Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting

Boardroom, Chelsea and Westminster Hospital, 369 Fulham Road, London SW10
Chair: Juggy Pandit
Date: 6th July 2006
Time: 2:00pm

Agenda

1. GENERAL BUSINESS	**2.00pm**
1.1 Welcome to the Members of the Public	JP
1.2 Apologies for Absence	JP
1.3 Declarations of Interest	JP
1.4 Minutes of the Previous Meetings held on 1st June (attached)	JP
1.5 Matters Arising (attached)	JP
1.6 Chief Executive's Report (incorporating the Foundation Trust Update) (attached)	HL
2. PERFORMANCE	**2.30pm**
2.1 Finance Report, Month 2 (attached)	LB
2.2 Performance Report, Month 2 (attached)	LB
2.3 Update on Healthcare Commission Improvement Reviews (attached)	LB/NC
3. ITEMS FOR DECISION/APPROVAL	**3.30pm**
3.1 Board Memorandum (attached)	LB
3.1.1 Sign off of Board Statement (tabled at meeting)	JP
3.2 Working Capital Facility (attached)	LB
3.3 Self-Certification (tabled at meeting)	CM
3.4 Annual Accounts 2005/06 (tabled at meeting)	LB
4. ITEMS FOR ASSURANCE	**4.30pm**
4.1 Locum Spend in Women's and Children's (attached)	MFo
4.2 Bank and Agency Costing Comparison (attached)	MFo
4.3 Safer Patient Initiatives (attached)	CM
5. ITEMS FOR NOTING	**4.30pm**
5.1 Child Protection Annual Report (attached)	AMC
5.2 Lift Expenditure – Oral Update	ED
5.3 Integrated Governance – Update (attached)	CM
6. ITEMS FOR INFORMATION	**4.45pm**
6.1 Minutes of the Audit Committee held 16th May (attached)	LB
7. QUESTIONS FROM THE MEMBERS OF THE PUBLIC	**4.45pm**
8. ANY OTHER BUSINESS	
9. DATE OF THE NEXT MEETING	
3rd August 2006	
10. CONFIDENTIAL BUSINESS	

To resolve that the public be now excluded from the meeting, because publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be concluded in the second part of the agenda.

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	1.4/Jul/06
PAPER	Draft minutes of the Previous Meeting held on 1st June 2006.
AUTHOR	Fleur Hansen, Foundation Trust Lead Contact Number: 020 8846 6716
SUMMARY	This paper outlines key issues for the attention of the Trust Board.
BOARD ACTION	To agree the minutes as a correct record.

Chelsea and Westminster Healthcare NHS
NHS Trust

DRAFT
Trust Board Meeting, 1st June 2006
Minutes

Present:

Non-Executive Directors:	Juggy Pandit (JP) (chairman) Marilyn Frampton (MFr) Andrew Havery (AH) Richard Kitney (RK) Karin Norman (KN)
Executive Directors:	Heather Lawrence (HL), Chief Executive Mike Anderson (MA), Medical Director Lorraine Bewes (LB), Director of Finance and Information Edward Donald (ED), Director of Operations Maxine Foster (MFo), Director of Human Resources Andrew MacCallum (AMC), Director of Nursing Catherine Mooney (CM), Director of Governance and Corporate Affairs
In Attendance:	Fleur Hansen (FH), Foundation Trust Lead

1. GENERAL BUSINESS

1.2 Apologies for Absence

Apologies were recorded from Charles Wilson and Alex Geddes.

1.3 Declarations of Interest

No conflicts of interest were declared.

1.4 Minutes of the Previous Meetings held 4th and 19th of May 2006.

4th May 2006 Minutes

The following amendments were made to the 4th May minutes:

- 2.1, last paragraph page 5: The following action was added to the end of the paragraph: Action: A costing comparison of bank and agency staff versus permanent staff be brought to the July 6th Board meeting. (KN)
- 2.2, paragraph 3: The second sentence was amended to read as follows: KN enquired as to what defined the various types of cancelled operations and in particular what exactly was meant by 'surgeon unavailable'. MA explained that this could be due to their previous list overrunning and agreed that some clarity was required on these. The action was rewritten to read as follows: Action: Review of how cancelled operations data to be presented at a future Board meeting. (KN)
- 2.1, paragraph 6: The action for private patients was rewritten as follows: Action: Paper on private patients to be brought to a future Board meeting. HL explained that there were a number of different elements to this discussion, not just pricing, and therefore a paper would be presented once its true contribution had been determined (September/October Board).
- 4.1, paragraph 2: The action was rewritten to read as follows: Action: Report on claims to be brought to a future Trust Board meeting. (CM) HL explained that brain damage claims remain on records until such time as any effect on a child's functionality can be fully assessed.
- 4.2.2, paragraph 2: The following two action points were added: Action:

Breakdown of disciplinary action by directorate and data on turnover and length of employment be added to the report. Action: Comparison with other trusts be added to the report. (KN)

- 2.3, paragraph 2: The word phasing needs to be removed from the action. (LB)
- 3.2, paragraph 2: The following action should be included at the end of the paragraph: Action: A comparison to be made between this year's and last year's corporate objectives. (CM)
- 5.1, paragraph 4: The final sentence to be rewritten as follows: RMK noted that the Trust has five staff members on the NWL pandemic planning steering group.

Subject to the changes listed above, the minutes were agreed as a true and accurate record.

At this point AMC asked the Board to note a correction to the April 6th Board meeting minutes that had been passed to him by the PPI Forum. It was not in fact the Forum that had met with the DoH, it was in fact an individual member. The April 6th minutes were amended accordingly.

19th May Minutes
The minutes were agreed as a true and accurate record.

1.5 Matters Arising

1.6/Mar/06 Connecting for Health
Oral update to be provided in Part B of the meeting.

3.1/Mar/06 – 1.6/Mar/06 – 3.2/May/06 Corporate Plan
The amended Corporate Plan has been tabled for later in the meeting.

1.7/Apr/06 Members' Council Induction Pack
This was presented as part of the Membership Development and Communication Strategy at the May 9th Trust Board seminar.

2.3.1/Apr/06 Lift Expenditure
ED informed the Board that the Facilities Assurance meeting that had been scheduled prior this meeting had been postponed until June 21st. Therefore ED would provide an update on this at the July 6th Board meeting.

5.1/May/06 Outpatient Prescribing
Report on length of outpatient prescribing to be taken to the July 11th General Matters meeting.

2.3.2.Apr/06 AfC for Contracted Services
This has been tabled for discussion in Part B of the meeting.

1.6/May/06 External Audit
A letter to the Audit Commission approving Deloitte's additional one year term was sent.

2.1/May/06 Private Patients
It had been agreed in section 1.4 that a paper on private patients would be brought to the September/October Board meeting.
Action: Paper on Private Patients to be brought to the September/October Board meeting. **LB**

2.2/May/06 Cancelled Operations
This action was amended in section 1.4 – a report will be brought to a future Board.

2.3/May/06 Independent Valuation
The update will be provided at a future Board meeting.

2.3/May/06 Savings Plan 2006/07
The following amendments were made to the savings plan:

- Changes to be tracked.
- Corporate service indicator to be consolidated in one area.

3.3/May/06 SDS Risk Grading
The HIV scenarios were returned to the Seminar as planned.

4.1/May/06 CNST Report
A report on claims will be brought to a future meeting.

4.1/May/06 Director's Liability
A report has been tabled for Part B of the meeting.

4.2.1/May/06 Staff Survey
A comparison on harassment and bullying with other trusts will be circulated by MFo before the August Trust Board.
Action: A comparison on harassment and bullying with other Trust to be circulated before the August Trust Board meeting. **MFo**

5.2/May/06 Contracted Services
Facilities Assurance Committee to report to the September Board meeting on the performance of Haden.

3.1/May/2/06 Performance Management Strategy
The following amendment was made to the Performance Management Strategy:

- Annual Cycle and Assurance Framework to be included in the Performance Management Strategy.

3.5/May/2/06 Financial Model
Worst case mitigation paper will be circulated prior to the Board to Board meeting.

3.1/May/2/06 Risk Management Strategy and Policy
CM informed the Board that it had been agreed that Assurance Framework risks rated 16 above be reported to the Board and Risk Register risks rated 20 and above be reported to the Board.

2.4/May/2/06 Monitor Submissions
A description of the Audit Committee's responsibilities was forwarded to Monitor.

8/May/2/06 Benefits of being a Foundation Trust
Once fully circulated, comments had been passed to the chairman.

1.6 Chief Executive's Report

Foundation Trust Application Update
HL ran the Board through the key documents that had been submitted to Monitor on May 22nd, namely the Financial Model, the SDS and HR Strategy and their appendices. HL paid tribute to the hard work of the Finance Team in meeting this deadline. LB informed the Board that feedback had already been received from Monitor and although none of their changes impacted on the overall numbers, the message was that they were looking at the model in great detail.

HL went on to say that some text that had previously been omitted from the Constitution had made its way back in and that a revised version would be resubmitted to Monitor.
Action: Constitution to be revised and agreed by solicitors before returning to Monitor. **AMC**

HL pointed out that KPMG, the assessing accountants, would be in the Trust for two weeks from June 12th and that we would be required to produce the draft Board Memorandum for them on this date.

HL updated the Board on the good progress of the meetings with Monitor and encouraged the Board to review minutes of the meetings in order to provide our feedback. HL updated the Board on the number of recent authorisations and reminded the Board of the Mock Board to Board on June 7th with the SHA.

2. PERFORMANCE

2.1 Finance Report, April 2006

LB informed the Board that the Trust had ended month 1 with a deficit of £730k which was mainly due to pay overspend (£441k) and adverse private patient income (£204k). LB said the overspend on pay was due to £300k savings which have not been identified (namely in the corporate and medicine directorates) and locum and nursing overspend in women's and children's. HL noted that the recent closing of the medicine ward should have impacted more significantly on the medicine savings plan to which ED responded that significant savings had been made in the directorate but there was still a gap of between £300k and £400k. HL also enquired as to the high level of locum spend in women's and children's and it was decided that this required further investigation.

Action: Further work to be undertaken with the Medicine Directorate on their savings plan. **ED**

Action: Report on high locum spend in Women's and Children's for 6th July Board. **ED / MFo**

HL enquired as to whether the CIPs for HIV had been determined yet and emphasised that this needs to be finalised before the Board to Board. RK enquired as to why there was an overspend on all directorates in April – LB replied that this is typically very hard not to overspend in month 1 but that there was also problems with pay. JP asked if there was an issue around the phasing of the budget to which LB responded that we are aware that the beginning of the year is always the toughest but perhaps it could have been identified more clearly.

Further analysis of the month 1 position was done and it was noted by HL that in order to meet to procurement savings, the new system would need to be fast tracked (and may require chairman's action) in order to accelerate the programme. ED also noted that the Viral Load savings would be completed under the new contract with St Mary's Healthcare NHS Trust although there would be £185k outstanding which will be outside the contract. It was noted that the most significant outstanding savings targets were in Medicine (£322k) and HIV/GUM (£326k). JP noted that more work would need to be done with all directorates in order to achieve the targets.

Action: Further work to be undertaken on how to meet additional savings. **Exec. Dir.**

JP enquired as to the cash position – LB responded that the Trust is currently ahead of plan by £9.1m due to upfront billing and a significant reduction in debtor days.

2.2 Performance Report, April 2006

LB informed the Board that the Trust is on track to meet all the dashboard targets although is was slightly behind on Delayed Transfers and MRSA and although the Trust met the 2005/06 target for Financial Management, it was behind for 2006/07. The 2006/07 ALE would address this. It was noted that there was an issue with the MRSA target in that the latest data had not been provided but LB said the target would still not have been achieved for April. CM suggested that it might be useful to look at

handwashing rates in order to try and improve the MRSA target.

JP enquired as to whether any of the changes discussed at the previous Board meeting had been made to the Performance Report. LB responded that as outlined in the Performance Management Strategy, the report would be augmented to include efficiency and workforce indicators as well as clinical outcomes. A couple of minor amendments were suggested for the report – the target graphs should include the names of months on the x axis and the red line on the average length of stay graph should target not average. ED also suggested that the productivity of theatres should be included in the report whilst MA said that the elective day of admissions target should not be static as it changes all the time.

Action: The above amendments to be made to the Performance Report. **LB/NC**

3. ITEMS FOR DECISION/APPROVAL

3.1 Corporate Plan

CM informed the Board that the Plan had been revised since the papers went out and a revised version was distributed to the group. The main changes were as follows:

- p. 9, objective 2: The second bullet has been removed.
- P. 10, objective 3, bullet 1: Postgraduates changed to undergraduates.
- P. 10, objective 4, bullet 4: This was rewritten as follows:
  Procure and implement systems to support clinical services:
  - PACS,
  - document management,
  - bed management,
  - e-procurement systems, and
  - staff rostering.

- P.10, objective 5, bullet 4: This was rewritten as follows: 80% of all staff to have received an appraisal within the year with at least 50% of relevant staff using the Knowledge and Skills Framework (KSF). 100% of relevant staff to have received an appraisal using the KSF by the end of 2007/08.
- P. 10, objective 6, bullet 4: This was rewritten as follows: Achieve designation as a Burns Centre for adults and a Burns Unit for children.
- p. 11, objective 7: An additional bullet was added between 3 and 4: Review existing systems for clinical governance to ensure integrated activity and links between the local and corporate improvement agenda.

HL highlighted the need to have exec ownership of the objectives. RK enquired as to the forecast spend of £600k on PACS – LB replied that this was the building cost only.

Subject to the changes listed above, the Annual Plan 2006/07 was approved.

4. ITEMS FOR ASSURANCE

There were no items under this heading.

5. ITEMS FOR NOTING

5.1 Lift Expenditure – Oral Update

This item was addressed under 1.5 Matters Arising.

6. ITEMS FOR INFORMATION

6.1 Complaints and PALS Reports Q3 2005/06

This was an additional item that was tabled at the meeting. AMC drew the Board's attention to the summary on page three of the report – 122 formal complaints had been received by the Trust in Q3 of which 88% were responded to in the required 20 working days. This compares favourably to the previous quarter as a percentage of complaints

per total number of patients seen. AMC commented that there was a high percentage of complaints relating to staff attitude but this will be addressed through the customer service training programme that was soon to commence. It was agreed though that further work needed to be done on this.

Action: Comparison of attitude complaints across directorates to be added to report. **AMC**

JP enquired about the process for referring complaints to the Healthcare Commission. AMC responded that the Trust advises them that this further step is available to them but that there were difficulties also in determining how satisfied people were with their response from the Trust.

LB enquired if this was a general increase or due to a specific reason in a specific area. AMC responded that more work needs to be done on triangulation of matching complaints against incident reporting and patient surveys. AMC continued by saying that there is a number of methods for checking patient satisfaction and experience including complaints, patient survey, PET inspection, clinical audit and benchmarking. Using all of these together should allow the Trust to identify hot spots and thus enabling a degree of complaint anticipation.

KN commented that there should be information provided on the report regarding action and mitigation to ensure that complaints are not repeated in the future, as featured in the annual complaints report.

Action: Addition of action/mitigation information to report. **AMC**

7. QUESTIONS FROM MEMBERS OF THE PUBLIC

The first question regarded information that was reported in the press of a significant claim payout. HL responded that this was old information regarding a payout for a brain damaged child in 1997. HL went on to explain that such payouts do not come from the Trust's finances as we are covered through the CNST scheme.

The second question regarded the future of an acute burns unit at the Trust. HL explained that currently there is a national designation process for burns units underway and that the Trust was confident that it could be designated one of the two Trusts in the South East.

The third question regarded the outdated Trust Board information on the website. HL explained that this was in part due to Board documents requiring further work before they could be posted on the website and as FH was also leading the FT project, it meant there had not been time yet to deal with this. FH said that she hoped to deal with this in the coming week.

8. ANY OTHER BUSINESS

There was no other business.

9. DATE OF THE NEXT MEETING

The next meeting is scheduled for 6th July 2006.

10. CONFIDENTIAL BUSINESS

The Chairman proposed and the Trust Board resolved that the public be now excluded from the meeting because publicity would be prejudicial to the public interest by reason of the confidential nature of the business concluded in the second part of the agenda.

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	1.5/Jul/06
PAPER	Matters Arising
AUTHOR	Fleur Hansen Contact Number: 020 8846 6716
SUMMARY	This paper lists matters arising from previous meeting(s) and the action taken/to be taken.
BOARD ACTION	The Board is asked to note the matters arising and update where appropriate.

Matters Arising from Previous Meetings

Reference	Item	Action
2.3.1/Apr/06	LIFT EXPENDITURE A report to be brought back to the Board meeting 6th July.	ED
5.2/May/06	CONTRACTED SERVICES Facilities Assurance Committee to report to the September Board meeting on the performance of Haden.	ED
8/May/2/06	BENEFITS OF BEING A FOUNDATION TRUST Comments of benefits of FT status paper be passed on to the Chairman.	All Directors
2.3/May/06	INDEPENDENT VALUATION Update of independent valuation to be delivered to the Board when completed.	LB
1.6/May/06	EXTERNAL AUDIT Approval letter for Deloitte's appointment to be written to the Audit Commission.	HL/RMB
4.2.1/May/06	STAFF SURVEY A comparison on harassment and bullying with other Trust to be circulated before the August Trust Board meeting.	MFo
2.3/May/06	SAVINGS PLAN 2006/07 Risk assessment of impact on directorates to be undertaken.	CM
1.6/Jun/06	CONSTITUTION Constitution to be revised and agreed by solicitors before returning to Monitor.	AMC
2.1/Jun/06	PRIVATE PATIENTS Private Patient Report for September/October Board meeting.	LB
1.4/Jun/06	BANK AND AGENCY STAFF A costing comparison of bank and agency versus permanent staff be brought to the July 6th Board meeting.	MFo
1.4/Jun/06	PERFORMANCE REPORT Review of how cancelled operations data is presented to be brought to the July 6th Board meeting.	LB
4.2.2/Jun/06	ETHNICITY REPORT Breakdown of disciplinary action by directorate and data on turnover and length of employment be added to the report. Comparison with other trusts to be added to the report.	MFo MFo

2.1/Jun/06	FINANCE REPORT Report on high locum spend in Women's and Children's for 6th July Board. Further work to be undertaken on how to meet additional savings. Further work with Medicine Directorate on savings plan.	ED All Execs.
2.2/Jun/06	PERFORMANCE REPORT Target graphs on report need to be amended to include names of months on the x axis. Average length of stay graph – red line should be target not average.	LB/NC LB/NC
6.1/Jun/06	COMPLAINTS REPORT Comparison of attitude complaints across directorates to be added. Addition of action/mitigation information to report.	AMC AMC

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	1.6/Jul/06
PAPER	Chief Executive's Report
AUTHOR	Heather Lawrence Contact Number: 020 8846 6711
SUMMARY	This paper outlines key issues for the attention of the Trust Board.
BOARD ACTION	To note the report.

CHIEF EXECUTIVE'S REPORT – MAY 2006

FINANCIAL PERFORMANCE – YEAR TO DATE

As a consequence of Month 2 figures, the Director of Operations has been asked to instruct each directorate to produce a recovery plan. A recalibration of bank and agency quotas will also be undertaken and an immediate reduction of the use of agency staff with authorisation to come from directors only for use of agency staff.

The Finance report at the end of month 2 identifies the key drivers for the £1.249m over spend as pay (£322k) and savings (£905k). It should be noted that income is phased on a 2/12^{ths} basis and does not reflect any under or over-performance compared to the Service Level Agreement plan. This will be reflected in month 3.

Pay

Pay is overspent by £322k; frontline directorates accounting for an over spend of £434k with clinical support and the management executive under spent by £113k.

Bank and agency quotas have been recalculated for all frontline directorates to deliver a break-even position on pay budgets by no later than 1 December 2006. The Director of Operations will monitor each General Managers performance in relation to the quotas' on a weekly basis. All Bank and Agency, Registered Mental Health Nurse (RMN) and 'special' requests will require prior authorisation by the Clinical Nurse Lead or General Manger in hours and the Clinical Site Manager through the Executive Director on-call out of hours. Delivery of the pay recovery plan will be brought forward in directorates where monthly performance shows this is realistic.

Where a directorate is not living within its quota target at the end of each month, prior authorisation of all Bank and Agency requests will need to be given by either the Director of Operations, Director of Nursing or Director of Human Resources in the following month. If that fails to have the impact required, an agency freeze will be implemented.

It should be noted that in line with last years successful management of pay spend (which resulted in an under spend of £142k), requests for agency will only be approved in exceptional circumstances. The expectation is that any agency staff should either be recruited substantively or join the Trusts staff bank.

Savings

The savings element of the financial plan is under recovering by £905k, with frontline directorates accounting for £404k and central budgets £476k.

In relation to frontline directorates, further work is required in the Medicine and A&E and HIV/GU directorates to identify the shortfall in their savings plans to date and this will be a key focus for the Director of Operations with these directorate teams. The other frontline directorates are projecting delivery of their savings target, with risk profiles unchanged.

In relation to central budgets a number of the savings plans remain high risk and the executive team will develop further plans to mitigate the risk of under-delivery in the next month. Where detailed plans have been developed and signed-off, the phasing will be

adjusted accordingly. At the moment these savings are based on a straight line projection through the year.

CHANGES AT THE SHA

The Chief Executive and Chair of the new London SHA have now been formally appointed. David Nicholson, formerly Chief Executive of Birmingham and Black Country SHA has been appointed Chief Executive and George Greener has been appointed as Chair.

A letter was received from David Nicholson on June 13th detailing the management changes – the five current Chief Executives of the London SHAs will remain in place as Managing Directors with Gareth Goodier also being responsible for the completion of the work on clinical efficiency and capacity. The Board may also like to note that Prof. Ara Darzi has been asked to develop the new strategic framework for health in London.

OFFICE MOVE

By the time the Trust Board meets, the executive team will have relocated to the office space the Trust has leased in Verney House on the corner of Hollywood Road. The Director of Human Resources, the Director of Operations and the Director of IM&T will remain on the main hospital site but the rest of the executive team and their support have moved. This will make room for much needed clinical and secretarial space in the basement.

FOUNDATION TRUST APPLICATION UPDATE

By the time the Trust Board meets, KPMG will have presented their findings to the Trust Board. KPMG were in the Trust for two weeks and during that time met with a number of key staff as well as our external auditors Deloitte.

In addition, the Trust will have conducted its Board to Board meeting with Monitor by the time of the July 6th Board and the executive can expect to hear a response immediately before official authorisation on August 1st.

Regarding submissions, the Trust only now has its Board Memorandum and the Board Statement to submit to Monitor. The Board Statement is the Trust's agreement with the findings of the audit conducted by KPMG and is tabled later in this meeting. At the beginning of July the Trust submitted the Schedule of Services which details all the Trust's planned activities for 2006/07, broken down by PCT.

Heather Lawrence
23rd June 2006

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	2.1 /Jul/06
PAPER	Financial Report – May 2006
LEAD EXECUTIVE	Lorraine Bewes, Director of Finance and Information Contact Number: 020 8846 6713
AUTHOR	Lorraine Bewes, Director of Finance and Information Contact Number: 020 8846 6713
SUMMARY	The year to date position against budget for Month 2 is an adverse variance of £1.249m, an adverse movement in the month of £0.519m. The budget has been updated to show the planned surplus position of £2.360m. A zero variance against budget would therefore achieve the £2.360m target surplus. In income and Expenditure terms, the Trust is reporting a deficit of £0.86m for the two months to the 31st May, against a target surplus of £0.392m. While the Trust has made good progress in identifying savings schemes to meet the £11.1m savings target, the adverse position on pay at Month 2 (£1.0m overspend) is a cause for concern. Some of the overspend relates to profiling of savings targets sooner than they are now planned to be delivered. Overspends have also resulted from a high level of "specials" and RMNs required in April and May. To bring the pay position back in line, all Directorates are reviewing their bank and agency quotas downwards and aim to recover the overspends over the next 6 months. The net cash position is £1.7m ahead of plan at Month 2 and the Trust achieved 90% against the Better Payments Practice Code in May.
BOARD ACTION	The Board is asked to note the financial position at Month 2.

Chelsea and Westminster Healthcare NHS

NHS Trust

Finance Report - July 2006
Financial Position – May 2006

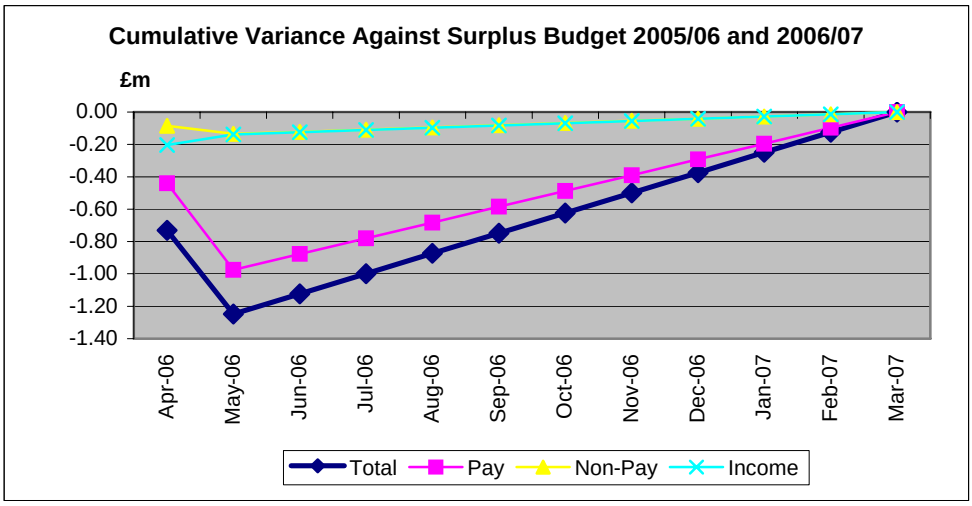
Summary Income & Expenditure (Form F1)

1. The Trust is planning to achieve a surplus of £2.360m in 2006/07 which is approximately 1% of income. The budget has been set at a surplus of £2.360m (i.e. instead of setting a budget that balances to zero with income equal to expenditure, the budget has been set to a surplus of £2.360m). This means that if the Trust delivers against the budget the target surplus will be achieved. Within this position the total savings required are £11.073m, comprising £9.412m of a new target set this year and £1.661m of unachieved target brought forward from last year.

2. The savings target is planned via a combination of directorate led and executive led programmes. Directorates have been set a target of 2.5% of their expenditure budget, which was reflected in budgets in Month 1. The balance of the target is under Executive led initiatives, for example the Ward Rostering Project, and was reflected in the central position in Month 1. Savings targets are phased monthly into the financial position. A significant proportion of the savings targets were removed from directorate budgets in month 1 against identified schemes (51%) and a further 13% was reduced against central initiatives in Month 2. In total 94% of the savings are achieved or planned leaving a balance of 6% unidentified. Further details on savings plans are given in Paragraph 32.

3. The income plan reflects the agreed capacity plan at April 2006. Negotiations have progressed well with PCTs and 57 contracts are now agreed including Kensington and Chelsea PCT SLA. Agreed contracts account for 94% of total contract value. The principles agreed with our host PCT were rolled out to all London PCTs in accordance with the London Commissioning framework. The HIV SLA has now been agreed but it should be noted that the commissioning principles for HIV are significantly different to previous years, with growth funding for drugs based on an average price per patient. While the risk of spending more than the average on drugs lies with the Trust, if any savings can be made then the Trust can retain them.

4. The overall financial position after two months is an adverse variance against budget of **£1.249m**, which is an adverse movement in the month of £0.518m. The Graph below shows the cumulative variance to date and the trajectory required for the remainder of the year to achieve a zero variance against budget and consequently a £2.4m I&E surplus at the year end.



5. The overall pay position at Month 2 is an overspend of **£1.003m** (5.1%), which is an adverse movement in the month of **£0.563m** (5.7%). This includes unidentified pay savings targets of £0.681m year to date and £0.305m in the month.

6. Non pay including Reserves and Capital Charges is close to breakeven: it is over spent by **£0.108m** (0.5%) year to date and overspent by **£0.021m** (0.2%) in the Month. Within this position is unidentified Non Pay Savings Target of £0.232m year to date

7. The income position, including interest receivable, is also close to break even: **£0.138m** (0.3%) adverse variance year to date and **£0.066m** (0.3%) favourable variance in the month. The PCT SLA income position assumes that the plan will be achieved and does not therefore reflect the actual activity for the first two months of the year; from Month 3 onwards PCT income will be based on an extrapolation of the actual activity up to the prior month. The year to date adverse position is mainly within private patients, which is adverse by £0.157m year to date.

Variance Analysis – Year to Date and In Month

8. The overall position for the Trust is an adverse variance of £1.249m at Month 2, an adverse movement in the month of £0.518m. The high-level summary of this position is as follows:

	Month 1	Month 2	Movement in the Month
	£'m	£'m	£'m
Income			
SaFF Baseline	-0.029	-0.042	-0.013
Non-Contract Activity	0.000	0.000	0.000
Private Patient Services	-0.170	-0.157	0.013
Other	-0.013	0.003	0.016
Interest Receivable	0.009	0.058	0.049
Expenditure			
Pay	-0.441	-1.003	-0.562
Non Pay pressures	-0.166	-0.116	0.051
Reserves and Capital Charges	0.080	0.008	-0.072
Total	**-0.730**	**-1.249**	**-0.518**

Income and SaFF update

9. The overall year to date income position is **£0.138m** adverse, taking into account a favourable position on interest receivable of £0.058m, which is an favourable movement in the month of £0.066m.

10. 57 PCT SLAs have now been agreed which represents 94% of the total value of SLAs. This is summarised in the table below.

	No of SLAs	SLA value agreed /Offer £m	Variance £m
Agreed	57	177.668	(0.430)
Offers received not agreed	5	3.698	(0.05)
No offer received	60	6.570	0
Overseas (reciprocal)	1	1.957	0
Total	123	189.893	(0.480)

11. Private Patient income, including ACU, is adverse against budget by £0.157m. However within this position ACU income is favourable by £0.038m which is offset by an adverse on both Private Maternity (£0.063m) and Private Patients Unit (£0.100m).

12. As reported above SaFF Income is assumed to be breakeven against plan and actual activity will be reflected from Month 3 onwards (using Month 2 activity extrapolated to Month 3)

13. There is an adverse variance against SaFF income on the F1 report as a result of devolving £0.042m of SaFF income to the Women and Children's Directorate for overperformance in months 1 and 2 (based on estimate).

Expenditure Update

14. The overall expenditure position is adverse by **£1.111m** (2.7%) year to date and adverse by **£0.584m** (2.5%) in the month.

15. Pay budgets are significantly overspent after two months: **£1.003m** (5.1%) adverse year to date and **£0.563m** (5.7%) adverse in the month (**Form F2D**). The largest element of this overspend is unachieved savings target of £0.681m year to date and £0.305m in the month. Unachieved pay savings are mainly within the Medicine directorate and executive led trust wide schemes and are the due to a combination of schemes not yet identified and schemes planned for later in the financial year

16. The remaining pay overspend is within the frontline directorates and further commentary is within the directorate reports from Paragraph 19. Spend of £2.656m on bank and agency is in line with last year's monthly average.

17. Existing staffing budgets, e.g. nursing and new Agenda for Change (AFC) bands, continue to change as staff are paid under new AFC terms and conditions. There are 1,485 staff paid under AFC terms and conditions and a further 603 staff to be paid.

18. Non-pay including capital charges is reporting a **£0.108m** year to date overspend which is an adverse movement in the month of £0.022m (0.2%) (**From F2E**). There are a number of offsetting variances however the most significant is the prosthetics budget overspend of £0.114m year to date and unidentified non pay savings due to deliver later in the year at £0.232m year to date. Further commentary is in the directorate reports below.

Directorate Positions (Forms F3A and F3B)

19. The following directorates are those directorates where the position is a year to date overspend at Month 2 or there are significant over or underspends within the position.

20. **Medicine & A&E –** The Medicine & A&E Directorate is £0.258m overspent at Month 2. An element of this will improve with the reprofiling of the savings plans to later months. The Directorate closed the Adele Dixon ward part way through April and the budget has been recurrently removed to meet the balance of carried forward 2005-06 savings target and the 2006-07 target. In addition, the directorate has been set a deficit recovery target of £0.655m to ensure that the underlying cost pressures are managed. The year-to-date unmet proportion of that target, plus some of the underlying pressures (e.g. Endoscopy income and non-pay cost pressures and bank and agency spend on the wards and A&E) account adverse variance.

21. **Anaesthetics & Imaging-** The financial position for the Imaging & Anaesthetics Directorate at Month 2 is a cumulative overspend against budget of £0.115m, an adverse movement of £0.084m in month. The position reported includes two months' funding taken non-recurrently for the Urology activity transferred from St Mary's plus the 2nd Burns ITU bed. The main causes of the overspend at Month 2 are as follows:

    - Continuing pressure on the Anaesthetics medical staff budget relating to the continued absence of certain consultants from the clinical rota – whilst the overspend against budget reduced in Month 2, the pressure is likely to continue for several months.
    - An overspend against the Treatment Centre (TC) budget comprising £0.038m against the pay budget and £0.025m against the non-pay budget. Part of the reason for the overspend relates to the fact that lists previously worked in Main Theatres have transferred down to take slots in the TC, but no resource has been transferred to accommodate the staffing for these lists. This is being addressed as part of a Recovery Plan for the TC aimed at bringing it back into financial balance over the next 6 months. Other measures now in place are the operation of a strict bank and agency quota plus General Manager sign off of any non-stock requisitions with a value of more than £1000.

22. Whilst the ITU position has improved in month due to Capacity plan funding for the 2nd ITU bed, there is still a small overspend of £0.013m against the budget at Month 2. The reasons for this are being closely monitored to ascertain the extent of the pressure on ITU relating to the closure of the Level 1 area on Adele Dixon ward.

23. **Surgery** – The financial position for the Surgery Directorate for the month to 31st May 2006 is a cumulative overspend against budget of £0.094m, representing an adverse movement in month of £0.052m. The main causes of the overspend at Month 2 are as follows:

    - An overspend of £0.019m on St Mary Abbots Ward during May relating to the use of nursing "specials" for patients who require one to one care.
    - The prosthetics budget in Theatres & Orthopaedics overspent by £0.043m in Month 2, continuing the overspending trend from 2005-2006. A project has been started to establish a database of all prosthetics used during 2005-2006 with the aim of putting together a standard costing template for each generic procedure going forward. This would allow for closer monitoring of the link between expenditure and activity and therefore provide a means for controlling expenditure.

24. There has again been a pressure on the Plastics medical staffing budget due to locum expenditure, although the level of expenditure dropped in Month 2. The Directorate is now focussing on reviewing the processes around booking medical locums to ensure that the criteria for using locums is being strictly adhered to across all specialties.

25. **Women & Children's Directorate-** The Month 2 position for the Women and Children's Directorate shows an overspend of £0.330m and an in-month overspend of £0.181m. The key issues are as follows. Private Maternity is £0.075m overspent, nearly all of this the result of under-achievement on income; a reconciliation of activity and invoicing is being undertaken to ensure all income has been accounted for. Medical Locums continue to contribute to overspends in Women's Medical and Paediatric Medical, as does increased costs resulting from the Consultant Contract. Maternity and Paediatric Wards pay is overspent due to bank and agency usage; a revised quota system is being developed to help reduce this overspend in the coming months.

26. **HIV/GUM Directorate-** The financial position for the HIV/GUM Directorate at the end of Month 2 is an overspend of £0.051m which is an adverse movement in the month of £0.041m. A one off non-pay charge of £0.020m in Month 1, and an over accrual for resistance testing (£0.042m) in Month 2 have pushed the period end position into deficit. The Directorate has been set a savings target of 2.5%, plus a carried forward recurrently unmet savings target of £0.400m from 2005-06. The Directorate are currently working up plans to deliver this target and stay within budget for the year.

27. **Private Patients** – The Month 2 position is an adverse variance of £0.152m, an adverse movement in the month of £0.039m. Private Patient (PP) income picked up markedly in Month 2 in all areas – inpatient income especially is higher which is a result of increased bookings and bed day billing. The service manager reports that Month 3 will be at least as good as Month 2, so the trend is towards recovery of some of the earlier deficit at this time.

28. **Overseas Income**- Overseas income is slightly below target at Month 2 at an adverse variance of £0.008m against a year-to-date income budget of £0.120m.

29. **Facilities-** The Facilities Directorate was £0.003m overspent as at Month 2 with a favourable in month movement of £0.013m. Electricity costs from Scottish & Southern Energy have been forecasted with a 2006-07 full year spend of £1.922m. This represents an increase of 40% on the total electricity expenditure of 2005-06. Gas costs from ENI have been forecasted with a 2006-07 full year spend of £1.222m. This represents an increase of 48% on the total gas expenditure of 2005-06. Both contracts have been reviewed via PASA. The ENI flexible contract for Gas has been extended until June 2007 and the Southern Electric contract has also been extended until October 2007. The Facilities Directorate received a 06/07 savings target of £0.343m. The Directorate has planned savings of £0.578m in 06/07 and therefore has overachieved the initial savings target by £0.235m with all savings schemes identified.

30. **Management Executive-** The Management Executive directorate was £0.044m under spent as at Month 2 with an in month surplus of £0.016m. The YTD surplus can be attributed to an under

spend on the pay budget and an overachievement on the income targets. The income target has been overachieved by £0.066m YTD which is entirely due to additional income generated from interest receivable. There is also a vacancy level of 60 WTEs across the corporate directorates which has resulted in a £0.075m YTD under spend on the pay budget. The EPR department has 10 WTE vacancies resulting in a £0.040m saving YTD. However this saving is partly offset by the use of agency and bank staff as cover for the vacant posts. These surpluses are partially offset by a deficit on the non pay budget of £0.098m with the main spends being on the recruitment process and IT related costs. The Management Executive Directorate received a 2006/07 savings target of £0.903m introduced in Month 1 in addition to the £0.154m recurrent savings target brought forward from 2005/06 giving a total in year savings target of £1.057m. As at Month 2, the Management Executive directorate had allocated recurrent savings of £0.954m leaving a remaining savings target of £0.103m which is expected to be met following further review.

31. **Assisted Conception Unit (Form F3B) –** The month 2 position in ACU shows an underspend of £0.026m and an in month underspend of £0.027m. Activity and thus income over-performed in month; this included releasing some of the year end provision that was set up for known disputed invoices. Pay expenditure has broken even year to date; whilst non-pay expenditure is overspent by £0.012m at month 2, as a result of an overspend against Drugs.

Savings Target (Form F5A and F5B)

32. As report last month the new savings target for 2006/07 required to achieve the budget plan is £9.412m. The unachieved recurrent savings brought forward from last year are £1.661m which added to the new target for 2006/06 gives a total savings target of £11.073m to achieve this year. **Form F5A** shows the target and total savings achieved or under development. **Form F5B** the savings target and each individual scheme identified or under development.

33. Schemes totalling £10.405m have been identified leaving £0.668m unidentified. The table below shows the savings target and total planned for each directorate.

	2005/06 B/F target	New Target 2006/07	Total Target 2006/07	Total Planned/ Achieved 2006/07	Outstanding target to Achieve
	£'m	£'m	£'m	£'m	£'m
Directorates/Departments					
Imaging & Anaesthetics	0.000	-0.602	-0.602	0.602	0.000
HIV/GUM	-0.400	-0.284	-0.684	0.684	0.000
Medicine & A&E	-0.226	-1.259	-1.485	1.063	-0.422
Surgery	0.000	-0.449	-0.449	0.449	0.000
Womens & Children's	0.000	-0.727	-0.727	0.727	0.000
Pharmacy	0.000	-0.088	-0.088	0.088	0.000
Physiotherapy & Occ Therapy	-0.031	-0.098	-0.129	0.133	0.004
Dietetics	-0.014	-0.015	-0.029	0.025	-0.004
Chief Executive	0.000	-0.028	-0.028	0.028	0.000
Governance & Corporate Affairs	-0.019	-0.081	-0.100	0.100	0.000
Nursing	-0.005	-0.142	-0.147	0.148	0.001
Human Resources	-0.026	-0.126	-0.152	0.136	-0.016
Finance	0.000	-0.259	-0.259	0.222	-0.037
IM&T & EPR	-0.099	-0.261	-0.360	0.360	0.000
Occupational Health	0.000	-0.006	-0.006	0.006	0.000
Facilities	0.000	-0.343	-0.343	0.578	0.235
Private Patients	0.000	0.000	0.000	0.000	0.000
ACU	0.000	0.000	0.000	0.000	0.000
Post Graduate Centre	0.000	0.000	0.000	0.000	0.000
Projects	0.000	-0.021	-0.021	0.021	-0.000
Simulation Centre	0.000	0.000	0.000	0.000	0.000
Service Level Agreements	0.000	-0.210	-0.210	0.025	-0.185
Central Targets	**0.000**	**0.000**	0.000	**0.000**	0.000
Capital Charges	-1.000	-0.700	-1.700	1.907	0.207
HCD Income	0.000	-0.513	-0.513	0.447	-0.066
GUM Overperformance	0.000	-0.500	-0.500	0.485	-0.015
Other	0.159	0.000	0.159	0.300	0.459
Trust Wide Targets (Exec led)	**0.000**	**0.000**	0.000	**0.000**	0.000
Procurement Savings	0.000	-0.500	-0.500	0.273	-0.227
Staff Rostering	0.000	-0.500	-0.500	0.170	-0.330
Bank and Agency Rates	0.000	-0.500	-0.500	0.344	-0.156
Ward Stock Management	0.000	-0.200	-0.200	0.000	-0.200
Savings to be worked up	0.000	0.000	0.000	0.000	0.000
Director's Valuation	0.000	-0.500	-0.500	0.500	0.000
Pathology Savings	0.000	-0.100	-0.100	0.184	0.084
High Cost Drugs	0.000	-0.400	-0.400	0.400	0.000
Total Central Budgets	**-1.661**	**-9.412**	**-11.073**	**10.405**	**-0.668**

Risks

34. The risks which will need to be managed in order to achieve the target surplus are as follows:

- **HIV/GUM Drugs** – the commissioning arrangement for HIV drugs have changed this year and Trust will now be reimbursed at an average price per patient for ARV drugs. In previous years, the Trust was reimbursed for all drug costs after the agreed 1.5% risk share. The Directorate will need to manage costs within the average price otherwise any overspends will stay with the Trust. For GUM drugs, the consortium will no longer reimburse the Trust for these costs as they are now included in the tariff. This will result in a pressure of over £0.4m that was not originally planned for and will need to be managed in-year.

- **Month 2 activity** – as reported above, the activity performance of the Trust against the agreed SLAs is not known at this time. The current position assumes breakeven against the plan however there is a risk that priced activity could be below plan.

- **Achievement of CIPs** – the delivery of the full savings plan of £11.1m recurrently is crucial to achieving the required surplus.

Budget Assumptions

35. Reserves (**Form F4A**) are retained centrally for planned expenditure not yet incurred in the directorate positions or developments for which the final sign-off has not yet been made, for example, pay awards or developments within the capacity plan. When the expenditure is incurred or development plans signed-off the reserves are distributed to directorates as budgets. The Board should note that in a change to previous reporting principles, some expenditures will now be accrued against reserves in year. For example, pay awards which have been agreed but not yet paid will be accrued against reserves from the point they have been agreed. Once paid, the accrual will be dropped centrally and the reserve distributed to budgets. The reason for doing this is to remove the distortion between income, which includes the generic uplift to fund the pay awards and expenditure which previously would only include pay awards once paid to staff. This will also produce a more meaningful Income and Expenditure position in-year.

36. Reserves distributed to budgets in Month 2 are shown below:

- **Specific Expenditure Reserves**: HIV developments £0.203m, Victoria Clinic funding £0.070m, Urology transfer £0.052m, electricity/gas contingency £0.166m, brought forward pressures £0.5m.

- **Pay Uplifts**: Medical staff pay uplift £0.739m.

- **Non pay Uplifts:** gas and electricity price increases £1.229m, rates increase of £0.119m, HIV uplift £0.378m and drugs uplift 0.710m.

- **Planned Surplus (£2.3m):** A reserve for this amount was set aside in the budget plan to enable a balanced budget to be set up showing income equal to expenditure however in Month 2 the reserve was released to now show a surplus budget where income exceeds expenditure by £2.3m.

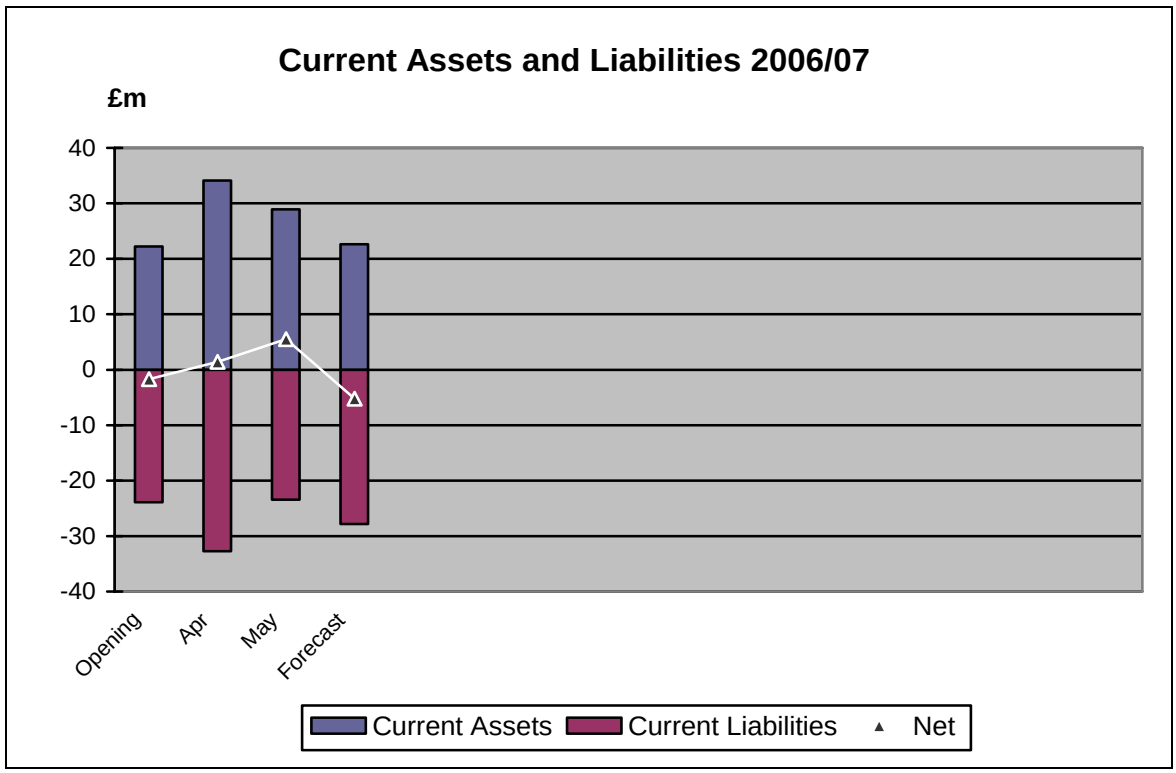
- There were no distributions in Month 2 for Agenda for Change, Working Time Directive or Consultant Contracts.

Balance Sheet: Key Highlights (Forms F6, F7, F8, F9, F11)

Working capital

37. The month of May records a net current asset increase of £4.127m to £5.475m. Overall current liabilities represent a decrease of 28% from April 2006 against a relatively moderate decrease of 15% on current assets.

38. The graph below shows the movement in current assets and liabilities.



Debtors (Form F7)

39. Overall debt has decreased by 12.4% in the month of May 2006. With the billing of Non Contract Activities (NCA) and HIV invoices to PCTs throughout the country, the top 10 debtors now make up proportionally less of the total debt than in previous months.

40. Kensington and Chelsea PCT (K&C) debtor balance has reduced by £1.374 million in May 2006. Much of the older debt agreed at the year end has been settled, however, there are 2 invoices with a total value of £0.840m currently under query. A credit note of £0.039m will be raised against the NCA overseas invoice.

41. Hammersmith and Fulham PCT debt has increased because the May 06 SLA invoice was underpaid by £0.732m; this is expected to clear in June. The interim overperformance invoices for £0.186m and £0.127m are currently in the process of being authorised.

Creditors (FormF8)

42. There has been a decrease in total creditors by 2.85% from April 2006.

43. The Hammersmith Hospitals account represents 42.64% of total creditors in May 2006 compared to 50.31% in April. The Hammersmith Hospitals account balance of invoices over 90 days has decreased by 18.48% from April 2006 as two payments made during the month targeted the older outstanding invoices. Further progress is expected as the Directors of Finance of the Hammersmith Hospitals and Chelsea & Westminster Healthcare NHS Trust have agreed to resolve the majority of all outstanding issues. From June 2006, it is planned to pay Hammersmith Hospitals £0.5m to £1.0m per month which should stabilise the account balance.

44. A cumulative BPPC target of 91.23% was achieved at May 2006 compared to 91.84% in April 2006 for invoices paid within 30 days and a target of 92.16% was achieved for the value of invoices paid within 30 days compared to 91.97% in April 2006.

Cash Flow Forecast (Form F9A)

45. The cumulative cash position top the end of May is £1.7m above target. The cash balance at the end of May 2006 shows a net movement downwards of £1.722m which represents the decrease in creditors and hence a record achievement of over 90% BPPC target since December 2004.

Provision for Debtors (F11)

46. There has been no change to the Provision for irrecoverable debts. The provision as at May 2006 represents 48% of our total debtors of £18.344m.

47. The value of debtors over 60 days is £9.136m (50% of total debtors). The provision forms 96% of debtors over 60 days old.

Lorraine Bewes
Director of Finance and Information
29th June 2006

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

FINANCE REPORTS

May 06

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

CONSOLIDATED INCOME & EXPENDITURE SUMMARY

TRUST WIDE

FORM F1
May 06

Responsibility: Finance Director

	THIS MONTH			YEAR TO DATE			FULL YEAR	
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	ORIGINAL PLAN	FULL YEAR BUDGET
	£000	£000	£000	£000	£000	£000	£000	£000
INCOME								
Contract Income SaFF	(13,692)	(13,678)	(14)	(27,383)	(27,341)	(42)	(163,114)	(164,301)
Non-Contract Activity	(164)	(164)	0	(329)	(329)	0	(1,971)	(1,971)
Private Patients	(638)	(652)	14	(1,277)	(1,120)	(157)	(6,367)	(7,698)
Other Income	(7,076)	(7,092)	16	(12,801)	(12,804)	3	(64,650)	(67,171)
Donated Depreciation Income	(5)	(6)	1	(26)	(26)	0	(248)	(156)
TOTAL INCOME	**(21,575)**	**(21,592)**	**17**	**(41,816)**	**(41,620)**	**(196)**	**(236,350)**	**(241,297)**
EXPENDITURE			**0**					
Pay	9,890	9,072	818	19,564	17,912	1,653	130,925	120,330
Bank , Agency & Locum	35	1,416	(1,381)	61	2,717	(2,656)	980	243
Sub-total Pay	**9,925**	**10,487**	**(563)**	**19,625**	**20,628**	**(1,003)**	**131,905**	**120,574**
Non Pay	7,364	7,313	51	14,049	14,165	(115)	81,142	79,983
Sub-Total Non Pay	**7,364**	**7,313**	**51**	**14,049**	**14,165**	**(115)**	**81,142**	**79,983**
Reserves	4,584	4,583	1	4,584	4,584	(0)	0	19,388
Deficit Reversal/Surplus Brought Forward	0	0	0	0	0	0	0	0
Depreciation	1,056	740	315	1,567	1,559	8	11,259	9,400
Donated Depreciation	5	6	(1)	26	26	(0)	248	156
TOTAL EXPENDITURE	**22,934**	**23,129**	**(196)**	**39,851**	**40,962**	**(1,111)**	**224,554**	**229,501**
OPERATING SURPLUS	**(1,359)**	**(1,537)**	**(179)**	**1,965**	**658**	**(1,307)**	**11,796**	**11,796**
Profit/Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	0
SURPLUS BEFORE DIVIDENDS	**(1,359)**	**(1,537)**	**(179)**	**1,965**	**658**	**(1,307)**	**11,796**	**11,796**
Interest Receivable	(19)	(68)	49	(38)	(97)	58	(230)	(230)
Dividends	474	862	(388)	1,611	1,611	(0)	9,666	9,666
SURPLUS / (DEFICIT)	**(1,814)**	**(2,331)**	**(518)**	**392**	**(857)**	**(1,249)**	**2,360**	**2,360**

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

FORM F2B(i)
May 06

SERVICE AGREEMENT VALUE SUMMARY

Responsibility: Finance Director

PCT	Original Annual Budget £000's	Agreed / latest Offer	Contract agreed Y/N	Variance on offer /agreed only
North West London Sector:				
KENSINGTON AND CHELSEA PCT	36,612,000	37,618,000	Y	1,006,000
WESTMINSTER PCT	15,119,000	14,702,251	Y	-416,749
HAMMERSMITH AND FULHAM PCT	20,034,800	20,217,039	Y	182,239
EALING PCT	3,063,000	2,702,506	Y	-360,494
HOUNSLOW PCT	3,445,000	3,719,603	Y	274,603
HILLINGDON PCT	518,000	486,000	Y	-32,000
BRENT PCT	1,489,000	1,468,501	Y	-20,499
HARROW PCT	507,000	444,000	N	-63,000
South West London Sector				
WANDSWORTH PCT	14,142,803	13,521,273	Y	-621,530
RICHMOND AND TWICKENHAM PCT	2,455,000	2,269,000	Y	-186,000
KINGSTON PCT	441,000	429,490	Y	-11,510
CROYDON PCT	552,000		N	-552,000
SUTTON AND MERTON PCT	850,000	800,000	Y	-50,000
North Central London Sector				
BARNET PCT	406,000	407,021	Y	1,021
HARINGEY PCT	271,000		N	-271,000
ENFIELD PCT	195,000	184,915	Y	-10,085
ISLINGTON PCT	410,000	331,289	Y	-78,711
CAMDEN PCT	576,000	565,000	Y	-11,000
South East London Sector				
GREENWICH PCT	136,000	135,144	Y	-856
BEXLEY PCT	86,000		N	-86,000
BROMLEY PCT	210,000	202,890	Y	-7,110
SOUTHWARK PCT	485,000	466,570	Y	-18,430
LEWISHAM PCT	292,000	285,450	Y	-6,550
LAMBETH PCT	1,362,000	1,331,604	Y	-30,396
North East London Sector:				
BARKING AND DAGENHAM PCT	160,000	121,528	Y	-38,472
HAVERING PCT	77,000		N	-77,000
TOWER HAMLETS PCT	215,000	203,000	Y	-12,000
CITY AND HACKNEY PCT	225,000		N	-225,000
NEWHAM PCT	285,000	246,775	Y	-38,225
Other Major Non - London:				
REDBRIDGE PCT	127,000		N	-127,000
WALTHAM FOREST PCT	218,000		N	-218,000
EAST ELMBRIDGE AND MID SURREY PCT	816,000		N	-816,000
EAST SURREY PCT	65,000		N	-65,000
BLACKWATER VALLEY AND HART PCT	465,000		N	-465,000
GUILDFORD AND WAVERLEY PCT	364,000		N	-364,000
NORTH SURREY PCT	625,000		N	-625,000
WOKING PCT	561,000		N	-561,000
HERTFORDSHIRE PCT's(8)	675,000	675,000	Y	0
WEST KENT PCTS (4)	249,000	246,431	Y	-2,569
EAST KENT PCTS (9)	667,000		N	-667,000
BERKSHIRE PCT's (6)	508,000	508,000	Y	0
EAST SUSSEX PCT's (5)	341,000	331,827	Y	-9,173
WEST SUSSEX PCT's (5)	225,000	241,218	Y	16,218
HAMPSHIRE PCT's(6)	129,000		N	-129,000
BEDFORDSHIRE PCT's(3)	220,000	190,000	N	-30,000
NORTH ESSEX PCT's (8)	276,000		N	-276,000
SOUTH ESSEX PCT's (5)	232,000		N	-232,000
OXFORDSHIRE PCT's (5)	71,000		N	-71,000
DORSET PCT's (5)	76,000		N	-76,000
NORTHAMPTONSHIRE PCT' (3)	144,000		N	-144,000
LINCOLNSHIRE PCT's (3)	62,000		N	-62,000
BUCKINGHAMSHIRE PCT's(4)	339,000	302,070	Y	-36,930
DEVON PCT's (4)	44,000		N	-44,000
BRISTOL PCT's(3)	6,000		N	-6,000
Specialised Services Consortia				
NICU CONSORTIUM	2,971,000	3,011,252	N	40,252
HIV CONSORTIUM(KC)	43,649,800	43,570,638	Y	-79,162
Other				
Non Contracted activity (NCA)	1,957,000	1,957,000	Y	0
REVALUATION	230,000		N	-230,000
OTHER	181,000		N	-181,000
Market forces Factor	29,210,000	29,210,000	Y	0
Total Contract Income	**190,323,403**	**183,102,285**	**0**	**-7,221,118**

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

SERVICE AGREEMENT VALUE SUMMARY

Responsibility: Finance Director

FORM F2B(ii)
May 06

PCT	Revised FY Budget at Month 2 £000's	Revised Target at Month 2 £000's	Actual at Month 2 £000's	Variance at Month 2 £000's
Contract and Over/Underperformance				
North West London Sector:				
Kensington & Chelsea	(37,866)	(6,311)	(6,311)	(0)
Westminster	(14,997)	(2,500)	(2,500)	0
Hammersmith & Fulham	(21,289)	(3,548)	(3,526)	(22)
Ealing	(2,703)	(450)	(450)	0
Hounslow	(3,720)	(620)	(620)	(0)
Hillingdon	(515)	(86)	(86)	0
Brent	(1,472)	(245)	(245)	(0)
Harrow	(495)	(83)	(83)	0
South West London Sector				
Wandsworth	(13,730)	(2,288)	(2,288)	0
Richmond & Twickenham	(2,408)	(401)	(401)	(0)
Kingston	(437)	(73)	(74)	1
Croydon	(539)	(90)	(90)	(0)
Sutton & Merton	(837)	(139)	(139)	(0)
North Central London Sector				
Barnet	(407)	(68)	(68)	(0)
Haringey	(269)	(45)	(45)	0
Enfield	(199)	(33)	(33)	0
Islington	(428)	(71)	(71)	(0)
Camden	(566)	(94)	(94)	(0)
South East London Sector				
Greenwich	(135)	(23)	(23)	0
Bexley	(85)	(14)	(14)	(0)
Bromley	(203)	(34)	(34)	0
Southwark	(472)	(79)	(79)	0
Lewisham	(285)	(48)	(48)	(0)
Lambeth	(1,357)	(226)	(225)	(1)
North East London Sector:				
Barking & Dagenham	(151)	(25)	(25)	(0)
Havering	(75)	(13)	(13)	(0)
Tower Hamlets	(214)	(36)	(36)	0
City & Hackney	(228)	(38)	(38)	(0)
Redbridge	(129)	(21)	(21)	0
Waltham Forest	(210)	(35)	(35)	0
Other Major Non - London:				
North Surrey	(616)	(103)	(103)	(0)
East Elmbridge and Mid Surrey	(816)	(136)	(136)	(0)
Woking	(555)	(92)	(92)	0
Blackwater Valley and Hart	(460)	(77)	(77)	0
Newham	(282)	(47)	(47)	0
Guildford and Waverley	(361)	(60)	(60)	0
Watford and Three Rivers	(194)	(32)	(32)	(0)
East Surrey	(63)	(10)	(10)	(0)
All Other PCTs	(4,079)	(680)	(680)	0
High Cost Drugs				
High Cost Drugs Exclusions Billed	0	0	0	0
Specialised Services Consortia				
NICU Consortium				
Hillingdon	(777)	(129)	(109)	(21)
Haringey	0	0	0	(0)
Bexley	0	0	0	0
Croydon	0	0	0	0
Tower Hamlets	0	0	(0)	0
Brent PCT	0	0	0	0
All Other PCTs	(2,971)	(495)	(495)	0
HIV Consortium & Overperformance				
Kensington & Chelsea	(40,317)	(6,719)	(6,719)	0
Out of London PCTs	(4,032)	(672)	(672)	(0)
GUM				0
Kensington & Chelsea	0	0	0	0
Hammersmith & Fulham	0	0	0	0
Other				
London Patient Choice (Receiving)	0	0	0	0
Prior year	0	0	0	(0)
Other income from PCTs	0	0	0	0
Prior Year Deficit Reversal and Surplus Carry Forward	(2,357)	(393)	(393)	(0)
Balance on 9D Codes	0	0	0	0
Balance on 9A Codes	0	0	0	0
Total Contract Income	**(164,301)**	**(27,384)**	**(27,341)**	**(43)**

