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Guy's and St Thomas' NHS Foundation Trust

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Patient Advice

and Liaison Service (PALS)

If you require information, support or advice about our services, please contact:

PALS

Tel: 020 7188 8801 (St Thomas')

or 020 7188 8803 (Guy's)

Email: pals@gstt.nhs.uk

Membership

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

Tel: 0845 143 4017

Email: members@gstt.nhs.uk

Recruitment

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

The Recruitment Centre

Tel: 020 7188 0044

<http://jobs.gstt.nhs.uk>

Communications

If you have a media enquiry, require further information about our hospitals, or would like more copies of this report, 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 most well 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 have a reputation for excellence and innovation. The Trust became an NHS Foundation Trust in July 2004 and continues to perform well both financially and in the delivery of high quality patient care.

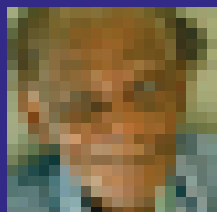
As well as providing a full range of hospital services for our local communities in Lambeth, Southwark and Lewisham, the Trust provides specialist services for patients from further afield, including cancer, cardiothoracic, renal and children's services. The new Evelina Children's Hospital opened in a landmark building at St Thomas' in October 2005, while Guy's is 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. We have a strong track record for research and development and in December 2006, with King's College London, we were announced as one of the first comprehensive Biomedical Research Centres in the UK.

The Trust is one of the largest employers locally, with around 9,000 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 organisations, 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.

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Catherine Kamenga-Wol

I was diagnosed with bowel cancer when I was pregnant with my daughter. It was a shock, as you don't expect it to happen to a young person. Although my condition was serious, the doctors were really sensitive and gave me lots of time to think about treatment options. I felt the care and advice I got were tailored around my personal circumstances and I benefited from the close links the Trust has with other organisations like Macmillan Cancer Support. Having cancer has changed my approach to life – I have realised that family is so important and I wouldn't have coped without them.

Chairman's statement

The performance of our staff during a year of financial difficulties has been magnificent and, as always, we are thankful for their dedication and enthusiasm. The clinical quality of the care provided to our patients has remained our first priority, and is reflected in our newly articulated Trust values. Our success is externally recognised and is achieved only through unceasing effort.

We are also grateful for the efforts of our Primary Care Trust (PCT) partners during a year of significant change and financial uncertainty for them, and we are pleased to have been able to provide some stability in the South East London health economy at a time of transition and restructuring.

The South East London Strategic Health Authority was replaced during the year by NHS London (a single strategic health authority covering the whole of the capital), its Chairman Linda Smith having left a few months earlier. Linda had been an outstanding leader in South East London for many years and her contribution has been greatly missed as we debate future options for local services. We also miss Jane Ramsey, Lambeth Primary Care Trust's former Chair, who has taken up a non executive director role at another Trust.

Both Jane and Linda exemplified excellent partnership working, and campaigned ceaselessly on behalf of patients and were warm supporters of Guy's and St Thomas'. We have been fortunate in our good local relationships and we intend to consolidate these as we welcome the incoming Primary Care Trust Chair for Lambeth, Caroline Hewitt, and the new Chief Executive of Southwark Primary Care Trust, Susanna White, as well as a number of newly appointed directors.

There have been major advances this year in the Board of Directors' work to develop the Trust's strategy. Of particular note are the emerging clinical and estates plans, which are providing a framework for decision making and future investment. Many parts of the Trust's estate still require modernisation and rationalisation and we will ensure that our plans take full account of the experience of patients and the standards that they expect in a modern health care environment. Our work on cancer services is also gathering momentum and already delivering change and improvement in patient care.

With the active co-operation of the Mayor of London's office, the Trust launched its environmental sustainability campaign at staff gatherings on both sites and at our Members' Council, where the Leader of Southwark Council, Councillor, Nick Stanton, led the discussion together with other partners. The Trust now plans to develop examples of good practice which we can share with the wider NHS.

Chairman's statement

There have been a number of changes to our Members' Council membership during the year following elections and retirements, and we have seen members gaining in experience and confidence. Their efforts on the very successful Trust open day, and in other activities as well as meetings and discussion groups, have been greatly appreciated.

During 2006/07 the Foundation Trust Board said goodbye not only to Sir Jonathan Michael, but also to Dallas Ariotti, the Transformation Director. Dallas left the Trust having embedded excellent clinical governance systems, forwarded work on the cancer strategy and contributed her many talents to a range of our activities. The Members' Council reappointed two of our non executive directors, Anna Tapsell and Jan Oliver, for further terms of office. Keith Palmer, who has served the Trust with distinction for six and a half years, has been appointed Chairman of Barts and The London NHS Trust. As Chairman of the Audit Committee and Finance and Investment Committees, Keith has guided our financial and other systems with great wisdom and quiet authority. I have valued his support enormously and wish him every success in his new role.

Sir Jonathan Michael's achievements during his six and a half years as Chief Executive have been substantial. Building on the work of his predecessor Tim Matthews, he continued to weld two hospitals into a united Trust with the highest clinical standards, and has been single mindedly committed to the success of this strategy, which culminated in the Trust achieving Foundation Trust status in 2004 and in the opening of the Evelina Children's Hospital in 2005. Throughout his period in office, Sir Jonathan worked with absolute dedication and commitment for the welfare of patients and staff. His vision and ambition were matched by his attention to detail and the maintenance of excellent results both clinically and financially. His leadership style has been distinguished by its integrity and professionalism. I owe him a personal debt of gratitude for his support and kindness during our time together at the Trust.

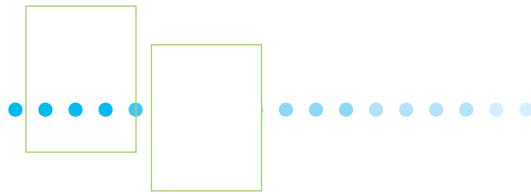
I am particularly pleased to report the appointment of Ron Kerr, currently Chief Executive at United Bristol Healthcare NHS Trust, as a worthy successor to Sir Jonathan. Ron will bring to the Trust vast experience at senior levels in the NHS and a fine reputation. I am absolutely confident that in securing Ron as our new leader, we will build on the exciting opportunities ahead.

Finally, my thanks as always go to my generous, loyal and gifted fellow Board members.



Patricia Moberly

Chairman







Richard Burrow

I had robotic surgery to treat my prostate cancer in 2006. Twelve months on, I am fit and well with PSA blood tests looking positive. I received truly professional care that has enabled me to come home to my farm and family, safe in the knowledge that my cancer is now behind me. I will be eternally grateful to my consultant, Mr Prokar Dasgupta, for his frankness and honesty before, during and after the operation.

Chief Executive's report

This is a difficult year to sum up as it has been characterised by many different things: it has been tough financially, but we have ended the year in surplus; this year's performance targets have proved extremely demanding to achieve, but we believe we have been successful in delivering all the 'core standards' which we are measured against; and, as is always the case at Guy's and St Thomas', there have been notable high points, this year including our success in being approved as one of the first five comprehensive Biomedical Research Centres in the UK.

I have been proud to have led our distinguished university teaching hospitals through a difficult, but ultimately successful period. As always, I continue to be impressed by the commitment and determination shown by our staff, particularly when things get tough and we ask even more of them, whether that is to achieve ever higher standards of performance, or to increase efficiency, drive down costs and make financial savings.

Our staff have delivered all of these – and more – and through everything they retain their focus on the most important things which underpin our role: an unswerving commitment to high quality, patient-focused care, combined with the delivery of highly effective teaching and training, and excellence in research and development. I would like to thank them all and acknowledge their central role in our achievements this year.

Another strong performance

On behalf of the Board of Directors, I am pleased to report that the Trust continues to perform extremely well both in terms of its financial and operational performance. Yet again this has been a busy and successful year for the Trust, and one in which we are confident that we will have met all our key targets.

During the year, the old star rating system was replaced by the annual health check which has been developed by the Healthcare Commission and measures performance against a wide range of standards. In addition to core standards, which are similar to the previous performance and financial targets, there are a series of 'development standards' which aim to assess how well services meet patient's needs and whether they are provided in appropriate environments and delivered by competent staff, as well as a series of other measures.

These range from patient safety and training to openness, accountability and effective use of resources, and the Board of Directors is required to carry out a detailed self-assessment of our performance against each of the standards. We did this for the first time during April and May last year, reviewing our performance in 2005/06. Our Board takes this responsibility very seriously and has devoted considerable time to it on each occasion. We were therefore

Chief Executive's report

delighted to be complimented on our processes when we were subject to a random spot check by the Healthcare Commission.

When our performance under the new system was published for the first time in October, we were given an overall rating in two categories: one which measures the quality of our services and another which assesses how well we use our resources. I am pleased to report that we achieved a rating of 'good' in each category on a four point scale of weak, fair, good and excellent. This is a strong performance, of which we can be proud, but also shows us that we can make further improvements, particularly in terms of our performance against some of the newer development standards, and this has been the focus of attention this year.

In terms of our financial performance, following the late publication of the revised national tariff last March, we knew that it would be a difficult year and we extended our internal processes of business planning and budget setting so that we could take full account of the implications of the final tariff on our financial plans for each service area. This led to very demanding and detailed saving targets being agreed by the Board of Directors in July, supplemented by further savings which were agreed in October when we were concerned that our original plans would not achieve our financial plan for the year as a whole.

It is a credit to our staff that we have delivered the savings plans that we set ourselves. This, combined with a number of external factors such as the additional income that we have been paid for extra activity in 2006/07, and which are described in detail on page 16, mean that we have ended the year in surplus, and we are now planning how this should be reinvested in our services and in future service developments.

The surplus we have been able to achieve is very much in keeping with our aspirations as an ambitious Foundation Trust, but we recognise that both recurrent and non-recurrent factors have contributed to the position and we need to press ahead with the demanding savings targets which the Board has set for the Trust as a whole to deliver over the next two years. It also reflects our long track record of sound financial management. Our prudent approach to business planning has clearly paid off, both allowing us to closely monitor in-year performance and to take swift and decisive action when needed.

In other areas of inspection, we have also had considerable success, in particular, we are delighted that our maternity services are one of only 14 trusts in the country to achieve CNST level 3, the highest level of accreditation under the Clinical Negligence Scheme for Trusts. Similarly, we were very pleased to receive positive feedback following a detailed inspection by the Health and Safety Executive (HSE) in January.

Delivering effective patient care

We retain a clear focus on our primary purpose, which is to diagnose, treat and care for our patients. Our success in this respect depends on our ability to deliver effective patient care, based on the latest clinical evidence and best practice, and which is cost effective and therefore sustainable under the national system 'Payment by Results'.

We take this responsibility very seriously, and during the year we have worked hard to make our service improvement and modernisation work part of mainstream business and operational management. We have also, with valuable help and input from our Members' Council and other patient representatives, placed a growing focus on patient views, and we strive to make continuing improvements to the overall 'patient experience' of our services and to meet rising expectations.

This includes significant investment in the hospital environment through our £3.6 million Face initiative, which is generously funded by Guy's and St Thomas' Charity, and the introduction of a quarterly telephone survey to help us better understand what matters to patients. We also have a number of important initiatives to improve the consistency and



quality of patient care. For example, we have seen our 100 or so most senior nurses return to clinical practice every Friday to monitor and drive up standards, and we continue to build on our success when it comes to reducing the time that most patients spend in hospital.

In addition, to ensure we remain competitive and cost effective, we continue to target savings opportunities which will reduce our overhead costs. These range from a substantial reduction in spending on temporary and agency staff to imaginative ways to reduce our procurement costs, for example, by streamlining the whole supply chain process and substantially reducing stock levels in operating theatres and other clinical areas, as well as driving down energy consumption and associated costs.

Last, but by no means least, we have been developing a new business planning model which allows clinicians and managers to understand detailed service economics at a specialty and sub-specialty level. We expect to make increasing use of this information over the coming year, both to drive service improvement and to inform investment decisions. These 'profitability assessments' will support the significant progress we have made to develop comprehensive clinical and estates strategies for the Trust, closely aligned with those of our key partner organisations, as well as work to increase medical productivity and carry out a similar review of all non-clinical services.

Working with partners

Some of our most exciting achievements and developments this year have a strong unifying theme, which is their focus on partnership working. We were extremely pleased to learn in December that, with our key university partner King's College London, we had been approved as one of the first comprehensive Biomedical Research Centres in the NHS, which means that we will continue to be a major recipient of NHS research and development funding.

This successful outcome followed a very rigorous assessment process, and we were delighted to be commended for the quality of our bid. The work of the biomedical centre will focus on a number of key research themes, which are described on page 50, and there will be an overall focus on 'translational research', ensuring that we bring together the expertise of biomedical scientists and leading clinicians for the benefit of our patients and the wider health service.

A strong partnership between the Trust and the university will be pivotal to these efforts to translate advances in the laboratory into improved patient care, and we are extremely pleased to have the opportunity to build on our hospitals' long association with important medical breakthroughs and new treatments.

The Biomedical Research Centre also supports our ambition to become one of the first Academic Medical Centres in the NHS and involves close partnership working with a number of neighbouring NHS organisations, including King's College Hospital NHS Foundation Trust.

During the year, we have been holding discussions and working increasingly closely with King's College Hospital in a number of areas, including joint research initiatives, our cancer strategy and to explore how we might rationalise some of the specialist services we both provide as part of our contribution to the wider discussions about the future of health services across South East London. We are keen to play our part in any changes to local health services which will ensure that high quality, affordable health services are available to patients in the future, and we have been asked by NHS London to continue our discussions with King's College Hospital in this context. This work is expected to lead to public consultation in the autumn, mainly focused on the four hospital trusts in outer South East London.

Our partnership working continues at every level, strategically as described above, but also through our day-to-day work with numerous statutory and voluntary organisations, including our many university and academic partners; our local authorities; and NHS partners such as

Chief Executive's report

our local primary care trusts, GPs and other health professionals, and our colleagues at South London and Maudsley NHS Foundation Trust.

Similarly, within the Trust, there are the constant interactions between our staff and patients, and between staff and others with whom they work. At every level we share a commitment to improving health and local health services, and we are pleased to work together to achieve this. We worked closely with our staff this year to agree a set of values that will underpin and guide what we do. These are to: *put patients first; take pride in what we do; respect others; strive to be the best; and act with integrity*, and are being widely shared and discussed across the organisation.

Many of these relationships, particularly our interaction with patients and the communities we serve, have been strengthened and nurtured by our Foundation Trust status, and this continues to be a welcome development which will drive our future success as a responsive and patient-focused organisation.

Particular thanks and acknowledgement must as ever go to Guy's and St Thomas' Charity whose generous support continues to enhance so much of what we do, whether it is to help us set new standards for the hospital environment; support arts projects for the benefit of our patients and staff; or to allow us to drive forward imaginative service development and innovation. These range from the ongoing Modernisation Initiative to transform services for stroke, kidney and sexual health patients, to work on the cancer strategy and many smaller clinical developments which span virtually every department in the Trust.

We are enormously grateful to the Charity for this continuing support, and additionally for their efforts to secure planning consent for the Founder's Place development opposite St Thomas' which will deliver many benefits for the Trust.

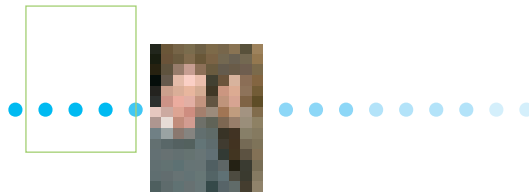
Looking ahead

Whilst there is never a good time to step down as Chief Executive, as I prepare to leave the Trust in late April, I know that I leave the organisation in a strong position to take advantage of the opportunities which the future holds.

Whilst the Trust does not have any immediate plans to borrow against the Prudential Borrowing Limit, I am sure that the Board of Directors will take full advantage of the benefits which Foundation Trust status offers, particularly as they progress ambitious plans for cancer services and the Trust estate, and drive ahead with plans to become an Academic Medical Centre of national and international standing.

It has been a privilege and an honour to lead these great hospitals and I have every confidence that Guy's and St Thomas' will build on their reputation for setting new standards for health services, research and development, and for training and education.

As I conclude my report, I wish to thank Trust Chairman, Patricia Moberly, for her support over the years, and her tireless work on behalf of the Trust and our patients. We have worked closely together throughout my six and a half years as Chief Executive and Patricia has provided sound counsel and wise advice on many occasions, guiding the Board of Directors with great talent, and ensuring the successful integration of our new governance arrangements as a Foundation Trust, particularly in helping to support the new Members' Council so that it has become an active and valuable addition to the organisation.



As this is my final report, I would also like to thank the many executive and non-executive directors, managers and clinicians with whom I have worked over the years, all of whom have played a part in making our Trust so successful, forward thinking and ambitious in what we want for our patients and for the future.

The photographs commissioned for this annual report, provide just a small insight into the wide range of services that we provide and demonstrate how our staff quite literally transform the lives of thousands of patients each year. I hope that, like me, you will find these a fascinating insight and tribute to our staff. I would like to thank all the patients and their families for agreeing to share their stories.

Sir Jonathan Michael
Chief Executive





Kerry Conley

I have been coming here since I was two years old so all the nurses know me really well. When I come in each month, we catch up and have a laugh, so I don't even think about why I'm here. But thanks to them I can carry on with my First Diploma in Drama course at Lewisham College and not let my condition stop me from doing the things I love.

Our financial performance

Guy's and St Thomas' has performed exceptionally well financially in 2006/07, and the Trust has declared a surplus of £22.4 million for the financial year. We had planned for a surplus of £0.5 million recognising in particular the income risk that we faced as a result of the reduced levels of growth available in many of the Primary Care Trusts who purchased services from us.

The year end surplus reflects the fact that the Trust delivered a significant programme of cost reduction and increased efficiency, whilst continuing to improve services and achieve all the key NHS targets which are expected of us. During the last three months of the financial year, from January to March, the Trust's income position improved considerably and exceeded our planned income for this period. This was the result of an improved financial position in the Primary Care Trusts, the NHS in London and in the NHS overall. Table 1 below compares the 2006/07 outturn to the 2006/07 plan.

Table 1

	Plan 2006/07 £millions	Actual 2006/07 £millions	Variance £millions
Total income	677.7	701.9	24.2
Expenses	(629.6)	(632.2)	(2.6)
Operating surplus	48.1	69.7	21.6
Depreciation	(31.4)	(31.5)	(0.1)
Interest etc	1.2	1.6	0.4
PDC	(17.4)	(17.4)	0.0
Retained surplus	0.5	22.4	21.9

In 2006/07, the Trust achieved savings of £34.9 million against a target that £33 million of savings would be required. We also added, and achieved, a further £8.2 million of savings in-year. A number of factors contributed to the savings that were achieved, including an impressive reduction in average length of hospital stay, particularly in acute medicine and elderly care, significant savings in the amount paid for external goods and services, as well as substantial savings in the amount spent on temporary staffing and on the overhead costs associated with estates and facilities and corporate departments.

Our financial performance

The increase in actual income compared with the levels set out in our plan was primarily the result of the Trust undertaking additional activity, over and above the original contracted levels, for a number of Primary Care Trusts. This has resulted in increased income and also some increase in expenditure associated with delivering this additional activity. In many cases, Primary Care Trusts had previously been either unable or unwilling to pay for this additional activity, and it is partly the receipt of the extra income associated with this work in the later stages of the financial year that has enabled us to deliver a surplus which is some £21.9 million better than planned.

Financial performance 2005/6 and 2006/7

Table 2 below shows the Trust's financial performance for 2005/6 and 2006/7.

Table 2

	Actual 2005/06 £millions	Actual 2006/07 £millions
Income	660.2	701.9
Expenditure	-644.0	-663.7
Operating surplus	16.2	38.2
Interest etc	0.7	1.6
PDC	-16.6	-17.4
Surplus/(deficit)	0.3	22.4

Over the two year period, the Trust made a £22.7 million surplus. This compares to a planned surplus for the period of £3.9 million. This is primarily due to the following positive factors:

- additional activity resulting in increased income from Primary Care Trusts;
- the significant cost improvement programme which has been achieved by the Trust;
- the unexpected recovery of prior year income.

These 'gains' have been partially offset by:

- increased costs associated with providing increased activity for Primary Care Trusts;
- the cost of meeting national waiting time targets;
- a reduction in funding for training and education, which we were notified of mid way through 2006/07.

The Trust has historically delivered savings and efficiency programmes of around £20 million a year. Having implemented our *Delivering Excellence programme*, the Trust successfully delivered the largest savings programme ever achieved in a single year in 2006/07, delivering savings totalling £43.1 million. We have developed further savings proposals of £26.9 million to deliver in 2007/8, and will continue to drive down costs in future years to meet anticipated financial risks and deliver surpluses which we can reinvest in service developments and the Trust's estate in support of our strategic vision.

Trends in activity, income and expenditure

The charts 1-5 (right) show activity, income and expenditure growth over a five year period from 2002/3 to 2006/7.

Activity trends

Charts 1-3 show the growth in inpatient and day case activity (measured as completed patient spells), – up by 26 per cent, and growth in outpatient attendances – up by four per cent.

