of Medicine at Imperial College London.

Robert is a member of the Remuneration, and Strategy and Estates sub-committees.



Dawn Hill

Dawn Hill has considerable experience in human resources management,

social policy administration and health care. She worked for eight years until 2003 as a senior consultant at the Focus Consultancy Ltd, specialising in black and minority ethnic health projects. She is currently self-employed and working on City Academies. Dawn has previously held senior management positions in the NHS, social services and education. She is currently Chair of Governors at the Evelina Children's Hospital School and has a strong interest in the Trust's Volunteers Service. She has been actively involved with voluntary and community organisations for over 25 years. Dawn is a member of the Black Cultural Archives and has held a number of posts, including Vice Chair of the African Caribbean Family Mediation Services and

Our Members' Council

Chair of Governors at Norwood School. In addition she was Chair of Blackliners, which for 13 years provided HIV/AIDS services for African, Caribbean and Asian people in South London. Dawn was reappointed to the Board in June 2003.

Dawn chairs the Personnel and Workforce sub-committee and is a member of the Remuneration sub-committee.



Rory Maw from March 2005

Rory Maw read economics at Trinity College, Cambridge before qualifying as a Chartered Accountant. He joined Schroders' Investment Banking Division in 1989, specialising in mergers and acquisitions and providing strategic advice to a number of major international clients, particularly in the consumer products sector. In 2000 he moved to Morgan Stanley, a leading US-based investment bank, becoming Head of its European Consumer Products Group. He now advises start up companies and holds a number of Non-Executive directorships.

Rory is a member of the Assurance and Risk, Audit and Financial Performance, Personnel and Workforce, and Remuneration sub-committees.



Jan Oliver

Jan Oliver has considerable experience in the area of diversity, ensuring that organisations have a culture where diversity is embedded in the day to day business. Until recently she was Diversity Manager for Factual and Learning at the BBC, responsible for raising the profile of diversity issues and developing training and other initiatives. From 1999 to 2001, she was Chair of the BBC Black and Asian Forum, a campaigning and support group for minority ethnic staff. She is a Trustee of the Stephen Lawrence

Charitable Trust, where she leads on event management and raising the profile of the organisation and its work. Jan was appointed in January 2004.

Jan is a member of the Assurance and Risk, Personnel and Workforce, Remuneration, and Strategy and Estates sub-committees.



Keith Palmer

Keith Palmer joined the Trust as a Non-Executive Director in January 2001 and was reappointed with effect from July 2005. He is Non-Executive Vice Chairman of a major UK-based investment bank from which he retired in 2002. He is a part-time Professor of Economics and Finance at the University of Dundee, Chairman of Emerging Africa Infrastructure Fund, a public – private partnership supporting infrastructure development in Africa, a Non-Executive Director of IVIMEDS, an international collaboration to improve health education worldwide, and a former Chair of Action Health, a charity promoting improved public health in the developing world. He is a Trustee of Guy's and St Thomas' Charity.

Keith chairs the Audit and Financial Performance sub-committee and is a member of the Remuneration, and Strategy and Estates sub-committees.



Anna Tapsell

Anna Tapsell has a long history of involvement in local health services. She was Chairperson of West Lambeth Community Health Council and was a local councillor for ten years. She chairs Lambeth's Domestic Violence Forum and Lambeth Women's Aid, which provides refuge and outreach services for women and children affected by domestic violence. Anna chairs the Mental Health Working Party of Lambeth's Community Police Consultative Group and is a

Mental Health Act Manager for South London and Maudsley NHS Trust. Anna was reappointed to the Board in August 2002.

Anna was the Complaints Convenor until the new complaints process was introduced by the Healthcare Commission on July 31. She chairs the Assurance and Risk sub-committee and is a member of the Audit and Financial Performance, and Remuneration sub-committees.

Guy's and St Thomas' Nurse of the Year, Amanda Coulcher (right), is a Sister on Stanley ward. She won the honour for dedication to patient care on her busy oncology ward. Earlier this year the Trust also launched a new booklet for nurses and midwives called *Your Career at Guy's and St Thomas'*. The booklet promotes development opportunities for nurses and midwives working at the Trust.



Annual Accounts JULY 2004 TO MARCH 2005

Foreword to the accounts

Guy's and St Thomas' NHS Foundation Trust

These accounts, for the nine month period ending March 31 2005, have been prepared by the Guy's and St Thomas' NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 1 to the Health and Social Care (Community Health and Standards) Act 2003.

Statement of the Accounting Officer's responsibilities

The Health and Social Care (Community Health and Standards) Act 2003 (the Act) designates the Chief Executive of Guy's and St Thomas' NHS Foundation Trust as the Accounting Officer for the organisation. The relevant responsibilities of the Accounting Officer are set out in the Act and in the Accounting Officer's Memorandum issued by Monitor. The essence of the Accounting Officer's role is a responsibility for:

- the propriety and regularity of the public finances for which he is answerable;
- the keeping of proper accounts;
- prudent and economical administration;
- the avoidance of waste and extravagance; and
- the efficient and effective use of all the resources in their charge.