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

SUMMARY SALARIES AND WAGES

Responsibility:

TRUST WIDE

FORM F2D
May 06

	Full Year Budget £000s	THIS MONTH Budget £000s	THIS MONTH Actuals £000s	THIS MONTH Variance £000s	THIS MONTH Variance % £000s	YEAR TO DATE Budget £000s	YEAR TO DATE Actual £000s	YEAR TO DATE Variance £000s	YEAR TO DATE Variance % £000s
MEDICAL									
Senior Medical	21,731	1,875	1,817	58	3.09%	3,656	3,626	31	0.84%
Junior Medical	18,512	1,579	1,495	84	5.32%	3,091	2,879	212	6.87%
Other Medical & Dental	13	1	0	1	100.00%	2	0	2	100.00%
Medical Locum	(0)	0	167	(167)		0	342	(342)	
Medical sub total	**40,257**	**3,455**	**3,479**	**(23)**	**-0.68%**	**6,750**	**6,847**	**(97)**	**-1.43%**
AGENDA FOR CHANGE									
Agenda for Change Bands 1-4	0	0	1	(1)	-803.60%	(2)	(0)	(1)	93.72%
Agenda for Change Bands 5-9	0	0	44	(44)	-175612.00%	0	(7)	7	13626.00%
Agenda for Change sub total	**0**	**0**	**45**	**(45)**	**-27451.22%**	**(2)**	**(7)**	**5**	**-345.07%**
NURSING & MIDWIFERY									
Trained Nursing	43,659	3,625	2,975	650	17.93%	7,267	5,903	1,365	18.78%
Untrained Nursing	4,203	347	310	37	10.70%	698	645	53	7.64%
Health Care Assistants	320	28	(1)	29	103.87%	58	6	52	88.92%
Bank Nursing & Midwifery	51	10	722	(712)		14	1,354	(1,340)	
Agency Nursing & Midwifery	71	6	184	(178)		12	401	(389)	
Nursing & Midwifery sub total	**48,304**	**4,016**	**4,189**	**(173)**	**-4.32%**	**8,050**	**8,309**	**(259)**	**-3.22%**
AHPs									
Dieticians	176	16	14	2	14.05%	33	30	3	9.45%
Radiographers	802	67	24	43	63.74%	134	49	85	63.36%
Therapists	931	68	82	(14)	-20.27%	137	159	(22)	-16.15%
AHPs AFC	4,318	353	406	(53)	-14.90%	703	785	(82)	-11.71%
Agency/Locums (AHPs)	11	1	33	(32)		2	60	(58)	
PTA - sub totals	**6,239**	**506**	**559**	**(54)**	**-10.63%**	**1,008**	**1,082**	**(74)**	**-7.37%**
OTHER									
Pharmacists	2,454	210	133	77	36.75%	413	348	65	15.70%
Scientific & Professional AFC	236	20	(1)	21	105.13%	39	(2)	41	104.48%
Healthcare Scientists AFC	1,698	137	191	(54)	-39.00%	276	361	(85)	-30.84%
Chaplains	0	0	0	0	0.00%	0	0	0	0.00%
All Other	2,794	235	181	54	22.89%	466	372	93	20.06%
Other sub	**7,183**	**602**	**504**	**98**	**16.30%**	**1,194**	**1,080**	**114**	**9.56%**
ADMIN									
Admin & Clerical	15,435	1,284	1,035	249	19.41%	2,546	2,063	482	18.95%
Bank Admin & Clerical	70	15	253	(238)		26	453	(427)	
Agency Admin & Clerical	40	3	58	(54)		7	107	(101)	
Senior Managers & Trust Board	6,544	354	370	(17)	-4.69%	732	698	34	4.58%
Agency Other	0	0	0	0		0	0	0	
Admin - sub total	**22,089**	**1,656**	**1,716**	**(60)**	**-3.61%**	**3,311**	**3,322**	**(11)**	**-0.34%**
Payroll	**124,071**	**10,234**	**10,492**	**(257)**	**-2.51%**	**20,311**	**20,633**	**(322)**	**-1.59%**
Unidentified Savings	(3,497)	(310)	(4)	(305)		(685)	(4)	(681)	
PAY TOTAL	**120,574**	**9,925**	**10,487**	**(563)**	**-5.67%**	**19,625**	**20,628**	**(1,003)**	**-5.11%**

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

SUMMARY NON PAY EXPENDITURE

TRUST WIDE

FORM F2E
May 06

Responsibility:

NON PAY EXPENDITURE	Full Year Budget £000s	THIS MONTH				YEAR TO DATE			
		This Months Budget £000s	This Months Actuals £000s	This Months Variance £000s	This Months Variance % £000s	Year to Date Budget £000s	Year to Date Actual £000s	Year to Date Variance £000s	Year to Date Variance % £000s
DRUGS (incl HIV/GUM) & MEDICAL GASES	32,567	3,033	3,000	32	1%	5,846	5,753	92	2%
MEDICAL & SURGICAL EQUIPMENT & DRESSINGS	6,424	565	651	-86	-15%	1,108	1,179	-71	-6%
X-RAY FILM, EQUIP & MATERIALS	1,476	123	120	3	2%	246	225	21	9%
LABORATORY EQUIP & MATERIALS	316	29	47	-18	-60%	53	60	-7	-13.88%
PATIENT APPLIANCES / PROTHESES	1,587	132	184	-52	-39%	264	378	-114	-43.10%
BLOOD PRODUCTS	1,164	97	87	10	10%	194	187	7	3.64%
PATHOLOGY SERVICES	6,568	570	590	-19	-3%	1,140	1,156	-16	-1.38%
OTHER TESTS	535	45	118	-74	-165%	89	118	-29	-32.67%
SERVICE LEVEL AGREEMENT	3,504	293	204	89	30%	584	555	29	5.04%
CONTRACT SERVICES			0			0	0		
Contract Catering	2,005	167	173	-6	-4%	334	343	-9	-2.59%
Domestics	2,247	187	199	-12	-6%	374	387	-13	-3.47%
Portering	936	81	85	-4	-5%	162	163	-1	-0.70%
Carparking	14	1	0	1	80%	2	7	-4	-181.32%
Laundry Contract	773	64	64	0	0%	129	126	2	1.89%
Change control Levy, CCNs	75	6	12	-6	-98%	13	-35	47	379.54%
Carillion Management Charge	909	76	83	-7	-10%	151	165	-14	-9.11%
Total Bed Management Contract / Lease	176	15	4	11	76%	29	18	12	39.65%
IT Services	0	0	0	0	0%	0	0	0	0.00%
Other External Contracts	1,214	101	118	-17	-17%	202	233	-30	-14.93%
PROVISIONS & OTHER CATERING	2	0	3	-3	-1519%	0	23	-23	-5527.43%
LAUNDRY, LINEN, UNIFORMS & CLOTHING	90	7	11	-4	-52%	15	22	-7	-45.34%
CLEANING EQUIPMENT	0	0	0	0	0%	0	0	0	0.00%
LEGAL FEES	3,491	288	254	34	12%	582	546	36	6.18%
PRINTING, STATIONERY & POSTAGE	851	76	83	-7	-9%	146	146	-0	-0.19%
TELEPHONES	621	52	47	4	8%	104	92	12	11.47%
TRAVEL, SUBSISTENCE & REMOVALS	191	16	35	-19	-118%	32	57	-25	-77.37%
TRANSPORT	1,060	88	123	-34	-39%	177	215	-38	-21.78%
ADVERTISING & PUBLICITY	375	31	35	-3	-11%	63	61	2	3.08%
TRAINING	653	69	59	10	14%	124	81	43	34.89%
ENERGY & WATER	3,477	336	258	78	23%	531	475	56	10.46%
FURNITURE, FITTINGS & OFFICE EQIPMENT	242	20	12	8	40%	40	18	22	54.41%
IT EQUIPMENT & SUPPLIES	1,675	84	123	-39	-47%	327	386	-58	-17.84%
RENT & RATES	2,008	177	166	12	7%	335	334	1	0.20%
ESTATES MAINTENANCE	2,069	172	207	-35	-20%	345	395	-50	-14.60%
CONSULTANCY	846	86	106	-20	-24%	175	204	-29	-16.58%
WARD BUDGETS	0	0	0	0	0%	0	0	0	0.00%
BAD DEBT PROVISION	0	0	0	0	0%	0	0	0	0.00%
OTHER EXPENDITURE	1,396	296	82	214	72%	391	123	269	68.63%
FACILITIES /THEATRE RECHARGES	22	2	0	2	100%	4	-0	4	100.03%
CIP NON PAY SAVINGS	-1,575	-23	-31	8	-33%	-263	-31	-232	88.26%
Non Pay	**79,983**	**7,364**	**7,314**	**50**	**1%**	**14,049**	**14,165**	**-115**	**-0.82%**
Depreciation	9,352	1,035	740	295	28%	1,559	1,559	0	0.00%
CIP Depreciation Savings	48	21	0	21	100%	8	0	8	100.00%
Donated Depreciation	156	5	6	-1	-13%	26	26	-0	-0.01%
DIVIDENDS PAYABLE	9,666	474	862	-388	-82%	1,611	1,611	-0	0.00%
Deficit Reversal/Surplus Brought Forward	0	0	0	0	0%	0	0	0	0.00%
Reserves	19,388	4,584	4,583	1	0%	4,584	4,584	-0	0.00%
TOTAL NON PAY	**118,593**	**13,483**	**13,505**	**-22**	**0%**	**21,837**	**21,944**	**-108**	**-0.49%**

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

SERVICE LEVEL AGREEMENTS EXPENDITURE

Responsibility: Edward Donald

FORM F2F
May 06

Account	Service Level Agreement	Budget Holder	Full Year Budget £000	THIS MONTH				YEAR TO DATE			
				This Months Budget £000	This Months Actuals £000	This Months Variance £000	This Months Variance %	Year to Date Budget £000	Year to Date Actual £000	Year to Date Variance £000	Year to Date Variance %
3A040	BLOOD PRODUCTS		0	0	0	0	0.0%	0	0	0	0.0%
3A250	NATIONAL BLOOD SERVICE CONTRAC		1,164	97	97	0	0.0%	194	194	0	0.0%
3C010	PRINTING & STATIONARY (INC. CO		0	0	0	0	0.0%	0	0	0	0.0%
3C060	TELECOMMUNICATIONS SLA		0	0	0	0	0.0%	0	0	0	0.0%
3D160	COMPUTER HARDWARE PURCHASES		0	0	0	0	0.0%	0	0	0	0.0%
3D250	RENT & ACCOMMODATION SERVICEWS		369	31	31	0	0.0%	62	62	0	0.0%
3H030	MISCELLANEOUS		0	0	0	0	0.0%	0	0	0	0.0%
3H120	HOSPITALITY		0	0	0	0	0.0%	0	0	0	0.0%
3H200	SOCIAL SERVICES		144	12	12	0	0.0%	24	24	0	0.0%
3H210	MEDICAL ILLUSTRATION		332	28	28	0	0.0%	55	55	0	0.0%
3H220	A/V SERVICES		0	0	0	0	0.0%	0	0	0	0.0%
3J010	NATIONAL AMBULANCE		0	0	0	0	0.0%	0	0	0	0.0%
3J030	PATHOLOGY SLA (HHT)		6,496	562	577	(15)	-2.7%	1,120	1,120	0	0.0%
3J040	CARDIOLOGY SLA (RBH)		367	31	31	0	0.0%	61	61	0	0.0%
3J050	INFORMATION SYSTEMS SLA		0	0	0	0	0.0%	0	0	0	0.0%
3J060	CLINICAL ENGINEERING SLA		519	43	21	22	51.2%	87	87	0	0.0%
3J070	EEG SLA		0	0	0	0	0.0%	0	0	0	0.0%
3J080	MEDICAL PHYSICS SLA		31	3	3	0	0.0%	5	5	0	0.0%
3J090	PSYCHOLOGY SLA		0	0	0	0	0.0%	0	0	0	0.0%
3J110	CLINICAL HAEMATOLOGY SLA		0	0	0	0	0.0%	0	0	0	0.0%
3J120	OBSTETRICS COVER		0	0	0	0	0.0%	0	0	0	0.0%
3J130	RADIATION PHYSICS SLA		24	2	2	0	0.0%	4	4	0	0.0%
3J140	CVP UNIT SLA		0	0	0	0	0.0%	0	0	0	0.0%
3J150	GUM CLINIC OVERHEADS		0	0	0	0	0.0%	0	0	0	0.0%
3J160	PAEDIATRICS/CDC OVERGEADS		0	0	0	0	0.0%	0	0	0	0.0%
3J180	SPEECH THERAPY		183	15	15	0	0.0%	30	30	0	0.0%
3J190	VICTORIA SHC SLA		0	0	0	0	0.0%	0	0	0	0.0%
3J200	EXTERNAL TESTS		0	0	0	0	0.0%	0	0	0	0.0%
3J210	PHARMACY SLA (HHT)		0	0	0	0	0.0%	0	0	0	0.0%
3J500	SERVICES NHS BODIES SUBCONTRAC		0	0	0	0	0.0%	0	0	0	0.0%
3J510	PLASTICS OUTREACH SLA		0	0	0	0	0.0%	0	0	0	0.0%
3J520	BURNS OUTREACH SLA		0	0	0	0	0.0%	0	0	0	0.0%
3J530	PAEDIATRIC ENT SLA		0	0	0	0	0.0%	0	0	0	0.0%
9B011	PROVIDER TO PROVIDER INCOME- BROMPTON		(205)	(17)	(17)	0	0.0%	(34)	(34)	0	0.0%
9B012	PROVIDER TO PROVIDER INCOME- MARSDEN		(94)	(8)	(8)	0	0.0%	(16)	(16)	0	0.0%
VF010	SLAs SAVINGS TARGET 2005/06		0	0	0	0		0	0	0	
Vf042	SLAs SAVINGS TARGET 2006/07		(185)	(15)	(31)	16		(31)	(31)	0	
	TOTAL ALL SLAs		**9,145**	**784**	**761**	**23**	**2.9%**	**1,561**	**1,561**	**0**	**0.0%**

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

TRUST WIDE SUMMARY BY DIRECTORATE

Responsibility: Finance Director

FORM F3A
May 06

Directorate/ Service Area	Accountability	Annual Budget					In Month Variance					YTD Variance				
		Income	Pay	Savings	Non pay	Total	Income	Pay	Savings	Non Pay	Total	Income	Pay	Savings	Non Pay	Total
Central Income		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
SaFF income	Lorraine Bewes	(164,423)	0	0	0	(164,423)	(0)	0	0	(35)	(35)	(0)	0	0	(69)	(69)
Central Non SaFF income	Lorraine Bewes	(55,691)	0	0	0	(55,691)	(35)	0	0	0	(35)	(35)	0	0	0	(35)
Total Central Income		(220,114)	0	0	0	(220,114)	(35)	0	0	(35)	(70)	(36)	0	0	(69)	(105)
Frontline Directorate																
Imaging & Anaesthetics	Kate Hall	(494)	20,371	(90)	5,214	25,001	6	5	(5)	(90)	(84)	8	(50)	(9)	(64)	(115)
HIV/GUM	Debbie Richards	(833)	10,826	(212)	25,847	35,628	51	(40)	(34)	(18)	(41)	65	(58)	(69)	10	(51)
Medicine & A&E	Nicola Hunt	(711)	22,631	(844)	6,650	27,726	(22)	(121)	(65)	61	(148)	(10)	(137)	(192)	81	(258)
Surgery	Kate Hall	(424)	14,777	(483)	4,259	18,130	(4)	32	(40)	(40)	(52)	(7)	63	(80)	(70)	(94)
Womens & Children's	Sherryn Elsworth	(4,419)	30,595	(243)	4,327	30,260	(6)	(165)	(25)	15	(181)	(106)	(252)	(54)	82	(330)
Subtotal Frontline Directorates		(6,880)	99,200	(1,872)	46,296	136,744	25	(290)	(169)	(71)	(505)	(50)	(434)	(404)	40	(848)
Pharmacy	Karen Robertson	(769)	3,968	0	351	3,550	(6)	14	0	(24)	(16)	(14)	42	0	(6)	23
Physiotherapy & Occ Therapy	Douline Schoeman	(200)	3,916	(5)	139	3,850	(9)	(25)	(0)	10	(25)	(15)	(33)	(1)	6	(44)
Dietetics	Helen Stracey	(25)	584	(3)	25	581	(2)	4	(0)	(2)	(0)	(2)	(1)	(1)	(3)	(7)
Regional Pharmacy	Susan Sanders	(59)	66	0	33	40	(5)	5	0	2	2	(10)	11	0	5	6
Subtotal Clinical Support		(1,053)	8,535	(8)	548	8,022	(22)	(2)	(1)	(14)	(39)	(42)	19	(1)	1	(23)
Chief Executive	Heather Lawrence	(1,740)	2,978	0	210	1,448	7	1	0	(18)	(11)	7	7	0	(12)	2
Governance & Corporate Affairs	Cathy Mooney	(3)	722	0	3,504	4,223	(0)	18	0	(8)	10	(0)	21	0	(3)	18
Nursing	Andrew MacCallum	(897)	2,010	0	196	1,310	(1)	2	0	(1)	0	2	6	0	(8)	0
Human Resources	Maxine Foster	(104)	1,455	(61)	177	1,467	(6)	5	(5)	7	1	(13)	6	(10)	9	(8)
Finance	Lorraine Bewes	(677)	3,299	(37)	693	3,278	61	(7)	(3)	(29)	21	67	(12)	(6)	(35)	13
IC&T & EPR	Alex Geddes	(78)	1,703	0	1,572	3,197	17	22	0	(35)	4	11	63	0	(40)	34
Occupational Health	Stella Sawyer	(173)	344	(5)	55	220	(6)	3	(0)	(6)	(9)	(7)	3	(1)	(9)	(15)
Subtotal Management Exec		(3,672)	12,512	(103)	6,406	15,143	71	43	(9)	(90)	16	66	94	(17)	(98)	44
Facilities	Helen Elkington	(2,696)	664	0	17,008	14,976	8	(8)	(0)	12	13	1	(14)	(0)	10	(3)
Research & Development	Mervyn Maze	0	0	0	0	0	0	0	0	(0)	(0)	0	0	0	(0)	(0)
Private Patients	Edward Donald	(3,698)	976	0	481	(2,241)	(11)	(12)	(3)	(13)	(39)	(100)	(12)	(6)	(33)	(152)
Overseas	Edward Donald	(718)	0	0	0	(718)	(5)	0	0	0	(5)	(8)	0	0	0	(8)
ACU	Sherryn Elsworth	(1,256)	720	0	440	(96)	38	(1)	0	(10)	27	38	0	0	(12)	26
Post Graduate Centre	Kevin Shotlift	0	90	0	132	222	0	1	0	(0)	1	(3)	2	0	(0)	(1)
Projects	Edward Donald	(345)	1,115	0	127	897	(5)	5	0	3	2	7	6	0	3	16
Simulation Centre	Andrew MacCallum	(293)	259	0	37	4	12	7	0	2	21	(11)	18	0	4	11
Service Level Agreements	Edward Donald	(299)	0	(185)	9,628	9,145	0	(1)	18	6	23	(0)	(0)	0	(0)	(0)
Subtotal Other Directorates		(9,304)	3,824	(185)	27,854	22,190	37	(9)	14	0	43	(75)	0	(6)	(29)	(111)
Total All Directorates		(20,909)	124,071	(2,168)	81,105	182,099	111	(257)	(164)	(175)	(485)	(101)	(321)	(429)	(87)	(937)
Central Budgets																
Capital Charges	Lorraine Bewes	(156)	0	0	19,174	19,018	1	0	17	(94)	(77)	0	0	(0)	(0)	(0)
Central Budgets	Lorraine Bewes	(348)	0	(2,856)	453	(2,751)	(10)	(0)	(130)	253	113	(1)	(1)	(476)	272	(206)
Reserves	Lorraine Bewes	0	0	0	19,388	19,388	0	0	0	0	0	0	0	0	0	0
Total Central Budgets		(504)	0	(2,856)	39,015	35,655	(9)	(0)	(113)	159	37	(1)	(1)	(476)	272	(206)
Net Deficit(-)/Surplus(+)		(241,527)	124,071	(5,024)	120,121	(2,360)	66	(257)	(277)	(50)	(518)	(138)	(322)	(905)	116	(1,249)

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

ACU Summary

FORM F3B
May 06

	IN MONTH PLAN ACTIVITY	IN MONTH ACTUAL ACTIVITY	IN MONTH VARIANCE ACTIVITY	YTD PLAN ACTIVITY	YTD ACTUAL ACTIVITY	YTD VARIANCE ACTIVITY	ANNUAL PLAN ACTIVITY
Activity Cycles per year							
IVF	15	18	3	30	31	1	180
ICSI	10	15	5	20	24	4	120
Sub total self fund cycles	**25**	**33**	**8**	**50**	**55**	**5**	**300**
IUI (procedure)	30	51	21	60	86	26	360

	IN MONTH PLAN £000	IN MONTH ACTUAL £000	IN MONTH VARIANCE £000	YTD PLAN £000	YTD ACTUAL £000	YTD VARIANCE £000	ANNUAL PLAN £000
Income							
IVF	(35)	(40)	5	(70)	(70)	0	(418)
ICSI	(28)	(41)	13	(56)	(67)	11	(336)
Sub total self fund cycles	**(63)**	**(81)**	**18**	**(126)**	**(137)**	**11**	**(754)**
IUI	(18)	(31)	13	(37)	(51)	14	(219)
Consultations	(2)	(2)	(0)	(5)	(4)	(0)	(29)
Drugs income	(18)	(25)	7	(35)	(49)	13	(212)
Other	(3)	(3)	(0)	(7)	(6)	(1)	(42)
Income sub total	**(105)**	**(143)**	**38**	**(209)**	**(248)**	**38**	**(1,256)**
Pay	60	61	(1)	119	119	0	713
Non pay	37	46	(10)	73	86	(12)	440
Surplus/ Deficit	**(8)**	**(35)**	**27**	**(17)**	**(43)**	**26**	**(103)**

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

SUMMARY OF RESERVES MOVEMENTS

Responsibility: Finance Director

FORM 4A
May 06

Reserve	Code	Revised Opening Balance 01/04/06	Distributed 2006/07				Closing Ledger balance 2006/07	Committed 2006/07	Uncomm-itted 2006/07	Uncomm-itted 2007/08
			Month 1	Month 2	Month 3	Total				
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Specific Expenditure Reserves	3X010	16,775	(3,266)	(1,063)	(126)	(4,455)	12,320	12,446	(126)	0
Pay Inflation	3X060	3,228	0	(739)	(1,119)	(1,858)	1,370	2,489	(1,119)	0
Non Pay	3X070	7,124	(1,456)	(2,768)		(4,224)	2,900	2,900	0	0
Contingency	3X080	41	(15)	(19)		(34)	7	7	(0)	0
Deficit Payback	3X195	2,360	0	(2,360)		(2,360)	0	0	0	0
Agenda for Change Reserve	3X250	2,903	(435)			(435)	2,468	2,468	(0)	0
EWTD Reserve	3X260	543	0			0	543	543	0	0
Consultant Contract Reserve	3X290	198	0			0	198	198	0	0
Drugs Reserve	3X510	0	0	158		158	158	158	0	0
Ringfenced Funding	3X680	0	(555)	(20)		(575)	(575)	(575)	(0)	0
		0								
		33,173	(5,728)	(6,811)	(1,245)	(13,784)	19,389	20,634	(1,245)	0

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

TRUST WIDE SAVINGS ACHIEVED BY DIRECTORATE

Responsibility: Finance Director

FORM F5A
May 06

Directorate/ Service Area	Accountability	2005/06 B/F target	New Target 2006/07	Total Target 2006/07	Savings Planned/Achieved							Outstanding target to Achieve
					Process Redesign	Corporate Functions	Other Workforce Costs	Procurement Savings	Other	Income	Total	
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Central Income												
SaFF income	Lorraine Bewes										0	0
Central Non SaFF income	Lorraine Bewes										0	0
Total Central Income		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Frontline Directorate												
Imaging & Anaesthetics	Kate Hall	0	(602)	(602)	232	0	291	79	0	0	602	0
HIV/GUM	Debbie Richards	(400)	(284)	(684)	22	0	0	271	220	171	684	0
Medicine & A&E	Nicola Hunt	(226)	(1,259)	(1,485)	746	0	0	0	317	0	1,063	(422)
Surgery	Kate Hall	0	(449)	(449)	371	0	0	78	0	0	449	0
Womens & Children's	Sherryn Elsworth	0	(727)	(727)	700	0	0	11	16	0	727	0
Subtotal Frontline Directorates		**(626)**	**(3,321)**	**(3,947)**	**2,071**	**0**	**291**	**439**	**553**	**171**	**3,525**	**(422)**
Pharmacy	Karen Robertson		(88)	(88)	0	0	67	13	0	8	88	0
Physiotherapy & Occ Therapy	Douline Schoeman	(31)	(98)	(129)	0	0	105	13	0	15	133	4
Dietetics	Helen Stracey	(14)	(15)	(29)	20	0	0	5	0	0	25	(4)
Subtotal Clinical Support		**(45)**	**(201)**	**(246)**	**20**	**0**	**172**	**31**	**0**	**23**	**246**	**0**
Chief Executive	Heather Lawrence		(28)	(28)	0	0	0	0	28	0	28	0
Governance & Corporate Affairs	Cathy Mooney	(19)	(81)	(100)	0	100	0	0	0	0	100	0
Nursing	Andrew MacCallum	(5)	(142)	(147)	0	125	0	22	0	0	147	0
Human Resources	Maxine Foster	(26)	(126)	(152)	0	15	80	41	0	0	136	(16)
Finance	Lorraine Bewes		(259)	(259)	0	115	17	35	0	55	222	(37)
IM&T & EPR	Alex Geddes	(99)	(261)	(360)	0	139	0	151	0	70	360	0
Occupational Health	Stella Sawyer		(6)	(6)	0	6	0	0	0	0	6	0
Subtotal Management Exec		**(149)**	**(903)**	**(1,052)**	**0**	**500**	**97**	**249**	**28**	**125**	**999**	**(53)**
Facilities	Helen Elkington		(343)	(343)	0	0	0	398	0	180	578	235
Private Patients	Edward Donald		0	0	0	0	0	0	0	0	0	0
ACU	Sherryn Elsworth		0	0	0	0	0	0	0	0	0	0
Post Graduate Centre	Kevin Shotlift		0	0	0	0	0	0	0	0	0	0
Projects	Edward Donald		(21)	(21)	0	0	0	21	0	0	21	(0)
Simulation Centre	Andrew MacCallum		0	0	0	0	0	0	0	0	0	0
Service Level Agreements	Edward Donald		(210)	(210)	0	0	0	25	0	0	25	(185)
Subtotal Other Directorates		**0**	**(574)**	**(574)**	**0**	**0**	**0**	**444**	**0**	**180**	**624**	**50**
Total All Directorates		**(820)**	**(4,999)**	**(5,819)**	**2,092**	**500**	**560**	**1,162**	**581**	**499**	**5,394**	**(425)**
Central Targets												
Capital Charges	Lorraine Bewes	(1,000)	(700)	(1,700)	0	0	0	0	1,907	0	1,907	207
Procurement Savings	Lorraine Bewes		(500)	(500)	0	0	0	273	0	0	273	(227)
Staff Rostering	Edward Donald		(500)	(500)	170	0	0	0	0	0	170	(330)
Bank and Agency Rates	Maxine Foster		(500)	(500)	0	0	344	0	0	0	344	(156)
Ward Stock Management	Edward Donald		(200)	(200)	0	0	0	0	0	0	0	(200)
HCD Income	Lorraine Bewes		(513)	(513)	0	0	0	0	0	447	447	(66)
GUM Overperformance	Lorraine Bewes		(500)	(500)	0	0	0	0	0	485	485	(15)
Other	Lorraine Bewes	159		159	0	0	0	300	0	0	300	459
Savings to be worked up					0	0	0	0	0	0		
Director's Valuation	Lorraine Bewes		(500)	(500)	0	0	0	0	500	0	500	0
Pathology Savings	Edward Donald		(100)	(100)	0	0	0	0	185	0	185	85
High Cost Drugs	Lorraine Bewes		(400)	(400)	0	0	0	0	0	400	400	0
Total Central Budgets		**(841)**	**(4,413)**	**(5,254)**	**170**	**0**	**344**	**573**	**2,592**	**1,332**	**5,011**	**(243)**
Net Deficit(-)/Surplus(+)		**(1,661)**	**(9,412)**	**(11,073)**	**2,262**	**500**	**904**	**1,736**	**3,173**	**1,831**	**10,405**	**(668)**

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST
TRUST WIDE SAVINGS DETAIL INCLUDING PLANS IN DEVELOPMENT
Responsibility: Finance Director

FORM F5B
May 06

Directorate/ Service Area	Accountability	Risk	Total Savings Target	Savings Planned/Achieved							Outst-anding Target
				Process Redesign	Corporate Functions	Other Workforce Costs	Procurement Savings	Other	Income	Total Savings	
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Frontline Directorate											
Imaging & Anaesthetics	Kate Hall		(602)								(602)
Capacity plan 04-05		Low				291				291	291
Critical Care 1 % savings		Achieved		3						3	3
IMPACT secondment		Achieved		12						12	12
ITU 1% savings		Low		22			13			35	35
ITU bed closure		Medium		46						46	46
Radiology 1% savings		Low		43			25			68	68
Theatres 1% savings		Achieved		45			1			46	46
Theatres skill mix		Low		41						41	41
Treatment Centre 1% savings		Low		20			5			25	25
TSSU 1% savings		Low					7			7	7
Urology Non-Pay		Low					28			28	28
			(602)	232	0	291	79	0	0	602	0
HIV/GUM	Debbie Richards		(684)								(684)
Contribution from Chlamydia initiative		Low							10	10	10
Skill Mix saving - Charing Cross		Low		5						5	5
Skill Mix saving - The Ward		High		17						17	17
Viral Load Testing Tender		Medium					211			211	211
VAT Saving on Home delivery of Drugs		Low					60			60	60
Development Funding		Low						155		155	155
Net Income recharge increase		Medium							36	36	36
Travel Costs		Medium						15		15	15
Non recurring underpends		Medium						50		50	50
Newfill Income		High							125	125	125
			(684)	22	0	0	271	220	171	684	0
Medicine & A&E	Nicola Hunt		(1,485)								(1,485)
A&E Floating Locum		Medium		40						40	40
Close Ward		Low		673						673	673
Medicine Floating Locum		Medium		33						33	33
New Sleep Apnoea Service		Medium						17		17	17
Other		High						300		300	300
			(1,485)	746	0	0	0	317	0	1,063	(422)
Surgery	Kate Hall		(449)								(449)
Burn- Unit		Low					25			25	25
Close Surgical Beds		Low		260			45			305	305
Management saving		Low					8			8	8
Plastic Medical Staff		Low		73						73	73

Directorate/ Service Area	Accountability	Risk	Total Savings Target	Savings Planned/Achieved							Outst-anding Target
				Process Redesign	Corporate Functions	Other Workforce Costs	Procurement Savings	Other	Income	Total Savings	
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Restructuring of Admin Support		Achieved		38						38	38
			(449)	371	0	0	78	0	0	449	0
Womens & Children's	Sherryn Elsworth		(727)								(727)
Staff Savings - Gynae		Low		95						95	95
Closing Bay on Annie Zunz at weekends.		Medium		50			11			61	61
Additional Colposcopy/Hysteroscopy Income		Low		67						67	67
Staff Savings - Mgmt		Achieved		20						20	20
Staff Savings - Maternity		Low		123						123	123
Skill Mix Savings - NICU		Low		34						34	34
Staff Savings - Paed Community		Low		65						65	65
Staff Savings - Paeds		Low		109						109	109
Closing Jupiter Wards at weekends.		Low		76						76	76
Paediatric Dental Recharge		Achieved						16		16	16
Staff Savings - Women's Medical		Low		26						26	26
SHO Rota Change		Medium		37						37	37
			(727)	700	0	0	11	16	0	727	0
Subtotal Frontline Directorates			**(3,947)**	**2,071**	**0**	**291**	**439**	**553**	**171**	**3,525**	**(422)**
Pharmacy	Karen Robertson		(88)							0	(88)
0.4 WTE MTO2 reduction		Low				12				12	12
A&C 4 1WTE (band3)		Low				25				25	25
Books		Low					8			8	8
Hammersmith Miscrobiology Income		Medium							8	8	8
MSSE		Low					5			5	5
MT04 Uncovered maternity leave		Low				5				5	5
Staff pay 0.3 E grade leave vacant		Low				15				15	15
Technical staff		Low				10				10	10
			(88)	0	0	67	13	0	8	88	0
Physiotherapy & Occ Therapy	Douline Schoeman		(129)							0	(129)
Income savings		Medium							15	15	15
Non-pay Savings		Medium				22	13			35	35
Staff Savings		Low				83				83	83
			(129)	0	0	105	13	0	15	133	4

Directorate/ Service Area	Accountability	Risk	Total Savings Target	Savings Planned/Achieved							Outst-anding Target
				Process Redesign	Corporate Functions	Other Workforce Costs	Procurement Savings	Other	Income	Total Savings	
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Dietetics	Helen Stracey		(29)							0	(29)
Non-pay Savings		Medium					5			5	5
Staff Savings		Low		20						20	20
			(29)	20	0	0	5	0	0	25	(4)
Subtotal Clinical Support			**(246)**	**20**	**0**	**172**	**31**	**0**	**23**	**246**	**0**
Chief Executive	Heather Lawrence	Low	(28)					28		28	0
Governance & Corporate Affairs	Catherine Mooney		(100)							0	(100)
Clinical Gov Coordinator 1.0 post		Low			45					45	45
Clinical Gov Support Officer 1.0 post		Low			29					29	29
Consultancy		Low			9					9	9
Legal fees		Low			18					18	18
			(100)	0	100	0	0	0	0	100	0
Nursing	Andrew MacCallum		(147)							0	(147)
Computer Hardware		Low					14			14	14
Staff budget review		Low			7					7	7
Lead Nurse Practice & Prof Dev 1.0 WTE		Low			47					47	47
Practice Education Facilitator 0.5 WTE		Low			48					48	48
Printing & Stationary		Low					8			8	8
Vacant Grade 5 post 1.0		Low			24					24	24
			(147)	0	125	0	22	0	0	147	0
Human Resources	Maxine Foster		(152)							0	(152)
Consultancy		Low				35				35	35
Snr Workforce Info Analyst post		Low			15					15	15
Miscellanous Training		Low					5			5	5
Play Scheme		Low					10			10	10
Reduce Bank opening hours (cost savings)		Medium				45				45	45
Reduction in Advertising costs		Low					17			17	17
Staff recruitment		Low					10			10	10
			(152)	0	15	80	41	0	0	136	(16)
Finance	Lorraine Bewes		(259)							0	(259)
Charities Salary Recharges		Low							40	40	40
Arrears Charities Salary Recharges		Low							15	15	15
Bank Charges		Low					5			5	5
Bank Weekly to Monthly Paid		High				17				17	17
CD-rom service reduction		Low					12			12	12
Cancellation OFA Software		Low					4			4	4
Capitalisation of Capital Accountant (100%)		Low			32					32	32
Creditors currrent vacant post		Low			24					24	24
Other savings		Medium			15					15	15

Directorate/ Service Area	Accountability	Risk	Total Savings Target	Savings Planned/Achieved							Outst-anding Target
				Process Redesign	Corporate Functions	Other Workforce Costs	Procurement Savings	Other	Income	Total Savings	
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Other savings		Medium			20					20	20
Pharmacy to GL Interface		Low			25					25	25
Staff recruitment - use e-recruit		Low					14			14	14
			(259)	0	115	17	35	0	55	222	(37)
IM&T & EPR	Alex Geddes		(360)							0	(360)
Budget for IBM contract		Low					68			68	68
IDX		Low			134					134	134
Ing Lease for 209 PC's (CHEW01)		Low					36			36	36
Lease Cars		Low					3			3	3
Legal Fees		Low			5					5	5
EPR Savings		Low							70	70	70
Software Licences		Low					9			9	9
Telephone calls		Low					10			10	10
Training		Low					22			22	22
Various Leases		Low					3			3	3
			(360)	0	139	0	151	0	70	360	(0)
Occupational Health	Stella Sawyer		(6)							0	(6)
Counselling		Medium			6					6	6
			(6)	0	6	0	0	0	0	6	0
Subtotal Management Exec			**(1,052)**	**0**	**500**	**97**	**249**	**28**	**125**	**999**	**(53)**

Directorate/ Service Area	Accountability	Risk	Total Savings Target	Savings Planned/Achieved							Outst-anding Target
				Process Redesign	Corporate Functions	Other Workforce Costs	Procurement Savings	Other	Income	Total Savings	
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Facilities	Helen Elkington		(343)							0	(343)
Carparking		Medium							180	180	180
Franking Machine Mail		Medium					42			42	42
Interpretation		Low					20			20	20
ISS contract terms re: Bed Making		Low					24			24	24
ISS Francis Burdette Ward Cleaning		Low					44			44	44
ISS General Areas Cleaning		Low					18			18	18
ISS Reception Staffing		Low					16			16	16
ISS Ward Cleaning		Low					34			34	34
LAS contract		Medium					200			200	200
			(343)	0	0	0	398	0	180	578	235
Projects	Edward Donald		(21)							0	(21)
Sewage & Water		Low					2			2	2
Telephone Calls		Low					19			19	19
			(21)	0	0	0	21	0	0	21	(0)
Service Level Agreements	Edward Donald		(210)							0	(210)
Viral Load Testing Tender		Medium					25			25	25
			(210)	0	0	0	25	0	0	25	(185)
											0
Subtotal Other Directorates			**(574)**	**0**	**0**	**0**	**444**	**0**	**180**	**624**	**50**
Total All Directorates			**(5,819)**	**2,092**	**500**	**560**	**1,162**	**581**	**499**	**5,394**	**(425)**
Central Budgets											
Capital Charges	Lorraine Bewes	Medium	(1,700)					1,907		1,907	207
Procurement Savings	Lorraine Bewes	Medium	(500)				273			273	(227)
Staff Rostering	Edward Donald	High	(500)	170						170	(330)
Bank and Agency Rates	Maxine Foster	High	(500)			344				344	(156)
Ward Stock Management	Edward Donald	Medium	(200)							0	(200)
HCD Income	Lorraine Bewes	Medium	(513)						447	447	(66)
GUM Overperformance	Lorraine Bewes	Medium	(500)						485	485	(15)
Other	Lorraine Bewes	Medium	159				300			300	459
Savings to be worked up										0	0
Director's Valuation	Lorraine Bewes	High	(500)					500		500	0
Pathology Savings	Edward Donald	High	(100)					185		185	85
High Cost Drugs	Lorraine Bewes	Low	(400)						400	400	0
			(5,254)	170	0	344	573	2,592	1,332	5,011	(243)
Total Central Budgets			**(5,254)**	**170**	**0**	**344**	**573**	**2,592**	**1,332**	**5,011**	**(243)**
Net Deficit(-)/Surplus(+)			**(11,073)**	**2,262**	**500**	**904**	**1,736**	**3,173**	**1,831**	**10,405**	**(668)**

Chelsea & Westminster Healthcare NHS Trust

FORM F6

May 06

BALANCE SHEET

Responsibility: Finance Director

	OPENING BALANCE £000	LAST MONTH ACTUAL £000	THIS MONTH ACTUAL £000	YEAR END FORECAST £000
INTANGIBLE FIXED:	0	0	0	0
TANGIBLE FIXED ASSETS :				
Land	46,725	46,725	46,725	49,395
Buildings	208,922	208,290	207,614	228,338
Plant & Equipment	12,347	12,140	12,070	16,165
RELEVANT FIXED ASSETS :	**267,994**	**267,155**	**266,409**	**293,898**
Under Construction	11,927	11,155	11,573	6,414
TOTAL FIXED ASSETS :	**279,921**	**278,310**	**277,982**	**300,312**
CURRENT ASSETS :				
Stocks & Work In Progress	5,237	4,597	4,464	5,545
Trade Debtors	18,490	20,931	11,449	15,229
Provision for Irrecoverable Debt	(8,850)	(8,789)	(1,899)	(4,314)
Accruals and Prepayments	2,322	2,272	2,055	2,298
Other Debtors	4,372	2,158	1,651	1,698
Cash at Bank & in Hand	678	12,894	11,172	2,186
Short - term Investment	0	0	0	0
TOTAL CURRENT ASSETS :	**22,249**	**34,063**	**28,892**	**22,642**
CURRENT LIABILITIES :				
Tax and social security costs	(2,836)	(2,916)	(2,963)	(3,146)
Dividends Payable	0	(749)	(749)	0
Trade Creditors	(11,302)	(10,141)	(12,036)	(19,557)
Accruals and deferred income	(7,931)	(7,915)	(6,407)	(3,393)
Other Creditors	(1,816)	(10,994)	(1,262)	(1,673)
TOTAL CURRENT LIABILITIES :	**(23,885)**	**(32,715)**	**(23,417)**	**(27,769)**
NET CURRENT ASSETS / (LIABILITIES)	**(1,636)**	**1,348**	**5,475**	**(5,127)**
Creditors over one year	(969)	(969)	(969)	(2,192)
Provisions for liabilities and Charges	(4,557)	(4,472)	(4,547)	(432)
TOTAL ASSET EMPLOYED	**272,759**	**274,217**	**277,941**	**292,561**
CAPITAL & RESERVES				
Public Dividend Capital	168,981	168,981	168,981	161,718
Loans	0	0	0	3,750
TOTAL CAPITAL DEBT	**168,981**	**168,981**	**168,981**	**165,468**
RESERVES				
Revaluation Reserve	97,085	97,085	97,085	117,859
Donation Reserve	7,192	7,174	7,168	7,332
Other Reserve	0	0	0	0
Income & Expenditure Reserve / (Deficit)	(499)	977	4,707	1,902
TOTAL RESERVE	**103,778**	**105,236**	**108,960**	**127,093**
TOTAL CAPITAL AND RESERVES	**272,759**	**274,217**	**277,941**	**292,561**

Chelsea & Westminster Healthcare NHS Trust

Age Debtor Analysis

Responsibility: Finance Director

FORM F7
May 06

May	%Age	Total	Days 0-30	Days 31-90	Days 91+
Kensington & Chelsea PCT	**14.48%**	2,656,370	2,206,484	389,464	60,422
Hammersmith and Fulham PCT	**6.65%**	1,221,015	831,035	319,106	70,874
Westminster PCT	**3.95%**	724,654	675,914	18,976	29,763
Imperial College London	**2.76%**	506,816	9,886	430,945	65,986
Royal Brompton & Harefield NHS Trust	**2.53%**	464,869	24,668	265,166	175,034
Brent KCW Mental Health Trust	**2.25%**	413,639	0	0	413,639
Western Sussex PCT	**2.16%**	397,830	0	0	397,830
Guildford and Waverley PCT	**2.10%**	386,161	59,873	212,167	114,122
Southend on Sea PCT	**2.00%**	367,545	5,665	6,532	355,349
Adur Arun and Worthing PCT	**1.98%**	363,773	95,989	-20,454	288,237
Sub Total	**40.86%**	**7,502,674**	**3,909,513**	**1,621,904**	**1,971,256**
Other Debtors	**59.14%**	10,840,838	3,357,811	1,037,939	6,445,089
	100%	**18,343,512**	**7,267,324**	**2,659,843**	**8,416,345**
% of total		**100.0%**	**39.6%**	**14.5%**	**45.9%**
Increase/(decrease) on last month		**-2,587,123**	**-3,551,309**	**1,872,624**	**-908,438**
% Increase/(decrease)on previous month		**-12.4%**	**-32.8%**	**237.9%**	**-9.7%**

Analysis of Private Patients Debtors

Outstanding as at 31 May 2006		1,354,250	568,980	299,075	487,193
% of total		**100.0%**	**42.0%**	**22.1%**	**36.0%**
Increase/(decrease) on last month		54,578	-132,838	172,398	16,017
% Increase/(decrease)on previous month		4.2%	-18.9%	136.1%	3.4%

Analysis of Overseas Visitors Debtors

Outstanding as at 31 May 2006		1,203,763	-21,272	44,586	1,180,449
		100.0%	**-1.8%**	**3.7%**	**98.1%**
Increase/(decrease) on last month		-36,320	-49,263	6,302	6,641
% Increase/(decrease)on previous month		-2.9%	-176.0%	16.5%	0.6%

April	%Age	Total	Days 0-30	Days 31-90	Days 91+
Kensington & Chelsea PCT	**19.25%**	4,030,217	3,424,297	0	605,920
Hammersmith & Fulham PCT	**3.24%**	677,895	207,182	368,554	102,158
Royal Brompton & Harefield PCT	**2.79%**	585,390	339,672	59,329	186,389
St Stephens Aids Research	**2.78%**	581,249	581,249	0	0
Southend on Sea PCT	**2.52%**	528,890	129,820	23,977	375,093
The Royal Marsden Hospital	**2.46%**	514,103	191,087	20,768	302,249
Imperial College London	**2.41%**	504,096	250,121	190,421	63,554
Westminster PCT	**2.30%**	482,130	452,366	0	29,763
Brent KCW Mental Health Trust	**2.00%**	413,639	0	0	413,639
Ealing PCT	**1.96%**	410,640	329,789	650	80,201
Sub Total	**41.71%**	**8,728,249**	**5,905,582**	**663,700**	**2,158,967**
Other Debtors	**58.29%**	12,202,386	4,913,051	123,519	7,165,816
	100%	**20,930,635**	**10,818,633**	**787,219**	**9,324,783**
		100.0%	**51.7%**	**3.8%**	**44.6%**

Analysis of Private Patients Debtors

Outstanding as at 30 April 2006		1,299,672	701,818	126,677	471,176
% of total		**100.0%**	**54.0%**	**9.7%**	**36.3%**

Analysis of Overseas Visitors Debtors

Outstanding as at 30 April 2006		1,240,083	27,990	38,284	1,173,808
% of total		**100.0%**	**2.3%**	**3.1%**	**94.7%**

	%age	TOTAL	0 - 30	Days 30 - 90	OVER 90
Opening Balance April 2006-2007	**100.00%**	**18,427,343**	**7,426,985**	**1,205,330**	**9,795,027**
Age Analysis %		**100.0%**	**40.3%**	**6.5%**	**53.2%**

Customer Movement - Top 10	**£**
Kensington & Chelsea PCT	-1,373,847
Hammersmith & Fulham PCT	543,121
Westminster PCT	242,524
Imperial College London	2,720
Royal Brompton & Harefield	-120,521
Brent KCW Mental Health Trust	0
Western Sussex PCT	0
Guildford and Waverley PCT	19,049
Southend on Sea PCT	-161,345
Adur Arun and Worthing PCT	-42,900
Total	**-891,199**

Chelsea & Westminster Healthcare NHS Trust
Age Creditors Analysis Report & Better Payment Practice Code Month Ended 31 May 2006

FORM F8A
May 06

Responsibility: Finance Director

	CURRENT MONTH: May	**%age of Total Car's**	**TOTAL**	**Days 0 - 30**	**Days 30 - 90**	**Days OVER 90**
	Top 10 Creditor Balances		**£**	**£**	**£**	**£**
1	HAMMERSMITH HOSPITALS NHS TRU	42.64%	5,507,645	1,592,867	1,334,639	2,580,140
2	ISS MEDICLEAN LTD.	6.59%	851,509	802,651	41,918	6,940
3	GILEAD SCIENCES LTD.	4.22%	544,769	544,769	0	0
4	HOUNSLOW PRIMARY CARE TRUST..	3.93%	508,302	0	508,302	0
5	ROTARY SOUTHERN LTD	3.53%	455,604	455,604	0	0
6	IMPERIAL COLLEGE	2.99%	386,510	135,028	10,405	241,077
7	MAWDSLEY BROOKS & CO LTD	2.70%	349,330	349,229	101	0
8	NHS LOGISTICS AUTHORITY	2.64%	341,310	341,310	0	0
9	SOUTHERN ELECTRIC.	2.20%	283,656	78,221	205,435	0
10	NHS BLOOD AND TRANSPLANT	1.98%	255,674	176,457	79,217	0
	Sub Total	**73.42%**	**9,484,309**	**4,476,135**	**2,180,018**	**2,828,157**
	Others Creditors	26.58%	3,433,675	2,126,161	465,845	841,668
	TOTAL	**100.00%**	**12,917,984**	**6,602,296**	**2,645,863**	**3,669,825**
	% of total		**100.00%**	**51.11%**	**20.48%**	**28.41%**
	Incease/decrease on last month		**-379,382**	**146,123**	**627,558**	**-1,153,062**
	% increase /decrease on last month		**-2.85%**	**2.26%**	**31.09%**	**-23.91%**

	PREVIOUS MONTH : April Accruals	**%age of Total Cr's**	**TOTAL**	**Days 0 - 30**	**Days 30 - 90**	**Days OVER 90**
	Top 10 Creditor Balances		**£**	**£**	**£**	**£**
1	HAMMERSMITH HOSPITALS NHS TRU	50.31%	6,689,898	2,287,894	1,236,674	3,165,330
2	ISS MEDICLEAN LTD.	6.97%	926,883	867,976	52,558	6,349
3	HOUNSLOW PRIMARY CARE TRUST..	3.82%	508,302	508,302	0	0
4	HADEN BUILDING MANAGEMENT LTD	3.27%	434,168	390,409	6,158	37,601
5	IMPERIAL COLLEGE	3.26%	433,303	130,740	44,462	258,101
6	SOUTHERN ELECTRIC.	2.65%	352,426	219,358	133,069	0
7	WANDSWORTH PRIMARY CARE TRUST	1.43%	190,703	54,234	0	136,469
8	ROYAL BROMPTON & HAREFIELD NH	1.30%	172,265	43,803	33,639	94,823
9	NHS BLOOD AND TRANSPLANT	1.23%	163,264	163,264	0	0
10	INTERSPACE LTD	1.12%	148,704	0	0	148,704
	Sub Total	**75.35%**	**10,019,917**	**4,665,980**	**1,506,560**	**3,847,377**
	Others Creditors	24.65%	3,277,449	1,790,193	511,745	975,511
	TOTAL	**100.00%**	**13,297,366**	**6,456,174**	**2,018,305**	**4,822,887**
	Percentage of No. of days / Total Creditors		**100.00%**	**48.55%**	**15.18%**	**36.27%**

	Opening Balance April 2006 - 2007		11,302,033	5,430,889	507,928	5,363,215
		%age	***100.00%***	***48.05%***	***4.49%***	***47.45%***

Movement from Previous Month

	Supplier	**£**
1	HAMMERSMITH HOSPITALS NHS TRU	-1,182,252.34
2	ISS MEDICLEAN LTD.	-75,373.49
3	GILEAD SCIENCES LTD.	544,769.15
4	HOUNSLOW PRIMARY CARE TRUST..	0.00
5	ROTARY SOUTHERN LTD	455,603.58
6	IMPERIAL COLLEGE	-46,792.83
7	MAWDSLEY BROOKS & CO LTD	349,329.88
8	NHS LOGISTICS AUTHORITY	341,310.13
9	SOUTHERN ELECTRIC.	-68,770.47
10	NHS BLOOD AND TRANSPLANT	92,409.69
	Total	**410,233.30**

BETTER PAYMENT PRACTICE CODE - INVOICES PAID WITHIN 30 DAYS

	This month				**Cumulative**		**Pior year**
	VALUE	**NUMBER**	**%age (Value)**	**%age (No)**	**%age (Value)**	**%age (No)**	**%age (No)**
April	£6,122,327	4,043	91.97%	91.84%	91.97%	91.84%	79.83%
May	£6,501,739	4,064	92.34%	90.63%	92.16%	91.23%	77.50%

Chelsea & Westminster Healthcare NHS Trust

Age Creditors Analysis Report & Better Payment Pr: Month Ended 31 May 2006

FORM F8B
May 06

Responsibility: Finance Director

	CURRENT MONTH: May	%age of Total Cr's	TOTAL	Days 0 - 30	Days 30 - 90	Days OVER 90
	Top 8 NHS Balances & 2 Non Nhs Bal		£	£	£	£
1	HAMMERSMITH HOSPITALS NHS TRU	42.64%	5,507,645	1,592,867	1,334,639	2,580,140
2	ISS MEDICLEAN LTD.	6.59%	851,509	802,651	41,918	6,940
3	HOUNSLOW PRIMARY CARE TRUST..	3.93%	508,302	0	508,302	0
4	IMPERIAL COLLEGE	2.99%	386,510	135,028	10,405	241,077
5	NHS LOGISTICS AUTHORITY	2.64%	341,310	341,310	0	0
6	NHS BLOOD AND TRANSPLANT	1.98%	255,674	176,457	79,217	0
7	LONDON AMBULANCE SERVICE NHS	1.64%	212,342	139,122	73,220	0
8	WANDSWORTH PRIMARY CARE TRUST	1.46%	188,517	506	51,542	136,469
9	CNWL MENTAL HEALTH NHS TRUST	1.13%	146,021	0	73,443	72,579
10	ST MARYS HOSPITAL NHS TRUST	1.12%	144,920	19,554	24,169	101,197
	Sub Total	**66.13%**	**8,542,752**	**3,207,495**	**2,196,855**	**3,138,401**
	Others Creditors	33.87%	4,375,232	3,394,801	449,230	531,201
	TOTAL	**100.00%**	**12,917,984**	**6,602,296**	**2,646,085**	**3,669,603**
	Percentage of No. of days / Total Creditors		**100.00%**	**51.11%**	**20.48%**	**28.41%**

	PREVIOUS MONTH : April	%age of Total Cr's	TOTAL	Days 0 - 30	Days 30 - 90	Days OVER 90
	Top 8 NHS Balances & 2 Non Nhs Bal		£	£	£	£
1	HAMMERSMITH HOSPITALS NHS TRU	50.31%	6,689,898	2,287,894	1,236,674	3,165,330
2	ISS MEDICLEAN LTD.	6.97%	926,883	867,976	52,558	6,349
3	HOUNSLOW PRIMARY CARE TRUST..	3.82%	508,302	508,302	0	0
4	IMPERIAL COLLEGE	3.26%	433,303	130,740	44,462	258,101
5	WANDSWORTH PRIMARY CARE TRUST	1.43%	190,703	54,234	0	136,469
6	ROYAL BROMPTON & HAREFIELD NH	1.30%	172,265	43,803	33,639	94,823
7	NHS BLOOD AND TRANSPLANT	1.23%	163,264	163,264	0	0
8	LONDON AMBULANCE SERVICE NHS	1.11%	147,256	63,565	83,691	0
9	ST MARYS HOSPITAL NHS TRUST	1.10%	146,920	34,459	20,974	91,487
10	CNWL MENTAL HEALTH NHS TRUST	1.10%	146,021	72,579	73,443	0
	Sub Total	**71.63%**	**9,524,814**	**4,226,816**	**1,545,440**	**3,752,558**
	Others Creditors	28.37%	3,772,552	2,229,358	472,865	1,070,329
	TOTAL	**100.00%**	**13,297,366**	**6,456,174**	**2,018,305**	**4,822,887**
	Percentage of No. of days / Total Creditors		**100.00%**	**48.55%**	**15.18%**	**36.27%**

	Opening Balance April 2006 - 2007		11,302,033	5,430,889	507,928	5,363,215
		%age	**100.00%**	**48.05%**	**4.49%**	**47.45%**

Movement from Previous Month

	Supplier	£
1	HAMMERSMITH HOSPITALS NHS TRU	-1,182,252.34
2	ISS MEDICLEAN LTD.	-75,373.49
3	HOUNSLOW PRIMARY CARE TRUST..	0.00
4	IMPERIAL COLLEGE	-46,792.83
5	NHS LOGISTICS AUTHORITY	341,310.13
6	NHS BLOOD AND TRANSPLANT	92,409.69
7	LONDON AMBULANCE SERVICE NHS	65,086.48
8	WANDSWORTH PRIMARY CARE TRUST	-2,186.00
9	CNWL MENTAL HEALTH NHS TRUST	0.00
10	ST MARYS HOSPITAL NHS TRUST	-1,999.23

Chelsea and Wesminster Healthcare NHS Trust
Cash Flow Statement

FORM F9A
May 06

Responsibility: Finance Director

£ 000	1 Actual Apr-06	2 Actual May-06	3 Forecast Jun-06	4 Forecast Jul-06	5 Forecast Aug-06	6 Forecast Sep-06	7 Forecast Oct-06	8 Forecast Nov-06	9 Forecast Dec-06	10 Forecast Jan-07	11 Forecast Feb-07	12 Forecast Mar-07	Actual YTD	Forecast Total Mar-07
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Operating Surplus/(Deficit)	2,196	3,102	2,037	1,020	1,026	1,885	1,200	1,015	1,020	750	950	(3,921)	5,298	12,280
Depreciation and Amortisation	838	746	838	838	838	838	838	838	838	838	838	930	1,584	10,056
Transfer from the donated asset reserve	(20)	(6)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(34)	(26)	(240)
(Increase)/Decrease in Stocks	639	133	24	24	24	24	24	24	24	24	24	(1,298)	772	(308)
(Increase)/Decrease in Debtors	(237)	3,316	860	(1,556)	1,384	255	1,387	(700)	1,268	(584)	(1,582)	(2,388)	3,079	1,423
Increase/(Decrease) in Creditors	8,830	(9,035)	(1,241)	2,282	(120)	(1,062)	1,437	(164)	(65)	(66)	(66)	1,480	(205)	2,210
Increase/(Decrease) in Provisions	(85)	75	(588)	(588)	(588)	(588)	(588)	(2)	(2)	(2)	(2)	(1,167)	(10)	(4,125)
OPERATING ACTIVITIES														
Net cash inflow(outflow) from operating activities	**12,161**	**(1,669)**	**1,911**	**2,000**	**2,544**	**1,332**	**4,278**	**991**	**3,063**	**940**	**142**	**(6,398)**	**10,492**	**21,296**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:														
Interest received	55	51	60	35	55	35	45	45	60	60	60	39	106	600
Interest paid	0	0	0	0	0	0	0	0	0	0	(219)	0	0	(219)
Interest element of finance leases	0	0	0	0	0	0	0	0	0	0	0	(80)	0	(80)
Net cash inflow/(outflow) from returns on investments and servicing of finance	**55**	**51**	**60**	**35**	**55**	**35**	**45**	**45**	**60**	**60**	**(159)**	**(41)**	**106**	**301**
CAPITAL EXPENDITURE														
Payments to acquire tangible fixed assets	-	(104)	(971)	(1,372)	(585)	(748)	(690)	(469)	(979)	(854)	(290)	(1,861)	(104)	(8,923)
Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash inflow (outflow) from capital expenditure	**0**	**(104)**	**(971)**	**(1,372)**	**(585)**	**(748)**	**(690)**	**(469)**	**(979)**	**(854)**	**(290)**	**(1,861)**	**(104)**	**(8,923)**
DIVIDENDS PAID	0	0	0	0	0	(4,833)	0	0	0	0	0	(4,833)	0	(9,666)
Net cash inflow/(outflow) before management of liquid resources and financing	**12,216**	**(1,722)**	**1,000**	**663**	**2,014**	**(4,214)**	**3,633**	**567**	**2,144**	**146**	**(307)**	**(13,133)**	**10,494**	**3,008**
MANAGEMENT OF LIQUID RESOURCES	0	0	0	0	0	0	0	0	0	0	0	0	0	
Net cash inflow (outflow) from management of liquid resources	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net cash inflow (outflow) before financing	**12,216**	**(1,722)**	**1,000**	**663**	**2,014**	**(4,214)**	**3,633**	**567**	**2,144**	**146**	**(307)**	**(13,133)**	**10,494**	**3,008**
FINANCING														
Public dividend capital received	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public dividend capital repaid	0	0	0	(7,263)	0	0	0	0	0	0	0	0	0	(7,263)
Other capital receipts and payments (LT Debtors/creditors Governmer	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital element of finance lease rental payments	0	0	0	0	0	0	0	0	0	0	0	(38)	0	(38)
Brokerage payments and receipts	0	0	0	0	2,500	0	0	0	2,500	0	(1,250)	2,500	0	6,250
Net cash inflow (outflow) from financing	**0**	**0**	**0**	**(7,263)**	**2,500**	**0**	**0**	**0**	**2,500**	**0**	**(1,250)**	**2,462**	**0**	**(1,051)**
Increase (decrease) in cash	**12,216**	**(1,722)**	**1,000**	**(6,600)**	**4,514**	**(4,214)**	**3,633**	**567**	**4,644**	**146**	**(1,557)**	**(10,671)**	**10,494**	**1,957**
Opening Cash Balance	**678**	**12,894**	**11,172**	**12,172**	**5,572**	**10,086**	**5,872**	**9,505**	**10,073**	**14,716**	**14,863**	**13,306**	**678**	**678**
Cash Balance at the end of the period	**12,894**	**11,172**	**12,172**	**5,572**	**10,086**	**5,872**	**9,505**	**10,073**	**14,716**	**14,863**	**13,306**	**2,635**	**11,172**	**2,635**

Chelsea & Westminster Healthcare NHS Trust
ANALYSIS OF CASH FUNDS MOVEMENT
Responsibility: Finance Director

FORM F9B
May 06

NORMAL ACTIVITIES	April	May	June	July	August	September	October	November	December	January	February	March	**TOTAL**
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RECEIPTS	29,493	17,449	22,931	24,316	22,769	20,356	25,173	20,829	20,829	20,829	20,829	20,829	266,632
PAYMENTS	(17,277)	(19,171)	(21,931)	(23,653)	(20,755)	(24,570)	(21,540)	(20,262)	(18,685)	(20,683)	(21,136)	(32,290)	(261,953)
NET MOVEMENT	12,216	(1,722)	1,000	663	2,014	(4,214)	3,633	567	2,144	146	(307)	(11,461)	4,679
Cumulative	12,216	10,494	11,494	12,157	14,171	9,957	13,590	14,157	16,301	16,447	16,140	4,679	
FUNDING / BROKERAGE	0	0	0	(7,263)	2,500	0	0	0	2,500	0	(1,250)	2,462	0
NET MOVEMENT	0	0	0	(7,263)	2,500	0	0	0	2,500	0	(1,250)	2,462	0
Cumulative	0	0	0	(7,263)	(4,763)	(4,763)	(4,763)	(4,763)	(2,263)	(2,263)	(3,513)	(1,051)	
TOTAL FUND MOVEMENT	12,216	(1,722)	1,000	(6,600)	4,514	(4,214)	3,633	567	4,644	146	(1,557)	(8,999)	4,679
Cumulative	12,216	10,494	11,494	4,894	9,408	5,194	8,827	9,394	14,038	14,184	12,627	3,628	

SUMMARY OF CUMULATIVE MOVEMENTS	April	May	June	July	August	September	October	November	December	January	February	March	
NORMAL ACTIVITIES													
Forecast	3,123	8,737	9,635	9,767	7,752	7,399	11,188	11,895	12,698	12,740	12,424	3,054	
Actual	12,216	10,494	0	0	0	0	0	0	0	0	0	0	
FUNDING / BROKERAGE													
Forecast	0	0	0	(7,263)	2,500	2,500	2,500	2,500	5,000	5,000	3,750	6,250	
Actual	0	0	0	0	0	0	0	0	0	0	0	0	
COMBINED													
Forecast	3,123	8,737	9,635	2,504	10,252	9,899	13,688	14,395	17,698	17,740	16,174	9,304	
Actual	12,216	10,494	0	0	0	0	0	0	0	0	0	0	

Chelsea & Westminster Healthcare NHS Trust

Provision for Aged Debtors

Responsibility: Finance Director

FORM F11
May 06

Customer	Amount	% of Total Debtors	Current	Overdue by 1-30 Days	Overdue by 31-60 Days	Overdue by 61-90 Days	Overdue by 91-180 Days	Overdue by 181-360 Days	Overdue by 361+ Days	Provisions
NHS Bodies	14,074,220	76.73%	1,704,810	4,662,031	1,204,712	482,619	848,516	712,646	4,458,885	(6,890,243)
NHS Other	28,662	0.16%	8,036	2,508	1,344	1,190	1,455	1,440	12,690	
Private Patients - Self Funding	250,561	1.37%	117,139	602	64,357	18,260	38,964	36,066	(24,827)	
Private Patients - Insurance Companies	816,116	4.45%	205,071	119,056	172,820	35,761	27,685	98,676	157,047	
Private Patients - Maternity	207,419	1.13%	101,298	41	32,263	(41,866)	(27,319)	57,821	85,181	
Private Patients - ACU	77,613	0.42%	20,986	3,308	13,971	2,930	29,540	4,122	2,756	
Private Patients - Overseas	1,203,763	6.56%	31,320	(52,593)	14,882	29,704	36,181	170,965	973,303	(727,122)
Private Patients - Doctors & Consultants	2,540	0.01%	830	650	350	230	480	0	0	
Default	50,606	0.28%	34,270	640	(2,601)	0	7,666	1,439	9,192	
Other General Trading Organisations	1,632,012	8.90%	143,859	163,462	438,357	190,561	96,042	119,980	479,752	(1,171,780)
Grand Total:	**18,343,512**	**100.00%**	**2,367,619**	**4,899,705**	**1,940,454**	**719,389**	**1,059,210**	**1,203,156**	**6,153,980**	**(8,789,145)**

Provisions Cover	478,721	953,289	1,203,156	6,153,980	**8,789,145**
% of Provision Cover	**66.55%**	**90.00%**	**100.00%**	**100.00%**	**0.00**

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	2.2 /Jul/06
PAPER	Performance Report
LEAD EXECUTIVE	Lorraine Bewes – Director of Finance and Information
AUTHOR	Nick Cabon – Head of Performance and Information Contact Number: 020 8237 2426
SUMMARY	The purpose of this report is to provide information about the Trust's performance for the period ending 31st May 2006.
BOARD ACTION	The Trust Board is asked to note and discuss the report and actions.