The growth of inpatient and day case activity relates to increased demands for specialist (tertiary) services and increased activity purchased by Primary Care Trusts to achieve national waiting times targets.

Total outpatient activity has grown by four per cent (new outpatient referrals increased by 10 per cent and follow-up referrals increased by two per cent) over the period. As a result, the ratio of new to follow-up attendances has continued to improve.

Between 2005/6 and 2006/7, outpatient activity levels grew by 6.5 per cent as additional categories of activity, became subject to the national tariff.

A&E attendances have also increased – up by over 16 per cent over the five year period – and the time that patients wait to be diagnosed, treated, admitted or discharged has also improved in line with national targets. We have seen a small reduction in A&E attendances between 2005/6 and 2006/7 as a result of demand management measures agreed with our local Primary Care Trusts.

Chart 4 shows the growth in income over the five year period from April 2002 to March 2007. Income has grown at approximately 8.5 per cent a year over the period, which is around four per cent above the NHS agreed inflation funding increases. This increase in

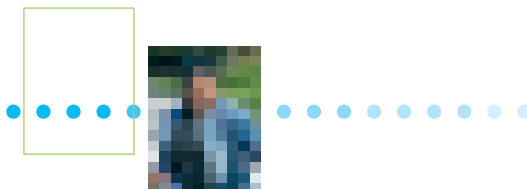


Chart 1: Completed patient spells

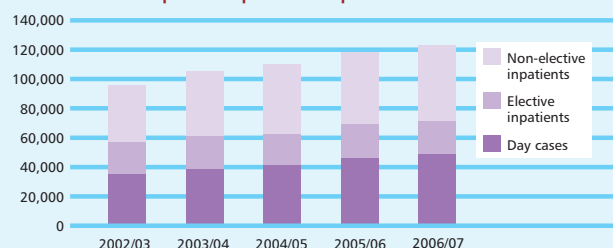


Chart 2: Outpatient attendances

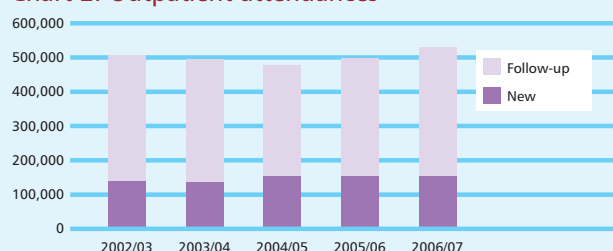


Chart 3: A&E attendances

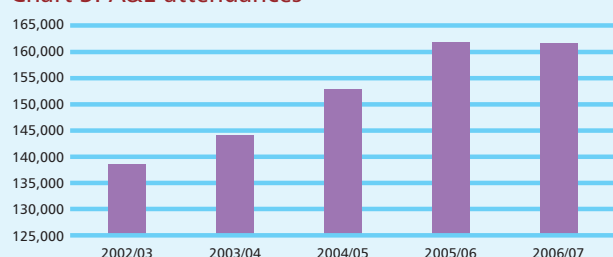


Chart 4: Income £000s

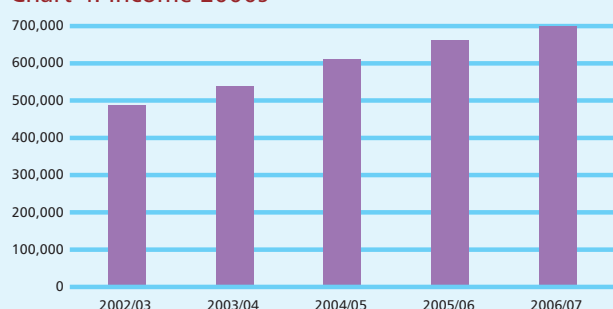
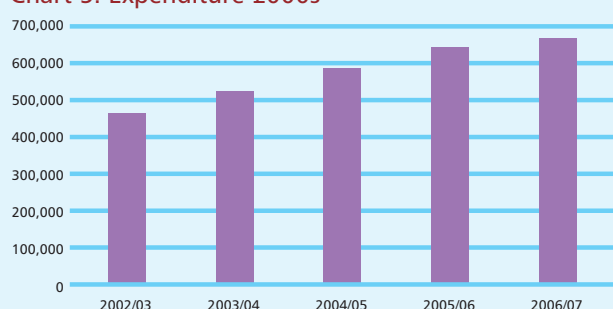


Chart 5: Expenditure £000s



income above inflation is, in the main, as a result of PCTs purchasing the additional activity referred to above.

At six per cent, the income growth in 2006/7 is lower than the average over the period. This is primarily due to the annual inflation increase and cost improvement target of 2.5 per cent which have led to a lower overall inflation uplift of around 2.5 per cent, when compared with that which has been typical in previous years.

In addition, the Department of Health reduced the funding available to support the Trust's contracts for the provision of training and education by £4.1million, and we were only notified of this mid way through the year, after the resources had been committed.

Chart 5 shows the growth in expenditure over the five year period. Expenditure has grown at a rate slightly in excess of eight per cent a year over the period. This was primarily as a result of additional staff and non-pay costs associated with providing additional activity, although growth in expenditure in 2006/07 has reduced to three per cent, which reflects our considerable success in achieving cost efficiencies over the past year.

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 £66.3 million cash in the bank, against a plan of £29.2 million. This was an increase in cash of £38.8 million compared with the £27.5 million position at the end of 2005/6. The increase is largely due to the Trust achieving a surplus which is £21.9 million above plan, and to slippage of £11.4 million on the capital programme.

The Trust had a projected NHS capital spend of £48.3 million for the year and also expected to draw-down Public Dividend Capital (PDC) of £19 million from the Department of Health. The actual capital expenditure during the year was £39.1 million, which was less than planned due to the timing of payments for some elements of the Trust's capital programme.

The Trust drew down £23.8 million PDC in 2006/7 for completed schemes (including £2.1 million that had been accrued in the accounts in 2005/6 with the cash expected in 2006/7).

In 2007/8, the Trust expects to complete a further £17.4 million of outstanding PDC schemes agreed by the Department of Health and the South East London Strategic Health Authority at the time of our authorisation as an NHS Foundation Trust, plus £5.7 million of newly authorised capital schemes, including the Biomedical Research Centre.

Our financial performance

There has been no change to the Trust's schedule of protected and non-protected assets during the year. The Trust has, however, disposed of its share of the Lambeth Hospital site since March 31 2007, and is currently negotiating the sale of the General Lying in Hospital at Waterloo. Both of these facilities were deemed non-protected assets at the time of the Trust's authorisation as an NHS Foundation Trust.

Charitable Funding

The Trust is fortunate to be supported by Guy's and St Thomas' Charity. All the Charitable funds that benefit the Trust are administered by this separate charity. In 2006/07 the Trust spent £5.4 million on capital projects funded from charitable grants and received £6.4 million in charitable contributions towards the Trust's revenue expenditure.

Capital Expenditure 2006/07

Capital expenditure during 2006/7 was focused on protected assets and included backlog maintenance on the Trust estate, provision of medical equipment and investment in IT projects.

Table 3: Capital expenditure

	NHS funded £ millions	Donated £ millions	Government grants £ millions
Buildings	11.2	1.7	0.0
Assets under construction	13.4	2.6	0.4
Plant and machinery	3.8	0.9	0.1
Information technology (IT)	4.7	0.2	0.0
Furniture and fittings	0.0	0.0	0.0
Software licences etc	0.1	0.0	0.0
Total	33.2	5.4	0.5

Commercial income and private patient cap

The Trust has a large commercial portfolio, and much of this income is subject to long term contracts.

In accordance with 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 outturn. The Trust remained within the private patients cap for 2006/07 (see note 3.3 of the annual accounts on page 78). Our future plans assume that private income will remain constant in real terms, and will therefore remain within the required limit.

Prudential Borrowing Limit

A Prudential Borrowing Limit (PBL) is set by Monitor and is reviewed at least annually. The total amount that the Trust borrows must be within this limit. Monitor sets the PBL for each Foundation Trust with reference to financial ratios and the individual Trust's working capital facility.

The Trust had no borrowing against the PBL during 2006/07, and this was in line with expectation. The Trust's performance against the PBL indicators is described in note 23 of the final accounts on page 87.

External audit services

The Members' Council agreed that Deloitte & Touche LLP should be the Trust's external auditor for 2006/07. The Trust incurred £118,000 in audit services fees in relation to the statutory audit of the Trust accounts to March 31 2007. No other audit services were required 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 level. Incorporated within the Trust level scorecard, which is reported to the Board of Directors, 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. At the end of the financial year the Trust achieved a risk rating of five, in 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 Guy's and St Thomas', along with all other NHS organisations, must operate continues to change in an unprecedented way. Senior managers and clinical leaders in the Trust have identified five key drivers of change which present both threats and opportunities to our future operation. These are:

- an increase in independent sector provision and the continued development of *Patient Choice*;
- the effects of the financial regime, *Payment by Results*, and associated national tariff;



- PCT referral management proposals;
- changes to funding for research and teaching;
- changes to funding for capital projects.

The Trust has concluded that the threats associated with the drivers of change generally outweigh the potential gains. *Patient Choice* and the increased independent sector provision remain both the most material threat, as well as an opportunity. The volatility of the national tariff under *Payment by Results*, and changes to the levy funding for research and teaching and to the funding of capital projects, also make planning difficult. The extent and impact of referral management proposals, currently being considered by Primary Care Trusts, are as yet uncertain.

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 continues to set itself challenging financial targets. The Trust is planning to achieve a further £26.9 million savings in 2007/08, and aims to deliver a surplus of £10 million in 2007/08, in addition to the £22.4 million achieved in 2006/07. These surpluses will then be available to reinvest in service developments and the Trust's estate in support of our strategic vision.

The degree to which these targets are achieved will determine the levels of future investment the Trust is able to undertake, and will provide a financial buffer should the financial risks identified above materialise.

Through the South East London service design and sustainability project, the Trust is working closely with Primary Care Trusts, other hospital trusts and NHS London to share information which will allow us to assess the financial and clinical risk to services and to develop joint strategies to mitigate financial risk and plan services in a sustainable way for the future.

The following section sets out the key risks we have identified in achieving the financial targets we have set ourselves, and how these will be managed.

Increased private sector provision and Patient Choice

The Trust has undertaken a number of initiatives to improve the patient experience, including the hospital environment in which our patients are treated. A patient booking project is also well established, which is helping the Trust to achieve the *Choose and Book* targets, as well as improve internal scheduling and processes.

The Trust is working with other NHS and private sector providers to ensure continuity of care for patients, and with successful bidders for certain diagnostic treatment centre contracts where NHS Foundation Trusts are eligible to do so.

Payment by Results

The Trust has led the establishment of a consortium of trusts across the NHS that are using an international expert to enable them to fully understand and plan for the implications of *Payment by Results*. The Trust has gained slightly under *Payment by Results*, but the volatility of the national tariff remains a matter of concern.

The late issuing of the national tariff for 2006/07, in March 2006, combined with the effect of the re-basing of the tariff and the increased national efficiency requirements, meant that we had to re-assess our financial targets very late in the Trust's internal business planning cycle. We had set our cost improvement targets at five per cent with the aim of achieving a one per cent surplus but, in the light of the tariff changes, we had to increase our cost improvement target to 10 per cent to maintain the planned delivery a one per cent surplus.

Both the late receipt of the tariff, and the unpredictable reductions in the tariff income for many services, were of concern. Despite the last minute changes, Trust staff responded well to the changed circumstances and in adjusting their plans to deliver the required savings.

The Trust continues to be represented on the Department of Health Project Board which is consulted on the development of the tariff.

Referral management

The Trust is working in collaboration with local Primary Care Trusts to assess the impact of referral management proposals being required by NHS London. Where treatment outside of hospital is clinically appropriate, and financially advantageous, we will work with local partner organisations to explore how best to make this happen. The Modernisation Initiative funded by Guy's and St Thomas' Charity is enabling specific proposals for renal, stroke and sexual health services to be developed.

Changes to funding for research and teaching

Following the publication of the Department of Health's new research and development strategy in January 2006, we are working closely with King's College London, our

Our financial performance

main university partner, and King's College Hospital NHS Foundation Trust to produce proposals which will attract and retain research income and maximise the research potential of all three organisations. We have already secured a number of successful bids, the most notable being our approval as one of five comprehensive Biomedical Research Centres, and which will attract approximately £50 million of funding over the next five years.

The levy income we receive for teaching was reduced in 2006/07, and we are planning on the basis that this reduction will be recurrent.

The levy funding we receive for research and development is also projected to significantly reduce over the next two years, and we are already planning to make efficiency savings to offset the predicted loss of income.

Although we do not anticipate any further loss of research income, we believe the teaching levy may be subject to further review. Should these levies reduce further, a significant detrimental impact on research and development and teaching across London is anticipated. We will work with NHS London and the Department of Health to ensure that the impact of any proposed changes are fully understood, and we will argue for transitional arrangements if significant change is proposed.

Changes to funding for capital projects

When we were first licensed as an NHS Foundation Trust, the Trust received written confirmation from the Department of Health that our existing approved capital programme commitments would be funded through Public Dividend Capital (PDC). We are therefore anticipating £23.2 million of Public Dividend Capital in 2007/08 for agreed capital schemes which we expect to complete this year. Our assumption is that these existing capital commitments will be received as Public Dividend Capital (PDC) with interest payable at 3.5 per cent. If the agreed schemes are not funded through PDC as previously agreed, or the 3.5 per cent is varied, then the Trust will be significantly disadvantaged.

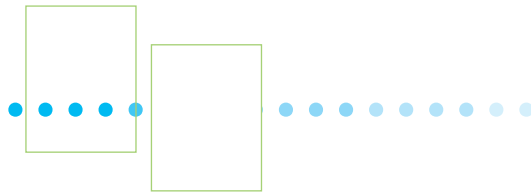
Despite the assurances given at the time of our authorisation, it has recently been suggested that from 2007/08 all NHS Foundation Trusts may be required to adopt loan financing in place of PDC. The Trust is currently in discussion with the Department of Health regarding honouring these initial capital commitments. If the original commitment is not honoured, the schemes will have to be reviewed and potentially abandoned if the promised PDC is not forthcoming.

Countering fraud and corruption

The Board of Directors has established policies and procedures to minimise the risk of fraud or corruption, along with a procedure to be followed in the event of any suspected wrongdoing being reported. Members of staff with reasonable suspicions of irregularities are encouraged to report them and the Trust's policy is that no employee will suffer as a result of reporting reasonably held suspicions.

The reporting procedure is detailed in the Trust's policy on Raising a Matter of Concern (whistle blowing policy) and Standing Financial Instructions. This guidance also includes contact details for the Trust's Local Counter Fraud Specialist (LCFS), and the NHS Fraud and Corruption Reporting Line. This guidance is available to staff on **GTi**, the Trust's intranet, along with other useful information about countering fraud, and we regularly remind our staff to be vigilant.

Reported concerns are investigated by the Trust's Local Counter Fraud Specialist, who reports to the Director of Finance, and liaises with the NHS Counter Fraud and Security Management Service and the police as necessary. If the reported concerns or allegations are substantiated, the matter will be pursued in accordance with criminal, civil or disciplinary proceedings, or a combination of these. We work hard to create an anti-fraud culture in the Trust and to prevent and detect fraud and corruption. Reports of any counter fraud activity are made to the Audit Committee, a sub committee of the Board of Directors.







Minaxi Joshi

I have been coming to Guy's for over 22 years, mainly to be treated in the dental, diabetes and cardiac departments. My concerns or worries about my treatment have been made a priority before and after any surgery. Although painful, the most recent operation on my mouth has made a big difference and I am very grateful to the doctors and surgeons who helped me get through it.

Our operational performance

The Trust continues to perform well operationally, as well as financially, and to achieve the targets expected of NHS organisations. We also achieved good outcomes in the many external assessments which we continue to be subject to each year, and we take our social and environmental responsibilities seriously, both as a major employer and through our active involvement in the community we serve.

Last year the Trust's performance was assessed under the Healthcare Commission's new Annual Health Check system. The new assessment consists of two sections – one which measures the quality of our services and another which assesses how well we use our resources. The Trust received a 'good' rating in both categories on a scale of weak, fair, good, and excellent. Our high scores in both categories are thanks to the hard work and dedication of the Trust's staff and reflect our commitment to improving the care that every patient visiting the Trust receives.

Our 'good' rating for the use of resources section reflects the Trust's continued high standard of financial management. As an NHS Foundation Trust, this assessment is made by the independent regulator Monitor, and our financial performance is kept under close review by the regulator throughout the year. The score is based on how well we manage our finances, as well as how we plan, monitor and report on the money we spend and ensure that our services provide value for money.

The quality of services score, for which we also achieved a 'good' rating, is made up of a number of components, including targets set by the Department of Health and the outcome of specific service reviews carried out by the Healthcare Commission during the year. The Trust was awarded the top ratings of 'fully met' and 'excellent' for the parts of the assessment which look at targets, having satisfied the Healthcare Commission that we were meeting the basic (core) standards, as well as other new and existing targets. Last year our final rating was also influenced by service reviews of admissions management, diagnostics, medicines management and children's services.

The annual health check includes an element of self-assessment and last year the Trust was selected at random for an inspection of our processes. After examining our evidence, the Healthcare Commission was not only satisfied with our self assessment as 'fully met', but also complemented us on the way we had carried out the assessment.

Our operational performance

Meeting national targets

Guy's and St Thomas' is one of the largest and busiest Trusts in the country. During 2006/07, we saw 530,000 outpatients, 73,700 inpatients and 49,000 day case patients. On average we have 1,100 beds in use at any one time, with around 850 beds at St Thomas' and 250 at Guy's, as well as up to 36 specialist baby cots.

The Trust continues to meet the ever more challenging national access targets by improving the speed with which patients are diagnosed and treated. As we work towards the maximum 18 week wait, a national target we are expected to achieve by December 2008, the focus is shifting from waiting times for individual stages of care towards dramatically reducing the time from initial referral to treatment starting.

Within the Trust's busy accident and emergency department, we continued to meet the 98 per cent target for patients to be diagnosed, treated, discharged or admitted within four hours. This was achieved at a time when the department was experiencing some of its busiest days ever, and was also coping with additional challenges resulting from changes to junior doctor training as part of *Modernising Medical Careers*.

The Trust continued to reduce waiting times for planned (elective) admissions and for a first outpatient appointment. During the year, the total number of people on the waiting list for outpatient treatment fell by 18 per cent, and the maximum waiting time from a GP referral to a first outpatient appointment was reduced to 11 weeks, with the number of people waiting more than six weeks nearly halved during the year.

We know that waiting times matter to our patients, and we will continue to work hard to reduce the time that patients wait to be seen. We are speeding up access to cancer treatment and again performed well against the target that all patients referred urgently by their GP should see a specialist within two weeks.

We have also seen a steady improvement in the proportion of patients who begin their treatment within two months of an urgent GP referral. In the second half of the year, we exceeded the national target that 95 per cent of these patients should begin their treatment within 62 days – a target which is particularly challenging for us as many of our patients receive an initial diagnosis at their local hospital before being referred to Guy's and St Thomas' as a specialist centre. Our improved performance reflects closer working with colleagues in other hospitals as we work together to minimise delays. Where we are unable to meet the target, it is often because a patient has been referred to us very late, or because their condition is

complex and difficult to diagnose.

For patients with heart conditions, we continue to ensure that no patient waits longer than three months for a cardiac re-vascularisation operation, and that all patients referred to the rapid access chest pain clinic are seen within two weeks.

Under the Government's *Choose and Book* initiative, the Trust has to offer all patients a choice of dates for their admission to hospital or outpatient appointment. This has been achieved and sustained through the introduction of new appointment centres to manage patient appointments in advance of full electronic booking, whereby an increasing proportion of appointments will be booked directly at the GP surgery.

The Trust works hard to minimise any delays when patients are transferred to another organisation for continuing care, and to keep the number of patients whose operations are cancelled at short notice to a minimum.

The Healthcare Commission introduced a number of further performance measures during 2006/07 which will now form part of their overall assessment of NHS organisations. We are not yet in a position to assess our performance against these new national targets, which will be published later this year.

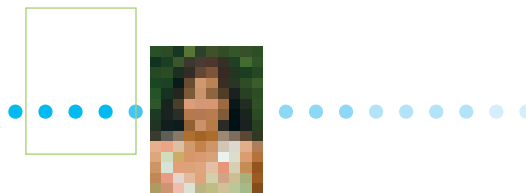
As an NHS Foundation Trust we are also required to agree an *Annual Plan* with Monitor, the independent regulator for NHS Foundation Trusts, which sets out our service and financial plans for the year, and also a number of specific plans such as our membership development strategy. We produced our second Annual Plan in May 2006, and have recently submitted our plan for this year.

