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Health Service Act 2006

Every Patient Matters

Annual Report and Accounts

2007-08



CONTENTS

1. CHAIRMAN’S STATEMENT323

2. DIRECTORS’ REPORT626

3. CORPORATE GOVERNANCE.....25225

4. DIRECTORS AND AUDITORS STATEMENTS.....42242

1. CHAIRMAN'S STATEMENT

Welcome to Stockport NHS Foundation Trust's Annual Report. This publication outlines some of our activities and progress made during 2007/08.

I am pleased to report another good year for the Trust. We achieved remarkable success during the year reducing our waiting times, achieving our financial targets and particularly by being rated by the Healthcare Commission as the best provider of Maternity Services in the country.

Despite increases in the numbers of elective, non-elective and new outpatients the Trust achieved the 18-week milestone targets in March 2008 of 85% for admitted patients and 90% for non-admitted patients. We also saw 98% of our Accident and Emergency attenders within four hours, maintained our overall waiting time targets and dramatically reduced diagnostic waiting times. We received a rating of "good" for Service Quality in the annual Healthcare Commission ratings.

All of this was achieved as a direct result of the dedication and commitment of all of our staff to delivering the very highest standards of care for the people of Stockport and the High Peak.

On Finance we achieved a surplus of £0.5 million and maintained our Financial Risk Rating with Monitor of 4. The Trust was rated as "excellent" for the Management of Finances in the annual Healthcare Commission ratings.

I was particularly pleased in the way that the Trust has managed to reduce the incidence of hospital acquired infections. We have reduced the incidence of MRSA and Clostridium Difficile by 40% over the year. We remain committed to reducing healthcare acquired infections further and will work closely with our PCT partners to enable a significant reduction in community acquired infections.

Our fourth year as an NHS Foundation Trust has seen us continue our membership development and communication. I am pleased to report, again, that our public membership increased by 2,000 members. Governors have continued to focus during the year on Corporate Citizenship, membership development, public and patient involvement and the development of our diverse community including young people, people with disabilities and people from minority ethnic communities in Stockport and the High Peak.

We have continued our programme with the North West Development Agency to develop Corporate Citizenship. We have also worked closely with the Carbon Trust setting a ten-year target for reducing our carbon footprint by 26%. Our work in the area of Corporate Citizenship saw the Trust being highly commended in the annual Health Service Journal Awards.

We are committed to improving the quality and safety of the service we provide and have continued to develop and enhance patient care through face to face patient contact, improving our communication with patients and ensuring the patient environment is appropriate to their healthcare needs. We have continued a £2.4 million investment programme for all our wards and during the year brought our ancillary services back in-house. I believe that both these initiatives have contributed to the reduction in the incidence of hospital acquired infections referred to earlier.

We have continued to face a number of major strategic issues and are developing in conjunction with the Board of Governors a Service Development Strategy to address these.

We have identified the following political factors as being key to the Trust's future development:

- **Development of the Foundation Trust Movement** – We will pay particular attention to the requirements of Monitor regarding governance and financial risk assessments and ratings and will seek to remain at the forefront of the development of the Foundation Trust movement.
- **Access Targets** – In conjunction with our Commissioners we plan to introduce an expansion in Elective Services capacity during 2008/09 that will help us achieve and maintain the 18-week access target. This will involve a future development of the hospital site.
- **Practice Based Commissioning** – Both Stockport and the High Peak have influential Practice Based Commissioning bodies and it is important that we recognise their position of influence in the Health Economy and work with them to align our Service Development Strategies with local priorities. We will also maintain our interest in Practice Based Commissioning opportunities in neighbouring areas where these align with our service priorities.
- **Local Service Configuration** – We will ensure we play an active part in regional discussions regarding hospital to hospital reconfiguration and that our case for retaining or growing services is well made. We are also engaged with Stockport Primary Care Trust in joint plans for the development of out of hospital care.
- **Regulation of Healthcare Providers** – We will assess the requirements of regulators and will aim to ensure that we are well placed to anticipate changing requirements.

The following economic factors are being identified as key to the Trust's future development:

- **Further enhancement of Payment by Results** – We will continue to identify and quantify the impact of changes to the Payment by Results regime and our Business Plans will incorporate changes in our services to improve productivity.
- **North West Pay for Quality Scheme** – We will seek to participate in both regional and local quality initiatives and seek to find ways to ensure they integrate and reward our own Quality Strategy.
- **Patient Choice** – We will continue to participate in opening up choice to patients and ensure also that we enhance our reputation with GPs and patients alike as a provider of quality healthcare.
- **External Economic Factors** – We will continue to scan the external environment for risks and identify and quantify the impact of potential changes from external factors and deal with them proactively.
- **Internal Economic Factors including Service Line Reporting** – We will further enhance our use of Service Line Reporting as a tool for planning and managing our services and also as a means of introducing earned autonomy and managing risk through autonomous Business Groups.

The Trust will also be influenced by social factors including:

- **Care Closer to Home** – We will work with local Commissioners and others on admissions avoidance and accelerated discharge planning and on the delivery of assessment and treatment out of hospital.
- **Demographic Change** We will plan and anticipate changes in the complexity of care, including the impact of the ageing population on specific Specialties.

- **Membership Engagement** – We will remain responsive to our members as users of our services and will look to continue to grow our membership over the next three years.

Our future Strategy will also be influenced by technological factors, including the Connecting for Health Programme and developing healthcare technologies.

The Trust's Board of Governors are briefed at each of their meetings on the key strategic issues facing the Trust. In fact during 2007/08 ad hoc meetings of the Board of Governors have been held to discuss specific strategic issues, including the Stockport Primary Care Trust's plans for the Reprovision of Older People's Services in Stockport.

The Board of Governors are also briefed on the process and timetable for the development of the Trust's Service Development Strategy and are invited to comment on the Trust's strategic direction before it is finalised. It is proposed that the monitoring of the Strategy by the Board of Governors will be on the basis of exception reporting.

I would like to convey my thanks to all my colleagues on the Board of Directors and the Board of Governors for their valuable contribution to the development of the Trust during 2007/08. I have appreciated their support and advice.

The report describes a year of achievement and progress and is a tribute to the performance of our staff in the face of unremitting pressure, ever increasing demands and rising public expectations. I commend it to you and look forward to continuing to meet the challenges of modernising the NHS locally with our partners in health and social care for the people of Stockport and the High Peak.

Robina Shah
Chairman

2. DIRECTORS' REPORT

2.1 OPERATING REVIEW

The 2007/8 financial year marked our fourth as a foundation trust. We achieved remarkable success during the year; including reductions in waiting times, achievement of our financial targets and being rated by the Health Care Commission as the best provider of maternity services in the country.

For all of us at Stockport NHS Foundation Trust "Every Patient Matters" and we aim to provide quality healthcare and experience to all those who use our services. To do this every year we aim to continually improve our services, the experience of our patients, the development of our staff, how we use our financial resources and enhance our role the local community. Our key achievements during 2007/08 in each of these areas are summarised below.

Services – To Provide 21st Century Healthcare

- Achieved the 18 week milestone targets in March 2008 of 85% for admitted patients and 90% for non-admitted patients;
- Over the whole year we saw 98% of our A&E attenders within four hours;
- Selected as the preferred provider of stroke services in South Manchester;
- Completed the implementation of the computerised radiology imaging system;
- Implemented computerised ordering and delivery of test results within the hospital;
- Installed robotics to automate pharmacy operations;
- Invested £1.4m in new medical equipment, including mobile x-ray machines, blood gas analysers, endoscopy equipment and ultrasound machines.

We also treated a record number of patients during the year, as follows:

<i>Patients Treated</i>	2006/07 Actual	2007/08 Actual	Increase
Elective Patients	29,891	32,557	8.9%
Non-elective Patients	38,639	39,999	3.5%
Outpatients	218,867	222,731	1.8%

Patients – Caring, Clean and Safe

- Reduced the incidence hospital acquired infections, in particular the incidence of MRSA and Clostridium Difficile reduced by 40%;
- Rated as having the Best maternity services in England;
- Improved the timely access to theatre for patients with a fractured neck of femur;
- Invested in upgrading further wards;
- Achieved a level 3 risk rating with NHS Litigation Authority (insurers), the sixth hospital in the country to be awarded this;

- Commenced providing patients with a copy of their discharge letter.

Finance – To Deliver Financial Security

- Achieved our financial targets (surplus of £0.5m, net of fixed asset impairments);
- Rated as Excellent for the management of finances by the Health Care Commission;
- Maintained our financial risk rating with Monitor at 4 out of 5.

Staff – To Develop our Workforce

- Recognised the achievements and contributions of staff across the Trust at our first Gala awards event;
- Positive feedback from the NHS Staff Survey;
- Developed leadership programmes for a range of staff groups including clinical directors, ward managers and senior managers;
- Piloted the Productive Leadership Programme with the Institute of Innovation and Improvement;
- Invested £0.2m in a clinical skills laboratory to enable us to train our staff;
- Brought back in- house porter and domestic services;
- Engaged in the Volunteer Learning Scheme helping disadvantaged people;
- Provided a local payroll service for our staff.

Community – To Develop Foundation Status

- Increased our membership by 2,000 members;
- Invested £0.2m in reducing energy consumption and our carbon footprint;
- Improved our waste management practices and recycling.

Collectively these achievements have enabled Stockport NHS Foundation Trust to enhance its reputation as a provider of high quality patient care and a good employer. However, I would like to take this opportunity to extend my thanks and appreciation to all our staff, whose valued contribution has enabled us to make these significant achievements.

Dr CF Burke
Chief Executive
 10th June 2008

2.2 FINANCIAL REVIEW

The Trust has been successful in 2007/08 in meeting all its financial targets whilst utilising its resources to improve services for patients.

Our combined financial performance and strong liquidity position have enabled us to maintain a risk rating of 4 with Monitor throughout the financial year, and the table below details our performance against the key financial performance measures:

<i>Key Performance Measures for 2007/08</i>	2007/08 Plan	2007/08 Actual	2007/08 Variance	Result
<i>Financial Metrics</i>				
EBITDA Achieved	£11.8m	£14.8m	£3.0m	✓
EBITDA Achieved (%)	100%	125.5%	25.5%	✓
EBITDA Margin (%)	6.5%	7.8%	1.3%	✓
Return on Assets excluding Dividend (%)	4.1%	6.1%	2.0%	✓
I&E Surplus Margin net of Dividend (%)	1.0%	2.6%	1.6%	✓
Liquidity (days)	51.9 days	73.2 days	21.3 days	✓
Prudential Borrowing Code	Compliant	Compliant	nil	✓
Risk Rating	4	4	nil	✓

Going Concern

The Trust has assessed its going concern basis as part of preparing the Annual Accounts in line with Financial Reporting Standard 18. This assessment takes into account consideration of information available about the future prospects of the Trust and also covers Financial, Governance and Mandatory Service risks. Additional risks such as the loss of key personnel and potential breach of borrowing facilities have also been examined.

This analysis supports the view that the Trust is a Going Concern, and has taken steps to ensure it remains the case for at least the next 12 months. The detailed paper covering all the risks and opinion drawn was presented to the Audit Committee on 10th June 2008, alongside the Annual Accounts, and is available separately on request.

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

Income and Expenditure

The Trust has a net surplus of £0.5m for 2007/08, which is after charging reductions in the valuation of our fixed assets (arising out of the triennial revaluation) to our Income and Expenditure Account of £4.3. Our financial performance as measured by Monitor using Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was £14.8m compared to a plan of £11.8m. We therefore exceeded our plan by £3.0m.

Our overall income was £6.4m above plan at £189.1m (£173.3m in 2006/07). We experienced significantly higher than planned emergency activity, which was partially offset by our elective activity falling short of plan. We had anticipated a reduction in outpatient referrals due to the commissioning of Clinical Assessment and Treatment Centres, which only had a modest impact during the year, leading to a favourable position against plan. In

addition to this significant non-recurrent, non-tariff and other income received above plan has added to our favourable income position.

Our private patient income remains small in comparison to our overall turnover, at £145k (0.1% of patient related income). This is compliant with the private patient cap within our Terms of Authorisation as a Foundation Trust.

Overall expenditure exceed plan by £3.5m at £174.2m (£168.3m in 2006/07). This mainly related to the additional costs of delivery of the additional activity referred to above. Extra costs included opening additional ward capacity to deal with bed pressures and scheduling extra clinics and theatre sessions to achieve the 18 week target.

Fixed Asset Impairments

During the year the Trust carried out a full revaluation of its estate in conjunction with the District Valuer. Overall this has resulted in an increase in fixed asset values of £9.0m. However, within the overall valuation there were a number of buildings whose latest valuation was below that held on the balance sheet. Under UK Generally Agreed Accounting Practices (GAAP) the appropriate accounting treatment is first remove any previous upward revaluations since the asset was acquired, and write the difference off to the Income and Expenditure Statement.

As a result we have a charge to our income and expenditure statement in 2007/08 of £4.3m which was not included in our original plan. It should be noted that this charge does not involve the expenditure of cash, and does not affect the operating performance or risk rating of the Trust.

Balance Sheet

In 2007/08 we invested £9.0m within our operational capital programme, which is reflected in the increased asset values on our balance sheet. This included estate refurbishment, maintenance and renewal projects totalling just under £3.5m, investment in Information Technology of £0.7m, automating our pharmacy £0.3m and a multi-disciplinary clinical skills lab £0.2m.

The Trust also invested £1.3m in equipment replacement, as well as completing the implementation of an electronic PACS system (Picture Archiving Communication Systems) to store and retrieve X-Ray images, at a cost of £3.0m.

The impact of the triennial estate revaluation is covered under the Fixed Asset Impairments explanation and in the Notes to the Accounts (Note 1.6).