The Accounting Officer's duties include the signing of the NHS Foundation Trust's accounts. By virtue of this duty, the Accounting Officer has the further duty of being responsible to Parliament for the content of these accounts.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in the Accounting Officer Memorandum.



Sir Jonathan Michael

Chief Executive and Accounting Officer June 30 2005

Statement of Directors' responsibilities in respect of the accounts

Schedule 1, sections 24 and 25 of the Health and Social Care (Community Health and Standards) Act 2003 gives Monitor, the Independent Regulator of NHS Foundation Trusts, with the approval of Treasury, the authority to require that each NHS Foundation Trust prepares a set of accounts for the period from Authorisation until March 31 2005.

Guy's and St Thomas' NHS Foundation Trust was authorised on July 1 2004 and these accounts cover the period from this date until March 31 2005.

These accounts are prepared on an accruals basis and give a true and fair view of the Foundation Trust's gains and losses, cash flows and financial position at the end of the financial year.


In preparing these accounts, the Directors are required to:

- select suitable accounting policies, as described on pages 56 to 59, and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare accounts on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

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

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

By order of the Board.



Sir Jonathan Michael

Chief Executive

June 30 2005



Janice Stephens

Chief Accountant

June 30 2005

Signed in the absence of Martin Shaw, Director of Finance

Statement on internal control 2004/05

1. Scope of responsibility

As Accounting Officer and Chief Executive of this Trust, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am responsible as set out in the NHS Foundation Trust Accounting Officer Memorandum.

The Guy's and St Thomas' NHS Foundation Trust (The Trust) has a range of mechanisms in place to facilitate effective working with key partners. The Trust is a member of the Lambeth Health and Social Care Partnership Board, the Southwark Partnership Board and the Lambeth and Southwark Chief Executives Group. The Trust also meets regularly on a bi-lateral basis with our key health partners: Lambeth and Southwark PCTs, the South London and Maudsley NHS Trust and King's College Hospital NHS Trust, as well as with King's College London, our principal academic partner. Members of our Members' Council include patients and staff as well as representatives of all our key partners.

The Trust has been subject to Monitor's (the independent regulator for Foundation Trusts) interim monitoring framework since July 1 2004 when it was granted Foundation Trust status. For the 2005/06 financial year the Trust will be subject to Monitor's Compliance Framework which requires an Annual Report, an Annual Plan and quarterly monitoring reports.

2. The purpose of the system of internal control

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

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

The system of internal control referred to in this statement has been in place since July 1 2004 when the organisation was granted Foundation Trust status up to the year ended March 31 2005 and the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust has in place a Risk Management Policy and Strategy which makes it clear that while I have overall responsibility for risk management, responsibility for specific risk management areas has been delegated to the Trust Management Executive. Risk management is a core component of the job descriptions of senior management.

A range of risk management training is provided to staff and there are policies in place to describe their roles and responsibilities in relation to the identification and management of risk. All relevant policies are available on the intranet.

The Trust learns from good practice through a range of mechanisms including clinical supervision and reflective practice, individual and peer reviews, performance management, continuing professional development programmes, clinical audit and application of evidence based practice.

4. The risk and control framework

The Risk Management Policy and Strategy sets out the key responsibilities for managing risk within the organisation, including the way in which the risk is identified, evaluated and controlled.

A traditional risk assessment matrix is used to ensure a consistent approach is taken to assessing and responding to risks and incidents. All staff are responsible for responding to incidents, hazards, complaints and near misses in accordance with the appropriate policy. Risk groups are responsible for developing and maintaining local risk registers and overseeing the management of adverse incidents. Management teams are responsible for reviewing risk action plans and ensuring they are implemented through business planning and other established routes. The Assurance and Risk and Audit and Financial Performance sub-committees of the Board are responsible for monitoring and reviewing risk processes.

The Trust has a Board Assurance Framework (BAF) which sets out the principal risks to delivery of key priorities and objectives. The risks to achieving these priorities and objectives have been identified and there are actions underway accordingly. The Executive Director with delegated responsibility and accountability for managing and monitoring each individual risk is clearly identified. The BAF identifies the assurances available to the Board in relation to the achievement of the Trust's key priorities and objectives, the principal risks to these objectives and the effectiveness of the operation of key controls. The Board has required the development and implementation of action plans for gaps in control and assurance that the BAF identifies as requiring action. The types of gaps in control include existing capacity, training, policies, procedures and systems. The gaps in assurance include reporting mechanisms, comprehensiveness and data collection methods.

Mechanisms and processes in place for working with partners are used to explore potential risk which may impact upon other organisations and public stakeholders.

5. Review of effectiveness

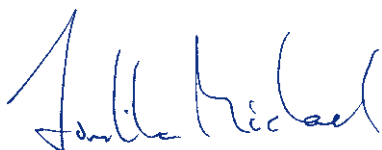
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work.

Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by assurances from other sources which include external audit and accreditation and patient/staff surveys.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Assurance and Risk sub-committee of the Trust Board of Directors. A plan to ensure continuous improvement of the system is in place.