Clinical Negligence Scheme for Trusts

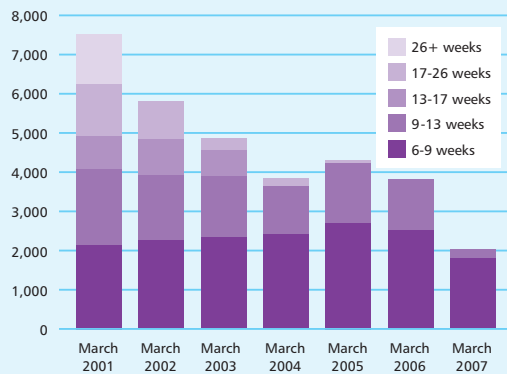
In December our women's services department achieved the highest level of the Clinical Negligence Scheme for Trusts (CNST) – maternity level 3.

The assessment measures the effectiveness of the Trust's processes and procedures for managing risk, and successful accreditation at this level makes us one of only 14 maternity units across the country to achieve this, as well as the second largest to do so. This is a good indicator of a well managed service, and will benefit the many women using our maternity services each year.

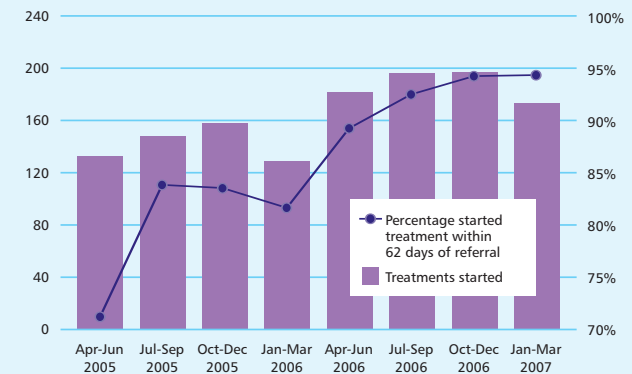
CNST is run by the NHS Litigation Authority and the assessment is wide ranging, looking at everything from how we audit screening tests and communicate results to patients and other health professionals to how well we learn from national reports highlighting the latest clinical evidence and good practice.



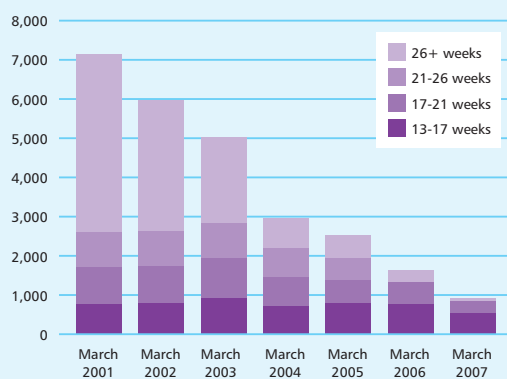
Patients waiting over six weeks for an outpatient appointment



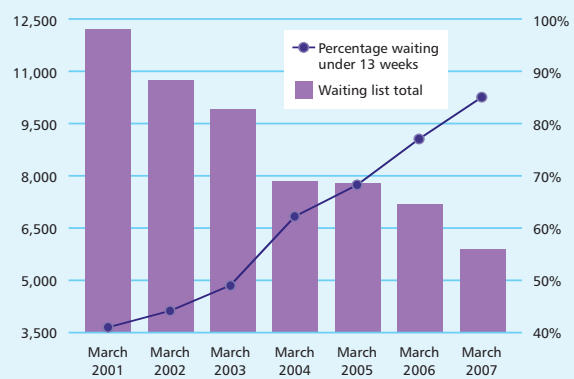
Urgent cancer referrals – patients starting treatment within two months of urgent GP referral



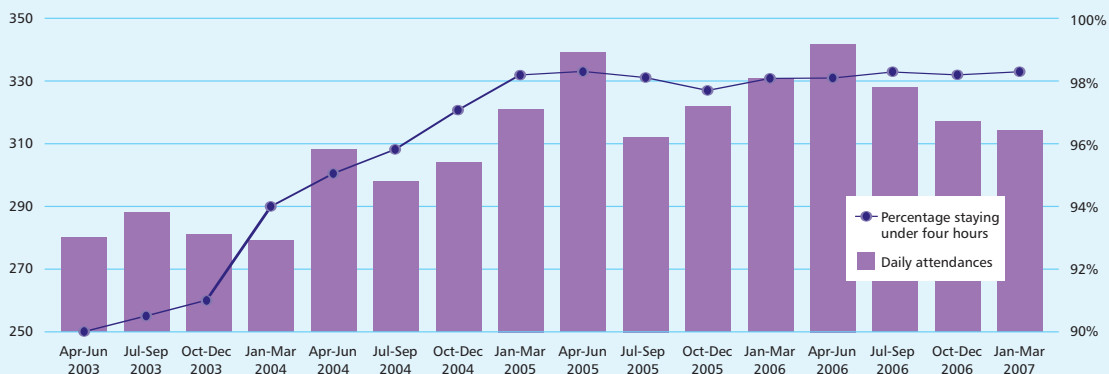
Patients waiting over 13 weeks for an admission



Total inpatient waiting list and proportion of patients waiting under 13 weeks



A&E daily attendances and waiting times by quarter



Our operational performance

Our vision

The Board of Directors agreed a vision for the Trust in December 2004, which states:

“Over the next five years, the Trust will continue to 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”

Six strategic themes underpin this vision and guide our activities:

- to put patients at the centre of everything we do;
- to provide high quality, innovative care to the local community in the appropriate setting, working with partners;
- to shape the growth of selected specialties where the Trust can be a leader;
- to be nationally or internationally distinctive in selected areas of clinical care, research and teaching;
- to attract, develop and retain the best people across all disciplines;
- to enable people to deliver effectively through outstanding organisational support and through partnership.

Last year was a period of consolidation for the Trust, particularly given the challenging financial climate in which the NHS, both locally and nationally, was operating. Four strategic priorities for 2006/07 were agreed by the Board of Directors, which were:

- to improve financial and operational performance;
- to develop a culture of organisational excellence;
- to develop and begin to implement a vision for world class cancer care in South East London;
- to work with partner organisations to support the development and reorganisation of services in South East London, in line with our strategic vision.

Under each of these priorities, a number of goals and targets were set – both financial and non-financial – and these are closely monitored and reported to the Board of Directors on a monthly basis through the use of a ‘balanced scorecard’.

Environmental impact

The Trust is fully committed to minimising the impact of its activities on the environment and made good progress in this respect last year. The highlight was the launch of a high profile energy campaign in February.

The Trust has set itself ambitious targets to reduce energy consumption by 10 per cent over three years and to also reduce CO₂ emissions by 3,000 tonnes. As well as a publicity campaign to engage all staff, we have identified 60 local energy representatives to drive our efforts in departments across the organisation.

We have also begun a process of ‘invest to save’ with an investment of £2 million in improvements such as engineering control systems, and better insulation. This is already paying dividends, for example, by allowing us to reduce energy consumption and save over £500,000 in the first year alone. We are now preparing a business case to support a major investment in Combined Heat and Power (CHP), which will allow us to substantially reduce energy consumption and our dependence on external energy supplies.

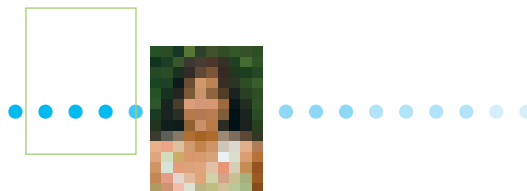
As part of our commitment to lead by example, the Trust is one of just ten NHS organisations nationally to sign up to the first wave of the Carbon Trust Management Programme and through this, and our work with the London Mayor, we expect to become a best practice model for other organisations.

We are also expanding the opportunities for staff to recycle items ranging from white paper waste and copier toner cartridges to furniture and equipment, and we know from staff feedback that there is strong support and enthusiasm for this. As part of the Trust’s sustainability plan, we are about to launch new recycling opportunities, which will include all types of paper, aluminium and steel cans, empty plastic bottles, drink cartons and plastic cups.

As part of our commitment to green travel and reducing the impact of transportation on the environment in our busy central London locations, we have made it easier for staff to cycle to work through the creation of secure cycle facilities on both sites.

We are also working hard to source goods and services locally wherever possible, for example, we are committed to purchasing more of the food and catering supplies used in our busy kitchens from local suppliers, reducing the environmental impact of what we do and supporting local businesses by helping them to secure more public sector contracts and create employment opportunities.

The Trust currently has a wide range of building and refurbishment projects underway on both its sites, and



has a capital programme valued at around £70 million. In the design, tendering and procurement of all new schemes, we now include requirements for contractors to use sustainable materials wherever possible, and we are adding energy conserving design features such as light sensors wherever feasible.

Social responsibility

As the largest local employer, we are committed to creating training and employment opportunities, and to supporting initiatives to improve the environment and the health of local people. We continue to play an active part in the regeneration of Lambeth and Southwark where both boroughs are characterised by areas of affluence, particularly along the South Bank, but also by their social and economic diversity, including significant areas of deprivation and poor housing.

We work hard to support local employment and education initiatives and to encourage local people to find out more about employment opportunities at the Trust. Once again, the 'employment zone' was one of the most well visited at the Trust's annual open day. We are keen to employ a local workforce that reflects the communities we serve as this also enables us to better meet the needs of our patients and provide services which are sensitive to their ethnic and cultural needs.

During the year, we undertook a major recruitment drive as part of an initiative to replace bank and agency staff with 60 new permanent staff within the housekeeping team that serves both hospitals. This was part of our commitment to raising the standards of cleaning, but also provided an important opportunity to target our recruitment efforts at the local community.

We believe that the Founder's Place scheme, a major development directly opposite St Thomas' and being led by Guy's and St Thomas' Charity, will provide important opportunities to demonstrate our commitment to sustainable communities. The scheme contains a good mix of housing types – key worker, social housing, accommodation for the long term tenants and private residential – all of which will be built to the highest architectural standards.

Assuming planning consent is granted, the development will bring significant environmental improvements to the areas surrounding St Thomas'. Improved lighting and security will enhance the local streetscape and open up the links between the hospital and the many shops and businesses of Lower Marsh and Waterloo. As well as new health facilities, the new

development will create employment opportunities during its construction phase, and a demand for a wide range of support services.

Our commitment to improving the health of local people lies at the heart of what we do, for example, through the work of the Modernisation Initiative described on page 35.

Using our Foundation Trust freedoms

The Trust has started to make increasing use of its freedoms as an NHS Foundation Trust, entering into new partnerships and pursuing business development opportunities. We have recently established *Guy's and St Thomas' Enterprises Limited* and *Guy's and St Thomas' Forces Healthcare Limited* to enable the Trust to be better able to respond to opportunities to generate income which will support our NHS activities. We are currently exploring a number of potential opportunities, both in the UK and further afield.

Health and safety

The Trust was inspected by the Health and Safety Executive (HSE) this year and has received positive feedback from the visit. A detailed inspection was carried out by four inspectors over four days and involved many departments across both sites including A&E, medical records, physiotherapy and day surgery.

The inspection team highlighted the strong sense of team spirit within the Trust and were particularly impressed by the open and honest approach taken by staff members during the inspection. They also identified a number of areas where things could be improved.

These included improving the implementation of policies so they are embedded in routine working practice and better support for health and safety training. The Trust is currently developing a detailed action plan to respond to issues raised and to further strengthen health and safety arrangements at the Trust. For example new policies have been produced to streamline guidance and advice to staff on issues such as controlling hazardous substances and dealing with violence in the workplace.

Over the past year, the reporting of health and safety incidents has markedly improved as a result of work to raise awareness of reporting procedures and to encourage staff to report incidents.





Lilian Bird

I ended up here after I fell and broke my hip. Although it's taken a while to heal, I've been enjoying the food – you get a decent choice and it tastes better than anything I eat at home. Visiting times can be noisy though, as most of us are deaf!

Listening to our patients

The Trust is committed to putting patients at the centre of everything that we do. We recognise the value of listening to patient views and believe that talking to patients, their relatives and carers will help us to make simple but effective changes which improve patient care and the overall experience of someone being in hospital. Patients and their families also play a key role in helping us to ensure that new service developments meet the needs of the communities we serve.

Patient satisfaction

During the year, the Trust has established new ways of monitoring patient satisfaction. A telephone survey of 500 recent inpatients was undertaken by MORI on the Trust's behalf every three months and the results were fed back to the clinical teams for action and reported to the Board of Directors and the Members' Council patient experience working group.

The survey tells us how satisfied patients are with various aspects of their care and, if they were dissatisfied, why. It also helps us to focus on issues of particular concern to patients, such as the extent to which they felt that the environment was clean or whether they felt staff explained their care to them. As a result of these surveys, we take action where necessary. We are pleased that the survey results show a high overall level of satisfaction with the Trust's services, with over 90 per cent of patients being satisfied or very satisfied with the overall quality of care – a figure that compares very favourably with similar surveys nationally.

We also continue to get good results from the annual national survey of inpatients carried out by the Healthcare Commission, and our results are average or better than average in all but a very small number of categories.

However, we are not complacent, and we act swiftly to address the issues patients raise with us. For example, in response to a series of complaints about cleaning in certain areas, the Trust has invested in more permanent staff, reducing our reliance on temporary staff and ensuring that the 57 new housekeeping assistants were all given extensive training to raise standards. The subsequent feedback from both staff and patients has been very positive.

As a result of patient feedback, we have also made it easier for patients to contact us in several departments where patients said that they found this difficult, including the lupus unit, genito-urinary medicine and dental services. Cancer services have also worked with patients to produce a 'credit card' style telephone contact card to ensure patients know who to contact when they need advice.

Listening to our patients

An important sub-group of our Members' Council, the patient experience working group, considers the results of the patient surveys in detail and also receives reports and presentations from staff on service developments that are contributing to improving the patient experience at our hospitals.

Improvements in elderly care

The four elderly care wards at St Thomas' have carried out a survey of inpatients and relatives, asking them about various aspects of their stay in hospital. Much of the feedback was positive, but we also identified some issues to be addressed. Over the past nine months we have responded to the survey's findings by investing extra resources in these areas. The wards have been involved in piloting a range of schemes including protected mealtimes and providing each patient with additional information about their consultant. We have also reviewed the skill mix and provided extra senior nurses and an elderly care champion.

The wards invited some of the people who made suggestions back to allow them to see for themselves how their comments have been responded to, and the subsequent feedback has been very positive. One relative was particularly impressed with the 'performance boards' in each of the wards which show trends against a range of clinical indicators such as falls, pressure sores and hand hygiene.

The elderly care wards have worked hard to reduce the number of slips, trips and falls that older patients experience while in hospital. This has involved the piloting and implementing of a new Falls Pathway and has led to a substantial reduction in the number of falls. As a result, the pathway is now being rolled out across the Trust.

Over the last year we have also had considerable success in reducing the length of time our patients spend in hospital, and have become one of the best performing trusts nationally on length of stay, despite our complex case mix. This success has been driven by doctors, nurses and other health professionals working together and making better use of clinical information. Whilst reducing the amount of time our patients spend in hospital, our readmission rates have remained amongst the lowest in the country, particularly for elderly and general medical patients. This shows that we are enabling patients to leave hospital more quickly without compromising the quality of care they receive.

The Trust is also an early adopter of the Department of

Health's *Dignity Challenge* which focuses on ensuring our older patients are treated with dignity and respect at all times.

Information for patients

Good information is important as it helps patients and their carers to make informed decisions and become more involved in their care. It can also remind them what they have been told by hospital staff.

In accordance with good practice, the Trust has developed a systematic process for producing reliable, high quality patient information. The communications department provides advice and support to clinical staff to ensure the content is evidence-based, meets national standards and includes patient feedback – a key element of the process. Consideration is also given to the format and distribution of the information to make sure that it is accessible and meets the needs of patients.

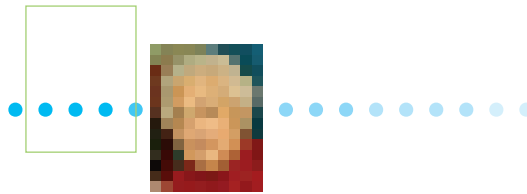
Where good external information already exists, staff liaise with colleagues in the Knowledge and Information Centre (KIC) to ensure consistency between literature available in the KIC and the information provided by our clinical teams. The KIC staff also direct patients, relatives and staff to alternative and reliable sources of further information.

Based on the priorities identified in last year's detailed patient information audit, information continues to be developed and improved throughout the Trust although there is still a great deal of work to do. Over 160 leaflets were produced last year and another 100 are currently in production.

Patient information team

During the year a new patient information team was formed, bringing together the Patient Advice and Liaison Service (PALS), staff in the Trust's Knowledge and Information Centre (KIC) and voluntary services staff. The new team provides a frontline service at both hospitals, welcoming queries from patients, relatives and carers and the general public, as well as from staff.

The KIC provides an information prescription service for patients, encouraging them to play a more active part in their care. The KIC offers free internet access as well as advice on how to find reliable information about health conditions. During the year, the KIC user group of patients and carers has also helped devise a questionnaire to evaluate the patient information service and ensure it meets their needs.



Our active and enthusiastic team of over 320 volunteers continue to support the work of the Trust in a variety of ways, including taking patients from the wards to the Medicinema to see the latest screening, supporting complementary therapies and spiritual care and helping at our annual Trust open day. They also contribute in more traditional roles, such as meeting and greeting patients and visitors and directing them around the hospital.

Meanwhile, the PALS staff, now part of the new patient information team, have continued to work closely with Trust colleagues and the complaints department and received 3,180 enquiries via letter, email or in person during the year.

Language support

The language support service aims to ensure that all patients have equal access to hospital services and are provided information in a format or language they understand. This is particularly important given the diverse population we serve in South East London, and the language support service receives over 1,000 requests a month for interpreters in up to 60 different languages.

Our interpreting service is increasingly provided through an easy access telephone service, with face-to-face interpreting being primarily used for first appointments, or where consent for treatment is being sought. In addition, the Trust is using Type Text messaging as a way of communicating with patients who are deaf and hard of hearing, and has installed hearing loops in several new locations in the past year.

Learning from comments and complaints

The Trust considers comments and complaints made by patients, their families and carers to be very important in helping us to identify areas for improvement and as a measure of the quality of the services we provide.

The complaints department works closely with the Medical Director and Chief Executive's office, handling complaints face-to-face, as well as by telephone, letter and through the new patient information team (formerly PALS). Complaints are also received through a dedicated email address available on the Trust website: complaints2@gstt.nhs.uk

Our complaints department has developed close working relationships with staff across the Trust, as well as with local authority colleagues, and we aim to provide a seamless service to complainants when they include the Trust and other organisations in their complaint. A lead agency is agreed for the complaint, and we incorporate responses from several organisations within

a joint response where appropriate. If a face-to-face approach is preferred by the complainant, we have found that meetings can be a very effective means of resolving their concerns.

During the year we received 911 formal complaints, of which 71% were fully dealt with within in 20 working days. Following the introduction of the new 25 day target, which came into effect in 1 September 2006, 76 (out of 456) complaints were dealt with within this target. During the year, 43 Trust complaints were subject to review by the Healthcare Commission, reflecting the national trend of an increased number of second stage case reviews.

In its audit of its first two years of reviewing NHS complaints in England, July 2004 to June 2006, the Healthcare Commission identified the Trust as being within the top 10 per cent of performers nationally in complaint handling. It interviewed Trust staff working at every stage of the complaint handling process and intends to publish guidance on good practice, which will include evidence from the Trust, later this year.

Through close working with the PALS and the clinical directorates, we aim to resolve issues at an early stage wherever possible. We also work hard to ensure that our complaint investigations are thorough and that the outcomes reflect the seriousness of the issues that patients and their relatives or carers have raised with us.

Freedom of Information

The Trust works hard to ensure that the many requests for information that we receive are responded to promptly, efficiently and openly, and in the spirit of the *Freedom of Information Act*. Over the year we received 275 requests for information, and 97 of these were handled under our official Freedom of Information procedures. The remaining 178 requests were handled outside these procedures and were primarily requests for access to medical records or to see Trust policies.





Taylor Haywood

Lisa (mum): Taylor was rushed to the Evelina Children's Hospital with a virus, before a blood clot on her brain caused her to have a stroke. We were really worried about her, but the place was so different from any hospital experience we have had in the past and the staff were amazing.

Taylor: The nurses were really nice, especially Sarah and Vanessa. Tracey, one of the play specialists, came to see me every day and helped me make a purse while I was in hospital, which was fun.

Transforming our services

We continue to strive for excellence in everything we do, from the direct clinical care that we deliver to our patients and the systems that support our staff to our ambitious vision for the future of our services. Building on our very successful *Delivering Excellence* programme, we are committed to greater efficiency and to ensuring that our estate supports clinical services, teaching and research. A number of major programmes are underway to support this ambitious vision, many of which are challenging existing ways of working and are described here.

Engaging clinicians

The Trust has a well established tradition of engaging clinical leaders in the management of the Trust's services. During the year, clinical staff have played a key role in helping us to achieve greater efficiency and a better understanding of what drives cost in the organisation. Starting with nine pilot areas, we introduced new 'profitability assessments' as an important part of the business planning process, and clinical engagement has been a critical major factor in gaining commitment to new ways of working, which have been vital in delivering the ambitious savings targets that we set ourselves.