In line with our Treasury Management policy the Trust has invested its cash balances throughout the year, on a rolling basis, to generate interest received of £1.5m, providing additional money to invest in our services. We ended the year with a cash balance of £32.5m, which represents 72 days of operating expenditure. This is an increase on the opening cash of £23.3m, which results from the 2007/08 financial performance referred to above, and improvements in our working capital including a number of payments on account received from other parts of the NHS, and modest slippage on our capital programme which helped improve liquidity.

Charitable Funds

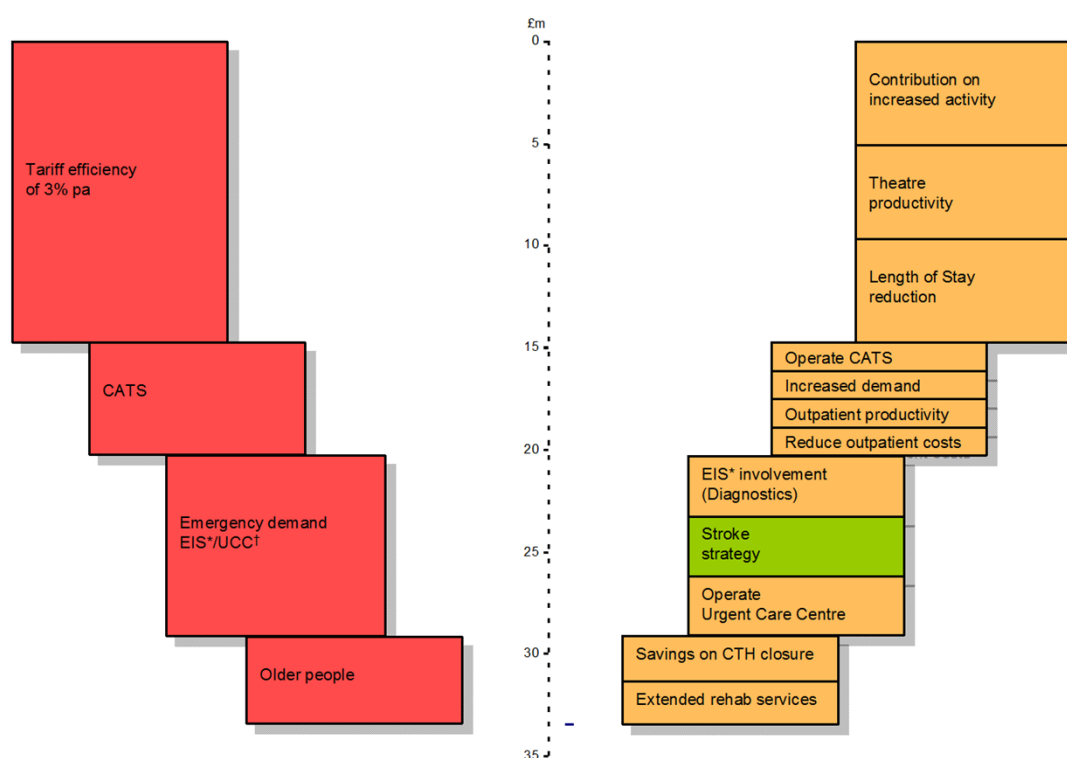
The Board's policy in respect of its charitable funds, where it acts as corporate trustee, remains one of annual spending in line with the continuing levels of bequests and donations received in the year. This accords with the aims and objectives approved by the Charities Commission, for NHS charities in general. Copies of the separate Annual Report and Accounts for these charitable funds are available on request from the Director of Finance.

Financial Outlook

The Trust's financial plans for 2008/09 and the medium term are prudent, and take account of known and quantifiable risks at this time. The Trust aims to ensure that our current financial risk rating of a 4, from Monitor is maintained, in order to ensure that we maximise our freedoms as a Foundation Trust.

As part of our ongoing financial management we continually update our planning assumptions to take account of the changing environment and model the impact of this in order to take advantage of opportunities or devise coping strategies if required. The diagram below summarises the key risks we face as a Trust over the next three years, and the following text sets out in more detail the nature of each risk and the mitigation strategy we have in place.

Tackling the 'Downside Case' – 2008 to 2011



- **Tariff Deflation.** As part of the NHS approach to efficiency we anticipate a continued short fall in the annual uplift in the tariff compared to our cost inflation. For 2008/09 this gap is circa 3%, and a continuation of this approach will make for a very challenging financial environment in the years to come. In the short term we anticipate a sustained and moderately increasing demand for our healthcare services, particularly given targets such as 18 weeks from referral to treatment. This provides an opportunity to improve productivity in theatres, outpatients, wards and diagnostics in order that we can treat more patients and earn income to pay for increased costs, as well as to taking every opportunity to reduce costs.
- **Clinical Assessment and Treatment Services (CATS).** It is now clear that CATS will exist in three different ways for Stockport residents. The existing Stockport PCT services will be revitalised, Greater Manchester wide CATS contract and finally Stockport PCT has commenced procurement of new CATS services. The greatest risk comes from the Stockport based services and their potential impact on our outpatient and diagnostic services. Our strategy is to engage constructively with Stockport PCT on the enhancement and further development of CATS. We are

already a partner in the existing CATS and plan to express interest in operating the new CATS services in Stockport. We also have in place a contingency plan that would also allow us to respond flexibly to any changes in demand for our hospital based services.

- **Emergency Demand.** Stockport PCT has plans to develop both an Early Intervention Service (EIS) and an Urgent Care Centre (UCC). Both services have the potential to deflect some demand to our existing emergency and out of hours admission services. We are actively engaged with the PCT on the form these services will take. We understand the EIS to be a service that GPs can book patients into for prompt assessment and diagnosis without attending hospital. The UCC is intended to be on the hospital site and deal with more minor conditions. Both services would require additional diagnostic resources, which we intend to be involved in providing, together with being the provider of the UCC services on our site.
- **Older Peoples Services.** The Trust has been involved in a partnership with Stockport PCT and Stockport MBC in order to draw up service specification to meet the PCT's revised service requirement of out of hospital care wherever possible. This service specification is in the process of being considered by the PCT. Once accepted it is likely that the nature of the services we provide will involve the closure of elderly ward based services at Cherry Tree Hospital, but potentially become further involved in the provision of additional services in patient homes. The key risk for us is releasing the costs in line with an agreement to be reached with the PCT. To manage this risk we have an operational team engaged in planning in readiness for coming off the site.

To support our management of these risks, we have in place a project to deliver patient level income and cost information to build on our earlier work on service line reporting. We believe this project will provide us with a rich source of activity related financial information, that will help us understand and deliver productivity improvements as well as better understand the behaviour of all our costs.

Capital

The capital programme for 2008/09 provides for a total planned investment of £18.0m. In addition to our ongoing investment in site improvements, backlog maintenance and IT projects, the key investments planned for the coming year include:

- Southern Sector phase I £10.5m
- Continuation of our ward upgrade programme £0.9m
- Replacement of mammography and fluoroscopy imaging facilities £1.0m
- Acquisition of our second CT scanner £0.6m
- Replacement of medical equipment £1.0m
- Extensions to pathology laboratory £0.4m
- Improvement in car parking £0.6m

We also plan to borrow from the Foundation Trust Financing Facility to contribute towards the £10.5m Southern Sector scheme. This medium-term redevelopment programme remains pivotal to our ability to offer patients high quality treatment in a 21st century environment. Further work on the business case and risk evaluation for this investment, is under way.

2.3 BOARD OF DIRECTORS

During 2007/08 the Board of Directors comprised the following:

Executive Directors

- Chris Burke – Chief Executive
- Ann Barnes – Director of Operations and Performance
- James Catania – Medical Director
- Adrian Roberts – Director of Finance (until 27 May 2007)
- Bill Gregory – Director of Finance (from 1 June 2007)
- Jill Byrne – Director of Nursing and Midwifery
- Nicola Reucroft – Director of Human Resources (Non Voting)
- Darren Hurrell – Director of Modernisation (Non Voting) (until 31 July 2007)
- Steven Smith – Director of Planning and Business Development (from 6 August 2007 until 13 November 2007)

Non Executive Directors

- Robina Shah – Chairman
- Gillian Easson – Vice Chairman
- Jane McCall – Senior Independent Director
- John McGuire
- Carol Prowse (from 1 April 2007)
- John Slater

Further details on the Board of Directors can be found in the Corporate Governance Section 3.

2.4 PATIENT CARE AND STAKEHOLDER RELATIONS

PATIENT & PUBLIC INVOLVEMENT

ASSESSING PATIENTS' VIEWS

During the year over 1,000 patients had the opportunity to comment on the services provided by the Trust by taking part in the following patient surveys / audits that have been undertaken by volunteers who work for the Patient & Customers Services Department:

- Patient survey regarding hospital food
- Mystery Shopper Exercise – Clinic Reception areas
- Patient Experience Survey – based on the Trust Values (steering wheel)
- Hand Hygiene Compliance Monitoring
- Hand Hygiene Questionnaire, Audit and Observational Study
- Out Patient Survey – Call Centre

Results obtained from surveys are fed-back to wards and departments, and the Board of Directors, so that improvements to services provided to all patients can be implemented as a direct result of proactively seeking patient feedback.

FOUNDATION 500 (F500)

In September 2007 over 63% of the Trust's Foundation 500 panel completed a questionnaire asking for their views on receiving doctors' letters and what they considered to be an appropriate doctors' dress code. The results were publicised at the Healthfest Event that took place prior to the Trust's Annual Members' Meeting and have been influential in the design of the electronic discharge letters for GPs and patients. Similarly their views regarding the needs for a professional appearance have been considered in the planning for doctors uniforms.

PPI GOVERNORS COMMITTEE

The Trust PPI Governors Committee continues to:

- oversee the strategic planning and implementation of the PPI Strategy for the Trust
- monitor the annual National Patient Survey results and subsequent action plans
- share good practice and influence decision-making processes and monitor action plans
- work in partnership with statutory and non-statutory agencies and the voluntary sector to ensure a co-ordinated approach to engaging patients and the public
- oversee and monitor Trust Performance against National Performance Standards for PPI in the NHS
- highlight and promote good practice around PPI

ADVICE & SUPPORT ABOUT SURVEYS AND QUESTIONNAIRES

Many health professionals are keen to ask patients what they think of the services they receive in order to provide the most effective and efficient care possible. During the year many have been provided with support, advice and guidance from the Patient & Customer Services Department regarding how to successfully undertake patient surveys. These have included issues such as the effectiveness of Insulin Pumps to the services provided by the Paediatric Assessment Unit.

VOLUNTARY SERVICES

Over 300 volunteers help at Stepping Hill Hospital and the number of applicants is always increasing. Although turnover is very high the number of people completing the application process and attending for the minimum commitment period of 12 weeks continues to rise.

VOLUNTEER TRAINING

Volunteers have undertaken Wheelchair, Control of Infection, Good Grief and Fire Training.

MOBILITY SCOOTER

The mobility scooter has been available since July 2007 and 12 volunteers are trained to use it. The uptake from outpatients and visitors has been considerable and we hope to recruit more volunteers to this service in order to enable pre-booking of the scooter for both patients and visitors to the hospital.

VOLUNTEER LEARNING SCHEME

The Voluntary Services Manager and staff support this scheme which encourages and supports vulnerable and disadvantaged members of the population return to employment or enter into first time employment by offering a structured work experience. The individuals concerned have a variety of disadvantages that make accessing full or part time

employment difficult such as lack of experience, lack of skills, low self esteem. The supportive environment offered by this scheme gives individuals the confidence to enter the workplace.

Since September 2007 16 placements have been achieved with 12 individuals still working at the Trust in a voluntary capacity; 2 have left the scheme; 1 has gained employment and 1 has commenced a work trial.

VOLUNTEERS HANDBOOK

A volunteer handbook is being developed to ensure that volunteers who are unable to attend formal training sessions have access to mandatory information such as what to do the case of a fire, control of infection etc.

FACTS AND FIGURES

<u>Age Range</u>	<u>Number of Volunteers</u>
16 – 20 yrs	94
21 – 59 yrs	75
60 – 74 yrs	120
75+ yrs	28
Male volunteers	102
Female volunteers	215

Ethnic Background

We have volunteers from the following ethnic backgrounds:

Bangladesh, Black African, Chinese, Indian, Pakistan, White British and White Other.

VOLUNTEERS CONTRIBUTION

Volunteers give the Trust over 1,100 hours of work per week which, based on the minimum pay band, would cost in excess of £361k per year. The Trust greatly appreciates its voluntary workforce and applauds their commitment.

COMPLAINTS

- During 2007/08 the Trust received 407 formal complaints and achieved an overall response rate within 25 days of 70%. The response rate in the last three months of the year rose to a peak in March to 97%, but due to staff shortages during late 2007, this performance was not mirrored throughout the year.
- Overall, 18 complaints were referred to the Healthcare Commission and of these, 15 are now closed. Of these, only 3 have been upheld with recommendations made to the Trust.
- The Patient & Customer Services Department has been allocated funding to increase staffing following a successful business case.
- A Lean 'rapid improvement event' as part of the Stockport Improvement Programme, has also been held and the resulting actions are designed to improve the quality of responses from the Trust's Business Groups.

IMPROVING QUALITY AND PATIENT SAFETY

Throughout the year the Trust has developed a series of nurse sensitive indicators for all ward areas. Working closely with the Human Resources team this combination of finance, sickness, turnover and clinical indicators enables the Trust to monitor the effectiveness of the ward and the quality of care provided.

The Trust has a history of placing quality high on its agenda, with equal priority to finance and achieving targets. This year it has committed to developing a three year clinical strategy to reduce mortality rates and unnecessary harm. As invited guests of the IHI four of the executive team attended an invaluable Executive Quality Academy to learn from best practice in patient safety across the USA.

Standards of care provision remain high:

- Trust has declared full compliance with Standards for Better Health
- Achieved level 3 NHSLA rating – one of only six in the country
- Maternity services declared the best in the UK
- Successfully bid to become the specialist centre for stroke patients for South Manchester
- Several midwives, nurses and doctors have received national accolades and awards for their exemplary practice.