Chelsea and Westminster Healthcare NHS

NHS Trust

PERFORMANCE REPORT FOR THE PERIOD APRIL - MAY 2006

1. PURPOSE

The purpose of this report is to provide information about the Trust's performance during April and May 2006. The Trust Board is asked to note the report and conclusions.

2. DEVELOPMENT OF PERFORMANCE REPORT

Changes have been made to this performance report to include information on activity levels and efficiency and use of resources. Where there are blank boxes, this highlights an area currently under development and within the next few months these will be populated. From month 3 the activity information will also include performance against plan.

Over the coming months this report will further evolve in order to reflect the initiatives described in the performance management strategy document. In addition the report will include indicators of performance against finance, workforce, clinical and patient experience targets.

3. SUMMARY

The report comprises of the following components:

- **Board Dashboard**
- **Existing and New External Indicators Summary**
- **Internal Indicators Summary**
- **Analysis of Breaches of Targets**
- **Activity Summary**
- **Efficiency and Resources Summary**

The Board dashboard highlights the Trust position against key Healthcare Commission targets and internal indicators.

The summary report of existing and new core targets sets out further comments and detail including performance last month, year to date and a banding given comparing performance to the latest target or threshold. There are four possible outcomes for the targets – the indicator is deemed to be Fully Met, Almost Met, Partly Met or Not Met. The internal indicators summary is set out in exactly the same way.

Analysis of breaches of targets provides details on where the Trust is not expected to meet the external performance indicators, for this month's report there are breaches in five areas.

The activity summary shows the levels of activity of the Trust compared with the same period last year.

The efficiency and use of resources summary shows how the Trust is performing against either targets set in the capacity plan, Dr Foster national averages, CHKS benchmarks or the average Trust performance for the previous year. The source of the targets are indicated on each table.

4. EXTERNAL HEALTHCARE COMMISSION TARGETS (pages 3A to 3H)

The Healthcare Commission has not published its list of performance indicators for 2006/07 yet. Therefore we will be rolling forward the indicators from 2005/06 until we receive confirmation of the new targets.

The Trust is on schedule to fully meet most of the existing targets; however there are five areas that are forecast to underachieve. These targets relate to Thrombolysis, Delayed Transfers of Care, Financial Management, 48 hour access to GUM clinics, and Data Quality on Ethnic Group.

There are a further two targets for which the Trust rates as amber on the dashboard as these are below plan in meeting the required standard, these relate to Cancelled Operations and MRSA.

a. THROMBOLYSIS (page 3G)

There have only been two eligible patients so far this year, and in both cases the ambulance journey time was very long (46 and 63 minutes) and consequently neither could receive thrombolytic treatment within one hour. The number of patients eligible for this indicator is low, whilst all breaches are significant it is feasible that the Trust will not be assessed against this target for this reason.

b. DELAYED TRANSFERS OF CARE (page 3F)

There were 18 delayed transfers of care during May, making a total of 45 year to date. This represents 1.7% of inpatient activity. Year to date these patients occupied a total of 239 bed days, equating to almost 4 beds. In order to achieve this target for the year, assuming activity levels remain similar to 2005/06, the Trust can only afford to have 91 delays in total or 4.6 per month in the rest of the year. The principle reasons for the delays are awaiting further non acute NHS Care (17 patients) and patient/family choice (16 patients).

c. FINANCIAL MANAGEMENT (page 3H)

The performance for this indicator is based on the Auditors Local Evaluation. The assessment for three of the elements of the 2005/06 performance has been carried out. The Trust has a provisional rating of level 2 (performing well) for Value for Money and Financial Management, and level 3 (adequate performance) for Internal Control.

After the second month of this financial year the Trust is forecasting a deficit of £1.2 million this is against a target of a £2.3 million surplus. The action to recover this position is set out in the Chief Executive Report and Finance Report.

d. 48 HOUR ACCESS TO GUM CLINICS

The assessment of this indicator is based on quarterly audits carried out by the Health Protection Agency. In the final audit of 2005/6 the Trust's performance was 23%. The closure for refurbishment of the John Hunter Clinic contributed to the poor performance.

The Trust's performance in the May 2006 audit has improved to 49%. This target provides a significant challenge to the Trust because of the patient-centred administration of the clinics. Patients can book appointments at a time that is convenient to them, which is often longer than 48 hours away. The assessment does not take account of patients who choose to wait longer than 48 hours.

e. ETHNIC CATEGORY CODING

There is a six week time lag for reporting data on ethnic coding. Performance in April 2006 was 82%. This is lower than the 2005/6 average performance (83.62%). The Healthcare Commission has not published the thresholds for this indicator; the national target is 95%.

f. CANCELLED OPERATIONS (page 3E)

The total number of cancelled operations during April and May was 22. This equates to 0.57% of activity which is above the threshold for the indicator (0.50%). If activity levels remain the same as 2005/06 the Trust has a total tolerance of 113 cancellations for the year, leaving 91 remaining or 2.1 per week.

g. MRSA

The number of MRSA cases significantly improved during May (1 patient). However the trajectory set for the Trust on which performance will be based allows for a total of 23 cases for the year. Current performance year to date is worse than the trajectory.

5. INTERNAL INDICATORS

Performance in the internal indicators is very good although the level of performance for clinical indicators dropped during May.

The Trust has achieved the hospital cleanliness target based on the internal assessment. Performance has steadily improved over the past 4 months to a rate of 95% in May. The Better Hospital Food performance has also improved to 95% in May. There haven't been any breaches of the 12 hour A&E trolley waits target. The Trust responded to 94.3% of Patient Complaints within 20 working days in April.

There were 2 deaths following selected surgical procedures in May 2006. This represented a significant deterioration in performance. The performance in both of the indicators relating to emergency readmissions also deteriorated in May 2006. The year to date performance in the adult readmissions is still better than the expected threshold, but the performance against readmissions following fractured hip indicator is worse than the threshold. Details of the deaths and readmissions have been sent to the directorates and are being investigated. Early indications suggest that there might be data quality errors that need to be resolved.

6. ACTIVITY SUMMARY (pages 5A to 5B)

The total number of GP and Other referrals has increased during April and May compared with the same period last year.

Outpatient attendances were higher in May than in April but were lower than the corresponding months last year.

There has been a significant increase in elective activity in 2006-07 compared to the first 2 months last year. There have been 8.5% more elective spells and a vast majority of this increase has been in day case activity.

A&E attendances were higher in May than in April and so far 2006-07 has been busier than the corresponding period last year. These trends are partly reflected in the non-elective activity however the increase of 8% during April and May 2006 compared with the same period last year is mainly due to an increase in obstetric activity.

7. EFFICIENCY AND RESOURCES (pages 6A to 6B)

There have been general improvements in efficiency and use of resources so far this year. Whilst overall performance has improved there are some concerns at directorate level.

The new to follow up rate improved to a trust average of 1.8 in May 2006. The target for the year is 1.94 so the Trust is on track to meet this target. There is still some improvement needed in the Surgery A&I and Women and Children's directorates.

Average length of stay also improved in May 2006. The year to date performance for elective inpatients is 3.28 days compared with our target of 3.15 days. Although non-elective inpatient length if stay improved in May to 3.87 days, it is still some way off our target of 3.14 days. The average non-elective length of stay for both the Medicine and Surgery / A&I directorates were worse in May than in April and are significantly higher than the target.

A higher proportion of elective inpatients are being admitted on the day of surgery this year compared with last year. This has contributed to a 28% reduction in the average pre-operative length of stay year to date. Improvements have been made in all directorates.

The Trust still has some significant work to do to improve its day case rates, the target for the Trust is 73% for the year and the performance in May was 67.8%.

The Trust is making greater use of the scheduled theatre sessions this year than in 2005/6. In terms of the scheduled time available the Trust performed better in May than in April although year to date performance is lower than the average of last year.

8. CONCLUSION

The dashboard of indicators shows that the Trust is on tract to achieve a majority of the external targets and is also doing well in many of the other indicators. However, there are a number of areas of concern. These relate to Financial Management; Delayed Transfers of Care; Thrombolysis; 48 Hour Access to GUM Clinics; and Data Quality on Ethnic Group. There is also some room for improvement in the Cancelled Operations and MRSA indicators.

The Trust is making progress towards many of the efficiency and use of resources indicators. The new to follow-up rate is on track along with elective inpatient admissions on the day of surgery, pre-operative length of stay and theatre session utilisation.

Nick Cabon
Head of Performance and Information
28th June 2006

Board Dashboard - April to May 2006

	Indicator Name	Expected Performance	Trend
Exisiting Indicators	All cancers: two week wait		⇔
	Cancer patients waiting 31 days from decision to treat to first treatment		⇔
	Cancer patients waiting 62 days from GP referral to first treatment		⇔
	Cancelled operations		↓
	Financial management		↓
	Outpatient and elective (inpatient and daycase) booking		⇔
	Delayed transfers of care		↑
	Elective patients waiting longer than the standard		⇔
	Outpatients waiting longer than the standard		⇔
	Thrombolysis		⇔
	Total time in A&E: four hours or less		⇔
	Waiting times for rapid access chest pain clinic		⇔
New Indicators	Access to GUM Clinics		↑
	Data quality on ethnic group		⇔
	Emergency Bed Days		↑
	Infant Health - Data Completeness		⇔
	MRSA		↑
	Participation in Audits (MINAP)		⇔
	Waiting times for MRI or CT scans		⇔
Other Indicators	Clinical risk management		⇔
	Hospital Cleanliness		⇔
	Better Hospital Foods		⇔
	12 hour wait for emergency admission via A&E		⇔
	Deaths following selected elective surgical procedures		↓
	Emergency readmissions following discharge (adults)		↓
	Emergency readmissions following discharge for fractured hip		↓
	Information governance toolkit		⇔
	Patient complaints		↓

Key	The Trust is on track to meet this target	
	The Trust is slightly off track towards this target	
	It does not seem likely that the Trust will meet this target.	
	It is not possible to accurately assess performance in this area.	
	Performance in this indicator is improving.	↑
	There is no significant change in performance in this indicator.	⇔
	Performance in this indicator is getting worse.	↓

Existing and New Targets

Name	Performance Last Month	YTD Performance	Target/Likely Threshold	Predicted Banding	Comments/Actions
All cancers: two week wait	100%	100%	98%	Fully Met	There have not been any breaches of these standards this year.
Cancer patients waiting 31 days from decision to treat to first treatment	100%	100%	98%	Fully Met	
Cancer patients waiting 62 days from GP referral to first treatment	100%	100%	95%	Fully Met	
Financial management	£1.2 million deficit	£0.73 million deficit	£2.4 million surplus	**Not Met**	The Trust's performance in this area will be based on the Auditor's Local Evaluation.
Elective patients waiting longer than the standard (Target of 6 months for 2006-07)	0.00%	0.00%	0.03%	Fully Met	There have not been any breaches of the standard this year.
Outpatients waiting longer than the standard (Target of 13 weeks wait 2006-07)	0.03%	0.02%	0.03%	Fully Met	There has been 1 breach of the standard this year.
Outpatient and elective (inpatient and daycase) full and partial booking	Outpatient = 100%; Elective = 100%	Outpatient = 100%; Elective = 100%	100%	Fully Met	The Trust has achieved 100% booking for each of the last 5 months.
Total time in A&E: four hours or less	98.40%	98.57%	98.00%	Fully Met	The trust has achieved the 98% target each month this year.
MRSA (rate per 1000 occupied bed days)	0.01	0.03	0.00	Fully Met	There was one MRSA case during May, based on a predicted tolerance of 3 per month this target is on course to be met.
Cancelled operations	0.71%	0.57%	0.50%	Almost Met	If current activity levels continue the Trust has a tolerance of 113 cancellations for the year and therefore cannot afford to cancel more than 91 during the final 10 months of the year.
Cancelled operations not readmitted within 28 days	0.00%	0.00%	0.50%	Fully Met	There have not been any breaches of the standard this year.
Thrombolysis - 60 minute call to needle time	0%	0%	68%	**Not Met**	There was one eligible patient in May 2006. The ambulance took 63 mins to arrive at the hospital.
Delayed transfers of care	1.4%	1.7%	0.5%	Almost Met	If the current activity levels remain constant, the Trust has a tolerance of 91 delayed transfers of care for the whole year. Therefore we cannot afford to have more than 46 further delays.
Waiting times for rapid access chest pain clinic	100%	100%	99%	Fully Met	There have not been any breaches of the standard this year.
Clinical risk management		CNST Level 2		Fully Met	The Trust achieved CNST Level 2 in January 2006.
Data quality on ethnic group	82% (April 06)	82%	95%	Partly Met	The data for this indicator was not available at the time of producing this report, therefore the figure relates to April 2006. Performance in this area was below the required level in 2005/6.
Infant Health - Data Completeness	99.40%	99.44%			This was a new indicator in 2005/6. It is difficult to predict a target for this indicator until the 2005/6 indicator thresholds are published.
Waiting times for MRI or CT scans (percentage of patients waiting over 13 weeks)	2.93%	2.08%		Fully Met	The 2005/06 target was 26 weeks a new target has yet to be published, we expect the target to be 13 weeks this year.
Participation in Audits (MINAP)	100%	100%	90%	Fully Met	
48 hour Access to GUM Clinics	49%	49%			The data for this indicator is derived from quarterly audits carried out by the HPA. This data relates to the audit carried out in May.

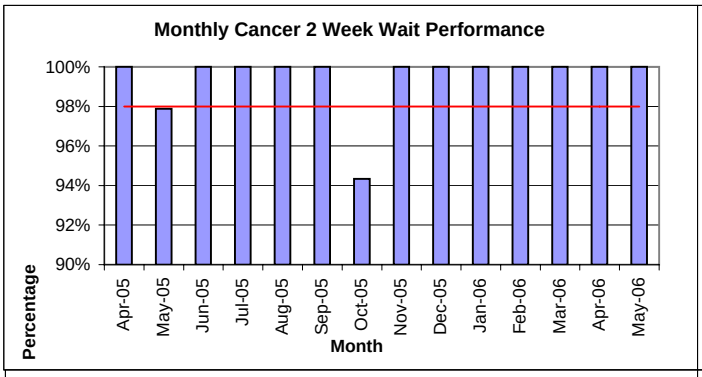
Performance Report - May 2006

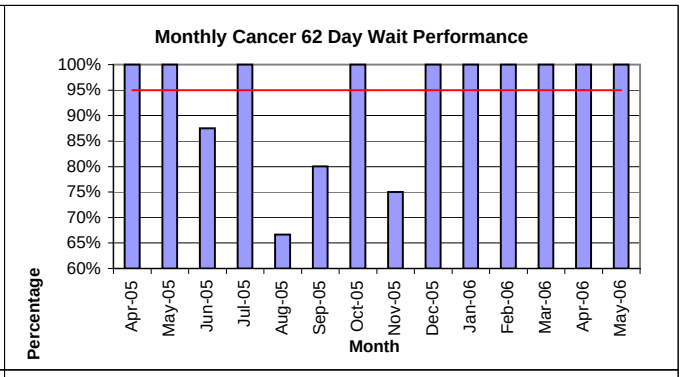
Internal Indicators

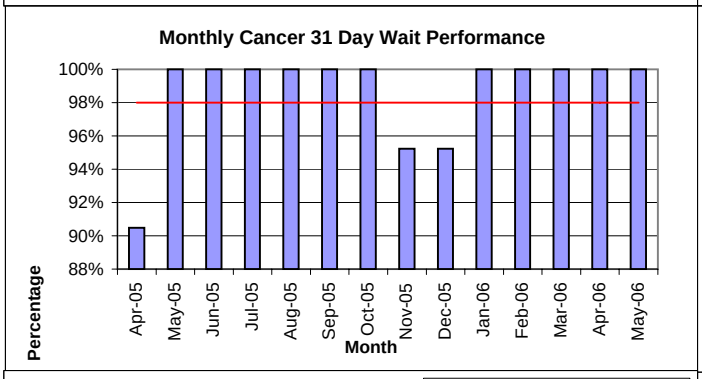
Name	Performance Last Month	YTD Performance	Target /Likely Threshold	Predicted Banding	Comments/Actions
Hospital cleanliness	95%	94%	60%	Fully Met	The Trust is on track to meet this target.
12 Hour waits for emergency admission via A&E post decision to admit	100%	100%	100%	Fully Met	The threshold to achieve this indicator in 2004/5 was 100%.
A&E emergency admission waits (four hours)	99.48%	99.30%	99.00%	Fully Met	The threshold to achieve the top band for this indicator in 2004/5 was 99%.
Staff opinion survey: Health, safety and incidents					
Staff opinion survey: human resource management					
Staff opinion survey: staff attitudes					
Deaths following selected non-elective surgical procedures	1.32%	1.04%			There were 2 deaths in May 2006.
Emergency readmissions following discharge (adults)	12.18%	10.21%	11.40%	Fully Met	The Targets for these indicators are based on the expected performance derived from the Dr Foster toolkit.
Emergency readmissions following discharge for fractured hip	16.67%	9.09%	8.6%	Almost Met	
Information governance toolkit	85% (2005/06)	85%	70%	Fully Met	This indicator is assessed annually and is next due to be updated for year ending March 2006/07.
Patient complaints	94% (Apr 06)	94%	90%	Fully Met	There is a 20 working day delay in reporting of this indicator due to the Trust having 20 working days to reply to complaints received in the previous month. Therefore this indictor will be reported in the following month.
Better Hospital Food	95%	91%	60%	Fully Met	The Trust is on track to meet this target.

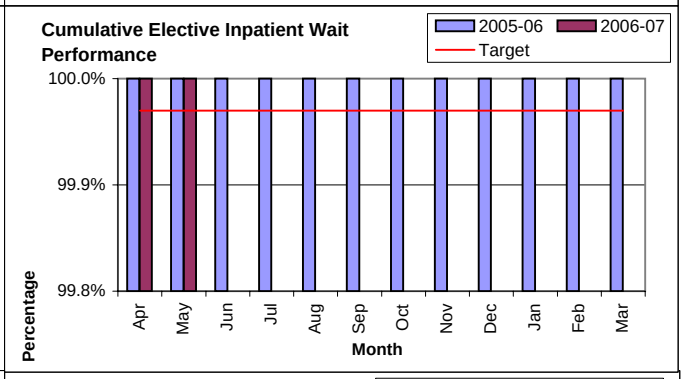
Graphs relating to New and Existing Targets

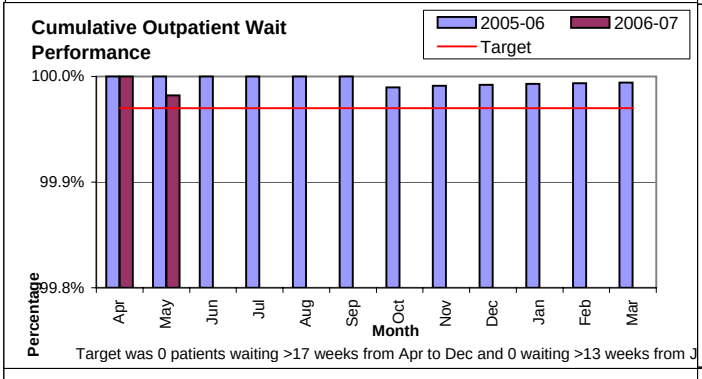
(Target Line in Red. Better Performance above the Line Unless Stated.)



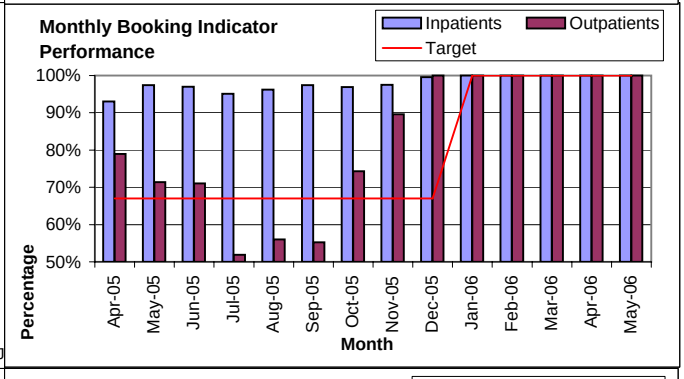


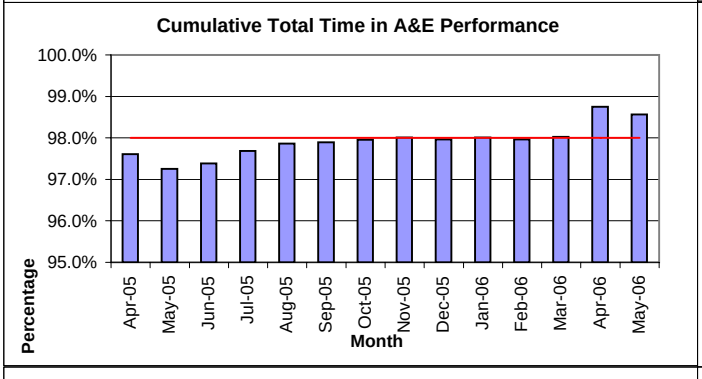


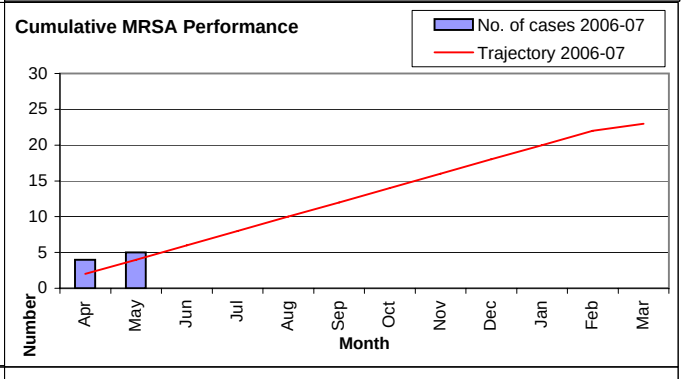


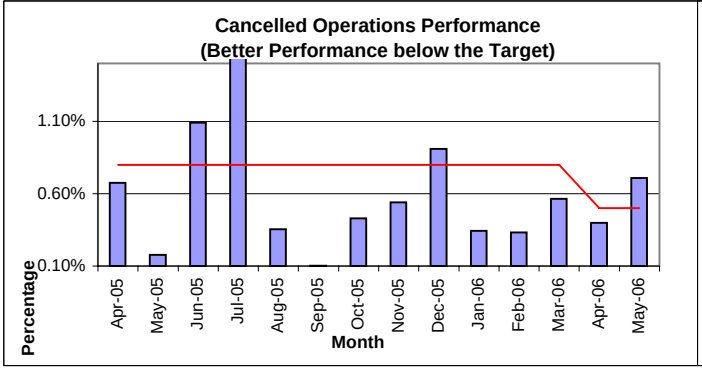


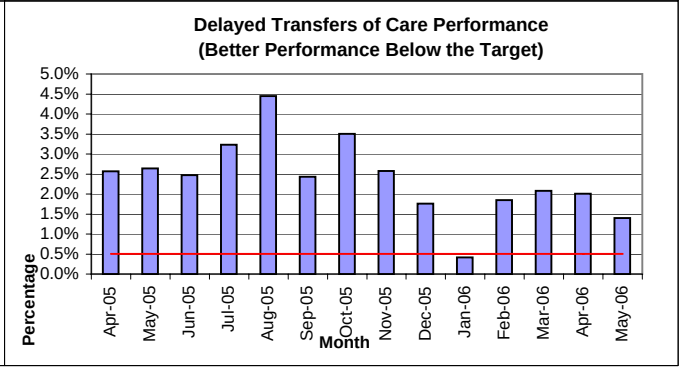
Target was 0 patients waiting >17 weeks from Apr to Dec and 0 waiting >13 weeks from J





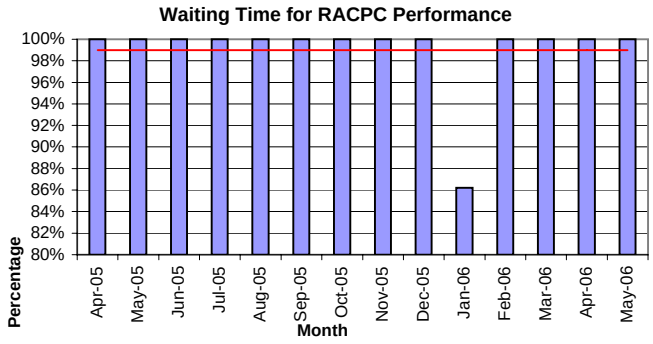


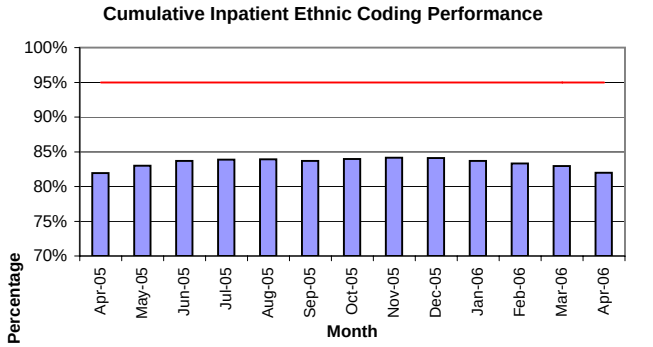


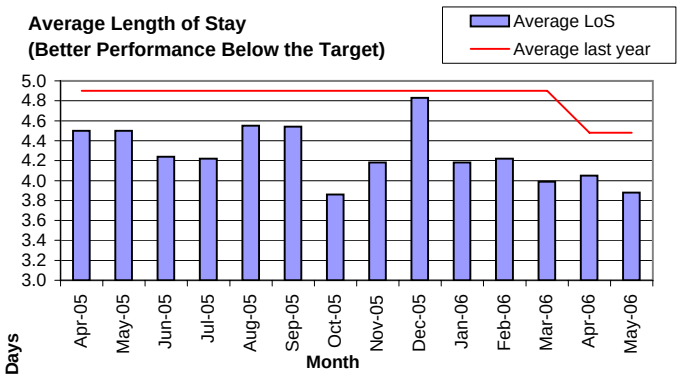


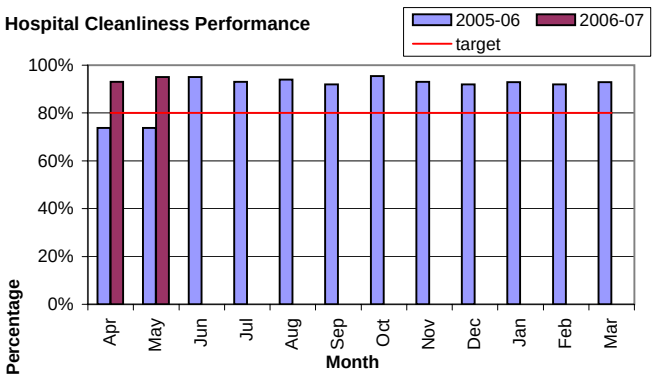
Graphs relating to New and Existing Targets

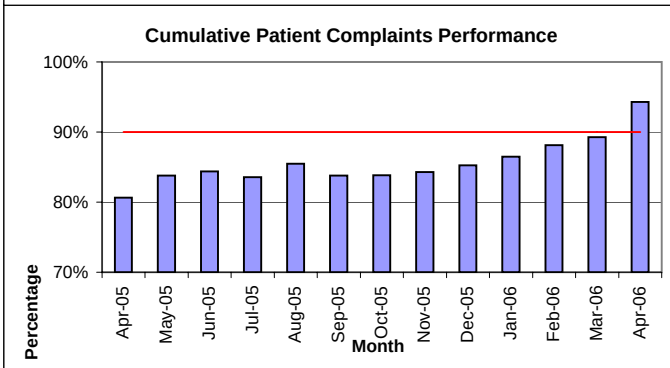
(Target Line in Red. Better Performance above the Line Unless Stated.)

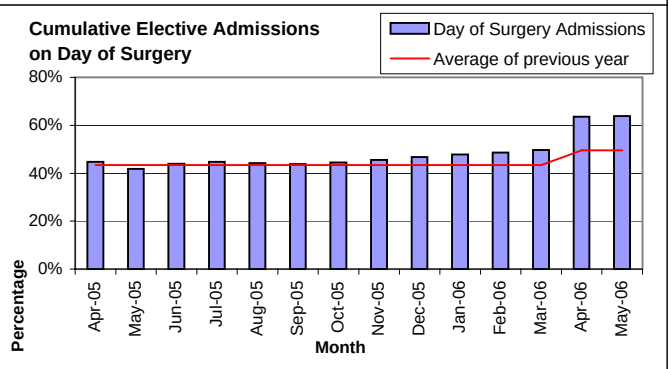


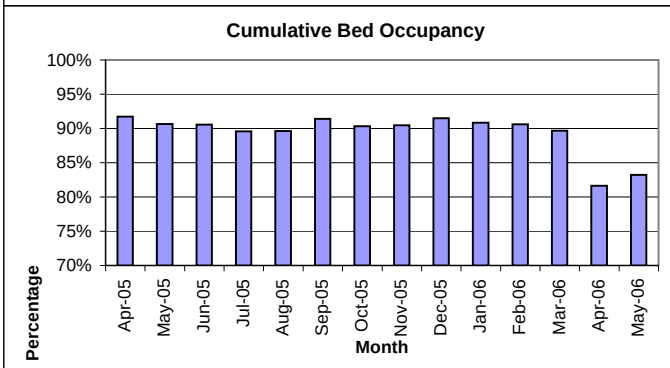






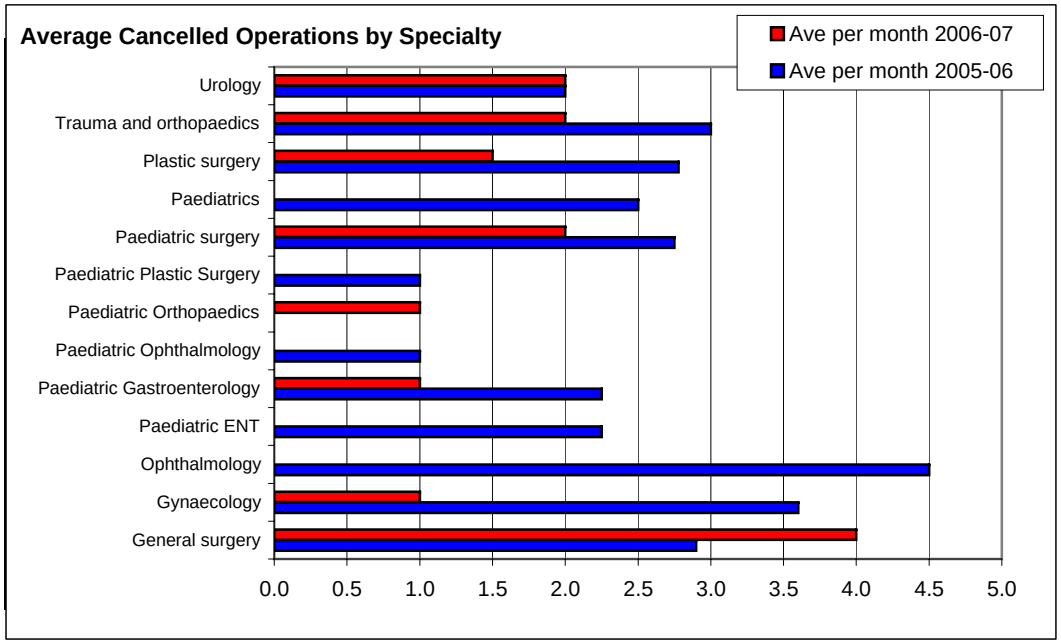


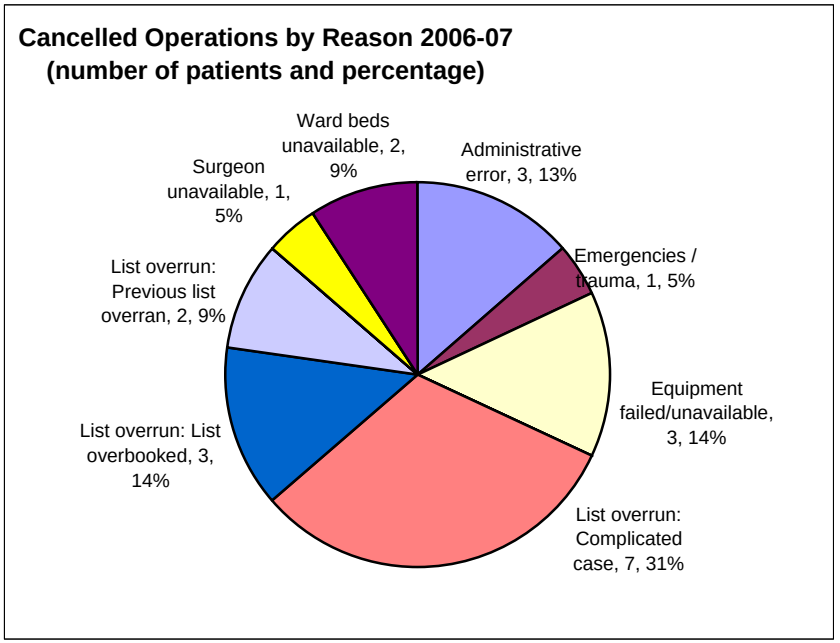




Cancelled Operations 2006-07

	Total Cancellations	Reportable Cancellations	% of Activity	Average per week	Tolerance	Remaining cancellations to stay within tolerance	Average remaining cancellations per week to stay within tolerance
2006-07	216	22	0.57%	2.4	113	91	2.1
2005-06	1237	135	0.60%	2.6			

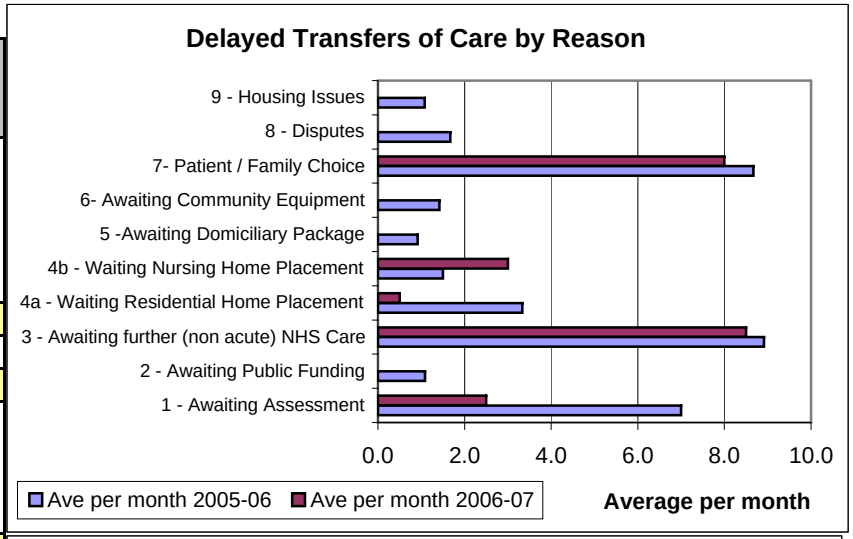


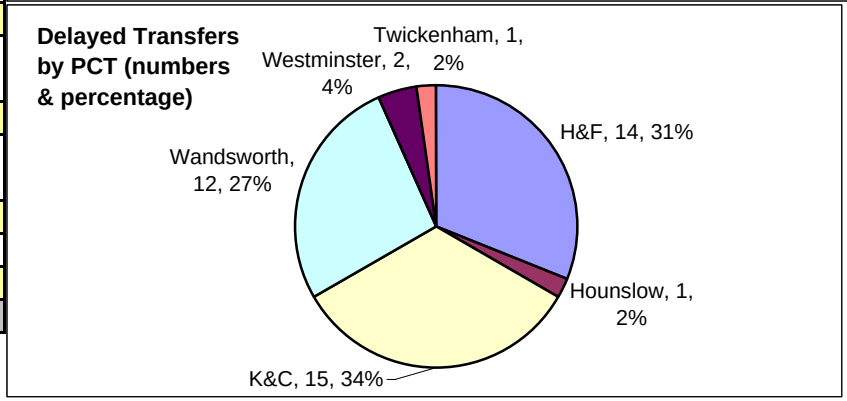


Delayed Transfers of Care 2006-07

	Number of Delayed Transfers	Beddays of Delayed Transfers	Delayed Transfers as a % of Activity	Average delayed transfers per month	Tolerance	Remaining delayed transfers to stay within tolerance	Average remaining delayed transfers per month to stay within tolerance
2006-07	45	239	1.71%	22.5	91	46	4.6
2005-06	429	2372	2.35%	35.8			

Auth	REASON	Sum of Count of Patients	Sum of Bed Days
H&F	1 - Awaiting Assessment	2	9
	3 - Awaiting further (non acute) NHS Care	4	22
	4b - Waiting Nursing Home Placement	1	7
	7- Patient / Family Choice	6	38
	4a - Waiting Residential Home Placement	1	2
H&F Total		**14**	**78**
Hounslow	7- Patient / Family Choice	1	4
Hounslow Total		**1**	**4**
K&C	1 - Awaiting Assessment	2	2
	3 - Awaiting further (non acute) NHS Care	2	5
	4b - Waiting Nursing Home Placement	5	28
	7- Patient / Family Choice	6	41
K&C Total		**15**	**76**
Wandsworth	3 - Awaiting further (non acute) NHS Care	9	59
	7- Patient / Family Choice	3	17
Wandsworth Total		**12**	**76**
Westminster	1 - Awaiting Assessment	1	1
	3 - Awaiting further (non acute) NHS Care	1	2
Westminster Total		**2**	**3**
Twickenham	3 - Awaiting further (non acute) NHS Care	1	2
Twickenham Total		**1**	**2**
Grand Total		**45**	**239**





Thrombolysis and Outpatient Wait Breach Details

Breaches of the Thrombolysis Target	
Month	**Breach Reason**
Apr-06	1 patient CtoN >60min (long Call to Hospital time = 46min)
May-06	1 patient CtoN >60min. Call to needle time 98 minutes, ambulance took 63 minutes to arrive at the hospital

Breaches of the Outpatient Waiting Time Target	
Month	**Breach Reason**
May-06	Dermatology patient - referral letter was misfiled after prioritisation and not added to the pend list. The incident is to be reviewed through the serious untoward incident process.

CHELSEA & WESTMINSTER HEALTHCARE NHS TRUST

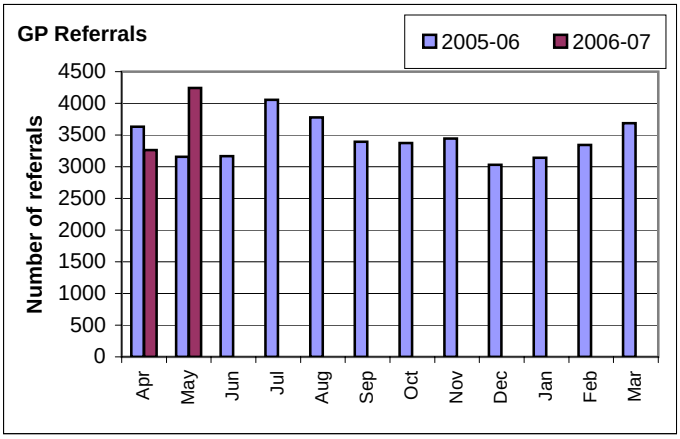
TRUST WIDE SUMMARY BY DIRECTORATE

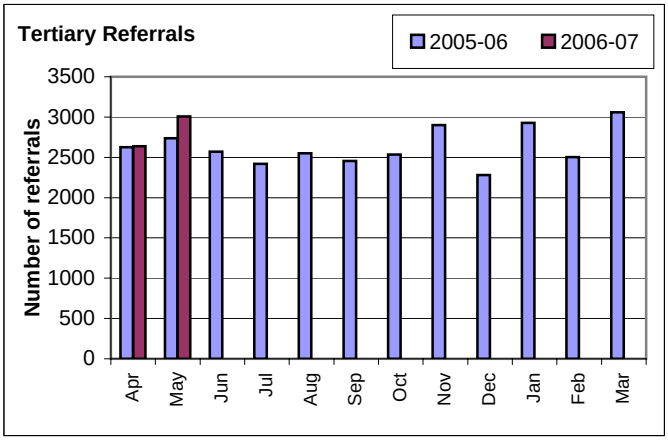
Responsibility: Finance Director

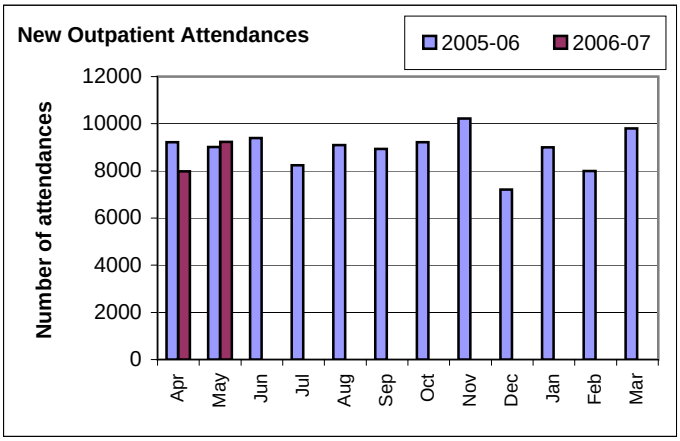
FORM F3A
May 06

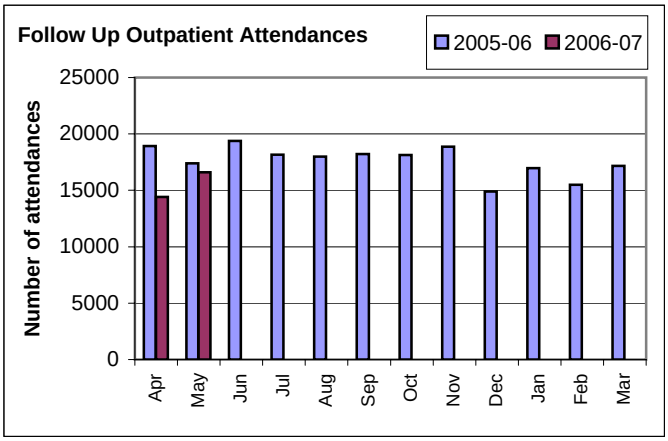
Directorate/ Service Area	Accountability	Annual Budget					In Month Variance					YTD Variance				
		Income	Pay	Savings	Non pay	Total	Income	Pay	Savings	Non Pay	Total	Income	Pay	Savings	Non Pay	Total
Central Income		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
SaFF income	Lorraine Bewes	(164,423)	0	0	0	(164,423)	(0)	0	0	(35)	(35)	(0)	0	0	(69)	(69)
Central Non SaFF income	Lorraine Bewes	(55,691)	0	0	0	(55,691)	(35)	0	0	0	(35)	(35)	0	0	0	(35)
Total Central Income		(220,114)	0	0	0	(220,114)	(35)	0	0	(35)	(70)	(36)	0	0	(69)	(105)
Frontline Directorate																
Imaging & Anaesthetics	Kate Hall	(494)	20,371	(90)	5,214	25,001	6	5	(5)	(90)	(84)	8	(50)	(9)	(64)	(115)
HIV/GUM	Debbie Richards	(833)	10,826	(212)	25,847	35,628	51	(40)	(34)	(18)	(41)	65	(58)	(69)	10	(51)
Medicine & A&E	Nicola Hunt	(711)	22,631	(844)	6,650	27,726	(22)	(121)	(65)	61	(148)	(10)	(137)	(192)	81	(258)
Surgery	Kate Hall	(424)	14,777	(483)	4,259	18,130	(4)	32	(40)	(40)	(52)	(7)	63	(80)	(70)	(94)
Womens & Children's	Sherryn Elsworth	(4,419)	30,595	(243)	4,327	30,260	(6)	(165)	(25)	15	(181)	(106)	(252)	(54)	82	(330)
Subtotal Frontline Directorates		(6,880)	99,200	(1,872)	46,296	136,744	25	(290)	(169)	(71)	(505)	(50)	(434)	(404)	40	(848)
Pharmacy	Karen Robertson	(769)	3,968	0	351	3,550	(6)	14	0	(24)	(16)	(14)	42	0	(6)	23
Physiotherapy & Occ Therapy	Douline Schoeman	(200)	3,916	(5)	139	3,850	(9)	(25)	(0)	10	(25)	(15)	(33)	(1)	6	(44)
Dietetics	Helen Stracey	(25)	584	(3)	25	581	(2)	4	(0)	(2)	(0)	(2)	(1)	(1)	(3)	(7)
Regional Pharmacy	Susan Sanders	(59)	66	0	33	40	(5)	5	0	2	2	(10)	11	0	5	6
Subtotal Clinical Support		(1,053)	8,535	(8)	548	8,022	(22)	(2)	(1)	(14)	(39)	(42)	19	(1)	1	(23)
Chief Executive	Heather Lawrence	(1,740)	2,978	0	210	1,448	7	1	0	(18)	(11)	7	7	0	(12)	2
Governance & Corporate Affairs	Cathy Mooney	(3)	722	0	3,504	4,223	(0)	18	0	(8)	10	(0)	21	0	(3)	18
Nursing	Andrew MacCallum	(897)	2,010	0	196	1,310	(1)	2	0	(1)	0	2	6	0	(8)	0
Human Resources	Maxine Foster	(104)	1,455	(61)	177	1,467	(6)	5	(5)	7	1	(13)	6	(10)	9	(8)
Finance	Lorraine Bewes	(677)	3,299	(37)	693	3,278	61	(7)	(3)	(29)	21	67	(12)	(6)	(35)	13
IC&T & EPR	Alex Geddes	(78)	1,703	0	1,572	3,197	17	22	0	(35)	4	11	63	0	(40)	34
Occupational Health	Stella Sawyer	(173)	344	(5)	55	220	(6)	3	(0)	(6)	(9)	(7)	3	(1)	(9)	(15)
Subtotal Management Exec		(3,672)	12,512	(103)	6,406	15,143	71	43	(9)	(90)	16	66	94	(17)	(98)	44
Facilities	Helen Elkington	(2,696)	664	0	17,008	14,976	8	(8)	(0)	12	13	1	(14)	(0)	10	(3)
Research & Development	Mervyn Maze	0	0	0	0	0	0	0	0	(0)	(0)	0	0	0	(0)	(0)
Private Patients	Edward Donald	(3,698)	976	0	481	(2,241)	(11)	(12)	(3)	(13)	(39)	(100)	(12)	(6)	(33)	(152)
Overseas	Edward Donald	(718)	0	0	0	(718)	(5)	0	0	0	(5)	(8)	0	0	0	(8)
ACU	Sherryn Elsworth	(1,256)	720	0	440	(96)	38	(1)	0	(10)	27	38	0	0	(12)	26
Post Graduate Centre	Kevin Shotlift	0	90	0	132	222	0	1	0	(0)	1	(3)	2	0	(0)	(1)
Projects	Edward Donald	(345)	1,115	0	127	897	(5)	5	0	3	2	7	6	0	3	16
Simulation Centre	Andrew MacCallum	(293)	259	0	37	4	12	7	0	2	21	(11)	18	0	4	11
Service Level Agreements	Edward Donald	(299)	0	(185)	9,628	9,145	0	(1)	18	6	23	(0)	(0)	0	(0)	(0)
Subtotal Other Directorates		(9,304)	3,824	(185)	27,854	22,190	37	(9)	14	0	43	(75)	0	(6)	(29)	(111)
Total All Directorates		(20,909)	124,071	(2,168)	81,105	182,099	111	(257)	(164)	(175)	(485)	(101)	(321)	(429)	(87)	(937)
Central Budgets																
Capital Charges	Lorraine Bewes	(156)	0	0	19,174	19,018	1	0	17	(94)	(77)	0	0	(0)	(0)	(0)
Central Budgets	Lorraine Bewes	(348)	0	(2,856)	453	(2,751)	(10)	(0)	(130)	253	113	(1)	(1)	(476)	272	(206)
Reserves	Lorraine Bewes	0	0	0	19,388	19,388	0	0	0	0	0	0	0	0	0	0
Total Central Budgets		(504)	0	(2,856)	39,015	35,655	(9)	(0)	(113)	159	37	(1)	(1)	(476)	272	(206)
Net Deficit(-)/Surplus(+)		(241,527)	124,071	(5,024)	120,121	(2,360)	66	(257)	(277)	(50)	(518)	(138)	(322)	(905)	116	(1,249)

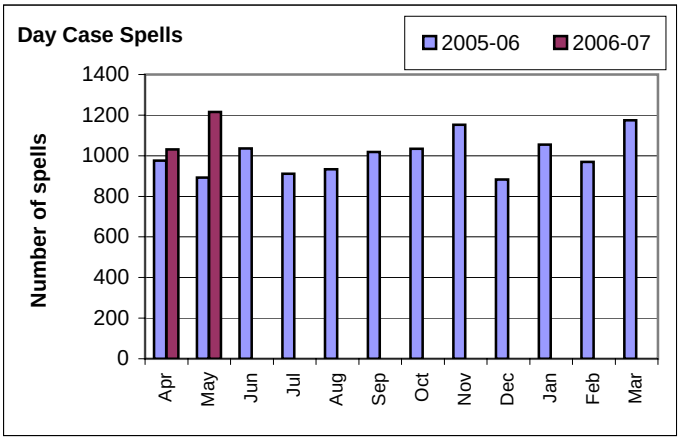
Activity Graphs

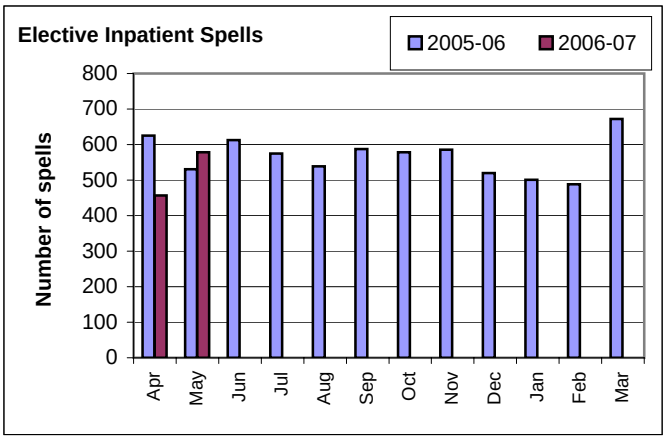


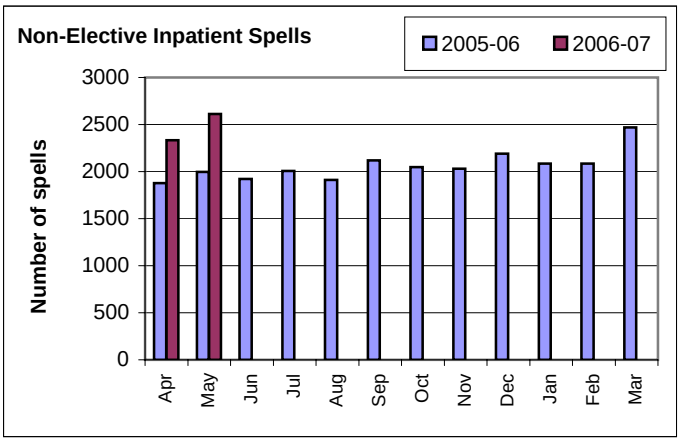


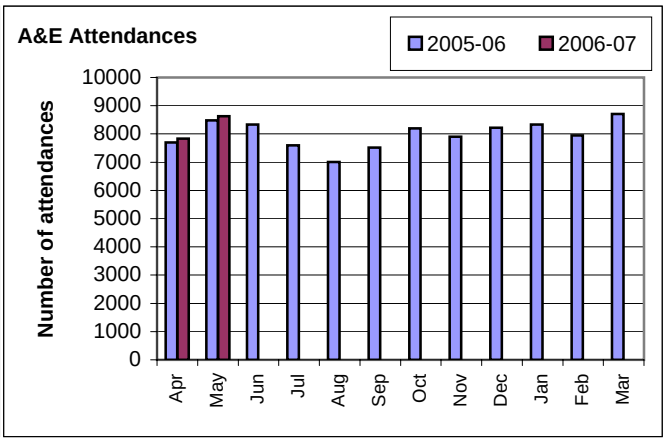












Trust Board Activity Report

GP Referrals				
Specialty	May-2005	May-2006	M1-M2 2005/06	M1-M2 2006/07
HIV / GUM	1	13	1	21
MEDICINE	1181	1571	2421	2605
SURGERY / A&I	702	921	1617	1661
WOMEN & CHILDREN'S	1180	1577	2522	2934
TRUST	**3064**	**4082**	**6561**	**7221**

Other Referrals				
Specialty	May-2005	May-2006	M1-M2 2005/06	M1-M2 2006/07
HIV / GUM	161	489	318	984
MEDICINE	438	488	962	926
SURGERY / A&I	832	822	1559	1533
WOMEN & CHILDREN'S	1270	1188	2434	2155
TRUST	**2701**	**2987**	**5273**	**5598**

1st Outpatient Attendances				
Specialty	May-2005	May-2006	M1-M2 2005/06	M1-M2 2006/07
HIV / GUM	3593	4233	7548	8068
MEDICINE	1449	1558	2845	2820
SURGERY / A&I	1548	1390	3047	2652
WOMEN & CHILDREN'S	2417	2051	4784	3672
TRUST	**9007**	**9232**	**18224**	**17212**

Follow-Up Outpatient Attendnances				
Specialty	May-2005	May-2006	M1-M2 2005/06	M1-M2 2006/07
HIV / GUM	3069	3363	7253	6179
MEDICINE	5140	4617	10440	8602
SURGERY / A&I	4510	4304	9185	8142
WOMEN & CHILDREN'S	4672	4306	9441	8089
TRUST	**17391**	**16590**	**36319**	**31012**