The pilot has now been rolled out to all of the Trust's clinical services and allows senior clinicians and managers to review in detail the income they receive for particular services and procedures, therefore helping them to understand the national tariff and whether a service is currently profit or loss making. This information, which includes costs ranging from staff to drugs and surgical implants, is increasingly being used to drive strategic decision making and the Trust's future plans.

Creating an Academic Medical Centre

Over the last year, the Guy's and St Thomas' Board of Directors and the Trust Board at King's College Hospital NHS Foundation Trust, along with our shared academic partner King's College London, have devoted significant time to discussions about a joint vision for the development of an Academic Medical Centre. The Boards now share a belief that this model - bringing the organisations closer together to achieve excellence in service delivery, teaching and research which would rival the very best organisations internationally - is something we should actively pursue.

Work is now underway to establish a project team to lead this work and to continue these discussions about potential organisational models. An early step, building on existing

Transforming our services

partnership working on a shared cancer strategy, will be to look at how our vision for an Academic Medical Centre would work in practice by working through in greater detail what this might mean for particular services.

A vision for cancer services

Considerable progress has been made this year with the development of exciting plans for the future of cancer services. Working closely with King's College Hospital, our university partner King's College London, and the other organisations which form part of the South East London Cancer Network, we have now completed the first phase of the programme which was supported by a generous grant from Guy's and St Thomas' Charity. This is developing a comprehensive vision for world class cancer services at Guy's and St Thomas' and across South East London.

Many of the Trust's leading clinicians have been working closely with recently appointed cancer experts at King's College London, to develop ideal 'models of care' for particular groups of patients, for example, those with breast or urological cancer. As well as undertaking a series of international visits to centres of excellence and reviewing the latest evidence and best practice, these groups have sought the views of health professionals and other partners, including local GPs and Primary Care Trusts, and patients and carers.

In each case, they have looked at the whole patient journey, including services such as radiotherapy and palliative care, and then created an ideal patient pathway which would provide access to the very best treatment, including close involvement in research, for example through enhanced screening programmes or drug trials which would ensure that our patients are amongst the first to benefit from new treatments and techniques.

The programme is now entering its second phase, which will involve preparing a 'full business case' over the next 12 months, as well as implementing some early service improvements so that patients can benefit from these as soon as possible. Going forward, there are now six areas of work looking at: the physical infrastructure needed for a cancer centre; clinical service improvements; commercial and other research partnerships; work with the Cancer Network; new organisational models needed to deliver the vision; and new approaches to fundraising.

Amongst the early service improvements which we have already been able to implement are a dramatic increase in the number of patients having surgery for breast cancer on a day care basis, returning home within 24 hours, and changes to the dermatology patients' pathway, including a one-stop-shop outpatient service for skin cancer.

Building for the future

We have made significant progress with the development of a detailed estates strategy for the Trust. This has created a framework to help determine capital investment priorities for the estate in support of our vision for clinical services and our ambition to become an Academic Medical Centre, where clinicians work alongside their academic and research colleagues to drive success.

The Trust is primarily located on two central London sites, each close to a major transport hub and in areas undergoing considerable regeneration and development. The Trust is therefore in a unique position to develop ambitious and exciting plans which have the potential to significantly enhance our facilities for the benefit of patients, our staff and the local community.

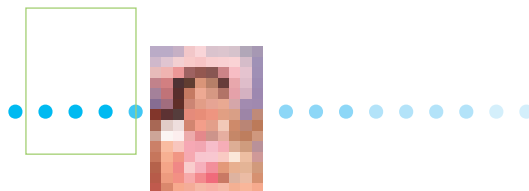
The estates strategy draws together a number of important areas of work, including: a detailed mapping exercise of the entire Trust estate and clinical modelling to understand likely changes in the numbers of patients coming to hospital. Our plans will embrace new models of care such as an expected shift towards ambulatory services, day care and services provided in the community. At a strategic level we are ensuring that our plans are aligned with those of our key partners such as King's College London, Guy's and St Thomas' Charity, South London and Maudsley NHS Foundation Trust and our local Primary Care Trusts.

The resulting framework was agreed by the Board of Directors in December and will ensure that we can significantly enhance the quality of the hospital environment, particularly inpatient areas. It will also enable us to develop new models of care, for example, improving emergency services and supporting the development of a new cancer centre, whilst at the same time retaining sufficient flexibility to be able to respond positively to changing patterns of health care delivery in South East London. With our partners, we will also be in a position to dispose of or redevelop surplus estate with the potential to reinvest the money raised in future capital developments.

An early next step is to share our plans and ideas more widely, engaging staff, patients and the public in discussions to further develop our vision and ensure that our proposals are in line with the needs of our local communities.

Improving the environment

Generous funding from Guy's and St Thomas' Charity has enabled the Face initiative to continue its innovative work



to improve the hospital environment and set new standards in terms of design and use of artwork and colour to create a welcoming and relaxing atmosphere for patients and improve wayfinding around our complex sites.

The project team has been able to commission leading designers and has focused on developing high quality design solutions which meet the needs of patients and will now be incorporated into future projects around the Trust. Patients and staff have been extensively consulted to determine their needs and expectations, as well as to help decide which non-clinical areas should be prioritised to receive the 'Face' treatment.

Projects completed last year include the route leading to the radiotherapy department at Guy's, transforming this from a dreary corridor in the hospital basement to one filled with attractive artwork. This artwork shields patients and visitors from the various support services which inevitably need to transport goods around these parts of the hospital.

Meanwhile, at St Thomas', there has been a complete refurbishment of the main hospital corridor which provides access to the new Evelina Children's Hospital. Each wing of the hospital is now colour coded and wayfinding beacons and coloured flooring are used to highlight lifts and stairs to make it easier for patients and visitors to find their way around.

Guy's Approaches

Through a further partnership and generous funding, this time working with the Pool of London Partnership, Guy's and St Thomas' Charity and the Friends of Guy's, we have been able to make significant improvements to the external areas around Guy's Hospital.

Known as the Guy's Approaches scheme, we have worked with leading designer Thomas Heatherwick to transform the area. Most striking is the innovative stainless steel cladding which now covers the hospital boiler house and provides a new landmark to signal the main hospital entrance. Other improvements include better paving and a redesigned parking area, including enhanced facilities for disabled drivers and better pedestrian access, all of which create a safer and more pleasant environment.

Modernisation Initiative

The Modernisation Initiative aims to transform services for stroke, kidney and sexual health patients in Lambeth and Southwark. The initiative is a partnership between Guy's and St Thomas', Lambeth and Southwark Primary Care

Trusts and King's College Hospital. It is supported by a £15 million grant over three years from Guy's and St Thomas' Charity. The programme involves patients, carers and staff, and many local voluntary organisations, all of whom work closely together to identify new and better ways of working and to implement substantial change to local services.

Now in its third and final year, the Modernisation Initiative can point to many successes which are quite literally transforming the experience of patients. It is now working to ensure that the learning that has emerged is widely shared and the service improvements can be sustained beyond the life of the project. The many achievements over the past year include:

- enabling stroke patients to receive rehabilitation at home, allowing them to leave hospital sooner but still receive the highest possible standard of care;
- streamlined sexual health services which are reducing waiting times and offering a wider range of diagnosis and treatment options through local pharmacies;
- the kidney programme working closely with a diverse range of local partners, such as churches, mosques and local retailers, to raise awareness of the risks associated with high blood pressure amongst the most at risk groups. A high profile awareness campaign has received support from local celebrities and Public Health Minister, Caroline Flint;
- local community disability network, Connect, working with the stroke programme to improve long term support for people who have suffered a stroke and their families;
- the sexual health programme joining forces with the Terrence Higgins Trust, Brook and the NAS Project London to expand services aimed at the most at risk groups.

Liverpool Care Pathway

During the year, we have begun to implement a new care pathway for patients coming to the end of their life. The Liverpool Care Pathway has been developed as a model of best practice and provides detailed guidance on all aspects of a patient's care to ensure that patients who are dying, and their families, receive the best possible support. The aim of the pathway is to provide a framework for staff to follow so they can actively engage with patients and families, increase comfort measures and, where appropriate, discontinue certain interventions, whilst also providing vital psychological and spiritual care support.

The Liverpool Care Pathway facilitators are training staff

Transforming our services

across the Trust to use the pathway. They spend time with them as they begin to use the pathway, so they receive the guidance and support needed to ensure that we provide consistently high standards of care to patients nearing the end of their life, wherever they are cared for in our hospitals. The pathway is now fully up and running in eight wards, over 200 staff have been trained and 37 patients have been transferred onto the pathway. Initial feedback has been very positive, with staff reporting that it is a useful guide in caring for dying patients.

Developments in nursing and midwifery

Over the past year, the *Nursing Standards Toolkit*, which we have developed in-house, has been rolled out to 123 clinical areas to help monitor and raise standards of care. This is a multi-disciplinary tool which embraces key nursing and midwifery standards, elements of the national *Essence of Care* benchmarks and a range of other audit tools. In addition, a specific set of standards has also been developed to support and improve care for older people.

Last May we launched a major initiative to take the whole senior nursing workforce back into clinical practice every Friday, including the Chief Nurse. The focus is to monitor standards through weekly clinical indicators, and to bring the considerable experience of our most senior staff back into clinical areas, where they can support junior colleagues and troubleshoot to resolve problems as they arise. All the senior nurses meet each week to discuss the previous week's clinical indicators and to agree any actions that may be required. This has proved a powerful tool to improve the quality of care for patients and has highlighted a number of important issues, for example in relation to infection control and cleaning.

Considerable effort and attention continues to be focused on reducing our rates of hospital acquired infection. We have a very visible hand hygiene campaign under the umbrella of the World Health Organisation's campaign '*Clean Care is Safer Care*', and our infection control link nurses are now supported by lead consultants in each area.

New technology

In 2006, the Trust agreed an ambitious five year strategy to transform our information systems. Our aim is to ensure that all staff have access to the best information technology, both to support frontline staff in the delivery of effective and efficient patient care, and to enable our

many technical and administrative staff to provide reliable and resilient services to support them.

Over the past year, we have made major improvements to the Trust's IT infrastructure, which is essential to allow other planned developments to be delivered. These include the elimination of paper medical records, new systems in pathology, and through what we have called *The Enterprise Project*, a replacement for our existing finance and procurement systems which will improve operational efficiency and help to drive down costs.

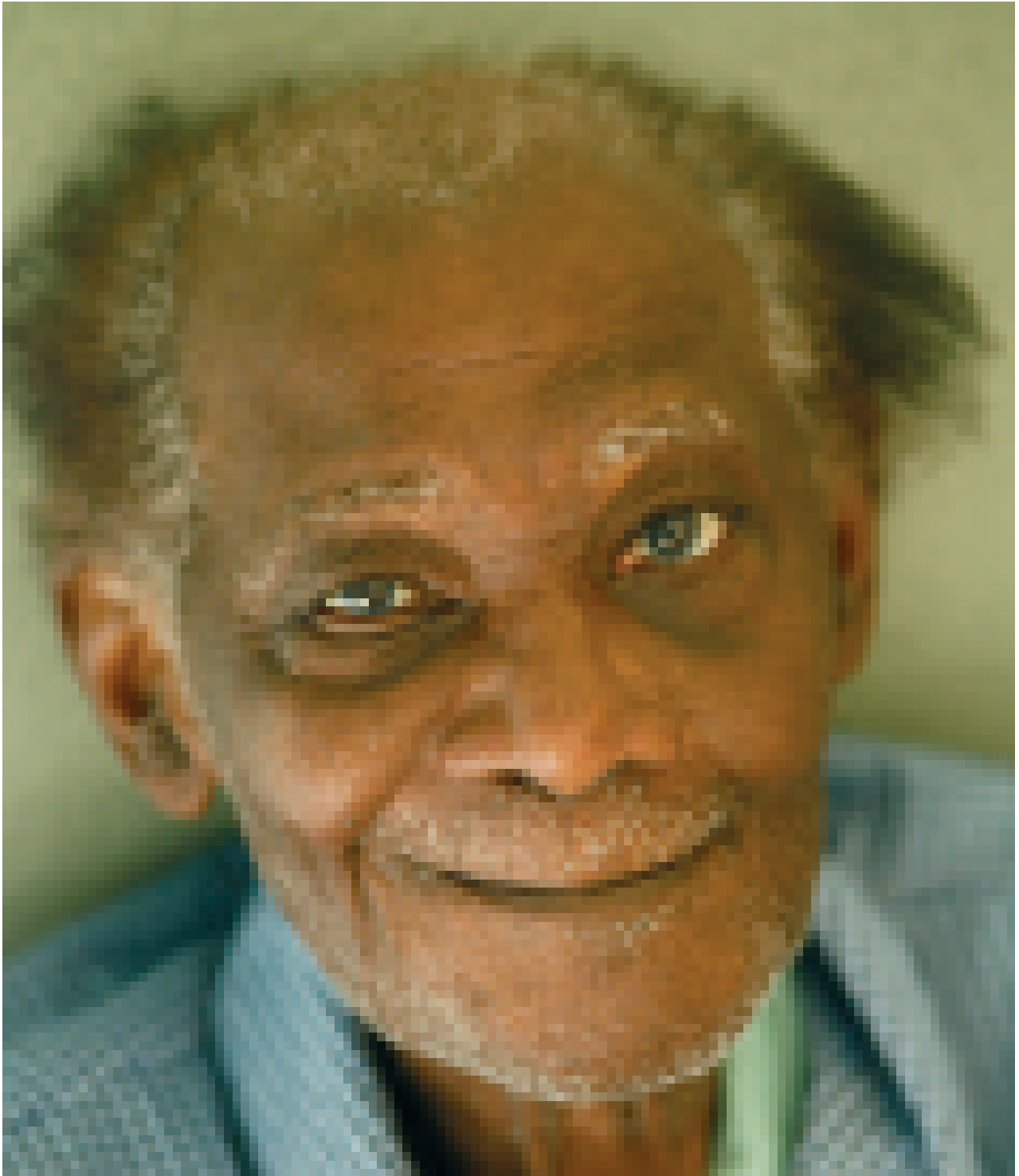
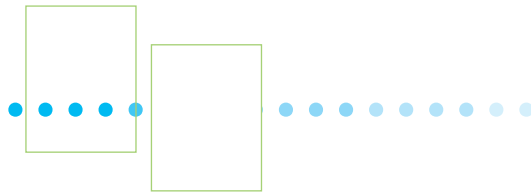
Many new clinical systems are currently being implemented and already bringing benefits for patients and improvements to the way we deliver care. For example, we are introducing an integrated cancer information system, replacing the IT system in the accident and emergency department, introducing new systems to support our HIV and GUM services, and improving our ability to share information electronically with GPs, including test results and patient discharge information.

Pathology

A great deal of work has been taking place in the Trust's pathology services to develop strategic plans to respond to national policy changes which are being implemented following the 2006 Carter Review. At a national level, the Department of Health has said it supports the consolidation of pathology laboratories to deliver cost efficiency and to improve services so they can keep pace with scientific change and the rapid introduction of new technology.

Guy's and St Thomas' already has one of the largest and most comprehensive pathology departments in the UK, including many highly specialist laboratories which form an integral part of our specialist services. As an NHS Foundation Trust we are in a strong position to develop a more commercial approach to the delivery of our services and we believe pathology has the potential to be one of the areas where we lead the way.

During the past few months we have been exploring a range of different options and are currently in the process of advertising for a commercial partner who might work with us, bringing new skills to complement our clinical expertise, for example, in developing more efficient laboratory practices, improved logistics and better use of information technology.







Michelle and Marion Biscoe

Marion: After two other hospitals wouldn't allow me to donate my kidney to Michelle, our visit to Guy's was a breath of fresh air. Our surgeon gave us confidence that the procedure would go well, despite me being a different blood group. I recovered quickly after the operation and now I can take a step back and enjoy my own life rather than being Michelle's carer 24/7.

Michelle: I was treated by a new machine which took out the antibodies that would have rejected mum's kidney, and I was constantly reassured that things would work out as planned. Before the transplant I got tired so easily, but now I feel so much more energetic, I'm even volunteering at a local hospice.

Working in partnership

The Trust works with a number of organisations locally and is keen to be an active participant in the communities that we serve, as well as a major local employer. We enjoy close working relationships with our local Primary Care Trusts, patient groups, Guy's and St Thomas' Charity and many others. Our Members' Council and wider membership are also helping us to strengthen these links – see page 53 for more about their work.

Primary Care Trusts and South London and Maudsley NHS Foundation Trust

The Trust has continued to work closely with our local Primary Care Trusts (PCTs) in Lambeth and Southwark, both on operational issues and on the development of longer term plans for local health services. There are many groups where we work together to plan services or to agree how best to meet the needs of patients.

For example, we are working together to agree how to keep patients out of hospital wherever possible and a joint approach to 'demand management' has been developed with Lambeth PCT and also agreed with Southwark PCT and King's College Hospital. This has helped to improve communication between the hospitals and GPs, and we plan to build on these discussions. The four organisations are also working together through the Modernisation Initiative to improve local services.

A very successful event called 'Working Together Better' was held in July 2006. Many GPs and other colleagues, clinical and non-clinical, from our local PCTs joined the Trust for this half day opportunity to explore areas of common concern, discuss topical issues and identify areas for change or improvement. The suggestions are currently being implemented where possible.

We also work collaboratively with South London and Maudsley NHS Foundation Trust, which provides local mental health services and has a number of facilities on both the Guy's and the St Thomas' hospital sites. We co-ordinate plans for the use of facilities and are in regular day-to-day liaison, particularly in relation to patients attending the accident and emergency department at St Thomas' who may require mental health services. Last year, we were also involved in discussions about plans for emergency mental health services across the boroughs of Lambeth and Southwark.

Working in partnership

A Picture of Health

Over the past year, the Trust and all the other NHS organisations in South East London (the boroughs of Lambeth, Southwark, Lewisham, Greenwich, Bexley and Bromley) have been involved in detailed work to plan the future of health services in the area.

The background to this work is that across South East London, the NHS is spending more money than it can afford. There are a number of reasons for this, which include the rising cost of providing hospital care, drug costs which are rising faster than the rate of inflation, and increased pay costs, in part due to a reduction in doctors' working hours in line with European legislation and to improve safety.

Not all NHS organisations in South East London are in the same strong financial position as Guy's and St Thomas' and we continue to play our part in developing plans which will ensure that affordable, safe and high quality services are available for local people in future.

A 'Project Council' has led the work, and the Trust has been represented by our Chairman and Chief Executive. Trust representatives, both clinical and non-clinical, have also participated in various work streams during the year, for example looking at emergency and planned care; women's and children's services; finance; and public involvement. It is in the context of this work that we have been asked by NHS London to work closely with the other provider of specialist hospital services in South East London, King's College Hospital, to explore the best way to organise specialist services across our two organisations, and in ways which support other local hospitals and community-based services.

Local Authority Health Scrutiny Committees

The Trust is committed to working closely with our local health scrutiny committees, providing early and detailed briefings on key issues. Through the year we provided regular briefings about MRSA rates and ward reconfiguration in response to changing service delivery. We also helped the committee to understand the implications of the financial challenges faced by the NHS as a whole.

With local elections in May 2006, a number of new committee members were appointed, so we also provided an opportunity for the councillors to visit the hospitals, giving detailed background information about the Trust and enabling the newly appointed Committee Chairmen to meet with our Chairman and other staff.

Patient and Public Involvement Forum

We continue to work closely with the Guy's and St Thomas' Patient and Public Involvement Forum (PPIF), the independent body set up to provide feedback on services. During the year the PPIF has considered proposals for an Urgent Care Centre and a wide range of other issues that impact on the patient experience at our hospitals, including developments in pharmacy and elderly care.

Local partnerships

Guy's and St Thomas' works closely with the many local groups and partnerships that are well established in the areas surrounding both our hospital sites. This helps build good relationships with our neighbours and ensures that the Trust is at the heart of developments in the local community. These include:

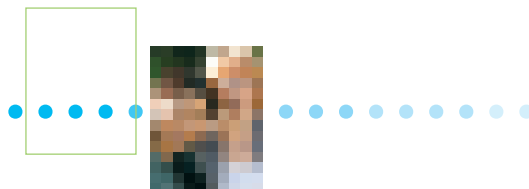
- the London Development Agency;
- the South Bank Employers' Group;
- the South Bank Partnership;
- Waterloo Project Board;
- the Pool of London Partnership's London Bridge Gateway Group (until it was disbanded in March 2007).

Guy's and St Thomas' Charity

Guy's and St Thomas' Charity uses its very considerable charitable funds – the result of donations to both our hospitals over many years – to improve services for patients, support our staff and to contribute to research and development at the Trust and in the wider health community in Lambeth and Southwark.