The Trust continues to make exemplary progress in its fight against healthcare acquired infections with a 40% reduction in MRSA and a significant reduction in Clostridium Difficile rates. The hospital has now implemented a robust ongoing deep cleaning programme.

Stockport NHS Foundation Trust has worked in close collaboration with its commissioners, Stockport PCT, in developing and delivering a quality schedule with clear definable clinical outcomes that we as providers strive to achieve and commissioners expect of a Trust providing good standards of care.

PARTNERSHIPS AND ALLIANCES

The Trust has entered into a partnership with Assura Medical LLP to deliver a urology clinical assessment and treatment service at Waters Green Medical Centre in Macclesfield. Patients are offered a consultant-led, local service at their GPs surgery which may be followed up, if required, with in-patient treatment at Stepping Hill hospital. Stockport FT receives payment from the LLP for provision of consultant, GPSI and specialist nurse services.

The Trust has worked with Stockport PCTs provider services to develop clinical assessment and treatment services provided in primary care premises in Stockport town centre. Consultant support to these services is provided under a service level agreement, for which the Trust receives an income.

The Trust is proud of its commendation for its work to develop its role as Corporate Citizen. As part of a diverse agenda of activities the Trust has worked extensively with local colleges and placement organisations to support disadvantaged people from the local community to access employment. These placement organisations include Pure Innovations, Employment Opportunities, Training Network Group, Work Solutions, Compass and Reddish Vale School. This work has received financial support from the North West Development agency and has been highly commended in a national award. The Trust has recently signed the Local Employment Partnership with Job Centre Plus to support this work and demonstrate the Trust's commitment to the range of schemes.

PROMOTING HEALTHY LIFESTYLE CHOICES

The Trust has continued to reduce the impact we have on our environment through recycling waste and reducing energy consumption. It continues to promote its Green travel plan demonstrating social responsibility developing the capability of local suppliers to trade with NHS organisations.

2.5 HUMAN RESOURCE AND EQUAL OPPORTUNITIES POLICIES

The Trust has an Equal Opportunities Policy in place and is also an accredited organisation of the Disability Rights Commission incorporating all aspects of the Positive About Disability Scheme (✓✓). Anyone applying for a position with the Trust is able to record their disability in confidence and appropriate allowances are made to ensure accessibility to the workplace. The data is then used to monitor progress on and access to training and is discussed regularly at the Diversity Steering Board chaired by the Director of Human Resources.

If staff become disabled whilst working at the Trust there are active policies and support provided by Occupational Health and the Human Resources Department to enable them to return to that post or find redeployment elsewhere within the Trust. An Equality and Diversity Group comprising managers and staff at all levels has an active programme to cover both service and employment issues including impact assessments for issues affecting race, disability, gender and sexuality.

The Trust has a strong ethos of communication with staff. Each year the achievements and objectives are presented to over 200 staff at a Start the Year Conference and these are monitored and reported monthly through a team briefing system. In addition to these face to face meetings, the Trust produces a quarterly magazine (Trust Times) and a monthly information bulletin (People Matters). There are also formal consultation meetings with the Staff Side through bi-monthly Joint Consultative Team meetings together with similar quarterly meetings with medical staff through our Local Negotiating Committee. If there are significant change management issues affecting staff such as the current Reprovision of Older People's Services then open meetings with staff and their Trade Unions are held, chaired by the Chief Executive.

Involvement of staff contributing to the quality of services is essential and the roll-out of the Stockport Improvement Programme incorporating Lean methodologies has enabled staff to influence and change working practices which has made substantial improvements. Their work is showcased to staff quarterly and allows for both recognition and sharing of the progress made.

2.6 RESEARCH AND DEVELOPMENT ACTIVITIES

Stockport NHS Foundation Trust is a recruitment site for a significant number of commercial & non-commercial clinical trials. In 2007/08 we recruited over 250 patients to 48 clinical trials. We have significant activity with the National Cancer Research Network and the Stroke Research Network, and are currently developing relationships with other topic specific networks. Clinical trials activity generated £215k in income and staff resources in 2007/08.

We continue to exploit the opportunities for collaboration with the larger Teaching Hospitals in Greater Manchester.

2.7 MEMBERSHIP

2.7.1 Eligibility Requirements

Our Membership is open to any individual who:

- is over 16 years of age, and
- is entitled under our Constitution of to be a member of one of the public constituencies or of one of the classes of the staff constituency (as below).

2.7.2 Public Constituencies

We use an “opt-in” membership system for our public constituency which is open to individuals who:

- are not a member of another public constituency
- complete an application form in whatever form the Board of Governors specifies, and
- are not eligible to be members of any of the classes of the staff constituency
- live within one of the six geographic areas set out below:

Four areas covered by former Stockport Metropolitan Borough Council as follows:

- 1) **Bramhall and Cheadle – containing the following former Local Authority wards:**
East Bramhall, Bramhall West, Cheadle Hulme South, Cheadle, Cheadle Hulme North and Heald Green.
- 2) **Tame Valley and Werneth– containing the following former Local Authority wards:**
Brinnington, North Reddish, South Reddish, Bredbury and Romiley
- 3) **The Heatons and Victoria – containing the following former Local Authority wards:**
Heaton Mersey, Heaton Moor, Cale Green, Davenport and Edgeley
- 4) **Marple and Stepping Hill – containing the following former Local Authority wards:**
North Marple, South Marple, Great Moor, Hazel Grove and Manor

One area covering the High Peak:

- 5) **High Peak - containing the following former Local Authority wards:**
Barms, Barmoor, Blackbrook, Chapel East, Chapel West, Central, College, Corbar, Cote Heath, Hayfield, Limestone Peak, New Mills North, New Mills South, Stone Bench, Whaley Bridge

One area covering a wider district around our hospital:

- 6) **Outer Region– the areas covered by metropolitan councils/districts of:**
Macclesfield, Manchester, Trafford, Salford, Oldham, Rochdale, Bury, Bolton, Wigan and Tameside and those wards in High Peak not covered under 5) above.

At the Trust’s Annual Members’ Meeting on 30 October 2007, members approved unanimously a number of amendments to the Trust’s Constitution. One of these amendments related to four of the Trust’s six public constituencies. As referenced in last year’s Annual Plan there have been a number of amendments to Local Authority Ward boundaries in Stockport and the High Peak. The amendments approved at the Annual Members’ Meeting sought to realign the Trust’s Stockport public constituencies with the newly created Local Authority Ward boundaries in Stockport. The revised Stockport public constituencies will be:

AREA COVERED BY STOCKPORT METROPOLITAN BOROUGH COUNCIL

– this is split into the following areas:

- 1) **Bramhall and Cheadle – which covers the following wards:**

Bramhall North, Bramhall South, Cheadle Hulme South, Cheadle and Gatley, Cheadle Hulme North, Heald Green.

2) Tame Valley and Werneth – which covers the following wards:

Brinnington and Central, Reddish North, Reddish South, Brebury and Woodley, Bredbury Green and Romiley.

3) The Heatons and Victoria – which covers the following wards:

Heatons North, Heatons South, Davenport and Cale Green, Edgeley and Cheadle Heath, Manor.

4) Marple and Stepping Hill – which covers the following wards:

Marple North, Marple South, Hazel Grove, Offerton, Stepping Hill.

These changes do not mean that any existing member would cease to be a member of the Foundation Trust. It is likely however that a number of our members will move from one of the Stockport public constituencies to another.

The proposed amendments to our public constituencies were submitted to Monitor for approval. We have received a letter from Monitor dated 18 April 2008 confirming their approval to the amendments.

It is intended to realign the High Peak Local Authority Ward boundaries during 2008 with a formal proposal being made to our Annual Members' Meeting on 30 September 2008. If approved, the proposed amendments to the High Peak public constituency will be forwarded to Monitor for approval following the Annual Members' Meeting.

2.7.3 Staff Constituency

We use an "opt-out" membership system for staff which is divided into the following classes:

- Registered nurses and midwives
- Doctors on permanent contract
- Allied health professionals
- All other staff groups.

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

- who we employ under a contract of employment and who either
 - are under a contract which has no fixed term or a fixed term of at least 12 months, or
 - have been continuously employed for at least 12 months, or
- who are not employed by us but who are employed by some other body and who exercise functions for the purposes of the Trust; and who have exercised these functions for a continuous period of at least 12 months. For the avoidance of doubt, this does not include those who assist or provide services to the Trust on a voluntary basis.

All individuals who are entitled to become members of one of the classes of the staff constituency, and who:

- have been invited by us to become a member of the appropriate class, and
- have not informed us that they do not wish to do so

shall become members of that class.

The Secretary makes the final decision about the class to which an individual is eligible to be a member.

2.7.4 Membership Numbers

PUBLIC MEMBERS PER CONSTITUENCY (AS AT 31 MARCH 2008)

Area	No. of Members
Bramhall and Cheadle	2,967
Tame Valley and Werneth	2,234
The Heatons and Victoria	2,227
Marple and Stepping Hill	2,642
High Peak and Outer Region	1,786
Total	11,856

STAFF MEMBERS PER CONSTITUENCY (AS AT 31 MARCH 2008)

Staff constituency	No. of Members
Doctors on permanent contract	171
Registered nurses and midwives	1,294
Allied health professionals	242
All other staff groups	2,297
Total	4,004

2.7.5 Membership Development Strategy

One of our key objectives is to build and maintain a vibrant membership. The Trust's Membership Development Strategy recognises that the process of building meaningful membership structures will take a serious commitment to time and resources. It also defines our membership community and how we intend to:

- Develop a strong and representative membership.
- Manage and maintain an active membership.
- Communicate with our members.
- Contribute to our local community as a public benefit corporation.

The strategy details a number of objectives, the implementation of which will be led and monitored by the Board of Governors.

The membership of our public constituency during 2007/08 has increased by 1,412 members (an increase of 13.5%). The increase in our staff constituency relates to domestic and portering staff formerly employed by Initial services which in May 2007 were brought in-house.

The Membership Development Committee of the Board of Governors is overseeing arrangements for the proposed increase in membership and will be monitoring progress at its six-weekly meetings. The Committee reports upon progress to each meeting of the Board of Governors. Executive and Non-Executive Directors attend meetings of the Board of Governors and membership levels are therefore addressed with members of our two

Boards present. The Board of Directors also monitors our membership levels as part of the monthly report on Board level key performance indicators.

The Trust's governance structure also includes a Foundation Trust Development Group the membership of which includes the Board of Directors and the Chairmen of our five Governor Committees. Membership issues are also addressed in this forum.

The Membership Development Committee is also in the process of revising and updating the Trust's Membership Development Strategy which recognises that we need "a membership that is representative and recognises the diversity of our communities and the wider population that we serve in terms of geography, age, gender, ethnicity and socio-economic group".

The Trust has continued its work on the socio-economic profile of our membership by using ACORN profiling. We will be undertaking more detailed work in this area during the next 12 months to ensure that membership of each of our constituencies continues to be representative of the communities that we serve. A review undertaken by the Membership Development Committee has indicated that our membership is broadly representative in terms of gender, age and ethnicity.

Our intention during the next recruitment campaign during 2008/09 will be to focus on those areas where our socio-economic profile indicates we are less than representative. In particular we will be looking to increase our membership in the 17-21 year old category where our membership is currently less than 1% of those people eligible. The Trust has worked closely with the Stockport Youth Council on ensuring input from young people in Stockport between the ages of 13 and 16 years. The Board of Governors is presently reviewing the way in which the Trust interacts with younger people and the function and terms of reference of its Young Persons Committee. We will look to build upon the existing relationships that we have with young people, particularly the sixth form colleges, to develop our membership numbers in this category.

Our analysis of ethnicity indicates an even spread of representation for the White, Asian or Asian British and Black or Black British categories with a lower representation for the Mixed category.

Members can contact Governors through email via our Trust's website or via the Trust's Membership Office 0161 419 5166. Information on Public Governors and contact details have also been circulated to Libraries, Citizens' Advice Bureaux, Advice Centres, GP Surgeries and Pharmacies.

2.8 COMMUNITY AND THE ENVIRONMENT

Stockport NHS Foundation Trust aims to be seen as an important community asset – *more than a hospital*. To make our contribution to our local community we are committed to sustainable action on:

- Health Promotion
- Access to employment
- Carbon management
- Reuse and recycling
- Local procurement
- Links with The Cooperative
- Increasing membership

Highlights from this year's corporate citizen programme include:

- Highly commended for corporate citizen work in 2007 Health Service Journal awards.

- **Health promotion** - In conjunction with The Co-operative Group, series of health 'advertorials' placed in match programmes for *Sale Sharks* RFC home games.
- **Employment** - Volunteer learning scheme enhanced by appointment of dedicated equality and diversity officer.
- **Employment** - Trust managers trained in issues relating to employment of ex-offenders and other hard to place groups.
- **Environment** - Carbon management implementation plan, completed with support from Carbon Management Trust. Our long-term aim is to reduce energy-related emissions by 47% over 10 years.
- **Environment** – Disposal of surplus white goods and furniture - contract placed with homelessness charity *Emmaus* who will refurbish and re-cycle.
- **Environment** – Increased scope and quantity of waste recycled, paper four-fold increase, cardboard recycling doubled, glass and plastic recycling facilities introduced.
- **Environment** - Steering Group established to monitor progress of carbon management plan and other environmental initiatives.
- **Procurement** - Completed "how to" guide to help local suppliers to understand how to work with Stockport NHS Foundation Trust.
- **Procurement** - 'Time to talk' sessions available for aspiring and existing, local suppliers.
- **Partnership** - Agreement signed with The Co-operative to assist in development of corporate citizen activity and membership development.

All of the above activities contribute to our growing corporate citizenship agenda. We will work to develop wider organisational involvement and improved metrics and dashboards during 2008/9 to strengthen still further the Trust's corporate responsibility goals and growing reputation.