Elective Inpatient Spells				
Directorate	May-2005	May-2006	M1-M2 2005/06	M1-M2 2006/07
HIV / GUM	10	23	18	44
MEDICINE	41	37	90	60
SURGERY / A&I	307	344	671	613
WOMEN & CHILDREN'S	173	174	377	318
TRUST	**531**	**578**	**1156**	**1035**

Day Case Spells				
Specialty	May-2005	May-2006	M1-M2 2005/06	M1-M2 2006/07
HIV / GUM	0	35	1	62
MEDICINE	360	407	741	809
SURGERY / A&I	314	462	675	776
WOMEN & CHILDREN'S	219	311	452	599
TRUST	**893**	**1215**	**1869**	**2246**

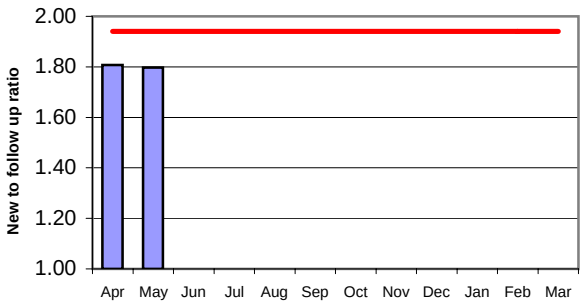
A&E Attendances				
	May-2005	May-2006	M1-M2 2005/06	M1-M2 2006/07
Adult A&E	5960	5889	11375	11339
Paed A&E	2523	2741	4804	5121
Total A&E	**8483**	**8630**	**16179**	**16460**

Non-Elective Inpatient Spells				
Specialty	May-2005	May-2006	M1-M2 2005/06	M1-M2 2006/07
HIV / GUM	52	61	94	115
MEDICINE	486	455	967	921
SURGERY / A&I	446	355	883	723
WOMEN & CHILDREN'S	1012	1740	1929	3187
TRUST	**1996**	**2611**	**3873**	**4946**

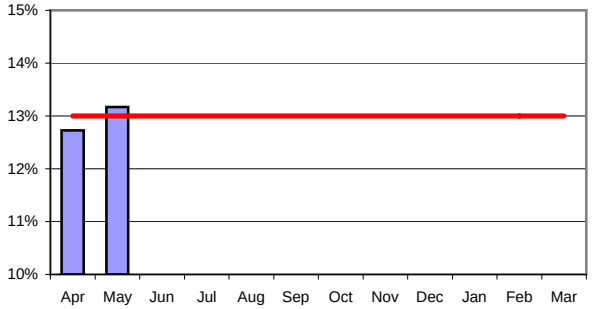
Efficiency Indicator Trends 2006-07

Better performance below the line unless indicated

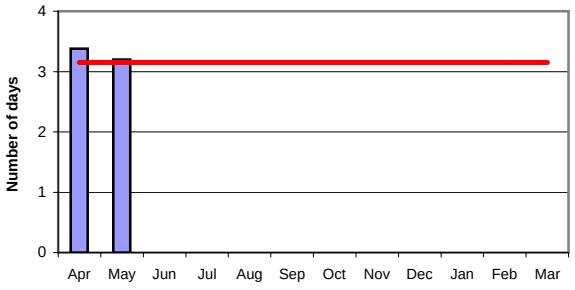
New to Follow up Rate



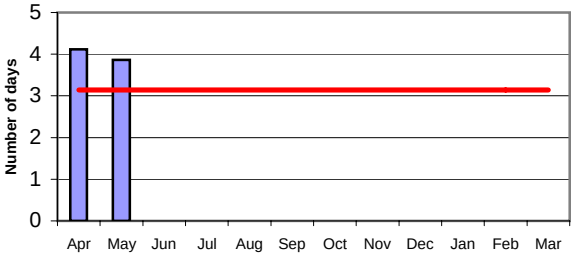
OP DNA Rate



Elective Inpatient Length of Stay

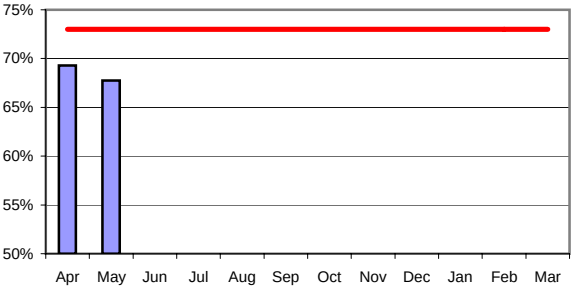


Non-Elective Inpatient Length of Stay



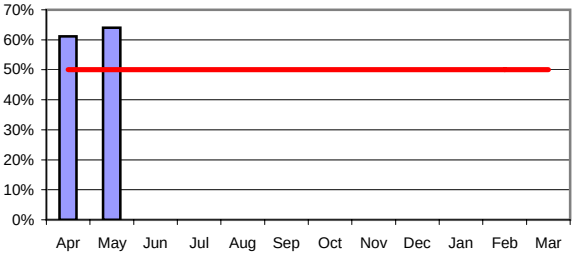
Day Case Rate

(better performance above the line)

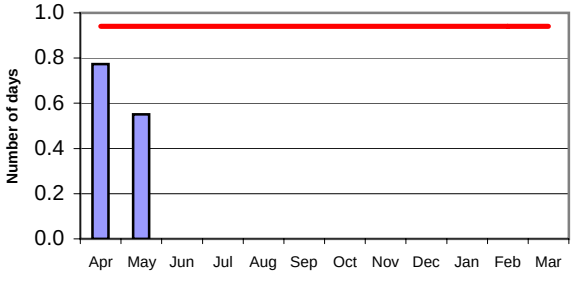


Elective Inpatients Admitted on Day of Surgery

(better performance above the line)



Average Pre-operative Length of Stay

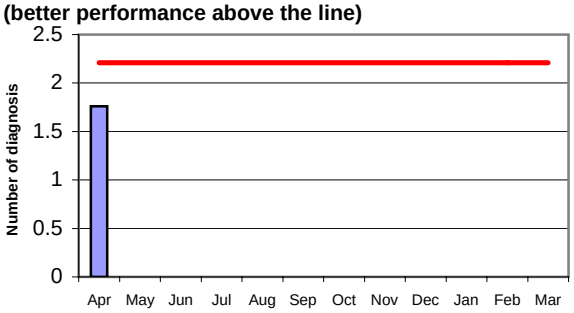


Efficiency Indicator Trends 2006-07

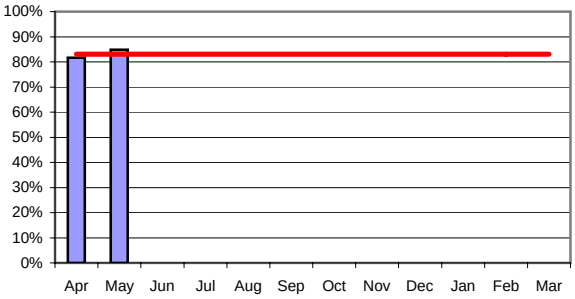
Better performance below the line unless indicated

Diagnoses per Episode

(better performance above the line)

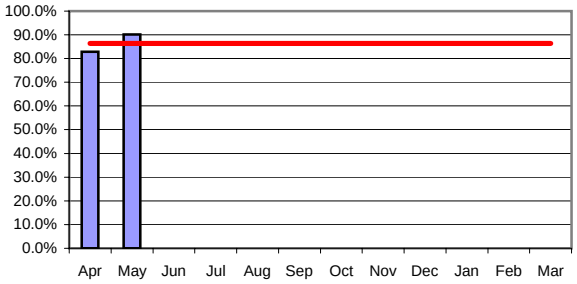


Bed Occupancy Rate



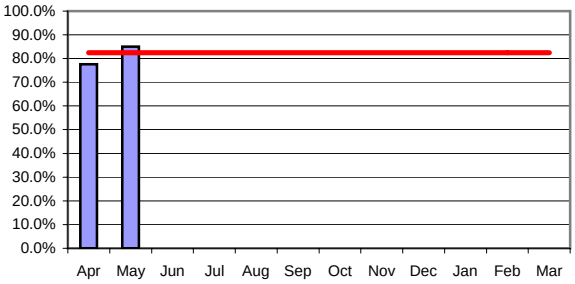
Theatre Session Utilisation

(better performance above the line)

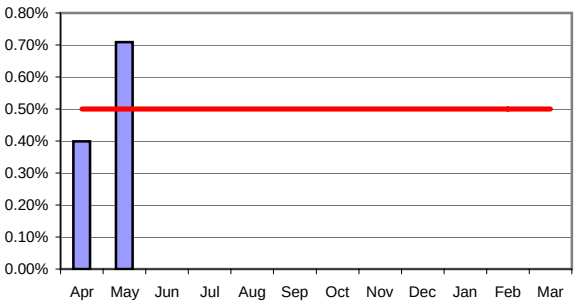


Theatre Time Utilisation

(better performance above the line)



Cancelled Operations



Efficiency & Use of Resources - May 2006

New to Follow-UP Outpatient Rate

Directorate	May-06	Year-to-Date	Target (Capacity Plan)
HIV / GUM	0.79	0.77	1.00
MEDICINE	2.96	3.05	3.41
SURGERY / A&I	3.10	3.07	2.69
WOMEN & CHILDREN'S	2.10	2.20	2.04
TRUST	**1.80**	**1.80**	**1.94**

Outpatient DNA Rate

Directorate	May-06	Year-to-Date	Average 2005-06
HIV / GUM	13.6%	13.2%	12.1%
MEDICINE	13.1%	13.1%	13.1%
SURGERY / A&I	13.6%	13.0%	14.3%
WOMEN & CHILDREN'S	12.5%	12.5%	13.3%
TRUST	**13%**	**13%**	**13%**

Average Elective Inpatient Length of Stay

Directorate	May-06	Year-to-Date	Target (Capacity Plan)
HIV / GUM	6.61	5.07	3.61
MEDICINE	9.62	7.77	5.96
SURGERY / A&I	2.90	3.15	3.11
WOMEN & CHILDREN'S	2.02	2.36	2.62
TRUST	**3.20**	**3.28**	**3.15**

Average Non-Elective Inpatient Length of Stay

Directorate	May-06	Year-to-Date	Target (Capacity Plan)
HIV / GUM	5.05	6.30	4.92
MEDICINE	8.29	8.22	7.38
SURGERY / A&I	5.69	5.66	3.37
WOMEN & CHILDREN'S	2.21	2.21	2.04
TRUST	**3.87**	**3.98**	**3.14**

Day Case Rate

Directorate	May-06	Year-to-Date	Target (Capacity Plan)
HIV / GUM	60.3%	58.5%	5.4%
MEDICINE	91.7%	93.1%	91.5%
SURGERY / A&I	57.3%	55.9%	58.3%
WOMEN & CHILDREN'S	64.1%	65.3%	64.6%
TRUST	**67.8%**	**68.5%**	**73.0%**

% of Elective Inpatients Admitted on the Day of Surgery

Directorate	May-06	Year-to-Date	Average 2005-06
HIV / GUM	0%	20%	8%
MEDICINE	47%	51%	39%
SURGERY / A&I	64%	60%	50%
WOMEN & CHILDREN'S	71%	73%	53%
TRUST	**64%**	**62%**	**50%**

Average Elective Inpatient Pre-Operative Length of Stay

Directorate	May-06	Year-to-Date	Average 2005-06
HIV / GUM	2.00	2.33	2.82
MEDICINE	1.83	1.54	3.49
SURGERY / A&I	0.52	0.70	0.87
WOMEN & CHILDREN'S	0.32	0.36	0.63
TRUST	**0.55**	**0.67**	**0.94**

Cancelled Operations

Directorate	May-06	Year-to-Date	Target (Healthcare Commission)
HIV / GUM	0%	0%	0.50%
MEDICINE	0%	0%	0.50%
SURGERY / A&I	1.37%	1.24%	0.50%
WOMEN & CHILDREN'S	0.81%	0.54%	0.50%
TRUST	**0.71%**	**0.57%**	**0.50%**

Average Number of Diagnoses Per Episode

Directorate	Apr-06	Year-to-Date	Target (CHKS Peer Group)
HIV / GUM	3.80	3.80	2.21
MEDICINE	1.75	1.75	2.21
SURGERY / A&I	1.72	1.72	2.21
WOMEN & CHILDREN'S	1.66	1.66	2.21
TRUST	**1.76**	**1.76**	**2.21**

NB - Coding figures have a 1 month time lag

Bed Occupancy Rate

Directorate	May-06	Year-to-Date	Target (Capacity Plan)
HIV / GUM	72.1%	71.3%	159%
MEDICINE	92.0%	86.7%	85%
SURGERY / A&I	81.5%	84.5%	82%
WOMEN & CHILDREN'S	81.8%	80.1%	79%
TRUST	**84.8%**	**83.2%**	**81%**

Inpatient Theatre Session Utilisation (Session used as % of forecast)

Directorate	May-06	Year-to-Date	Average 2005-06
HIV / GUM	0.0%	0.0%	0.0%
MEDICINE	0.0%	0.0%	0.0%
SURGERY / A&I	92.0%	88.4%	89.2%
WOMEN & CHILDREN'S	85.9%	82.8%	79.8%
TRUST	**90.1%**	**86.7%**	**86.4%**

Inpatient Theatre Time Utilisation (Time used as % of forecast)

Directorate	May-06	Year-to-Date	Average 2005-06
HIV / GUM	0.0%	0.0%	0.0%
MEDICINE	0.0%	0.0%	0.0%
SURGERY / A&I	79.3%	75.8%	77.4%
WOMEN & CHILDREN'S	100.3%	97.3%	96.4%
TRUST	**85.0%**	**81.5%**	**82.4%**

NB - Women & Children's includes obstetrics, Surgery/A&I includes Burns and Hand Theatres

Figures exclude other activity such as Endoscopy, ECG and Pre-operative Assessment.

Efficiency & Use of Resources - May 2006

Percentage of Missing Notes (Outpatients)			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Percentage of Missing Notes (Elective Admissions)			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Un-coded Episodes			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Data Quality - Missing Items			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Outliers			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Critical Care Transfers			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
TRUST			

Elective Waiting List Suspensions			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Elective Waiting List Removals other than Treatment			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Failed Day Cases			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Elective Inpatients with 0 days Length of Stay			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Theatre Late Starts			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Theatre Overruns/Underruns			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Operations Out of Hours			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Theatre Cases per List			
Directorate	**May-06**	**Year-to-Date**	**Target Rate**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

% of Elective Patients who had a Pre-Op Assessment			
Directorate	**May-06**	**Year-to-Date**	**Target (Average 2005-06)**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Delayed Transfers of Care			
Directorate	**May-06**	**Year-to-Date**	**Target (Healthcare Commission)**
HIV / GUM			
MEDICINE			
SURGERY / A&I			
WOMEN & CHILDREN'S			
TRUST			

Figures exclude other activity such as Endoscopy, ECG and Pre-operative Assessment.

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	2.3/Jul/06
PAPER	Healthcare Commission Acute Portfolio and Improvement Review
LEAD EXECUTIVE	Lorraine Bewes – Director of Finance and Information
AUTHOR	Nick Cabon – Head of Performance and Information Contact Number: 020 8237 2426
SUMMARY	The purpose of this report is to provide information about the Trust's rating in the Healthcare Commission Acute Hospital Portfolio assessments and Improvement Reviews.
BOARD ACTION	The Trust Board is asked to note and discuss the report.

Healthcare Commission Acute Hospital Portfolio Assessments and Improvement Reviews

Acute Hospital Portfolios

The Acute Hospital Portfolio programme has been established for several years. Initially it was managed by the Audit Commission, but it is now produced by the Healthcare Commission. The programme involves assessing performance in three areas each year, and they are repeated every four years.

Trusts are rated on a four point scale – Excellent, Good, Fair or Weak.

The assessment covered the following areas in 2005/6:

Admissions Management
The Trust's performance was rated as **Fair**. The Trust achieved the highest score in 2 of the 15 indicators, and received the lowest score for 4 of them. This was mainly due to not being able to complete every question in the assessment. There were several questions that required procedure coding of the waiting list, and this facility is not currently available on LastWord. The Trust received the lowest score for these questions.

Diagnostics Management
The Trust's performance was rated as **Fair**. The Trust achieved the highest score in 1 of the 14 indicators, and received the lowest score for 1 of them. The Trust was penalised for not supplying data relating to the number of planned endoscopy lists that were cancelled or the caecal intubation rate.

Medicines Management
The Trust's performance was rated as **Excellent**. The Trust achieved the highest score in 7 of the 21 indicators, and did not receive the lowest score for any of them.

Improvement Reviews

As one aspect of the new annual health check the Healthcare Commission will carry out a number of improvement reviews each year. An improvement review is a review of a particular aspect of healthcare that is applied in every relevant organisation.

Trusts are rated on a four point scale – Excellent, Good, Fair or Weak.

The Trust has been involved in two improvement reviews this year:

Children's Hospital Services
The Trust received a score of 3 (**Good**) for this review. The Trust was rated as Good in 5 of the 6 areas and Fair in the other one. The Fair rating was due to not having many consultants and SpRs who have undertaken essential training.

Heart Failure
The Trust has submitted the returns for this review, but we have not received any indication of our performance yet.

Nick Cabon
Head of Performance and Information
28th June 2006

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	3.1/Jul/06
PAPER	Board Memorandum
/LEAD EXECUTIVE	Lorraine Bewes, Director of Finance and Information Contact Number: 020 8846 6713
AUTHOR	Lorraine Bewes, Director of Finance and Information Contact Number: 020 8846 6713
SUMMARY	The Board Memorandum summarises the detailed assumptions underpinning the Trust's working capital projections for the 2 years to 31st March 2008 and confirms the financial reporting procedures in place which provide the basis for the financial projections. It is a requirement of the authorisation process by Monitor. The Board Memorandum requires careful review by each Board member as it forms the basis for the Directors' statement to Monitor that the working capital available to the Trust is sufficient for its present requirements and that the Board has established sufficient procedures for them to reach proper judgement on the financial position and prospects of the Trust.
BOARD ACTION	The Board is asked to review the contents of the Memorandum and to confirm that: 1) they are of the opinion, taking into account the Trust's new facilities, that working capital available is sufficient for its present requirements and 2) they confirm that they have established procedures which provide a reasonable basis for them to reach proper judgement as to the financial position and prospects of the Trust and 3) they endorse signing the statement to Monitor as set out at page 82 of the Board Memorandum.

Chelsea and Westminster Healthcare NHS
NHS Trust

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE

Chelsea & Westminster Healthcare NHS Trust

Board memorandum on projected working capital and financial reporting procedures

Board Memo v2.5

Contents

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE
Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

1. Introduction and background

This memorandum ("Board Memorandum") has been prepared by the Board of Directors ("the Board") of Chelsea & Westminster Healthcare NHS Trust ("the Trust") in connection with the application by the Trust for NHS Foundation Trust ("NHSFT") status and has been prepared to support the statements by the Board in respect of the Trust's working capital requirements and the Trust's financial reporting procedures. These statements are reproduced in section 2 of this report.

The purpose of this Board Memorandum is to summarise all the relevant information available to the Board to support the statements on working capital and financial reporting procedures; the information has not been independently verified. The working capital projections neither represent nor include a formal forecast of financial results for the Trust.

Section 7 of this document provides an analysis of the headroom between the projected cash position of the Trust and facilities available to it. It also details the assumptions behind the projections and the sensitivities applied by the Trust.

The working capital projections set out in this Board Memorandum are solely the responsibility of the Board and were approved at a board meeting on 6th July 2006.

It is critical that each member of the Board discloses to the Trust's advisers details of everything he or she knows about the Trust and its business that could be material and to check that all relevant details are adequately included in the Board Memorandum. If a board member is doubtful about the relevance or materiality of any information, he or she should not hesitate to discuss it with the Trust's advisers.

Section 9 of this document details the financial reporting procedures in place at the Trust by means of which the Board intends to reach proper judgement as to the financial position and prospects of the Trust.

Section 10 of this document contains the conclusion by way of the formal wording of the statement that needs to be made to Monitor, the Independent Regulator of NHS Foundation Trusts.

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE

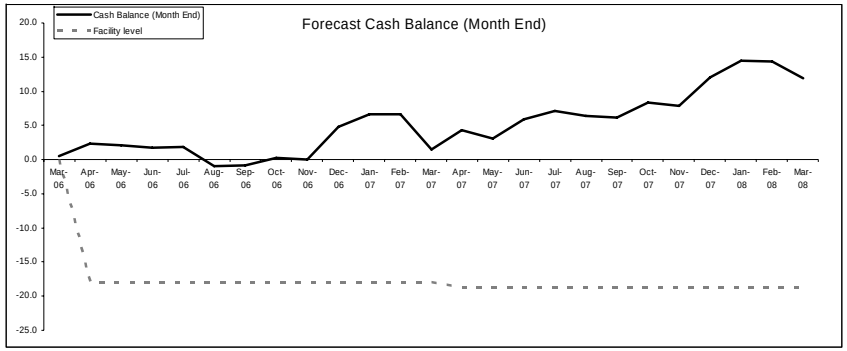
Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working
capital & financial reporting procedures

2. Executive summary

Summary of headroom

Figure 1 shows the monthly cash headroom/requirement throughout the period of the projections and compares this to the available facilities.

Figure 1 – Projected cash position/requirement versus available facilities



Source: CWH FT Assessment Model v 7.5 (O_Charts)

Summary of working capital facilities

Subject to licensing as a NHSFT, the Trust will have a 364 day committed working capital facility of £18m with the *Royal Bank of Scotland*, reviewable annually. This carries an arrangement fee of 0.1% and interest is payable at 1% over base rate, which is charged quarterly in arrears. Repayment is fully fluctuating and the facility is unsecured.

It has been assumed that there are five limiting factors that govern the maximum amount of the Prudential Borrowing Limit. These are set out in Table 1.

Table 1 - Borrowing Ratios

Ratio	Limit/test
Minimum dividend cover	Greater than 1 times
Minimum interest cover	Greater than 3 times
Minimum debt service cover	Greater than 2 times
Maximum debt: capital ratio	Less than 10%
Maximum debt service to revenue	Less than 3%

Source: Prudential Borrowing Code (PBC) for NHS Foundation Trusts, 23 March 2005

The Trust's forecasts comply with these ratios during the whole planning period 2006/07 to 2010/11.

Key assumptions

Income

The key income assumptions supporting the projected income are shown in section 4 with the summary output shown below:

Table 2 – NHS Clinical Income Summary

£m	2005/06 Actual	2006/07 Plan	2007/08 Forecast
Previous years outturn	**207.9**	**229.4**	**238.1**
Inflation	10.2	8.0	5.2
Tariff gain	6.7	6.5	0.0
Activity changes (growth)	3.3	0.0	5.5
Service developments	0.5	0.0	0.0
Other (see Table 2.2)	0.8	(5.8)	(1.7)
Total	**229.4**	**238.1**	**247.1**

Table 2.1 – PCT Income Bridging Statement

£m	2005/06 Actual	2006/07 Plan	2007/08 Forecast
Inflation	9.2	7.4	4.7
Tariff gain/loss	6.7	6.5	0.0
Activity growth	3.8	0.0	5.5
Other adjustments (non-recurring, etc.)	(6.1)	(2.5)	2.4
Total	**182.4**	**193.8**	**206.4**

Table 2.2 – 'Other' NHS Clinical Income

£m	2005/06 Actual	2006/07 Plan	2007/08 Forecast
Deficit payback in 2004/05 outturn	5.2	-	-
Overpayment reversal in 2005/06 income	3.3	(3.3)	-
HIV Drugs over performance	0.8	-	-
Reduction in Overseas Visitors	(0.5)	-	-
PbR clawback	(6.3)	(2.3)	2.4
Other	(1.4)	-	-
2004/05 surplus c/fwd	0.1	(0.1)	-
2005/06 surplus c/fwd	-	2.2	(2.2)
Education & Training income loss	(0.4)	(0.4)	(1.9)
Incentive bonus	-	0.2	-
Tariff deflator	-	(2.1)	-
Total	**0.8**	**(5.8)**	**(1.7)**

- The bridging statements above explain the main drivers for income changes in each year.
- Total income is projected to increase by £9m (3.8%) in both 2006/07 and 2007/08.
- In 2006/07 the increase is primarily driven by Tariff gain and inflation uplift of 1.5%. Activity growth is flat due to the impact of PCT demand management initiatives. NHS Clinical Income in 2006/07 has been abated by £5.8m due to technical changes relating to the Tariff and RAB rules regarding carry forward of surpluses.
- In 2007/08 the increase is driven by inflation uplift of 2.1% and elective activity growth reflecting progression to the 18 week maximum wait.

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE

Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

Expenditure

Table 3 – Trust Expenditure Summary

£m	2005/06 Actual[(a)]	2006/07 Forecast	2007/08 Forecast
Recurrent baseline expenditure	191.8	209.7	216.4
Add			
Generic cost pressures	15.0	12.9	8.4
Local cost pressures	3.9	0.1	0.2
Growth marginal cost	2.2	2.5	4.6
Non-recurrent costs	-	(1.1)	-
Other	0.3	0.1	-
Less			
CIP/CRES	(3.5)	(7.8)	(4.2)
Total expenditure	209.7	216.4	225.4

Source: Bridges Template v4 [Expenditure bridge]

- The bridging statements above explain the main drivers for expenditure changes in each year before depreciation, financing and amortisation.
- Expenditure is projected to increase by £6.7m (3.2%) in 2006/07 and £9m (4.1%) in 2007/08.
- In 2006/07 the increase is primarily driven by generic inflation [4.4%] and developments related to improving diagnostic waits and modernising the infrastructure, offset by the cost improvement programme. The total programme is £11.1, the balance being income generation schemes and depreciation savings.
- In 2007/08 the increase is driven by generic inflation [3.5%] and marginal cost growth related to elective activity growth reflecting progression to the 18 week maximum wait. This is offset by a cost improvement programme of £4.2m

Sensitivities

The Directors have considered the risk factors affecting the financial projections and have discussed these with the Reporting Accountants. The Directors consider that there to be eight key risk factors which have been tested as sensitivities against the base case.

	Sensitivity	**Risk**
1.	Practice Based Commissioning, Demand Management and Host PCT deficit	K&C PCT initiatives are replicated across all PCTs and are twice as effective as base case.
2.	Outpatient follow up activity capping	All clinics, except specialist clinics, are capped at the national upper quartile level from 06/07
3.	PbR Tariff Inflation	PbR tariff inflation is capped at 1.5% in 07/08 and beyond
4.	HIV Funding Formula	Loss on drugs income rises to £8.6m from £5.9m in the base case but is reduced in equal parts over 3 years starting in 08/09.
5.	Cost of EWTD Requirements	11 extra staff are required (6 above base case): 50% in 07/08 and 50% in 08/09
6.	Cost Improvement Programmes	Cost Improvement Programmes that are currently unidentified or high risk in 06/07 are unachieved. Additional 20% of 06/07 programme is delayed to 07/08. CIPs in 07/08 (including delay from 06/07) to 10/11 underachieve by 10%.
7.	2005/06 surplus 'repayment'	Additional £2.4m EFL repayment in March 2007.
8.	There is £1.7m of planned SLA income over performance in 2006/07.	Reduce 06/07 income by £0.9m being the net impact of activity at risk.

Whilst the Directors consider the base case to represent the most probable outcome, these risk factors have been applied as sensitivities to demonstrate their impact on the projected level of retained surplus and working capital.

The impact of the Sensitivity Testing has been modelled on Income, EBITDA, Retained surplus/(deficit) and cash balances and is set out in Section 8. Consideration is also given to the mitigation strategies available to offset any downside risk and this has also been modelled in Section 8.

Financial reporting procedures

Key financial reporting procedures, systems and controls currently in existence within the Trust are set out in Section 9.

Financial reporting

- The Director of Finance prepares an annual financial plan for approval by the Board at the start of each financial year. The plan includes projections of income and expenditure, balance sheet and cash flow.
- The annual financial plan establishes the control total, within which detailed budgets are prepared, reconciled to the annual plan and distributed to budget holders. These budget holders have delegated responsibility for managing their budget.
- Budget holders receive monthly financial reports covering actual performance against plan for the year to date and forecast to the year end.
- The Board receives comprehensive monthly financial statements summarising income and expenditure against all budgets, progress with cost improvement programmes ("CIPs"), and projected cash flow and balance sheets.
- A Budget Control Group chaired by the Chief Executive reviews the monthly reports to budget holders, identifies variances from budget and initiates corrective actions.
- A Finance and General Purposes Committee with non-executive director leadership is to be established as a formal committee.

Corporate governance

- The Trust is managed by the Board, comprising the Chairman and executive and non-executive directors that is responsible for all actions of the Trust.
- The Board has appointed a number of committees to advise it on specific issues, including an Audit Committee, Clinical Governance Assurance Committee, Facilities Assurance Committee and Remuneration Committee.
- The Board has approved a Schedule of Delegation and Powers reserved to the Board, which defines the extent of delegation of the Board's powers to officers within the Trust.
- The Board has agreed Standing Financial Instructions and Standing Orders that provide all board members and officers with instructions as to how the financial affairs of the Trust should be conducted and defines the statutory framework for exercising powers of the Trust.

Audit and counter fraud

- The Trust's systems are reviewed by internal auditors appointed by the Trust (*Bentley Jennison*) and external auditors (*Deloitte & Touche LLP*).
- The Audit Committee consists of three non-executive directors. The Committee provides the Board with an independent objective review of controls and risk management, systems and practice, effectiveness and efficiency, compliance with law and compliance with all published codes of conduct and good practice. The Committee takes an overview of business and IT risk. In accordance with best practice, the Committee reviews the annual accounts, Statement of Internal Control and annual audit letter prior to their formal approval and adoption by the Board.
- The Audit Committee reviews all internal and external audit reports and ensures that all recommendations arising from those reports result in appropriate action my management.
- Counter fraud work is delivered via a contract with *Parkhill Counter Fraud Services*.

Financial systems

- The Trust has an appropriately structured and staffed finance department. All financial functions are provided in-house. The computerised financial ledger system is owned and managed by the Trust, with support from a third party. The payroll system is provided under a facilities managed service.
- The Trust has draft procedures for all key finance processes that instruct finance staff (and any other staff with financial responsibilities) upon the correct operation of financial systems. These procedures are reviewed and adopted on a rolling basis by the Accounting Standards Group.
- Financial procedure notes include instructions on treasury management, including the management of commercial bank accounts, cash management and bank account reconciliations.

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE
Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

Conclusion

The Board believes that this Board Memorandum contains sufficient detail to enable it to sign the statements on the Trust's working capital and financial reporting procedures set out in section 10 of this document.

Signed for and on behalf of the Board

. . . . . (Director)

. . . . . (Director)

3. Basis of preparation

The projections included in this Board Memorandum are based on the financial forecasts prepared by the Trust in the format required by *Monitor*, and the resultant prime financial statements (income & expenditure, balance sheet and cash flow) are set out in Appendix 1.

The projections are based on monthly forecast activity, income and costs for the 24 months from April 2006 to March 2008. Unless otherwise stated, all figures in this Board Memorandum include inflation. The sources of information for the financial projections included the following:

Income

Protected income

- The strategic direction set out in the Trust's Service Development Strategy, dated May 2006.
- Management's assessment of income forecasts have been prepared from detailed activity estimates. Income sought from commissioners is based on historical baseline activity and funding based on 2005/06 signed Service Level Agreements ("SLAs") and proposed 2006/07 SLAs with Primary Care Trusts ("PCTs") and other commissioners.
- Discussions with North West London Strategic Health Authority ("NWLSHA").
- Detailed consideration of likely trends in activity by clinical directors and directorate managers within the Trust.
- Pricing assumptions based on material received from the Department of Health ("DH") on the 2006/07 National Tariff and Market Forces Factor ("MFF") for services within Payment by Results ("PbR") and local prices derived from 2004/05 reference costs for services outside PbR.
- PbR transitional clawback assumptions based on DH guidance

Non-protected income

- Private patient income for 2006/07 onwards has been adjusted to maximise the Trust's income within the cap of 3.5% of total patient care related income.
- Past experience of income from Road Traffic Act ("RTA") income.

Other income

- Anticipated income in 2006/07 is uplifted for inflation and adjusted for specific anticipated movements in income where appropriate, e.g.
    - Research levies have been reduced to reflect the change in the funding framework, in the following cumulative proportions and 50% of the lost income replaced under new research and development ("R&D") funding streams. No inflation uplift has been assumed:

2006/07	1%
2007/08	60%
2008/09	90%
2009/10	100%

    - Service Increment for Teaching ("SIFT") income has been reduced in 2006/07 and 2007/08 to reflect a local rebasing within NWLSHA and thereafter is projected to be constant, i.e. with no inflation uplift assumed.

Revenue expenditure

Staff costs

- Anticipated movements in the budgeted establishment resulting from additional activity and CIPs. For planning purposes, all additional activity is costed at 40% of tariff[1] income (including MFF). These assumed marginal staff costs represent approximately 56% of marginal income excluding MFF. The Trust considers this prudent when compared with the Trust's specialty level marginal and step costing model, which projects activity related costs in the range of 33% - 39% of marginal income (after taking account of planned clinical efficiencies).
- Management's assessment of pay costs, based on recent national pay settlements and pay modernisation within the NHS (specifically Agenda for Change ("AfC"), Consultants Contract and the Junior Doctors New Contract).

Non-staff costs

- Management's assessment of movements in non-staff costs arising from inflation.
- Management's assessment of movements in non-staff costs arising from additional activity, CIPs and cost pressures.
- Bad debt provisions based upon the current level of bad debt provision.

Capital expenditure plans

All issues related to capital assets (capital expenditure, depreciation, indexation and revaluation) are based upon movements in fixed asset values arising from the Trust's agreed capital programme for 2006/07 and its projections for 2007/08. The Trust has no existing or planned PFI projects.

[1] both national and local tariffs

Accounting policies

The accounting policies adopted in the financial projections are, so far as the Board are aware, consistent with the NHSFT Financial Reporting Manual 2005/06 and the accounting policies adopted by the Trust in its published financial statements

The financial projections, and all financial data quoted in this Board Memorandum, have not been adjusted for inflation, i.e. 2006/07 data are at 2006/07 prices.

Sensitivities

In preparing these projections a number of sensitivities have been considered. These are summarised in section 8. The Board has reviewed these sensitivities and have incorporated the composite effect of the highest scored risks as a downside case. The downside case projections are set out in Appendix 2.

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE
Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

4. Key assumptions

The following sections on income and expenditure, balance sheet and cash flows provide details of the relevant assumptions used within the financial projections developed by the Trust. This section summarises the key assumptions:

- It is assumed that the Trust will implement the PbR regime in full from April 2008. This assumption determines the level of income the Trust will receive for services within PbR and represents a significant financial gain for the Trust over current local prices (£12.5m). It is assumed that this will be offset by a loss on HIV drugs income (£5.9m), which is expected to move to a *per capita* basis in full from April 2008, but remaining outside of PbR, i.e. an overall net gain of £6.5m. Under current DH guidance, this gain will be limited to £7.1m in 2007/08, with the balance accruing in 2008/09.

- The financial projections include forecasts of future activity that will require increased operational efficiency and will generate additional income. In the absence of firm commissioning plans, the financial projections include management's assumptions about future commissioning demand management initiatives. There is a risk that activity levels will not change in the manner modelled and/or PCTs will not be able to afford the increase in activity.

- The financial projections include estimates of the cost of projected activity that reflects the efficiency built into the forecasts. There is a risk that the Trust will not be able to deliver the projected activity for the cost stipulated.

- It has been assumed that the Trust will incur cost pressures in future years, particularly in NHS pay awards, drugs, energy costs, CNST [2] costs and capital charges; these pressures will increase the Trust's cost base. The financial projections include a CIP target of an average 1.875% per annum of NHS income, falling from 2.25% in 2007/08 to 1.5% in 2010/11, which will reduce the cost base. If the estimated pressures are too low, or the CIP too ambitious, then the projected I&E performance is at risk.

- 2007/08 includes the reversal of £2.4m resource carry forward under the Resource Accounting and Budgeting ("RAB") rules.

- These projections include estimates of the impact of future inflation on both income and expenditure. There is an inevitable level of risk attached to such estimates.

Post projection risks need to be taken into consideration:

- Commissioner affordability remains unclear as the Trust awaits publication of PCT recovery plans.

- Patient Care Contracts for 2006/07 are not agreed in full, although at the time of writing heads of agreement, with indicative activity planning levels, are in place for most London PCTs.

[2] Clinical Negligence Scheme for Trusts operated by NHS Litigation Authority ("NHSLA")

Table 5 – Key Modelling Assumptions

%	2005/06 Actual[a]	2006/07 Plan	2007/08 Forecast
Inflation Assumptions			
Pay – Base Inflation	3.2%	2.3% [b]	2.5%
Pay – Agenda for Change	3.0%	1.2%	1.2%
Pay – European Working Time Dir.	0.7%	-	0.8%
Pay – Consultant contract	1.0%	0.5%	0.8%
Pay Weighted Average	7.5%	3.2% [b]	3.6%
Drugs (incl. NICE) – HIV	5.2%	4.0%	0.0%
Drugs (incl. NICE) – Other	24.0%	9.3%	10.0%
Drug Weighted Average	8.7%	5.4%	2.4%
Clinical supplies & services (incl. NICE)	1.6%	1.8%	5.0%
Light, heat & power	67.0%	42.0%	10.0%
CNST	15.7%	0.1%	10.0%
Other Non-Pay	3.8%	4.7%	2.2%
Other Non-Pay Weighted Average	7.4%	7.6%	3.5%
Total Non-Pay Weighted Average	7.1%	6.2%	3.3%
Capital Changes Indexation [c]	2.0%	4.0%	3.5%
Total Cost Uplift	**6.9%**	**4.4%**	**3.5%**
Gross tariff uplift	7.0%	6.5%	4.4%
'Gershon' saving	(1.7%)	(2.5%)	(2.3%)
Base tariff expectation	5.3%	4.0%	2.1%
Tariff deflation impact of coding uplifts	-	(2.5%)	-
Anticipated SLA/Tariff Uplift	**5.3%**	**1.5%**	**2.1%**
Education & Training income	3.2%	-	-
Research & Development income	3.7%	3.0%	-
Other income	5.4%	2.5%	2.5%
Private patient income	5.0%	4.0%	4.4%
Other non-NHS clinical income	5.0%	4.0%	4.4%
Non-SLA Income Uplift	**3.9%**	**1.6%**	**1.4%**

Note: (a) *Unaudited*

(b) *Monitor Assessment Model shows 3% disaggregation from 2006/07 budget (based on early DH guidance) for base pay inflation and 4% pay weighted average. Table above shows actual composite rate based on AfC 2.5%, Consultants 1.6% (1% rising to 2.2%) and Junior Doctors 2.2%. This has no impact on the 2006/07 value including inflation.*

(c) *Capital charges indexation inflation represents capital expenditure inflation and indexation and revaluation changes on fixed assets. The average NHS indexation factors for the two years 2004/06 were used as a basis for deriving a projected inflationary pressure for 2006/08 as follows:*

Land	*5.4%*
Buildings	*5.0%*
Plant, equipment & furniture	*2.4%*

The stated assumptions represent a composite rate for all fixed assets.

Source: CWH FT Assessment Model v 7.5 (I_Infl)
CWH LTFM v3.8 (base case), Annual Accounts 2004-05 (Note 11, Tangible Fixed Assets)

Income projections

An analysis of Income for the fours years ending 31 March 2008 is set out below:

Table 6 - Income Projection

£'000	2004/05 Actual	2005/06 Actual[a]	2006/07 Plan	2007/08 Forecast
NHS clinical income				
Elective	20,937	29,396	30,420	32,983
Non-elective	54,623	49,550	51,768	53,150
Outpatient	34,070	42,733	41,044	42,546
A&E	5,884	6,210	10,437	11,311
Other	53,288	60,843	68,764	72,736
	168,802	188,732	202,433	212,726
PbR clawback	-	(6,319)	(8,637)	(6,406)
	168,802	182,413	193,796	206,320
Non-NHS clinical income				
Private patient income	6,506	6,640	7,069	7,526
Other non-protected income	1,579	1,145	1,058	1,104
	8,085	7,785	8,127	8,630
Other income				
Education & training	22,555	22,974	22,334	21,490
Research & development	3,191	3,334	3,405	2,360
Other income	5,276	13,058	10,408	8,316
	31,022	39,366	36,147	32,166
Total income	**207,909**	**229,564**	**238,070**	**247,116**

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_I&E_nom)

The most significant assumptions affecting income projections within the financial projections are as follows:

Protected income

- The base position for income projections is the recurring level of income achieved in 2005/06.
- Transition to PbR – in line with DH PbR guidelines, the financial projections assume a phased transition of any gain or loss arising from the move to PbR from 2005/06 until 2008/09. For all services within PbR the national tariffs have been applied in both 2005/06 and 2006/07. In 2007/08, the 2006/07 tariff has been increased by a net 2.1%, representing an inflationary uplift of 4.4% net of a forecast efficiency requirement of 2.25%.
- The majority of services (except for areas such as HIV outpatients and drugs, other high cost drugs and Critical Care, etc) transferred to PbR in 2006/07. This resulted in a gain above local prices of £13.2m (£4.6m in 2006/07, £2.4m in 2007/08 and £6.2m in 2008/09).
- HIV outpatients are forecast to transfer to PbR and HIV drugs move to a *per capita* basis of funding on 1st April 2008, resulting in a net loss of £3.4m.

- Critical care will transfer into PbR on 1st April 2008 with a gain of £1.3m.
- Activity levels for services are based on a consultation exercise involving clinical directors and managers in each directorate to determine the most likely pattern of activity for each year. Resulting activity levels recognise the potential increase in elective and outpatient activity to meet the 18 week maximum wait. Also they reflect the loss in income arising from the Government's policy to transfer work to the independent sector (1% p.a. from 2007/08 to 2009/10) and to give patients more choice in the supplier of elective surgery. The projections also include the effects of projected PCT demand management initiatives on emergency admissions and outpatient follow-ups.
- Activity levels and the resulting income projections have been shared with local PCTs and the Trust is in the process of agreeing legally binding contracts from 1st July 2006. It is assumed that over and under performance will be at full tariff for all services under PbR, with the exception of:
    - GUM services and Observation ward activity only in 2006/07, which will attract 50% of tariff; and
    - where specific demand management performance targets apply, e.g. outpatient follow-ups above the national average new/follow up ratios will not be paid, and emergency activity will be contained within the 3.2% growth on 2004/05 outturn.

  Non PbR activity performance variances will be paid at 67% of local tariff and no tolerance, with the exception of critical care, where over-performance will be paid at full local tariff and under-performance withdrawn at 20% of local tariff.
- Accident and Emergency procedures will be funded by the five host commissioners, with over-performance funded at full tariff.
- The Trust will receive MFF funding at 40.2832% of national tariff income (as verified by the DH) until 31st March 2008. From 1st April 2008 the Trust anticipates a 5% reduction in the MFF ratio to 38.27% as a result of the current review of MFF.
- The Trust will continue to receive funding for certain high cost drugs that are outside PbR in line with 2006/07 contracting arrangements, which are a mix of block funding and cost-per-case arrangements. Any movement in expenditure will be matched by a movement in income.
- SLA income receipts are assumed to be paid in equal monthly instalments on 15th of each month in which they are due. Under- and over-performance variances are forecast to be received the end of the quarter following the quarter in which they arose.

Non-protected income

- Private patient income for 2006/07 onwards has been adjusted to maximise the Trust's income within the designated cap of 3.5%[3] of total patient care related income.
- Other non-NHS clinical income includes Road Traffic Act income and income from overseas visitors without reciprocal agreements and these income flows are expected to be in line with historical levels, with inflation uplift at 4.0% and 4.4% per annum for 2006/08.

[3] based upon 2002/03 levels

- Research levies have been reduced to reflect the change in the funding framework in accordance with the following cumulative proportions, with 50% of lost income replaced under new R&D funding streams:

2006/07	1%
2007/08	60%
2008/09	90%
2009/10	100%

- SIFT income has been reduced in 2006/07 and 2007/08 to reflect a local rebasing within NWLSHA and thereafter is projected to be constant.
- No inflation uplift has been assumed on research and teaching subsidies as the Trust expects these central budgets to be squeezed and for the reduction to be passed to Trusts via no uplift.
- Other non-clinical income, apart from research and teaching levies, includes recharges to NHS bodies and other income (including car parking and catering). These are assumed to be in line with historic levels, with inflation uplift of 4.0% and 4.4% on recharges to NHS bodies and 2.5% on other non-NHS non-clinical income. Included in 2005/06 and 2006/07 are non-recurrent income sources of £3.4m and £2.4m respectively in relation to resource carry forward arrangements under the RAB rules.
- The classifications used in this Board Memorandum for income are based on those recommended by the DH. This means that 'non-protected income' includes income streams for research and development and education and training. These areas are technically secure as long as the Trust continues to attract medical and non-medical students and to engage in research activity at current levels.

Key expenditure assumptions

Table 8: Summary of Expenditure Increases

£m	**2005/06**	**2006/07**	**2007/08**
Baseline budget	191.8	209.7	216.4
Non-recurrent & contract variations	-	-	-
Recurrent baseline	**191.8**	**209.7**	**216.4**
Generic cost pressures	16.2	10.6	8.4
Local cost pressures	1.3	0.7	0.2
Marginal cost of activity	2.7	2.7	4.6
Efficiency gain (CIP, EPR savings)	(3.2)	(8.4)	(4.2)
Other	0.9	1.1	-
Projected expenditure	**209.7**	**216.4**	**225.4**

Source: Bridges Template v2

The key expenditure assumptions supporting the achievement of the projected results are as follows:

Table 9: Breakdown of Additional Costs Anticipated

£m		2005/06	2006/07	2007/08
Generic cost pressures	Pay awards/pay drift	4.2	3.5	3.2
	AfC – Own staff	4.3	1.0	1.0
	AfC – ISS Mediclean	-	1.1	0.8
	Consultant contract	0.2	0.2	0.2
	European Working Time Directive	0.6	0.5	0.2
	Drugs/NICE implementation	2.7	1.6	1.0
	Clinical negligence	0.7	-	0.3
	Other non-pay	3.5	2.7	1.7
Local cost pressures		1.3	0.7	0.2
Marginal activity & drugs recharge costs		2.7	2.7	4.6
Cost improvements /efficiency gains		(3.2)	(8.4)	(4.2)
Other		0.9	1.1	-
	Total cost pressures	**17.9**	**6.7**	**9.0**

Source: Bridges Template v2

- The main concept of the financial projections is to take the 2006/07 budget as the base for the forecasts and then apply marginal changes to the budget to derive future years' forecasts.
- Costs of additional activity have been based on the Capacity Plan and the Trusts reference costs database (B-Plan). The Capacity Plan calculates the additional resources required to deliver the extra activity, after making assumptions regarding efficiency improvement (e.g. reduced length of stay ("LOS")). These resources are then costed using average costs calculated from the existing cost base and a marginal rate derived. In all cases, the marginal rate derived was less than 40% of income (including MFF). For prudence, the Trust has used 40% of income (including MFF) as the basis for costing additional activity. As the Trust has an MFF of c.40.3%, the marginal rate equates to approximately 56% of national tariff income (before MFF).
- The Trust spends approximately 15% of its total income on drugs and 80% of that spend relates to HIV. In 2005/06 the Trust was reimbursed for all HIV drug spend; however, contractual arrangements in 2006/07 onwards will share the risk of drugs spend between the Trust (risk of changes in costs-per-patient) and the commissioner (risk of changes in the number of patients) and the risk on price changes will be borne 50:50 between the Consortium and the Trust. The financial projections assume that all increases in costs relate to an increase in the number of patients and therefore is funded by commissioners.
- AfC for all existing staff has been implemented and provided for in 2005/06. The additional annual cost of AfC relates to the impact of the annual increment,

particularly for those staff on Band 8. The Trust has assumed a 1.2% increase in pay costs due to AfC increments will not be funded nationally.

- A further cost pressure relating to AfC arises as a result of the hotel services provider's employees benefiting from the AfC pay scales, which will be passed onto the Trust, giving a cost pressure in 2006/07 of £1.4m, rising to £2.2m recurrently in 2007/08.
- The Trust expects an unfunded cost pressure from complying with the further implementation of the European Working Time Directive ("EWTD") in 2008/09. The current estimate is that it will represent an additional five whole time equivalents ("WTE"). This cost pressure has been split 50:50 between 2007/08 and 2008/09., assuming a gradual build up before the compliance deadline. No benefit from the reduction to Band 1 has been assumed in the base case.
- A cost pressure has been highlighted for movement in seniority bands within the consultant contract after five years, which the Trust does not believe will be fully funded nationally. Based upon a review of its consultants' profile, the Trust expects a spike in 2008/09, falling thereafter.
- Inflation assumptions on expenditure are set out in Table 5, section 4.

Balance sheet and cash flow

The Trust's monthly working capital projections forecast the following balance sheet and cash flow outputs. The material assumptions underlying these projections are detailed under the relevant sections below.

Table 10: Summary Balance Sheet Output

£'000	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Fixed assets	269,643	281,618	300,679	315,849
Stocks	4,147	5,237	5,493	5,702
NHS debtors	16,999	9,144	7,961	8,081
Non-NHS debtors	5,208	4,542	4,350	4,026
Prepayments & accrued income	1,885	2,324	2,300	2,220
Cash	620	540	1,517	11,913
NHS creditors	(16,220)	(12,537)	(15,972)	(15,383)
Non-NHS creditors	(4,343)	(6,385)	(6,103)	(7,381)
Accruals & deferred income	(2,809)	(4,963)	(3,368)	(3,339)
Long-term debtors	389	326	343	320
Long-term creditors & provisions	(3,761)	(6,792)	(2,629)	(2,563)
Net assets employed	**271,758**	**273,054**	**294,571**	**319,445**
Public dividend capital	177,764	168,981	159,531	159,531
I&E reserve	(2,701)	(499)	1,899	2,475
Revaluation reserve	90,811	97,381	117,859	132,312
Donated asset reserve	5,884	7,191	7,488	7,740
Taxpayers' equity	271,758	273,054	286,777	302,058
Loans	-	-	7,794	17,387
Total funds employed	**271,758**	**273,054**	**294,571**	**319,445**

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_BS)

Table 11: Cash Flow Summary

£'000	2005/06 Actual[(a)]	2006/07 Projected	2007/08 Forecast	2008/09 Forecast
Opening balance	620	540	1,517	11,913
EBITDA	19,859	21,724	21,695	26,393
Non-cash items	(155)	-	-	-
Movement in working capital	8,090	(988)	(433)	(298)
Capex payments	(11,440)	(8,418)	(10,685)	(10,752)
Movement in long-term balances	63	(17)	23	23
Loan advances	-	7,794	11,152	-
Loan & lease payments	860	(116)	(1,679)	(5,649)
PDC repaid	(8,783)	(9,450)	-	-
PDC dividend paid	(8,821)	(9,666)	(10,039)	(10,380)
Interest on cash	247	114	362	521
Closing balance	540	1,517	11,913	11,771

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_Cash)

5. Income and expenditure

Income and expenditure

A more detailed summary of the Trust's income and expenditure account is provided below:

Table 12 - Summary Income and expenditure Account

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
NHS clinical income					
Elective	19,408	20,937	29,396	30,420	32,983
Non-elective	56,331	54,623	49,550	51,768	53,150
Outpatient	28,974	34,070	42,733	41,044	42,546
A&E	5,603	5,884	6,210	10,437	11,311
Other	42,851	53,288	60,843	68,764	72,736
	153,167	168,802	188,732	202,433	212,726
PbR clawback	-	-	(6,319)	(8,637)	(6,406)
	153,167	168,802	182,413	193,796	206,320
Non-NHS clinical income					
Private patient income	5,204	6,506	6,640	7,069	7,526
Other non-protected	945	1,579	1,145	1,058	1,104
	6,149	8,085	7,785	8,127	8,630
Other income					
Education & training	21,212	22,555	22,974	22,334	21,490
R&D	3,054	3,191	3,334	3,405	2,360
Other income	7,302	5,276	13,058	10,408	8,316
	31,568	31,022	39,366	36,147	32,166
Total income	**190,884**	**207,909**	**229,564**	**238,070**	**247,116**
Pay costs	(100,731)	(113,581)	(123,638)	(127,170)	(129,411)
Drug costs	(27,971)	(31,421)	(34,143)	(37,725)	(41,798)
Clinical supplies	(9,923)	(10,659)	(12,569)	(11,765)	(13,056)
Other costs	(36,370)	(36,156)	(39,355)	(39,686)	(41,156)
Total costs	(174,995)	(191,817)	(209,705)	(216,346)	(225,421)
EBITDA	**15,889**	**16,092**	**19,859**	**21,724**	**21,695**
EBITDA margin	*8.3%*	*7.7%*	*8.7%*	*9.1%*	*8.8%*
Depreciation	(7,591)	(7,784)	(8,951)	(9,508)	(10,687)
Net interest receivable	352	227	247	114	363
Loan & lease interest	(30)	(132)	(132)	(266)	(756)
PDC dividend	(10,499)	(8,298)	(8,821)	(9,666)	(10,039)
Net surplus	**1,879**	**105**	**2,202**	**2,398**	**576**

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_I&E_nom)

Income projections

Table 13 - Analysis of the Trust's income - by category

£'000		2003/04 Actual	2004/05 Actual	2005/06 Actual[a]	2006/07 Plan	2007/08 Forecast
Elective						
Tariff [b]:	Income	2,631	5,149	20,839	21,261	23,058
	Clawback	-	-	(6,319)	(1,825)	(1,354)
	MFF	-	-	8,301	8,564	9,288
		2,631	5,149	22,821	28,000	30,992
Non-tariff [c]		16,777	15,788	256	595	637
		19,408	20,937	23,077	28,595	31,629
Non-elective						
Tariff:	Income	281	2,416	-	35,263	36,152
	Clawback	-	-	-	23	17
	MFF	-	-	-	14,205	14,563
		281	2,416	-	49,491	50,732
Non-tariff		56,050	52,207	49,550	2,300	2,435
		56,331	54,623	49,550	51,791	53,167
Outpatients						
Tariff:	Income	-	-	-	28,498	29,533
	Clawback	-	-	-	(5,113)	(3,792)
	MFF	-	-	-	11,480	11,897
		-	-	-	34,865	37,638
Non-tariff		28,974	34,070	42,733	1,065	1,116
		28,974	34,070	42,733	35,930	38,754
A&E						
Tariff:	Income	-	-	-	7,441	8,063
	Clawback	-	-	-	(1,722)	(1,277)
	MFF	-	-	-	2,997	3,248
		-	-	-	8,716	10,034
Non-tariff		5,603	5,884	6,210	-	-
		5,603	5,884	6,210	8,716	10,034
Other						
Tariff:	Income	-	-	-	-	-
	Clawback	-	-	-	-	-
	MFF	-	-	-	-	-
		-	-	-	-	-
Non-tariff		42,851	53,288	60,843	68,764	72,736
		42,851	53,288	60,843	68,764	72,736
Total NHS Clinical		**153,167**	**168,802**	**182,413**	**193,796**	**206,320**

Note: (a) Unaudited
(b) Tariff = activities within PbR at National Tariff
(c) Non-tariff = activities outside of PbR at local tariff or cost-per-case
Source: CWH FT Assessment Model v 7.5 (C_I&E_nom)

Table 13 - Analysis of the Trust's income - by category (continued)

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[a]	2006/07 Plan	2007/08 Forecast
Non-NHS Clinical Income					
Private patients	5,204	6,506	6,640	7,069	7,526
Other non-NHS	945	1,579	1,145	1,058	1,104
	6,149	8,085	7,785	8,127	8,630
Other Income					
Education & Training	21,212	22,555	22,974	22,334	21,490
Research & Development	3,054	3,191	3,334	3,405	2,360
Non-patient services to other NHS bodies	1,947	2,463	3,314	2,309	2,456
Parking	401	364	495	492	504
Catering	293	489	413	429	439
Other income	4,372	6,881	5,249	4,664	4,768
Transfers from reserves	290	286	155	156	149
	31,568	36,229	35,934	33,789	32,166
Non-Recurrent Income					
Non-recurrent income	-	(5,207)	3,432	2,358	-
Total Income	190,884	207,909	229,564	238,070	247,116

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_I&E_nom)

Explanations for the key changes in income are provided below:

NHS clinical income

- Historic trend analysis between 2004/05 and 2005/06 by Point of Delivery ("POD") is affected by a rebasing exercise in 2005/06. The rebasing exercise had no impact on total income but changed the income by POD. For all activity not under PbR, local tariffs were changed from historical tariffs (including disaggregating assumed MFF), rolled forward to tariffs based on the national tariff, and forced back on a pro-rata basis, to the control quantum for each PCT.

- Elective income increase from 2005/06 to 2007/08 is driven by the additional activity required to move towards the 18 week maximum wait target in December 2008.

- Non-elective income increase in 2007/08 is based on the assumption that activity increases in line with historic trend, but is reduced by PCT demand management initiatives (net activity increase of 0.7%).

- Outpatient income is forecast to reduce in 2006/07 due to the impact of tighter new to follow-up ratio targets, and then to grow again in 2007/08 with the move towards 18 week maximum wait (maximum outpatient wait falls from 11 to 8 weeks).
- A&E income increase in 2006/07 reflects the rebasing of A&E to PbR tariff as it moves from a block contract at local tariff to full trading at national tariff. The increase in 2007/08 reflects growth in line with historic trends.
- Other NHS clinical income increase is driven by HIV drugs income growth and reclassification of critical care, direct access and provider-to-provider income
- As at 27th June 2006, the Trust has signed heads of agreement to the value of £107.9m with PCTs, signed contract with the HIV consortia 42.6m, and confirmation from the DH for a net £29.2m in respect of MFF and transitional clawback. This gives total underpinned income of £179.1m (92.8%) from a total NHS clinical income of £193.8m. The net amount due from the DH is based upon an AWP[4] exercise, which the Trust provided activity and income forecasts for 2006/07 in November 2005. Based upon the Trust's current projections, £0.6m of this would be repayable in early 2007/08.

Non-NHS clinical income

- Private patient income growth reflects the adjustment to the maximum allowable income within the Trust's designated cap as a NHSFT.
- Other non-protected income includes RTA income and income from overseas visitors without reciprocal agreements. The increase in 2004/05 relates to overseas visitors, which is highly variable year-on-year. Income in 2007/08 is assumed to be in line with 2006/07 plan, uplifted for inflation.

Other income

- Education and training levies reduce in 2006/07 and 2007/08 as a result of a local three year rebasing exercise within NWLSHA.
- Research and development income reduction in 2007/08 reflects the start of a phased withdrawal (60% in 2007/08) of programme based block funding and recovery of 50% under new funding streams.
- Other income trend is affected by non-recurrent income streams related to the carry forward arrangements under RAB Rules (See Table 13). The Trust reported a deficit of £5.2m at month 12 in 2003/04, which under the RAB rules was required to be paid back in full in 2004/05. However, the Trust's final accounts position for 2003/04 improved by £3.4m and this overpayment was reversed back to the Trust in 2005/06 as a non-recurrent resource. The Trust delivered a surplus of £2.2m in 2005/06, which under the RAB rules is returned to the Trust in 2006/07, together with a small incentive payment.

[4] Accounting Working Paper

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE
Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

Analysis of NHS clinical income

Set out below is an analysis of the Trust's NHS clinical income, showing the increased level of activities included within PbR.

Table 14 - Analysis of Trust's NHS clinical income

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Tariff income	2,912	7,565	20,839	92,462	96,806
MFF @ 40.2832%	-	-	8,301	37,247	38,997
PbR clawback	-	-	(6,319)	(8,637)	(6,406)
Net PbR income	2,912	7,565	22,821	121,072	142,209
Drugs recharges	26,823	33,647	35,010	38,972	41,973
Other non-tariff income	123,432	127,589	124,582	33,752	22,138
NHS clinical income	**153,167**	**168,801**	**182,413**	**193,796**	**206,320**

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (I_Incme (Base); C_I&E_nom)

Summarised below is the gain on moving to PbR.