The Trust Board of Directors has reviewed the Board Assurance Framework twice during 2004/05. It has also reviewed its Board sub-committee structure to enhance lines of reporting and accountability. The Trust Management Executive and the Assurance and sub-committee have provided the Board of Directors with reports on risk management, performance management and clinical governance.

The Audit and Financial Performance sub-committee has provided the Board of Directors with an independent and objective review of financial and corporate governance, and internal financial control within the Trust. The sub-committee has received reports from external and internal audit. Internal audit have reviewed and reported upon control, governance and risk management processes, based on an audit plan approved by the sub-committee. The work included identifying and evaluating controls and testing their effectiveness, in accordance with NHS Internal Audit Standards. Where scope for improvement was found, recommendations were made and appropriate action plans agreed with management.

A handwritten signature in blue ink, reading 'Jonathan Michael'.

Sir Jonathan Michael

Chief Executive

June 30 2005

Independent Auditor's report

to the Board of Governors of Guy's and St Thomas' NHS Foundation Trust

I have audited the financial statements on pages 46 to 74 which have been prepared in accordance with the accounting policies relevant to NHS Foundation Trusts as set out on pages 56 to 59.

This report is made solely to the Board of Governors of Guy's and St Thomas' NHS Foundation Trust as a body in accordance with paragraph 24(5) of Schedule 1 of the Health and Social Care (Community Health and Standards) Act 2003. My work was undertaken so that I might state to the Board of Governors those matters I am required to state to it in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Foundation Trust as a body, for my audit work, for the audit report or for the opinions I form.

Respective responsibilities of Directors and auditor

As described on page 47 the Directors are responsible for the preparation of the financial statements in accordance with directions issued by the Independent Regulator. My responsibilities, as independent auditor, are established by statute and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator and my profession's ethical guidance.

I report to you my 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 period, in accordance with the accounting policies directed by the Independent Regulator as being relevant to NHS Foundation Trusts.

I review the Directors' statement on internal control. I report if it does not meet requirements of the NHS Foundation Trust Manual for Accounts 2004/05 or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Directors' statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the information contained in the Annual Report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Health and Social Care (Community Health and Standards) Act 2003 and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator, 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.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of Guy's and St Thomas' NHS Foundation Trust as at March 31 2005 and of its income and expenditure for the period then ended in accordance with the accounting policies directed by the Independent Regulator as being relevant to NHS Foundation Trusts.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Health and Social Care (Community Health and Standards) Act 2003 and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator.

S. M. Exton

Sue Exton

District Auditor June 30 2005

1st Floor, Millbank Tower,
Officer of the Audit Commission
Millbank, London SW1P 4HQ

Income and expenditure account

for the nine month period ended March 31 2005

	NOTE	£000
Income from activities	3	327,739
Other operating income	4	128,106
Operating expenses	5-7	<u>(443,740)</u>
OPERATING SURPLUS		12,105
Exceptional item		(1,881)
(Loss) on disposal of fixed assets	8	<u>(226)</u>
SURPLUS BEFORE INTEREST		9,998
Interest receivable		1,060
Interest payable	9	(1)
Other finance costs – unwinding of discount		<u>(350)</u>
SURPLUS FOR THE FINANCIAL YEAR		10,707
Public Dividend Capital dividends payable		<u>(11,315)</u>
RETAINED (DEFICIT) FOR THE YEAR		<u>(608)</u>

The notes on pages 59 to 74 form part of these accounts.

All income and expenditure is derived from continuing operations.

EXCEPTIONAL ITEM

The exceptional item of £1.9 million relates to a loss on revaluation, which is as a result of a revaluation of Trust assets. This is a non-cash adjustment and so the Trust's overall financial position is consistent with delivering a surplus of £1.3 million for nine months. (Refer to next page for further detail).

Note to the Income and Expenditure Account for the nine month period ended March 31 2005

	£000
Retained (deficit) for the year	(608)
Financial support included in retained (deficit) for the year – NHS Bank	–
Financial support included in retained (deficit) for the year – internally generated	–
Retained (deficit) for the year excluding financial support	(608)

Exceptional item

This note sets out the underlying surplus of Guy's and St Thomas' NHS Foundation Trust after removing the impact of the impairment charge to the Income and Expenditure Account.

The impairment that has been charged to the Income and Expenditure Account relates to six building assets that were devalued by the District Valuer. The devaluation charge for an asset can only be charged to the revaluation reserve until the credit balance in respect of that asset in the revaluation reserve is used up, after which it needs to be recognised in the Income and Expenditure Account.

This impairment charge follows the accounting treatment required in the NHS Foundation Trust Manual for Accounts which is in line with Financial Reporting Standard 11: Impairment of Fixed Assets and Goodwill. Previously, under NHS Trust accounting rules this charge would have been made to the revaluation reserve and would not have any impact on the Income and Expenditure Account. The impairment charge, and the resultant change in the reported Income and Expenditure Account, is the result of following FRS 11 and professional valuation rules, rather than the operational decisions of the Board of the NHS Foundation Trust. The adjustment does not have a cash impact on the year.