2.9 BACKGROUND INFORMATION

2.9.1 BRIEF HISTORY OF STOCKPORT NHS FOUNDATION TRUST

We were established as an NHS Foundation Trust on 1 April 2004, pursuant to Section 6 of the Health and Social Care (Community Health and Standards) Act 2003. The Trust provides acute hospital care for children and adults predominantly across Stockport and the High Peak area of Derbyshire. The catchment population for the majority of our services is 350,000.

We employ over 3,600 staff working across four sites. Our major hospital is Stepping Hill Hospital located on the A6, south of Stockport town centre. We also provide hospital services from Cherry Tree Hospital and the Meadows within Stockport and the Corbar Maternity Unit based 18 miles away in Buxton.

We are authorised to provide the following mandatory services (more information can be found in our Terms of Authorisation):

- | | |
|------------------------|-----------------|
| ▪ Accident & Emergency | ▪ Neurology |
| ▪ Anaesthetics | ▪ Neurosurgery |
| ▪ Breast Surgery | ▪ Obstetrics |
| ▪ Community Medicine | ▪ Ophthalmology |

- Dermatology
- ENT
- General Medicine
- General Surgery
- Genito Urinary Medicine
- Gynaecology
- Haematology
- Medical Oncology
- Oral Surgery
- Orthodontics
- Paediatrics
- Rehabilitation Medicine
- Rheumatology
- Trauma & Orthopaedics
- Urology

These services are delivered through our Business Groups, each of which has a Clinical Director(s) and an Associate Director. The Business Groups are supported by a number of Corporate Services.

Our Clinical Divisions are:

- Elective Services
- Medicine
- Women & Children's Services
- Diagnostic Services and Clinical Support Services

Our Corporate Services are:

- Finance
- Human Resources
- IM&T
- Estates
- Facilities
- Planning and Business Development

Overall responsibility for delivering the activities of the Trust rests with the Board of Directors, who are accountable for operational performance as well as the definition and implementation of strategy and policy. More detailed information on our Board of Directors can be found in Section 6.

As a Foundation Trust, we also have Board of Governors, who are the voice of our local community and the majority of whom are elected from our public membership.

The Board of Governors:

- Represents the interests of Stockport NHS Foundation Trust members and partner organisations in the local health economy;
- Feeds back information about the Trust, its vision and its performance to the constituency they represent;
- Appoints the Non Executive Directors, including the Chairman, of the Trust;
- Appoints the Trust's External Auditor;
- Works with the Board of Directors to produce plans for the future development of the Trust;
- Receives, at a public meeting, copies of the Trust's annual accounts, auditor's reports and annual report.

More detailed information on our Board of Governors and membership can be found in Sections 5 and 7.

2.9.1 STRATEGIC OVERVIEW

Our strategic goals arise from a combination of

- the values we hold and the priorities we set ourselves as an organisation,
- a realistic view of the market in which we operate,
- the aspirations of those working in our services to improve and develop them.

Our values and priorities are reflected in our mission statement and detailed in The Stockport Steering Wheel.

The Trust's mission statement is:

To provide high quality, accessible and responsive services by putting the patient at the heart of everything we do.

What does this mean? It means no one tries harder for patients and we strive to be the best possible provider of healthcare in the NHS and do the following:

- Understand patients better than anyone
- Be energetic, be innovative and be there for patients
- Use our skills and knowledge to provide unbeatable patient experience at the highest quality care
- Look after our staff so they can care for our patients
- Be open and transparent.

It also means we treat people how we want to be treated, so we:

- Listen more than tell and share knowledge & skill
- Give support to each other and praise more than criticise
- Enjoy work, celebrate success and learn every day
- Trust, value, respect and empower each other
- Always do our very best to be a team

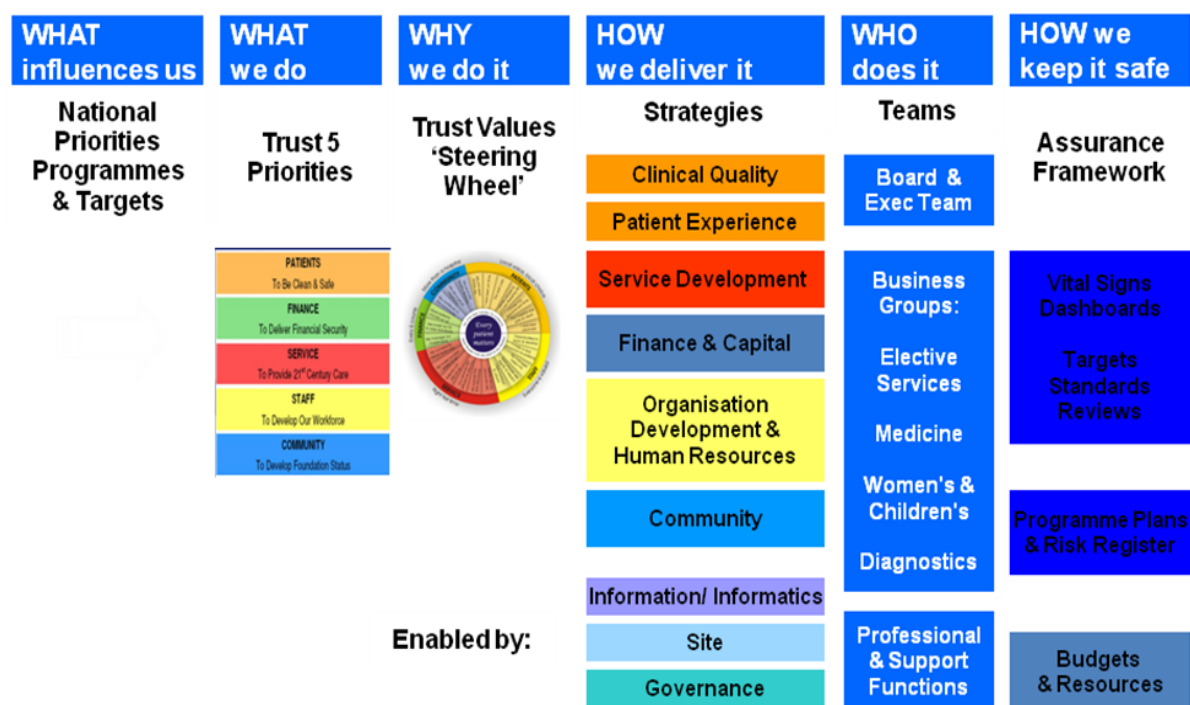
The Stockport Steering Wheel is our guide in making a reality of our mission statement.



The Stockport Steering Wheel sets out our aims in five priority areas:

- **Patients** – we want patients to be happy with the care they have received, to feel that they matter and that we attend to their wishes
- **Staff** – we want our staff to feel valued, to enjoy working in the Trust, to be well supported and to have opportunities to develop their skills
- **Service** – we want our services to deliver 21st century care. This means that, as well as being valued by our patients, our services are demonstrably modern, safe and of consistently high quality as measured by external bodies such as the Healthcare Commission
- **Finance** – financial security is a prerequisite for achieving our other priorities. We need to be realistic about growing (or shrinking) our services in an increasingly tough financial environment
- **Community** – foundation status means more than just greater freedom within the NHS system. We want to be “more than just a hospital” and to enhance our position within the local community

These aims are easily stated but not easily achieved, and although this document sets out our strategic aspirations and developments, our management approach (set out in the following diagram) aims to translate these objectives into tangible programmes, projects and actions that ensure we achieve our objectives.



3. CORPORATE GOVERNANCE

3.1 THE BOARD OF GOVERNORS

The Board of Governors has 39 places, of which 26 represent the public and staff and are elected by our Members. The remaining 13 are appointed by partnership organisations which include Stockport Metropolitan Borough Council, Stockport and High Peak Primary Care Trusts, the voluntary sector, the education sector and other local bodies.

The Board of Governors meet formally four times per year. Ad hoc meetings of the Board are called as required.

The Board of Governors takes decisions with regard to:

- The appointment / removal of the Chairman and other Non Executive Directors.
- The approval of the appointment (by the Non Executive Directors) of the Chief Executive.
- To decide the remuneration and allowances and the other terms and conditions of the Non Executive Directors.
- Appointment / removal of the Trust's External Auditor.
- To be presented with the Annual Accounts, any report of the External Auditor on the Annual Accounts and the Annual Report.
- The provision of views to the Board of Directors when the Board of Directors is preparing the document containing information about the Trust's forward planning.
- To respond as appropriate when consulted by the Board of Directors in accordance with the Constitution.
- To undertake such functions as the Board of Directors shall from time to time request.
- The preparation and review of the Trust's Membership Strategy, its policy for the composition of the Board of Governors and of the Non Executive Directors.

In addition, the Board of Governors has established five Committees:

- Working Methods
- More than a Hospital
- Patient and Public Involvement
- Communications, Publicity and Membership Development
- Young Persons Engagement

and receives reports and recommendations from each of these Committees at their Board meetings.

The Board of Governors works closely with the Board of Directors. Directors routinely attend meetings of the Board of Governor and the Board of Governors receive at each of their meetings reports from the Chief Executive on current performance and operational issues and also on strategic issues.

In addition, the Board of Governors is presently considering a proposal that each of the Non Executive Directors sit as members of one of the Governor Committees referred to above.

The Board of Directors and particularly Non Executive Directors have been involved in the following areas of membership engagement:

- a) On 30 October 2007 the Trust held a public event for members at Stockport County Football Club. This was an interactive event and included some 35 stalls. These stalls offered a variety of information about the services that the Trust offers but also offered members the opportunity to have their blood pressure tested and have their flu jabs. Some 600 members attended.
- b) The Trust produces a newsletter for all its members which is circulated three times per year. The publication provides members with details of what is happening within the Trust with regard to developments in services and other issues such as infection control. The newsletter also provides details of Governors and how they can be contacted and has a section that invites members to contact the Trust if they have any issues or comments that they wish to raise with us.
- c) The Trust's internet site provides details of Governors and how they can be contacted. The website also provides information about developments within the Trust and provides a link for members to communicate either with the Governors or with the Trust.
- d) Receiving feedback from the Trust's 500 Foundation Trust members who have become involved with the Trust at local level including:
 - Being used as "mystery shoppers" to measure the level of customer care given by Departments
 - Taking part in Ward audits and surveys
 - Reading and reviewing Trust patient information leaflets
 - Commenting on patient information, planned for patients taking part in clinical trials
 - Receiving appropriate divisional and departmental newsletters
 - Participating in seminars and training events, including our Celebration of Work Day and specific research and development training
 - Participating in patient and carer groups
 - Undertaking visits to areas of the hospital
 - Being kept informed of local, regional and national consultation exercises so that they can contribute, for example the consultation on the Greater Manchester plans for the reorganisation of Obstetric and Paediatric care.
 - Providing their views twice a year on a number of specific topics of interest to the Trust by completion of a questionnaire which covers issues as diverse as car parking and hand hygiene.

The Board of Directors is responsible for managing the business of the Trust and, subject to the Constitution, exercises all the powers of the Trust. Board of Directors therefore has overall responsibilities for delivering the activities of the Trust and are accountable for the operational performance of the Trust as well as the definition and implementation of strategy and policy.

The Board of Directors therefore takes decisions with regard to:

- **Quality Issues** – which includes Clinical Effectiveness and the Trust's Quality Dashboard, Infection Control, Patient Experience and Staff Development and Assurance Risk.
- **Strategic and Developmental Issues** – this includes decisions with regard to business planning, the Trust's Annual Plan, decisions to invest in additional capacity and site development, the Trust's Capital Programme and other strategic issues affecting the Trust as they arise.
- **Finance and Performance** – this includes taking decisions with regard to the Trust's financial performance as well as its performance against all key performance indicators.
- **Governance Issues**

The day to day management of the Trust rests with the Chief Executive and Executive Directors who are responsible for taking decisions, particularly with regard to financial and performance issues and day to day quality matters, subject to the Trust's Scheme of Delegation and Standing Financial Instructions.

There have been four formal meetings of the Board of Governors during 2007/08 and the attendance of Governors at these meetings are detailed below.