Table 14.1 - Analysis of Trust's NHS clinical income – Gain on moving to PbR

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Elective	-	-	6,759	2,796	2,856
Non-elective	-	-	-	(35)	(36)
Outpatient	-	-	-	7,832	8,000
A&E	-	-	-	2,637	2,694
Other	-	-	-	-	-
Gain on moving to PbR	-	-	6,759	13,230	13,514
PbR clawback	-	-	(6,319)	(8,637)	(6,406)
Net PbR gain	**-**	**-**	**440**	**4,593**	**7,108**

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (I_Incme (Base); C_I&E_nom)

- The above table shows the Trust's gain on moving to PbR for the majority of its clinical activities. The movement in the gross gain in 2007/08 represents inflation only.
- Under the PbR framework, the gains or losses associated with moving to national tariff (plus MFF) are being smoothed in the formative years of PbR. The rules require either a 25% per annum benefit, subject to a cumulative 2% per annum benefit of local tariff income, with full transition by 2008/09. The Trust's gain is subject to the 2% per annum ceiling. Any gain in excess of this sum is clawed back by the DH and netted off the Trust's MFF monies.

- The AWP[5] for calculating the 2006/07 clawback was based on the transitional 2006/07 tariff. This tariff was later withdrawn and reissued, representing a blended reduction in the initial tariff of 2½%. However, the clawback calculation was not revised to take account of this change. If it had been, the Trust gross gain under PbR would have been £10.2m, a reduction of some £3.1m. This would have resulted in a lower clawback of £5.6m, ie £3.1m lower than that set for 2006/07. This benefit would have been straight to the bottom line. The Trust understands that the DH is not anticipating revisiting this basis of calculation for 2007/08, although it has carried out a rebasing exercise for every year since PbR was introduced in 2004/05 for FTs. Notwithstanding this, the Trust is to lobby the DH to take the 2006/07 tariff deflator into account in calculating the Trust's PbR gain and clawback for 2007/08 and future years.

[5] Accounting Working Paper

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE
Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

Table 14.2 - Analysis of Trust's NHS clinical income – by specialty

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Obstetrics	18,130	17,337	13,533	13,206	13,490
General medicine	8,238	8,766	9,871	11,071	11,601
Genito-Urinary Med.	9,421	10,258	10,799	10,684	11,623
Orthopaedics	7,503	6,601	11,204	10,238	10,610
Plastic Surgery	7,150	7,700	7,764	8,279	9,172
HIV (excluding drugs)	7,810	7,362	8,815	7,945	8,285
General Surgery	4,895	5,170	7,722	7,196	7,681
Gynaecology	3,544	4,192	6,456	6,954	7,225
A&E (Adult)	5,670	5,975	6,210	6,929	7,294
Paediatric Medicine	7,341	7,897	6,361	5,588	5,638
Anaesthetics	3,481	3,482	5,567	5,447	5,746
Elderly Medicine	4,723	4,910	5,406	5,424	5,256
Endoscopy	3,922	4,252	3,554	3,574	3,657
A&E (Paediatric)	-	-	-	3,509	4,018
Burns	4,020	3,875	2,799	3,487	3,723
Urology	1,356	1,584	3,238	3,387	3,523
Paediatric Surgery	2,557	2,279	5,648	3,328	3,510
NICU	1,833	2,463	4,295	3,273	3,343
Dermatology	1,435	1,811	2,254	3,091	2,795
Gastroenterology	1,336	1,657	2,377	2,531	2,752
Direct Access	730	-	-	2,443	2,539
Clinical Haematology	1,013	1,242	2,094	2,187	2,098
Respiratory Medicine	1,218	1,446	2,126	2,157	2,294
Rheumatology	795	1,025	1,854	2,108	2,198
Paediatric Trauma & Orthopaedics	892	2,412	1,399	1,908	1,945
Endocrinology	923	1,120	2,091	1,863	1,923
Paed Gastroenterology	1,367	1,491	1,486	1,784	1,653
Paediatric Dentistry	573	690	1,693	1,680	1,716
Non-Consortium NICU	226	104	516	1,488	1,520
Neurology	815	931	1,397	1,414	1,469
SCBU	2,438	2,723	1,530	1,400	1,430
Other specialties	10,989	14,399	13,662	17,888	19,026
Transitional clawback	-	-	(6,319)	(8,637)	(6,406)
Drugs recharges:					
HIV	26,106	31,927	33,839	36,407	39,222
Other High Cost	717	1,720	1,171	2,565	2,751
NHS Clinical Income	**153,167**	**168,801**	**182,413**	**193,796**	**206,320**

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (I_Incme (Base); C_I&E_nom) Capacity Plan by Specialty; NHS Clinical Income reconciliation v1.3

- Significant income changes occurred between 2004/05 and 2005/06 due to a change in the pricing of activity. Previously activity had been costed at historic local prices, with a value adjustment to bring the quantums back to the agreed contract values. However, in 2005/06 national tariffs were applied to the activity and these tariffs were then forced to reconcile with the agreed contract values.

- Other speciality specific changes comprise:

    - Anaesthetics & Special Care Baby Unit ("SCBU"), the currency changed in 2005/06 to a bed per cot day rate from an inpatient finished consultant episode ("FCE") rate;

    - Urology increase in 2005/06 due to the opening of the Treatment Centre and a transfer of Urology activity from St Mary's NHS Trust;

    - Neonatal Intensive Care Unit ("NICU") increase due to opening of additional cots, plus an increase in the rate per cot day from the NICU Consortia;

    - In 2005/06 Paediatric Dental transfer in from Ealing Hospital; and

    - Paediatric Trauma & Orthopaedics – in 2003/04 activity was shown against adult Trauma & orthopaedics.

Analysis of income by PCT

Table 15 - Analysis of Trust's income – by PCT

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Kensington & Chelsea	75,755	36,875	48,233	37,568	39,631
Westminster	16,219	15,928	17,275	14,702	14,561
Hammersmith & Fulham	23,377	23,715	25,708	20,217	21,547
Wandsworth	13,763	13,842	14,581	13,670	15,590
HIV Consortium	-	39,289	42,354	43,650	45,512
Hounslow	4,341	4,138	4,449	3,720	3,741
Ealing	2,200	2,130	2,969	2,703	2,928
Richmond & Twickenham	2,613	2,627	2,766	2,408	2,607
Other	14,889	30,258	30,397	26,548	27,612
	153,167	168,802	188,732	165,186	173,729
MFF (DH)	-	-	-	37,247	38,997
Clawback (DH)			(6,319)	(8,637)	(6,406)
Total income	**153,167**	**168,802**	**182,413**	**193,796**	**206,320**

Note: (a) Unaudited
Source: [2004/05 and 2005/06 TAC22, 2006/07 SLA Proposals, 2007/08 Capacity Plan by PCT]

Summary of status of the 2006/07 PCT commissioning discussions

- In 2006/07 Pan-London Commissioning was introduced and contract negotiations were led by our host and four other significant PCTs acting on behalf of all London PCTs. In order to facilitate the process, the NWLSHA provided SLA checklists and convened PCT/purchaser meetings to ensure the negotiation process was kept on track. Any PCT/Trust issues that could not be resolved locally were escalated to the SHA and arbitration days were held, therefore ensuring the SLA process was not held up.

- To date, the Trust has reached agreement with 93% (by value) of NHS clinical income, comprising heads of agreement signed with PCTs totalling £136.5m, and a signed contract with the HIV consortium for £42.6m.

- The Trust will ensure that the appropriate contracts are in place prior to 1st August, but in the meantime heads of agreements have been signed with each of the PCTs where agreement has been reached. The Trust used the Foundation Trust Model Contract during 2005/06.

- Whilst the Trust has signed a heads of agreement with its host Kensington & Chelsea PCT (K&C PCT), it is in the process of having further discussions to confirm further demand management initiatives. Preliminary feedback from K&C PCT indicates the following areas will be focused upon:

    - improvement in the outpatient follow-up ratios to the national upper quartile range, with particular focus in the following specialities –

Dermatolology, Musculo-Skeletal, Ophthalmology, and Clinical Haematology;

- preventing 'frequent flyers' admissions through A&E;
- capping of excess bed days; and
- A & E attendances – improve understanding of what type and by whom and when the service is being accessed.

- The Trust has considered the above as part of its sensitivity analysis and downside case, which is summarised in Section 8 and Appendix 2 respectively.

Secured income

Table 16 - Secured income

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
PCT signed agreements	153,167	168,802	183,414	42,612	-
PCT heads of agreement	-	-	-	107,936	-
DH (MFF & clawback)	-	-	-	29,210	-
Non-protected income	37,717	39,107	47,151	20,183	-
Underpinned income	190,884	207,909	229,564	199,941	-
PCT unsigned	n/a	n/a	n/a	14,038	206,320
Non-protected income	n/a	n/a	n/a	24,091	40,796
Unsecured income	-	-	-	38,129	247,116
Total income	**190,884**	**207,909**	**229,564**	**238,070**	**247,116**

Note: (a) Unaudited
Source: 2006/07 SLA Proposals; 2007/08 Capacity Plan; DH confirmation of 2006/07 MFF & clawback; HIV consortium contract

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE

Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

Analysis of revenue expenditure

Pay costs

Table 17.1 - Analysis of the Trust's pay expenditure

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
NHS					
Consultants	14,250	17,229	18,772	19,913	20,234
Other medical	17,546	18,465	19,856	20,772	21,401
Nurses, midwifery & health visitors	34,054	39,169	42,167	43,429	43,909
Scientific, therapeutic & technical	9,267	10,495	12,486	12,889	13,414
Other clinical	3,388	4,308	4,805	4,571	4,636
Non-clinical	15,700	17,993	20,938	24,927	25,147
	94,205	107,569	119,024	126,501	128,741
Non-NHS					
Consultants	315	54	171	-	-
Other medical	993	1,088	948	-	-
Nurses, midwifery & health visitors	3,250	3,341	2,525	433	434
Scientific, therapeutic & technical	964	763	270	13	13
Other clinical	21	8	3	-	-
Non-clinical	983	668	697	223	223
	6,526	5,922	4,614	669	670
Total pay	**100,731**	**113,581**	**123,638**	**127,170**	**129,411**

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (I_Cost (Base); I_Infl; C_I&E_nom)

- The Trust's forecasts are based upon its 2006/07 budget. Generally, the Trust does not budget to use agency[6] staff, but instead budgets on a full complement of staff. Where agency staff are employed to fill vacancies, etc, directorates have to manage within their agreed budgets.

[6] i.e. non-NHS staff

Table 17.2 - Analysis of the movement in the Trust's NHS pay expenditure

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
NHS					
Previous year's costs		94,205	107,659	119,024	126,501
Inflation of prior year's			3,472	3,629	3,163
Staff changes:					
Staff growth			9,443	-	541
CIPs			(2,736)	(4,943)	(2,844)
National cost pressures:					
Consultant contract			173	95	170
EWTD			623	-	163
Agenda for Change			3,803	994	1,026
Agency cost switch			-	3,945	-
Other			(3,413)	3,757	21
	94,205	107,569	119,024	126,501	128,741

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (I_Cost (Base); I_Infl; C_I&E_nom)

- Staff growth in 2007/08 represents the Trust's assumption of 40% total marginal costs related to increased clinical activity (both NHS and non-NHS) as follows:

Consultants	0.1%
Registered nurses	3.9%
Unregistered nurses	1.1%
Professions allied to medicine	6.4%
Pay	11.5%
Drugs	5.0%
Other clinical supplies & services	23.3%
Provisions & kitchen	0.2%
Non-Pay	28.5%
Total	40.0%

- A cost pressure related to the incremental drift within the AfC bands has been identified, which the Trust does not believe will be fully funded nationally. The Trust has assessed the unfunded cost to equate to 1.2% of the relevant staff pay categories in 2007/08, resulting in a provision of £1.0m in each year 2006/07 and 2007/08.

- A cost pressure has been highlighted on Consultant Contract related pay drift for movement in seniority bands within the consultant contract after 5 years.
- European Working Time Directive ("EWTD"): the Trust expects a unfunded cost pressure from complying with the further implementation of EWTD in

2008/09. The current estimate is that it will represent five WTE junior doctors. This cost pressure has been split 50:50 between 2007/08 and 2008/09.

- The "Agency cost switch" represents an analysis change between non-NHS and NHS pay, where the Trust does not budget to use agency staff to fill vacancies as discussed above.
- "Other" movements include £62k additional costs relating to the Picture Archiving Communication System ("PACS") project in 2007/08.

Table 17.3 - Analysis of the Trust's pay CIPs

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
NHS					
Consultants			43	391	383
Other medical			135	491	76
Nurses, midwifery & health visitors			1,865	2,177	1,290
Scientific, therapeutic & technical			222	496	261
Other clinical			-	322	149
Non-clinical			471	1,066	685
In-year savings			2,736	4,943	2,844
Balance b/fwd			-	2,736	7,679
Cumulative savings			2,736	7,679	10,523

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (I_Cost (Base); I_Infl; C_I&E_nom)

- The Trust has assumed a 'Gershon' savings target of 2¼% on NHS income in 2007/08, totalling some £3.7m. The CIP target not allocated to particular projects has been apportioned 70:30 between pay and non-pay categories. Within pay, the unallocated CIP target has been apportioned on the basis of costs, except for medical staff (excluding consultants and other career grades) and the chairman and non-executive directors whose posts/costs are deemed to be fixed.

Non-pay costs

Table 17.4 - Analysis of the Trust's non-pay expenditure

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Drugs					
Drugs	27,971	31,421	34,143	37,725	42,019
CIP	-	-	-	-	(221)
	27,971	31,421	34,143	37,725	41,798
Clinical supplies & services					
Clinical supplies & services	9,923	10,659	12,569	11,765	13,322
CIP	-	-	-	-	(266)
	9,923	10,659	12,569	11,765	13056
Other costs					
General supplies & services	3,813	2,914	3,245	2,969	3,048
Establishment	2,576	2,631	2,371	2,334	2,401
Premises & fixed plant	12,673	13,266	15,453	17,488	19,013
Bad debt provision	293	718	(31)	(67)	(152)
Other	17,015	16,627	18,317	16,962	17,519
CIP	-	-	-	-	(672)
	36,730	36,156	39,355	39,686	41,156
Total non-pay	**74,624**	**78,236**	**86,067**	**89,176**	**96,010**

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (I_Cost (Base); I_Infl; C_I&E_nom)

- Movement in drugs costs in driven by HIV activity increases (which accounts for 80% of drugs spend) plus NICE.
- Movement in clinical supplies and services between 2004/05 and 2005/06 is due to increased spend on MSSE and prosthesis. Some of this is activity related; however, a significant proportion of prosthesis spend relates to changes in practice, which is under review by the directorate.
- Movement in premises and fixed plant between 2004/05 and 2005/06 relates to significant increases in utility prices, plus inflation on the outsourced soft and hard services contracts and business rates.
- Movement in other costs between 2004/05 and 2005/06 relates to mainly to the increase in the pathology contract and other services received from other bodies.

- The movements in 2007/08 comprise:

£'000	Total	Drugs	CS&S	Other
2006/07 expenditure	89,176	37,725	11,765	39,686
Inflation:				
Non-HIV drugs (10%)	1,005	1,005	-	-
Clinical supplies (5%)	634	-	634	-
Heat & light (10%)	333	-	-	333
CNST (10%)	334	-	-	334
Other (2.2%)	745	-	-	745
Marginal costs re activity	1,130	199	923	9
PACS	210	148	-	62
HIV & high cost drugs activity	2,943	2,942	-	-
ISS contract re AfC	734	-	-	734
Other	(75)	-	-	(75)
2007/08 CIP target	(1,159)	(221)	(266)	(672)
	96,010	41,798	13,056	41,156

- Both non-HIV drugs and clinical supplies inflation estimates include an element for NICE. Given that HIV drugs are reaching a maturity stage in their lifecycle, and that they are separately recharged, the Trust has assumed a zero rate of inflation for these costs. The premium over and above the generic inflation rate of 2.2% for heat & light represents the Trust's estimate for the increased cost pressures relating to fossil fuels and electricity.
- The non-pay element of the 40% marginal cost assumption in 2007/08 represents 28½% of the marginal income from both NHS and non-NHS clinical activity as follows:

Drugs	5.0%
Other clinical supplies & services	23.3%
Provisions & kitchen	0.2%
Non-Pay	28.5%

- As set out in the Pay section above, the Trust has forecast a 'Gershon' savings target of 2¼% on NHS income in 2007/08, totalling some £3.7m. The CIP target not allocated to particular projects has been apportioned 70:30 between pay and non-pay categories. Within non-pay, the unallocated CIP target has been apportioned on the basis of costs, except for the following categories whose costs are deemed to be semi-fixed:
  - HIV drugs (recharge item)
  - Contract hotel services (ISS contract)
  - Utilities
  - Rent & rates
  - Provision for bad debts (vary according to debtor levels)

Table 17.5 – Summary of the Trust's 2006/07 CIPs at 28th June 2006

£'000	Total Savings Target	Identified Savings						Un-identified Savings
		Process Redesign	Corporate Functions	Workforce	Procure-ment	Other	Income	
Imaging & Anaesthetics	602	232	-	291	79	-	-	-
HIV/GUM	684	22	-	-	271	220	171	-
Medicine & A&E	1,485	746	-	-	-	317	-	422
Surgery	449	371	-	-	78	-	-	-
Womens & Children's	727	700	-	-	11	16	-	(0)
Frontline directorates	3,947	2,071	-	291	439	553	171	422
Pharmacy	88	-	-	67	13	-	8	-
Physiotherapy & Occ Therap	129	-	-	105	13	-	15	(4)
Dietetics	29	20	-	-	5	-	-	4
Clinical support	246	20	-	172	31	-	23	(0)
Chief Executive	28	-	-	-	-	28	-	-
Governance & Corporate Af	100	-	100	-	-	-	-	(0)
Nursing	147	-	125	-	22	-	-	(0)
Human Resources	152	-	15	80	41	-	-	16
Finance	259	-	115	17	35	-	55	37
IM&T & EPR	360	-	139	-	151	-	70	-
Occupational Health	6	-	6	-	-	-	-	-
Management Executive	1,052	-	500	97	249	28	125	53
Facilities	343	-	-	-	398	-	180	(235)
Projects	21	-	-	-	21	-	-	0
Service Level Agreements	210	-	-	-	25	-	-	185
Other directorates	574	-	-	-	444	-	180	(50)
Central Budgets	4,254	170	-	344	573	1,907	932	328
Savings to be worked up	1,000	-	-	-	-	685	400	(85)
Central budgets	5,254	170	-	344	573	2,592	1,332	243
Total CIPs	**11,073**	**2,262**	**500**	**904**	**1,736**	**3,173**	**1,831**	**668**

Source: Trustwide Savings Detail, including plans in development

Financial and non-financial KPIs

Table 18 - Financial and non-financial KPIs

	2003/04 Actual	2004/05 Actual	2005/06 Actual[a]	2006/07 Plan	2007/08 Forecast
Financial KPIs					
Average tariff[7]:					
Elective	£1,097	£1,057	£1,011	£1,077	£1,040
Non-elective	£2,365	£2,179	£1,990	£2,256	£2,308
Outpatient	£111	£106	£128	£125	£135
A&E	£69	£66	£67	£89	£96
Debt/assets ratio			1%	3%	6%
Dividend cover			2.3x	2.2x	2.1x
Interest cover			152.3x	82.0x	29.2x
Debt service cover			-	71.7x	9.4x
Debt service to revenue			(0.4%)	0.1%	1.0%
Total agency cost as % of total pay cost	6.5%	5.2%	3.7%	0.5%	0.5%
Pay cost growth[8]:					
Medical	15.0%	11.3%	7.9%	2.4%	2.3%
Non-medical	6.2%	13.5%	9.3%	3.1%	1.5%
Reference cost index	96	97	97	97	97
Better Payment Practice Code[9]	75%	72%	75%	85%	95%
Operational KPIs					
Activity per 100 of population:					
Elective	2.6	2.7	2.8	2.7	2.9
Non-elective	2.9	3.0	3.0	2.8	2.8
Outpatient	31.5	39.1	40.7	35.0	34.9
A&E	0.6	0.5	1.8	1.9	1.9
Av. length of stay (days):					
Elective	1.4	1.3	1.1	0.8	0.8
Elective exc Daycase	3.9	4.2	3.4	3.1	2.9
Non-elective	5.0	4.5	3.3	3.1	3.1
Bed occupancy	91.0%	95.0%	84.1%	81.4%	81.4%
Theatre utilisation	96.5%	96.4%	95.5%	95.5%	95.5%
Daycase ratio (Daycases/ Spells)	69.8%	68.6%	68.6%	73.0%	72.6%
Outpatient new:follow-up	22.4%	29.0%	32.3%	34.4%	35.5%
Consultant PAs per week	1,440	1,523	1,671	1,661	1,674
Number of beds	481	517	519	488	488
Local population ('000)	825	823	822	821	820

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (O_KPI; O_FS; I_Incme (Base); I_Cost (Base))

7 inclusive of MFF and transitional clawback per Spell, First &/or Follow-up, Attendance, etc
8 inclusive of inflation and CIPs
9 % of invoices paid within 30 days

Financial KPIs

- Debt/assets ratio rises in 2006/07 and 2007/08 from 3% to 6% when the Trust raises loans from the Foundation Trust Financing Facility ("FTFF") against the capital programme in each year, representing £7.5m in 2006/07 and £11.4m in 2007/08. This also impacts on interest cover, debt service cover and debt service to revenue. As discussed below, the loan in 2007/08 is discretionary and is projected so as to provide sufficient financial headroom to deal with the Trust's downside scenario.
- Total agency cost percentage reduction is an analysis issue as 2006/07 onwards is based on budgeted costs and the Trust does not budget for agency costs.
- Pay cost growth is high in the earlier periods due to the impact of national pay contract changes such as Consultant Contract and AfC. This is expected to stabilise and clinical efficiencies are assumed to maintain capacity at 2006/07 levels.
- Better Payment Practice Code ("BPPC") achievement is forecast to improve so as to achieve the BPPC target by 2007/08 through improved debt collection. Together with the working capital facility and financing assumptions, cash is not expected to be constrained.

Operational KPIs

- Elective and non-elective activity per head of population is expected to be broadly constant, but outpatient activity is expected to fall as a result of PCT demand management initiatives to tighten new to follow-up rates in line with the national average for non-specialist clinics.
- Average length of stay for both elective and non-elective activities is expected to improve over the period as national average case mix adjusted benchmarks are attained.
- Bed occupancy is projected to fall to 81.4% in line with best practice planning.
- Theatre utilisation is projected to remain constant over the period.
- Daycase ratio is expected to improve in 2006/07 as national average case mix adjusted benchmarks are attained.
- Outpatient new to follow-up rates increase as fewer follow-ups are expected as a result of protocols agreed with local PCTs.
- Number of beds increased in 2004/05 as a result of beds being reopened after closure in 2003/04 due to financial pressures. Reduction in 2006/07 due to closure of two wards due to improved lengths of stay and move to daycase rates.

Non-financial NHS Plan targets

Table 19 - Non-Financial NHS Plan Targets

	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
A & E target	91.0%	98.57%	98.03%	98.00%	98.00%
Waiting times:					
Inpatient	0.00%	0.05%	0.00%	0.00%	0.00%
Outpatient	0.01%	0.02%	0.01%	0.00%	0.00%

Source: *2003/4 & 2004/5 data taken from the CHAI website*
2005/6 figures are taken from the internal Trust Performance Report.

Note: *The Trust does not plan to have any breaches in the inpatient or outpatient waiting times targets in 2006/7 or 2007/8, and plans to achieve the A&E target in those years*

A&E target

The A&E target measures the Trust's achievement of the four hour total time. The performance represents the number of patients who attend A&E and are either admitted, transferred to another hospital or discharged within four hours of arrival. These patients are shown as a percentage of the total number who attend A&E.

The threshold for the A&E target changed over the years:

- 2003/04 – 90% during the 9 months to 31 March 2004
- 2004/05 – 98% during the final quarter of the year
- 2005/06 onwards – 98% during the whole of the year

Inpatient target

The inpatient target represents the percentage of patients who wait longer than the standard for elective admission (daycase or elective inpatient).

The waiting time standard for this indicator has changed over the years. The targets and thresholds were as follows:

- 2003/04 – Patients should wait less than 12 months. The threshold for achievement was 0.03% or less
- 2004/05 – Patients should wait less than nine months. The threshold for achievement was 0.03% or less
- 2005/06 – Patients should wait less than nine months during the period to December 2005, and then less than six months from January 2006. The thresholds have not yet been published

Outpatient target

The outpatient target represents the percentage of patients who wait longer than the standard for their first outpatient attendance following a referral from a GP.

The waiting time standard for this indicator has changed over the years. The targets and thresholds were as follows:

- 2003/04 – Patients should wait less than 21 weeks. The threshold for achievement was 0.03% or less.
- 2004/05 – Patients should wait less than 17 weeks. The threshold for achievement was 0.03% or less.

- 2005/06 – Patients should wait less than 17 weeks during the 9 months to December 2005, and then less than 13 weeks from January 2006. The thresholds have not been published yet.

Staffing levels

Table 20 – Average number of staff[10] - WTE

WTEs	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Consultants	141	147	162	158	155
Junior medical	295	292	310	292	291
Nursing, midwifery & health visitors	1,114	1,164	1,177	1,077	1,050
Scientific, therapeutic, & technical	309	312	330	313	314
Other clinical staff	151	175	200	187	183
Non clinical staff	608	618	664	621	604
	2,618	2,708	2,843	2,648	2,597

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 ( )

- Historically the Trust has seen an increase in WTEs as additional capacity has been opened to deliver the NHS Plan reduction in maximum waiting times.
- The focus from 2005/06 has however focused on the need to deliver additional activity increases through productivity improvements, rather than through increased capacity.
- The WTE reduction in 2006/07 reflects the full year effect reduction of 2 wards through productivity improvements.
- The reduction in WTEs in 2007/08 represents the allocation of the Trust's estimate of that year's CIP target.

[10] including agency

Exceptional items

Table 21 - Analysis of exceptional items

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Exceptional items					
Profit/(loss) on disposal of fixed assets			*There are no exceptional items*		
Total					

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 ( )

Interest receivable/payable

Table 22 - Analysis of financial income and expenditure

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Interest receivable	352	227	247	119	362
Interest payable	-	-	-	(5)	-
Finance leases	(30)	(132)	(132)	(78)	(77)
Loans	-	-	-	(188)	(679)
	322	95	115	(152)	(394)

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_I&E_nom; C_Cash; I_BSFor)

- Interest receivable/payable represents interest payable at ¾% above the base rate on overdrawn balances and at ¼% below base on positive balances. This is based upon the experience of current FTs and discussions with prospective corporate banking partners. The current base rate of 4½% is forecast to increase to 4¾% from September 2006 and stay at this level throughout the forecast period. Interest is applied against the average of the opening and closing monthly cash/overdraft position.
- The Trust anticipates a fee of 0.1% against the working capital facility as a cost of having the facility. The use of the facility attracts interest as set out above.
- Loan interest has been forecast at 5.0% per annum of the monthly loan balance outstanding. The National Loans Fund rate for a 5-year loan at 23rd June 2006, upon which the interest rate would be based, was 5.0%.

PDC dividends

Table 23 - Analysis of PDC dividends payable

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
PDC dividend	10,499	8,298	8,821	9,666	10,039

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_I&E_nom)

- The PDC dividend for 2006/07 has been set as part of the exercise undertaken in September 2005. For 2007/08, the calculation has been based upon the average of the opening and closing forecast net relevant assets in accordance with the NHSFT Financial Reporting Manual 2005/06.
- The reduction in PDC dividend in 2004/05 represents the effect of the directors' valuation of the Chelsea & Westminster Hospital.

Reconciliation to SDS

Set out below is a reconciliation of these working capital projections to the Trust's SDS dated May 2006.

Table 23.1 – Reconciliation of working capital forecast to SDS

£m	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
SDS retained surplus	(1.9)	0.1	2.2	2.4	5.3
NHS clinical income	-	-	-	-	(1.5)
PbR clawback	-	-	-	-	(3.1)
Private patients	-	-	-	0.1	0.2
Pay	-	-	-	(0.1)	(0.6)
Drugs	-	-	-	-	0.1
Clinical supplies	-	-	-	-	0.4
Other costs	-	-	-	-	(0.2)
Interest	-	-	-	-	(0.2)
PDC dividend	-	-	-	-	0.2
Working capital projection's surplus	(1.9)	0.1	2.2	2.4	0.6

Note: (a) Unaudited
Source: Service Development Strategy, May 2006
CWH FT Assessment Model v 7.5 (C_I&E_nom)

The main changes between the SDS and the working capital forecasts are:

- correction of the double counting of income stream;
- change in the assumption underlying the calculation of the PbR transitional clawback, which continues to not take account of the overstated PbR gain used in the DH's 2006/07 clawback calculations resulting from the non-deflated 2006/07 tariff;
- change in the basis for maximising private patient income from being capped at the 2002/03's ratio of private patient income to total income as set out in the *Health & Social Care (Community Health & Standards Act) 2003* to its ratio with total patient care related income as set out in the *NHSFT Financial Reporting Manual 2005/06*;
- reduction in CIP requirements as a result of a reduction in NHS related income;
- marginal costs associated with the increased private patient income; and
- financing cost effects of the net reduction in cash resources as a result of the above changes, including PDC dividend.

6. Balance sheet

Balance sheet summary

Table 24 - Balance Sheet summary

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Fixed assets	236,745	269,643	281,618	300,679	315,849
Current assets					
Stocks & work in progress	3,524	4,147	5,237	5,493	5,702
Debtors	17,826	24,092	16,010	14,612	14,327
Cash	158	620	540	1,517	11,913
Total current assets	21,508	28,859	21,787	21,622	31,942
Creditors: due within one year	(26,382)	(23,372)	(23,885)	(25,444)	(26,103)
Net current assets/ (liabilities)	(4,874)	5,487	(2,098)	(3,822)	5,839
Debtors: due after one year	-	389	326	343	320
Total assets less current liabilities	231,871	275,519	279,846	297,200	322,008
Finance leases	(347)	(1,243)	(2,235)	(2,197)	(2,154)
Provisions	(458)	(2,518)	(4,557)	(432)	(409)
Total assets employed	231,066	271,758	273,054	294,571	319,445
Taxpayers' equity					
Public dividend capital	169,264	177,764	168,981	159,531	159,531
Income & expenditure reserve	(2,808)	(2,701)	(499)	1,899	2,475
Revaluation reserve	59,293	90,810	97,381	117,859	132,312
Donated asset reserve	5,317	5,885	7,191	7,488	7,740
Total taxpayers' equity	231,066	271,758	273,054	286,777	302,058
Loans	-	-	-	7,794	17,387
Total funds employed	231,066	271,758	273,054	294,571	319,445

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (BS)

- The financial projections are based on the actual Balance Sheet as at 31st March 2006.

- Fixed assets reflect the existing asset base at 31st March 2006 and new capital expenditure for 2006/07 to 2010/11. In accordance with the *NHSFT Financial Reporting Manual 2005/06*, it is assumed that assets will no longer be indexed annually but will be revalued every 3 and 5 years in accordance with UK GAAP. Consequently, the financial projections assume the average NHS indexation factors for 2004/06 as a proxy for the revaluation in March 2008 and March 2010. The fixed asset revaluation factors used are:

	Land	Buildings	Equipment	IT
31 March 2008	5.4%	5.0%	2.4%	-
31 March 2010	11.0%	10.2%	4.9%	-

- Working capital has been forecast on the basis of previous years' historic performance, adjusted for areas where debtor/creditor days are expected to be improved, or where the balance's dynamic nature has changed, e.g. move to full PbR from block funding.

- Stock is assumed to vary in accordance with patient care activity. Stock days are forecast to improve by 2 days per annum from the 36 days at March 2006. Options to further improve stock level performance are being explored.

- Debtors reflect income projections and a forecast improvement in collection efficiency in line with DH guidance, *Cash Management in the NHS*[11]. NHS debtor days are forecast to improve from 18 days to 14 days over the 24 months to March 2008.

- Pay creditors represent payroll deductions payable 19 days after the month end, e.g. national insurance contributions, income tax, superannuation, etc.

- Non-pay creditors are a reflection of expenditure levels and are assumed to be paid in line with the Better Payment Practice Code.

- Capital creditors reflect the capital expenditure phasing based upon previous year's expenditure and are forecast payable within 30 days of month to which they relate.

- Historically, cash balances have been governed by the Trust's allocated External Financing Limit ("EFL"), plus in addition cash balances at the year end have had to be within 0.3% of turnover.

[11] FMWP (04-05) 12, dated 15 June 2004

Fixed assets

Table 25 - Fixed Asset Summary

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Intangible assets					
Software licences	369	369	369	369	369
Accumulated amortisation	(369)	(369)	(369)	(369)	(369)
Net book value	-	-	-	-	-
Tangible assets					
Land & buildings	218,152	259,298	264,264	289,667	310,774
Plant, machinery & equip.	26,727	30,022	34,983	37,419	41,688
Assets under construction	10,584	7,136	11,927	12,657	13,138
Accumulated depreciation	(18,718)	(26,813)	(29,556)	(39,064)	(49,751)
Net book value	236,745	269,643	281,618	300,679	315,849
Total fixed assets	**236,745**	**269,643**	**281,618**	**300,679**	**315,849**

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_BS)
Published Accounts
Fixed Assets v1.5

- Over the three years to 2005/06 the increase in the Trust's fixed assets has been mainly due to the national revaluation exercise undertaken at 31 March 2005 and the completion of the Treatment Centre.
- The cost of the Treatment Centre totalling £6.35m was completed over the three years to 2005/06, which accounted for the majority of the capital expenditure in buildings and assets under construction during this period.
- In accordance with the NHSFT Financial Reporting Manual, the financial projections include a forecast interim revaluation exercise in March 2008. In addition, the asset base was indexed every 1st April to 2006. Thereafter, no indexation is assumed in accordance with the NHSFT Financial Reporting Manual.
- The movement from 2006/07 for equipment relates to the planned PACS project and other medical equipments.
- Assets under construction are increasing mainly due to the PACS and Burns unit project which straddle more than one financial year.
- No provision has been made for additions to donated assets.

Capital expenditure plans

Table 26 - Capital expenditure summary

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Generator	1,018	105	-	-	-
Treatment Centre	513	3,868	1,909	-	-
Regional Burns Unit	-	-	-	500	3,500
Paediatrics A&E expansion	-	-	-	-	1,500
Private Maternity expansion	-	-	-	-	500
PACS	-	-	-	600	2,279
Medical equipment	-	-	-	1,316	46
Other projects	-	-	-	983	274
Non-maintenance capex	1,531	3,973	1,909	3,399	8,099
Maintenance capex	5,548	3,393	10,985	4,395	3,053
Total capital expenditure	7,079	7,366	12,894	7,794	11,152

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (I_Cost (base); I_BSFor)
Capex by Project 2006-11

The Capital Programme has several strands:

- Backlog maintenance on buildings and plant in line with keeping the Estate to Condition B. The Trust has carried out a full replacement of the Generators, Lifts, Fire and Security and completed the replacement of the Cooling System in 2005/06. By the end of 2006/07 the level of required backlog maintenance will have reduced to £5m.
- A rolling programme of medical equipment replacement of £1m-£2m p.a. In 2005/06 the Trust replaced its Radiology Interventional Suite and replaced all Theatre Monitor and Anaesthetics machines.
- Capital spend is identified for the implementation of a Picture Archiving & Communication System in 2006/07 and 2007/08, and ward and theatre capacity for the Regional Burns Unit, an expansion of Paediatric A&E and Private Maternity ward capacity in 2007/08.
- Although the Trust is projecting sufficient Depreciation to cover the projected Capital Programme, the Trust will need to finance the capital programme in 2006/07 and possibly in 2007/08 in order to repay its cash brokerage and EFL in 2006/07 (See Loans and Financing page 51).

Table 27 - Maintenance capital expenditure and maintenance backlog

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
Maintenance	4,939	3,055	9,933	1,343	2,561
Backlog	609	338	1,052	3,052	492
Total	5,548	3,393	10,985	4,395	3,053

Note: (a) Unaudited
Source: [CWH FT Assessment Model v 7.5 (I_Cost (base); I_BSFor) Capex by Project 2006-11]

- Maintenance expenditure peaked in 2005/06 when the Trust carried out a major backlog maintenance and equipment replacement overhaul, including £3m on replacement and upgrade of the cooling system, £0.8m on the Lift refurbishment, £1.3m on replacement the Radiology Interventional Suite and Anaesthetic machines/monitors and £0.6m on the refurbishment of the HIV unit.
- Most of the Capital Programme for 2006/07 has yet to be committed and all of the 2007/08 is uncommitted.

Debtors

Table 28 - Debtors Summary

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
NHS debtors	13,908	16,999	9,144	7,961	8,081
Bad debt provision	-	-	-	-	-
	13,908	16,999	9,144	7,961	8,081
Debtor days	*33.1*	*36.8*	*18.3*	*15.0*	*14.3*
Non-NHS trade debtors	2,022	5,197	6,044	5,828	5,344
Bad debt provision	(1,214)	(1,933)	(1,901)	(1,833)	(1,681)
	808	3,264	4,143	3,995	3,663
Debtor days	*19.7*	*48.9*	*46.9*	*48.2*	*48.0*
Other non-NHS debtors	638	1,944	399	355	362
Accrued income	1,196	1,589	1,902	1,858	1,749
Prepayments	1,276	296	422	443	472
Total debtor balance	19,040	26,025	17,911	16,445	16,008
Total bad debt provision	(1,214)	(1,933)	(1,901)	(1,833)	(1,681)
Net debtor balance	17,826	24,092	16,010	14,612	14,327
Debtors due >1 year	-	389	326	343	320

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_BS)

<u>*NHS debtors*</u>

Historic analysis

- NHS debtors increased by 22% from 2003/04 to 2004/05 due to disputed items with Hammersmith Hospitals and K&C PCT.
- In 2005/06 the Trust was able to resolve most of the disputes with K&C PCT and Hammersmith Hospitals. It has increased provision for doubtful debt and delivered a significant improvement in debt collection through the implementation of new systems and procedures to reduce its debtor days from 36.8 to 18.3 days – an improvement of £8m.

Forecast assumptions

NHS debtors comprise two components:

- clinical income (including MFF and clawback); and
- non-clinical income (ie education & training levies, research & development and non-patient services from other NHS organisations).

The Trust has assumed that 90% of clinical income is received within the month in which the activity takes place. The balance, representing a time lag in payment against contract, is forecast to be received by the end of the quarter following the quarter in which it is earned. The March 2006 debtor of £5.9m relating to clinical activities is forecast to be liquidated evenly throughout the first six months of 2006/07.

Non-clinical NHS income is forecast to be received within 40 days of the period in which it earned, which is consistent with the 39 days in 2005/06.

The net effect of the above assumptions is to reduce total NHS trade debtor days from 18.3 days in March 2006 to 14.1 days in March 2008, as well as delivering incremental improvements in future years.

Non-NHS trade debtors

Historic analysis

Provisions for bad and doubtful debts against non-NHS debtors increased by 59% in 2004/05 to £1.9m in March 2005. This increase was largely due to a more rigorous reconciliation of non-NHS trade debtors, as well as a thorough review of uncollectable debt.

Forecast assumptions

There is a high level of debtor balances relating to private patients, RTA and other non-NHS clinical income. The Trust is forecasting to improve this debtor category's performance by 3 days per month or 72 days during 2006/08.

This Trust has a provision of 31% of non-NHS trade debtors outstanding at March 2006. This level of bad debt has been held throughout the forecast period. As a result of a forecast improvement in debt collection, the increase in debtor levels from inflation and increased activity is more than offset from reduced debtor days outstanding. This in turn reduces the absolute value of the bad debt provision, resulting in a release of the provision of £68k and £152k respectively for the two years 2006/08.

Other non-NHS debtors

These have been forecast forward on the basis of the 2005/06 performance of 27 days of other income.

Accrued income

The Trust has held this category constant with its 2005/06 performance of 22 days. The driver for this category comprises education & training, research & development and other income.

Prepayments

Prepayments have been held in line with the Trust's 2005/06 performance, representing 8 days of establishment and premised & fixed plant expenditure.

Debtors due after more than one year

This relates to the back-to-back provision for early retirement costs due from K& C PCT, which is matched by the early retirement provision under provision for liabilities and charges. With the exception of the recovery of a £40k overpayment in

September 2006, the debtor reduces evenly at the rate of £23k per annum, which is matched by the utilisation of the provision.

Creditors

Table 29 - Creditors summary

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
NHS creditors	9,349	9,356	7,040	6,590	5,843
Non-NHS trade creditors	8,533	6,864	5,497	9,382	9,540
Capital creditors	2,610	253	1,707	1,083	1,550
Other taxes & social security	2,291	2,602	2,836	3,154	3,209
Other non-NHS creditors	1,642	1,488	1,842	1,680	1,753
Interest payable accrual	-	-	-	188	867
Accruals	1,018	1,858	3,770	2,185	2,227
Deferred Income	939	951	1,193	1,182	1,113
Creditors due < 1 year	26,382	23,372	23,885	25,444	26,102
Finance leases	347	1,243	2,235	2,197	2,154
Provisions for liabilities	458	2,518	4,557	432	409

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_BS)
CWH LTFM v3.8

NHS creditors

- NHS creditors comprises two components:
  - NHS Pension ("NHSP") superannuation deductions; and
  - other revenue costs, ie CNST and services from other NHS organisations (both healthcare and non-healthcare services).
- NHS creditors decreased in 2005/06 to £7m due to the improvement in debt collection, thus giving the Trust sufficient cash in order to repay its creditors. NHS creditor days fell to a three year low of 53 days in 2005/06.
- The NHSP superannuation contribution is based upon an employee's contribution of 6% and an employer's of 14% of gross pensionable salary. The Trust's forecasts assume an 85% pension take up rate and an employer's national insurance rate of 12%. The resultant forecast contributions are assumed to be paid within the month following their deduction.
- The composite historic creditor days for the remaining NHS creditor balance are distorted by a debt owing to Hammersmith Hospitals. The Trust's has assumed that the 133 creditor days at March 2006 are forecast to reduce evenly throughout 2006/08 to 100 days by March 2008.

Non-NHS trade creditors

- Non-NHS trade creditors reduced to £6.9m in 2004/05 and a further 20% to £5.5m in 2005/06. This was mainly due to the improvement in the debtor cycle thus giving the Trust sufficient cash in order to pay its creditors.
- Non-NHS trade creditors are forecast to be paid within the month following the month of expenditure from April 2006. The cost drivers for this comprise non-NHS pay costs and non-pay costs, excluding CNST, services from other NHS organisations and bad debt provisions.

Capital creditors

- These are forecast to be paid in the month following the month of expenditure, eg within 30 days.

Other taxes and social security

- The gradual increase is due to an increase in staff salary for the years and the backlog pay of agenda for change.
- The forecasts assume an employer's national insurance contribution of 12% and an employee PAYE deduction of 25%. The resultant contributions/deductions are forecast to be paid in the following month.

Interest payable accrual

- This comprises loan interest payable. The accrual arises as a result of the repayment of principal and interest being made biannually.

Accruals

- The movement in accruals is due to the different timing of invoice processing.
- The forecast assumes that 7 days of expenditure is accrued each month.

PDC dividend accrual

- PDC is accrued monthly and paid biannually in September and March.

Provision for liabilities and charges

- The main increases in 2004/05 and 2005/06 relate to AfC provisions of £2.0m and £2.6m respectively. Of this, £0.5m was utilised in 2005/06.
- The £4.1m provision relating to AfC costs at March 2006 has been assumed to be utilised evenly over seven months from April 2006.
- The remaining provision relates to a back-to-back provision for early retirement costs, which are forecast to be utilised evenly at the rate of £23k per annum.

Finance leases

- This represents the lease on the Cheyne Child Development Clinic.

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE
Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

Loans and financing

Loans

As at 31st March 2006, the Trust had a cash balance of £0.54m. However, this was after receipt of in-year brokerage of £6.17m, which the Trust is required to repay on becoming licensed as a NHSFT, ie early August 2006. The Trust therefore has a structural cash shortfall of around £6m, which is attributable to the over-payment of capital charges for more than a decade following errors in the valuation of the Trust's asset base and due to the Trust being under capitalised since its inception as an NHS Trust in 1993. As a consequence, it has suffered from an historic cash deficit for the last decade, which has been financed by repayable cash brokerage within the local health economy and, at times, has been as high as £20m. The fact that the current amount due for repayment in 2006/07 amounts to only £6.2m is therefore a reflection of the Trust's cash recovery plan over the last couple of years, since the Trust focused on mitigating this risk.

In addition to the repayment of cash brokerage, the Trust has a current forecast EFL for 2006/07 of £3.28m. This basically represents the excess of depreciation over capital expenditure in the 2006/07 capital charges estimate exercise, which was submitted in late 2005. The Trust is currently in negotiation with John Guest at the DH with regards to what extent this payable. It is also apparent from Wave 2, Group 5 trusts that the DH may set the EFL requirement in the NHS trust accounts at 31st July 2006, which mean the Trust would not be required to make this EFL payment. Notwithstanding this, the Trust has made a prudent assumption in its projections that the full amount will be repayable in March 2007.

In its downside case (see Section 8), the Trust has included a further EFL repayment of £2.2 in respect of the carry forward of the 2005/06 surplus in accordance with RAB rules.

The Trust therefore intends to repay the brokerage of £6.2m and the net capital expenditure/depreciation under spend of £3.2m on 1st August 2006 and 31st March 2007 respectively through its depreciation funding paid through Tariff income. This is possible because, as an NHSFT, the Trust will no longer be subject to the requirement to hand back its net capital expenditure/depreciation under spend through the EFL. The Trust therefore intends to finance its capital programme by two loans to be drawn down from the NHS Foundation Trust Financing Facility ("FTFF") of £7.8m in 2006/07 and a further discretionary loan of £11.2m in 2007/08. The repayment profile of these loans will be matched to the economic lives of the assets financed. They will be repaid through the increasing surpluses that the Trust is projected to make over the last three years of the financial projections. The Trust is not committed to drawing down the second loan and will revisit its assumption when preparing its first annual plan for 2007/10.

In discussions with the FTFF, the Trust understands that it can draw down the loan one quarter in advance of expenditure, as well as a quarter in arrears in respect of Q1 2006/07. Consequently, the Trust has assumed that it will draw down £3.33m in August 2006 in respect of Q1 and Q2, and £1.71m and 2.75m in respect of Q3 and Q4 2006/07 capital expenditure.

The Trust has assumed a 5-year term, with a fixed interest rate of 5.0%[12]. Repayments of principal and interest are made biannually in arrears. Furthermore, it has been assumed that the first repayment is due six months after the final

[12] the National Loans Fund rate for a 5-year loan at 23 June 2006 was 5.0%

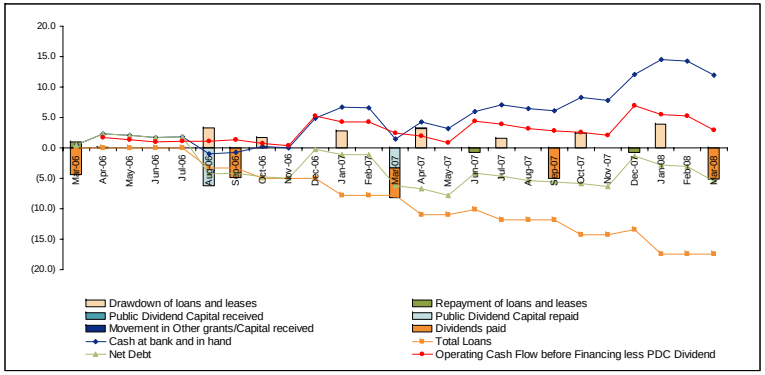
drawdown, ie June 2007. Interest is accrued monthly on the opening principal sum outstanding.

Working capital facility

Subject to licensing as a NHSFT, the Trust has secured a £18m working capital facility with the *Royal Bank of Scotland* ("RBS"). This will provide short term funding to cover the cash shortfalls arising from the downside sensitivities and any other fluctuations in the Trust's performance against plan.

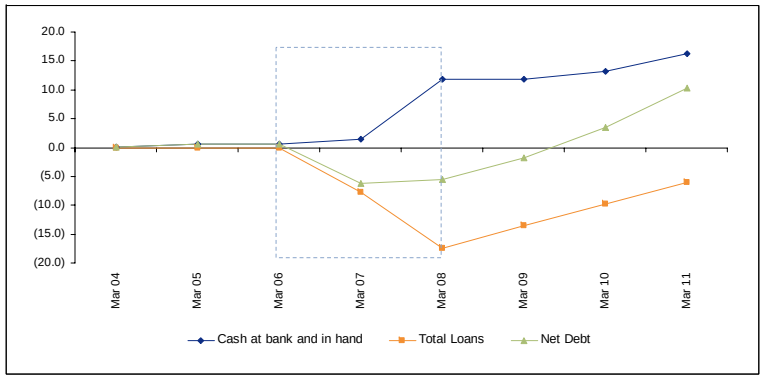
The following graphs illustrate the impact of these financing assumptions on the Trust's cash projection over the 24 month period to March 2008:

Figure 2 – Monthly projected cash and debt position



and over the 5 year planning period to 2010/11:

Figure 3 – Annual projected cash and debt position



The key thing to note about the above graphs is that:

- the Trust is in a net debt position during the 24 month working capital report period;

- over the last three years, the Trust generates sufficient cash surpluses and is projected to resolve the net debt position by 2009/10; and
- operating cash flow before financing less PDC dividend is positive through the 24 month period and improves by nearly £3m.

Contingent liabilities

In arriving at the Trust's working capital position, the Board have considered the following matters which involve, or may involve, legal proceedings against it:

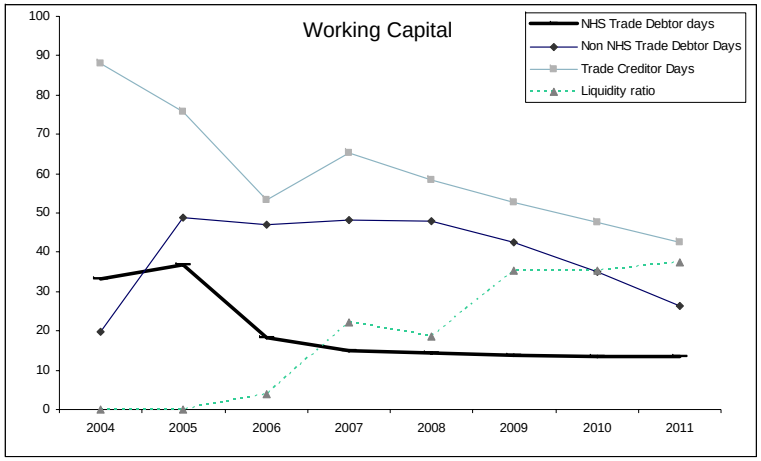
- pre-legal dispute over software licence fee for the Trust payroll system; and
- claim against former facilities provider.

Management is of the opinion that the above items will not have a material impact on the projected net cash flow for the Trust.

It is assumed that the Trust will continue to be a member of the NHS Liabilities Scheme and will continue to make a CNST contribution. The Trust is reviewing whether to extend insurance arrangements to cover directors' liabilities

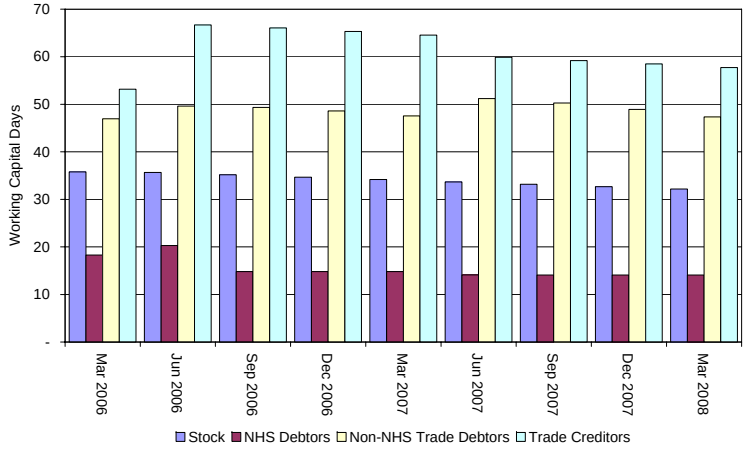
Working capital

Figure 4 – Net working capital position



Source: CWH FT Assessment Model v 7.5 (O_Charts)

Figure 5 – Stock, debtor, and creditor days



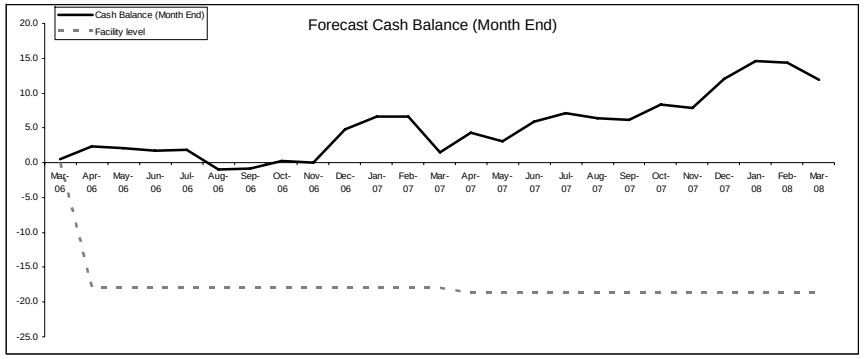
Source: Working Capital Chart

7. Cash movements and headroom

Summary of headroom

Figure 4 shows the monthly cash headroom/ requirement throughout the period of the projections and compares this to the available facilities.

Figure 6 – Projected cash position/requirement versus available facilities



Source: CWH FT Assessment Model v 7.5 (O_Charts)

Analysis of cash movements

The main components of significant cash movements comprise:

- biannual payments of PDC dividend (£4.8m/£5.0m) at the end of September and March each fiscal year, with the intervening monthly cash receipts of income to fund this cost;
- repayment of cash brokerage of £6.17m in August 2006;
- repayment of 2006/07 EFL in March 2007;
- drawdown of loans one quarter in advance of capital expenditure;
- biannual repayment of loan principal and interest totalling £0.78m commencing in June 2007;
- monthly EBITDA of £1.8m; and
- financing of working capital, including the quarterly receipt of c.10% of NHS clinical income one quarter after the quarter to which it relates.

Financing facilities

Subject to licensing as a NHS FT, the Trust has secured a £18m, 364 day committed working capital facility with RBS. This facility will be reviewable annually.

This carries an annual fee of 0.1% and incurs interest at 1% over base rate, charged quarterly in arrears. Repayment is fully fluctuating. No security will be provided against the facility.

The Prudential Borrowing Limit ("PBL") has been calculated with reference to the following covenants:

Table 30 – PBL ratios

Ratio	Limit/test
Minimum dividend cover	Greater than 1 times
Minimum interest cover	Greater than 3 times
Minimum debt service cover	Greater than 2 times
Maximum debt: capital ratio	Less than 10 %
Maximum debt service to revenue	Less than 3 %

For completeness, the cash flows are summarised below:

Table 31 – Cash Flow Summary

£'000	2003/04 Actual	2004/05 Actual	2005/06 Actual[(a)]	2006/07 Plan	2007/08 Forecast
CF from operations	13,148	10,323	27,794	20,580	21,149
Capital expenditure	(6,085)	(9,778)	(11,440)	(8,418)	(10,685)
Maintenance capex					
CF before financing	7,063	545	16,354	12,162	10,464
Movement in LT debtors	-	(389)	63	(17)	23
Loan & lease interest	(30)	(132)	(132)	(78)	(77)
Interest on cash	352	227	247	114	363
Drawdown of loans	8,000	11,500	-	7,794	11,152
Repayment of loans & leases	(8,000)	(11,500)	992	(38)	(1,602)
PDC received	2,579	8,500	-	-	-
PDC repaid	-	-	(8,783)	(9,450)	-
Other capital received	-	-	-	156	149
Dividends paid	(10,499)	(8,298)	(8,821)	(9,666)	(10,039)
Net cash inflow/(outflow)	(535)	453	(80)	977	10,433

Note: (a) Unaudited
Source: CWH FT Assessment Model v 7.5 (C_Cash)

Covenants

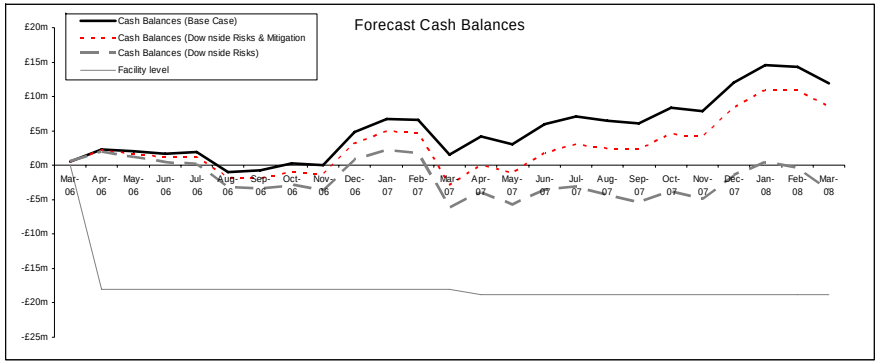
The following covenants will be required for provision of the working capital facility [subject to final confirmation of the working capital facility]:

- To provide RBS with a certified copy of the authorisation issued by Monitor on an annual basis
- To comply with the terms of authorisation and any other requirement of the regulator.
- To comply with the provisions of the Prudential Borrowing Code.
- That the Trust will not without the prior written consent of RBS incur or permit to subsist any financial indebtedness disclosed to RBS in writing.

8. Sensitivities

Key areas of sensitivity

Figure 7 – Projected cash position/requirement versus available facilities



The key areas of sensitivity within the projections are considered to be:

- NHS clinical income inflation;
- non-achievement of CIP targets;
- risks associated with PBC, PCT demand management and the host PCT's deficit;
- future HIV drugs funding;
- capping of outpatient follow-ups; and
- further EWTD implementation costs.

In addition to these, two further risks were modelled in the downside case:

- additional EFL repayment in respect of 2005/06 carry forward; and
- forecast income over performance in 2006/07.

The effects on income, EBITDA, retained result and cash balances are set out in the table below. Please note that the sum of the effect of individual risks will not equal to the composite effect of all risks since individual risks will have effects on each other, eg the capping of tariff inflation will result in lower effects on losses resulting from the capping of outpatient follow-ups. The prime financial statements of the downside case are shown in Appendix 2.