Guy's and St Thomas' NHS Foundation Trust is the main beneficiary of the Charity and, over the year, we received funding for 17 major projects totalling £3.5 million. These included:

- £386,000 to implement the Liverpool Care Pathway, an integrated pathway to improve and demonstrate excellence in the care we offer to patients who are dying and their families – see page 35.
- £254,000 to set up and to run a training programme in dermatology for primary care professionals so that more patients can be treated in the community.
- £170,000 to implement new ways of treating patients undergoing major colorectal surgery, based on international best practice, so we can improve patient outcomes and reduce the length of time that they spend in hospital.



- £1 million to establish a new service spanning hospitals and community services in Lambeth and Southwark for patients suffering from Chronic Obstructive Pulmonary Disease (COPD) – see right.
- £278,000 to upgrade the computer system in our large central intensive care unit and to extend this to other critical care areas across the Trust to ensure that the treatment of all critically ill patients follows best international practice.

The Charity also made 94 smaller grants totalling £559,000 to support a wide range of individual staff development opportunities or small projects which aim to improve the environment or our services for patients.

We are enormously grateful to the Charity for their support for all these important initiatives, as well as for their continued support for a wide range of visual and performing arts, which contribute greatly to the life of the hospitals, benefiting patients, visitors and staff.

Founder's Place

A further major area where we have worked closely with Guy's and St Thomas' Charity over the past year has been on the proposed redevelopment opposite St Thomas' known as Founder's Place. Following Lambeth Planning Committee's refusal to grant planning consent in April 2006, and a request from the Board of Directors, the Charity decided to appeal against this decision. The outcome of the public inquiry is currently awaited.

We are very grateful to the trustees of the Charity for their continued support in this matter as we firmly believe this development would bring major benefits for our patients, staff and the local community.

The scheme would provide: 400 units of high quality staff accommodation; a 102 place nursery for the children of Trust staff; new accommodation for the families of children being cared for in the Evelina Children's Hospital, to be run by the Evelina Family Trust; a patient hotel and other health facilities; as well as accommodation for the long term tenants of the Charity and private residential accommodation to help fund the development.

The scheme would make a significant contribution to the regeneration of the area surrounding St Thomas', enhancing the local environment through high quality architecture and improved lighting and security.

Patients with lung disease

An important area of our partnership working with Lambeth and Southwark PCTs and King's College Hospital has focused on providing more patient centred care for people with Chronic Obstructive Pulmonary Disease – severe lung disease - sometimes referred to as COPD. The group set up to lead this work was successful in securing development funding from Guy's and St Thomas' Charity to explore the benefits of early intervention and to expand both pulmonary rehabilitation and the 'hospital at home' service.

The outreach service has already proved popular with patients, enabling them to leave hospital sooner. They are then supported through home visits from nurse specialists and therapists, or through telephone advice.

The aim now is to intervene at an earlier stage in a patient's illness and to establish specialist community clinics. We are also increasing the availability of pulmonary rehabilitation, a programme that combines physical retraining with patient education and empowerment. The whole scheme will be evaluated both in terms of patient satisfaction and clinical outcome.

Domestic violence service

Guy's and St Thomas' Charity has also funded a multi-agency domestic violence service to support maternity and sexual health services at Guy's and St Thomas'. The majority of midwives and clinical staff in sexual health have now received specialist training and this is also being extended to other medical staff, linked to child protection awareness training.

Routine enquiries about domestic violence are now part of standard clinical practice in both maternity and sexual health services, and referrals to the independent advocacy service are now running at around 10 a month. As the service enters its third year, a full evaluation by colleagues at King's College London is planned, and a business plan for future funding is being developed.





Eden Slack

Coming to the Evelina Children's Hospital isn't as scary as I thought it would be. The staff are really friendly and they explain exactly what is going to happen to you, which makes you feel a bit better. Coming here is also good because I get time off from school!

Valuing our staff

The Trust can only deliver high quality healthcare as a result of the skills and knowledge of our diverse and hugely talented workforce. Our 9,000 staff come from a wide range of backgrounds and include many different professional groups, both clinical and non-clinical, as well as numerous other staff who play an essential part in the smooth running of our services.

Our values

During the year, following an extensive period of staff consultation, the Trust identified a set of values which will help us to define our culture, guiding both what we do and how we do it. We are proud of these values which support the need to act professionally, fairly, sensitively and with respect to all. They underpin the need to promote equality of opportunity, and each member of staff, patient, visitor, or contractor can expect to be treated in accordance with these values. The values are to: *put patients first; take pride in what we do; respect others; strive to be the best; and act with integrity.*

Equality and diversity

The Trust is rightly proud of its longstanding commitment to equality and diversity for both its patients and workforce. Actions over the past year range from providing frameworks for embedding good practice to new initiatives.

In addition to its *Race Equality Scheme*, the Trust consulted on and introduced a *Disability Equality Scheme*. More recently, the Trust decided to adopt a *Single Equality Scheme* which will incorporate all our legal responsibilities regarding discrimination in employment and service provision on the grounds of age, religion or belief, gender and sexual orientation. This will enable us to develop a more coherent approach to our equality and diversity obligations, whether statutory or part of our commitment to be an NHS leader by embracing the equality and diversity agenda in its widest sense.

The Board of Directors also recently approved a *Promoting Dignity and Respect at Work Policy* which, like the *Single Equality Scheme*, reinforces the Trust's commitment to equality and diversity in the workplace. The new policy places a stronger focus on fairness, respect for others and avoiding discrimination. Like the new Trust values, it makes clear the standards of behaviour which are expected of all staff, and the positive role modelling which is expected of managers and supervisors.

Valuing our staff

The Trust has a dedicated Diversity and Employment Policy Manager who was recruited in March 2006 to work with senior managers across the Trust to deliver our equality and diversity objectives.

Our Black and Minority Ethnic (BME) Staff Network continues to play an important part in the life of the Trust, mentoring 10 staff during the year and providing a valuable source of support and advice to all staff and managers. As well as regular meetings, the BME Network also holds lunchtime drop-in sessions for staff who want to access advice or support, but whose working hours make attending meetings difficult. The BME Network was actively involved in the Trust's very successful Diversity Day which was held in October 2006.

Promoting best practice

The Trust has commissioned work to improve access and signage as part of its Wayfinding Strategy. A diverse range of patients, volunteers and staff were consulted and improvements to the environment include new flooring, high contrast signage and bright colours to help visually impaired patients to navigate the sites. There are also pictograms to identify areas such as toilets, making it easier for patients who do not speak English as their first language.

A comprehensive Trust *Diversity Guide* was launched at the Trust's annual Diversity Day. The guide includes advice on delivering appropriate healthcare to the diverse patient community we serve and has chapters giving information about different cultures, disabled people, sexual orientation, older people, gender identity, religion, refugees and asylum seekers. Many parts of the guide have been endorsed by the relevant expert agencies such as Age Concern, Stonewall, Employers' Forum on Disability and the Disability Rights Commission. The guide has been designed to provide practical advice that will support and increase the knowledge of staff, particularly in areas where there is frequent contact with patients and visitors.

In December and January, the Trust was delighted to welcome Trevor Philips OBE, Chair of the new Commission for Equalities and Human Rights, and Ed Miliband MP Parliamentary Secretary, Cabinet Office, to open multi-faith prayer rooms on each site. The prayer rooms are designed for people of all faiths, as well as those who do not have a particular religious belief, and can accommodate those wishing to pray or reflect alone, as well as groups who wish to study their scriptures together, meditate or receive communion. There is also a counselling room where patients, staff and relatives can speak to a member of the spiritual health care team in private.

Disability in employment

We are proud to be accredited with the Two Ticks Disability Symbol, which recognises our positive approach to employing people with disabilities, and we welcome applications from all individuals.

The Trust works with individual staff to ensure that any personal needs arising from a disability can be met. We also take all reasonable steps to ensure that any member of staff who becomes disabled while they are working for the Trust is able to remain in employment and to develop their careers. In all situations the Trust will liaise with the successful candidate or existing employee, as well as with medical advisors, occupational health specialists and external disability support organisations, to ensure that appropriate adjustments and adaptations are made to meet individual needs.

During the year a Disability Network was established for staff with experience of disability, either directly or as carers, and allows these staff to provide advice to help the Trust to improve our performance in achieving disability equality.

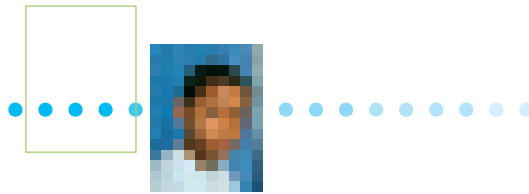
Supporting carers and parents

As a caring organisation, we recognise and aim to support staff who care for others at home or in their communities, and we have a special leave policy to help staff in these circumstances. In addition, we provide support for working parents through childcare vouchers and a range of family friendly policies, including new maternity and adoption leave guidance, and nurseries on each site.

Over the past year, the Trust has taken steps to improve the management of sickness absence and has promoted the role of occupational health in supporting managers and staff. Mental health and well-being at work continue to be a priority and we have developed a policy on work related stress which was widely promoted to help reduce stress in the workplace.

Recruitment

The recruitment centre now offers regular monthly recruitment and selection training to ensure that managers are appropriately trained to carry out the selection process. Specific campaigns, for example to attract housekeeping staff, have focused on recruitment from the local community and work is also under way to promote jobs within the Trust through local Job Centres.



A new drop-in area has been established in the recruitment centre so applicants can discuss recruitment opportunities and receive support in completing application forms, and a new hearing loop has been installed. Careers advice is also provided to existing staff to assist with career progression and customer feedback on our recruitment services is welcomed.

Training and development

The training and development department underwent a major restructure during the year, which aimed to ensure that the department is fully integrated with the Trust's clinical divisions and non-clinical directorates. Individual training and development managers now support each area to provide a more integrated approach to meeting the Trust's training priorities and ensure all staff receive the training they need to perform their role safely.

We take our training responsibility very seriously and many statutory and mandatory training courses can now be undertaken online using a 'distance learning' approach. Activity and reporting systems for training were also improved this year and better information is now available to support managers and assure the Board of Directors that essential training is being completed by all staff.

A new two-day corporate induction programme has also been introduced to provide a broader and more comprehensive introduction to the Trust. This has proved very successful, with around 99% of new staff now attending.

In addition, the training and development department has continued to embed the *Knowledge and Skills Framework* (KSF), which will ensure a consistent approach to staff appraisal across the organisation and that all staff have a personal development plan.

Communications

We place great importance on effective and timely communication with our staff, and we recognise that a well informed and motivated workforce is central to the effective delivery of our services.

We have a well established in-house communications team which works hard to provide effective corporate communications to support managers and provide them with the information and confidence that they need to communicate consistent and appropriate local messages to their teams. As well as monthly *Team Briefing* and staff magazine, *People*, we produce special briefings whenever needed and organise face-to-face briefings for managers,

as well as all-staff events.

We have an extensive intranet, known as **GTi**, which includes a wide range of information as well as events, notices and discussion boards. This was relaunched in March 2006 and the new design and improved navigation have been well received. A new online staff suggestion scheme was added to **GTi** in the autumn in response to feedback from staff, and has increased participation in the generation of ideas and suggestions to improve services and efficiency.

Throughout the year, we have worked hard to involve, engage and inform our staff about the ongoing business planning process, as well as our numerous achievements. We believe there is a wide understanding of the internal and external challenges we face, and that this is reflected in the very positive way that staff across the organisation have responded to the demanding performance and financial targets that we set ourselves.

Consultation

We are currently introducing the Electronic Staff Record (ESR), a new computerised HR/Payroll system which is being rolled across the NHS. This has been designed to meet the needs of the NHS and will provide a consistent, national approach to payroll, HR, recruitment, and managing training and development. It will allow the Trust to eliminate unnecessary duplication, reduce paper processes and simplify the Trust's HR/payroll procedures. Eventually all employees with computer access will be able to view and update personal information, review opportunities for training and development and book training courses online.

There is an ongoing dialogue with staff across the Trust, and we enjoy a very positive relationship with staff side representatives through a Joint Staff Committee. We involve and ask staff for their views on new service developments and changes, and have involved staff side representatives in business planning. For example, last September they were invited to join a two day awayday of the Trust's most senior managers and clinical leaders to agree further savings plans.

Where appropriate we consult staff more formally on changes to services, or how or where they will work. Last year this included a number of changes to the way that wards and day case facilities are organised within cancer services, as well as a current process of involvement linked to the modernisation of pathology services which is likely to lead to formal consultation.

We hold monthly 'Question and Answer' sessions where all staff are welcome to come and quiz the Chief

Valuing our staff

Executive or other Executive Directors on any subject. We have also held a number of open briefings to update staff on the Trust's financial position, which have been particularly well attended.

The Trust promotes the right of employees to raise concerns and grievances, either informally or formally, and supports them if they do so. We work hard to resolve issues amicably wherever possible, and we are one of five pilot sites for a Department of Health mediation initiative which is training staff to become accredited mediators.

Staff satisfaction

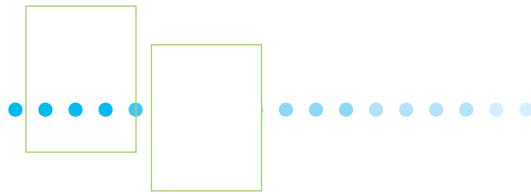
The Trust is accredited at the highest level of the *Improving Working Lives* initiative, Practice Plus, and places great importance on improving staff satisfaction. Each year, we conduct staff surveys and we take the views of staff into account when developing our plans. For example, in response to staff feedback we aim to improve the working environment and conditions for staff wherever possible. Last year we improved changing facilities for housekeeping staff on both sites, and enhanced opportunities for staff engagement and involvement.

The Trust continues to offer a wide range of benefits as part of its strategy to recruit and retain the best possible staff, including flexible working options, training and development, support with childcare, access to occupational health and staff counselling.

Occupational health

Our occupational health service is the largest in the country and employs a multi-disciplinary team of doctors, nurses, counsellors and administrative staff who offer a full occupational health service to the Trust and the medical, dental and nursing schools. The team also provides occupational health services to several external businesses under the national *Occupational Health Plus* scheme.

The service undertakes pre-employment health screening and provides fitness assessments to work if a Trust employee has a serious illness or injury. It also offers immunisation programmes and regular work-related health checks to prevent ill health. The team supports managers to help them better understand and manage occupational health issues and has played a key role in reducing sickness absence and improving stress management in the workplace.







John Sachs

Last year I was diagnosed with mesothelioma, a cancer of the lining of the lungs after contamination with asbestos. I agreed to enter a trial at Guy's Hospital and, after chemotherapy treatment, I underwent an operation to remove my right lung. I feel lucky to be alive and can't imagine receiving better care anywhere else in the world. Although it's still difficult for me to lead a normal life, it has made me appreciate life more and I think it's important that we all find something to laugh about every day!

Teaching and research and development

Teaching and research and development are very significant responsibilities for the Trust and are integral to our role as a leading university teaching trust. Our commitment to excellence in these areas underpins our vision to become one of the UK's first Academic Medical Centres and is central to the delivery of high quality clinical care which continues to break new ground.

Teaching

The Board of Directors recently agreed a strategy for clinical education and training which will ensure that the Trust remains a leading organisation for the education and continuing professional development of a wide range of health professionals. They include doctors, dentists, nurses, allied health professionals, and the many other technical staff who are essential to the delivery of first class health care.

Teaching and training remain a key part of our tripartite role, which also includes the delivery of first class clinical care and leading edge research and development. It is the combination of these which underpins our vision to become one of the first Academic Medical Centres.

Nursing and Midwifery has continued to develop its relationship with both King's College London and London Southbank University, for example, by exploring opportunities to expand postgraduate education. In addition we have been working to ensure that we meet the new standards set by the Nursing and Midwifery Council.

Undergraduate education

The majority of consultant medical staff contribute to the teaching, assessment and pastoral care of our 948 undergraduate medical students and this is recognised in their job plans. Development of a comprehensive database of the teaching activities undertaken by Trust medical staff is underway, and the expertise of non-medical staff is now also being used in the teaching of medical students through a programme of inter-professional education. Trust teachers continue to meet regularly with colleagues from King's College School of Medicine to discuss teaching and exchange ideas.

During the year, the medical undergraduate team has worked with teachers and students to ensure that students are happy with their undergraduate experience in the Trust. This work

Teaching and research and development

has led to improved timetabling and increased learning opportunities.

The Trust also continues to build on its reputation for undergraduate nursing and midwifery education and recent quality assurance visits have confirmed that our clinical placements are of a very high standard.

Postgraduate education

The Department of Postgraduate Medical and Dental Education has had a busy and productive year. The second year of the Foundation Programme has been successfully introduced for 69 trainees, the largest programme in the region. The 141 Senior House Officer posts and the 54 Trust Doctor posts at this level have been successfully translated into 171 Specialty Training posts as part of *Modernising Medical Careers*.

The department is now preparing for the August 2007 intake, when approximately half of the 550 trainees at the Trust will rotate simultaneously. This single intake is a cornerstone of the new system and replaces the previous intakes in both February and August. Careful planning is currently underway to ensure a smooth transition and to minimise the impact on clinical services.

We recognise that *Modernising Medical Careers* has involved a difficult and unsatisfactory selection process and, in this the first year, there have been particular problems with the online application form and shortlisting process. We have worked hard to support the junior doctors affected and to lobby for changes which will lead to improved processes in future.

The Trust hosted its first visit from the Postgraduate Medical Education and Training Board (PMETB) in November who inspected allergy training, and we received complementary feedback on the very high standard of training delivered. The Board was impressed by competency checklists we use to assess all trainees within their first week of starting work at the Trust. In response to the visit, we are now embarking on a training programme to ensure that all educational supervisors receive specific training in postgraduate education and teaching.

Research and development

Research and development is central to our vision to become an Academic Medical Centre, and this year has seen a number of major developments and successes in both the Trust and King's College London, which will move us closer towards realising this key strategic goal.

We continue to work very closely with our main academic partner, King's College London, to align our

research and development strategies and to build on our shared strengths and areas of national and international expertise. It has been extremely encouraging to see the substantial investment made by the university this year in attracting world class academics and researchers to disciplines ranging from cancer to renal medicine, genetics and immunology.

Working closely with King's College London, we have been successful in a number of bids to the Department of Health's National Institute for Health Research (NIHR), most significantly in our bid to become a comprehensive Biomedical Research Centre.

We've also been successful in securing an NIHR Technology Platform award in diagnostic imaging, which will provide up to £415,000 over two years and will increase the Trust's capacity to undertake research studies involving diagnostic imaging.

Biomedical Research Centre

Our success in becoming one of the first comprehensive Biomedical Research Centres will contribute £45 million to the translational research agenda over the next five years, and we are delighted to be one of just five such centres in the UK.

Translational research moves basic scientific research into the clinical setting and is sometimes described as 'proof of concept'. It involves 'first in man' studies as it converts scientific discoveries into new treatments for patients.

The Biomedical Research Centre will focus on a number of research themes, including asthma and allergy, atherosclerosis (a build-up of fatty deposits affecting the arteries), cancer, oral health, transplantation, infection and immunity and skin disease. Research in these areas will be supported by a number of cross cutting disciplines such as stem cell biology and medical and molecular genetics.

The centre will have a strong commitment to training and capacity building, which will be developed through a unique Biomedical Forum and a bimonthly meeting of the faculty, where staff can showcase translational research in practice, as well as provide vital mentorship opportunities to scientists and clinicians in training. The new centre also has a strong commitment to user involvement in research and will be developing a strategy to support this.

The Biomedical Research Centre also attracts a capital investment award of over £5 million which will enable the Trust to develop the physical infrastructure needed for the Faculty of Translational Medicine. This will provide researchers with first class support, and bring together the centre's management and administrative staff.



Clinical research facilities

We have already begun work to develop dedicated clinical research facilities on each hospital site to support the work of the Biomedical Research Centre. This has been made possible through a generous £2.3 million grant from Guy's and St Thomas' Charity, £1 million from Barraclough Legacy for cancer research, a grant of £1.2 million from Tate & Lyle and a further contribution of £500,000 from King's College London.

The facilities in the two centres will reflect the different functions and service and research needs of each site. The Guy's centre will provide facilities for day case work linked to the research themes in the Biomedical Research Centre, while the St Thomas' centre will benefit from one of the largest intensive care units in the UK, enabling 'first in man' trials. It will also focus on high intensity cardiovascular interventions and imaging.

Experimental Cancer Medicine Centre

Also with King's College London, we have been awarded a Cancer Research UK/Department of Health Experimental Cancer Medicine Centre, which will attract funding of £1.2 million over five years. The centre is one of only 17 such centres in the UK and will bring together clinical and non-clinical academics to focus on translational research and advances in cancer medicines. Research will include a focus on molecular profiling, therapeutic developments and clinical trials activities, with a particular interest in breast, skin and haematological cancers.

Working with our partners

Throughout the year, we have continued to work closely with a wide range of partners to streamline and speed up processes and improve efficiency so that we are an attractive centre for research charities, pharmaceutical companies and other external organisations to work with. For example, we are involved in the National Research Passport Scheme which will enable us to reduce the time needed for employment checks and the issuing of honorary contracts to researchers.