3.1.1 Elected Governors

Elections were held in 2007 for the Allied Health Professionals staff constituency and the Bramhall & Cheadle and Marple & Stepping Hill public constituencies, results of which were announced at the Annual Members' Meeting in October 2007. The elections were held under the independent scrutiny of the Electoral Reform Services. The following lists our elected governors:

Name	Constituency	Elected Until	Attendance at formal Governors' meetings
Mark Dollard	Staff – registered nurses and midwives	Annual Members' Meeting 2008	1/2
Linda Richards	Staff – registered nurses and midwives	Resigned in November 2007	0/2
Jean Rogers	Staff – registered nurses and midwives	Annual Members' Meeting 2008	3/4
Shirley Remington	Staff – doctors on permanent contract	Annual Members' Meeting 2009	3/4
Lynne Cockitt	Staff – allied health professionals	Annual Members' Meeting 2007	3/4
Annette Donegani	Staff – all other staff	Annual Members' Meeting 2009	4/4
Sheila French	Staff – all other staff	Retired on 31 March 2008	0/3

Name	Constituency	Appointed Until	Attendance at formal Governors' meetings
Raj Agarwal	Public – Bramhall & Cheadle	Annual Members' Meeting 2007	2/2
Stuart Bodsworth	Public – Bramhall & Cheadle	Annual Members' Meeting 2007	0/2
Andrew Corrie	Public – Bramhall & Cheadle	Annual Members' Meeting 2007	0/2
Malcolm Joels	Public – Bramhall & Cheadle	Annual Members' Meeting 2007	1/2
Patricia Berry	Public – Bramhall & Cheadle	Annual Members' Meeting 2010	2/2
Sheila Grieve	Public – Bramhall & Cheadle	Annual Members' Meeting 2010	2/2
Tony Johnson	Public – Bramhall & Cheadle	Annual Members' Meeting 2010	2/2
David Kirk	Public – Bramhall & Cheadle	Annual Members' Meeting 2010	1/2
John Brodrick	Public – Tame Valley & Werneth	Annual Members' Meeting 2009	3/4
Chris Gordon	Public – Tame Valley & Werneth	Retired in January 2008	0/3
Carlton Lyons	Public – Tame Valley & Werneth	Annual Members' Meeting 2009	1/1
John Swiffin	Public – Tame Valley & Werneth	Annual Members' Meeting 2009	3/4
Ricky van Deursen	Public – Tame Valley & Werneth	Annual Members' Meeting 2009	2/4
Cecil Brooks	Public – Heatons & Victoria	Annual Members' Meeting 2008	4/4
David Levy	Public – Heatons & Victoria	Annual Members' Meeting 2008	4/4
Satish Mehta	Public – Heatons & Victoria	Annual Members' Meeting 2008	3/4
John Stone	Public – Heatons & Victoria	Annual Members' Meeting 2008	2/4
Carol Candler	Public – Marple & Stepping Hill	Annual Members' Meeting 2010	3/4
John Playle	Public – Marple & Stepping Hill	Annual Members' Meeting 2007	0/2
Peter Ridgway	Public – Marple & Stepping Hill	Annual Members' Meeting 2010	2/2

Name	Constituency	Appointed Until	Attendance at formal Governors' meetings
Bernie Stevens	Public – Marple & Stepping Hill	Annual Members' Meeting 2010	2/2
Keith Vigurs	Public – Marple & Stepping Hill	Annual Members' Meeting 2007	2/2
Chris Wrigley	Public – Marple & Stepping Hill	Annual Members' Meeting 2010	3/4
Ian Mason	Public – High Peak	Annual Members' Meeting 2009	4/4
Tim Norton	Public – High Peak	Annual Members' Meeting 2009	3/4
Lynne Woodward	Public – High Peak	Annual Members' Meeting 2009	3/4
Terence Moore	Public – Outer region	Annual Members' Meeting 2009	3/4

3.1.2 Appointed Governors

Name	Appointed By	Appointed Until	Attendance at formal Governors' meetings
Susan Glicher	Stockport PCT	Annual Members' Meeting 2007	0/1
Hilda Boomer	Stockport PCT	Annual Members' Meeting 2007	0/1
Jane Crombleholme	Stockport PCT	Annual Members' Meeting 2010	2/3
Stephen Watkins	Stockport PCT	Annual Members' Meeting 2010	2/3
Paul Carney	Derbyshire County PCT	Annual Members' Meeting 2010	2/4
Maggie Clay	Stockport MBC	Resigned in September 2007	0/1
Ged Lucas	Stockport MBC	Resigned in February 2008	0/3
Carol Morrison	Stockport MBC	Annual Members' Meeting 2010	1/1
John Pantall	Stockport MBC	Annual Members' Meeting 2010	2/3
Kieran McMahon	Stockport Council for Voluntary Services	Annual Members' Meeting 2007	0/2

Name	Appointed By	Appointed Until	Attendance at formal Governors' meetings
Edward Peter Atkinson	Stockport Council for Voluntary Services	Annual Members' Meeting 2007	1/2
David Hopkins	Greater Manchester Chamber	Annual Members' Meeting 2009	4/4
David Fernandez	Stockport Branch of Small Businesses Federation	Annual Members' Meeting 2007	2/4
Peter Roberts	Stockport College	Annual Members' Meeting 2010	2/4
Ken Walker	Trust Patient Forum	Annual Members' Meeting 2007	2/2
John Adams	University of Manchester Postgraduate Deanery	Annual Members' Meeting 2007	2/4
Ella Smith- Langridge	Appointed by SMBC in consultation with the Stockport Youth Assembly.	Annual Members' Meeting 2007.	1/4

In accordance with the Health and Social Care (Community Health and Standards Act 2003) we keep a register of interests of the Board of Governors which is available upon request for inspection by members of the public (please contact John Pierse on 0161 419 5164 or john.pierse@stockport.nhs.uk if you wish to have access to the register).

3.2. BOARD OF DIRECTORS AND BOARD COMMITTEES

The Board of Directors comprises a Chairman, 5 Non-Executive Directors and 7 Executive Directors (2 of which are non-voting posts). The Board considers each of the Non-Executive Directors to be independent in character and judgement and have identified no relationships or circumstances that are likely to affect or appear to affect their judgement. During 2007/08 the Board of Directors met on 13 occasions and attendance by Directors at these meetings is given below. The composition of the Board during 2007/08 was:

3.2.1 Chairman

ROBINA SHAH

Re-appointed on 19.03.2007 until 31.10.2009.

Declared interests

- Board of Governors Manchester University.
- Lay member of the Postgraduate Medical Education Training Board (PMETB)

Background

Robina Shah has been in NHS public service for 15 years. She was appointed as a Non-Executive Director of the Greater Manchester Ambulance Trust in 1993 and subsequently, as Chairman of a merged Stockport NHS Trust in April 2000. Robina was actively involved in the Trust's successful application for Foundation status and was appointed Chairman of the new Trust in April 2004.

A psychologist and academic researcher by profession, she has been actively involved in Health and Social Care at a national and local level. She is also the author of several publications and actively contributes to strategic and policy direction in the context of learning disabilities and medical education.

Robina was awarded the MBE in 2003 for her work with disabled children. She is part of the National Leadership Network and a member of the National Board of Skills for Health. Robina was appointed to the Inner City Bench in 1994 and is a Member of the Board of Governors for Manchester University.

Attendance at formal meetings of the Board of Directors
13/13

3.2.2 Non Executive Directors

GILLIAN EASSON

Appointed on 01.01.2007 until 31.12.2009

Appointed Vice-Chairman in April 2007 for a period of 12 months

Declared interests

- Non-Executive Director UMIP Ltd.
- Deputy Chair University of Manchester Board of Governors.

Background

Semi-retired, Gillian Easson has been a solicitor for over 30 years. She started her career in Stockport and went on to become one of the first female prosecuting solicitors in the North West. Until last year Gillian was a Non-Executive Director at Manchester's Christie hospital, a position she held for six years.

Attendance at formal meetings of the Board of Directors
10/13

JANE MCCALL

Appointed on 01.04.2006 until 31.03.2009

Appointed Senior Independent Director in April 2007 for a period of 12 months

Declared interests

- Independent Board Member at Parkway Green Housing Trust.
- Director of Investment and Regeneration at Trafford Housing Trust.

Background

Jane McCall currently works as an Executive Director at Trafford Housing Trust, and previously was independent housing consultant. She has a strong background in the housing sector having worked as the managing director for West Pennine Housing Association in Oldham and Templar Housing Association in Macclesfield, overseeing both organisations simultaneously. Jane has an MBA in business development and history of public service.

Attendance at formal meetings of the Board of Directors
11/13

JOHN MCGUIRE

Appointed on 01.10.2006 until 30.09.2009

Declared interests

- Non-Executive Director - N. Brown Group Plc.
- Non-Executive Director - The Royal Bank of Scotland Pension Fund Trustee Ltd.
- Chair - Oldham/Rochdale Housing Market Renewal Pathfinder.
- Chair - Employer coalition for Greater Manchester.

Background

John McGuire was Regional Chairman of the Royal Bank of Scotland until his retirement in 2005. Since then, John has started his own consultancy business, McGuire Associates, offering strategic consultancy to large and small businesses. He is also chair of the Housing Market Renewal Pathfinder, for Oldham and Rochdale Borough Councils, which helps to regenerate run down areas and is a non-executive board director of Manchester University.

Attendance at formal meetings of the Board of Directors

10/13

CAROL PROWSE

Appointed on 1 April 2007 until 31 March 2010.

Declared interests

- Independent QOF Assessor occasionally contracted by Derbyshire County PCT.

Background

Carol Prowse currently works with the High Peak Theatre Trust as a Director and Company Secretary. Carol has a strong interest in the performing arts, and also works with the Kinder Children's Choirs of the High Peak. Carol Prowse worked for a number of years for the High Peak Borough Council. For five years she was a Non-executive Director on the High Peak and Dales PCT Board and was their appointed Governor with this Trust.

Attendance at formal meetings of the Board of Directors

12/13

JOHN SLATER

Appointed on 01.07.2005 until 30.06.2008

Declared interests

- Nil.

Background

A chartered management accountant, John Slater retired from his position as Group Finance Director of a north west based group of housing associations, having worked in the housing sector since 1996. Prior to that, he worked mainly in the manufacturing industry. John has wide ranging financial experience in both commercial and 'not for profit' organisations and was appointed to the Board of Directors on 1 July 2005.

Attendance at formal meetings of the Board of Directors

13/13

BALANCE, COMPLETENESS AND APPROPRIATENESS OF THE MEMBERSHIP OF THE BOARD

There has been one Non-Executive Director who took up post on 1st April 2007. The process adopted for this appointment during 2006/07 took into account the requirement for the membership of the Board of Directors to be balanced, complete and appropriate.

<u>Skill</u>	<u>Responsible Non-Executive Director</u>
Financial Acumen	John McGuire (Chair of the Audit Committee) and John Slater
Marketing / Commerce	Jane McCall
Legal	Gillian Easson
Patient Advocate / General Board Experience	Carol Prowse

A joint statement by the Chairman and Chief Executive will be made to confirm the balance, completeness and appropriateness of the full Board of Directors and will be published on the Trust's Website.

3.2.3 Executive Directors

CHIEF EXECUTIVE - CHRIS BURKE

Declared interests

- Nil.

Background

Chris Burke entered the NHS in 1977 and moved through a variety of posts in the North West. He has gained a PhD on 'Management Organisational Development and Clinical Leadership'. He joined Stockport Health Authority in 1989 taking on a number of senior management roles prior to becoming Acting Chief Executive of Stockport Acute Services NHS Trust and then Chief Executive of a merged Stockport NHS Trust in 2000. He was appointed as Chief Executive of Stockport NHS Foundation Trust on 1 April 2004.

Attendance at formal meetings of the Board of Directors

13/13

DIRECTOR OF OPERATIONS AND PERFORMANCE - ANN BARNES

Declared interests

- Nil.

Background

Ann Barnes has worked in the NHS since 1979 and during the past 29 years has worked both at regional and hospital level across the full spectrum of district general hospital service provision.

Attendance at formal meetings of the Board of Directors

12/13

MEDICAL DIRECTOR - JAMES CATANIA

Declared interests

- President of Parkinson's Disease Society Stockport Branch.

Background

James Catania has been a Medical Director for the last six years and is a specialist in the care of older people, for which he has retained his clinical commitments. He has worked as a consultant physician for the last 15 years and has been involved in management for over 13 years.

Attendance at formal meetings of the Board of Directors

12/13

DIRECTOR OF FINANCE - ADRIAN ROBERTS

Left the Trust on 20 May 2007

Declared interests

- Appointment as Executive Director of Finance at Central Manchester and Manchester Children's NHS Trust, effective from May 2007.

Background

Qualified as a Chartered Certified Accountant in 1988. 16 years experience as an NHS Director of Finance.

Attendance at formal meetings of the Board of Directors

3/3

DIRECTOR OF FINANCE - BILL GREGORY

Appointed on 1 June 2007

Declared interests

- Nil.

Background

Bill Gregory joined the Trust on 1st June 2007, from Sherwood Forest NHS Foundation Trust where he had been Executive Director of Finance since November 2003. He has worked in a variety of finance and commercial roles within the public and private sectors. Having trained as an Accountant with Coopers and Lybrand, he joined the NHS in 1993 and has previously held the post of Director of Finance at three NHS Trusts in northwest England. Previously he was Head of Business Development for BUPA Hospitals.

Attendance at formal meetings of the Board of Directors

10/10

DIRECTOR OF NURSING AND MIDWIFERY - JILL BYRNE

Declared interests

- Nil.

Background

Jill Byrne has 28 years experience as a nurse and midwife. She has worked in various hospital Trusts as well as the Commission for Health Improvement. Jill has worked in Stockport for over 6 years.

Attendance at formal meetings of the Board of Directors

12/13

DIRECTOR OF HUMAN RESOURCES (NON VOTING) - NICOLA REUCROFT

Declared interests

- Nil.

Background

Nicola Reucroft has spent her career in Human Resources, gaining experience in both the public and private sectors. She is a graduate Fellow of the Institute of Personnel and Development.

Attendance at formal meetings of the Board of Directors

12/13

DIRECTOR OF MODERNISATION (NON VOTING) - DARREN HURRELL

Left the Trust on 31 July 2007

Declared interests

- Nil.

Background

18 years in the NHS with a degree in Computing and an MBA. He started his career in the NHS in Sunderland where he worked as Director of Community.

Attendance at formal meetings of the Board of Directors

4/4

DIRECTOR OF PLANNING AND BUSINESS DEVELOPMENT (NON VOTING) – STEVEN SMITH

From 6 August 2007 until 13 November 2007

Declared interests

- Nil.

Background

Steven Smith joined the Trust from Salford Royal NHS Trust in 2007 where he had gained considerable experience at operational level. Steven sadly passed away on 13 November 2007.

Attendance at formal meetings of the Board of Directors

4/4

The remuneration disclosures in relation to Executive and Non-Executive Directors are included in the Remuneration Report in Section 3.3.

3.2.4 PERFORMANCE EVALUATION

The Board of Directors has regular scheduled “time outs” to discuss both the operational and strategic performance of the Trust. These sessions are externally facilitated and building the opportunity to reflect on the collective performance of the Board and personal needs to develop or strengthen particular areas. As a result of these discussions a Development Programme has been designed and in the last year has covered Health and Safety training for Board members, Appeal Panel and Employment Law issues and Equality and Diversity Awareness.

Links between the Board of Directors and Governors are strengthened to regular attendance by Directors at the Governors’ meetings including their Committees. There is also an annual questionnaire which considers the overall leadership of the Boards and the management of meetings. Individual competence and performance are addressed through annual personal appraisals for both Executive and Non Executive Directors together with associated development plans.