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE

Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working
capital & financial reporting procedures

Table 32 – Modelled prospective downside risks

£'000	2006/2007 Budget	2007/2008 Plan	2008/2009 Plan	2009/2010 Plan	2010/2011 Plan
(1) PbC, Demand Management, etc					
Income	(206)	(1,323)	(1,964)	(2,748)	(3,761)
EBITDA	(125)	(791)	(1,163)	(1,612)	(2,188)
Retained surplus/(deficit)	(128)	(815)	(1,232)	(1,746)	(2,414)
Year end cash balances	(132)	(944)	(2,184)	(3,927)	(6,331)
(2) Outpatient follow-up capped					
Income	(815)	(853)	(860)	(882)	(906)
EBITDA	(494)	(510)	(509)	(517)	(527)
Retained surplus/(deficit)	(507)	(546)	(568)	(602)	(639)
Year end cash balances	(521)	(1,065)	(1,625)	(2,225)	(2,862)
(3) Tariff inflation capped at 1.5%					
Income	-	(1,308)	(3,223)	(5,669)	(8,884)
EBITDA	-	(1,308)	(3,223)	(5,669)	(8,884)
Retained surplus/(deficit)	-	(1,337)	(3,353)	(6,000)	(9,557)
Year end cash balances	-	(1,336)	(4,568)	(10,479)	(19,922)
(4) HIV funding formula					
Income	-	-	(781)	(1,579)	(2,398)
EBITDA	-	-	(781)	(1,579)	(2,398)
Retained surplus/(deficit)	-	-	(798)	(1,648)	(2,559)
Year end cash balances	-	-	(769)	(2,388)	(4,918)
(5) Additional EWTD costs					
Income	-	-	-	-	-
EBITDA	-	(169)	(347)	(356)	(364)
Retained surplus/(deficit)	-	(169)	(362)	(388)	(414)
Year end cash balances	-	(169)	(532)	(919)	(1,333)
(6) CIPs					
Income	(125)	(128)	(131)	(134)	(138)
EBITDA	(3,843)	(4,526)	(5,052)	(5,550)	(6,027)
Retained surplus/(deficit)	(3,843)	(4,526)	(5,536)	(6,332)	(7,148)
Year end cash balances	(3,843)	(8,369)	(13,650)	(19,984)	(27,141)
(7) 2005/06 surplus 'repayment'					
Income	-	-	-	-	-
EBITDA	-	-	-	-	-
Retained surplus/(deficit)	35	(21)	(20)	(21)	(21)
Year end cash balances	(2,170)	(2,191)	(2,210)	(2,231)	(2,252)
(8) 2006/07 PCT income adj					
Income	(1,559)	-	-	-	-
EBITDA	(944)	-	-	-	-
Retained surplus/(deficit)	(944)	-	(42)	(44)	(46)
Year end cash balances	(944)	(944)	(987)	(1,031)	(1,077)
Total (downside case)					
Income	(2,706)	(3,596)	(6,904)	(10,879)	(15,821)
EBITDA	(5,405)	(7,290)	(11,020)	(15,150)	(20,123)
Retained surplus/(deficit)	(5,518)	(7,767)	(11,970)	(16,851)	(22,858)
Year end cash balances	(7,716)	(15,486)	(27,068)	(43,800)	(66,517)

(1) PBC, demand management, etc

This scenario looks at the measures that K&C PCT may take to manage demand into secondary care. The base assumption is that schemes will be replicated across all PCTs, the best that such schemes do not manage to reduce demand, and the worst that the schemes are twice as effective. This scenario covers changes in referrals due to moves to community schemes or schemes to reduce PCT deficits.

(2) Capping of outpatient follow-ups

Clinics have been capped for 2006/07 onwards in the base case. However, there is a risk of two additional scenarios. The first is that a percentage (20%) of these come back as new patients, and the worst case that the PCT commissions the number of follow ups at the upper quartile level for the country, not at the average.

(3) Tariff inflation capped at 1½% per annum

As stated in *Monitor*'s April 2006 board minutes, the Trust has mirrored *Monitor*'s assessor case assumption for 2007/08 onwards for tariff inflation.

(4) HIV funding formula

HIV Drugs costs are currently funded above the national average. It is unlikely that HIV drugs will transfer to national tariff as with other high cost exclusions. However the funding mechanism may change. For the base case it is assumed that drugs are funded at a Trust specific cost level with a net loss of £3.4m. For the worst case it is assumed that drugs are funded at the London tertiary centre average with a net loss of £6m.

(5) Additional EWTD costs

New working time regulations start in 2009, when maximum hours will reduce from 52 to 48 hours and the worst case scenario is that more staff, especially doctors, will be needed to absorb this change.

(6) CIPs

Given the risks associated with achieving such a high level of CIPs, the Trust has modelled the effects of not achieving a proportion of CIPs as follows:

- non-achievement of 20% of the 2006/07 target;
- slippage of 20% of 2006/07's target into 2007/08;
- non-achievement of 10% of the revised 2007/08 target (ie including the 2006/07 slipped target); and
- 10% non-achievement of the 2008/09 target and future years.

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE
Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

Mitigating actions

The above section dealt with downside sensitivities only and did not reflect any potential upsides resulting from differences in actual and projected assumptions. If the sensitivities illustrated were experienced in practice, it is likely/possible that the Board would be able to take corrective action to ensure that the Trust continued to trade within its borrowing facilities as follows:

- partial release of the provision for AfC costs associated with the *ISS Mediclean* hotel services contract;
- finding an alternative arrangement outside the private patient cap for the Assisted Conception Unit, and replacing it with the expansion of the higher contribution private maternity;
- savings from achieving upper quartile performance highlighted by the *McKinsey* benchmarking report;
- savings from the re-tendering of the hotel services contract in 2010/11;
- achievement of Level 3 CNST and its associated discount savings;
- capital charges savings associated with a reduced directors' valuation of the Chelsea & Westminster Hospital than is currently recorded in the books;
- implementation of a new staff rostering system; and
- process redesign of the corporate functions, including, for example, document management.

The above mitigating savings have first been applied to the Trust's forecast CIP targets, before they have been applied in mitigating the Trust's downside risks.

The Board has also identified the following additional mitigating actions:

- closure of the Cheyne Day Centre;
- implementation of a freeze on recruitment to fill current vacancies, plus the reduction of non-essential head count. This has been estimated to represent 70 WTE clinical staff and 40 WTE non-clinical staff;
- reduction in discretionary capital expenditure; and
- the phasing over three years of the forecast loss resulting from the change to *per capita* funding for HIV.

The forecast financial effects of the above mitigating actions are set out in the table below. Also, the composite financial effect of the additional downside risks and mitigating actions is shown in the table. Again, as with the downside risks, the sum of the individual risks/mitigating actions will be partly offset by the interaction of the risks/mitigating actions. The prime financial statements of the downside case with mitigating actions are shown in Appendix 3.

Management also notes that the proposed covenants for PBL pass without exception under sensitivity analysis.

Table 33 – Prospective mitigating actions against modelled downside risks

£'000		2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
		Budget	Plan	Plan	Plan	Plan
(A1)	**ISS AfC reduced provision**					
	Income	-	-	-	-	-
	EBITDA	-	329	335	343	352
	Retained surplus/(deficit)	-	329	357	379	405
	Year end cash balances	-	329	637	1,020	1,429
(A2)	**Private maternity expansion/ACU trf**					
	Income	-	-	-	-	-
	EBITDA	-	533	546	561	576
	Retained surplus/(deficit)	-	533	582	622	666
	Year end cash balances	-	533	1,091	1,715	2,383
(A3)	**Shared services project**					
	Income	-	26	81	152	232
	EBITDA	-	26	81	152	232
	Retained surplus/(deficit)	-	26	84	160	249
	Year end cash balances	-	26	100	255	501
(A4)	**McKinsey benchmark project**					
	Income	-	-	-	-	-
	EBITDA	1,707	5,277	9,332	13,669	18,535
	Retained surplus/(deficit)	1,707	5,277	9,845	14,708	20,340
	Year end cash balances	1,707	6,984	16,329	30,893	51,107
(A5)	**Facilities retender**					
	Income	-	-	-	-	-
	EBITDA	-	-	-	-	527
	Retained surplus/(deficit)	-	-	-	-	538
	Year end cash balances	-	-	-	-	476
(A6)	**CNST level 3 discount**					
	Income	-	-	-	-	-
	EBITDA	-	-	-	343	352
	Retained surplus/(deficit)	-	-	-	349	373
	Year end cash balances	-	-	-	305	682
(A7)	**Directors' valuation**					
	Income	-	-	-	-	-
	EBITDA	-	548	559	571	586
	Retained surplus/(deficit)	-	548	594	632	676
	Year end cash balances	-	548	1,062	1,700	2,382
(A8)	**Staff rostering system**					
	Income	-	-	-	-	-
	EBITDA	-	528	541	555	569
	Retained surplus/(deficit)	-	528	577	617	659
	Year end cash balances	-	528	1,105	1,722	2,382
(A9)	**Corporate HQ process redesign**					
	Income	-	-	-	-	-
	EBITDA	-	213	437	449	461
	Retained surplus/(deficit)	-	213	456	488	522
	Year end cash balances	-	213	650	1,139	1,663

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE

Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

Table 33 – Prospective mitigating actions against modelled downside risks (continued)

£'000		2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
		Budget	Plan	Plan	Plan	Plan
CIPs	**Unidentified CIPs**					
	Income	-	-	-	-	-
	EBITDA	-	(4,004)	(8,252)	(12,162)	(15,847)
	Retained surplus/(deficit)	-	(4,095)	(8,614)	(13,051)	(17,527)
	Year end cash balances	-	(4,102)	(12,359)	(25,290)	(42,740)
(B1)	**Emergency closure of Cheyne Centre**					
	Income	-	-	-	-	-
	EBITDA	155	160	164	168	173
	Retained surplus/(deficit)	155	160	182	194	207
	Year end cash balances	155	315	489	684	892
(B2)	**Vacancy freeze/head count reduction**					
	Income	-	-	-	-	-
	EBITDA	1,546	4,225	6,496	6,658	6,825
	Retained surplus/(deficit)	1,546	4,225	6,902	7,378	7,881
	Year end cash balances	1,546	5,771	12,673	20,051	27,932
(B3)	**Discretionary capex**					
	Income	-	-	-	-	-
	EBITDA	-	-	-	-	-
	Retained surplus/(deficit)	-	-	63	139	218
	Year end cash balances	-	-	576	1,198	1,871
(B4)	**HIV drugs funding phasing**					
	Income	-	-	4,061	2,083	-
	EBITDA	-	-	4,061	2,083	-
	Retained surplus/(deficit)	-	-	4,149	2,311	289
	Year end cash balances	-	-	3,996	6,383	6,749
	Total (sum of risk mitigations above)					
	Income	-	26	4,142	2,234	232
	EBITDA	3,408	7,836	14,301	13,389	13,340
	Retained surplus/(deficit)	3,408	7,744	15,176	14,928	15,496
	Year end cash balances	3,408	11,145	26,350	41,774	57,708
	Total (downside case)					
	Income	(2,706)	(3,596)	(6,904)	(10,879)	(15,821)
	EBITDA	(5,405)	(7,290)	(11,020)	(15,150)	(20,123)
	Retained surplus/(deficit)	(5,518)	(7,767)	(11,970)	(16,851)	(22,858)
	Year end cash balances	(7,716)	(15,486)	(27,068)	(43,800)	(66,517)
	Total (downside + mitigation)					
	Income	(2,706)	(3,570)	(2,821)	(8,696)	(15,589)
	EBITDA	(2,111)	1,015	4,651	875	(2,419)
	Retained surplus/(deficit)	(2,134)	916	4,689	1,064	(2,227)
	Year end cash balances	(4,356)	(3,431)	1,657	3,390	1,842

9. Financial reporting procedures

The objectives of this section are to document how the Board intends to monitor the Trust's actual financial performance, on an ongoing basis, against the projections and covers:

- Management reporting framework
- High level controls
- Corporate Governance
- Financial controls and reporting
- IT arrangements

Management reporting and high level controls

Management reporting framework

Budgeting

- The Annual Financial Plan, directed towards achieving key financial targets is prepared and submitted for the approval of the Trust Board on an annual basis.
- A detailed budget is produced which is reconciled in total to the financial plan resulting in an unidentified cost improvement target, which must be achieved to meet the approved plan.
- The Board receives comprehensive monthly financial statements, which include updates on the cost improvement figure.

Financial Reporting and Forecasting

- The Trust's Financial Management Department produces monthly reports for individual departments, directorates and the Trust Board.
- The Finance Managers are responsible for ensuring that the Trust income and expenditure statements produced within the General Ledger are properly reconciled. Monthly reports to Budget Holders and Managers agree to the Trust Board Statement. This ensures that information contained within all financial reports is consistent throughout all levels of reporting.
- Monthly and YTD figures are compared with budget and there is a forecast of year end figures. YTD reports are produced by Day 5 to enable sufficient time for identification of root causes of variances and to identify solutions. This is a key management tool to determine the focus of corrective action from the early part of the financial year onwards.
- A Budget Control Group has been established since 2003, chaired by the Chief Executive which identifies variances and holds Budget Holders to account for identifying corrective action to live within their budgets. Budget Holders who are off plan are required to develop recovery plans and present these face to face with the Chief Executive and Director of Finance.
- A Finance and General Purposes Committee, comprising the Trust Board Chairman, Chair of the Audit Committee, Non Executive, Chief Executive and Director of Finance meets informally each month to gain assurance on the

financial report and underpinning risks and assumptions. The Trust proposes to formalise this Committee on achieving Foundation Trust status.

- The Trust already includes forward cash flow analysis and key financial risks in its financial reporting. The Trust will review the format of the current finance report in line with 'The Intelligent Board' best practice document. In particular the Trust will introduce a flash report for the Board on key financial ratios and underlying operational performance. The format of the Trust Board report will be revised in line with the reporting formats to Monitor.

High level controls

- An Assurance Framework has been developed and established to provide a comprehensive top-level management tool to manage financial, operational and compliance risks. The Trust Board approved the Assurance Framework and reviewed it last in May 2006. The Framework is underpinned and informed by an ongoing risk review and management process at Trust level and within Directorates and Departments.
- The Clinical Governance Assurance Committee is responsible for reviewing and updating the Assurance Framework, and reviewing progress against action plans, on a regular basis.
- The Statement on Internal Control is prepared after a review of the Assurance Framework to identify any gaps in control or assurance. In the Head of Internal Audit's opinion, no issues of significant control weakness have been identified to be disclosed in the Statement of Internal Control.
- The Trust has the following controls over key cost categories planned or in place:
    - Pay – Nurse rostering system (planned)
    - Drugs – Medicines Committee and robotic pharmacy system (in place)
    - Non pay – E-Procurement system (planned)
    - Capital – Capital Programme Board, Medical Equipment Committee and Facilities Committee
- The provisional scores [subject to Audit Commission overall consistency and quality assurance review] under the Auditor Local Evaluation assessment for 2005/06 are:

Financial Management	3 (performing well)
Value for Money	2 (performance adequate)
Internal Control	3 (performing well)
Financial Standing/Reporting	[Scores will be based on 2005/06 audit]

Board involvement

The Trust will be managed by a board of directors consisting of a Chairman and five non-executive directors and five executive directors. The current board members are:

Chairman:	Juggy Pandit
Non-executive directors:	Marilyn Frampton Andrew Havery Professor Richard Kitney Karin Norman Charles Wilson

Executive directors:

Chief Executive	Heather Lawrence
Deputy Chief Executive	Amanda Pritchard (takes up post in September 2006)
Director of Finance & Information	Lorraine Bewes
Medical Director	Dr Michael Anderson
Nurse Director	Andrew MacCallum

The Board remains accountable for all functions whilst the detailed application of Trust policies and procedure are delegated to Standing Committees and directors and senior managers of the Trust.

Standing Orders and Standing Financial Instructions set out in detail the financial responsibilities of the Chief Executive and Director of Finance and other directors. A detailed scheme of delegation, including financial limits and other delegated responsibilities, is also contained within the Trust's Scheme of Delegation.

There are four formal sub-committees, which are directly accountable to the Board:

- Audit Committee
- Facilities Assurance Committee
- Clinical Governance Assurance Committee
- Remuneration Committee

Audit Committee

The Trust's Audit Committee consists of three non-executive directors, excluding the Trust Chairman. The three non-executive directors have backgrounds in investment banking, legal and head of internal audit in hotel sector/audit committee experience in local government.

The committee provides the Board with an independent objective review of controls and risk management, systems and practice, effectiveness and efficiency, compliance with law and compliance with all published codes of conduct and good practice. The committee also takes an overview on business and IT risk.

The committee has assessed itself against the Audit Committee Handbook and considers it complies with this guidance. In accordance with best practice, the committee reviews the annual accounts, Statement of Internal Control and annual

audit letter prior to their formal approval and adoption by the Board. The Board has approved the terms of reference for the committee.

Risk management

Risks are identified, monitored and mitigated through a variety of mechanisms. Risks of meeting the Trust's objectives are managed through developing the Assurance Framework. Each objective has an executive lead, who identifies and evaluates the risks to the relevant objective and identifies action plans to reduce the risks where appropriate. The risks and ratings are reviewed and approved by the executive team and then by the Board with particular emphasis on identifying and agreeing the main risks and actions plans. Progress against the risks is monitored regularly with an update being provided to the Board every six months.

Financial risks undergo a more detailed evaluation using a specially developed tool, which identifies and evaluates both the risk and the effectiveness of the mitigation to provide an overall risk rating.

Any external risks that may be of relevance to the Trust and its business are identified through an analysis of strengths, weaknesses, opportunities and threats ("SWOT") and analysis of political, environmental, social and technological ("PEST") factors affecting the Trust. This analysis contributes to the strategy and business plan.

Other risks in the organisation are identified through various mechanisms such as incidents, complaints, audits and risk assessments. These include clinical and non-clinical risks. Risks graded 12 and above are put on the Trust risk register with the accompanying action plan. In addition, departments have their own risk registers. Risks are monitored through various committees, particularly the operational risk management committee and Trust Executive for Clinical Governance. Overall assurance on risk management is provided by the Clinical Governance Assurance Committee, the Facilities Assurance Committee and the Audit Committee. These three committees provide quarterly reports to the Board. In addition, risks scoring above 20 and serious untoward incidents ("SUIs") are reported to the Board in the month in which they occur, including actions taken to reduce risk

The Trust has achieved level 1 in the Risk Pooling Scheme [for Trust] and level 2 in Clinical Negligence Scheme [for Trust] in both general and maternity standards.

Financial controls and reporting

Finance department

- Overall, the Trust's finance department is considered to be adequately resourced and fit for purpose. This will be kept under review as the impact of NHSFT status becomes clearer.
- The finance department is led by the Director of Finance and Information. This post is supported by a Deputy Finance Director, a Financial Controller, Director of Procurement, Head of Performance and Information, Head of Financial Management and Head of Financial Planning.
- The financial management function has five directorate accountancy teams (including Corporate) and each team is led by a Finance Manager.

- The Director of Finance and all second and third line reports are CCAB qualified with the exception of one post.

Financial reporting processes

- The Trust uses *Oracle Financials*, version 11.5.8, as its core financial system, covering accounts payable, accounts receivable, general ledger and purchase ordering. The server is on-site, and managed by the Trust with support from a third party. The system was last upgraded in 2003.
- The Trust manages its own payroll and provides payroll services to K&C PCT and NWLSHA though a SLA. The human resources ("HR") and payroll system is *Infinium* and provided under a managed service contract with *IBM*. The Trust has been using *Infinium* since 1992 and is currently upgrading the server. The Trust expects to migrate to the National Electronic Staffing Record ("ESR") in July 2007 and has started the preliminary phase of the ESR project.
- The Trust provides financial services (including payroll) to the NWLSHA and payroll only services to K&C PCT. With the roll out of ESR and the reconfiguration of SHAs, the Trust expects provision of these services to cease in 2007.
- The Trust has draft procedures for all key finance processes and these are currently being reviewed by service leads for sign-off by the Accounting Standards Group.

Internal and external audit

- *Deloitte & Touche LLP* are the appointed external auditor to the Trust. A full programme of work is undertaken at the Trust annually in line with the Audit Commission's Code of Audit Practice. This includes:
    - auditing the annual financial statements and Annual Report and a requirement to comply with Standards of Auditing Standards in undertaking the audit;
    - the application of specific targeted work on the financial aspects of corporate governance;
    - undertaking all relevant mandated performance audit reviews, such as the Auditor Local Evaluation assessment for the HCC Annual Health Check, Acute Hospitals Portfolio studies, progress on the NHS Plan and Data Quality arrangements; and
    - reviewing the adequacy of internal audit coverage.
- The Trust's internal audit function is delivered via *Bentley Jennison*, an external contractor which provides internal audit services to the NHS and commercial sector. Counter fraud work is delivered via a contract with *Parkhill Counterfraud Services*, including proactive and fraud awareness initiatives in the NHS.
- The Audit Plan is developed between the Director of Finance, Director of Governance and Corporate Affairs and Internal Audit and approved by the Audit Committee on an annual basis.
- Internal Audit work has been designed to comply with the requirements of the mandatory NHS Internal Audit Standards. The annual plan is risk based and reflects the priorities identified via the Assurance Framework. Internal Audit also informs the Trust's Statement of Internal Control.

- All recommendations arising from the audit reports have clearly identified action and responsibility. These are followed up by the internal auditors, and updates on progress provided to the Audit Committee at each meeting.
- No significant control issues have arisen from Internal Audit and External audit reviews that would have a bearing on the opinion expressed on the Statement of Internal Control.

Forecasting and monitoring process

- The Trust holds an annual budget setting process, which is part of the corporate planning process and identifies resources required to deliver key targets and details of cost improvement plans. Budgets are signed off by clinical directorates and the executive team and an annual budget is submitted to the Board for approval.
- The Board receives comprehensive monthly financial reports including updates on progress against CIPs and forecasts to the year-end.
- The Financial Management department produces monthly reports for budget holders, directorates and the Trust Board. Budget holders receive budget statements on the 5th working day of the following month.
- All budgets are held on the *Oracle* general ledger system. All financial statements are reconciled to the general ledger to ensure consistency throughout all levels of reporting.
- Finance managers work with clinical directorates and executives to produce a forecast position against budget and this is consolidated into an overall Trust forecast which is reported to the Board.
- A monthly Budget Control Group meeting is held, chaired by the Chief Executive, and attended by all clinical directors, general managers, finance managers and executives. Prior to the meeting the Financial Management department prepares a reporting pack which includes financial statements and narrative for each directorate. These meetings are used to hold general managers to account for financial performance and to agree corrective action necessary to achieve the financial plan.

IT arrangements

IT strategy

The Trust's outline IT Strategy is to:

- build upon our advanced Electronic Patient Record ("EPR") System that is Level 4+ in the NHS Tiered EPR Model;
- implement full electronic Choose and Book to support patient and GP choice and market services throughout the care economy;
- improve patient and clinician services through:
    - inpatient prescribing with reduced clinical risk of prescribing and administration of medicine as shown by the previous implementation of outpatient prescribing;
    - Picture Archiving and Communications ("PACS") to improve diagnostic imaging;

  - replace our aging theatre management system and improve the support of the Treatment Centre and main, Paediatric and Maternity theatres particularly in managing length of stay and support of emergency admissions;
  - Iiplement a hospital-wide bed management system to maximise bed utilisation and reduce length of stay where appropriate; and
  - improve staff rostering through replacement of the Trust's aging rostering system to effectively and economically deploy staff in line with patient demand and length of stay.

- Continue to integrate systems internally and externally such as the National Spine; and to provide common, secure access based upon roles and patient relationships.
- Take further advantage of systems that are being made available through Connecting for Health where the investment represents value for money. Examples include Theatre Management and may include PACS.
- Converge onto the National Care Record Service at the earliest opportunity commensurate with retaining the level of functionality that the Hospital presently enjoys.
- Ensure Information Governance and in particular supporting Hospital-wide initiatives to improve data quality.
- Support corporate services such as finance, performance measurement, payroll and HR.
- Work with Purchasing to implement electronic supply ordering and stock control to take advantage on a NW London initiative to pool orders to obtain best prices.
- Implement the National Electronic Staff Record (ESR) system for HR and Payroll in the 2007 timeslot displacing IT costs.
- Continue to provide a powerful IT infrastructure that keeps in step with demand, security and business continuity.
- Continue to outsource IT facilities management where appropriate to ensure best use of the Hospital space and value for money.
- Provide excellent training for existing and new staff as the basis of system introduction and support of the Hospital.
- Value our staff and ensure that they are provided with opportunities to develop their career.

Disaster recovery/business continuity plans

Disaster Recovery ("DR") and Business Continuity plans ("BC") are in place for the key systems used by the Trust. These are actively reviewed to enhance and improve them to meet service needs. Further on-going investment is required to provide and maintain a comprehensive DR and BC plan for all IT Infrastructure and Services. The EPR system and HR/payroll system are facilities managed off-site via accredited third parties at secure data centers. The Trust has a secondary computer room in St. Stephens, which provides backup to the core network infrastructure, real-time mirror of the Trust's SAN storage environment and resilient access to N3. The Trust employs appropriate enterprise backup policies and procedures, which include the offsite storage of archived data.

Technical support for the continued development of systems and controls

Primary on-site technical support is provided for all systems and the core infrastructure. Third Party support agreements are in place for escalation and additional support. Incident and problem management is via the IT Service Desk. A Trust wide electronic 'issues logging and asset management' database are in place which are maintained by the Service Desk. Regular reviewing of staff training and development is undertaken. There are teams dedicated to the support of EPR, Network and Server Infrastructure, Database development and support, Desktop and Peripheral Infrastructure, Intranet/Internet development, Customer Training, Systems Integration and Data Modeling/Management. External reviews are undertaken regularly to ensure that policies, procedures and controls are maintained are fit for purpose and follow best practices.

Current IT project summary - June 2006

£'000	Expenditure					
Project	**Pay**	**Non-Pay**	**To Go**	**Benefits**	**Schedule**	**Status**
PACS	£192	£1	£150	Full Business Case Produced for PACS	Negotiating Slot with CCA/ CfH[13]. Likely to be 2006.	Business Case produced. Cost being clarified with CfH.
PICIS Theatre Management	£203	£20	£100	First PICIS Implementation in London with Instrument Tray Tracking	Sept 2005 – Aug 2006	On schedule
Inpatient Prescribing	£44	£7	£225	Reduced Prescribing Clinical Risk Errors; Improved Productivity; Improved Patient and Clinician Support	Nov 2005 – Mar 2006	On schedule
System Integration	£90	£100	£90	Further Integration of Systems including ProWellness and Choose and Book; Ability to widen Pathology testing centres to include St Mary's Paddington	Oct 2005 – Mar 2006	On schedule – Spine connectivity now part of the work
Choose and Book	£207	-	£150	Meet National Target; Remain in Care Economy	Target Aug 2006	Interim Booking Service Live. Full booking service connectivity in planning
Bed Management	-	-	£200	Improve bed utilisation and Length of Stay	June – Nov 2006	
ESR – Electronic Staff Record	-	-	-	National shared system for HR and payroll that will reduce duplication of records and displace IT costs with improved value for money	In planning – slot is 2007	

[13] Connecting for Health

COMMERCIAL-IN-CONFIDENCE
NOT FOR PUBLIC RELEASE
Chelsea & Westminster Healthcare NHS Trust
Board Memorandum on projected working capital & financial reporting procedures

10. Prior forecasting history and in year budgeting accuracy

The table below shows the year-end I&E forecast at each period during the financial years ending 31st March 2004, 2005 and 2006.

Table 34 – Monthly historical I&E forecasting accuracy

	Forecast								
Financial Year	M4 £000	M5 £000	M6 £000	M7 £000	M8 £000	M9 £000	M10 £000	M11 £000	Out-turn £000
2003/04	(7,400)	(5,600)	(4,900)	(4,900)	(5,780)	(3,500)	(3,500)	(4,000)	(5,207) [1]
2004/05	(2,397)	(1,946)	(1,946)	(1,531)	(1,036)	(1,033)	(650)	(552)	105
2005/06	(3,414)	(950)	927	2,117	2,133	2,105	2,105	2,205	2,204

Note: (1) 2003/04 out-turn is shown as the Month 12 reported position, i.e. prior to the impact of the asset revaluation

- Each month after the first quarter, Financial Management teams, in consultation with General Managers, produce a forecast to the year-end. This forecast is then consolidated to provide a total Trust I&E forecast, shown in the table above.
- The forecast in 2004/05 demonstrates impact of corrective action following the forecast of a large deficit at Month 4 to achieve a small surplus at the year end.
- In 2005/06 the Trusts forecast stabilised at Month 7 and the Trust out-turn was consistent with the forecast from month 7.

The table below records the results of our prior year forecasting history:

Table 35 – Historical forecasting

£m	2003/04 Budget	2003/04 Actual	2004/05 Budget	2004/05 Actual	2005/06 Budget	2005/06 Actual[(a)]
Income	193.3	190.9	206.9	207.9	229.5	229.6
Expenditure	(182.7)	(182.6)	(198.6)	(199.6)	(220.9)	(218.7)
Operating surplus	10.6	8.3	8.3	8.3	8.6	10.9
Finance charges	(10.6)	(10.2)	(8.3)	(8.2)	(8.6)	(8.7)
Retained surplus/(deficit)	-	(1.9)	-	0.1	-	2.2
Variance against budget:						
Income		(1.2%)		0.5%		0.0%
Expenditure		(0.1%)		0.5%		(1.0%)
EFL set by DH	2.6		8.5		8.9	
External financing requirement	2.6		8.0		8.9	
Under/(over) shoot	-		0.5		-	

- The table above shows the actual out-turn against the in-year budget. The budget is amended throughout the year to reflect agreed changes in income and expenditure assumptions, within the constraints of an overall balanced budget position. As a foundation trust, the Trust will monitor performance against the original plan as well as the in year budget.
- During 2003/04, the Trust had a recovery plan of over £9m. The Recovery Plan included expectation of income, both NHS and Private, which did not materialise in 2003/04 resulting in a shortfall against the income target.

- In 2004/05, the Trust overachieved against the income target by £1m offset by an overspend against the expenditure target by an equivalent amount to achieve a small surplus. The most significant variance on income in 2005/06 related to overseas non-contract income (countries with reciprocal agreements) which is difficult to anticipate and varies from year to year.
- In 2005/06, the Trust met the income target in year and underspent against the expenditure target to the value of the required surplus (see below). Unanticipated costs that arose during the year included significant price rises on utilities and increases in the cost of the Pathology Contract services arising from well above average Agenda for Change settlements at the services provider. These were offset by the release of reserves held for payment of Agenda for Change on outsourced staff that did not arise in 2005/06.
- The Trust has always operated a balanced budget to control income and expenditure within the statutory breakeven duty. Surplus control totals have been delivered by planning an additional expenditure budget equivalent to the required surplus. In future years as a Foundation Trust, the Trust will move away from operating a balanced budget and instead set a budget with a planned surplus.
- The Trust met the EFL within allowable tolerances for each of the three years shown above.

11. Conclusion

Monitor
Independent Regulator of NHS Foundation Trusts
4 Matthew Parker Street
London SW1H 9NL

Dear Sirs

Chelsea & Westminster Healthcare NHS Trust

Working capital

In connection with the application of Chelsea & Westminster Healthcare NHS Trust ("the Trust") for NHS Foundation Trust status, the Board of Directors of the Trust ("the Board") has reviewed the Trust's future working capital requirements from 1 April 2006 to 31 March 2008. The results of this review are set out in section 2 of the attached Board Memorandum dated [6] July 2006, which has been prepared after due and careful enquiry.

In the opinion of the Board, taking into account the Trust's new facilities, the working capital available to the Trust is sufficient for its present requirements, which is at least the 12 months from 1 August 2006.

Financial reporting procedures

The Board confirm that they have established procedures which provide a reasonable basis for them to reach proper judgement as to the financial position and prospects of the Trust.

The basis of the Board's confirmation is set out in section 3 of the attached Board Memorandum dated [6] July 2006.

The Board confirms that it will continue to maintain procedures at or exceeding the level of quality subsequent to 1 August 2006.

Yours faithfully

For and on behalf of the Board of Directors of
Chelsea & Westminster Healthcare NHS Trust

12. Factual accuracy confirmation issued by the Trust

We have read the report on the Trust's projected working capital requirements and financial reporting procedures report prepared by KPMG LLP dated [ ] July 2006 and confirm the following:

- we are not aware of any factual inaccuracies within the draft report; and
- opinions and representations which have been attributed to persons referred to in the report are properly attributed to those persons.

Signed on behalf of the Board

. . . . . .[Director]

. . . . . .[Director]

Date . . . . . .

13. Appendix 1 – Financial projections: Base Case

Table 36 – Income & Expenditure (base case projections)

INCOME & EXPENDITURE
FT Application Forecast 2006/2011

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
	Actual	Actual	Actual	Outturn	Budget	Plan	Plan	Plan	Plan
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INCOME FROM ACTIVITIES									
Protected activities									
Elective	23,122	19,408	20,937	29,396	30,420	32,983	34,950	33,616	34,998
Non-Elective	51,164	56,331	54,623	49,550	51,768	53,150	54,760	57,333	60,214
Outpatient	25,335	28,974	34,070	42,733	41,044	42,546	44,050	45,171	47,181
A&E	5,336	5,603	5,884	6,210	10,437	11,311	12,127	13,239	14,506
HIV drugs	21,761	26,106	31,927	33,839	36,407	39,222	36,372	39,779	43,526
Other Activities	23,868	16,745	21,361	27,004	32,357	33,514	38,041	39,266	40,706
Gross NHS Clinical Income	150,585	153,167	168,801	188,732	202,432	212,726	220,300	228,403	241,130
Transitional Relief Clawback	-	-	-	(6,319)	(8,637)	(6,406)	-	-	-
Net NHS Clinical Income	150,585	153,167	168,801	182,413	193,795	206,321	220,300	228,403	241,130
Non-protected activities									
Private Patients	5,498	5,204	6,507	6,640	7,069	7,526	8,035	8,330	8,794
Other Non-NHS	932	945	1,579	1,145	1,058	1,104	1,152	1,202	1,253
	6,430	6,149	8,085	7,785	8,127	8,630	9,187	9,532	10,047
OTHER OPERATING INCOME									
Education, Training & Research	20,315	21,212	22,555	22,974	22,334	21,490	21,060	20,691	20,381
Charitable Contributions	2,840	3,054	3,191	3,334	3,405	2,360	1,819	1,622	1,597
Other Income	7,829	7,302	5,276	13,059	10,408	8,316	8,461	8,857	9,269
	30,984	31,568	31,022	39,366	36,147	32,165	31,340	31,170	31,247
Total Income	**188,000**	**190,884**	**207,909**	**229,564**	**238,070**	**247,116**	**260,827**	**269,105**	**282,425**
PAY	92,480	100,731	113,581	123,638	127,170	129,411	131,723	133,439	135,910
NON-PAY									
Drugs	25,344	27,971	31,421	34,143	37,725	41,798	46,082	50,615	55,840
Other clinical supplies & services	9,430	9,923	10,659	12,569	11,765	13,056	14,647	15,097	16,533
Other costs	34,672	36,370	36,156	39,354	39,685	41,156	41,981	42,858	43,957
Total Costs	**161,926**	**174,995**	**191,817**	**209,705**	**216,345**	**225,421**	**234,434**	**242,009**	**252,239**
EBITDA	**26,074**	**15,889**	**16,092**	**19,859**	**21,724**	**21,695**	**26,393**	**27,096**	**30,185**
OTHER ITEMS									
Depreciation	(7,274)	(7,591)	(7,784)	(8,951)	(9,508)	(10,687)	(11,223)	(12,114)	(12,555)
Profit/(loss) on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
INTEREST									
Net Interest Recievable	196	352	227	247	114	362	521	550	649
Interest Payable on Loans & Leases	(29)	(30)	(132)	(132)	(266)	(756)	(945)	(754)	(562)
DIVIDEND									
Capital Dividends Payable	(16,527)	(10,499)	(8,298)	(8,821)	(9,666)	(10,039)	(10,380)	(11,065)	(11,778)
RETAINED SURPLUS/(DEFICIT)	**2,440**	**(1,879)**	**105**	**2,202**	**2,398**	**576**	**4,366**	**3,713**	**5,939**

Table 37 – Balance Sheet (base case projections)

BALANCE SHEET
FT Application Forecast 2006/2011

	2002/2003 Actual £'000	2003/2004 Actual £'000	2004/2005 Actual £'000	2005/2006 Outturn £'000	2006/2007 Budget £'000	2007/2008 Plan £'000	2008/2009 Plan £'000	2009/2010 Plan £'000	2010/2011 Plan £'000
FIXED ASSETS	231,265	236,745	269,643	281,618	300,679	315,849	315,313	344,783	344,380
CURRENT ASSETS									
Stocks & work in progress	2,941	3,524	4,147	5,237	5,493	5,702	5,769	5,913	5,493
NHS debtors	11,327	13,908	16,999	9,144	7,961	8,081	8,329	8,494	8,804
Non-NHS trade debtors	2,504	808	3,264	4,143	3,995	3,663	3,237	2,661	2,047
Other debtors	203	638	1,944	399	355	362	371	381	390
Accrued income	2,357	1,196	1,589	1,902	1,858	1,749	1,697	1,670	1,657
Prepayments	794	1,276	296	422	442	471	483	494	508
Cash at bank & in hand	164	158	620	540	1,517	11,913	11,771	13,217	16,259
	20,290	21,508	28,859	21,787	21,622	31,942	31,656	32,828	35,156
CREDITORS: due within one year									
Bank overdraft	-	-	-	-	-	-	-	-	-
Trade creditors	(18,903)	(17,882)	(16,220)	(12,537)	(15,972)	(15,383)	(14,827)	(14,187)	(13,579)
Other creditors	(3,143)	(3,933)	(4,090)	(4,678)	(4,833)	(4,963)	(5,094)	(5,197)	(5,340)
Capital creditors	(1,708)	(2,610)	(253)	(1,707)	(1,083)	(1,550)	(1,485)	(1,420)	(1,688)
Interest payable accrual	-	-	-	-	(188)	(867)	-	-	-
Other accruals	(2,410)	(1,018)	(1,858)	(3,770)	(2,185)	(2,227)	(2,267)	(2,294)	(2,334)
Deferred income	(791)	(939)	(951)	(1,193)	(1,182)	(1,113)	(1,080)	(1,063)	(1,054)
	(26,955)	(26,382)	(23,372)	(23,885)	(25,444)	(26,102)	(24,752)	(24,161)	(23,996)
Net current assets/(liabilities)	(6,665)	(4,874)	5,487	(2,098)	(3,822)	5,839	6,904	8,667	11,161
DEBTORS: due after more than one year	-	-	389	326	343	320	297	274	251
Total assets less current liabilities	224,600	231,871	275,519	279,846	297,200	322,008	322,514	353,724	355,792
CREDITORS: due after more than one year									
Obligations under finance leases	(321)	(347)	(1,243)	(2,235)	(2,197)	(2,154)	(2,106)	(2,053)	(1,994)
PROVISION FOR LIABILITIES & CHARGES	(210)	(458)	(2,518)	(4,557)	(432)	(409)	(386)	(363)	(340)
Net assets employed	224,069	231,066	271,758	273,054	294,571	319,445	320,022	351,308	353,458
LOANS									
NHS financing facility	-	-	-	-	7,794	17,387	13,598	9,809	6,019
	-	-	-	-	7,794	17,387	13,598	9,809	6,019
TAXPAYERS EQUITY									
Public dividend capital	166,686	169,264	177,764	168,981	159,531	159,531	159,531	159,531	159,531
Income & expenditure account	(928)	(2,808)	(2,701)	(499)	1,899	2,475	6,841	10,554	16,492
Revaluation reserve	53,301	59,293	90,811	97,381	117,859	132,312	132,312	163,182	163,182
Donated asset reserve	5,010	5,317	5,885	7,191	7,488	7,740	7,740	8,232	8,232
	224,069	231,066	271,758	273,054	286,777	302,058	306,424	341,500	347,438
Total funds employed	224,069	231,066	271,758	273,054	294,571	319,445	320,022	351,308	353,458

Table 38 – Statement of Cash Flows (base case projections)

CASH FLOW
FT Application Forecast 2006/2011

	2003/2004 Actual £'000	2003/2004 Actual £'000	2004/2005 Actual £'000	2005/2006 Outturn £'000	2006/2007 Budget £'000	2007/2008 Plan £'000	2008/2009 Plan £'000	2009/2010 Plan £'000	2010/2011 Plan £'000
EBITDA	26,074	15,889	16,091	19,859	21,724	21,695	26,393	27,096	30,185
Transfer from reserves	(277)	(290)	(286)	(155)	(156)	(149)	(96)	(115)	(120)
Movement in working capital:									
Stocks	(271)	(583)	(623)	(1,090)	(256)	(209)	(67)	(144)	420
NHS debtors	(1,881)	(2,581)	(3,091)	7,855	1,183	(119)	(248)	(165)	(310)
Non-NHS trade debtors	-	1,402	(3,175)	(847)	216	484	623	840	895
Other debtors	(506)	(141)	(587)	1,545	44	(8)	(9)	(9)	(10)
Accrued income	-	1,161	(393)	(313)	44	109	52	27	13
Prepayments	(1,568)	(482)	980	(126)	(20)	(29)	(11)	(12)	(13)
Trade creditors	(2,584)	(1,021)	(1,662)	(3,683)	3,435	(589)	(556)	(640)	(609)
Other creditors	1,215	1,333	206	588	155	130	131	103	143
Payments on account	-	-	-	-	-	-	-	-	-
Accruals	241	(1,392)	840	1,912	(1,585)	41	40	28	40
Deferred income	-	148	12	242	(11)	(69)	(33)	(17)	(8)
Provisions for liabilities & charges	47	248	2,060	2,007	(4,193)	(175)	(219)	(287)	(305)
Net operating cash flow	20,490	13,691	10,372	27,794	20,580	21,113	25,999	26,705	30,322
Capital expenditure	(5,704)	(6,085)	(9,778)	(11,440)	(8,418)	(10,685)	(10,752)	(10,286)	(11,883)
Net cash flow before financing	14,786	7,606	594	16,354	12,162	10,427	15,247	16,419	18,439
Movement in long-term:									
Debtors	346	-	(389)	63	(17)	23	23	23	23
Creditors	(444)	-	-	-	-	-	-	-	-
Net interest paid on loans & leases	(29)	(30)	(132)	(132)	(78)	(77)	(1,812)	(754)	(562)
Net interest received on cash balances	197	352	227	247	114	362	521	550	649
Drawdown of loans & leases	11,200	8,000	11,500	-	7,794	11,152	-	-	-
Repayments of loans & leases	(11,213)	(8,013)	(11,542)	992	(38)	(1,602)	(3,837)	(3,843)	(3,848)
PDC received	1,682	2,579	8,500	-	-	-	-	-	-
PDC repaid				(8,783)	(9,450)	-	-	-	-
Other capital received	-	(1)	2	-	156	149	96	115	120
Capital dividends paid	(16,527)	(10,499)	(8,298)	(8,821)	(9,666)	(10,039)	(10,380)	(11,065)	(11,778)
Net movement in cash	(2)	(6)	462	(80)	977	10,396	(142)	1,445	3,042
Balances brought forward	166	164	158	620	540	1,517	11,913	11,771	13,217
Balances carried forward	164	158	620	540	1,517	11,913	11,771	13,217	16,259

14. Appendix 2 – Financial projections: Downside risks without Mitigation

Table 39 – Income & Expenditure (downside risks without mitigation projections)

INCOME & EXPENDITURE
FT Application Forecast 2006/2011

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
	Actual	Actual	Actual	Outturn	Budget	Plan	Plan	Plan	Plan
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INCOME FROM ACTIVITIES									
Protected activities									
Elective	23,122	19,408	20,937	29,396	29,900	32,720	34,385	32,727	33,653
Non-Elective	51,164	56,331	54,623	49,550	51,041	51,611	52,136	53,345	54,489
Outpatient	25,335	28,974	34,070	42,733	39,708	41,371	42,499	43,130	44,509
A&E	5,336	5,603	5,884	6,210	10,437	11,240	11,949	12,910	13,972
HIV drugs	21,761	26,106	31,927	33,839	36,407	38,973	35,840	38,791	41,922
Other Activities	23,868	16,745	21,361	27,004	32,232	33,174	36,586	36,621	36,764
Gross NHS Clinical Income	150,585	153,167	168,801	188,732	199,726	209,089	213,396	217,524	225,309
Transitional Relief Clawback	-	-	-	(6,319)	(8,637)	(6,365)	-	-	-
Net NHS Clinical Income	150,585	153,167	168,801	182,413	191,089	202,724	213,396	217,524	225,309
Non-protected activities									
Private Patients	5,498	5,204	6,507	6,640	7,069	7,526	8,035	8,330	8,794
Other Non-NHS	932	945	1,579	1,145	1,058	1,104	1,152	1,202	1,253
	6,430	6,149	8,085	7,785	8,127	8,630	9,187	9,532	10,047
OTHER OPERATING INCOME									
Education, Training & Research	20,315	21,212	22,555	22,974	22,334	21,490	21,060	20,691	20,381
Charitable Contributions	2,840	3,054	3,191	3,334	3,405	2,360	1,819	1,622	1,597
Other Income	7,829	7,302	5,276	13,059	10,408	8,316	8,461	8,857	9,269
	30,984	31,568	31,022	39,366	36,147	32,165	31,340	31,170	31,247
Total Income	**188,000**	**190,884**	**207,909**	**229,564**	**235,363**	**243,519**	**253,923**	**258,227**	**266,603**
PAY	92,480	100,731	113,581	123,638	129,253	132,164	134,937	136,904	139,581
NON-PAY									
Drugs	25,344	27,971	31,421	34,143	37,712	41,839	46,119	50,638	55,838
Other clinical supplies & services	9,430	9,923	10,659	12,569	11,508	12,931	14,403	14,687	15,892
Other costs	34,672	36,370	36,156	39,354	40,572	42,180	43,092	44,052	45,230
Total Costs	**161,926**	**174,995**	**191,817**	**209,705**	**219,044**	**229,114**	**238,551**	**246,281**	**256,541**
EBITDA	**26,074**	**15,889**	**16,092**	**19,859**	**16,319**	**14,405**	**15,372**	**11,946**	**10,062**
OTHER ITEMS									
Depreciation	(7,274)	(7,591)	(7,784)	(8,951)	(9,508)	(10,687)	(11,223)	(12,114)	(12,555)
Profit/(loss) on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
INTEREST									
Net Interest Recievable	196	352	227	247	(37)	(192)	(505)	(1,228)	(2,164)
Interest Payable on Loans & Leases	(29)	(30)	(132)	(132)	(266)	(756)	(945)	(754)	(562)
DIVIDEND									
Capital Dividends Payable	(16,527)	(10,499)	(8,298)	(8,821)	(9,627)	(9,961)	(10,303)	(10,988)	(11,701)
RETAINED SURPLUS/(DEFICIT)	**2,440**	**(1,879)**	**105**	**2,202**	**(3,120)**	**(7,191)**	**(7,604)**	**(13,137)**	**(16,919)**

Table 40 – Balance Sheet (downside risks without mitigation projections)

BALANCE SHEET
FT Application Forecast 2006/2011

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
	Actual	Actual	Actual	Outturn	Budget	Plan	Plan	Plan	Plan
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS	231,265	236,745	269,643	281,618	300,679	315,849	315,313	344,783	344,380
CURRENT ASSETS									
Stocks & work in progress	2,941	3,524	4,147	5,237	5,493	5,702	5,769	5,913	5,493
NHS debtors	11,327	13,908	16,999	9,144	7,978	8,095	8,068	8,089	8,226
Non-NHS trade debtors	2,504	808	3,264	4,143	3,995	3,663	3,237	2,661	2,047
Other debtors	203	638	1,944	399	355	362	371	381	390
Accrued income	2,357	1,196	1,589	1,902	1,858	1,749	1,697	1,670	1,657
Prepayments	794	1,276	296	422	442	471	483	494	508
Cash at bank & in hand	164	158	620	540	-	-	-	-	-
	20,290	21,508	28,859	21,787	20,122	20,043	19,624	19,207	18,320
CREDITORS: due within one year									
Bank overdraft	-	-	-	-	(6,199)	(3,573)	(15,297)	(30,583)	(50,258)
Trade creditors	(18,903)	(17,882)	(16,220)	(12,537)	(15,996)	(15,401)	(14,957)	(14,293)	(13,652)
Other creditors	(3,143)	(3,933)	(4,090)	(4,678)	(4,833)	(4,963)	(5,094)	(5,197)	(5,340)
Capital creditors	(1,708)	(2,610)	(253)	(1,707)	(1,083)	(1,550)	(1,485)	(1,420)	(1,688)
Interest payable accrual	-	-	-	-	(188)	(867)	-	-	-
Other accruals	(2,410)	(1,018)	(1,858)	(3,770)	(2,185)	(2,227)	(2,267)	(2,294)	(2,334)
Deferred income	(791)	(939)	(951)	(1,193)	(1,182)	(1,113)	(1,080)	(1,063)	(1,054)
	(26,955)	(26,382)	(23,372)	(23,885)	(31,666)	(29,693)	(40,179)	(54,850)	(74,328)
Net current assets/(liabilities)	(6,665)	(4,874)	5,487	(2,098)	(11,545)	(9,650)	(20,555)	(35,643)	(56,007)
DEBTORS: due after more than one year	-	-	389	326	343	320	297	274	251
Total assets less current liabilities	224,600	231,871	275,519	279,846	289,477	306,518	295,055	309,414	288,624
CREDITORS: due after more than one year									
Obligations under finance leases	(321)	(347)	(1,243)	(2,235)	(2,197)	(2,154)	(2,106)	(2,053)	(1,994)
PROVISION FOR LIABILITIES & CHARGES	(210)	(458)	(2,518)	(4,557)	(432)	(409)	(386)	(363)	(340)
Net assets employed	224,069	231,066	271,758	273,054	286,848	303,955	292,562	306,998	286,290
LOANS									
NHS financing facility	-	-	-	-	7,794	17,387	13,598	9,809	6,019
	-	-	-	-	7,794	17,387	13,598	9,809	6,019
TAXPAYERS EQUITY									
Public dividend capital	166,686	169,264	177,764	168,981	157,326	157,326	157,326	157,326	157,326
Income & expenditure account	(928)	(2,808)	(2,701)	(499)	(3,619)	(10,810)	(18,414)	(31,551)	(48,471)
Revaluation reserve	53,301	59,293	90,811	97,381	117,859	132,312	132,312	163,182	163,182
Donated asset reserve	5,010	5,317	5,885	7,191	7,488	7,740	7,740	8,232	8,232
	224,069	231,066	271,758	273,054	279,054	286,568	278,965	297,190	280,270
Total funds employed	224,069	231,066	271,758	273,054	286,848	303,955	292,562	306,998	286,290

Table 41 – Statement of Cash Flows (downside risks without mitigation projections)

CASH FLOW
FT Application Forecast 2006/2011

	2003/2004	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
	Actual	Actual	Actual	Outturn	Budget	Plan	Plan	Plan	Plan
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EBITDA	26,074	15,889	16,091	19,859	16,319	14,405	15,372	11,946	10,062
Transfer from reserves	(277)	(290)	(286)	(155)	(156)	(149)	(96)	(115)	(120)
Movement in working capital:									
Stocks	(271)	(583)	(623)	(1,090)	(256)	(209)	(67)	(144)	420
NHS debtors	(1,881)	(2,581)	(3,091)	7,855	1,166	(117)	28	(22)	(136)
Non-NHS trade debtors	-	1,402	(3,175)	(847)	216	484	623	840	895
Other debtors	(506)	(141)	(587)	1,545	44	(8)	(9)	(9)	(10)
Accrued income	-	1,161	(393)	(313)	44	109	52	27	13
Prepayments	(1,568)	(482)	980	(126)	(20)	(29)	(11)	(12)	(13)
Trade creditors	(2,584)	(1,021)	(1,662)	(3,683)	3,459	(595)	(443)	(665)	(640)
Other creditors	1,215	1,333	206	588	155	130	131	103	143
Payments on account	-	-	-	-	-	-	-	-	-
Accruals	241	(1,392)	840	1,912	(1,585)	41	40	28	40
Deferred income	-	148	12	242	(11)	(69)	(33)	(17)	(8)
Provisions for liabilities & charges	47	248	2,060	2,007	(4,193)	(175)	(219)	(287)	(305)
Net operating cash flow	20,490	13,691	10,372	27,794	15,182	13,819	15,366	11,674	10,341
Capital expenditure	(5,704)	(6,085)	(9,778)	(11,440)	(8,418)	(10,685)	(10,752)	(10,286)	(11,883)
Net cash flow before financing	14,786	7,606	594	16,354	6,763	3,134	4,614	1,387	(1,543)
Movement in long-term:									
Debtors	346	-	(389)	63	(17)	23	23	23	23
Creditors	(444)	-	-	-	-	-	-	-	-
Net interest paid on loans & leases	(29)	(30)	(132)	(132)	(78)	(77)	(1,812)	(754)	(562)
Net interest received on cash balances	197	352	227	247	(37)	(192)	(505)	(1,228)	(2,164)
Drawdown of loans & leases	11,200	8,000	11,500	-	7,794	11,152	-	-	-
Repayments of loans & leases	(11,213)	(8,013)	(11,542)	992	(38)	(1,602)	(3,837)	(3,843)	(3,848)
PDC received	1,682	2,579	8,500	-	-	-	-	-	-
PDC repaid				(8,783)	(11,655)	-	-	-	-
Other capital received	-	(1)	2	-	156	149	96	115	120
Capital dividends paid	(16,527)	(10,499)	(8,298)	(8,821)	(9,627)	(9,961)	(10,303)	(10,988)	(11,701)
Net movement in cash	(2)	(6)	462	(80)	(6,739)	2,626	(11,723)	(15,287)	(19,675)
Balances brought forward	166	164	158	620	540	(6,199)	(3,573)	(15,297)	(30,583)
Balances carried forward	164	158	620	540	(6,199)	(3,573)	(15,297)	(30,583)	(50,258)

15. Appendix 3 – Financial projections: Downside risks with Mitigation

Table 42 – Income & Expenditure (downside risks with mitigation projections)

INCOME & EXPENDITURE
FT Application Forecast 2006/2011

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
	Actual	Actual	Actual	Outturn	Budget	Plan	Plan	Plan	Plan
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INCOME FROM ACTIVITIES									
Protected activities									
Elective	23,122	19,408	20,937	29,396	29,900	32,720	34,385	32,727	33,653
Non-Elective	51,164	56,331	54,623	49,550	51,041	51,611	52,136	53,345	54,489
Outpatient	25,335	28,974	34,070	42,733	39,708	41,371	42,499	43,130	44,509
A&E	5,336	5,603	5,884	6,210	10,437	11,240	11,949	12,910	13,972
HIV drugs	21,761	26,106	31,927	33,839	36,407	38,973	35,840	38,791	41,922
Other Activities	23,868	16,745	21,361	27,004	32,232	33,174	40,588	38,652	36,764
Gross NHS Clinical Income	150,585	153,167	168,801	188,732	199,726	209,089	217,398	219,555	225,309
Transitional Relief Clawback	-	-	-	(6,319)	(8,637)	(6,365)	-	-	-
Net NHS Clinical Income	150,585	153,167	168,801	182,413	191,089	202,724	217,398	219,555	225,309
Non-protected activities									
Private Patients	5,498	5,204	6,507	6,640	7,069	7,526	8,035	8,330	8,794
Other Non-NHS	932	945	1,579	1,145	1,058	1,104	1,152	1,202	1,253
	6,430	6,149	8,085	7,785	8,127	8,630	9,187	9,532	10,047
OTHER OPERATING INCOME									
Education, Training & Research	20,315	21,212	22,555	22,974	22,334	21,490	21,060	20,691	20,381
Charitable Contributions	2,840	3,054	3,191	3,334	3,405	2,360	1,819	1,622	1,597
Other Income	7,829	7,302	5,276	13,059	10,408	8,342	8,542	9,009	9,501
	30,984	31,568	31,022	39,366	36,147	32,191	31,420	31,322	31,479
Total Income	**188,000**	**190,884**	**207,909**	**229,564**	**235,363**	**243,545**	**258,005**	**260,409**	**266,835**
PAY	92,480	100,731	113,581	123,638	126,589	126,004	126,139	126,934	127,653
NON-PAY									
Drugs	25,344	27,971	31,421	34,143	37,511	41,322	45,249	49,316	53,946
Other clinical supplies & services	9,430	9,923	10,659	12,569	11,327	12,508	13,708	13,904	14,946
Other costs	34,672	36,370	36,156	39,354	40,323	41,001	41,866	42,283	42,524
Total Costs	**161,926**	**174,995**	**191,817**	**209,705**	**215,750**	**220,836**	**226,961**	**232,438**	**239,069**
EBITDA	**26,074**	**15,889**	**16,092**	**19,859**	**19,613**	**22,710**	**31,044**	**27,971**	**27,766**
OTHER ITEMS									
Depreciation	(7,274)	(7,591)	(7,784)	(8,951)	(9,508)	(10,687)	(11,223)	(12,114)	(12,555)
Profit/(loss) on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
INTEREST									
Net Interest Recievable	196	352	227	247	52	186	482	661	764
Interest Payable on Loans & Leases	(29)	(30)	(132)	(132)	(266)	(756)	(945)	(754)	(562)
DIVIDEND									
Capital Dividends Payable	(16,527)	(10,499)	(8,298)	(8,821)	(9,627)	(9,961)	(10,303)	(10,988)	(11,701)
RETAINED SURPLUS/(DEFICIT)	**2,440**	**(1,879)**	**105**	**2,202**	**264**	**1,491**	**9,055**	**4,777**	**3,712**

Table 43 – Balance Sheet (downside risks with mitigation projections)

BALANCE SHEET
FT Application Forecast 2006/2011

	2002/2003 Actual £'000	2003/2004 Actual £'000	2004/2005 Actual £'000	2005/2006 Outturn £'000	2006/2007 Budget £'000	2007/2008 Plan £'000	2008/2009 Plan £'000	2009/2010 Plan £'000	2010/2011 Plan £'000
FIXED ASSETS	231,265	236,745	269,643	281,618	300,679	315,849	314,749	343,637	342,629
CURRENT ASSETS									
Stocks & work in progress	2,941	3,524	4,147	5,237	5,493	5,702	5,769	5,913	5,493
NHS debtors	11,327	13,908	16,999	9,144	7,978	8,095	8,219	8,165	8,226
Non-NHS trade debtors	2,504	808	3,264	4,143	3,995	3,663	3,246	2,675	2,064
Other debtors	203	638	1,944	399	355	362	371	381	390
Accrued income	2,357	1,196	1,589	1,902	1,858	1,749	1,697	1,670	1,657
Prepayments	794	1,276	296	422	442	471	483	494	508
Cash at bank & in hand	164	158	620	540	-	8,482	13,429	16,607	18,100
	20,290	21,508	28,859	21,787	20,122	28,525	33,213	35,904	36,437
CREDITORS: due within one year									
Bank overdraft	-	-	-	-	(2,839)	-	-	-	-
Trade creditors	(18,903)	(17,882)	(16,220)	(12,537)	(15,971)	(15,390)	(14,554)	(13,786)	(13,005)
Other creditors	(3,143)	(3,933)	(4,090)	(4,678)	(4,833)	(4,963)	(5,094)	(5,197)	(5,340)
Capital creditors	(1,708)	(2,610)	(253)	(1,707)	(1,083)	(1,550)	(1,485)	(1,420)	(1,688)
Interest payable accrual	-	-	-	-	(188)	(867)	-	-	-
Other accruals	(2,410)	(1,018)	(1,858)	(3,770)	(2,185)	(2,227)	(2,267)	(2,294)	(2,334)
Deferred income	(791)	(939)	(951)	(1,193)	(1,182)	(1,113)	(1,080)	(1,063)	(1,054)
	(26,955)	(26,382)	(23,372)	(23,885)	(28,283)	(26,109)	(24,479)	(23,761)	(23,422)
Net current assets/(liabilities)	(6,665)	(4,874)	5,487	(2,098)	(8,161)	2,416	8,734	12,143	13,015
DEBTORS: due after more than one year	-	-	389	326	343	320	297	274	251
Total assets less current liabilities	224,600	231,871	275,519	279,846	292,861	318,585	323,780	356,054	355,894
CREDITORS: due after more than one year									
Obligations under finance leases	(321)	(347)	(1,243)	(2,235)	(2,197)	(2,154)	(2,106)	(2,053)	(1,994)
PROVISION FOR LIABILITIES & CHARGES	(210)	(458)	(2,518)	(4,557)	(432)	(409)	(386)	(363)	(340)
Net assets employed	224,069	231,066	271,758	273,054	290,232	316,022	321,288	353,638	353,561
LOANS									
NHS financing facility	-	-	-	-	7,794	17,387	13,598	9,809	6,019
	-	-	-	-	7,794	17,387	13,598	9,809	6,019
TAXPAYERS EQUITY									
Public dividend capital	166,686	169,264	177,764	168,981	157,326	157,326	157,326	157,326	157,326
Income & expenditure account	(928)	(2,808)	(2,701)	(499)	(235)	1,256	10,312	15,088	18,800
Revaluation reserve	53,301	59,293	90,811	97,381	117,859	132,312	132,312	163,182	163,182
Donated asset reserve	5,010	5,317	5,885	7,191	7,488	7,740	7,740	8,232	8,232
	224,069	231,066	271,758	273,054	282,438	298,635	307,690	343,829	347,541
Total funds employed	224,069	231,066	271,758	273,054	290,232	316,021	321,288	353,638	353,561