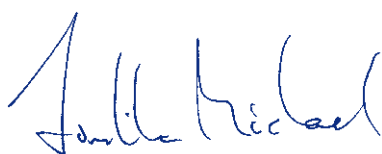
This issue has been treated as an exceptional item as it has arisen from a change in accounting practice of the new Foundation Trust regime and because it has had the effect of turning a surplus for the period into a deficit.

	£000
Result for the year	(608)
Impairment charged to the Income and Expenditure Account	1,881
Underlying surplus	1,273

Balance sheet

as at March 31 2005

	NOTE	£000	£000
FIXED ASSETS			
Intangible assets	10	995	
Tangible assets	11	697,817	
			698,812
CURRENT ASSETS			
Stocks and work in progress	12	9,545	
Debtors: Amounts falling due:			
within one year	13	60,278	
after one year	13	1,042	
Cash at bank and in hand	18.3	18,478	
			89,343
CREDITORS:			
Amounts falling due within one year	14		(81,311)
NET CURRENT ASSETS			8,032
TOTAL ASSETS LESS CURRENT LIABILITIES			706,844
PROVISIONS FOR LIABILITIES AND CHARGES	15		(9,311)
TOTAL ASSETS EMPLOYED			697,533
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital	22		283,982
Revaluation reserve	17		198,004
Donated asset reserve	17		220,568
Government grant reserve	17		643
Other reserves	17		743
Income and expenditure reserve	17		(6,407)
TOTAL TAXPAYERS EQUITY			697,533



Sir Jonathan Michael

Chief Executive

June 30 2005

Statement of total recognised gains and losses

for the nine month period ended March 31 2005

	£000
Surplus for the financial year before dividend payments	10,707
Fixed asset impairment losses	–
Unrealised surplus on fixed asset revaluations/indexation	40,446
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	9,748
Reductions in the donated asset and government grant reserve due to the depreciation, impairment and disposal of donated and government grant financed assets	(4,315)
Total gains and losses recognised in the financial year	56,586

Cash flow statement

for the nine month period ended March 31 2005

	NOTE	£000	£000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	18.1		47,240
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		1,009	
Net cash inflow from returns on investments and servicing of finance			1,009
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(26,183)	
Receipts from sale of tangible fixed assets		9	
(Payments) to acquire intangible assets		(442)	
Net cash (outflow) from capital expenditure			(26,616)
DIVIDEND PAID			(15,087)
Net cash inflow before management of liquid resources and financing			6,546
FINANCING			
Public Dividend Capital received		6,000	
Other capital receipts		2,752	
Net cash inflow from financing			8,752
Increase in cash			15,298

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' Manual for Accounts which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2004/05 NHS Foundation Trusts' Manual for Accounts issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual to the extent that they are meaningful and appropriate to the NHS. 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 by reference to their current costs. NHS Foundation Trusts, in compliance with the Resource Accounting Manual, are not required to comply with the FRS 3 requirements to report 'earnings per share' or historical profits and losses.

1.2 Acquisitions and discontinued operations

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

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

1.4 Pooled budgets

The Trust has entered into a pooled budget with the London Borough of Lambeth. Under the arrangement funds are pooled under S31 of the Health Act 1999. The NHS Foundation Trust accounts for its own share of the pooled budget's income and expenditure and assets and liabilities as the pooled budget is not an entity in its own right.

1.5 Intangible fixed assets

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

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

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

1.6 Tangible fixed assets

i. 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
- collectively have a cost of at least £5,000 and individually have a cost of more than £250, 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, ward or unit irrespective of their individual or collective cost.

Expenditure on digital hearing aids in the year ended March 31 2004 (but not in earlier years) was treated as capital expenditure, in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. Subsequent purchases of digital hearing aids are capitalised only when the total value is greater than £5,000. Where small numbers of appliances are purchased the costs are expensed as incurred.

ii. 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.

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years. A three year interim revaluation is also carried out.

Professional valuations are carried out by the District Valuers of the Inland Revenue Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of April 1 2005 and were applied on the March 31 2005.

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.

All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses. If the balance on the revaluation reserve is less than the impairment the difference is taken to the Income and Expenditure Account.

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

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

iii. Depreciation, amortisation and impairments

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

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

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated

over the primary lease term.

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

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.

1.7 Investments

Investments in subsidiary undertakings, associates and joint ventures are treated as fixed asset investments and valued at cost less any amounts written off.

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

1.8 Donated fixed assets

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

1.9 Government grants

Government grants are grants from Government bodies other than income from Primary Care Trusts or NHS Trusts for the provision of services. Grants from the Department of Health, including those for achieving three star status, are accounted for as Government grants. 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 taken to the Government Grant Reserve and released to the Income and Expenditure Account over the life of the asset on a basis consistent with the depreciation charge for that asset.

1.10 Private Finance Initiative (PFI) transactions

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

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the Trust has contributed land and buildings, a prepayment for their fair value is recognised and amortised over the life of the

PFI contract by charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

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

1.11 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.12 Research and development

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

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

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. The NHS Foundation Trust is unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care activity.