3.2.5 COMMITMENTS OF THE CHAIRMAN

The Chairman of the Trust has a number of other significant commitments:

- Justice of the Peace
- Deputy Lord Lieutenant for Greater Manchester

- Member of the National Leadership Network Board
- Member of the National Board of Schools for Health
- Member of Black and Minority Ethnic Leadership Forum
- Council Member of the NHS Confederation.

3.2.6 AUDIT COMMITTEE

The Trust has an Audit Committee which meets at least 5 times a year.

The membership of the committee is as detailed below. Attendance at meetings during 2007/08 is shown in brackets.

- John McGuire (Chair of the Audit Committee) – Non-Executive Director (attendance at 7/7)
- Gillian Easson – Non-Executive Director (attendance at 5/7)
- Jane McCall – Non-Executive Director (attendance at 6/7)
- Carol Prowse – Non-Executive Director (attendance at 6/7)
- John Slater – Non-Executive Director (attendance at 7/7)

The Director of Finance and either the Deputy Director of Finance or Head of Finance, and representatives from both Internal and External Audit are in attendance.

The Audit Committee has approved Terms of Reference which are available on request and are regularly reviewed. Its primary purpose is to conclude upon the accuracy and effective operation of the Trust's overall control system. In performing this role the Committee's work predominately focuses upon the framework of risks, controls and related assurances that underpin the delivery of Trust objectives.

The Committee reviews the disclosure statements that flow from the Trust's assurance processes, in particular, the Statement of Internal Control and the declarations under the Standards for Better Health required by the Healthcare Commission.

The Audit Committee also independently monitors, reviews and reports to the Board on the processes of governance and, where appropriate, facilitates and supports, through its independence, the attainment of effective processes.

External Auditors statement on their reporting responsibilities:

Our responsibility is to audit the financial statements in accordance with Health Service Act, the Audit Code for NHS Foundation Trusts and International Standards on Auditing (UK and Ireland). Our main reporting responsibilities are as follows;

Firstly we are required by the relevant professional standard – "International Standard on Auditing (UK and Ireland) 260 - Communication of audit matters to those charged with governance" - to report to those charged with governance (the Audit Committee) certain matters before we give the opinion on the financial statements.

Secondly we report our opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Independent Regulator (Monitor). This report is made solely to the Board of Governors of the Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006. Our work is undertaken so that we can state to the Board of Governors those matters that we are required to state to it in an auditor's report and for no other purpose.

In the course of the audit, we are also required to consider whether:

- in the public interest, we should make a report (a public interest report) on any matter
- a referral should be made to Monitor because the Trust or a Director or officer of the Trust:
 - is about to make, or has made, a decision which involves or would involve the incurring of expenditure which is unlawful; or
 - is about to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency they must refer the matter at once to Monitor.

3.2.7 NOMINATIONS COMMITTEES

The Trust has two Nominations Committees, one for the appointment of Non Executive Directors and the other for Executive Directors. Both have terms of reference which identify core membership and are led by the Chairman.

During the period covered by this report there have been no appointments to Non Executive roles but two Nominations Committees have met to appoint to the role of Director of Planning and Business Development. This role was advertised in the national press.

a) 11 May 2007

The panel comprised:

Chris Burke (Chief Executive)

Robina Shah (Chairman)

Jane McCall (Non Executive Director)

Nicola Reucroft (Director of Human Resources)

Simon Neville (External Assessor, Director of Business Planning, Salford NHS Trust)

4 candidates interviewed.

Steven Smith appointed with effect from 6 August 2007.

b) 8 February 2008

The panel comprised:

Chris Burke (Chief Executive)

Robina Shah (Chairman)

John McGuire (Non Executive Director)

Nicola Reucroft (Director of Human Resources)

Carole Spencer (External Assessor, Director of Corporate Development, Countess of Chester NHS Foundation Trust)

3 candidates interviewed.

No appointments made.

3.2.8 TERMINATION OF APPOINTMENT OF CHAIR AND NON EXECUTIVE DIRECTORS

Arrangements for any potential termination of appointments of the Chairman or another Non Executive Director are within the remit of the Board of Governors, in accordance with paragraph 13.6. of the Constitution of the Stockport NHS Foundation Trust.

3.2.9 PUBLIC INTEREST DISCLOSURES

3.2.9.1 Employee relations

The Trust has an active system of communication with employees on all matters of importance. There is a joint meeting between the Executive Team and Staff Side representatives (JCT) which meets bi monthly together with a similar meeting with Consultants on a quarterly basis (LNC).

The Trust has a monthly team briefing system, led by the Chief Executive, and this is supported by a monthly open managers meeting, a monthly management newsletter (People Matters) and a quarterly staff magazine (Trust Times).

3.2.9.2 Equal Opportunities

The Trust has an active group which works on all aspects of Equal Opportunities and considers the needs for both service and staff. They have produced an Equality Scheme covering race, disability, gender and age discrimination and complies with the relevant legislation.

3.2.9.3 Health and Safety

Policies and activities relating to health and safety and occupational health are regularly discussed and received by the Board of Directors. All Board Directors have received Health and Safety training. Policies and activities relating to health and safety and occupational health are also included in the work of the monthly Assurance meetings attended by the Executive Team and Associate Directors.

3.2.9.4 Countering Fraud and Corruption

The Trust has a Counter Fraud and Corruption Policy in place and as part of this an annual work plan is agreed by the Director of Finance. This covers areas such as creating an anti-fraud culture, deterring, preventing and investigating fraud. The Trust employs a Local Counter Fraud Specialist who attends the Audit Committee to provide updates on the progress of the annual work plan.

3.2.9.5 Payment Practice Code

The Better Payment Practice Code requires the Trust to aim to pay all valid non-NHS invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. No interest was paid under the Late Payments of Commercial Debts (interest) Act 1988.

3.2.9.6 Public Consultations and Related Activities

The Trust has not completed any consultations during the year covered by this Annual Report and there are none planned for the coming year.

There has been no consultations with local groups and organisations including the Overview and Scrutiny Committee.

3.2.9.7 External Audit

The Audit Commission are the Trust's external auditors. Their work was carried out in accordance with the "Audit Code for NHS Foundation Trusts" with a cost of £52,785 including VAT. No non-audit work was undertaken by the Trust's external auditors.

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

3.2.9.8 Accounting Policies

The accounting policies for pensions and other retirement benefits are set out in note 1.17 to the accounts.

3.3. REMUNERATION REPORT

The Remuneration Committee is chaired by the Chairman of the Trust and includes all the Non Executive Directors and is supported by the Director of Human Resources who provides secretarial support and technical advice as necessary. During 2007/08, the committee met once in December 2007 and was attended by all the Non Executive Directors together with the Chairman. This meeting considered a paper from the Chief Executive on the performance, objectives and proposals for salaries for all Executive Directors for the year from April 2006/07. A separate paper from the Chairman was also considered in relation to the Chief Executive.

A system for the remuneration of the Chief Executive and Executive Directors has been in place since the Trust achieved Foundation status in 2004. This system allows for planned progression dependent on performance and achievement of objectives and takes account of market factors and pay increases given to other NHS staff. There are two “ladders” in operation, one for the voting Executive Directors (Finance, Operations, and Nursing) and one for the non-voting Executive Directors (Planning and Human Resources). A separate arrangement is in place for both the Chief Executive and Medical Director which takes account of individual performance and market forces and, in the case of the Medical Director, of the impact of Clinical Excellence awards. There is no allowance for any other benefits such as car allowances or additional pension contributions as the Remuneration Committee were agreed that all aspects of remuneration should be open and transparent.

All Executive Directors hold permanent contracts which require six month’s notice of termination by either party. The Chief Executive also holds a permanent contract and this requires twelve month’s notice of termination. No Executive Director holds a position as a Non Executive Director with another organisation.

Details of the remuneration of all Directors for the period April 2007 – March 2008 are provided below.

Signed: *Dr C F Burke* Date: 10th June 2008

Dr C F Burke
Chief Executive

Remuneration

Name and Title	Salary (bands of £5000) £000	Other Remun- eration (bands of £5000) £000	Benefit in Kind (bands of £5000) £000	Salary 2006/07 (bands of £5000) £000	Other Remun- eration 2006/07 (bands of £5000) £000
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Executive Directors

Mrs A Barnes	Director of Operations	95 - 100		90 - 95	
Mrs J Byrne	Director of Nursing & Midwifery	90 - 95		80 - 85	
Dr C F Burke	Chief Executive	160 - 165		145 - 150	
Dr J Catania	Medical Director	105 - 110	45 - 50	95 - 100	40 - 45
Mr W A Gregory	Director of Finance: (start date 01.06.07)	90 - 95		0 - 5 *	
Mr D Hurrell	Director of Service Modernisation: (Left 27.07.07)	20 - 25		80 - 85	
Mrs N Reucroft	Director of Human Resources	85 - 90		80 - 85	
Mr A D Roberts	Director of Finance: (Left 27.05.07)	10 - 15		105 - 110	
Mr S Smith	Director of Planning	15 - 20			

Non Executive Directors

Mrs R Shah	Chairman	45 - 50		40 - 45	10 - 15 **
Mrs G Easson		10 - 15		0 - 5	
Mrs J McCall		10 - 15		10 - 15	
Mr J McGuire		15 - 20		5 - 10	
Mr J Slater		10 - 15		10 - 15	
Mrs C Prowse		10 - 15			
Mrs K Ball	(Left: 31.12.06)			10 - 15	
Mrs B Farrar	(Left: 31.03.07)			10 - 15	
Mr B Jones	(Left: 30.09.06)			5 - 10	

* The Director of Finance receives a transitional payment relating to a lease car which he brought from his previous post at another Trust. This will cease at the end of January 2010.

** In 2007/08 the Chairman received arrears relating to previous years

Stockport NHS Foundation Trust - Annual Accounts 2007/08

Salary and Pension entitlements of senior managers

Pension Benefits

Name and title	Real increase in automatic lump sum at age 60 at 31 March 2008	Real increase in automatic lump sum at age 60 at 31 March 2007	Value of automatic lump sum at age 60 at 31 March 2008	Value of automatic lump sum at age 60 at 31 March 2007	Cash Equivalent Transfer Value at 31 March 2008	Cash Equivalent Transfer Value at 31 March 2007	Real Increase in Cash Equivalent Transfer Value at 31 March 2008 (Employer Funded)	Real Increase in Cash Equivalent Transfer Value at 31 March 2007 (Employer Funded)
	(bands of £2500) £000	(bands of £2500) £000	(bands of £2500) £000	(bands of £2500) £000	(bands of £1000) £000	(bands of £1000) £000	(bands of £1000) £000	(bands of £1000) £000

Executive Directors

Mrs A Barnes	Director of Operations	5 - 7.5	5 - 7.5	105 - 107.5	95 - 97.5	563 - 564	501 - 502	34 - 35	28 - 29
Mrs J Byrne	Director of Nursing & Midwifery	5 - 7.5	5 - 7.5	80 - 82.5	70 - 72.5	386 - 387	334 - 335	30 - 31	29 - 30
Dr C F Burke	Chief Executive	35 - 37.5	12.5 - 15	215 - 217.5	175 - 177.5	1126 - 1127	893 - 894	147 - 148	64 - 65
Dr J Catania	Medical Director	12.5 - 15	7.5 - 10	157.5 - 160	140 - 142.5	800 - 801	691 - 692	63 - 64	45 - 46
Mr W A Gregory	Director of Finance: (started 01.06.07)	7.5 - 10		65 - 67.5		711 - 712		284 - 285	
Mr D Hurrell	Director of Service Modernisation: (Left 27.07.07)	0 - 2.5	5 - 7.5	52.5 - 55	50 - 52.5	216 - 217	206 - 207	1 - 2	17 - 18
Mrs N Reucroft	Director of Human Resources	5 - 7.5	5 - 7.5	57.5 - 60	50 - 52.5	334 - 335	287 - 288	28 - 27	28 - 29
Mr A D Roberts	Director of Finance: (Left 27.05.07)	0 - 2.5	5 - 7.5	100 - 102.5	87.5 - 90	426 - 427	357 - 358	6 - 7	26 - 27

Pension benefit details were not available for Mr S Smith for inclusion in the report.

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

Real increase in CETV - This reflects the increase in CETV funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement)) and uses common market valuation factors for the start and end of the period.

Non-Executive Directors do not receive pensionable remuneration.

This page has been audited by the External Auditor.

4. DIRECTORS AND AUDITORS STATEMENTS

- Statement of Accounting Officer's Responsibilities.
- Statement on Internal Control 2007/08.
- Independent Auditor's Report to the Board of Governors of Stockport NHS Foundation Trust.

**STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES FOR STOCKPORT NHS
FOUNDATION TRUST ANNUAL ACCOUNTS 2007/2008**

**STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING
OFFICER OF STOCKPORT NHS FOUNDATION TRUST**

The National Health Service Act 2006 ("the 2006 Act") states that the Chief Executive is the Accounting Officer of Stockport NHS Foundation Trust. The relevant responsibilities of Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the Accounting Officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

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

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

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

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

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

Dr CF Burke

Dr CF Burke
Chief Executive

Date: 10th June 2008

Statement on Internal Control 2007/08

1.0 Scope of Responsibility

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

2.0 The Purpose of the system of Internal Control

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

Identify and prioritise the risks to the achievement of the policies, aims and objectives of Stockport NHS Foundation Trust;

Evaluate the likelihood of those risks being realised and the impact should they be realised; and

Manage them efficiently, effectively and economically.

The system of internal control has been in place in Stockport NHS Foundation Trust for the year ended 31 March 2008, and up to the date of approval of the annual report and accounts.