Table 44 – Statement of Cash Flows (downside risks with mitigation projections)

CASH FLOW
FT Application Forecast 2006/2011

	2003/2004 Actual £'000	2003/2004 Actual £'000	2004/2005 Actual £'000	2005/2006 Outturn £'000	2006/2007 Budget £'000	2007/2008 Plan £'000	2008/2009 Plan £'000	2009/2010 Plan £'000	2010/2011 Plan £'000
EBITDA	26,074	15,889	16,091	19,859	19,613	22,710	31,044	27,971	27,766
Transfer from reserves	(277)	(290)	(286)	(155)	(156)	(149)	(96)	(115)	(120)
Movement in working capital:									
Stocks	(271)	(583)	(623)	(1,090)	(256)	(209)	(67)	(144)	420
NHS debtors	(1,881)	(2,581)	(3,091)	7,855	1,166	(117)	(124)	54	(61)
Non-NHS trade debtors	-	1,402	(3,175)	(847)	216	484	613	835	893
Other debtors	(506)	(141)	(587)	1,545	44	(8)	(9)	(9)	(10)
Accrued income	-	1,161	(393)	(313)	44	109	52	27	13
Prepayments	(1,568)	(482)	980	(126)	(20)	(29)	(11)	(12)	(13)
Trade creditors	(2,584)	(1,021)	(1,662)	(3,683)	3,434	(582)	(835)	(768)	(781)
Other creditors	1,215	1,333	206	588	155	130	131	103	143
Payments on account	-	-	-	-	-	-	-	-	-
Accruals	241	(1,392)	840	1,912	(1,585)	41	40	28	40
Deferred income	-	148	12	242	(11)	(69)	(33)	(17)	(8)
Provisions for liabilities & charges	47	248	2,060	2,007	(4,193)	(175)	(219)	(287)	(305)
Net operating cash flow	20,490	13,691	10,372	27,794	18,452	22,137	30,485	27,667	27,977
Capital expenditure	(5,704)	(6,085)	(9,778)	(11,440)	(8,418)	(10,685)	(10,188)	(9,704)	(11,278)
Net cash flow before financing	14,786	7,606	594	16,354	10,034	11,452	20,297	17,963	16,698
Movement in long-term:									
Debtors	346	-	(389)	63	(17)	23	23	23	23
Creditors	(444)	-	-	-	-	-	-	-	-
Net interest paid on loans & leases	(29)	(30)	(132)	(132)	(78)	(77)	(1,812)	(754)	(562)
Net interest received on cash balances	197	352	227	247	52	186	482	661	764
Drawdown of loans & leases	11,200	8,000	11,500	-	7,794	11,152	-	-	-
Repayments of loans & leases	(11,213)	(8,013)	(11,542)	992	(38)	(1,602)	(3,837)	(3,843)	(3,848)
PDC received	1,682	2,579	8,500	-	-	-	-	-	-
PDC repaid				(8,783)	(11,655)	-	-	-	-
Other capital received	-	(1)	2	-	156	149	96	115	120
Capital dividends paid	(16,527)	(10,499)	(8,298)	(8,821)	(9,627)	(9,961)	(10,303)	(10,988)	(11,701)
Net movement in cash	(2)	(6)	462	(80)	(3,380)	11,322	4,946	3,178	1,493
Balances brought forward	166	164	158	620	540	(2,839)	8,482	13,429	16,607
Balances carried forward	164	158	620	540	(2,839)	8,482	13,429	16,607	18,100

16. Appendix 4 – Graphical analysis

Figure 6 – Projected Financial Risk Ratings

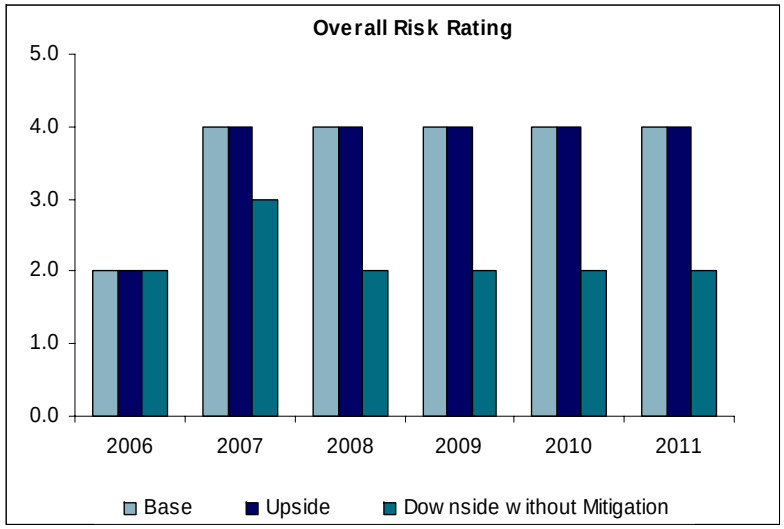


Figure 7 – Projected Normalised Earnings

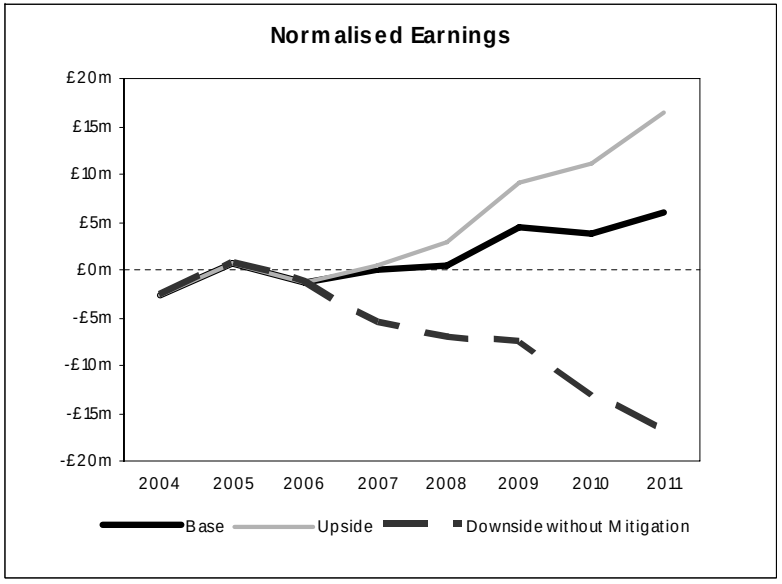


Figure 8 – Projected Net Cash Flow

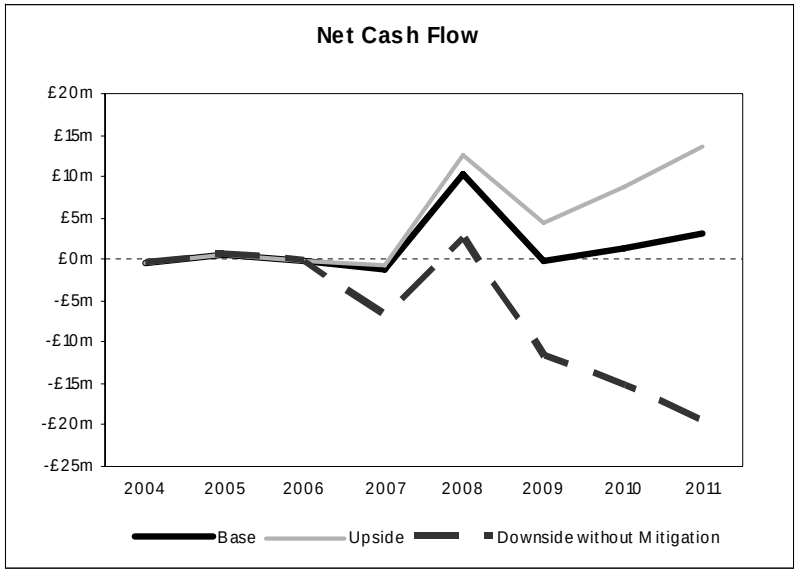


Figure 9 – Projected Year End Cash Balances

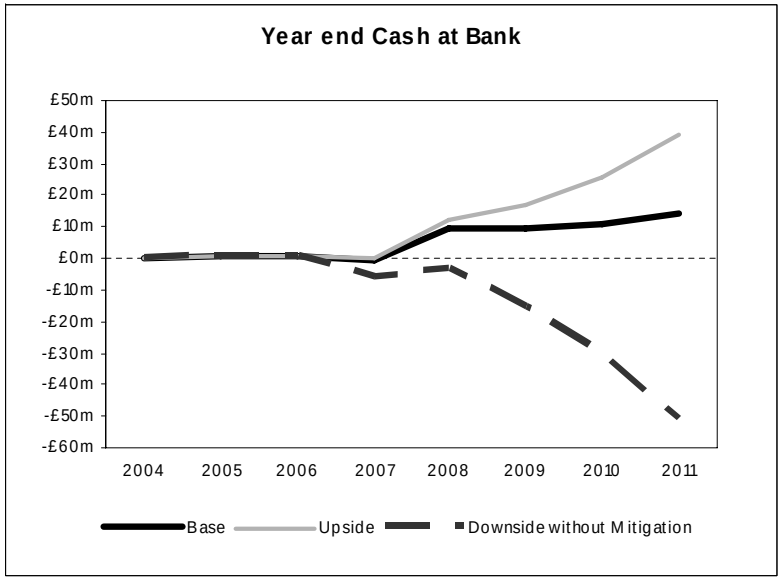


Figure 10 – Projected I&E retained surplus/(deficit) and EBITDA margin

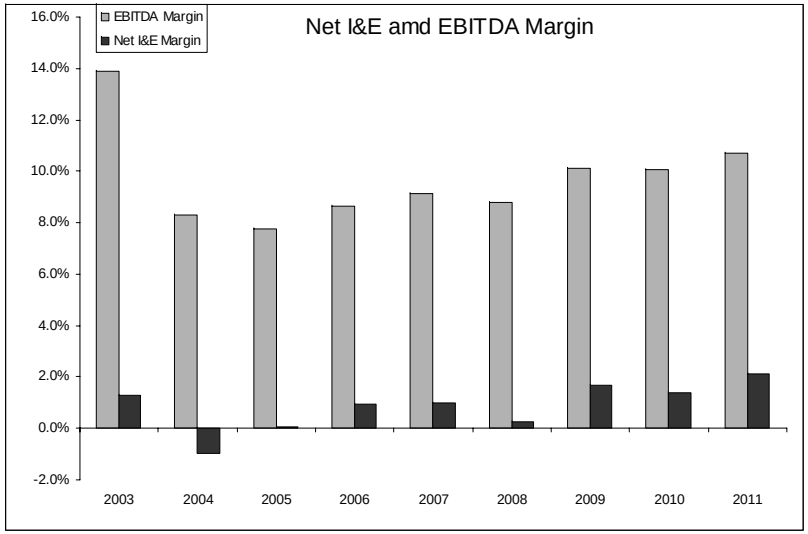
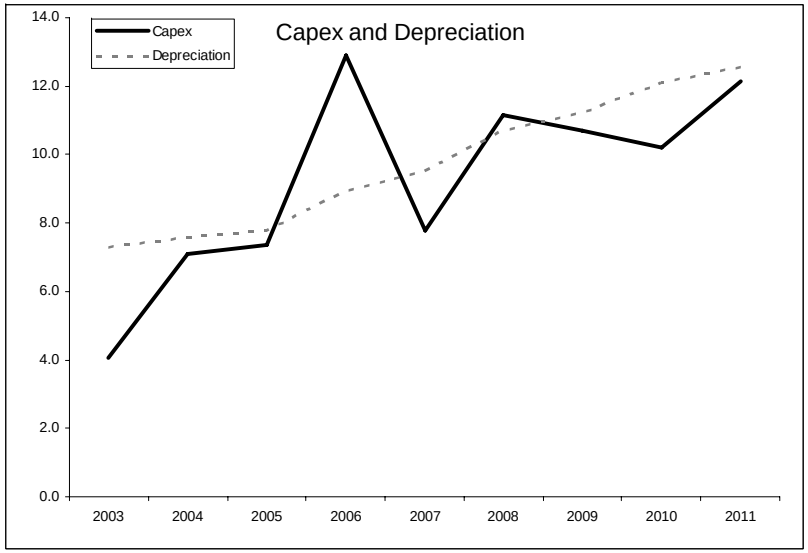


Figure 11 – Projected annual capital expenditure and depreciation



17. Appendix 5 – Income & expenditure bridge

Table 45 – Bridging Statement 2006/11

£'000		2006/07	2007/08	2008/09	2009/10	2010/11
Protected income						
PbR gain/(loss)		3,978	2,276	9,577	-	-
Activity growth		(6,380)	2,703	4,453	154	3,133
Casemix/other		6,397	2,897	(5,637)	2,055	2,459
Inflation		7,387	4,650	5,587	5,894	7,134
		11,382	12,525	13,979	8,103	12,727
Non-protected income						
Activity growth		30	134	160	(43)	88
Inflation		313	369	397	388	427
		342	503	557	345	515
Other income						
Activity growth		(3,511)	(4,153)	(1,013)	(389)	(163)
Inflation		292	171	188	219	240
		(3,219)	(3,982)	(825)	(170)	77
	Total income movement	**8,506**	**9,046**	**13,711**	**8,279**	**13,319**
Pay						
Staff growth		-	(512)	(541)	5	(461)
National cost	Consultant contract	(92)	(161)	(189)	(94)	(58)
pressures:	Euro. Working Time Dir.	-	(154)	(151)	-	-
	Agenda for Change	(965)	(972)	(884)	(797)	(709)
Other		(3,509)	(20)	(45)	1	(21)
Agency		-	16	16	14	12
CIPs		4,797	2,693	2,646	2,293	1,997
Inflation		(3,762)	(3,129)	(3,165)	(3,137)	(3,231)
		(3,532)	(2,241)	(2,312)	(1,716)	(2,471)
Drugs						
Growth factors:	Activity	(1,633)	(2,688)	(2,952)	(2,942)	(3,333)
	Developments	-	(137)	63	(125)	(7)
	Other	-	(295)	(273)	(141)	(271)
CIPs		-	204	223	205	188
Inflation		(1,949)	(1,158)	(1,345)	(1,530)	(1,802)
		(3,582)	(4,073)	(4,284)	(4,533)	(5,224)
Clinical supplies & services						
Growth factors:	Activity	-	(863)	(1,052)	10	(716)
	Other	1,013	(43)	(53)	5	(35)
CIPs		-	249	269	225	200
Inflation		(209)	(634)	(755)	(689)	(886)
		804	(1,290)	(1,592)	(449)	(1,436)
Other costs						
Growth		1,577	(348)	(648)	(455)	(428)
CIPs		-	613	614	524	438
Inflation		(1,907)	(1,736)	(791)	(946)	(1,109)
		(331)	(1,471)	(826)	(877)	(1,098)
	Total expenditure movement	**(6,641)**	**(9,075)**	**(9,013)**	**(7,575)**	**(10,230)**
	EBITDA movement	**1,866**	**(29)**	**4,698**	**703**	**3,089**
'Below-the-line' items						
Depreciation		(557)	(1,180)	(536)	(891)	(441)
Net interest receivable/payable		(267)	(241)	(30)	220	290
PDC dividend		(845)	(373)	(341)	(685)	(713)
		(1,669)	(1,793)	(907)	(1,356)	(864)
	Retained surplus movement	**196**	**(1,823)**	**3,790**	**(653)**	**2,226**
Previous year's retained surplus		2,202	2,398	576	4,366	3,713
	Retained surplus	**2,398**	**576**	**4,366**	**3,713**	**5,939**

Source: CWH FT Asssessment Model v 7.7 [O_Bridge]

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	3.1.1/Jul/06
PAPER	Monitor Board Statement
LEAD DIRECTOR	Lorraine Bewes, Director of Finance and Information Contact Number: 020 8237 2881
AUTHOR	Fleur Hansen, Foundation Trust Project Lead Contact Number: 020 8846 6716
SUMMARY	This paper is the proforma for certification that the Board has sufficient working capital and financial reporting procedures required in order to successful operate as a Foundation Trust. The Board needs to be confident that they are aware of all the issues raised by KPMG in their report and that they agree with the statement. Confirmation needs to be received from KPMG if sufficient opinion has been gained for the Board to sign, and Chairman's action will be taken to sign the statement once KPMG have responded. The Board though is asked to agree that it meets the requirements of the statement.
BOARD ACTION	The Board is asked to agree that it meets the requirements listed and give permission for the Chairman's action to be taken to sign the document.

Chelsea and Westminster Healthcare NHS
NHS Trust

Private and Confidential

Monitor – Independent Regulator of NHS Foundation Trusts

July 6th 2006

Chelsea and Westminster Healthcare NHS Trust

Working Capital

In connection with the application of Chelsea and Westminster Healthcare NHS Trust for NHS Foundation Trust status the Board of Directors have reviewed the NHS Trust's future working capital requirements from 01/08/2006. The results of this review are set out in the attached Board Memorandum dated 30/06/2006 which has been prepared after due and careful enquiry.

In the opinion of the Board of Directors, (taking into account the Trust's new working capital facilities), the working capital available is sufficient for it's present requirements, that is at least 12 months from 01/08/2006.

Financial Reporting Procedures

The Board of Directors confirm that they have established procedures which provide a reasonable basis for them to reach proper judgement as to the financial position and prospects of the Trust.

The basis of the Board of Directors confirmation is set out in the attached Board Memorandum dated 30/06/2006. The Board of Directors confirm that it will continue to maintain procedures at or exceeding this level of quality subsequent to 01/08/2006.

Yours faithfully

For and on behalf of the Board of Directors NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	3.2/Jul/06
PAPER	Working Capital Facility
LEAD EXECUTIVE	Lorraine Bewes, Director of Finance and Information Contact Number: 020 8846 6713
AUTHOR	Nana Agyei – Deputy Financial Controller
SUMMARY	This paper summarises the Trust's proposed arrangements for a working capital facility in anticipation of being licensed to become a Foundation Trust from 1st August 2006.
ACTION	The Board is asked to make a decision on the paper attached.

WORKING CAPITAL FACILITY

Introduction

One of the fundamental requirements of a becoming a Foundation Trust is to ensure that the newly formed organisation has adequate cash facilities in place to facilitate the smooth operation of its working capital .i.e. (Current Assets less Current Liabilities).

This paper outlines the proposed arrangements for setting up a working capital facility in anticipation of it being successful in its application to become a Foundation Trust on 1st August 2006. The Board is asked to approve this proposal.

Background

Under its current Scheme of Delegation, the Trust Board reserves the power to approve the opening of any bank or investment account to itself.

The Trust has invited quotations for the provision of a working capital facility service from three different banks (recommended by the Department of Health) as follows:

- Royal Bank of Scotland (RBS)
- Lloyds TSB
- Barclays and obtained quotations.

Results

	Royal Bank of Scotland	**Lloyds TSB**	**Barclays Bank**
Facility Amount	£18m	£18m	No response
Available Terms	364m days committed facility – reviewed annually	364m days committed facility – reviewed annually	No response
Arrangement Fee	0.10%	0.125%	No response
Set up Cost	£18k	£22.5k	No response
Interest Rate	1% over Base Rate	1.25% over Base Rate	No response

The Director of Finance recommends that the Royal Bank of Scotland is appointed as the service provider for this facility due to their competitive rates and knowledge of the market. Currently the Royal Bank of Scotland provides over 56% of the working capital facility of Foundation Trusts within the UK. The bank's credit committee considered the arrangement on the 27th of June and have confirmed that the facility has been approved and formal confirmation will be provided by 30th June 2006.

A copy of the indicative terms are set out in the attached appendix. The covenants are standard and the Trust has disclosed its intention to draw down a loan of £7.8m from the Foundation Trust Financing Facility.

Conclusion

The Board is asked to endorse this decision and to authorise the Chief Executive and Director of Finance and Information to execute the required documents on behalf of the Foundation Trust. The aim is to have this facility in place by the 1st of August.

Outline Terms and Conditions

Chelsea & Westminster NHS Trust

£18m Working Capital Facility

22nd May 2006

**Arranged by The Royal Bank of Scotland plc,
Public Sector Team , Corporate Banking
("the Arranger")**

FORMAL CREDIT HAS NOT BEE GRANTED , AND ANY FUTURE APPROVALS MAY BE SUBJECT TO COMMERCIAL FINANICIAL AND LEGAL DUE DILEGENCE

THESE INDICATIVE TERMS DO NOT CONSTITUTE AN OFFER OF FACILITIES.

RBS
The Royal Bank of Scotland Group

Summary of Structure

The outline Terms and Conditions have been prepared for discussion and do not constitute an offer of facilities.

Sources

	£m
364 day Committed Working Capital Facility	£18m

Our intention is to provide a committed working capital facility of £18m in line with both the Trust and Monitors requirements. In line with common practise we will review this facility annually ensuring continuity.

Public Sector Team

Borrower	Chelsea & Westminster NHS Trust
Purpose	Overdraft to provide a working capital facility to assist with timing differences and general cash management needs
Facility Amount	£18m
Available Term	364 day committed facility - reviewed annually
Arrangement Fee	0.10%
Interest Rate	1% over Base Rate , interest is calculated on a daily basis , charged quarterly in arrears and debited to the Borrower's account
Covenants	• To provide Bank with a certified copy of the authorisation issued by Monitor on an annual basis • To comply with the terms of authorisation and any other requirement of the regulator • To comply with the provisions of the Prudential Borrowing Code • That it will not without the prior written consent of the Bank incur or permit to subsist any financial indebtedness disclosed to the Bank in writing
Repayment	Overdraft - Fully fluctuating
Security	Nil
Events of Default	Standard events of default to include but not limited to : • Payment default • Breach of covenants • Misrepresentation • Unlawfulness • Insolvency related and cross-default • Change of ownership • Material adverse change
Conditions Precedent	Usual for facilities of this type , to include (but not limited to) our satisfaction with • The make up of the underlying income streams of the Hospital • Satisfaction with the cashflow forecasts to confirm affordability • Constitutional documents of the borrower • Most recent draft accounts • Three years audited accounts
Representations and Warranties	Usual for a facility of this type, to include but not limited to: • No resulting breach of other documents; • No material litigation; • No financial indebtedness or encumbrances not already advised to us • No events of default; • Business Plan based on all information available and incorporating honest and reasonable assumptions; • No material adverse change since the last audited / management accounts
Governing Law	Laws of England.

This document outline the indicative terms for banking facilities. They do not constitute a binding offer of commitment, but set out the terms on which RBS expects to be able to offer such facilities. Any such facilities will additionally be subject to satisfactory completion of all documentation required by RBS.

This document and the accompanying cover letter is confidential to the Borrower and its legal advisers and must not be disclosed to other parties without the prior written consent of RBS.

.....
Martina McGowan-Smith
Senior Corporate Manager
Public Sector Team

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	3.3/Jul/06
PAPER	Self-Certification on Governance
LEAD DIRECTOR	Catherine Mooney, Director of Governance and Corporate Affairs Contact Number: 020 8237 2881
AUTHOR	Fleur Hansen, Foundation Trust Project Lead Contact Number: 020 8846 6716
SUMMARY	This paper is the proforma for self-certification by the Board for Governance as required by Monitor. The Board will note that the first section was already signed when the Trust submitted the Risk and Performance management direct evidence but Monitor have requested that this along with Board roles, structures and capacity be submitted on one document. The Board needs to agree that the Board meets the requirements listed.
BOARD ACTION	The Board is asked to agree that it meets the requirements listed and the Chairman is asked to sign the document.

Chelsea and Westminster Healthcare NHS
NHS Trust

SELF-CERTIFICATION

Risk and Performance Management

The Board of Directors also hereby confirms that:

- Issue and concerns raised by external audit and external assessment groups (including the RPST and CNST reports for NHS Litigation Authority assessments) have been addressed and resolved. Where any issues or concerns are outstanding, the Board is confident that there are appropriate action plans are in place to address the issues in a timely manner;
- All recommendations to the Board from the audit committee are implemented in a timely and robust manner and to the satisfaction of the body concerned;
- The necessary planning, performance management and risk management processes are in place to deliver the Business Plan;
- A Statement of Internal Control ("SIC") is in place and the NHS foundation trust is compliant with the risk management and assurance framework requirements that support the SIC pursuant to most up to date guidance from HM Treasury;
- The Board is satisfied that plans are in place to ensure that all core national healthcare targets and standards are met going forward;
- All key risks to compliance with the Authorisation have been identified and addressed.

Board roles, structures and capacity

The Board of Directors is required to confirm that:

- The Board maintains its register of interests, and can specifically confirm that there are no material conflicts of interest in the Board;
- The Board is satisfied that all Directors are appropriately qualified to discharge their functions effectively, including setting strategy, monitoring and managing performance, and ensuring management capacity and capability;
- The selection process and training programs in place to ensure that the NEDs have appropriate experience and skills;
- The management team have the capability and experience necessary to deliver the Business Plan;
- The management structure in place is adequate to deliver the Trust's Strategy.

Signed for and on behalf of the Board:

Title: Mr Juggy Pandit, Chairman

Date: 6th July 2006

Trust: Chelsea and Westminster Healthcare NHS Trust

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	3.4/Jul/06
PAPER	Annual Accounts 2005/06
LEAD EXECUTIVE	Lorraine Bewes – Director of Finance and Information
AUTHOR	Nana Agyei – Deputy Financial Controller
SUMMARY	Attached are the Annual Accounts for 2005/06. These Accounts were approved at the July 4th Audit Committee meeting.
BOARD ACTION	The Trust Board is asked to endorse the decision of the Audit Committee and sign the appropriate documents.

Chelsea and Westminster Healthcare NHS
NHS Trust

ANNUAL ACCOUNTS

2005 / 06

Chelsea & Westminster Healthcare NHS Trust
369 Fulham Road
London
SW10 9NH

Chelsea and Westminster Healthcare NHS
NHS Trust

Annual Accounts 2005/06

CONTENTS **Page No.**

Chelsea & Westminster Healthcare NHS Trust
369 Fulham Road
London
SW10 9NH

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

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health.

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

..... **Date: 6th July 2006**

Heather Lawrence - Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Services Act 1977 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure of the trust for that period. In preparing those accounts, the directors are required to:

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

- make judgements and estimates which are reasonable and prudent

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

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

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

By order of the Board

..... **Date: 6th July 2006**
Heather Lawrence – Chief Executive

..... **Date: 6th July 2006**
Lorraine Bewes – Director of Finance and Information

STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDED 31ST MARCH 2006

1. Scope of responsibility

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

I and my Executive Directors are accountable to the Strategic Health Authority for performance and control issues. The Strategic Health Authority hosts monthly meetings for Chief Executives and Finance Directors where generic issues of control are discussed and action agreed.

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; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

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

The system of internal control has been in place in Chelsea and Westminster Healthcare NHS Trust for the year ended 31 March 2006.

3. Capacity to handle risk

The Trust has a risk management strategy and operational policies approved by the Trust Board. The accountability for clinical and corporate governance, including risk management, rests with the Director for Governance and Corporate Affairs. This post facilitates an integrated model of risk management.

All Directors working in the Trust take responsibility for risk mitigation within their areas of work and practice, in line with the management and accountability arrangements in the Trust. The delivery of risk management occurs through management action and accountability arrangements and risk mitigation is monitored through the Trust's Operational Risk Management Committee, which has a number of sub committees reporting to it, and which reports to the Trust Executive for Clinical Governance.

The risk management team within the Trust provides support to directorates and departments on all aspects of effective risk assessment and management. Directorates have an identified senior lead for risk management. The Trust risk management team maintain the Trust's incident/risk reporting system; risk and incident review registers, and Assurance Framework. The team also have a vital role in training, the dissemination of good practice and lessons learned from incidents or near misses.

Risk Management training is given to staff on induction and regular training opportunities are provided within the hospital to staff at all levels, including root cause analysis training.

The Trust achieved CNST Level 2 in both the general and maternity standards in January 2006

4. The risk and control framework

Risk is identified in the trust in a number of different ways. Directorates and departments undertake an annual comprehensive risk review using a risk assessment tool. Key gaps in meeting risks are identified and action plans developed. Risks are also identified and evaluated using the Trust risk assessment form. This captures risk information for clinical and non- clinical risks and supports risk evaluation and action planning. Risks may also be identified from incidents, complaints and claims. Risk management continues to be embedded within the organisation with a continuing emphasis on ownership of risk within the directorates and a supporting role by the risk management team.

A risk matrix is used to rate risks; the maximum score is 25. Risks that score above 12 are entered into the centrally held risk register, which is managed by the corporate risk team. This register is reviewed at the Operational Risk Management committee and leads for risk areas will provide updates either as risks are mitigated or by default every 6 months. Risks above 16 are notified to the Trust Board.

There are three assurance committees overseeing the management of risks. These are the Clinical Governance Assurance Committee, the Audit Committee and the Facilities Assurance Committee.

As part of the development of the Service Development Strategy an analysis of the Trusts Strengths Weaknesses Opportunities and Threats (SWOT analysis) was undertaken and this led to a detailed identification and analysis of the trusts financial risks and mitigation factors. This has been built on through further meetings with executive directors and the Board.

Risks which may prevent the Trust from achieving its corporate objectives are identified during the development of the Trust's Assurance Framework which involves executive directors, key clinicians and managers within the Trust. Actions have been taken to improve controls and assurances and the changes in risk rating monitored.

The Assurance Framework has identified some gaps in assurance and control. These gaps have been actively addressed during the year. The most significant gaps are in the following generic areas:

Performance and activity
Lack of intermediate care capacity and specialist mental health services out of hours continue to have an impact on longer than necessary length of stay. This is mitigated to some extent through predicted date of discharge (tool). Demand for emergency care services continues to increase and mitigation will depend on partnership work with the four main PCTs concentrating on demand management initiatives.

Information Technology
There are gaps in control e.g. no feedback from Connecting for Health (CfH) and gaps in assurance, which are outside the control of the Trust. Some gaps in assurance remain in relation to planned slots on BT test rig for Choose and Book software interface.

5. Review of effectiveness

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

The Head of Internal Audit's opinion confirms that an Assurance Framework has been established which is designed and operating to meet the requirements of the 2005/06 SIC and provides reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation. In addition the Head of Internal Audit also confirms that for the identified principal risks covered by Internal Audit, the Board has full assurance that the system of

internal control is designed to meet the organisation's objectives and that controls are consistently applied in all of the areas reviewed.

The Board ensures the effectiveness of the system of internal control through clear accountability arrangements.

The Audit Committee is a formal sub-committee of the Board and is accountable to the Board for reviewing the establishment and maintenance of an effective system of internal control and risk management. The committee meets at least 5 times per year. The Audit Committee approves the annual audit plans for internal and external audit activities and ensures that recommendations to improve weaknesses in control arising from audits are actioned by Executive management. The Audit Committee monitors the Assurance Framework, ensuring the robustness of the underlying process and ensuring actions to address gaps in assurance are progressed.

The Clinical Governance Assurance Committee is also a formal sub-committee of the Board and is accountable for the assurance of the organisation's clinical governance and risk arrangements.

The Facilities Assurance Committee is also a formal sub committee of the Board and is accountable for assurance of the maintenance of a safe, clean hospital environment.

Internal Audit services are outsourced to Bentley Jennison Risk Management Ltd., who provide an objective and independent opinion to the Chief Executive, the Board and the Audit committee on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives. Each assignment is discussed with the appropriate line manager or Director and a report including management responses and proposed action plan is presented to the Audit Committee. Internal Audit routinely follows up action with management to establish the level of compliance and the results are reported to the Audit Committee.

In addition the Board approves all relevant policies and strategies and their work programmes at least once a year.

Executive Directors are accountable to the Board, the Audit Committee and Clinical Governance and Facilities Assurance Committees for ensuring management arrangements are in place to develop relevant strategies, policies, systems and procedures to maintain internal control and to take action to address any gaps identified from the review of these systems. Executive Directors are responsible for setting team objectives to ensure the delivery of corporate objectives and the management of risk. Any need to change priorities or controls is clearly recorded and actioned as appropriate.

A number of significant control issues have been identified during the year either as part of the in year development of the assurance framework or via other mechanisms. These include:

- Issues around Payment by Results (PbR) such as inherent uncertainty of the form and timing of total implementation of PbR, coding systems and processes failing to capture activity accurately and in time for billing and the risk of services operating above the tariff.

- Local PCTs facing financial deficit will seek to withdraw funds via reduced activity and the trust may be unable to reduce costs. In addition PCTs may not prioritise funding to deliver 18 week target 25 and the potential lack of investment by primary care in intermediate and continuing care beds will impact on length of stay.

- The current pathology Service Level Agreement does not allow the service provided to be monitored within a measured performance and quality framework. However the SLA which addresses many of the issues is due to be completed in May 2006

- Lastword may not support full interfaces with Choose and Book unless there is Connecting for Health (CfH) /Capital Care Alliance commitment.

- The timing of convergence of Trust systems with CfH is unknown as the major supplier is yet to commit to a path for data and system migration.

_____ **DATE: 6th July 2006**

Heather Lawrence – Chief Executive
(On behalf of the Board)

Independent auditors' report to the Directors of the Board of Chelsea & Westminster Healthcare NHS Trust

Opinion on the financial statements

We have audited the financial statements of Chelsea & Westminster Healthcare NHS Trust for the year ended 31 March 2006 under the Audit Commission Act 1998. These comprise the Income and Expenditure Account, the note to the Income and Expenditure account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, Cashflow Statement, and the related notes 1 to 30. These financial statements have been prepared under the accounting policies relevant to the National Health Service set out within them.

This report is made solely to the Board of Chelsea & Westminster Healthcare NHS Trust, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Board 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 Board, as a body, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

We review whether the directors' statement on internal control reflects compliance with the Department of Health's requirements contained in 'The Statement of 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

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 the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments 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 and the part of the Remuneration Report to be audited 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 and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2006 and of its income and expenditure for the year then ended; and

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Deloitte & Touche LLP
St Albans

2006

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Directors' Responsibilities

The directors are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trusts use of resources, to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. We report if significant matters have come to my/our attention which prevent us from concluding that the Trust has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Trusts arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for NHS bodies specified by the Audit Commission and published in July 2005, in all significant respects, Chelsea & Westminster Healthcare NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Deloitte & Touche LLP
St Albans

2006

Data entered below will be used throughout the workbook:

Trust name:	Chelsea and Westminster Healthcare NHS Trust
This year	2005/06
Last year	2004/05
This year ended	31 March 2006
Last year ended	31 March 2005
This year beginning	1 April 2005

FOREWORD TO THE ACCOUNTS

CHELSEA AND WESTMINSTER HEALTHCARE NHS TRUST

These accounts for the year ended 31 March 2005 have been prepared by Chelsea and Westminster Healthcare NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

These Annual Accounts and accompanying Notes provide more detail of the Trust's financial performance than is included in the Summary Financial Statements within the Annual Report.

Financial duties

An NHS Trust has the following statutory financial duties laid down by the NHS Executive:

- to break-even on its income and expenditure account taking one year with another

The Trust has retained a surplus of £2,204k for the year and a surplus of £429k over the last three years taking one year with another, thereby meeting its break even duty.

- to keep within the annual Capital Resource Limit (CRL)

This was met by the Trust with an underspend against its CRL of £12,894k. The underspend will be carried forward into the capital plan for 2006/07.

- to keep within the External Financing Limit which is the limit placed on net borrowing

The Trust remained within its cash limit totals for the year. An undershoot of £27k was recorded at the end of the year which is within the allowed tolerance.

- to achieve a 3.5% return on its relevant net assets (Capital Cost Absorption Duty)

The trust under achieved this duty, with a 3.3% return on capital after paying dividends totalling £8,821k. The 3.3% is within the required tolerance level of 3% - 4%.

Better payment practice code

The Better Payment Practice Code requires the Trust to pay all valid invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later unless other payment terms have been agreed with the supplier. The Trust paid 75 % of its bills within the time scale, representing 65 % in terms of value. The NHS standard is to pay 90% of the number of invoices received within 30 days. The Trust has put plans in place to improve BPPC performance towards that target.

Financial Plans 2006/07

2006/07 is a year of potentially significant change, as the Trust is applying for Foundation Trust status for a licence from 1st August 2006. Operating as a Foundation Trust will enable the Trust to operate with greater financial freedoms and to position itself well as Practice Based Commissioning and Patient Choice develop in West London. As a Foundation Trust we will be able to retain future surpluses to reinvest in the hospital service and access to capital will be more immediate.

As part of its application process, the Trust has developed a 5 year financial plan based on its Service Development Strategy and has developed detailed forward working capital projections for the next 2 years. The Trust is planning for a £2.4m surplus in 2006/07 after delivering a savings plan of £11.1m. This is a challenging but achievable target and builds on the excellent improvements in clinical efficiency driven by the Trust's IMPACT programme in 2005/06.

As well as achieving Foundation Trust status, the Trust's financial strategy priority is to develop an excellent activity based costing system, which will enable us to continue to operate efficiently under the Payment by Results tariff. The Trust already operates below the national average cost with a Reference Cost Index of 97 (100 = National Average).

The overall financial outlook for the North West Sector continues to be challenging and our host PCT, Kensington and Chelsea PCT has published its Turnaround Plan to recover a £22m cumulative deficit. The Trust is working in partnership with the host PCT on a range of issues to develop and deliver joint plans for a variety of mutual priorities, including a return to financial balance for the sector. To this end, the Trust has planned for the impact of demand management initiatives next year to avoid unnecessary follow up outpatient visits and introduction of community support for patients with long term conditions with the aim of improving care and avoiding hospital admission.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 March 2006

	NOTE	2005/06 £000	2004/05 £000
Income from activities	3	**195,999**	177,626
Other operating income	4	**33,561**	30,282
Operating expenses	5-7	**(218,651)**	(199,600)
OPERATING SURPLUS BEFORE INTEREST		**10,909**	8,308
Interest receivable		**248**	227
Interest payable	9	**(132)**	(132)
Other finance costs - change in discount rate on provisions	16	**0**	0
SURPLUS FOR THE FINANCIAL YEAR		**11,025**	**8,403**
Public Dividend Capital dividends payable		**(8,821)**	(8,298)
RETAINED SURPLUS FOR THE YEAR		**2,204**	105

The notes on pages 17 to 47 form part of these accounts.
All income and expenditure is derived from continuing operations.

NOTE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 March 2006

	31 March 2006 £000	31 March 2005 £000
Retained surplus for the year	**2,204**	105
Financial support included in retained surplus/(deficit) for the year - NHS Bank	**0**	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated	**0**	0
Retained surplus for the year excluding financial support	**2,204**	105

BALANCE SHEET AS AT 31 March 2006

	NOTE	31 March 2006 £000	31 March 2005 £000
FIXED ASSETS			
Intangible assets	10	**0**	0
Tangible assets	11	**279,918**	269,642
Investments	14.1	**0**	0
		279,918	269,642
CURRENT ASSETS			
Stocks and work in progress	12	**5,237**	4,147
Debtors	13	**16,950**	24,481
Cash at bank and in hand	18.3	**678**	620
		22,865	29,248
CREDITORS: Amounts falling due within one year	15	**(24,499)**	(23,619)
NET CURRENT (LIABILITIES) ASSETS		**(1,634)**	5,629
TOTAL ASSETS LESS CURRENT LIABILITIES		**278,284**	275,271
CREDITORS: Amounts falling due after more than one year	15	**(969)**	(996)
PROVISIONS FOR LIABILITIES AND CHARGES	16	**(4,554)**	(2,518)
TOTAL ASSETS EMPLOYED		**272,761**	271,757
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	22	**168,981**	177,764
Revaluation reserve	17	**97,085**	90,811
Donated asset reserve	17	**7,194**	5,885
Income and expenditure reserve	17	**(499)**	(2,703)
TOTAL TAXPAYERS EQUITY		**272,761**	271,757

……

Heaher Lawrence - Chief Executive

Date: 6th July 2006

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 March 2006

	2005/06	2004/05
	£000	£000
Surplus for the financial year before dividend payments	**11,025**	8,403
Unrealised surplus on fixed asset revaluations/indexation	**6,330**	31,883
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	**1,408**	489
Defined benefit scheme actuarial gains/(losses)	**0**	0
Total gains and losses recognised in the financial year	**18,763**	**40,775**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2006

	NOTE	2005/06 £000	2004/05 £000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	18.1	**27,581**	9,985
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		**248**	227
Interest element of finance leases		**(132)**	(132)
Net cash inflow from returns on investments and servicing of finance		**116**	95
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		**(9,993)**	(9,778)
Net cash outflow from capital expenditure		**(9,993)**	(9,778)
DIVIDENDS PAID		**(8,821)**	(8,298)
Net cash inflow/(outflow) before management of liquid resources and financing		**8,883**	(7,996)
FINANCING			
Public dividend capital received		**0**	8,500
Public dividend capital repaid (not previously accrued)		**(8,783)**	0
Public dividend capital repaid (accrued in prior period)		**0**	0
Capital element of finance lease rental payments		**(42)**	(42)
Net cash (outflow) / inflow from financing		**(8,825)**	8,458
Increase in cash		**58**	462

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trust Manual for Accounts which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2005/06 NHS Trusts Manual for Accounts issued by the Department of Health. 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, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income Recognition

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

1.6 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, except capitalised Research and Development which is revalued using an appropriate index figure. 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

Capitalisation

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

- individually have a cost of at least £5,000; or

- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

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

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. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

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

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

Additional alternative Open Market Value figures have only been supplied for operational assets once they have been taken out of operational use and subsequently disposed of.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Assets in the course of construction are valued at current cost using the indices as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

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

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.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank.

1.8 Donated fixed assets

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

1.9 Private Finance Initiative (PFI) transactions

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

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

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

1.10 Stocks and work-in-progress

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

1.11 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. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are 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.

1.12 Provisions

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. This is a change from the rate of 3.5% in 2004/05 and earlier. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16.

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS 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 Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 16.

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 2004/05 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

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 they become due.

1.13 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 Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full
The conclusion
The scheme is
Early payment
Additional
The Scheme
Deposits and
Most of the

1.16 Foreign Exchange

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

1.17 Third Party Assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 28 to the accounts.

1.18 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.19 Public Dividend Capital (PDC) and PDC Dividend

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

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

1.20 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and Special Payments are charged to the relevant functional headings in the income and expenditure account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 30 is compiled directly from the losses and compensations register which is prepared on a cash basis.

2.00 Segemental Analysis

The Trust has only one significant business segment, being the provision of healthcare services. The Trust received income from shared sevices provided to the North West London Strategic Health Authority, Kensington and Chelsea PCT and the London Pharmacy Education and Training totalling £336k (2004/05 £391k)

3. Income from Activities

	2005/06	2004/05
	£000	£000
Strategic Health Authorities	**0**	368
NHS Trusts	**3,244**	3,688
Primary Care Trusts	**182,846**	163,105
	0	400
Department of Health	**1,982**	19
Non NHS:		
- Private Patients	**7,356**	7,151
- Road Traffic Act	**410**	429
- Other	**161**	2,466
	195,999	177,626

Road Traffic Act income is subject to a provision for doubtful debts of 10% to reflect expected rates of collection

4. Other Operating Income

	2005/06	2004/05
	£000	£000
Education, training and research	**24,865**	25,554
Charitable and other contributions to expenditure	**152**	478
Transfers from donated asset reserve	**155**	286
Non-patient care services to other bodies	**536**	1,823
Income Generation	**844**	
Other income	**7,009**	2,141
	33,561	30,282

5.2 Operating leases

5.2/1 Operating expenses include:

	2005/06	2004/05
	£000	£000
Hire of plant and machinery	**0**	0
Other operating lease rentals	**233**	798
	233	798

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		**Other leases**	
	2005/06	2004/05	**2005/06**	2004/05
	£000	£000	**£000**	£000
Operating leases which expire:				
Within 1 year	**0**	0	**769**	533
Between 1 and 5 years	**0**	0	**761**	519
After 5 years	**0**	0	**0**	0
	0	0	**1,530**	1,052

6. Staff costs and numbers

6.1 Staff costs

	2005/06 Total	**Permanently Employed**	**Other**	2004/05
	£000	**£000**	**£000**	£000
Salaries and wages	**105,778**	86,500	19,278	96,328
Social Security Costs	**8,378**	7,425	953	8,101
Employer contributions to NHSPA	**9,409**	9,210	199	8,693
Other pension costs	**0**	0	0	0
	123,565	**103,135**	**20,430**	113,122

6.2 Average number of persons employed

	2005/06 Total	**Permanently Employed**	**Other**	2004/05
	Number	**Number**	**Number**	Number
Medical and dental	**455**	444	11	431
Administration and estates	**563**	461	102	563
Healthcare assistants and other support staff	**174**	143	31	195
Nursing, midwifery and health visiting staff	**1,116**	941	175	1,115
Nursing, midwifery and health visiting learners	**9**	9	0	0
Scientific, therapeutic and technical staff	**367**	358	9	297
Other	**82**	78	4	72
Total	**2,766**	**2,434**	**332**	**2,673**

6.3 Employee benefits

The Trust did not incur any expenditure on employee benefits

6.4 Management costs

	2005/06	2004/05
	£000	£000
Management costs	**10,560**	9,437
Income	**229,560**	207,908
% Management Costs	**4.6%**	4.5%

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

6.5 Retirements due to ill-health

During 2005/06 (2004/05 4) there was 1 early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of this ill-health retirement will be £98k. The cost of this ill-health retirement will be borne by the NHS Pensions Agency.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	2005/06 Number	2005/06 £000
Total Non-NHS trade invoices paid in the year	**53,201**	**86,897**
Total Non NHS trade invoices paid within target	**39,740**	**56,339**
Percentage of Non-NHS trade invoices paid within target	**75%**	**65%**
Total NHS trade invoices paid in the year	**2,500**	**11,066**
Total NHS trade invoices paid within target	**1,181**	**6,191**
Percentage of NHS trade invoices paid within target	**47%**	**56%**

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. All invoices over 90 days are considered disputed and excluded from the calculation.

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

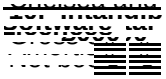
The Trust did not receive any claims for interest payment on the lateness of commercial debts.

8. Profit/(Loss) on Disposal of Fixed Assets

There were no disposals of fixed assets during the year (2004/05 - Nil).

9. Interest Payable

	2005/06 £000	2004/05 £000
Finance leases	**132**	132
	132	132



11. Tangible Fixed Assets

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2005	44,500	207,255	1,335	7,136	22,018	55	7,490	458	290,247
Additions purchased	0	0	0	11,489	0	0	0	0	11,489
Additions donated	0	95	0	943	370	0	0	0	1,408
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	3,697	0	(7,774)	4,077	0	0	0	0
Indexation	2,225	3,804	25	130	140	6		0	6,330
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Cost or Valuation at 31 March 2006	**46,725**	**214,851**	**1,360**	**11,924**	**26,605**	**61**	**7,490**	**458**	**309,474**
Depreciation at 1 April 2005					14,996	55	5,143	411	20,605
Charged during the year	0	7,221	68		1,198	5	447	12	8,951
Indexation	0	0	0		0	0		0	0
Depreciation at 31 March 2006	**0**	**7,221**	**68**	**0**	**16,194**	**60**	**5,590**	**423**	**29,556**
Net book value									
- Purchased at 1 April 2005	44,500	202,558	1,335	6,585	6,733	0	2,347	47	264,105
- Donated at 1 April 2005	0	4,697	0	551	289	0	0	0	5,537
- Government Granted at 1 April 2005	0	0	0	0	0	0	0	0	0
- Total at 1 April 2005	**44,500**	**207,255**	**1,335**	**7,136**	**7,022**	**0**	**2,347**	**47**	**269,642**
- Purchased at 31 March 2006	46,725	202,545	1,292	10,393	9,911	1	1,822	35	272,724
- Donated at 31 March 2006	0	5,085	0	1,531	500	0	78	0	7,194
- Government Granted at 31 March 2006	0	0	0	0	0	0	0	0	0
- Total at 31 March 2006	**46,725**	**207,630**	**1,292**	**11,924**	**10,411**	**1**	**1,900**	**35**	**279,918**

11.1 Tangible Fixed Assets (contd)

Of the totals at 31 March 2006, £46,752k related to land valued at open market value and £207,627 related to buildings valued at open market value and £1,292 related to dwellings valued at open market value.

The net book value of assets held under finance leases and hire purchase contracts at the balance sheet date are as follows:

	Dwellings	Total
	£000	£000
At 31 March 2006	1,292	**1,292**
At 31 March 2005	1,335	**1,335**

The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	Dwellings	Total
	£000	£000
Depreciation 31 March 2006	68	**68**
Depreciation 31 March 2005	19	**19**

11.2 The net book value of land, buildings and dwellings at 31 March 2006 comprises:

	31 March 2006	31 March 2005
	£000	£000
Freehold	**254,355**	251,755
Long leasehold	**1,292**	1,335
TOTAL	**255,647**	253,090

12. Stocks and Work in Progress

	31 March 2006	31 March 2005
	£000	£000
Raw materials and consumables	**5,237**	4,147
TOTAL	**5,237**	4,147

13. Debtors

	31 March 2006	31 March 2005
	£000	£000
Amounts falling due within one year:		
NHS debtors	**10,051**	16,999
Provision for irrecoverable Non NHS debts	**(1,901)**	(1,933)
Other prepayments and accrued income	**900**	1,885
Other debtors	**7,574**	7,141
Sub Total	**16,624**	24,092
Amounts falling due after more than one year:		
Other debtors	**326**	389
Sub Total	**326**	389
TOTAL	**16,950**	24,481

15. Creditors

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

	31 March 2006	31 March 2005
	£000	£000
Amounts falling due within one year:		
NHS creditors	**7,269**	8,260
Non - NHS trade creditors - revenue - other	**4,075**	6,864
Non - NHS trade creditors - capital	**1,707**	253
Tax and social security costs	**2,836**	3,700
Obligations under finance leases and hire purchase contracts	**272**	245
Other creditors	**3,378**	1,488
Accruals and deferred income	**4,962**	2,809
Sub Total	**24,499**	23,619
Amounts falling due after more than one year:		
Obligations under finance leases and hire purchase contracts	**969**	996
Sub Total	**969**	996
TOTAL	**25,468**	24,615

Other creditors include;

- £1,193k outstanding pensions contributions at 31 March 2006 (31 March 2005 £1,099k).

15.2 Loans [and other long-term financial liabilities]

The Trust had no long term loans at the balance sheet date.

15.3 Finance lease obligations

	31 March 2006 £000	31 March 2005 £000
Payable:		
Within one year	**272**	245
Between one and five years	**969**	421
After five years	**0**	1,797
	1,241	2,463
Less finance charges allocated to future periods	**0**	(1,222)
	1,241	1,241

15.4 Finance Lease Commitments

The Trust did not enter into any new lease arrangements.

16. Provisions for liabilities and charges

	Pensions relating to other staff	Other	**Total**
	£000	£000	**£000**
At 1 April 2005	478	2,040	**2,518**
Change in discount rate	0	0	**0**
Arising during the year	0	2,559	**2,559**
Utilised during the year	(23)	(500)	**(523)**
Reversed unused	0	0	**0**
Unwinding of discount	0	0	**0**
At 31 March 2006	**455**	**4,099**	**4,554**

Expected timing of cashflows:

Within one year	35	4,099	**4,134**
Between one and five years	173	0	**173**
After five years	247	0	247

Included in Other are provisions relating to Agenda for Change i.e The new national pay structure. This provision will be utilised within one year.

£18,966k is included in the provisions of the NHS Litigation Authority at 31 March 2006 in respect of clinical negligence liabilities of the Trust (31 March 2005 £16,764k).

17. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Income and Expenditure Reserve £000	**Total £000**
At 1 April 2005 as previously stated	90,811	5,885	(2,703)	**93,993**
At 1 April 2005 as restated	90,811	5,885	(2,703)	**93,993**
Transfer from the income and expenditure account			2,204	**2,204**
Surplus on other revaluations/indexation of fixed assets	6,274	56		**6,330**
Receipt of donated assets		1,408		**1,408**
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets		(155)		**(155)**
At 31 March 2006	**97,085**	**7,194**	**(499)**	**103,780**

18. Notes to the cash flow Statement

18. 1 Reconciliation of operating surplus to net cash flow from operating activities:

	2005/06	2004/05
	£000	£000
Total operating surplus (deficit)	**10,909**	8,308
Depreciation and amortisation charge	**8,951**	7,785
Transfer from donated asset reserve	**(155)**	(286)
(Increase)/decrease in stocks	**(1,090)**	(623)
(Increase)/decrease in debtors	**7,531**	(6,655)
Increase/(decrease) in creditors	**(601)**	(604)
Increase/(decrease) in provisions	**2,036**	2,060
Net cash inflow from operating activities	**27,581**	9,985

18.2 Reconciliation of net cash flow to movement in net debt

	2005/06	2004/05
	£000	£000
Increase/(decrease) in cash in the period	**58**	462
Cash outflow from debt repaid and finance lease capital payments	**42**	42
Change in net debt resulting from cashflows	**100**	504
Non - cash changes in debt	**(42)**	(923)
Net debt at 1 April 2005	**(621)**	(202)
Net debt at 31 March 2006	**(563)**	(621)

18.3 Analysis of changes in net debt

	At 1 April 2005	Other cash changes in year	Non-cash changes in year	**At 31 March 2006**
	£000	£000	£000	**£000**
OPG cash at bank	620	58		**678**
Commercial cash at bank and in hand	0	0		**0**
Bank overdraft	0	0		**0**
Debt due within one year	0	0	0	**0**
Debt due after one year	0	0	0	**0**
Finance leases	(1,241)	42	(42)	**(1,199)**
Current asset investments	0	0		**0**
	(621)	**100**	**(42)**	**(521)**

19. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2006 were £1707k (31 March 2005 £405k)

20. Post Balance Sheet Events

There have been no post balance sheet events since the balance sheet date.

21. Contingencies

There were no contingent liabilities at the balance sheet date.

22. Movement in Public Dividend Capital

	2005/06	2004/05
	£000	£000
Public Dividend Capital as at 1 April 2005	**177,764**	169,264
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	**0**	8,500
Public Dividend Capital repaid in year	**(8,783)**	0
Public Dividend Capital as at 31 March 2006	**168,981**	**177,764**

23. Financial Performance Targets

23.1 Breakeven Performance

The trust's breakeven performance for 2005/06 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	116,584	145,830	163,516	195,039	167,721	187,999	190,884	207,908	229,560
Retained surplus/(deficit) for the year	(1,100)	(4,688)	459	285	401	2,440	(1,880)	105	2,204
Adjustment for:									
- 1999/2000 Prior Period Adjustment (relating to 1997/98 and 1998/99)	0	3,606	0	0	0	0	0	0	0
- 2001/02 Prior Period Adjustment (relating to 1997/98 to 2000/01)	2,398	(2,190)	0	0	0	0	0	0	0
Break-even in-year position	1,298	(3,272)	459	285	401	2,440	(1,880)	105	2,204
Break-even cumulative position	1,298	(1,974)	(1,515)	(1,230)	(829)	1,611	(269)	(164)	2,040
Materiality test (I.e. is it equal to or less than 0.5%):									
- Break-even in-year position as a percentage of turnover	1.11%	(2.24%)	0.28%	0.15%	0.24%	1.30%	(0.98%)	0.05%	0.96%
- Break-even cumulative position as a percentage of turnover	1.11%	(1.35%)	(0.93%)	(0.63%)	(0.49%)	0.86%	(0.14%)	(0.08%)	0.89%

23.2 Capital cost absorption rate

The trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £8,821, bears to the average relevant net assets of £265,071k, that is 3.3%. This is within the required tolerance level of 3% to 4%

23.3 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

	£000	**2005/06 £000**	2004/05 £000
External financing limit		**(8,856)**	8,539
Cash flow financing	(8,883)		7,996
External financing requirement		**(8,883)**	7,996
Undershoot		**27**	543

23.4 Capital Resource Limit

The Trust is given a Capital Resource Limit which it is not permitted to overspend

	2005/06 £000	2004/05 £000
Gross capital expenditure	**12,897**	7,366
Less: donations towards the acquisition of fixed assets	**(1,408)**	0
Charge against the CRL	**11,489**	7,366
Capital resource limit	**12,867**	7,368
Underspend against the CRL	**1,378**	2

24. Related Party Transactions

Chelsea and Westminster NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Chelsea and Westminster NHS Trust.

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

	31 March 2006 £000	31 March 2005 £000
Income		
Kensington and Chelsea PCT	88,449	75,089
Hammersmith and Fulham PCT	26,144	24,240
Westminster PCT	17,275	15,928
Wandsworth PCT	14,581	13,762
Expenditure		
Hammersmith Hospital NHS Trust	7,592	7,773
NHS Supplies Authority	3,315	3,493
London Ambulance NHS Trust	1,017	1,043

In addition, the Trust provided financial and payroll services to the following NHS Organisations in the year

North West London Strategic Health Authority
Kensington & Chelsea PCT
London Pharmacy Education and Training

25. Private Finance Transactions

25.1 PFI schemes deemed to be off-balance sheet

	2005/06	2004/05
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	**0**	741
Net charge to operating expenses	**0**	741

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

PFI scheme which expires;		
Within one year	**0**	923

25.2 'Service' element of PFI schemes deemed to be on-balance sheet

The Trust had no "service" element of PFI schemes deemed to be on-balance sheet

26 Pooled Budget

The Trust was not involved in any pooled arrangement.

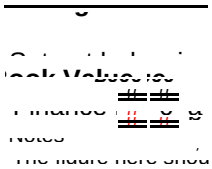
FRS 13,

Derivatives

As allowed by

The NHS

0% of the



28 Third Party Assets

The Trust did not hold any third party assets or liabilities at the balance sheet date.

29 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	11,237	0	714	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,625	0	6,280	0
Balances with Public Corporations and Trading Funds	96	0	0	0
Balances with bodies external to government	2,666	326	17,505	969
At 31 March 2006	16,624	326	24,499	969
Balances with other Central Government Bodies	218	0	457	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	14,519	0	7,800	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	9,355	389	15,362	996
At 31 March 2005 (prior year)	24,092	389	23,619	996

30 Losses and Special Payments

There were 8 cases of losses and special payments (2004/05: 33 cases) totalling £96,k(2004/05: £853k) paid during 2005/06.

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	4.1 /Jul/06
PAPER	Locum Spend in Women and Children's Services
LEAD EXECUTIVE	Maxine Foster, Director of Human Resources Contact Number: 0208 846 6726
AUTHOR	Maxine Foster, Director of Human Resources Contact Number: 0208 846 6726
SUMMARY	This report focuses on the reasons for the level of expenditure in the Women and Children's Directorate in 2005 to 2006.
BOARD ACTION	The Board is asked to note the report and agree that appropriate action is being taken to address this concern.

Chelsea and Westminster Healthcare NHS Trust
Human Resources Directorate

Report on Medical Locums Expenditure Within Women & Children's Directorate

April 2005 - March 2006

1. Introduction

The Board will recall requesting a report on the expenditure on medical locum staff within the Women and Children's Directorate. The total spending on medical locums in the financial year April 2005 to March 2006 was £746, 632. This compares with a total spend of £751,906 in 2004/05. Appendix 1 details the expenditure by department within Women & Children's for April 2005 – March 2006. The majority of the expenditure was at SpR level £454,310.

2. Locum Expenditure in Context

The Locum expenditure should be seen in the context of overall surplus of £29,000 in the medical budget at year end for 2005 / 2006.

For the financial year 2005 to 2006 the reasons for locum cover is summarised below.

2.1 NICU

The predominant and most costly reason for locum bookings was to cover vacancies at SpR level (£110,698). In 2004/05 this was £160,290 Historically, and to date these are hard to recruit to positions due to its specialist nature. As further evidence of this the Postgraduate Dean's office has difficulty filling these slots across the rotation in London.

Additionally NICU have required and, had approved locum consultant level cover in managing a demanding rota and on call commitment (£24,738). An additional consultant appointment was approved in 2005 / 2006 which should help negate the continuing need for this cover. In spite of these challenges NICU remained within their medical budget.

2.2 Paediatrics

In 2005 -2006 there were differing circumstances for medical locum cover.
In Paediatric Dentistry, waiting list initiative monies funded extra lists in the financial year, these lists were covered in house with by short term locum appointments (£33,428). Additionally locum SHO cover was provided once a week to help support these extra lists (£4,718). This extra expenditure would be reflected in the activity of

the directorate. Waiting list initiative monies are non recurrent and only applicable in the financial year therefore it is prudent not to make substantive appointments to these posts.