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

1.13 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 3.5 per cent in real terms.

i. Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Foundation Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the NHS Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS Foundation Trust is disclosed at note 15.

ii. Non-clinical risk pooling

The 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 as and when the liability arises.

1.14 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities.

The Scheme is subject to a full valuation every four years by the Government Actuary. The last published valuation relates to the period April 1 1994 to March 31 1999. The valuation as at March 31 2003 has not yet been published. Between valuations the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period April 1 1994 to March 31 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis.

Employers' pension cost contributions are charged to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following the scheme valuation, on advice from the actuary. At the last valuation on which contributions rates were rebased (March 31 1999) employer contribution rates from 2003/04 were set at 14 per cent of pensionable pay. Employees pay contributions of 6 per cent (manual staff 5 per cent) of their pensionable pay.

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

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year pensionable pay for death in service, and up to five times their annual pension for death after retirement, is payable.

The scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement employees can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

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.

1.15 Value Added Tax

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

1.16 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.

1.17 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 26 to the accounts.

1.18 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the

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

1.19 Dividend

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as Public Dividend Capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the forecast average carrying amount of all assets less liabilities, except for assets in the course of construction, donated assets and cash with the Office of the Paymaster General. A note 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.

1.20 Other reserves

The Other Reserves balance of £743,000 was created by a technical accounting adjustment when the original NHS Trust was created in 1993.

2. Segmental analysis

The Trust has not reported the results of the different segments of its activities separately. It is the opinion of the Directors that this would be seriously prejudicial to the interests of both the Trust and its related parties.

3. Income from activities

3.1 Income from activities

	£000
Strategic Health Authorities	2
NHS Trusts	236
Primary Care Trusts	308,203
Local Authorities	150
Department of Health	9,964
Non NHS:	
– Private patients	7,692
– Overseas patients (non-reciprocal)	656
– Road Traffic Act	537
– Other	299
	327,739

Road Traffic Act income is subject to a provision for doubtful debts of 8.7 per cent to reflect expected rates of collection.

3.2 Private patient income

	9 months 2004/05 £000	2002/03 £000
Private patient income	7,692	9,591
Total patient related income	327,739	333,962
Proportion as a percentage	2.35%	2.87%

Section 15 of the 2003 Act 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.

4. Other operating income

	£000
Education, training and research	65,945
Charitable and other contributions to expenditure	3,431
Transfers from donated asset reserve	4,298
Transfers from Government grant reserve	17
Non-patient care services to other bodies	12,778
Other income	41,637
	128,106

Other income includes income from commercial activities, transitional funding, facilities income, foreign currency gains (£169,619) and other direct credits.

5. Operating expenses

5.1 Operating expenses comprise:

	£000
Services from other NHS Trusts	1,100
Services from other NHS bodies	4,224
Services from NHS Foundation Trusts	10
Purchase of healthcare from non NHS bodies	1,910
Directors' costs	859
Staff costs	261,012
Supplies and services – clinical	88,191
Supplies and services – general	4,863
Establishment	5,301
Transport	3,828
Premises	19,625
Bad debts	880
Depreciation and amortisation	19,272
Audit fees	159
Other auditor's remuneration	–
Clinical negligence	3,036
Other	29,470
	<hr/>
	443,740

Other operating expenses include expenditure on commercial activities, training and legal fees.

5.2 Operating leases

5.2.1 Operating expenses include:

	£000
Hire of plant and machinery	139
Other operating lease rentals	2,228
	<hr/>
	2,367

5.2.2 Annual commitments under non-cancellable operating leases are:

	Land and buildings £000	Other leases £000
Operating leases which expire:		
Between 1 and 5 years	1,228	803
After 5 years	212	971
	<hr/>	<hr/>
	1,440	1,774

5.3 Salary and pension entitlements of senior managers

A) Remuneration

		July 1 2004 - March 31 2005		
Name	Title	Salary £000	Other remuneration £000	Benefits in kind rounded to the nearest £100
Executive Directors				
D. Ariotti	Director of Delivery	120	—	—
E. Baker	Joint Director of Clinical Leadership and Medical Director	36	124	—
C. Geddes	Acting Director of Nursing (from July 1 2004 to September 31 2004)	14	—	—
T. Higginson	Director of Strategy and Policy	88	—	—
S. McGuire	Director of Capital, Estates and Facilities Management	93	—	—
J. Michael	Chief Executive	166	—	—
C. Miller	Acting Director of Nursing (from October 1 2004 to January 30 2005)	29	—	—
M. Shaw	Director of Finance	103	—	—
E. Sills	Joint Director of Clinical Leadership and Chief Nurse (from Jan 31 2005)	19	—	—
Non-Executive Directors				
D. Hill	Non-Executive Director	4	—	—
R. Lechler	Vice-Chairman (from November 24 2004)	2	—	—
R. Maw	Non-Executive Director (from March 9 2005)	0	—	—
P. Moberly	Chairman	17	—	—
J. Oliver	Non-Executive Director	4	—	—
K. Palmer	Non-Executive Director	4	—	—
A. Tapsell	Non-Executive Director	4	—	—
D. Williams	Vice-Chairman (until November 23 2004)	2	—	—