3.0 Capacity to Handle Risk

The Trust manages its risk management process through:-

- 3.1 The Assurance Risk Committee as the Board of Directors sub-committee with responsibility for overseeing all aspects of risk management.
- 3.2 The Audit Committee whose role is to receive and review assurance on the systems in place to manage risk.
- 3.3 The Chief Executive and the designated Executive Directors with responsibility for specific aspects of risk management.
- 3.4 The Assurance Risk Committee's responsibility which includes organisation-wide co-ordination and prioritisation of risk management issues.
- 3.5 An assessment of the level of risk management training that is required and its delivery.
- 3.6 The establishment of a Risk Management Training Advisory Group to strengthen assurance that risk management training is effective, inclusive of a monitoring and review process.

- 3.7 Employees with specific responsibilities for co-ordinating and advising on aspects of risk management having adequate training and development to fulfil their role.
- 3.8 The Trust Risk Management Strategy and Policy, which clearly defines managers' levels of authority to manage risks, according to risk scored rating.

4.0 The Risk and Control Framework

- 4.1 Risk management is recognised as an integral part of good practice and is a fundamental part of the Trust's culture. It is integrated into its philosophy, practices and business plans. Risk management is the business of everyone in the organisation.
- 4.2 The Trust Risk Assessment process, Investigating Incidents, Complaints and Claims procedures are the principal sources of risk identification. The Risk Assessment process identifies the criteria for risk scoring (5x5); likelihood and severity. This process requires an appropriate risk treatment plan.
- 4.3 The Risk Assessment process clearly states the escalation of management seniority to monitor risk according to the scored risk, particularly from score 12-15, 16, 20 or 25.
- 4.4 The Risk Assessment process is applied to all types of risk, financial, operational, capital, strategic and clinical.
- 4.5 The Trust Risk Register procedure requires Divisions to maintain and monitor their Risk Register. All risks with a score rating of 15, 16, 20 or 25 are placed on the Trust Risk Register.
- 4.6 The Trust Risk Register is reported quarterly to the Board of Directors.
- 4.7 The Trust Risk Register currently includes the review of risks, which have reduced the risk rated score.
- 4.8 All "business cases" have to be supported with a risk assessment. The scored risk rating strongly influences priorities within the Trust Capital Programmes.
- 4.9 The Trust's Assurance Framework will deliver assurances to internal and external stakeholders in relation to meeting the Trust objectives. Assurance on the system will be given with reference to independent assurance processes – internal and external, and achievement of satisfactory outcomes or results.
- 4.10 The Assurance Framework identifies Stockport NHS Foundation Trust's principal objectives and their associated principal risks. The control systems which are used to manage these risks are identified together with the evidence for assurance that these are effective. The Divisional structure, including clinical and managerial staff, developed the framework, which involved Board of Directors, prior to Board approval of the framework. No significant gaps in control or assurance were identified.
- 4.11 The Board monitors management capability, (leadership, knowledgeable and skilled staff, adequate financial and physical resources), to ensure the processes and internal controls work effectively.
- 4.12 The Board monitors and reviews the system of internal control and where necessary, improves the accountability arrangements, processes or capability in order to deliver better outcomes.
- 4.13 The Board ensures effective communication and consultation at all levels within the organisation and with external stakeholders.

- 4.14 The Board obtains sufficient independent and objective assurance as to the robustness of its processes in key areas.
- 4.15 Risks to information have been assessed in response to the 'Information Governance and Transfers of Data' letter of the 4th December 2007 from David Nicholson, NHS Chief Executive, which Monitor (the Foundation Trust regulator) required Foundation Trusts to respond to and action. The Trust has undertaken all necessary actions as appropriate; some of which are detailed below.
- 4.16 As at the 31st March 2008 the Trust had identified and assessed in excess of 500 flows of person identifiable data that are routinely transferred internally and externally within the Trust and has taken appropriate action to ensure the secure transfer of such data.
- 4.17 Regular meetings of the Information Governance Steering Group have taken place to review and improve current processes and relevant policies and guidance has been produced to raise awareness to all staff of the need to follow such procedures to ensure data security and the secure transfer of person identifiable information.
- 4.18 Existing IT security controls have also been reviewed and, in the light of the recent NHS centrally funded procurement of an encryption solution for all NHS Trusts, Stockport NHS Foundation Trust is in the process of planning and implementing this encryption solution within the Trust's IT infrastructure to minimise the risk of loss of person identifiable data.
- 4.19 The Trust has completed its Information Governance Statement of Compliance (IGSoC) and its annual Information Governance Toolkit self-assessment for 2007/2008 and can confirm that all requirements have been met and we have assessed ourselves as "Green" status using the toolkit's criteria. Action plans have been developed to ensure on-going improvements and compliance.
- 4.20 There were no recorded Serious Untoward Incidents involving loss of personal data or confidentiality breaches in 2007/2008.

5.0 Compliance with NHS Pension Scheme Regulations

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

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

- 6.1 The Board draws on a range of evidence sources and material in its ongoing review of economy, efficiency and effectiveness of the use of resources.
- 6.1 Analysis of Stockport NHS Foundation Trust's costs, in comparison to national tariff levels of funding, is undertaken at speciality and point-of-delivery level. National tariff prices are based on average NHS costs in the immediate preceding financial year. Issues arising from this analysis have been reported to the Board and sign-posted for further investigation. The analysis is being updated to reflect 2008/09 national tariff prices and 2007/08 out-turn costs.
- 6.2 A range of clinical activity and outcome benchmarking tools are in use, which enables the Board to be briefed on the areas with significant identified potential for improvement. This identified potential forms an essential building block for Stockport NHS Foundation Trust's medium-term financial planning and for the Board's review of progress with key work-streams aimed at improving value for money.

- 6.3 The annual internal audit programme – and individual audit reports arising – provides assurance to the Audit Committee on the operational arrangements to secure economy, efficiency and effectiveness in the use of resources, deriving from a systematic review of key areas of operation over time.

7.0 Review of Effectiveness

- 7.1 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NHS Foundation Trust, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. I have been advised of the implications on the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Assurance Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 7.2 The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by:
- 7.2.1 External audit programmes by the Audit Commission such as the Acute Hospital Portfolio and local audits.
 - 7.2.2 Internal audit programmes as agreed each year on the basis of risk assessment.
 - 7.2.3 Clinical audit within the Trust and reported to the Board as an annual programme, with resulting actions and changes in service.
 - 7.2.4 Risk Pooling Scheme for Trusts (RPST) Level 1 accreditation.
 - 7.2.5 CNST – Level 3 accreditation now achieved in respect of General and Level 2 accreditation in respect of Maternity services CNST standards.
- 7.3 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:
- 7.3.1 The involvement of the Board of Directors and individual Executive and Non Executive Officers who approve, review and monitor the Assurance Framework, Risk Register, Key Performance Indicators and receive reports from all Sub Committees of the Board.
 - 7.3.2 The Audit Committee, which reviews risk and gains assurance on controls from external and internal audit and approves the annual audit programme.
 - 7.3.3 The Assurance Risk Committee, which approves policies to manage clinical and non-clinical risk and reports on outcomes and issues relating to risk.

Dr C F Burke

Dr C F Burke – Chief Executive

Date: 12th June 2008

Independent auditor's report to the Board of Governors of Stockport NHS Foundation Trust

I have audited the financial statements of Stockport NHS Foundation Trust for the year ended 31 March 2008 under the National Health Service Act 2006. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Governors of Stockport NHS Foundation Trust as a body in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006. My work was undertaken so that I might state to the Board of Governors those matters I am required to state to it in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Foundation Trust as a body, for my audit work, for the audit report or for the opinions I form.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer's responsibilities for preparing the financial statements in accordance with directions made by the Independent Regulator of NHS Foundation Trusts (Monitor) are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with statute, the Audit Code for NHS Foundation Trusts and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts. I report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts. I also report to you whether, in my opinion, the information which comprises the Chairman's Report, Directors' Report and the Financial Review, included in the Annual Report, is consistent with the financial statements.

I review whether the Accounting Officer's statement on internal control reflects compliance with the requirements of Monitor contained in the NHS Foundation Trust Financial Reporting Manual 2007/08. I report if it does not meet the requirements specified by Monitor or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's statement on internal control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information, which comprises the sections entitled Chairman's Statement, Director's Report, Financial Review, Board of Directors, Board of Governors, Background Information, Membership and Public Interest Disclosures and the un-audited part of the Remuneration Report included in the Annual Report is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor, which requires compliance with International Standards on Auditing (United Kingdom 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.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming my opinion I 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 my opinion:

- the financial statements give a true and fair view, of the state of affairs of Stockport NHS Foundation Trust as at 31 March 2008 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Trust;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts; and
- information which comprises the Directors' Report, and commentary on the financial performance within the Financial Review, included within the Annual Report, is consistent with the financial statements.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.

Signed:

Mick Waite, CPFA

13th June 2008

Officer of the Audit Commission
2nd Floor
Aspinall House
Aspinall Close
Middlebrook
Bolton BL6 6QQ

Presented to Parliament pursuant to Schedule 7, paragraph 24 and 25
of the National Health Service Act 2006

Every Patient Matters

Annual Accounts

2007-08



FOREWORD TO THE ACCOUNTS

STOCKPORT NHS FOUNDATION TRUST

These accounts for the year ended 31 March 2008 have been prepared by Stockport NHS Foundation Trust pursuant to Schedule 7, paragraph 24 and 25 of the National Health Service Act 2006, in the form which Monitor, the Independent Regulator of NHS Foundation Trusts with the approval of the Treasury, directed.

Signed: *Dr C F Burke*

Dr C F Burke - Chief Executive

Date: 10 June 2008

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2008**

	NOTE	£000	2006/07 £000
Income from activities	3	171,677	157,472
Other operating income	4	17,374	15,783
Operating expenses*	5-7	(185,130)	(168,271)
OPERATING SURPLUS		3,921	4,984
Profit (loss) on disposal of fixed assets	8	-	4
SURPLUS BEFORE INTEREST		3,921	4,988
Finance income	9	1,523	1,227
Finance costs - interest expense	9	(988)	(919)
Other finance costs - unwinding of discount		(44)	(24)
		491	284
SURPLUS FOR THE FINANCIAL YEAR		4,412	5,272
Public Dividend Capital dividends payable		(3,886)	(3,548)
RETAINED SURPLUS FOR THE YEAR		526	1,724

The notes on pages 1 to 24 form part of these accounts.

All income and expenditure is derived from continuing operations.

* Included within operating expenses in 2007/2008 is £4.3 million relating to fixed asset impairments.

**BALANCE SHEET AS AT
31 March 2008**

			31 Mar 2007 £000
	NOTE	£000	£000
FIXED ASSETS			
Intangible assets	10	3,289	96
Tangible assets	11	133,187	129,492
		<u>136,476</u>	<u>129,588</u>
CURRENT ASSETS			
Stocks and work in progress	13	1,927	1,662
Debtors	14	6,091	5,951
Investments	12	21	15,413
Cash at bank and in hand	19.3	32,578	7,911
		<u>40,617</u>	<u>30,937</u>
CREDITORS: Amounts falling due within one year	15	<u>(27,185)</u>	<u>(21,702)</u>
NET CURRENT ASSETS (LIABILITIES)		13,432	9,235
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>149,908</u>	<u>138,823</u>
LONG TERM DEBTORS	14	717	552
CREDITORS: Amounts falling due after more than one year	15	(19,178)	(20,089)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(3,014)	(2,393)
TOTAL ASSETS EMPLOYED		<u><u>128,433</u></u>	<u><u>116,893</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital	18	74,071	72,250
Revaluation reserve	18	44,457	36,258
Donated asset reserve	18	962	998
Income and expenditure reserve	18	8,943	7,387
TOTAL TAXPAYERS EQUITY		<u><u>128,433</u></u>	<u><u>116,893</u></u>

Signed: *Dr C F Burke*

Dr C F Burke - Chief Executive

Date: 10 June 2008

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR
ENDED
31 March 2008**

	-	2006/07
	£000	£000
Surplus for the financial year before dividend payments	4,412	5,272
Fixed asset impairment losses	0	(4,124)
Unrealised surplus on fixed asset and current asset investment revaluations	9,205	181
Increases in the donated asset reserve due to receipt of donated assets	104	206
Reductions in the donated asset reserve due to the depreciation, impairment and/or disposal of donated assets	(116)	(122)
Total recognised gains and losses for the financial year	<u>13,605</u>	<u>1,413</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2008

	NOTE	£000	2006/07 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	19.1	19,996	9,756
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		1,518	1,234
Interest paid		(1,146)	(726)
Net cash inflow from returns on investments and servicing of finance		372	508
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(5,349)	(14,752)
Receipts from sale of tangible fixed assets			4
(Payments) to acquire intangible assets		(3,052)	
Net cash (outflow) from capital expenditure		(8,401)	(14,748)
DIVIDENDS PAID			
Net cash (outflow) before management of liquid resources and financing		8,081	(8,032)
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of current asset investments		(95,121)	(63,109)
Sale of current asset investments		110,513	47,696
Net cash (outflow) from management of liquid resources	19.3	15,392	(15,413)
Net cash (outflow) before financing		23,473	(23,445)
FINANCING			
New public dividend capital received		1,821	1,798
Loan received from Foundation Trust Financing Facility			5,000
Loans repaid to Foundation Trust Financing Facility		(911)	
Other capital receipts		284	91
Net cash inflow from financing		1,194	6,889
Increase in cash at bank and in hand		24,667	(16,556)

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES AND OTHER INFORMATION

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

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

Operations not satisfying all these conditions are classified as continuing.

Activities are considered to be 'acquired' whether or not they are acquired from outside the public sector. Where a Foundation Trust purchases the business of an NHS Trust or another Foundation Trust this is a transfer of services and shall be accounted for using merger accounting.

In 2007/2008 all income and expenditure is derived from continuing operations.