Waiting list initiative monies also funded extra activity in general paediatrics. This extra expenditure would have also been reflected in the increased activity of the directorate.

Extra locum SpR cover for Paediatric A&E for February and March 06 was also required to provide the necessary senior level cover at weekends in Paediatric A&E which could not be provided within the substantive staff. This cover was approved at Executive Director level. Paediatric A&E has seen increasing activity throughout the year. The total SpR locum expenditure for the year was £151,309.

One consultant had a 3 month period of leave during this financial year. His post was covered by one of the more experienced junior doctors acting up and thus required backfill at the more junior level (£26,675).

2.3 **Women's Medical**

Additionally gynaecology lists, funded by waiting list initiative money took place within the financial year. This was also reflected in the directorate activity within the year.

Two consultants had long term sickness episodes within the financial year. These required locum cover at the more junior grades to cover the acting up arrangements put in place. Total SpR expenditure was £178,334 for the year.

3. **Future planning**

The directorate is taking additional steps to control and monitor locum spending this financial year. A detailed examination of the activity for months one and two has been undertaken by the General Manager to identify the current reasons for locum bookings and take action to reduce expenditure. Some examples are:

1) Introduction of a quota system for bank and agency medical locum bookings based on cost.
2) All locum bookings to be agreed and signed off in advance with the appropriate Assistant General Manager and / or General Manager.
3) Examination and discussion with the junior doctors' representatives monitoring the rotas and the AGM's in identifying potential gaps / problems in the rota.
4) Stricter adherence to the authorised signatory lists in requesting locum cover

The Locum expenditure will be monitored monthly by the Director of Operations as part of the directorate performance management framework.

Maxine Foster
Director of Human Resources

Sum of Total £		Financial Period												
Department	Grade	P01-Apr-05-06	P02-May-05-06	P03-Jun-05-06	P04-Jul-05-06	P05-Aug-05-06	P06-Sep-05-06	P07-Oct-05-06	P08-Nov-05-06	P09-Dec-05-06	P10-Jan-05-06	P11-Feb-05-06	P12-Mar-05-06	Grand Total
NICU	Consultant	3,213	4,602	4,534	3,665	6,952	0	921			900	(48)		24,738
	SHO	1,660	3,222	2,152	1,844	2,242	599	117	4,005	(1,179)	2,063	2,888	8,308	27,920
	SpR	2,175	11,833	11,192	15,683	10,571	10,325	5,720	10,637	5,888	19,952	5,631	1,092	110,698
NICU Total		**7,047**	**19,656**	**17,877**	**21,192**	**19,766**	**10,924**	**6,758**	**14,642**	**4,709**	**22,915**	**8,471**	**9,400**	**163,356**
Paed Dentistry	Consultant			6,890	4,751	3,107	3,260	3,676	1,433	1,708	(391)	4,206	4,787	33,428
	SHO						258	1,904	364	1,064	(244)	577	795	4,718
	SpR								615	(48)				566
Paed Dentistry Total				**6,890**	**4,751**	**3,107**	**3,519**	**5,580**	**2,411**	**2,724**	**(635)**	**4,784**	**5,582**	**38,712**
Paed WLI	Consultant	(10,990)	0	(10,230)		12,378	(12,378)	1,382	5,565	4,003	(391)	(241)		(10,901)
	SHO							308	28	(26)			5,616	5,926
	SpR												13,403	13,403
Paed WLI Total		**(10,990)**	**0**	**(10,230)**		**12,378**	**(12,378)**	**1,690**	**5,593**	**3,977**	**(391)**	**(241)**	**19,019**	**8,427**
Paediatrics	Consultant									6,807	6,848	4,446	8,574	26,675
	HO								414					414
	SHO	14,485	1,903	6,266	1,065	3,569	1,555	8,596	4,109	(2,040)	11,680	2,857	10,461	64,506
	SpR	3,222	14,145	18,791	8,625	28,354	12,834	21,944	16,192	(1,317)	3,347	3,910	21,262	151,309
Paediatrics Total		**17,707**	**16,049**	**25,056**	**9,689**	**31,923**	**14,390**	**30,540**	**20,716**	**3,450**	**21,875**	**11,213**	**40,297**	**242,904**
Women's Medical (Gynae & Maternity)	Consultant							9,088	19,260	11,076	7,105	11,925	21,604	80,057
	HO								1,788					1,788
	SHO	1,116	5,047	5,390	7,067	1,580	4,407	1,079	(439)	4,731	1,809	(101)	1,366	33,052
	SpR	33,069	6,479	13,217	10,957	8,294	31,531	14,820	17,641	10,283	2,461	15,015	14,567	178,334
Women's Medical (Gynae & Maternity) Total		**34,184**	**11,526**	**18,607**	**18,024**	**9,874**	**35,937**	**24,987**	**38,250**	**26,090**	**11,375**	**26,838**	**37,537**	**293,231**
Grand Total		**47,949**	**47,231**	**58,200**	**53,656**	**77,048**	**52,391**	**69,555**	**81,613**	**40,950**	**55,139**	**51,064**	**111,835**	**746,632**

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	4.2/Jul/06
PAPER	A Comparison of Bank and Agency to Substantive staff employment costs.
LEAD EXECUTIVE	Maxine Foster, Director of Human Resources Contact Number: 0208 846 6726
AUTHOR	Maxine Foster, Director of Human Resources Contact Number: 0208 846 6726
SUMMARY	This paper gives examples of the different rates of pay offered to Permanent, Bank and Agency staff in the trust. It also details action being taken to reduce the expenditure on temporary staff.
BOARD ACTION	The Board is asked to note the cost comparisons and the action being taken to reduce expenditure on Bank and Agency staff.

Chelsea and Westminster Healthcare NHS
NHS Trust

Chelsea and Westminster Healthcare NHS Trust
Human Resources Directorate

Report on the comparative costs of employing staff substantively or through the Bank

1. Introduction

This report compares the cost of employing staff on a permanent or fixed term contract with the in house Bank and Agency costs. The report contains information relating to expenditure in 2005/06. As part of the Cost Improvement Programme for 2006/7 and in line with the implementation of Agenda for Change the Trust is revising the rates paid through the Bank to reflect Agenda for Change rates and remove the premia currently being paid.

2. Comparative Rates of Pay.

Rates vary for different staff groups and some are only procured through either the Bank or through Agencies, so to enable Board members to form a view of comparative costs in the area of highest expenditure, the information below details costs for the nursing grades.

Nursing Grade	Annual Basic cost for Permanent staff £	Annual Cost At Bank Rates £	% Difference Bank to Permanent	Annual Cost Agency Rates £	% Difference Agency to Permanent
Grade A	15,101	17,127	13%	22,690	50.26%
Grade B	16,841	19,097	13%	26,503	57.37%
Grade C	20,691	22,641	9%	24,977	20.71%
Grade D	21,616	24,668	14%	36,572	69.19%
Grade E	23,623	27,718	17%	45,910	94.35%
Grade F	26,820	31,962	19%	45,237	68,67%
Grade G	30,196	35,409	17%	NA	
Grade H	33,183	38,953	17%	NA	
Specialist		37,837	17%	48,720	

Thus Agency costs still far exceed the cost of the In House Bank despite considerable savings having been negotiated during the past 12 months as part of Framework Agreements.

3. Action to Reduce Expenditure

In 2005/06 total trust pay across all staff groups was £123m of which £16.774m was spent on Bank and Agency pay.
During 2006/07 the Trust is committed to reducing the Bank and Agency Expenditure by £1m through a combination of introducing a new rostering system and reducing activity and rates of pay.

Further measures to reduce expenditure are being considered or actioned:

1. Assess the costs and benefits of the strategy of a flexible workforce of 80% core and 20% temporary staff.
2. Continue to encourage migration from temporary to permanent contracts for our longer term bank and agency staff. All staff who have been employed in the same role through the Bank for over 12 months are being actively encouraged to move to permanent contracts or their managers are being asked to reconsider the need for the role.
3. Continue to suppress agency costs through participation in PASA procurement exercises.
4. Bank and Agency activity and cost quotas for front line directorates are being revised to reflect current activity and directorate savings targets.

Maxine Foster
Director of Human Resources

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	4.3/Jul/06
PAPER	Safer Patient's Initiative
LEAD EXECUTIVE	Catherine Mooney Director of Governance and Corporate Affairs Contact Number: 02082372881
AUTHOR	Catherine Mooney Director of Governance and Corporate Affairs Contact Number: 02082372881
SUMMARY	This paper outlines the Health Foundation's Patient Safety Initiative and the implications for the Trust should the bid be successful.
BOARD ACTION	The Board is asked to agree and support the Trust's application and to approve the addition to the Board agenda, of a monthly progress report on the initiative, and the appointment of a non-executive director lead should the trust be successful in its application.

The Health Foundation Safer Patients Initiative

The Health Foundation
The Health Foundation is a charitable, independent organisation aimed at improving quality of healthcare. It funds clinical academic research and has a leadership awards scheme, amongst other initiatives. One of these is the Patient Safety Initiative.

Patient Safety Initiative
This £4.3m initiative was launched in 2004 and involved four hospitals, one in England, one in Wales one in Northern Ireland and one in Scotland. These hospitals have been working to a programme designed to improve patient safety.

The Healthcare Foundation are now wishing to extend this initiative to a further 16 hospitals. Hospitals must bid in pairs i.e. there will be 8 successful bids.

Chelsea and Westminster will join with West Middlesex hospital in putting forward a bid.

Implications for the Trust

The second phase of the initiative i.e. the inclusion of a further 16 hospitals, will last for two years and will include limited funding to contribute to the costs of developing the capability for improving patient safety in each hospital, support from existing Safer Patients Initiative hospitals to implement new practices and procedures and support to develop strategies to spread the learning.

Implications for the Trust Board

The selection criteria are based on four areas. These are

- Leadership Commitment
- Capacity and Capability
- Openness, transparency and communication
- Collaboration

The application needs to specify how the Chief Executive and Board will maintain oversight of the Safer Patients Initiative, including who will report to them and via what organisational structures. There needs also to be a visible primary responsibility for assuring the success of the initiative.

It is proposed that the progress of the initiative will be monitored through the established risk management arrangements as these are robust and involve a wide range of staff. The arrangements will be described in detail in the application.

The Board is asked to agree and support the Trust's application and to approve the addition of a monthly progress report on the initiative to the Board agenda, should the trust be successful in its application. The lead executive director will be the Director of Governance and Corporate Affairs, but the initiative will require the support of the whole executive team and this has been agreed. The trust lead is Professor Derek Bell and it may be more appropriate at times that the progress report is provided by him. The Board is also asked to agree that the Chair of the Clinical Governance Assurance Committee is the lead non-executive director.

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	5.1 /Jul/06
PAPER	Child Protection Report
LEAD EXECUTIVE	Andrew MacCallum, Director of Nursing Contact Number: Andrew.MacCallum@chelwest.nhs.uk
AUTHOR	Dr. Paul Hargreaves, Designated Doctor for Child Protection Contact Number: Paul.Hargreaves@chelwest.nhs.uk
SUMMARY	The Board is required to receive reports on the trust's arrangements for Child Protection. This report contains updates on the work of the trust's two local-area child protection committees: Hammersmith and Fulham; and Kensington and Chelsea. An overview of child protection arrangements and activity is given with the trust's position in relation to the recommendations following the Laming enquiry (Victoria Climbie).
BOARD ACTION	The Board is asked to note this report.

Child Protection report for the Trust Board July 2006

1. Background

2. Chelsea and Westminster Healthcare is based at the Chelsea and Westminster Hospital, 369 Fulham Road, London SW10 and serves the local population living in Kensington, Chelsea and Westminster as well as parts of Hammersmith and Fulham, Putney, Wandsworth and Battersea. People from a much wider catchment area use our specialist services. With relevance to Child Protection, the Paediatric Emergency Department (PED) sees over 30,000 children per year.

3. Government Guidance

4. The statutory inquiry into the death of Victoria Climbie (2003), and the first Chief Inspectors' report on safeguarding children (2002) highlighted the lack of priority status given to safeguarding.

5. The Government response to these findings included the Green Paper "Every Child Matters", and the provisions in the Children Act 2004. Three of the most important in this context are:
   - the creation of children's trusts under the duty to co-operate
   - the setting up of Local Safeguarding Children Boards
   - the duty on all agencies to make arrangements to safeguard and promote the welfare of children

6. Section 11 of the Children Act 2004 place duties on organisations and individuals to ensure that their functions are discharged with regard to the need to safeguard and promote the welfare of children.

7. Standard 5 of the "National Service Framework for Children, Young People and Maternity Services" sets the standards for health and social care agencies work to prevent children suffering harm and to promote their welfare

8. Working Together to Safeguard Children 2006

9. This was published in April and is guidance intended to strengthen the framework for inter-agency working to safeguard and promote the welfare of children.

10. It has been revised following extensive consultation with front-line practitioners, national stakeholders and within Government and has been updated since the previous (1999) version to reflect developments in legislation, policy and practice.

11. Key changes in this document include:
    - Area Child Protection Committees (ACPCs) have been replaced by Local Safeguarding Children's Boards (LSCBs) from 1st April 2006 – see more detail below.
    - LSCBs have a duty to develop training policy, identifying training needs and evaluating the quality of training provided. They do not have a duty to deliver all training.

- Following the Bichard Inquiry and the Sexual Offences Act 2003 all sexually active under 16 year olds should be evaluated against a checklist of factors by professionals to look for safeguarding risks. There is a presumption that for under 13 year olds there should be discussion with Social Services and (via them) the Police as below the age of 13 years there is limited or no capacity to give consent under Fraser guidelines.
- The Child Protection Register (CPR) will be replaced by a Child Protection Plan by 1st April 2008. There will be a similar set of procedures as before including the convening of Child Protection Conferences.
- There is more detailed guidance on dealing with allegations against staff.
- Child death review processes will be strengthened. By 1st April 2008 each LSCB will need to develop arrangements to review child deaths. This will involve the setting up of on-call rotas of Paediatricians who can notified of a sudden unexpected death. They will be required to liaise closely with the Police, other agencies and the family within a short timeframe. There will also be a requirement to have a rapid response multi-agency discussion to decide whether the circumstances of the death reach the threshold for a serious case review (formerly known as a Chapter 8 or Part 8 enquiry). The second important aspect of the child death review process will be to have a multi-agency Child Death Overview Panel which looks at all deaths under the age of 18 within an area. This area is recommended to have a population of 500,000. With this in mind, it is envisaged that Hammersmith & Fulham join up with Kensington & Chelsea and Westminster to develop this overview panel. This panel will review deaths to identify lessons to be learnt or issues of concern with a focus on effective inter-agency working to safeguard and promote the welfare of children.

12. <u>LSCB core objectives and functions</u>

13. Core objectives of LSCB, as outlined within the Children Act 2004 (Section 14.1-2) are:
14. to co-ordinate what is done by each person or body represented on the Board for the purposes of safeguarding and promoting the welfare of children in the area of the authority by which it is established; and
15. to ensure the effectiveness of what is done by each person or body for those purposes
16. Core functions of the LSCB are:
    - Developing policies and procedures for safeguarding and promoting the welfare of children in the area of the authority in relation to:
        - actions to be taken where there are concerns about a child's safety or welfare, including thresholds for intervention
        - training of persons working with children or in services affecting safety / welfare of children
        - recruitment and supervision of persons who work with children
        - investigation of allegations concerning persons who work with children
        - safety and welfare of children who are privately fostered
        - co-operation with neighbouring children's services authorities and their bard partners
    - Communicating to persons and bodies in the area of the authority of the need to safeguard and promote the welfare of children, raising their awareness of how this can best be done, and encouraging them to do so
    - Monitoring and evaluating the effectiveness of what is done by the authority and their board partners individually and collectively to safeguard and promote the welfare of children, and advising them on ways to improve
    - Participating in the planning of services for children in the area of the local authority
    - Undertaking reviews of serious cases and advising the authority and their board partners on lessons to be learned

17. 'Working Together to Safeguard Children' emphasises that:

- Members will need to be people with a strategic role in relation to safeguarding and promoting the welfare of children within their organisation. They should be able to:
- Speak for their organisation with authority
- Commit their organisation on policy and practice matters
- Hold their organisation to account

18. Local changes

19. Both H&F and K&C LSCBs have opted for a core executive group and a board comprised of a wider group, supported by a number of subgroups. The core executive groups of each LSCB comprise of directors and chief executives from the statutory agencies including Police, Probation, Social Services, Strategic Health Authority, Primary Care Trusts, NHS Trusts and CAFCASS.

20. The Hammersmith & Fulham LSCB is chaired by Andrew Christie, Director of the Children's Trust. Within Hammersmith & Fulham the following subgroups have been set up:

- Audit
- Training
- Policies and procedures
- Budget and resources
- Faith communities and equalities
- Serious case

21. Other subgroups that support the work of the Hammersmith & Fulham LSCB are:

- MAPPP (multi-agency public protection panel)
- Health
- Adolescent sexual health
- Child protection steering group on substance misuse
- Domestic violence forum
- Teenage pregnancy partnership

22. The Kensington & Chelsea LSCB is chaired by Ann Marie Carrie, Executive Director of Family and Children's Services. Within Kensington & Chelsea the following subgroups have been set up:

- Audit, quality and performance
- Community engagement, communication and prevention
- Training and workforce development
- Policy, procedures and practice
- Serious cases and child death

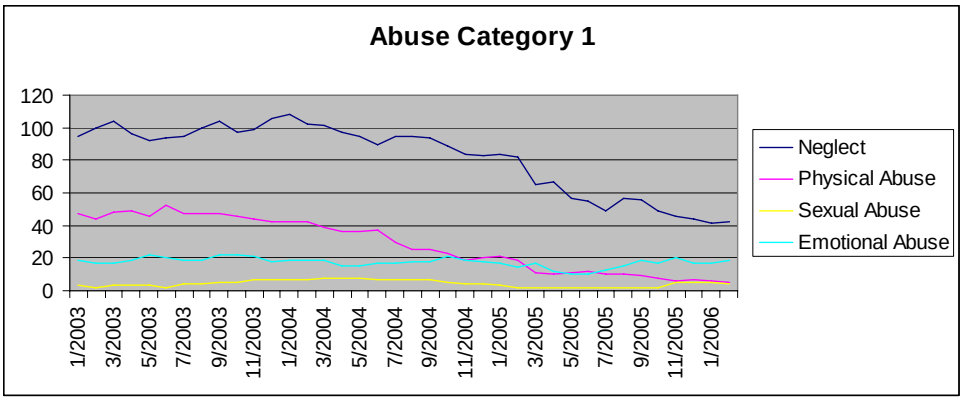
23. The designated doctor sits on several of these subgroups as well as the non-executive LSCB in each local authority.

24. Child Protection Registration (CPR) Data

25. Hammersmith & Fulham

26. The numbers of Children on the Child Protection Register (CPR) in Hammersmith and Fulham have continued to decline over the past 2 years.
27. At the beginning of April 2006, there were 75 children on the CPR, which was a drop from the levels of April 2005, when there were 95 children on the register.
28. The national position has reflected a similar, though less marked, drop in numbers of children on the CPR.

29. The fall in CPR has been as a result of a drop in new registrations of children with a more significant increase in numbers of children removed from the register.
30. Over the past year there has been monthly monitoring and analysis of the numbers of children on the CPR to consider whether there are any underlying causes for concern. This has focussed on issues relating to both the registration and deregistration of children.
31. The low number of children on the CPR for physical abuse is worrying and may be due to registering under the category of emotional abuse (especially in cases where domestic violence is a concern).
32. There is also a low number of children on the CPR under the age of 5 which is unusual as the national trend is for registration numbers to increase with decreasing age. These cases are being scrutinised.

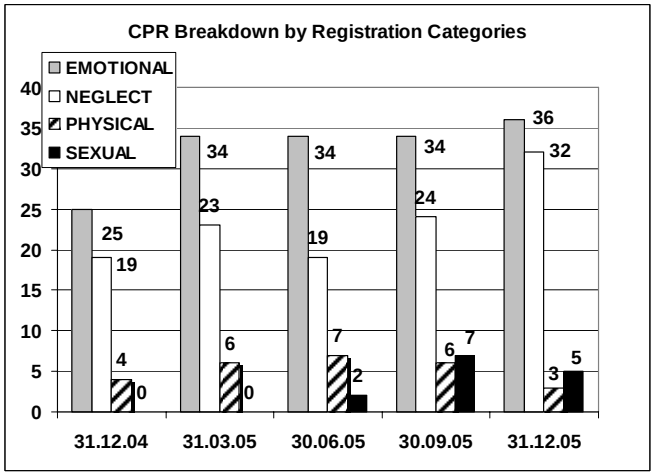


33.

34. Graph showing historic comparisons of abuse category registrations since 2003

35. <u>Kensington & Chelsea</u>

36. There have not many changes in the number of children on the CPR over the past year. There were 63 children on the CPR in April 2005, this increased to 76 in January 2006 but has now reduced to 62 in April 2006.



37.

38. **<u>Chelsea & Westminster</u>**
39. We have excellent Child Protection arrangements in place including:

- A tight 'safety net' in the Paediatric Emergency Department where children who present with certain diagnoses are discussed with various agencies.
- Weekly multidisciplinary team meetings on the burns unit and on NICU where Child Protection issues are discussed.
- Availability of linked Social Workers in PED (Paediatric Emergency Department), the Burns Unit, maternity unit, Paediatric wards, Neonatal unit and CAMHS.

- Escalation of Child Protection cases to Consultant level as soon as possible and the attending system ensures that there is a consistent approach to cases.
- Excellent Child Protection training at induction for all staff as part of the Corporate Induction Programme. We also monthly Child Protection training which all staff are encouraged to attend. Since this has been advertised on the intranet we have had excellent numbers of staff accessing this training. Nat all the attendees have been entered on the training database but on the figures we have 125 staff have been trained and these include 70 nurses, 8 medical staff, 18 midwives and 29 other staff.
- Good communication between colleagues within and outside of the hospital.
- All key professionals including Designated and Named Professionals are in place and there are good links with the local LSCBs. The named professionals ensure that local procedures are followed and this has ensured that there have been no significant untoward incidents over the past year.
- Child Protection medicals are offered to Social Services to help with the investigation of possible abuse. As can be seen from the figures below very few children are seen for possible sexual abuse as children who may have been acutely sexually assaulted are now seen at the Haven at St Mary's, Paddington. The Havens based at St. Mary's, King's College and Royal London Hospitals offer 24 hour access for medical and forensic assessment of sexual assault for adults and children. We will often offer follow-up for local children in collaboration with our Genito-urinary colleagues.
- We offer Social Services a weekday 9am-5pm service so children who may have suffered physical abuse can be medically evaluated. I have set up a rota staffed mainly by Community doctors in which there is capacity to assess 3 children per day. This has been well received by Social Services and has helped the Community doctors to manage their workload more efficiently. There has been a significant reduction in requests for Child Protection medicals over the last year and this may reflect the under reporting of physical abuse. The data does not capture all children as sometimes children are seen for neglect issues in the Friday afternoon clinic and this information is not entered on to our Child Protection database.

40. Child Protection medicals from April 2005-2006 (2004-05 figures in brackets):

Referral Agency	**Assessments**		**Cancelled / DNA**	
Hammersmith & Fulham	28	(69)	5	(9)
Kensington & Chelsea	14	(10)	0	(3)
Westminster	2	(7)	0	(1)
Others	2	(3)	0	(0)
Total:	**46**	**(89)**	**5**	**(13)**

41. <u>Laming recommendations</u>

42. After the tragic death of Victoria Climbie in February 2000, Lord Laming produced a report which made 108 recommendations which were divided between those for Social Services, Health and the Police, together with some general recommendations. 27 of these recommendations were specific to Health. Lord Laming requested that many of these recommendations must be implemented within a 3 month deadline, with the less urgent ones taking up to 2 years.

43. The health care recommendations included (for children who may have been abused):

- Improving communication and contemporaneous documentation of findings history and discussions with other professionals (via telephone or face-to-face)
- Ensuring that children have one set of hospital notes in which all concerns are documented

- Ensuring that children have defined action plans and follow-up arrangements
- Ensuring that children are registered with GP's
- Questioning children about their injuries without their parents' consent
- Improving training in Child Protection for GPs and ensuring Paediatricians dealing with these children are revalidated

44. Progress since last year:

45. We have now met most of the recommendations – these include:

- Keeping hospital notes on site for a minimum of 2 years.
- Amalgamating Child Protection notes with the hospital notes for the vast majority of children – this has almost been completed.
- The use of EPR Communication ('Comm') notes by many staff to document Child Protection concerns. The majority of nursing staff use 'Comm' notes on a regular basis, but many doctors are still failing to use them despite reinforcing their use at induction and regular reminding of staff.
- An attending system of Consultants who handle all Child Protection concerns so there is a consistent response. This works very well for the majority of the time. We also have weekly liaison meetings with medical staff and social workers on the wards, in PED and on the neonatal unit.
- More training for all staff in Child Protection. We now offer Child Protection training at induction for all staff plus regular monthly training which all staff are encouraged to access. We are also developing a training programme for experienced staff consisting of ½ days on specific topics e.g. domestic violence, substance misuse, legislation updates etc. This is linked in with the KSF training database.
- All Child Protection reports are now reviewed and countersigned by Consultants and are distributed by one person who also co-ordinates all Child Protection medical requests.

46. There are however several areas that have not been progressed since last year – these include:

- Ensuring that all staff have access to Communication notes and are familiar with their use. **Currently midwives do not have access and this is a potential risk on the Labour Ward.**
- The urgent need for a Child Protection 'flag' to be an integral part of EPR to alert professionals to the presence of Communication notes and the need to think of Child Protection and other vulnerability issues. Without such a link there are clinical risks that are raised from time to time – these are being addressed through critical incident reporting and the Clinical Governance process. Fortunately there have been very few instances where children have been missed but there is a real risk of this happening. **This remains a potential risk area and will be resolved through discussion with the IM&T Department.**
- **Updating our local Child Protection procedures to reflect changes in legislation.**
- An urgent need to look at the quality of electronic discharge summaries which need to include action plans in line with Lord Laming's recommendations. Many children still leave the wards without an adequate discharge summary or plan – this is a risk. **We are proposing to undertake an audit of Paediatric discharge summaries to look at the quality of information.** There is an additional need to ensure community health professionals including health visitors and school nurses are informed of all hospital admissions. Current practice includes nursing staff hand writing the relevant forms, this is not only time consuming for staff; as much of the information already exists on the HISS system there is an additional concern as the current system does not facilitate auditing to ensure that sufficient quality of information being communicated or to ensure they are all completed. **A paediatric nursing discharge checklist has been introduced, a proposed audit should identify how many forms are recorded as being sent and it is hoped to add the health visitor/ school nurse referral forms to the HISS system.**
- Hammersmith & Fulham Social Services have produced a referral form for professionals to use when making Child Protection referrals. This form also had a feedback sheet for

Social Services to update referrers on the progress of any investigation. Historically, it has always been difficult to clarify how many referrals have been made to Social Services and referrers have always been frustrated by the lack of feedback from Social Services. We have also used this form when making referrals to other Social Services Departments. **We have received some feedback but we need to co-ordinate the referral and feedback process.**

- Although there is more Child Protection training occurring, this is done by a small group of committed professionals. We were promised a budget of approximately £37,000 for Child Protection training to enable us to buy in external speakers who bring different expertise, as well as to provide much needed equipment for training including resource packs. **Sadly this sum of money is in dispute and we are not in a position to use it. This significantly hampers our ability to provide a comprehensive training package.**

47. Other areas to be progressed:

48. We used to have quarterly meetings with the Paediatric management team to highlight the developments in the safeguarding agenda. These have lapsed but will shortly be resurrected. This can be linked in to the Children's Board where the National Service Framework for Children is discussed.

49. **Child Protection on-line (CPoL)** or electronic access to CPR. This was to be rolled out last year to enable staff in Paediatric Emergency to be able to gain access to the Hammersmith & Fulham CPR. Sadly there were some technical problems and loss of the information we submitted, but it is hoped that we should be able to be using this very soon.

50. Capio Nightingale – is a local privately run in-patient psychiatric unit for young people which is commissioned by many local boroughs. Hammersmith & Fulham is the lead commissioning authority. This was set up without discussion with local hospitals. There have been concerns about poor Child Protection practices within the unit and communication with the PED – these still continue. These concerns were raised with the Healthcare Commission and were initially ignored. The new Healthcare Commissioner is more receptive and is taking our concerns seriously and there is closer monitoring. The Capio now employ a Social Worker who is training all the staff in Child Protection and new local procedures are being developed which will be ratified by the LSCB. Our Paediatric Emergency and CAMHS departments have begun to work more closely with the Capio and are developing joint Child Protection procedures. Both of the local LSCBs have been aware of the concerns and there has been discussion at the highest level.

51. **There are no local Named General Practitioners for Child Protection.** We have identified a local GP in Hammersmith & Fulham who is interested – they may also provide some sessional commitments to Kensington & Chelsea.

52. <u>Significant cases</u>

53. There was a need to meet to discuss two worrying cases during the year to assess whether the cases met the thresholds for a serious case review. The thresholds were not met. The cases were briefly as follows:

54. <u>Case 1</u>

55. In December 2005 a 2½ year old girl was brought by ambulance into the PED at C&W. Nanny gave the history that she had been bouncing on the sofa when she fell backwards and hit her head on the corner of a table before she landed on the carpet. She had fixed dilated pupils and needed to be resuscitated and was retrieved by the medical team to be taken to Great Ormond Street Hospital (GOSH). She was found to have bilateral subdural bleeds but no skull fracture on her brain scan and bleeding at the back of the eyes. This is often associated with 'shaken baby' syndrome. No bruises were found on the body and the skeletal survey was clear indicating no fractures. She made no recovery at GOSH and life support was withdrawn after her EEG confirmed her to be clinically dead.

56. A multi-agency meeting was held to discuss the circumstances as this had been a sudden unexpected death from relatively minor trauma. There were no concerns raised by any of the agencies and there was no previous Social Service or Police involvement. The post mortem concluded that the findings were consistent with the alleged description of events and were extremely unlikely to be associated with a shaking impact as this child was too old.

57. Case 2

58. In May 2006 a 3½ year old girl was brought by ambulance into the PED at C&W with two adults who claimed to be mother and father. The child was unresponsive and had small fixed pupils consistent with a possible overdose. The adults present denied that there were any drugs in the house, and with this in mind the staff continued to treat the girl for sepsis (because of her symptoms, signs and recent travel abroad) and resuscitated her appropriately. Urine was sent off for substances of misuse and the results were positive for methadone – this results was phoned through to GOSH. A brain scan was done which showed some abnormalities in the back of the brain around the cerebellum and with this in mind she was then quickly retrieved and taken to GOSH. Subsequently she had neurosurgery and the insertion of a drain – no tumour or bleed was found around the cerebellum. She came off ventilation and is currently being rehabilitated at her local hospital but her prognosis is guarded as she has widespread increase in muscle tone.

59. A multi-agency meeting was held recently. It became apparent that the child normally resides in another borough and was being looked after by mum's friend and partner in a local borough whilst mum was abroad. This couple did have methadone in the house and it seems likely that the girl took large quantities of this. The Police were informed very late of the event and thus could not retrieve any methadone bottles from the house or clothing to facilitate forensic evidence. Both mum and her friend had been the victims of domestic violence and were known to Social Services. Mum's friend is now pregnant and her unborn baby has been placed on the Child Protection Register. The meeting concluded that Social Services and Health needed to conduct internal management views to look at their practice. For Social Services the concern was that little support had been put in place to safeguard against domestic violence. For Health the concern was that the urine test results were not shared with the appropriate people early enough in order to conduct a thorough investigation. Since this time the PED has introduced bedside 'on the spot' urine testing for common substances of abuse – this will enable staff to act more quickly in the future if ingestion is suspected.

60. Other legislation updates

61. London Procedures

62. Consultation was completed during 05/06 on:
    - Safeguarding Children Abused through Sexual Exploitation
    - Safeguarding Trafficked Children
    - Safeguarding Children Missing from School
    - Safeguarding Children in Education Handbook
    - Safeguarding Sexually Active Adolescents
    - Competence Matters
    - Safeguarding Children Missing from Care and Home
63. London Child Protection Procedures 3rd edition
    - Work on the draft has been ongoing during 2005-06
    - This has taken account of the Supplementary Procedures and Guidance listed above, the changes signalled in the draft of Working Together 2006 and the wider safeguarding audience for this edition

- This work will continue in 2006-07, with an anticipated publication date of December 2006

64. Procedures produced in 05-06
    - "Safeguarding Sexually Active Children and Young People" – this London procedure was produced, to be read in consultation with the existing London procedure for Children Abused through Sexual Exploitation
    - A training toolkit has been produced alongside the procedure
    - This procedure, together with Barnardo's evaluation "Reducing the Risk – a 2 year evaluation of Barnardo's support for Sexually Exploited Children", will be launched in June 2006

Trust Board Meeting, 6th July 2006

AGENDA ITEM NO.	5.3/Jul/06
PAPER	Integrated Governance and Chelsea and Westminster Healthcare Trust
LEAD EXECUTIVE	Catherine Mooney, Director of Governance and Corporate Affairs Contact Number: 02082372881
AUTHOR	Catherine Mooney, Director of Governance and Corporate Affairs Contact Number: 02082372881
SUMMARY	This paper considers the guidance outlined in the Integrated Governance Handbook and the 'Intelligent Board' and considers the current position for the trust. Recommendations are identified.
BOARD ACTION	To discuss and agree action.

Integrated Governance and Chelsea and Westminster Healthcare Trust

Introduction

This paper considers the guidance outlined in the Integrated Governance Handbook, Department of Health Feb 2006 and its application to Chelsea and Westminster Healthcare Trust. It also considers 'The Intelligent Board', February 2006, produced by a steering group chaired by Sir William Wells, Chairman NHS Appointments Commission and supported by Dr Foster and to the notes produced as part of the Board away day in January 2006.

Background

Integrated governance has been defined as:

'Integrated governance provides the umbrella for all NHS governance approaches. It combines the principles of corporate/financial accountability and it moves towards a single risk sensitivity process which covers all the trust's objectives, supported by a coordinated source of collecting information and subject to coordinated inspection (Chief Executive Bulletin, 13-18 November 2004, Issue 245, Item 7 Gateway number 4162)

'Systems, processes and behaviours by which trusts lead, direct and control their functions in order to achieve organisational objectives, safety and quality of service and in which they relate to patients carers the wider community and partner organisations. (Integrated Governance Handbook).

'Integrated governance is a coordinating principle. It does not seek to replace or supersede clinical financial or other governance domain. Rather it highlights their vital importance and their inter-dependence and inter-connectivity. (Integrated Governance Handbook)

The key themes of integrated governance identified from the above documents are

- Board defining its purpose and strategic direction
- Planning the board annual cycle of business to include strategic and operational issues but with a shift to more strategic issues
- Information provided to the Board
- Committee structures and reports, including assurances
- Assurance and Controls
- Development of Board members
- Company secretary role
- Other

Current position and proposed way forward

1. Board defining its purpose and strategic direction

This has been achieved through the Service Development Strategy (SDS) and the agreement of the annual plan for 2006-07

Way forward

If the trust is successful at Foundation Trust application then the role of the Members Council in the development of the strategy will need to be considered. A process for developing the strategy and corporate plans for next year onwards needs to be agreed.

2. Annual cycle of business

There is currently an annual cycle of business and items are allocated to specific headings in a standard Board agenda format, which was amended in August 2005

Way Forward

The annual cycle should be reviewed and formalised taking into account the current board agenda (e.g. a review of last year's items), suggestions in the Integrated Governance Handbook and the information requirements outlined in the 'Intelligent Board.' The annual cycle needs to ensure that the delivery of objectives is covered. A theme of integrated governance is the need to make clinical governance an integral part of the planning, decision making and monitoring activity undertaken by the Board. This can be considered as part of the annual cycle plan.

3. Information provided to the Board

The type and presentation of information to the Board is continually being developed e.g. the dashboard approach for performance, and the proposals in the 'The Intelligent Board' of minimum data sets around themes of strategy, finance, efficiency, workforce, patients experience, clinical quality, access and targets are already being considered. The Integrated Governance Handbook also makes suggestions linked into the annual cycle.

Proposal

It is proposed that the work currently underway is continued taking into account suggestions in both documents. This will involve a review against the current information provision to assess the gaps and agree what information the Board wishes to receive and in what format. A plan to meet the gaps should be identified.

4. Committee structures and reports including assurances

This has been outlined for Chelsea and Westminster as the 'governance wheel'

Way Forward

The integrated governance arrangements as outlined in the 'wheel' should continue to be reviewed to ensure:

- They fit in with the information requirements outlined above, for example clinical information both for risk and quality needs to be developed and monitored through the trust committees.
- All risks are being identified and managed. A review of this has commenced.
- Governance arrangements are appropriately reflected in the wheel e.g. research governance, information governance
- The assurance mechanisms via the three assurance committees are effective. The Audit Committee has recently undertaken a self assessment as outlined in the 'Audit Committee Handbook' and a similar approach could be adopted for all assurance committees.

5. Assurance and Controls

The Integrated Governance Handbook identifies the Assurance Framework and the Standards for Better Health (SfBH) as key tools to enable the Board to be in control of its agenda. The Assurance Framework is regarded as a critical tool in assuring the board both of progress against objectives and risks and underpinning the Statement on Internal Control (SIC). In addition, the trust needs to be aware of external policy guidance and external organisation requests and act accordingly.

Way Forward

The process of developing the Assurance Framework for 2006/07 has been agreed by the Audit Committee and this includes integration with performance management and the risk register.

The need for the trust to continue to meet the core SfBH and to work towards meeting the developmental standards once they are published is included as an objective for 06/07.

Monitoring systems include the Clinical Governance and Facilities Assurance Committees. Internal audit consider the SfBH in determining their audit plans and any relevant audits are cross referenced to the SfBH. There is a draft developmental standard on governance itself, which the trust can consider once it is agreed.

The role of monitoring external policies and guidance and requests, new legislation etc and ensuring appropriate action is taken is undertaken increasingly by the governance directorate, through the head of clinical governance, the head of legal services and once in post, the corporate secretary. There is a need to formalise this arrangement, ensure all areas are covered and agree reporting to the appropriate committees, and to the Board probably by exception.

6. Development of the Board and Board members
An evaluation of the competencies of the Board members has already been undertaken for the majority of Board members as part of the Foundation Trust application.

The Foundation Trust Board took part in an away day in January 2006. This was helpful in highlighting the differences of a Foundation Trust Board and in identifying the individual skills and competencies that would be required as well as some gaps and areas for development.

The Integrated Governance Handbook contains a self assessment maturity matrix that the Board may consider is useful to complete.

7. Company Secretary Role
The trust has already identified the need for a Company Secretary role and the Director of Governance and Corporate Affairs covers this. The role is not entirely as described in the Integrated Governance Handbook, with some of the responsibilities being undertaken by the Trust Secretary and Head of Corporate Governance role. The benefit of this role will not be fully realised until appointment of the Trust Secretary expected in October 2006. The creation of a directorate for governance and corporate affairs is a significant contribution to integrated governance and the company secretary role will be key to effective working of the Board.

8. Other
There is a section in the Integrated Governance Handbook concerning legal implications for Boards and covering liabilities. This issue is being addressed.

Summary

The proposed actions are

1. Outline and agree a process for the development of the Service Development Strategy and corporate plan for 2007-08 including mechanisms for involvement of the Members Council.
Timescale: Autumn 2006
Executive Lead: Director of Strategy and Service Planning or agreed alternative if post is vacant.

2. Review the annual cycle of business identifying areas to be covered on a regular basis
Timescale: Paper for Trust Board Sept 2006
Executive lead: Director of Governance and Corporate Affairs

3. Continue to develop an approach to information taking into account the performance strategy and recommendations in the Integrated Governance Framework and the 'Intelligent Board' and link this to the annual cycle.
Timescale: October 2006
Executive lead: Finance Director/ Director of Governance and Corporate Affairs

4. Review the governance arrangements and identify any changes or further work required
Timescale: Paper for Trust Board Sept 2006
Executive lead: Director of Governance and Corporate Affairs

5. To develop the Assurance Framework as agreed previously by the Audit Committee. To formalise the external monitoring function including reporting.

Timescale: Assurance Framework to go to the Audit Committee in September and to the Trust Board in October 2006
Agree process for external monitoring and reporting by October 2006
Executive lead: Director of Governance and Corporate Affairs

6. Continue to develop the Board Competencies approach incorporating individual requirements into Personal Development Plans. Consider further other initiatives outlined on the away day. Consider whether the Board wishes to undertake the self assessment maturity matrix.
Timescale: September 2006
Executive lead: Director of Governance and Corporate Affairs to support the Chairman and Chief Executive in the process.

The Trust Board is asked to discuss the above and agree on the actions outlined

Chelsea and Westminster Healthcare NHS
NHS Trust

Trust Board Meeting, 4th July 2006

AGENDA ITEM NO.	6.1/Jul/06
PAPER	Minutes of the Audit Committee meeting held 16th May 2006.
LEAD EXECUTIVE	Lorraine Bewes, Director of Finance and Information Contact Number: 020 8846 6713
AUTHOR	Fleur Hansen, Foundation Trust Lead Contact Number: 020 8846 6716
SUMMARY	This paper outlines key issues for the attention of the Audit Committee.
BOARD ACTION	The Board is asked to note these minutes.

Chelsea and Westminster Healthcare NHS
NHS Trust

DRAFT
Audit Committee, 16th May 2006
Minutes

Present:

Non-Executive Directors:	Andrew Havery (AH) Chairman Marilyn Frampton (MFr) Karin Norman (KN)
Executive Directors:	Heather Lawrence (HL), Chief Executive Lorraine Bewes (LB), Director of Finance and Information Maxine Foster (MFo), Director of Human Resources Alex Geddes (AG), Director of IM&T Catharine Mooney (CM), Director of Governance and Corporate Affairs
In Attendance:	Fleur Hansen (FH), Foundation Trust Lead Ivan Cuttill (IC), ParkHill Audit Agency Tim Merritt (TM), Bentley Jennison Risk Management Ltd. Chris Rising (CR), Bentley Jennison Risk Management Ltd. Roger Miles (RM), Deloitte Hitesh Patel (HP), Deloitte Mark Craigen (MC), Deloitte

1. GENERAL BUSINESS

1.1 Apologies for Absence

No apologies of absence were recorded.

1.2 Declarations of Interest

No conflicts of interest were declared.

1.3 Minutes of the Previous Meetings held 22nd March 2006

The following corrections were to be made to the minutes:

- p.1, 1.4 Consultancy Services, first sentence: .... that the Trust's spend on external consultants was actually quite low.
- P.1, 1.4 Consultancy Services, final sentence: LB pointed out that there should be a re-launch of tendering best practice for hiring external consultants.
- P.2, 5.2, paragraph 1, second sentence: CM explained that the revised framework...
- p.2 5.2, paragraph 3: The second sentence was re-written as follows: HL said that the base case loss was expected to be £1.6m and potentially the full amount of £2.1m.
- p.2, 5.2, paragraph 3, final sentence: It was decided that there were still significant issues so the risk was rescored at 16.
- P.2. 5.2 paragraph 4: Risk ID 1 (7.3.5) regarding coding systems was seen as the largest change in score with a reduction of 13 points. AG informed the group that the issue was being addressed this month but it was highlighted that data quality is an ongoing issue which will continue on into the next financial year.
- P.2, 5.2, paragraph 5, first sentence: TM commented that he believed the.....

- P.3, 5.2. paragraph 6, second sentence: … and what level they should be scored at.
- P.3, 2.1, paragraph 5, first sentence: The former employee worked occasional shifts through staff bank but also claimed Statutory sick pay.

Subject to the corrections listed above, the minutes were agreed to be a true and accurate record of the meeting.

1.4 Schedule of Actions

1.4/Mar/06 Performance Measures for Internal Audit
TM informed the committee that this would be included in the Internal Audit Annual Report.

1.4/Mar/06 Audit Committee Annual Report
A template report had been forwarded to LB.

3.3/Mar/06 Medical Devices Report
The corrections minuted at the last committee meeting had been made to the report.

3.10/Mar/06 Recommendations and Implementation Schedule
CR said this was to be tabled in the Schedule later in the meeting.

3.11/Mar/06 Audit Strategy 2006/07
TM informed the committee that the changes minuted at the last meeting had been made but that they were still awaiting feedback from executive directors of any further changes.
Action: Executives to review audit Strategy and inform Bentley Jennison of any further changes. **Exec. Dir.**

4.1/Mar/06 Auditor's Local Evaluation Assessment
The completed ALE has been tabled for later in the meeting.

6.4/Mar/06 Governance
A review of governance codes/handbooks has been tabled for later in the meeting.

2. COUNTER FRAUD PRO-ACTIVE WORK

2.1 Counter Fraud Progress Report
IC informed the committee that a number of counter fraud staff training sessions were being undertaken and that there were more to follow. IC also informed the committee that an investigation had taken place into staff rotas regarding inconsistencies between ward lists and bank shifts recorded. Crewing records had been examined and whilst no errors had been identified, bank time sheets had been amended to avoid further inconsistencies.

IC went on to update to committee on individual ongoing counter fraud cases. The case regarding working whilst on sick pay (PAA 828) was passed to the police on March 2nd.

PAA1020, 1021 and 1022 – Overpayment of salaries for midwifery students. Only one of the three had responded to correspondence from the Trust. Next step was to write to the students explaining if the Trust was not repaid, legal action would be taken.

IC also informed the committee that it had been discovered that a number of staff had been paid occupational sick pay when actually only entitled to statutory sick pay. This had affected fifteen staff incurring a £12,680 loss to the Trust. This was a result of staff error and IC reassured the committee that a number of policies had now being employed to insure that this does not happen in the future. LB enquired if the Trust had an entitlement to reclaim the funds – IC replied it did not as they had not been gained via any fraud. LB noted that this information should be passed on to the Payroll

department.
Action: Details of the above case to be passed on to the Payroll Department. LB

PAA1023 – Obtaining property by deception. This concerns a consultant's secretary who has been obtaining money from private patients for an NHS service. After further investigation it was determined that there was no evidence of fraud so the case was closed.

KN joins the meeting.

IC also informed the committee that two disciplinary hearings had taken place since that last meeting. PAA861 – in which the employee had been working bank whilst contracted – in this case the employee had resigned and had not appealed the case. PAA1046 involved an employee forging a sick note – they also had decided not to appeal.

AH enquired as to the case surrounding the staff member that had been suspended for too long – IC replied that this issue was now closed. This case though had given rise to a bank authorisation policy being drawn up to restrict the signing of time sheets.

IC informed the committee that there had been no new enquiries since the last meeting and that in the next month or so the fraud standard and audit report would be produced. AH enquired as to why their had been no new cases to which IC replied that this was most likely due to the increased awareness of the repercussions of committing fraud. IC said that this was due to increased publicity and that there would be a feature in next month's Trust News and that leaflets were being distributed with payroll slips and induction packs.

3. INTERNAL AUDIT

3.1 Progress Report

TM informed the committee that there were a number of reports still in draft form and that would be finalised before the next committee meeting. TM asked the Committee to note that the Performance Management and Information Technology reports were executive summaries and not standard audit reports. CM enquired as to they would therefore warrant the normal management response to which TM responded that they would and that even though they would not issue an opinion, they would include fundamental recommendations.

3.2 Training and Development

CR informed the committee that this audit had been undertaken to look into training and development including induction processes after issues had been raised from other audits including Medical Devices. CR highlighted a number of significant recommendations that had been suggested, namely insufficient evidence that staff attend Trust induction and mandatory training; development reviews and Personal Development Plans are not been undertaken on a timely basis and the accuracy of the training database.

MFo responded that the audit had come at an appropriate time for the HR department because it had assisted it in identifying problems during a time of necessary analysis of training systems. The result had been that considerable work had been done on the training database which would address recommendations 2, 3 and 7. Recommendation 5 had been addressed through a new appraisal system for Agenda for Change (AfC) which would be captured centrally through the e-care system. The aim of this will be to link increments gained through AfC to skills and knowledge through the appraisal system. MFo recognised that there were currently problems ensuring that timely appraisals were untaken but it was hoped that the new system would resolve these.

HL commented the assurance on appraisals would be required to ensure there would be no undue financial pressure from increasing the number of appraisals undertaken. HL

continued that it should be assumed that 20% of appraisals will not hit the necessary gateway and as such will incur additional payouts.

KN raised a concern around data entry (3, page 10). MFo responded that that although this was still not 100%, a definite improvement had been made by providing data entry training to staff. MFo also informed the group that everyone had now been trained in how to enter data and although it was still not 100%, it was getting better. MFo continued that at the June Clinical Governance Trust Executive meeting a report would be given to all directorates on their data entry which they would be expected to check and validate as well as set up a frequent audit.

TM commented that they were happy that progress was being made but that it was not evident when the audit was undertaken. He agreed that there was definitely scope for a follow up. HL said that even through there had been problems, significant progress had been made and she was assured that it would not affect clinical operations.

3.3 Information Technology

AG informed the Committee that he had reviewed the findings of the review and was not altogether in agreement with the findings. He commented that sickness had been an issue in conducting the audit as a number of key staff members had been unavailable. AG highlighted a number of areas of concern:

1.1 under the schedule of projects: AG said that it had been very difficult to manage IT strategy due to the uncertainty around Connecting for Health (CfH) resulting in difficulties converging the IT systems. At this point AH suggested that the strategy document should have either contained times and deadlines that were adhered to or have no timeframes included in the strategy.

AG continued on by saying that until such time as the current GE/IDX issue is resolved, it would be difficult to determine exactly what systems the Trust would employ in the future. AG noted though that due to the uncertainty, extra prudency had been taken with the IM&T budget.

At this point TM suggested that any management comment on the paper be forwarded to him for consideration. He also noted that as this was an executive summary and not a standard internal audit report, it functioned as a way of identifying areas of concern that the Trust should address and which may warrant an audit in the future. RM also pointed out that it was important for the Trust to have a 'Plan B' if the issues with GE/IDX could not be resolved. AG informed the committee that a paper on possible solutions was to be taken to a future Committee meeting.

Action: Exec comment on IT Healthcheck to be forwarded to Bentley Jennison. **Exec. Dir.**

AG identified further areas for concern:

7.1 – This had now been implemented.
6.1 – Internet usage is monitored but perhaps required better evidencing across the department.

AH suggested that it may be useful for Bentley Jennison to conduct a half-day follow up on this report with the IM&T department.

Action: Bentley Jennison to conduct a follow-up on IT Healthcheck. **BJ/AG**

KN enquired as to the scope for future work on page 19 of the report and whether the committee was happy with the work programme presented. AG said that the issues identified (business continuity planning, network security and network security infrastructure and environmental controls) were indeed the key areas for concern and that work had already commenced in these areas. AG also noted that Data Protection and Freedom of Information had been dealt with by the Information Toolkit and

therefore did not warrant audits.

3.4 Budget Setting and Control

TM informed the committee that the overall assurance for this audit had been adequate but that the main issue still outstanding was the need to compile a budget manual. AH asked Bentley Jennison if in their opinion, the Trust's budget setting approach was appropriate – TM responded that it was.

3.5 Performance Management

TM informed the committee that the layout of this report differed from the normal internal audit reports due to the fact that it was undertaken by an external consultant and because it was an executive summary rather than a standard report. LB commented that although at times the review was written in a rather informal nature, it had been useful at identifying areas for concern and that recommendations were currently been reviewed. The section entitled Standards for Better Health incurred some disagreement as to whether a link with performance management was appropriate – it was decided to discuss this outside of the meeting.

Action: Standards for Better Health and performance management link to be explored. **CM/TM**

AG commented that findings 4.6-4.9 were no longer accurate and required updating. RM and TM once again reiterated that the purpose of this review was to identify areas for future work. As the review raised a number of areas of concern, AH suggested the following action plan.

Action:	**1. HL to review Performance Management report.**	**HL**
	2. Bentley Jennison to meet with AG regarding IM&T findings.	**BJ/AG**
	3. Deloitte to review report and highlight significant findings.	**Deloitte**
	4. Management to respond to recommendations.	**LB**
	5. Feed findings into Performance Management Strategy.	**LB**

RM commented that the review does not identify what the Trust needs to do in terms of performance to meet with Monitor's authorisation. It was decided that this also needed further investigation.

Action: Report to be reviewed in relation to Monitor process. **LB**

3.6 Recommendations and Implementation Schedule

TM informed the committee that a number of recommendations were still classified as red since the last meeting - namely Financial Reporting and Hospital Arts. In addition though a number of recommendations had been reclassified as red – 3.14.11 concerning the asset register, 3.15.2 concerning private patients, 3.16 concerning savings targets and 7.05/06 concerning medical devices performance indicators.

TM reported that for the year to date, 85 recommendations had been made of which 57 had been fully implemented, 21 were in the process of being implemented and only five were still outstanding. AH suggested that in the future, the report either be in colour or recommendations be identified in an alternate way for ease of reading. KN suggested that dates when recommendations and actions were made would be useful additions to the report – that way time lags could easily be identified.

Action: Dates to be added to the Schedule. **BJ**

3.7 Annual Report 2005/06

TM asked the Committee to note that this report was still in draft form and that even though they gave significant assurance, there were two items (recruitment and training controls) that needed to be considered before the signing off of the SIC. Regarding the performance of Bentley Jennison it was commented that they had very active follow up

but that the reports could be produced in draft form somewhat quicker. TM commented that it would also be useful to try and sort out disagreements with reports prior to the Audit Committee meeting.

LB noted that on page 3, Payroll was only given a limited assurance and that this had now been revised to an adequate assurance. AH enquired as to how our Annual Report compared to other trusts – TM responded that most trusts were given assurance with one or two specific areas for concerned mentioned. RM commented that from an external audit point of view, there were no significant concerns.

4. EXTERNAL AUDIT

4.1 Internal Audit – Oral Update

RM informed the committee that the interim work for the Audit had been completed and that at this stage, no significant problems had been identified. RM also introduced Mark Craigen who will be taking over from Heather Bygraves who has been made a partner. RM also informed the committee of his recent meeting with Monitor and said at this stage, they appeared to have no specific concerns with the Trust's application.

4.2 Auditors Local Evaluation (ALE) Assessment

RM informed the committee that the results of the ALE are currently with the Audit Commission. Three of the five areas are being looked at by them but that all London trusts were being reviewed to ensure consistency across different auditors.

4.3 Portfolio Phase 5 Diagnostics

HP presented to the committee the results of the Acute Hospitals Portfolio review which was undertaken at the end of 2005 by the Audit Commission on behalf of the Healthcare Commission. This year's review focused on A&E, day surgery and ward staffing. For A&E the Trust was considered on par or above with specific concerns around data reporting. For ward staffing the Trust was also considered to be on par or above with concerns around the case mix for nursing staff. The Trust was considered to be very good for day surgery with a concern identified around basket day surgeries which was been reviewed.

MFr pointed out that this review was done some time ago and that the Trust had now improved in a number of areas, for example patient wait times in A&E (page 9) were now at 98%. HP responded that the data is now two years old as the review was undertaken in June 2004. There was some discussion around the Management conclusions on page 4. AH noted that the explanation for lower doctor workload been due to the EWTC did not stack up. LB noted that these figures would be significantly helped if doctors were split for adults and paediatrics rather than grouped together.

KN enquired as to information being copied to clinical directors (p. 21) – HP responded that that there is significant information on the system but that it needed to be pulled off correctly. For ward staffing, AH noted that it would be useful to have ward by ward data.

4.4 Draft Annual Accounts 2005/06

LB informed the committee that these were being presented purely by way of information as they were yet to be audited. LB asked the Committee to note the audit timetable and that the draft accounts had been submitted to the DoH and that Deloitte would be on-site from June. The final accounts would be brought to the July 4th Audit Committee for approval and then resubmitted to the DoH but July 10th. LB also pointed out that the signed disclosure documents would now be part of the Annual Report instead of the Annual Accounts.

5. GOVERNANCE

5.1 Draft Statement of Internal Control

CM informed the committee that the previous year's SIC had been used as a basis for this year's and she drew specific attention to section 4 which details the risk and control framework. AH suggested at the end of this section (paragraph 6), that the word 'most' be removed from the last sentence. LB also suggested dropping the word generic from the same sentence. Of the four areas identified, LB asked that the Finance gap be removed as this was no longer an issue.

There was then some discussion regarding the clinical governance and risk management gap with AH commenting that even though training records was the subject of an internal audit, there were other assurances in evidence that this was not an issue and additionally, considerable work had subsequently been done in this area. These include:

- CNST level 2 assurance, which covers training records.
- The fact that the audit did not cover manual records, which the Director of Human Resources has given her assurance that they are in place.
- Lack of incidents arising on the Risk Register in relation to equipment training lapses.
- Positive scores in relation to training for the Annual Staff Survey.

AH also commented that the majority of weaknesses were due to the inaccuracy of the database, not due to gaps in training. It was therefore decided to remove this gap from the SIC.

Regarding the performance and activity gap, HL commented that the gap regarding a 24 hour psychiatric service, investment in mental health and community support were still concerns and should remain but that the other gaps had been addressed and should be removed.

RM enquired as to the link between the SIC and the Standards for Better Health and that it might be useful to link them more closely – CM responded that no significant problems had arisen from the Standards.

CM drew the committee's attention to the bullets at the bottom of page 3. HL commented that the second bullet on PCTs was no longer an issue and that the sixth bullet could be reworded to say that Lastword and GP systems may not support Choose and Book instead of will not. HL also commented that the first bullet on PbR was not longer an issue but coding still was and that it would need to be reworded. Bullet four on mental health services was also removed.

Action: The amendments listed above to be made to the SIC. **CM**

Subject to the changes listed above, the SIC was approved.

5.2 Developing the Assurance Framework

CM informed the committee that this paper outlines the process for developing the 2006/07 Assurance Framework. CM said that that first task was to finalise the corporate objectives and then risks, controls, gaps and assurances could be identified. CM said that the model would be similar to last year although learning had been made – there would be a designated lead if more than one executive is responsible. Also there would be an attempt to general number of risks listed would be reduced as well as an executive team review to ensure that the risks are not scored too highly.

AH said that further work should be undertaken to ensure that risks are scored properly and consistently.

Action: Paper on Assurance Framework scoring to be presented to a future committee meeting. **CM**

RM commented that many trusts have found the process of trying to limit the number of risks very difficult. LB suggested that the Board should review the grading system annually.

The Audit Committee approved the process outlined in the report.

5.3 Integrated Governance

CM informed the committee that this paper considers the guidance outlined in the Integrated Governance Handbook and identifies the Trust's current position and some proposals for integrated governance. CM asked the committee for their comments and then a paper would be presented to the Trust Board. CM continued that of the key themes, a few required further work. Firstly, the Board has an annual business cycle but this could be updated and incorporate clinical governance. AH noted that the first step would be reviewing the cycle with HL and JP.

Action: Review of the annual business cycle to be undertaken. **CM/HL/JP**

CM proposed that future work needs to be undertaken on the presentation of information provided to the Board, committee structures and their roles, development of Board members and the appointment of a corporate secretary. Further work is being undertaken on all of these.

6. ITEMS FOR INFORMATION

6.1 Cash Management

LB briefly noted this report that was tabled at the meeting. She commented that there was no significant surprises in it but asked the committee to forward any comments to her via email.

Action: Comments on Cash Management report to be forwarded to LB. **All**

7. ITEMS FOR APPROVAL/INFORMATION

7.1 IT – Oral Update

AG briefly updated the committee that the PACS tender was ready to be made available and that there was some pressure from Connecting for Health to accept their price. AH requested a copy of the tender document.

Action: Copy of tender document to be sent to AH. **AG**

7.2 Losses and Compensation

There were no losses or compensation since last meeting.

7.3 Waivers of SFIs

There were no waivers or SFIs since the last meeting.

8. ANY OTHER BUSINESS

There was no other business.

9. DATE OF THE NEXT MEETING

The next meeting is scheduled for 4pm, July 4th.