Similarly, the Joint Clinical Trials Office is working to harmonise clinical trial procedures across our Trust, King's College London and King's College Hospital so that we can provide a more attractive setting for commercial and non-commercial clinical trials. We are reducing bureaucracy and duplication, and streamlining the research management process associated with industrial and academic collaborations.

Negotiations with Wyeth, one of the world's largest pharmaceutical companies, to host an Early Clinical Development Centre at King's College London are almost complete, and this would be the only centre of its kind in Europe and part of a global network. Discussions are also ongoing with other pharmaceutical companies to explore "preferred provider" opportunities.

The Trust has also been working with both King's College London and King's College Hospital to develop a joint R&D office which will reduce the organisational hurdles associated with undertaking research in a number of different organisations. Again the aim is to reduce bureaucracy and to improve data sharing and the flow of information between institutions.

In addition we have been strengthening our own research management arrangements to ensure effective governance of new research initiatives within the Trust, and these were approved by the Board of Directors in February 2007. They include the establishment of a Joint R&D Committee between the Trust and King's College London, a new Trust R&D Executive Committee, and a new Board to oversee the Joint Clinical Trials Office.

Comprehensive Local Research Network

The Trust was recently announced as being successful in its bid to become the host for the Comprehensive Local Research Network (CLRN) for South London. Supported by the UK Clinical Research Network (UKCRN) this will help NHS organisations locally to conduct and manage their clinical research portfolios.

The network will provide a coordinated infrastructure of research personnel and support facilities, and will help increase the recruitment of volunteers to participate in research studies. There has been strong support for the bid from our neighbouring trusts in South London, including King's College Hospital, South London and Maudsley NHS Foundation Trust, The Royal Marsden NHS Foundation Trust and St George's Healthcare NHS Trust, as well as the research active Primary Care Trusts, for which we are grateful.





Roy Fry

When I came in to the day surgery department for a routine operation, my consultant, Mr Hubbard, noticed some irregularities and recommended that I go for more tests. It turned out I had bowel cancer and have since been operated on to remove it. If it wasn't for Mr Hubbard I would be dead. The staff here are out of this world and call me regularly to give me extra information on things like my diet and lifestyle.

Our organisational structure

Our Members' Council

The Members' Council (our equivalent of the Board of Governors as described in legislation) advises the Trust on how to carry out our work to help us best meet the needs of our patients and the wider community.

It has a number of statutory duties, including appointing the Chairman and Non-Executive Directors, ratifying the appointment of the Chief Executive by the Non-Executive Directors, and determining the remuneration of the Chairman and Non-Executive Directors. The Members' Council also receives the Annual Report and Accounts and the Auditor's report, and appoints the Trust's external auditor.

The patient, public and staff members of the Members' Council are elected from the membership by the members to serve for three years. Elections for the 27 positions originally took place in April 2004. 14 of these positions came up for re-election in March 2006, with elections taking place in April. The remaining 13 positions came up for re-election in March 2007 with elections held the following month. There is a full list of who's who on the Members' Council, on page 54.

The Members' Council had three working groups last year which met outside its formal meetings to focus on specific issues. They were:

Service strategy – this group reviewed the Trust's service strategy implementation and received detailed briefings to help members better understand this year's financial position. They provided valuable input to the Board of Directors on responding to these challenges, and also invited representatives from the local Primary Care Trusts to share their perspectives and improve our overall understanding of the pressures within the local health economy.

Patient experience – this group reviewed the results of the annual inpatient postal survey and our quarterly patient experience telephone surveys. They were also involved in the development of the Trust's wayfinding strategy and helped implement the roll out of the *Nursing Standards Toolkit* across the Trust.

Staffing and employment – this group looked at the Trust's workforce and general staff satisfaction, considering issues such as work life balance, pay and benefits and training and development. They also considered and commented on the Trust's *Race Equality Scheme*, *Disability Equality Scheme* and our response to changes in national age discrimination legislation.

Our organisational structure

Who's who

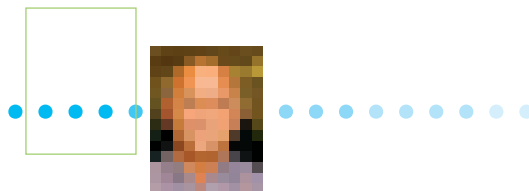
Patient members	From date shown for 3 years	Actual/possible attendance
Miss Mary Coales	July 1 2006	0 / 3
<i>Miss Coales resigned from the Council in January 2007</i>		
Mr Michael Craft	July 1 2006	3 / 3
Mr David Edwards	July 1 2006	3 / 3
Mr Gerald Hine (N)	July 1 2004	4 / 4
Mr John R Hyde	July 1 2006	3 / 4
Mr Derek Lee	July 1 2004	4 / 4
Mr Jeremy Marsh	July 1 2006	4 / 4
Dr John Mathews	July 1 2004	3 / 4
Mr John McLaughlin	July 1 2004	2 / 4
Mrs Jane Wardle	July 1 2006	4 / 4
Public members		
Mrs Pauline Anderson (N)	July 1 2006	4 / 4
Miss Susan Brooks	July 1 2004	3 / 4
Mr Stephen Bubb	July 1 2004	2 / 4
Mr Edward Heckels	July 1 2006	2 / 4
Mrs Wendy Mathews	July 1 2004	3 / 4
Mrs Daphne McKenzie	July 1 2004	3 / 4
Miss Karen Pardoe	July 1 2004	3 / 4
Mrs Patricia Prendergast	July 1 2006	2 / 3
Mrs Victoria Silvester	July 1 2006	3 / 3
Mr Simon Wallace	July 1 2006	3 / 3

(N) = Member of Nominations Committee

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

Staff members	Constituency	From date shown for 3 years unless indicated	Actual/possible attendance
Dr J Coltart (N)	Medical and Dental Practitioners	April 1 2005 until June 30 2007	3 / 4
<i>filled vacancy due to retirement</i>			
Mr Shamin Khan	Medical and Dental Practitioners	July 1 2006	2 / 3
Ms Liz Dunn	Nursing and Midwifery	July 1 2006	2 / 3
Ms Jacqueline Dunkley-Bent	Nursing and Midwifery	April 2005 until June 30 2007	3 / 4
<i>filled vacancy due to staff departure</i>			
Ms Jacky Lewis	Other	July 1 2004	3 / 4
Mr Brian Johnson	Other	July 1 2006	2 / 4
Mr Hamish Wallis	Other Health Professional	July 1 2006	4 / 4

Stakeholder members	All until June 30 2007	Actual/possible attendance
Lambeth Council	Cllr Peter Truesdale	2 / 4
Southwark Council	Cllr Nick Stanton	2 / 4
Lewisham PCT	Mr Brian Lymbery	2 / 4
Lambeth PCT	Mrs Jane Ramsey until January 31 2007, then Mr Ian Sesnan	1 / 1
Southwark PCT	Mr Chris Bull	3 / 4
London South Bank University	Prof David Sines from January 2007	1 / 1
South Bank Employers Group	Ms Julia Barfield	3 / 4
NHS London and formerly SE London Strategic Health Authority	Ms Roma Grant	2 / 4
King's College London	Dr Lynn Carlisle	2 / 4
South London and Maudsley NHS Foundation Trust	Ms Madeliene Long (N)	3 / 4



Nominations Committee

Membership and attendance

Chair: Patricia Moberly

Name	Actual	Possible
Pauline Anderson	3	3
Gerald Hine	3	3
Dr John Coltart	2	3
Ms Madeliene Long	3	3

The Nominations Committee makes recommendations to the Members' Council on the appointment of the Chairman and Non-Executive Directors. The committee also provides advice to the Members' Council on levels of remuneration for the Chairman and other Non-Executive Directors, which are then decided at a general meeting. The Committee also receives reports on behalf of the Members' Council on the process and outcome of appraisal for the Chairman and Non-Executive Directors.

The re-appointment of two existing Non-Executive Directors was confirmed by the Members' Council last year acting on the advice of the Nominations Committee. These were Anna Tapsell and Jan Oliver. In addition, the Nominations Committee and Member's Council have been closely involved in the process to fill two further Non-Executive Director vacancies which have arisen during the year. The Members' Council also approved the appointment of a new Chief Executive at a special meeting in May 2007.

Our membership

The Trust membership is a prized and valued asset. The membership supports the activity of the Trust, helps guide decision making and ensures that the Trust remains true to its NHS values and purpose.

The membership provides an additional way for the Trust to communicate with patients, public and staff, the constituencies from which members are drawn. There are three membership categories:

- **Patient membership:** open to people over 18 years of age who are registered with the Trust as a patient and have received treatment within the last three years. Carers of patients unable to exercise their rights as a member are also eligible for patient membership.

- **Public Membership:** open to people over 18 years of age who live in either Lambeth or Southwark.
- **Staff Membership:** open to employees of the Trust with a contract which means they will be working with the Trust for a year or more. Staff who are based at the Trust and work for any partner organisation or as a contractor are also eligible, as are registered volunteers who do not meet either the public or patient eligibility criteria.

The Trust has a total of 14,828 members, an increase of approximately 12 per cent in the year. Of these, 3,073 are patient members, 3,653 public members and 8,102 staff members.

The Trust aims to have a membership that is as representative as possible of the diverse communities which we serve. An analysis of the membership shows that this is reflected in the membership profile.

The Trust is committed to communicating with members and listening to what they say. Members receive regular mailings giving them information about developments in the Trust and inviting their views. In addition, members are invited to members' seminars, the annual Trust open day and meetings of the Members' Council, as well as to the Trust's Annual Public Meeting.

The seminars have proved very popular and informative and have covered topics including cancer, the latest cardiac treatments and how to get a good night's sleep, as well as a look at behind the scenes at the making of the BBC's popular *City Hospital* programme which has been broadcast from the Trust for the last five years.

Members wishing to communicate with Directors and elected members of the Members' Council, or anyone interested in finding out more about membership, should contact:

Membership Office
Ground Floor, West Wing
Guy's Hospital, St. Thomas' Street
London SE1 9RT
Tel: 020 7188 0012
Email: members@gstt.nhs.uk

Our organisational structure

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.

Attendance at Board of Directors' meetings

Number of meetings attended out of a maximum possible during the year:

Name	Actual	Possible
Dallas Ariotti	8	8
Dr Edward Baker	10	11
Tim Higginson	11	11
Dawn Hill	11	11
Prof Robert Lechler	9	11
Steve McGuire	11	11
Rory Maw	10	11
Sir Jonathan Michael	8	9
Patricia Moberly	11	11
Jan Oliver	11	11
Keith Palmer	11	11
Martin Shaw	11	11
Eileen Sills	11	11
Anna Tapsell	9	11

To view the register of interests for our Board of Directors, please contact the Head of Corporate Affairs.

The Board of Directors is made up of our Chairman, Patricia Moberly, and six other Non-Executive Directors. There were seven Executive Board Directors, including the Chief Executive, until December 31 2006 when the Director of Transformation role was disestablished. There are currently six Executive Directors.

The membership of the Board of Directors is balanced, complete and appropriate as demonstrated by the biographical details of Board members on page 58. The Trust considers that all the Non-Executive Directors are independent in character and judgement, and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the judgement in this respect. The Trust has therefore decided not to appoint a senior independent director.

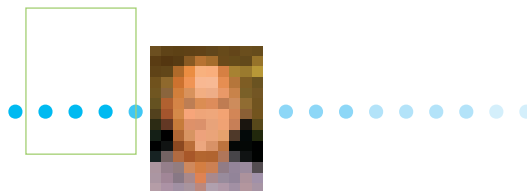
Monthly board meetings are open to the public, who can come and listen to the discussions. Agendas, papers and minutes are published on our website, along with dates of future meetings.

In September we hold an Annual Public Meeting (APM), where members of the Foundation Trust, local people, patients, staff and other local stakeholders are invited to come and find out how we have performed during the year and to meet the Board of Directors and the Members' Council. There is also an opportunity to ask questions of the Chief Executive, Chairman and Executive Board Directors. Over 250 people attended our APM in September 2006.

The Board has the following seven sub-committees:

Committee	Membership
Assurance & Risk	Anna Tapsell (Chair), Dallas Ariotti*, Edward Baker, Rory Maw, Steve McGuire, Jonathan Michael, Patricia Moberly, Jan Oliver, Eileen Sills
Audit	Keith Palmer (Chair), Rory Maw, Anna Tapsell
Estates	Patricia Moberly (Chair), Dallas Ariotti*, Tim Higginson, Steve McGuire, Jonathan Michael, Robert Lechler, Jan Oliver, Keith Palmer, Martin Shaw
Finance & Investment	Keith Palmer (Chair), Whole Board of Directors
Personnel & Workforce	Jan Oliver (Chair), Dallas Ariotti*, Tim Higginson, Dawn Hill, Rory Maw, Steve McGuire, Jonathan Michael, Eileen Sills
Remuneration	Patricia Moberly (Chair), All Non Executive Directors
Strategy	Patricia Moberly (Chair), Whole Board of Directors

*until December 31 2006



Audit Committee

Membership and attendance

Name	Actual	Possible
Keith Palmer (Chair)	3	3
Rory Maw	3	3
Anna Tapsell	3	3

The Audit Committee provides the Board of Directors with a means of independent and objective review of financial and corporate governance and risk management in the Trust. It also provides assurance of independence for external and internal audit, and ensures that standards are set and compliance with them is monitored in the non-financial, non-clinical areas of the Trust that fall within the remit of the Committee.

The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference and to seek any information it requires from any member of staff.

In discharging these responsibilities last year, the Committee approved both the internal and external audit work plans, and received regular reports from internal and external audit. The Committee reviewed the draft management letter from the external auditors for the year ended March 31 2006, and recommended the letter for formal acceptance by the Board of Directors.

At its meeting in May, the Committee reviewed the draft annual accounts and approved their submission to the auditors. The Committee approved revisions to the Trust's Standing Financial Instructions and Scheme of Reservation and Delegation, and recommended the adoption of the revised documents by the Board of Directors. The Committee also received reports on counter fraud work at the Trust, including the annual report of the Local Counter Fraud Specialist.

In addition to the regular reports on its agenda, the Committee also called for and received reports on the cost of the consultant contract, ethnic coding of patient admissions, arrangements for checking the identity of staff upon recruitment, and the Trust's *Delivering Excellence programme*.

At its meeting in February 2006, the Members' Council accepted the Audit Committee's recommendation that Deloitte & Touche LLP be appointed as the Trust's external auditors for the year commencing April 1 2006. No work outside the Audit Code, nor any non-audit services have been purchased from the external auditors.

Remuneration Committee

Membership and attendance

Name	Actual	Possible
Anna Tapsell	1	1
Rory Maw	1	1
Keith Palmer	1	1
Jan Oliver	1	1
Dawn Hill	0	1
Patricia Moberly	1	1
Robert Lechler	1	1

The Remuneration Committee decides the pay and allowances, and other terms and conditions of the Executive Directors.

Working with the Members' Council

The Board of Directors interacts with the Members' Council (its members are our equivalent of governors as described in legislation) to ensure that it understands their views – and through them – those of our members. To support this process:

- Board meetings are attended by a number of members of the Members' Council, one of whom presents a formal report of the activities of the Members' Council and its working groups to the Board;
- Similarly, Board members are invited to attend all Members' Council meetings and a member of the Board presents a formal report of the activities of the Board to the Members' Council;
- All meetings of the Members' Council's working groups are attended by a Non-Executive and Executive Director of the Board;
- The format and agenda for Members' Council meetings brings Board and Members' Council members together in workshop discussions to support a lively exchange of ideas and views.

Trust Management Executive

The membership of 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 and Risk Management;
- Clinical Records Management;
- Enterprise Executive;
- Information Strategy Group;
- Medical Workforce;
- Research and Development.

Who's who



Sir Jonathan Michael
Chief Executive

Sir Jonathan Michael was Chief Executive at Guy's and St Thomas' from November 2000 until April 2007. He 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.

Sir Jonathan held a number of external appointments including Chair of the Foundation Trust Network Board; Chairman of the Association of UK University Hospitals; Chairman of NHS Innovations London; a board member of the UK Clinical Research Collaborative Board; and a member of the Joint Medical Advisory Committee to the Higher Education Funding Council for England.

Sir Jonathan left the Trust at the end of April 2007.

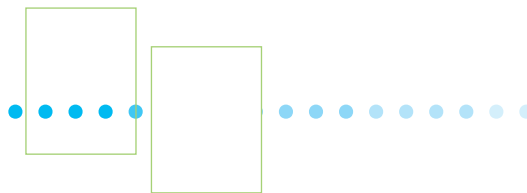


Dallas Ariotti MBE
Director of Transformation
(until December 31, 2006)

Dallas Ariotti joined the Trust as its first Director of Performance and Information Management in January 2002. Her 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.

Dallas became the Trust's Director of Delivery in April 2004 and Director of Transformation in December 2005. She received an MBE in the New Year's honours' list in recognition of her leadership of the Trust's response to the London bombings in July 2005.

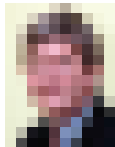
Dallas left the Trust at the end of December 2006.



Dr Edward Baker
Joint Director of Clinical Leadership and Medical Director

Ted Baker became Medical Director in October 2003 and has been a consultant paediatric cardiologist at the Trust since 1987. Ted has held a number of Trust positions including Assistant Medical Director, Clinical Director of Children's Services and Group Director of Women's and Children's Services.

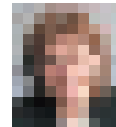
He instigated the projects leading to the new Evelina Children's Hospital and Women's Centre at St Thomas'. Ted was one of the pioneers of magnetic resonance imaging of the heart. He trained as a junior doctor at both Guy's and St Thomas', as well as at several other hospitals, including Pittsburgh Children's Hospital in the USA.



Martin Shaw
Director of Finance

Martin Shaw joined the Health Service in 1981 and has held various posts including 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', first as Business and Financial Planning Manager, before becoming Strategy Director and Projects Director.

Martin chairs the Healthcare Financial Management Association's Finance Directors' Group; is a member of the Foundation Trust Network's Finance Directors' Group and is a member of the Department of Health's Payment By Results Programme Board.



Eileen Sills CBE
Joint Director of Clinical Leadership, Chief Nurse and Director of Clinical Services

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, Homerton and the Royal Free Hospitals. Eileen's first Director post was at the Royal National Orthopaedic Hospital in 1999.

Eileen added Director of Clinical Services to her role in August 2005. She 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. She was also made a visiting Professor at the Florence Nightingale School of Nursing at King's College London this year.



Tim Higginson
Director of Strategy and Workforce

Tim Higginson has a long history of service within the Trust, before his appointment as Personnel Director and more recently as Director of Strategy and Policy in April 2004 and Director of Strategy and Workforce 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.

From Sir Jonathan Michael's departure at the end of April until the arrival of the incoming Chief Executive in October 2007, Tim will serve as Acting Chief Executive.

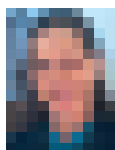


Steve McGuire
Director of Capital, Estates and Facilities Management

Steve McGuire joined the Trust as its first Director of Capital, Estates and Facilities Management in April 2003 from 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.

Who's who



Patricia Moberly
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 and again in February 2006, and will serve until March 2009.



Professor Robert Lechler
Vice Chairman

Professor Lechler, having been the Dean of Guy's, King's and St Thomas' School of Medicine since September 2004, became Vice Principal for Health at King's College London in October 2005. 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 Lead Clinician for Renal Transplantation and 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 joined the Board of Directors in November 2004 and will serve until November 2008.



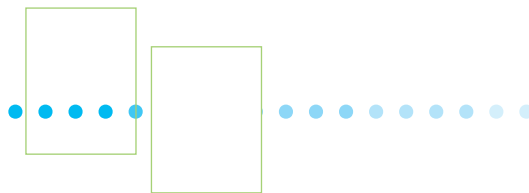
Dawn Hill
Non-Executive Director

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 Chair of Governors at the Evelina Children's Hospital School and has a strong interest in the Trust's volunteers and women's services. She has been actively involved with voluntary and community organisations for over 25 years.

She 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 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 joined the Board in November 1999 and was reappointed to the Board in November 2003. She will serve until October 2007.

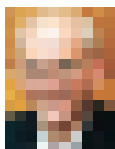


Rory Maw
Non-Executive Director

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 joined the Board in March 2005 and will serve until March 2009.



Keith Palmer
Non-Executive Director

Keith Palmer 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 Senior Associate of the King's Fund. He is also a Trustee of Guy's and St Thomas' Charity. Keith joined the Board in January 2001 and was reappointed in 2005.

Keith will leave to take up a new appointment as Chairman of another major London Trust in June 2007.



Jan Oliver
Non-Executive Director

Jan Oliver has considerable experience

in the area of diversity, ensuring that organisations have a culture where diversity is embedded in their day to day business. She previously was Diversity Manager for Factual and Learning at the BBC, responsible for raising the profile of diversity issues, 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 was previously a Trustee of the Stephen Lawrence Charitable Trust, where she led on event management. She also presents a weekly radio programme on digital station Colourful Radio, works as a coach and mentor at Imperial College, London and is studying for a BSc in psychology at London South Bank University.