B) Pension benefits

Name	Title	Real increase in pension and related lump sum at age 60	Total accrued pension and related lump sum at age 60 at March 31 2005	Cash Equivalent Transfer Value at March 31 2005	Real increase in Cash Equivalent Transfer Value
		£000	£000	£000	£000
D. Ariotti	Director of Delivery	**	**	**	**
E. Baker	Joint Director of Clinical Leadership and Medical Director	*	*	*	*
C. Geddes	Acting Director of Nursing (from July 1 2004 to September 31 2004)	**	**	**	**
T. Higginson	Director of Strategy and Policy	17	118	420	82
S. McGuire	Director of Capital, Estates and Facilities Management	5	63	203	21
J. Michael	Chief Executive	**	**	**	**
C. Miller	Acting Director of Nursing (from October 1 2004 to January 30 2005)	**	**	**	**
M. Shaw	Director of Finance	17	153	556	75
E. Sills	Joint Director of Clinical Leadership and Chief Nurse (from January 31 2005)	**	**	**	**

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

* The current Joint Director of Clinical Leadership and Medical Director is recharged to the Trust from King's College Medical School, and therefore is not a member of the NHS Pension Scheme.

** Consent to disclose withheld

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

6. Staff costs and numbers

6.1 Staff costs

	Total	Permanently employed	Other
	£000	£000	£000
Salaries and wages	203,660	203,660	–
Social Security costs	17,298	17,298	–
Employer contributions to NHSPA	20,570	20,570	–
Agency and contract staff	20,281	–	20,281
Seconded staff	14	–	14
	261,823	241,528	20,295

6.2 Average number of persons employed

	Total number	Permanently employed number	Other number
Medical and dental	1,047	1,034	13
Administration and estates	2,035	1,823	212
Healthcare assistants and other support staff	838	641	197
Nursing, midwifery and health visiting staff	2,579	2,442	137
Nursing, midwifery and health visiting learners	569	545	24
Scientific, therapeutic and technical staff	1,483	1,371	112
	8,551	7,856	695

6.3 Management costs

	£000
Management costs	15,820
Income	455,623
Management costs as a percentage	3.47%

Management costs are defined as those on the management costs website at www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSMManagementCosts/fs/en.

6.4 Retirements due to ill-health

During the last nine months of 2004/05 there were eight early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £393,842. The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

7. Better payment practice code

7.1 Better Payment Practice Code – measure of compliance

	Number	£000
Total bills paid in the year	121,590	269,988
Total bills paid within target	97,672	224,337
Percentage of bills paid within target	80%	83%

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

7.2 The Late Payment of Commercial Debts (Interest) Act 1998

	£000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	1

8. (Loss) on disposal of fixed assets

Loss on the disposal of fixed assets is made up as follows:	£000
Loss on disposal of plant and equipment	(226)
	<hr/>
	(226)

9. Interest payable

	£000
Other	1
	<hr/>
	1

10. Intangible fixed assets

	Software licences £000
Gross cost transferred in from NHS Trust	1,546
Additions purchased	188
Additions donated	253
Gross cost at March 31 2005	1,987
Amortisation transferred in from NHS Trust	668
Provided during the year	324
Amortisation at March 31 2005	992
Net book value	
– Purchased assets transferred in from NHS Trust	608
– Donated assets transferred in from NHS Trust	270
– Total at July 1 2004	878
– Purchased at March 31 2005	552
– Donated at March 31 2005	443
– Total at March 31 2005	995

11. Tangible fixed assets

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

	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross cost transferred in from NHS Trust	70,104	493,498	58,996	114,066	124	12,424	1,377	750,589
Additions purchased	–	8,176	1,489	6,037	5	3,405	–	19,112
Additions donated	–	1,915	4,710	768	–	466	–	7,859
Additions Government granted	–	1,300	311	–	–	–	–	1,611
Reclassifications	3,404	117	(3,526)	–	–	5	–	–
Other in year revaluation	–	(68)	–	–	–	–	–	(68)
Disposals	–	–	–	(14,976)	(7)	(1,894)	–	(16,877)
National Revaluation Exercise	25,705	12,929	–	–	–	–	–	38,634
At March 31 2005	99,213	517,867	61,980	105,895	122	14,406	1,377	800,860
Depreciation transferred in from NHS Trust	–	–	–	90,658	103	9,169	807	100,737
Provided during the year	–	13,580	–	4,264	8	997	99	18,948
Disposals	–	–	–	(14,745)	(6)	(1,891)	–	(16,642)
Depreciation at March 31 2005	–	13,580	–	80,177	105	8,275	906	103,043
Net book value								
– Purchased assets transferred in	39,386	377,735	12,422	16,755	19	2,883	534	449,734
– Donated assets transferred in	30,718	115,100	46,574	6,653	2	372	36	199,455
– Government granted assets transferred in	–	663	–	–	–	–	–	663
Total at July 1 2004	70,104	493,498	58,996	23,408	21	3,255	570	649,852
– Purchased	59,113	382,321	10,429	19,289	17	5,438	442	477,049
– Donated	40,100	121,634	51,240	6,429	–	693	29	220,125
– Government granted	–	332	311	–	–	–	–	643
Total at March 31 2005	99,213	504,287	61,980	25,718	17	6,131	471	697,817

11.1 Tangible Fixed Assets (continued)

Of the totals at March 31 2005, none of the assets were valued at open market value, but in line with valuation methods set out in Note 1.5 (ii) above.