Jan joined the Board in January 2004, was reappointed in 2007 and will serve until December 2011.



Anna Tapsell
Non-Executive Director

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 is a member of Lambeth's Domestic Violence Forum and chairs Lambeth Women's Aid, which provides refuge and outreach services for women and children affected by domestic violence. Anna is Chairperson of Lambeth's Community Police Consultative Group and a member of the Safer Lambeth Partnership. She is also a Mental Health Act Manager for South London and Maudsley NHS Trust.

Anna joined the Board in July 1999, was reappointed in 2006 and will serve until June 2008.





Asbita Patel

A Harley Street clinic recommended Guy's and St Thomas' as the best place for my condition, as it has a specialist dermatology team. I have been coming here for regular treatment ever since. As my treatment involves long periods on a machine, I really appreciate the pleasant environment and being well looked after. The nurses take a real pride in what they do.

Remuneration report

The remuneration and expenses for the Trust Chairman and Non-Executive Directors are determined by the Members' Council, taking account of the guidance issued by organisations such as the NHS Confederation and the NHS Appointments Commission. Remuneration for the Trust's most senior managers (Executive Directors who are members of the Board of Directors) is determined by the Board of Directors' Remuneration sub-committee, which consists of the Chairman and the Non-Executive Directors.

Details of remuneration, including the salaries and pension entitlements of the Board of Directors, are published in the annual accounts on page 80. Senior managers' salaries (as defined above) may include a non-recurrent bonus related to performance.

The only non-cash element of senior managers' remuneration packages are pension related benefits accrued under the NHS Pensions Scheme. Contributions are made by both the employer and employee in accordance with the rules of the national scheme which applies to all NHS staff in the scheme.

Pay levels are informed by executive salary surveys conducted by independent management consultants and by the salary levels in the wider market place. Affordability, determined by corporate performance and individual performance, are also taken into account. Where appropriate, terms and conditions are consistent with the new NHS pay arrangements such as *Agenda for Change*.

The Trust's strategy and business planning process set key business objectives which in turn inform individual objectives for senior managers. Performance is closely monitored and discussed through both an annual and ongoing appraisal process. All senior managers' remuneration is subject to performance.

Senior managers are employed on contracts of service and are substantive employees of the Trust. Their contracts are open ended employment contracts which can be terminated by either party with six months notice, or 12 months in the case of the Chief Executive. The Trust's normal disciplinary policies apply to senior managers, including the sanction of instant dismissal for gross misconduct. The Trust's redundancy policy is consistent with NHS redundancy terms for all staff.

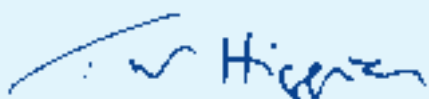
Tim Higginson, Acting Chief Executive, June 8 2007



Annual accounts

Foreword to the accounts

These accounts, for the twelve month period ending March 31 2007, have been prepared by 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.



Tim Higginson, Acting Chief Executive, June 8 2007

Statement of the Chief Executive's responsibilities as the accounting officer of Guy's and St Thomas' NHS Foundation Trust

The Health and Social Care (Community Health and Standards) Act 2003 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the accounting officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

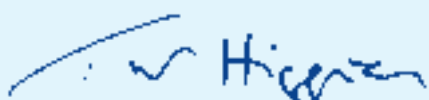
Under the Health and Social Care (Community Health and Standards) Act 2003, Monitor has directed Guy's and St Thomas' NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Guy's and St Thomas' NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

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

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

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

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum. As Acting Chief Executive since May 1 2007, I have done so working closely with Sir Jonathan Michael who remained Chief Executive until the end of April and was therefore the Accounting Officer of the NHS Foundation Trust for the financial year.



Tim Higginson, Acting Chief Executive, June 8 2007

Statement on internal control 2006/07

1. Scope of responsibility

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

The Trust is subject to Monitor's (the independent regulator for Foundation Trusts) Compliance Framework which requires an Annual Report, an Annual Plan and quarterly monitoring reports.

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 and the Healthy Southwark Partnership Board. The Trust also meets regularly on a bi-lateral basis with our key health partners: Lambeth and Southwark Primary Care Trusts (PCTs) and South London and Maudsley NHS Trust. Regular Board level liaison meetings are held with King's College London, our principal academic partner and the Trust has been an active member of the South East London Sustainability Project, 'A Picture of Health', and is a member of both the Project Board and Project Council. Membership of our Members' Council includes patients, public and staff as well as representatives of all our key partners.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the Trust; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Trust for the year ended March 31 2007 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust has in place a Risk Management 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.

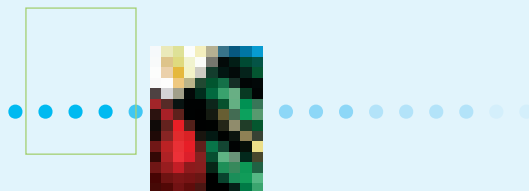
The Trust learns from good practice through a range of mechanisms including clinical supervision and reflective practice, individual and peer reviews, performance management, continuing professional development programmes, clinical audit and application of evidence based practice.

4. The risk and control framework

The Risk Management Strategy sets out the key responsibilities for managing risk within the organisation, including the ways 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. This determines the Trust's appetite for risk with clear processes for the management and monitoring of proactive risk assessments defined within the Risk Management Strategy.

All Serious Untoward Incidents and Serious risks are reported to the Board via the established governance committee structures. All staff are responsible for responding to incidents, hazards, complaints and near misses in accordance with the appropriate policies. Local Clinical Governance and 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. Risk processes are monitored and reviewed by the Assurance and Risk Committee, and the Audit Committee (previously the Audit and Financial Performance Committee).



The Trust has a Board Assurance Framework which sets out the principal risks to delivery of key priorities and objectives such as the Strategic Corporate Objectives. The Executive Director with delegated responsibility for managing and monitoring each risk is clearly identified. The Board Assurance Framework identifies the assurances available to the Board of Directors in relation to the achievement of the Trust's key priorities and objectives. The principal risks to the delivery of these objectives are mapped to key controls. The Board of Directors requires both the assurance that the Board Assurance Framework identifies those actions required to address gaps in control and assurance, and the development and implementation of action plans. There were limited gaps in control identified pertaining to the identified risks, and these included further development of policies, and report structures. Reporting mechanisms at an operational level for one particular risk were recorded as a gap in assurance. The Board Assurance Framework is underpinned by the robust *Standards for Better Health* process embedded within the Trust.

Working with our partners we explore potential risks which may impact upon other organisations and public stakeholders.

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

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

The work begun under the Trust's *Delivering Excellence programme* has continued to focus on performance improvement opportunities in the areas of clinical operations, procurement, strategy and organisation. The purpose of this work was to transform the performance of the organisation. The financial aim of the programme was to attempt to realise the potential savings identified in the review to enable the Trust to move to a more positive business planning process evaluating and backing the proposals which come forward rather than focussing annually on the current year's financial gap.

The Trust benefits from the Acute Hospitals Portfolio work carried out by its external auditors (at the time the Audit Commission) on behalf of the Healthcare Commission. The aim of the work is to inform the Trust about its performance compared to other Trusts and to make recommendations where scope for improving value for money is identified. During 2006/07 the Trust followed up the results of the review of the Acute Hospital Portfolio work carried out in 2005/06. The Portfolio programme focused on the collection of data for quality and value for money assessment in the areas of Admissions Management, Diagnostics (Pathology, Imaging and Endoscopy), Children's Services and Medicines Management. Robust action plans have been developed as a result of the recommendations arising from these reviews, and we anticipate these will be externally reviewed by the Healthcare Commission as part of its programme of 2006/07 reviews. A new system of assessment for the NHS has been developed by the Healthcare Commission and became the main method of regulation from 2006. The Acute Hospitals Portfolio has now been replaced by a series of annual service reviews.

The emphasis in internal audit work is on risk management, governance and internal control processes. Individual assignments have also raised issues relating to economy, efficiency and effectiveness. Where scope for improvement, in terms of value for money was identified during an internal audit review, appropriate recommendations were made and action plans were agreed with management for implementation.

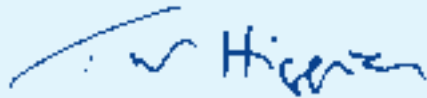
6. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive Directors and managers within the Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. My review this year is also informed by the organisation's self-assessment against the *Standards for Better Health*, the Health and Safety Executive inspection and the achievement of Level 3 of the Clinical Negligence Scheme for Trusts.

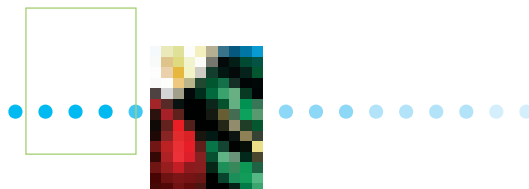
I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors, the Audit Committee, and the Assurance and Risk Committee. A plan to ensure continuous improvement of the system is in place.

The Board of Directors reviewed the 2006/07 Board Assurance Framework following approval of the Strategic Corporate Objectives, and the Assurance Framework was updated to reflect the risks associated with achieving these objectives. The Trust Management Executive and the Assurance and Risk Committee have provided the Board of Directors with reports on risk management, performance management and clinical governance.

The Audit 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 has 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. Whilst there were no material weaknesses noted, where scope for improvement was found, recommendations were made and appropriate action plans agreed with management.



Tim Higginson, Acting Chief Executive, June 8 2007



Independent auditors' report to the Members' Council and Board of Directors of Guy's and St Thomas' NHS Foundation Trust

We have audited the financial statements of Guy's and St Thomas' NHS Foundation Trust for the year ended 31 March 2007 which comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes 1 to 27. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Members' Council and Board of Directors ("the Boards") of Guy's and St Thomas' NHS Foundation Trust, as a body, in accordance with paragraph 4 of Schedule 5 of the Health and Social Care (Community Health and Standards) Act 2003. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not, in giving our opinion, accept or assume responsibility to anyone other than the Trust and the Boards, as a body, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with directions issued by Monitor – Independent Regulator of NHS Foundation Trusts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

We report to you our opinion as to whether the financial statements give a true and fair view of the state of affairs of the Trust and its income and expenditure for the year, in accordance with the accounting policies directed by Monitor – Independent Regulator of NHS Foundation Trusts. We also report if, in our opinion, the foreword to the Accounts is not consistent with the financial statements, if the Trust has not kept proper accounting records, or if we have not received all of the information and explanations we require for our audit.

We review whether the directors' statement on internal control reflects compliance with the Department of Health's guidance 'The Statement on Internal Control 2003/2004' issued on 15 September 2003. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the statement on internal control and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of Guy's and St Thomas' NHS Foundation Trust as at 31 March 2007 and of its income and expenditure for the year then ended in accordance with the accounting policies directed by Monitor – Independent Regulator of NHS Foundation Trusts.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of paragraph 1 of Schedule 5 of the Health and Social Care (Community Health and Standards) Act 2003 and the Audit Code for NHS Foundation Trusts.

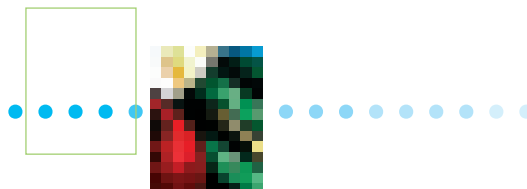
June 8 2007

Deloitte & Touche LLP
Chartered Accountants
St Albans

Income and expenditure account for the year ended March 31 2007

	NOTE	2006/07 £000	2005/06 £000
Income from activities	3	530,159	486,118
Other operating income	4	171,736	174,061
Operating expenses	5-7	(663,738)	(643,993)
OPERATING SURPLUS		38,157	16,186
Loss on disposal of fixed assets	8	(246)	(445)
SURPLUS BEFORE INTEREST AND TAX		37,911	15,741
Interest receivable		2,249	1,424
Other finance costs – unwinding of discount		(196)	(197)
SURPLUS BEFORE TAX		39,964	16,968
Taxation on ordinary activities	9	(120)	(48)
SURPLUS FOR THE FINANCIAL YEAR AFTER TAXATION		39,844	16,920
Public Dividend Capital dividends payable		(17,423)	(16,583)
RETAINED SURPLUS FOR THE YEAR		22,421	337

The notes on pages 72 to 87 form part of these accounts.
All income and expenditure is derived from continuing operations.



Balance sheet as at March 31 2007

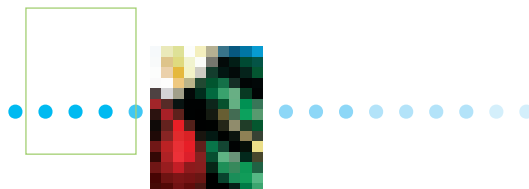
	NOTE	£000	31 March 2007 £000	31 March 2006 £000
FIXED ASSETS				
Intangible assets	10	4,788		5,045
Tangible assets	11	<u>727,421</u>		<u>716,277</u>
			732,209	721,322
CURRENT ASSETS				
Stocks and work in progress	12	7,846		10,212
Debtors: Amounts falling due:				
within one year	13	47,138		51,595
after one year	13	1,087		1,181
Investments		40,000		—
Cash at bank and in hand	18.3	<u>26,340</u>		<u>27,546</u>
			122,411	90,534
CREDITORS: Amounts falling due within one year	14.1		<u>(82,758)</u>	<u>(76,008)</u>
NET CURRENT ASSETS			39,653	14,526
TOTAL ASSETS LESS CURRENT LIABILITIES			771,862	735,848
CREDITORS: Amounts falling due after more than one year	14.2		<u>(3,055)</u>	<u>(3,450)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15		<u>(12,816)</u>	<u>(10,384)</u>
TOTAL ASSETS EMPLOYED			<u>755,991</u>	<u>722,014</u>
FINANCED BY:				
TAXPAYERS' EQUITY				
Public Dividend Capital	22		311,855	301,565
Revaluation reserve	17		200,743	197,572
Donated asset reserve	17		221,153	223,264
Other reserves	17		743	743
Income and expenditure reserve	17		<u>21,497</u>	<u>(1,130)</u>
TOTAL TAXPAYERS' EQUITY			<u>755,991</u>	<u>722,014</u>

Tim Higginson
Acting Chief Executive
June 8 2007

Statement of total recognised gains and losses for the year ended March 31 2007

	2006/07 £000	2005/06 £000
Surplus for the financial year before dividend payments	39,844	16,920
Fixed asset impairment losses	(1,083)	(2,276)
Unrealised surplus on fixed asset revaluations/indexation	5,112	562
Increases in the donated asset reserve due to the receipt of donated assets	5,353	13,170
Reductions in the donated asset reserve due to the depreciation, impairment and disposal of donated assets	(8,116)	(6,812)
Total recognised gains and losses for the financial year	41,110	21,564
Prior period adjustment (see below)	(2,197)	—
Total gains and losses recognised in the financial year	38,913	21,564

A prior period adjustment (see below) took place during 2006/07 in accordance with Monitor guidance. An adjustment of £2,197,000 was made to reclassify assets bought with New Opportunities Fund monies, this amount is made up of an adjustment for £227,000 in the revaluation reserve and £1,970 in long term creditors. These assets are now classified as Government granted assets instead of donated assets.



Cash flow statement for the year ended March 31 2007

	NOTE	£000	2006/07 £000	2005/06 £000
OPERATING ACTIVITIES				
Net cash inflow from operating activities	18.1		64,712	25,717
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		<u>2,266</u>		<u>1,402</u>
Net cash inflow from returns on investments and servicing of finance			2,266	1,402
CAPITAL EXPENDITURE				
(Payments) to acquire tangible fixed assets		<u>(38,951)</u>		(46,903)
(Payments) to acquire intangible assets		<u>(705)</u>		<u>(4,426)</u>
Net cash (outflow) from capital expenditure			(39,656)	(51,329)
DIVIDEND PAID			(17,423)	(16,583)
Net cash inflow/(outflow) before management of liquid resources and financing			<u>9,899</u>	<u>(40,793)</u>
MANAGEMENT OF LIQUID RESOURCES				
(Purchase) of current asset investment		<u>(40,000)</u>		
Net cash (outflow) from management of liquid resources			<u>(40,000)</u>	<u>–</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			(30,101)	–
FINANCING				
Public Dividend Capital received		<u>23,823</u>		17,114
Other capital receipts		<u>5,072</u>		<u>32,747</u>
Net cash inflow from financing			<u>28,895</u>	<u>49,861</u>
(Decrease)/Increase in cash			<u>(1,206)</u>	<u>9,068</u>

Notes to the accounts

1 Accounting policies

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trusts Financial Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2006/07 NHS Foundation Trust Financial Reporting 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 Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Going concern

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

1.2 Accounting convention

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

1.3 Acquisitions and discontinued operations

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

- a) The sale (this may be at nil consideration for activities transferred to another public sector body) or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- b) If a termination, the former activities have ceased permanently.
- c) The sale or termination has a material effect on the nature and focus of the reporting 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.

1.4 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 health care services. Income is recognised in the period in which services are provided including where treatment is underway but not completed. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Income related to Partially Completed Spells is accrued based on the number of occupied bed days per care category, and an average cost per bed day per care category.

1.5 Pooled budgets

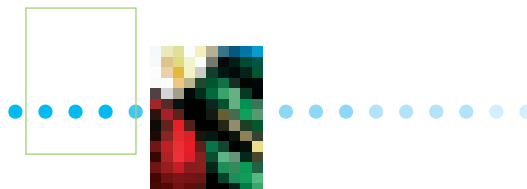
The Trust has entered into a pooled budget with the London Borough of Lambeth. Under the arrangement funds are pooled under S31 of the Health Act 1999. The NHS Foundation Trust accounts for its own share of the pooled budget's income and expenditure and assets and liabilities as the pooled budget is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

1.6 Intangible fixed assets

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

Intangible fixed assets held for operational use are valued at historical cost and are 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.



1.7 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.

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. The costs arising from financing the construction of the fixed assets are not capitalised but are charged to the income and expenditure account in the year to which they relate.

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

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal Valuation Manual. The last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005.

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 with the exception of IT equipment, which is considered to have nil inflation, is valued at net current replacement cost.

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.

1.8 Investments

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.

1.9 Donated fixed assets

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

1.10 Government grants

Government grants are grants from government bodies other than income from Primary Care Trusts or NHS Trusts for the provision of services. Grants from the Department of Health, including those for achieving three star status, are accounted for as Government grants as are grants from the Big Lottery Fund. Funding received as Public Dividend Capital is accounted for as NHS capital. 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 deferred income and released to the Income and Expenditure Account over the life of the asset on a basis consistent with the depreciation charge for that asset. Material balances on these grants are shown separately as Deferred Income Government Grants.

1.11 Cash, bank and overdrafts

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

1.12 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 material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% 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.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2006/07 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

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 Contingencies

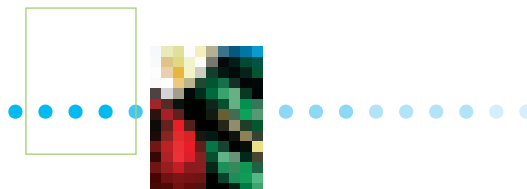
Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in Note 21 where an inflow of economic benefits is probable.

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in Note 21 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

1.15 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 assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17.



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

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

1.16 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.

1.17 Taxation

The Finance Act 2004 amended S519A Income and Corporation Taxes Act 1988 to provide power to the Treasury to make certain non-core activities of Foundation Trusts potentially subject to corporation tax. This legislation is effective from 12th September 2005. A provision has been made in the Income and Expenditure Account for the payment of corporation tax.

1.18 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. Monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Resulting exchange gains and losses are taken to the Income and Expenditure account.

1.19 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.

1.20 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.

1.21 Dividend

Public Dividend Capital represents the outstanding public debt of an NHS Foundation Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Foundation Trust, is paid over as Public Dividend Capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the 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.

1.22 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.

1.23 Financial instruments

The Trust has the following financial assets and liabilities:

- **assets:** long-term debtors and accrued income, short-term debtors and accrued income; and
- **liabilities:** long-term creditors, long-term provisions arising from contractual arrangements, short-term creditors, short-term provisions arising from contractual arrangements

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

	2006/07 £000	2005/06 £000
NHS Trusts	1,579	633
Primary Care Trusts	444,602	448,481
Local Authorities	167	181
Department of Health	68,098	23,288
Non NHS:		
– Private patients	13,241	11,489
– Overseas patients (non-reciprocal)	1,433	942
– Road Traffic Act	685	713
– Other	354	391
	530,159	486,118

3.2 Income from activities by type

	2006/07 £000	Restated 2005/06 £000
Elective income	122,622	110,028
Non-elective income	103,959	99,457
Outpatient income	98,055	83,953
Other type of activity income	178,978	176,698
A&E income	14,491	13,685
Payments by Results (PBR) tariff clawback	(1,187)	(9,192)
Private patient income	13,241	11,489
	530,159	486,118

Between accounting periods, contract category definitions changed thus necessitating the restatement of 05/06 income.