11.2 The net book value of land, buildings and dwellings at March 31 2005 comprises:

	Total £000	Protected £000	Unprotected £000
Freehold	603,500	590,271	13,229
	603,500	590,271	13,229

12. Stock and work in progress

	£000
Raw materials and consumables	9,545
	9,545

13. Debtors

	£000
Amounts falling due within one year:	
NHS debtors	14,78
Provision for irrecoverable debts	(3,678)
Other prepayments and accrued income	10,023
Other debtors	39,145
	60,278
Amounts falling due after more than one year:	
NHS debtors	430
Other debtors	612
	1,042
	61,320

14. Creditors

14.1 Creditors at the balance sheet date are made up of:

	£000
Amounts falling due within one year:	
Payments received on account	216
NHS creditors	8,568
Non-NHS other creditors	18,163
Tax and social security costs	11,451
Accruals and deferred income	42,913
	<hr/>
	81,311

NHS creditors include £3,511,536 outstanding pensions contributions at March 31 2005.

15. Provisions for liabilities and charges

	Pensions relating to other staff £000	Legal claims £000	Injury benefit £000	Total £000
Transferred from NHS Trust	9,211	319	432	9,962
Arising during the year	179	255	21	455
Utilised during the year	(533)	(30)	(16)	(579)
Reversed unused	(655)	(222)	–	(877)
Unwinding of discount	335	–	15	350
At March 31 2005	<hr/> 8,537	<hr/> 322	<hr/> 452	<hr/> 9,311

Expected timing of cashflows:

Within one year	733	322	22	1,077
Between one and five years	3,310	–	95	3,405
After five years	4,494	–	335	4,829

The provision relating to other staff category consists of provisions for pre-1995 early retirements and has been calculated using information provided by the NHS Pensions Agency.

£15,560,770 is included in the provisions of the NHS Litigation Authority at March 31 2005 in respect of clinical negligence liabilities of the Foundation Trust.

16. Movements in taxpayers' equity

	£000
Surplus for the financial year	10,707
Public Dividend Capital dividends paid	(11,315)
Gains from revaluation of purchased fixed assets	40,446
New Public Dividend Capital	6,000
Public Dividend Capital due	1,632
Transfers from the donated asset reserve	3,839
Additions to the Government grant reserve	1,594
	<hr/>
Net addition to taxpayers' equity	52,903
Opening taxpayers' equity transferred from NHS Trust	644,630
	<hr/>
Closing taxpayers' equity	697,533

17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Donated Asset Reserve	Government Grant Reserve	Other Reserves	Income and Expenditure Reserve	Total
	£000	£000	£000	£000	£000	£000
Reserves transferred from NHS Trust	176,080	199,725	663	743	(8,931)	368,280
Transfer from the income and expenditure account	–	–	–	–	(608)	(608)
Surplus on other revaluations	25,056	17,004	(1,614)	–	–	40,446
Receipt of donated/Government granted assets	–	8,137	1,611	–	–	9,748
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/Government granted assets	–	(4,298)	(17)	–	–	(4,315)
Other transfers between reserves	(3,132)	–	–	–	3,132	–
At March 31 2005	198,004	220,568	643	743	(6,407)	413,551

18. Notes to the cash flow statement

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

	£000
Total operating surplus	12,105
Depreciation and amortisation charge	19,272
Fixed asset impairments and reversals	–
Transfer from donated asset reserve	(4,298)
Transfer from the Government grant reserve	(17)
(Increase) in stocks	(1,055)
Decrease in debtors	14,223
Increase in creditors	7,662
(Decrease) in provisions	(652)
	<hr/>
Net cash inflow from operating activities before restructuring costs	47,240
Exceptional item	–
	<hr/>
Net cash inflow from operating activities	47,240

18.2 Reconciliation of net cash flow to movement in net debt

	£000
Increase in cash in the period	15,298
	<hr/>
Change in net debt resulting from cashflows	15,298
Non cash changes in net debt	436
Net debt transferred from NHS Trust	2,744
	<hr/>
Net debt at March 31 2005	18,478

18.3 Analysis of changes in net debt

	Cash transferred from NHS Trust	Cash changes in year	Non-cash changes in year	At March 31 2005
	£000	£000	£000	£000
OPG cash at bank	2,363	516	–	2,879
Commercial cash at bank and in hand	817	14,782	–	15,599
Debt due within one year	(436)	–	436	–
	<hr/>	<hr/>	<hr/>	<hr/>
	2,744	15,298	436	18,478

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £2,416,255.

20. Post balance sheet events

From April 1 2005 HM Treasury changed the discount rate used in calculating provisions from 3.5 per cent to 2.2 per cent. This change will result in an increase in our provisions of £66,748 which will be charged to the Income and Expenditure Account in 2005/06. National funding of NHS commissioners will be increased by the total estimated effect to offset this charge.

21. Contingencies

	£000
Contingent liability relating to those staff that are currently on local rather than national contracts and who consequently have the choice of moving on to an Agenda for Change contract during 2005/06	1,177
Contingent liability for other claims against the Trust	216
Amounts expected to be recovered from the Liabilities to Third Parties Scheme	–
Net contingent liability	<u>1,393</u>

22. Public Dividend Capital divided

The Foundation Trust is required to demonstrate that the Public Dividend Capital (PDC) dividend paid is in line with the forecast rate of 3.5 per cent of average relevant net assets. The equivalent rate of performance for this 9 month period is 2.63 per cent, with a materiality range of 2.25 per cent to 3.0 per cent. The dividend paid for this nine month period of account was £11,315,000 and, based on the average relevant net assets of £438,052,000, the Foundation Trust's performance was 2.58 per cent. This level of performance is within the materiality range set.

23. Financial performance targets

The following information relates to the Prudential Borrowing Limit (PBL) with which Guy's and St Thomas' NHS Foundation Trust is required to comply.

- A) The Foundation Trust had no long term borrowing at March 31 2005.
- B) The Dividend Cover ratio is 2.70.

24. Related party transactions

Guy's and St Thomas' NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a related party. During the year Guy's and St Thomas' NHS Foundation Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The main local commissioners are Lambeth PCT, Southwark PCT and Lewisham PCT from whom the Trust received £142,131,577 for health care contracts. Additionally the Trust has transacted with a large number of other PCTs and NHS Trusts as well as the NHS Litigation Authority and NHS Logistics.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. £22,552,556 has been received from the Ministry of Defence for health services supplied. There were also many transactions with King's College London. The Trust received £1,048,837 from the Foreign and Commonwealth Office for occupational health and other services.

The Trust has also received revenue and capital payments from a number of charitable funds, principally the Guy's and St Thomas' Charity. Keith Palmer (Non-Executive Director) acts as a Trustee for Guy's and St Thomas' Charity.

Aside from these transactions none of the other Board Members, the Foundation Trust's Governors, members of the key management staff or parties related to them have undertaken any material transactions with Guy's and St Thomas' NHS Foundation Trust.

25. Financial instruments

FRS 13, Derivatives and Other 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. Because of the continuing service provider relationship that the NHS Foundation Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Foundation Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The NHS Foundation Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Foundation Trust in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions should be shown gross. Any amount expected in reimbursement against a provision (and included in debtors) should be separately disclosed.

Liquidity risk

The NHS Foundation Trust's net operating costs are incurred under annual service agreements with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. Guy's and St Thomas' NHS Foundation Trust is not, therefore, exposed to significant liquidity risks.

Interest rate risk

100 per cent of the Trust's financial assets and 100 per cent of its financial liabilities carry nil or fixed rates of interest. Guy's and St Thomas' NHS Foundation Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

25.1 Financial assets

Currency					Fixed rate		Non-interest bearing
	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
At July 1 2004							
Sterling	17,630	17,172	430	28	3.5%	24	—
Other	1,278	1,217	—	61	0%	0	—
Gross financial assets	18,908	18,389	430	89			

25.2 Financial liabilities

Currency	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Fixed rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
At March 31 2005							
Sterling	293,293	—	9,311	283,982	3.5%	12	—
Other	—	—	—	—	0%	0	—
Gross financial liabilities	293,293	—	9,311	283,982			

Note: The Public Dividend Capital is of unlimited term.

Foreign currency risk

The Trust takes measures to minimise all foreign currency risk. The Trust has no significant foreign currency risk.

25.3 Fair values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at March 31 2005.

	Book value	Fair value	Basis of fair valuation
	£000	£000	
Financial assets			
Cash	18,478	18,478	
Debtors over one year:			
– Agreements with commissioners to cover creditors and provisions	430	430	Note a
	18,908	18,908	
Financial liabilities			
Provisions under contract	(9,311)	(9,311)	Note b
Public Dividend Capital	(283,982)	(283,982)	Note c
	(293,293)	(293,293)	

- a These debtors reflect agreements with commissioners to cover creditors over one year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with notes b and c, below, fair value is not significantly different from book value.
- b Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5 per cent in real terms.
- c The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

26. Third party assets

The Trust held £15,536.89 cash at bank and in hand at March 31 2005 which relates to monies held by the NHS Foundation Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

27. Losses and special payments

There were 865 cases of losses and special payments totalling £494,568 approved during the nine months to March 31 2005.

Guy's and St Thomas' NHS Foundation Trust's Annual Report is produced by the communications department. The team also produces:

South of the River – a quarterly magazine for the local community.

People – a monthly magazine for Trust staff.

In Touch – a quarterly magazine for primary care partners.

www.guysandstthomas.nhs.uk the website of the Trust.

If you have a media enquiry, require further information about our hospitals, or would like a copy of *South of the River* or *In Touch*, please contact:

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