3.3 Private patient income

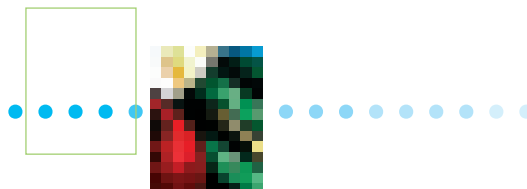
	2006/07 £000	2005/06 £000
Private patient income	13,241	11,489
Total patient related income	530,159	486,118
Proportion as a percentage	2.50%	2.36%

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 2.87 per cent, its proportion when the organisation was an NHS Trust in 2002/03.

4 Other operating income

	2006/07 £000	2005/06 £000
Education, training and research	89,567	91,350
Charitable and other contributions to expenditure	6,430	5,894
Transfers from donated asset reserve	8,116	6,812
Non-patient care services to other bodies	15,908	16,449
Other income	51,715	53,556
	171,736	174,061

Other income includes income from commercial activities, transitional funding, facilities income, and other direct credits.



5 Operating expenses

5.1 Operating expenses comprise:

	2006/07 £000	2005/06 £000
Services from other NHS Trusts	2,171	1,828
Services from other NHS bodies	4,747	5,245
Services from NHS Foundation Trusts	832	227
Purchase of health care from non-NHS bodies	3,016	3,058
Executive Directors' costs	1,336	1,141
Non-Executive Directors' costs	160	123
Staff costs	397,501	385,302
Drugs	71,293	67,101
Supplies and services – clinical	61,106	56,998
Supplies and services – general	7,180	7,097
Establishment	5,513	7,168
Transport	5,327	5,286
Premises	32,503	29,591
Bad debts	869	7,210
Depreciation and amortisation	31,479	26,651
Fixed asset impairments	566	73
Audit fees	118	170
Clinical negligence	4,713	4,663
Other	33,308	35,061
	663,738	643,993

Other operating expenses includes expenditure on commercial activities, training, foreign currency losses of £364,129 (£5,134 gain in 2005/06 included other operating income) and legal fees.

5.2 Operating leases

5.2.1 Operating expenses include:

	2006/07 £000	Restated 2005/06 £000
Hire of plant and machinery	1,777	1,869
Other operating lease rentals	2,766	1,266
	4,543	3,135

In 05/06 hire of plant and machinery only included vehicles but now it also includes equipment.

5.2.2 Annual commitments under non-cancellable operating leases are:

	Land and buildings £000	2006/07 Other leases £000	Land and buildings £000	2005/06 Other leases £000
Operating leases which expire:				
Within 1 year	269	163	–	–
Between 1 and 5 years	154	1,356	1,228	1,576
After 5 years	472	121	212	356
	895	1,640	1,440	1,932

5.3 2006/07 Salary and pension entitlements of senior managers

A) Remuneration

Name	Title	Basic salary £000	Non-recurrent bonus £000	Other remuneration £000
Executive Directors				
D. Ariotti	Director of Transformation (post disestablished December 31 2006)	*	*	*
E. Baker	Joint Director of Clinical Leadership and Medical Director	130	—	75
T. Higginson	Director of Strategy and Workforce (Acting Chief Executive from August 26 to October 29 2006)	115	—	—
S. McGuire	Director of Capital, Estates and Facilities Management	125	—	—
J. Michael	Chief Executive (on Sabbatical from August 26 to October 29 2006)	231	—	—
M. Shaw	Director of Finance	131	—	—
E. Sills	Joint Director of Clinical Leadership and Chief Nurse/ Director of Clinical Services	142	7	—
Non-Executive Directors				
D. Hill	Non-Executive Director	14	—	—
R. Lechler	Vice-Chairman	14	—	—
R. Maw	Non Executive Director	14	—	—
P. Moberly	Chairman	50	—	—
J. Oliver	Non-Executive Director	14	—	—
K. Palmer	Chairman Audit Committee	17	—	—
A. Tapsell	Non-Executive Director	14	—	—

* Consent to disclose withheld.

B) Pension benefits

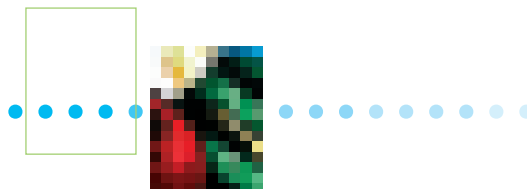
Name	Title	Real increase in pension and related lump sum at age 60 £000	Total accrued pension and related lump sum at age 60 at March 31 2007 £000	Cash equivalent transfer value at March 31 2007 £000	Real increase in cash equivalent transfer value £000
D. Ariotti	Director of Transformation (post disestablished December 31 2006)	*	*	*	*
E. Baker	Joint Director of Clinical Leadership and Medical Director	**	**	**	**
T. Higginson	Director of Strategy and Workforce (Acting Chief Executive fro August 26 to October 29 2006)	34	102	508	43
S. McGuire	Director of Capital, Estates and Facilities Management	20	59	280	46
J. Michael	Chief Executive (on sabbatical from August 26 to October 29 2006)	121	354	—	—
M. Shaw	Director of Finance	43	130	669	54
E. Sills	Joint Director of Clinical Leadership and Chief Nurse/ Director of Clinical Services	39	118	512	101

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

* Consent to disclose withheld.

** The Joint Director of Clinical Leadership and Medical Director is recharged to the Trust from King's College Medical School.

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, 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

	Permanently employed £000	Other £000	2006/07 Total £000	2005/06 Total £000
Salaries and wages	319,206	–	319,206	306,005
Social security costs	27,207	–	27,207	23,335
Employer contributions to NHSPA	33,954	–	33,954	32,482
Agency and contract staff	–	18,452	18,452	24,589
Seconded staff	–	18	18	32
	380,367	18,470	398,837	386,443

6.2 Average number of persons employed

	Permanently employed number	Other number	2006/07 Total number	2005/06 Total £000
Medical and dental	1,156	13	1,169	1,135
Administrative and estates	1,860	234	2,094	2,081
Healthcare assistants and other support staff	621	138	759	800
Nursing, midwifery and health visiting staff	2,667	53	2,720	2,715
Nursing, midwifery and health visiting learners	496	9	505	543
Scientific, therapeutic and technical staff	1,411	97	1,508	1,544
	8,211	544	8,755	8,818

6.3 Management costs

	2006/07 £000	2005/06 £000
Management costs	24,693	23,336
Income	701,895	660,179
Management costs as a percentage	3.52%	3.53%

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 last year 2006/07 there were thirteen early retirements from the Trust agreed on the grounds of ill-health (four in the year ended March 31 2006). The estimated additional pension liabilities of these ill-health retirements will be £680,851.47 (£242,184 in 2005/06). These retirements represented 1.47 per 1,000 active scheme members. 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	2006/07 £000	Number	2005/06 £000
Total bills paid in the year	179,464	302,904	178,902	286,374
Total bills paid within target	123,486	206,880	141,932	212,156
Percentage of bills paid within target	69%	68%	79%	74%

The Better Payment Practice Code requires the Trust to aim to pay all valid 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

The Trust did not incur any expenditure relating to the late payment of commercial debts.

8 Loss on disposal of fixed assets

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

	2006/07 £000	2005/06 £000
Loss on disposal of land and buildings	(47)	–
Loss on disposal of plant and equipment	(199)	(445)
	<u>(246)</u>	<u>(445)</u>

9 Taxation

UK corporation tax

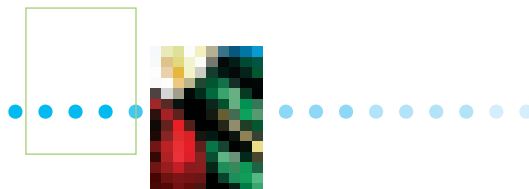
Current tax on income at 30 per cent

2005/06 £000	2005/06 £000
120	48

This provision relates to certain non-core activities in relation to the Finance Act 2004 as amended by S519A Income and Corporation Taxes Act 1988.

10 Intangible fixed assets

	Software licences £000	Allowances £000	2006/07 Total £000
Cost April 1 2006	6,417	–	6,417
Additions purchased	25	53	78
Gross cost at April 1 2006	6,442	53	6,495
Amortisation April 1 2006	1,372	–	1,372
Provided during the year	335	–	335
Amortisation at March 31 2007	1,707	–	1,707
Net book value			
Purchased assets April 1 2006	4,718	–	4,718
Donated assets April 1 2006	327	–	327
Total at April 1 2006	5,045	–	5,045
Purchased at March 31 2007	4,511	53	4,564
Donated at March 31 2007	224	–	224
Total at March 31 2007	4,735	53	4,788



11 Tangible fixed assets

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

	Land £000	Buildings excluding dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
Cost								
At April 1 2006	99,213	566,950	2,916	118,984	124	18,938	2,235	809,360
Additions purchased	–	11,240	13,546	3,766	–	4,667	–	33,219
Additions donated	–	1,730	2,994	946	–	172	9	5,851
Impairments	(148)	(1,501)	–	–	–	–	–	(1,649)
Reclassifications	–	3,290	(3,231)	–	–	–	(59)	–
Other in year revaluation	(1,847)	2,224	–	3,274	3	–	69	7,417
Disposals	–	(51)	–	(1,980)	–	(3)	–	(2,034)
At March 31 2007	100,912	583,882	16,225	124,990	127	23,774	2,254	852,164
Depreciation								
At April 1 2006	–	–	–	82,367	113	9,533	1,070	93,083
Provided during the year	–	19,316	–	8,810	4	2,764	250	31,144
Other revaluations	–	–	–	2,272	3	–	30	2,305
Disposals	–	(4)	–	(1,785)	–	–	–	(1,789)
Depreciation at March 31 2007	–	19,312	–	91,664	120	12,297	1,350	124,743
Net book value								
– Purchased assets	59,113	397,735	1,974	23,298	11	8,567	444	491,142
– Donated assets	40,100	169,215	942	13,319	–	838	721	225,135
Total at April 1 2006	99,213	566,950	2,916	36,617	11	9,405	1,165	716,277
– Purchased	59,960	397,507	12,874	21,467	7	10,712	260	502,787
– Donated	40,952	167,063	3,351	11,859	–	765	644	224,634
Total at March 31 2007	100,912	564,570	16,225	33,326	7	11,477	904	727,421

11.2 Fixed assets at open market value:

	Total £000	Land £000	Buildings £000
Open market value at March 31 2007	16,080	5,699	10,381

11.3 The net book value of land, buildings and dwellings at March 31 2007 comprises:

	Total £000	Protected £000	Unprotected £000
Freehold	665,482	652,505	12,977

12 Stock and work in progress

	2006/07 £000	2005/06 £000
Raw materials and consumables	7,846	10,212

13 Debtors

	2006/07 £000	2005/06 £000
Amounts falling due within one year:		
NHS debtors	27,420	31,823
Other prepayments and accrued income	8,089	9,547
Other debtors	23,074	22,634
Provision for irrecoverable debts	(11,445)	(12,409)
	47,138	51,595
Amounts falling due after more than one year:		
NHS debtors	490	540
Other debtors	597	641
	1,087	1,181

14 Creditors

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

	2006/07 £000	2005/06 £000
Amounts falling due within one year:		
Payments received on account	695	298
NHS creditors	19,351	5,328
Non-NHS other creditors	13,291	17,147
Tax and social security costs	12,478	12,948
Accruals and deferred income	36,943	40,287
	82,758	76,008

NHS creditors include £4,104,019 outstanding pensions contributions at March 31 2007 (£184,320 at March 31 2006).

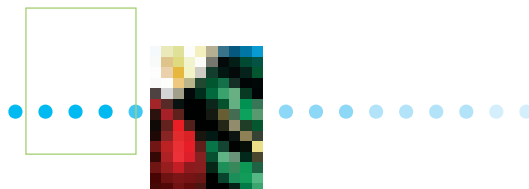
14.2 Long term creditors at the balance sheet date are made up of:

	2006/07 £000	2005/06 £000
Government Grants Deferred Income	3,055	3,450

15 Provisions for liabilities and charges

	Pensions relating to former staff £000	Legal claims £000	Other £000	Total £000
As at April 1 2006	8,354	1,480	550	10,384
Arising during the year	471	1,445	1,882	3,798
Utilised during the year	(753)	(157)	(43)	(953)
Reversed unused	–	(594)	(15)	(609)
Unwinding of discount	184	–	12	196
At March 31 2007	8,256	2,174	2,386	12,816
Expected timing of cashflows:				
Within one year	689	2,174	1,896	4,759
Between one and five years	2,614	–	102	2,716
After five years	4,953	–	388	5,341
	8,256	2,174	2,386	12,816

The provision relating to former staff category consists of provisions for pre-1995 early retirements and has been calculated using information provided by the NHS Pensions Agency. £32,570,957 is included in the provisions of the NHS Litigation Authority at March 31 2007 in respect of clinical negligence liabilities of the Foundation Trust (£24,556,770 at March 31 2006).



16 Movements in taxpayers' equity

	2006/07 £000	Restated 2005/06 £000
Opening taxpayers' equity (as previously reported)	723,984	697,533
Prior period adjustment (see below)	(1,970)	3,887
Opening taxpayers' equity (restated)	722,014	701,420
Surplus for the financial year	39,844	16,920
Public Dividend Capital dividends paid	(17,423)	(16,583)
Gains from revaluation of purchased fixed assets	3,487	562
New Public Dividend Capital	21,721	15,482
Fixed assets impairments	(149)	(2,276)
Public Dividend Capital repayable	(11,432)	–
Public Dividend Capital due	–	2,101
Transfers from Donated Asset Reserve	(2,071)	4,388
Net addition to taxpayers' equity	33,977	20,594
Closing taxpayers' equity	755,991	722,014

The prior period adjustment reflects the reclassification of funding from the New Opportunities Fund which, in accordance with Monitor guidance, is classified as government grants instead of donations.

17 Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Other reserves £000	Income and Expenditure reserve £000	Total £000
April 1 2006 (as previously reported)	197,345	225,461	743	(1,130)	422,419
Prior period adjustment (see note 16)	227	(2,197)	–	–	(1,970)
April 1 2006 (restated)	197,572	223,264	743	(1,130)	420,449
Transfer from the Income and Expenditure Account	–	–	–	22,421	22,421
Fixed asset impairments	(442)	(641)	–	–	(1,083)
Surplus on other revaluations	3,779	1,333	–	–	5,112
Receipt of donated assets	–	5,353	–	–	5,353
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated assets	–	(8,116)	–	–	(8,116)
Other transfers between reserves	(166)	(40)	–	206	–
At March 31 2007	200,743	221,153	743	21,497	444,136

18 Notes to the cash flow statement

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

	2006/07 £000	2005/06 £000
Total operating surplus	38,157	16,186
Depreciation and amortisation charge	31,479	26,651
Fixed asset impairments and reversals	566	73
Transfer from donated asset reserve	(8,116)	(6,812)
Transfer from the Government grant reserve	(425)	(9)
Decrease/(Increase) in stocks	2,366	(667)
(Increase)/Decrease in debtors	(8,221)	(5,414)
Increase/(Decrease) in creditors	6,474	(5,364)
Increase/(Decrease) in provisions	2,432	1,073
Net cash inflow from operating activities	64,712	25,717

18.2 Reconciliation of net cash flow to movement in net debt

	2006/07 £000	2005/06 £000
Increase in cash in the period	(1,206)	9,068
Change in net debt resulting from cashflows	(1,206)	9,068
Net debt April 1 2006	27,546	18,478
Net debt at March 31 2007	26,340	27,546

18.3 Analysis of changes in net debt

	At March 31 2006 £000	Cash changes in year £000	At March 31 2007 £000
Cash at bank and in hand – Office of the Paymaster General (OPG)	25,805	(20,254)	5,551
Cash at bank and in hand – Commercial Bank Accounts	1,741	19,048	20,789
	27,546	(1,206)	26,340

19 Capital commitments

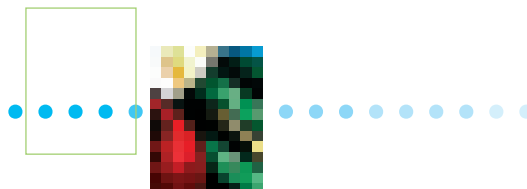
Commitments under capital expenditure contracts at the balance sheet date were £3,941,458 (£6,417,605 at March 31 2006).

20 Post balance sheet events

Since March 31 2007, the Trust has sold its share of the Lambeth Hospital site and is negotiating sale of the General Lying-In Hospital site. These assets were not protected assets under the Foundation Trust Licence.

21 Contingencies

	2006/07 £000	2005/06 £000
Contingent liability for other claims against the Trust	96	240
Net contingent liability	96	240



22 Public Dividend Capital dividend

The Foundation Trust is required to demonstrate that the PDC dividend paid is in line with the forecast rate of 3.5% of average relevant net assets. The dividend paid for the 2006/07 period of account was £17,423,000 and, based on the average relevant net assets of £501,002,000, the Foundation Trust's performance was 3.48%.

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 31 March 2007.
- B) The Dividend Cover ratio is 3.996 compared to a minimum dividend cover required of 1 (2.57 in the year ended 31 March 2006).

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 £174,964,270 (£213,004,667 at 31 March 2006) for health care contracts. Additionally the Trust has transacted with a large number of other PCTs and NHS Trusts including Croydon PCT, Dartford, Gravesham and Swanley PCT, Bromley PCT, Greenwich PCT and Bexley PCT, as well as the NHS Litigation Authority and NHS Logistics.

The debtors balance for NHS bodies as at March 31st 2007 stood at £27,909,749 (£31,823,000 at 31 March 2006)

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. £29,873,572 (£29,016,731 at 31 March 2006) has been received from the Ministry of Defence for health services supplied. There were also many transactions with King's College London totalling £8,940,360 (£5,703,182 at 31 March 2006).

The Trust has also received revenue and capital payments from a number of charitable funds, principally the Guy's and St Thomas' Charity to the amount of £12,793,719 (£14,016,557 at 31 March 2006). The balance for Guy's and St Thomas Charity Debtors was £7,107,724.15 (£5,524,318.18 for 2005/2006) and for Creditors £39,517.63 (£63,028.52 for 2005/2006). Keith Palmer (Non-Executive Director) acted as a Trustee for Guy's & St Thomas' Charity.

Aside from these transactions none of the other Board Members, the Members' Council Members, 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 other 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 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 & St Thomas' NHS Foundation Trust is not, therefore, exposed to significant liquidity risks.

Interest rate risk

60.6% of the Trust's financial assets carry fixed rate of interest. The Trust seeks to optimise its returns by investing on the Money Market at fixed rates, as its cash flow forecasts allow. The balance is held in deposit accounts with its bankers. 100% of the financial liabilities carry nil or fixed interest rate. 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	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate Weighted average interest rate %	Weighted average period for which fixed Years	Non- interest bearing weighted average term Years
At March 31 2007							
Sterling	61,610	21,065	40,517	28	2.2%	0.3	–
Other	5,247	5,066	–	181	0%	–	–
Gross financial assets	66,857	26,131	40,517	209			
At March 31 2006							
Sterling	26,256	25,720	508	28	3.5%	24	–
Other	1,799	1,706	–	93	0%	–	–
Gross financial assets	28,055	27,426	508	121			

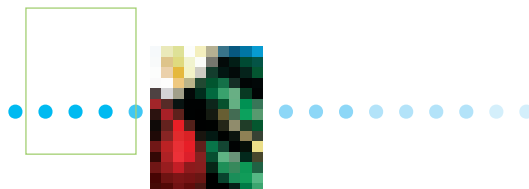
25.2 Financial liabilities

	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate Weighted average interest rate %	Weighted average period for which fixed Years	Non- interest bearing weighted average term Years
At March 31 2007							
Sterling	12,816	–	12,816	–	2.2%	9	–
Other	–	–	–	–	0%	–	–
Gross financial liabilities	12,816	–	12,816	–			
At March 31 2006							
Sterling	9,759	–	9,759	–	3.5%	12	–
Other	–	–	–	–	0%	–	–
Gross financial liabilities	9,759	–	9,759	0			

Note: The Public Dividend Capital is of unlimited term.

25.3 Foreign currency risk

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



25.4 Fair values

Set out below is a comparison, by category, of book values and fair values of the NHS Foundation Trust's financial assets and liabilities as at March 31 2006.

	Book value £000	Fair value £000	Basis of fair valuation
Financial assets			
Cash	26,340	26,340	
Debtors over 1 year:			
– Agreements with commissioners to cover creditors and provisions	490	490	Note a
	26,830	26,830	
Financial liabilities			
Provisions under contract	12,816	12,816	Note b
Public Dividend Capital	–	–	Note c
	12,816	12,816	

- 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 2.2 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 £13,466.93 cash at bank and in hand at March 31 2007 (£55,230.04 at March 31 2006) 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 1,712 cases of losses and special payments totalling £1,114,597.49 (£544,640.56 in 2005/06) approved during the year to March 31 2007. This includes cash payments during the year. These are not calculated on an accruals basis.



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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