1.3 Income Recognition

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

Under Application Note G of FRS 5 and UITF 40 the Trust is entitled to recognise income for partially completed spells of activity at the 31st March 2008. As the individual National Tariff price and procedure code is not known for partially completed spells the Trust has based its calculation of such income based on the average length of stay and the cumulative activity and price of individual specialities. In 2007/08 partially completed spell income is not material for inclusion in the financial results of the Trust. This principle will be reviewed on an annual basis.

Stockport NHS Foundation Trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results (PBR) methodology in 2004/2005. Under the Payments by Results regime the Trust receives the majority of its income based on actual activity and is paid using the National Tariff of procedure prices. To manage the financial impact of this change on the Trust and its commissioners a transitional period has been in operation over four years. This transitional period ended in 2006/2007 for Stockport NHS Foundation Trust and for the financial year 2007/2008 all income is shown gross.

1.4 Expenditure

Expenditure is accounted for applying the accruals convention.

1.5 Intangible fixed assets

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

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

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

1.6 Tangible fixed assets

Capitalisation

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

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

Valuation

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

All land and buildings are restated to current value using professional valuations in accordance with FRS 15 every 5 years. A three yearly interim valuation is also carried out.

Valuations are carried out by the District Valuer who is external to the Trust and in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The last asset valuations were undertaken in January 2008 as at the prospective valuation date of 1 April 2008.

The revaluation undertaken at that date has been accounted for on 31 March 2008.

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

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

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the 5 or 3-yearly valuation or when they are brought into use.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount. Equipment assets are revalued each year according to the indices available to NHS Bodies by the Department of Health.

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 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 NHS Foundation Trust's professional valuers. Leaseholds are depreciated over the primary lease term.

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

	Years
Medical equipment and engineering plant and equipment	5 to 15
Furniture	10
Mainframe information technology installations	8
Soft furnishings	7
Office and information technology equipment	5
Set-up costs in new buildings	10

Vehicles are depreciated over 7 years.

Fixed asset impairments resulting from losses of economic benefits are charged to the Income and Expenditure Account. All other impairments are taken to the revaluation reserve and reported in the Statement of Total Recognised Gains and Losses to the extent that there is a balance on the revaluation reserve in respect of the particular asset. Following the 1 April 2008 revaluation impairments have been actioned to the income and expenditure account for all assets where there has been insufficient revaluation reserve balance for the downward revaluation. In the 2006/2007 Annual Accounts an impairment to the newly constructed Cardiac and Surgical Unit was taken to the revaluation reserve resulting in a negative revaluation reserve balance. A value in use calculation was performed as per FRS 11 proving that its recoverable amount was greater than its revalued amount. A similar calculation was repeated in 2007/2008 which confirmed the 2006/2007 decision. Accordingly a negative revaluation reserve balance remains for this asset.

1.7 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 the sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the income and expenditure reserve.

1.8 Liquid Resources

Current asset investments comprise short term money market investments and deposit accounts, The amounts stated in the balance sheet at the 31st March 2008 relates to actual cash held.

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

1.9 Cash, bank and overdrafts

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

1.10 Government grants

Government grants are grants from government bodies other than income from Primary Care Trusts or NHS Trusts for the provision of services. Grants from the Department of Health, including those for achieving three star status in previous financial years, are accounted for as government grants. Where the government grant is used to fund revenue expenditure it is taken to the Income and Expenditure Account to match that expenditure. Where the grant is used to fund capital expenditure the grant is taken to deferred income and released to the Income and Expenditure Account over the life of the asset on a basis consistent with the depreciation charge for that asset.

1.11 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production.

1.12 Research and development

Stockport NHS Foundation Trust does not capitalise expenditure on research and development.

1.13 Provisions

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

1.14 Clinical negligence costs.

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which Stockport NHS Foundation Trust pays an annual contribution to the NHSLA which, in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 17.

1.15 Contingencies

Contingent assets (that is assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Trust's control) are not recognised as assets but are disclosed in note 22 where an inflow of economic benefits is probable.

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 22 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are disclosed as:

Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Trust's control; or

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

1.16 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 when the liability arises.

1.17 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsba.nhs.uk. 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. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

1.17 Pension costs continued

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date of 31 March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

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

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

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

1.18 Value Added Tax

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

1.19 Corporation Tax

Health Service bodies, including Foundation Trusts, are exempt from taxation on their principal healthcare income under section 519A ICTA 1988. The Government introduced legislation in section 148 of the Finance Act 2004 to ensure that significant commercial non-core healthcare activities of NHS Foundation Trusts are taxable. Accordingly, the Trust is potentially within the scope of Corporation Tax in respect of its activities which are not related to, or are ancillary to, the provision of healthcare, and where the profits there from exceed £50,000 per annum. Based on this criteria there is no tax liability arising for Stockport NHS Foundation Trust in respect of the current financial year 2007/2008.

1.20 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.

1.21 Third Party Assets

- Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since Stockport NHS Foundation Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of the Foundation Trust Financial Reporting Manual.

1.22 Leases

- Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.23 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of the establishment of the original NHS Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Foundation Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust. Relevant net assets are calculated as the value of all assets less the value of all liabilities, excepted for donated assets and cash held within the Office of Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

1.24 Financial instruments and financial liabilities

Recognition

Financial assets and financial liabilities which arise from contracts for the sale or purchase of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs ie. when receipt or delivery of the goods or services is made.

Regular way purchases or sales are recognised and de-recognised, as applicable, using the trade date.

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

De-recognition

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

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and measurement

Financial assets are classified as 'Fair Value through Income and Expenditure' or 'Loans and receivables'.

Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial Liabilities'.

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

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the Income and Expense Account. Subsequent movements in the fair value are recognised as gains or losses in the Income and Expenditure Account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise: current investments, cash at bank and in hand, NHS debtors, accrued income and 'other debtors'.

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

Interest on loans and receivables is calculated using the effective interest method and credited to the Income and Expenditure Account.

1.24 Financial instruments and financial liabilities continued

Other financial liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the balance sheet date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the Income and Expenditure Account.

Determination of fair value

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from quoted market prices and discounted cash flow analysis.

Impairment of financial assets

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

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Income and Expenditure Account and the carrying amount of the asset is reduced or through the use of a bad debt provision.

2 Segmental Reporting

All activity at Stockport NHS Foundation Trust is healthcare related. The Trust does not act as a lead body for a consortium and, consequently, there is no need to report performance segmentally.

3. Income from Activities

	£000	2006/07 £000
NHS Trusts	188	348
Primary Care Trusts	157,458	158,814
Department of Health - other*	12,085	(3,546)
NHS Other	564	732
Non NHS:		
- Private Patients	145	168
- Overseas Patients (non-reciprocal)	0	26
- NHS Injury Scheme**	1,141	791
- Other	96	139
Income from activities	171,677	157,472

* Refer to Note 1.3. The Department of Health adjustment in 2006/2007 relates to the transitional period on the implementation of Payment by Results.

** NHS Injury Scheme income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection and the probability of not receiving income due to withdrawn cases.

3.1 Income from Activities

	£000	2006/07 £000
Elective Income	36,475	32,538
Non elective Income	63,435	61,286
Outpatient Income	24,818	23,521
A&E Income	6,725	6,312
Other NHS Clinical Income*	38,842	36,402
Total income at full tariff	170,295	160,059
PBR clawback: Transitional relief ended in 0607	0	(3,546)
Other type of activity income	1,237	791
Private Patients	145	168
Income from activities	171,677	157,472

* Other NHS Clinical income is at locally agreed tariff rates.

3.2. Private Patient Income

	£000	Base Year £000
Private Patient Income	145	161
Total Patient related income	171,677	120,817
Proportion (as a percentage)	0.08%	0.13%

Pursuant to Section 44 of the National Health Service Act 2006 the proportion of private patient income to the total patient related income of Stockport NHS Foundation Trust should not exceed its proportion whilst the body was an NHS Trust in 2002/2003.

4. Other Operating Income

	2006/07	
	£000	£000
Research and development	396	118
Education and training	4,927	4,549
Charitable and other contributions to expenditure	320	433
Transfers from donated asset reserve	116	122
Stockport Pharmaceuticals/Quality Control	4,145	3,872
NHS Bodies	4,259	3,710
Non NHS bodies	998	904
Rents, car parking & telephone income	1,076	1,014
Catering Sales	480	470
Other operating income	657	591
	17,374	15,783

5. Operating Expenses

5.1 Operating expenses comprise:

	2006/07	
	£000	£000
Services from other NHS Trusts	882	1,325
Services from other NHS bodies	923	963
Services from Foundation Trusts	292	328
Purchase of healthcare from non NHS bodies	670	495
Directors' costs	734	815
Staff costs	126,178	114,865
Drug costs	9,750	9,148
Supplies and services - clinical	14,311	13,535
Supplies and services - general	2,720	4,067
Establishment	1,879	1,828
Transport	41	35
Premises	9,929	9,209
Bad debts	43	6
Depreciation and amortisation	6,575	5,484
Fixed asset impairments and reversals*	4,318	
Audit fees	54	59
Clinical negligence	1,944	1,984
Exceptional item		1,134
Other operating expenses	3,887	2,991
	185,130	168,271

* Fixed asset impairments relate to downward revaluations following the District Valuer valuation of the Trust's land and buildings in 2007/2008 and impairment of the Endoscopy Unit.

During 2007/2008 the Department of Health made a payment in respect of injury benefit arrears on behalf of Stockport NHS Foundation Trust amounting to £4,954.19. This was a one off payment to clear an administrative error. This payment has not been included in the accounts of Stockport NHS Foundation Trust and forms part of the Department of Health accounts.

5.2 Operating leases

5.2/1 Operating expenses include:

	£000	2006/07 £000
Hire of plant and machinery	328	285
Other operating lease rentals	480	465
	<u>808</u>	<u>750</u>

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings £000	2006/07 £000	Other Leases £000	2006/07 £000
Operating leases which expire:				
Within 1 year			55	66
Between 1 and 5 years			263	233
After 5 years	30	29	131	137
	<u>30</u>	<u>29</u>	<u>449</u>	<u>436</u>

6.1 Staff costs

	Total	Permanently Employed	Other	2006/07
	£000	£000	£000	£000
Salaries and wages	105,561	105,561		95,609
Social Security Costs	7,077	7,077		6,544
Employer contributions to NHSPA	11,566	11,566		10,735
Agency/contract staff	2,568		2,568	2,670
	<u>126,772</u>	<u>124,204</u>	<u>2,568</u>	<u>115,558</u>

6.2 Average number of persons employed

	Total	Permanently Employed	Other	2006/07
	Number	Number	Number	Number
Medical and dental	363	346	17	363
Administration and estates	611	588	23	579
Healthcare assistants and other support staff*	906	881	25	744
Nursing, midwifery and health visiting staff	1,248	1,228	20	1,263
Scientific, therapeutic and technical staff	466	463	3	461
Total	<u>3,594</u>	<u>3,506</u>	<u>88</u>	<u>3,410</u>

* In 2007/2008 Stockport NHS Foundation Trust contracted back in-house its domestic and portering service. This has resulted in an increase of average whole time equivalents of 154. The 2006/2007 comparatives are an amalgamation of permanently employed and agency staff. The reduction in nursing numbers in 2007/2008 is the result of decreased use of agency staff.

6.3 Employee benefits

	£000	2006/07 £000
Childcare Co-ordinator/childcare subsidies	49	25
Staff Counselling Service	32	35
Occupational Health staff flu campaign	10	13
Hospitality & Staff Health Initiatives	31	13
	<u>122</u>	<u>86</u>

6.4 Retirements due to ill-health

During 2007/08 there were 9 early retirements (8 in 2006/07) from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £450,476 (£468,341 in 2006/07). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

7. The Late Payment of Commercial Debts (Interest) Act 1998

There were no claims for interest as a result of the late payment of commercial debt.

8. Loss on Disposal of Fixed Assets

Profit/loss on the disposal of fixed assets is made up as follows:

	2006/07
	£000
Profit on disposal of plant and equipment	4

9.1 Finance Income

	2006/07
	£000
Interest receivable on held to maturity financial assets	1,227
	1,523

9.2 Finance Costs - interest expense

	2006/07
	£000
Loans from the Foundation Trust Financing Facility	919
	988

10. Intangible Fixed Assets

	Software Licences £000	Total £000
Gross cost at 1 April 2007	253	253
Reclassifications	222	222
Additions purchased	3,396	3,396
Gross cost at 31 March 2008	3,871	3,871
Amortisation at 1 April 2007	157	157
Provided during the year	425	425
Amortisation at 31 March 2008	582	582
Net book value		
- Purchased at 1 April 2007	96	96
- Total at 1 April 2007	96	96
- Purchased at 31 March 2008	3,289	3,289
- Total at 31 March 2008	3,289	3,289

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 and payments on account	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 2007	27,968	101,025	1,900	1,560	27,494	389	6,802	1,557	168,695
Additions purchased		1,941	65	1,191	1,661	15	170	41	5,084
Additions donated					104				104
Impairments		(4,318)							(4,318)
Reclassifications		802		(1,328)	154		150		(222)
Other revaluations	119	8,658	260		168				9,205
Disposals					(8)				(8)
At 31 March 2008	28,087	108,108	2,225	1,423	29,573	404	7,122	1,598	178,540
Depreciation at 1 April 2007		11,943	215		21,164	294	4,114	1,473	39,203
Provided during the year		3,534	51		1,806	17	720	22	6,150
Depreciation at 31 March 2008		15,477	266		22,970	311	4,834	1,495	45,353
Net book value									
- Purchased at 1 April 2007	27,968	88,372	1,685	1,560	6,114	82	2,672	81	128,534
- Donated at 1 April 2007		710			216	13	16	3	958
Total at 1 April 2007	27,968	89,082	1,685	1,560	6,330	95	2,688	84	129,492
- Purchased at 31 March 2008	28,087	91,935	1,959	1,423	6,361	82	2,276	102	132,225
- Donated at 31 March 2008		696			242	11	12	1	962
Total at 31 March 2008	28,087	92,631	1,959	1,423	6,603	93	2,288	103	133,187

11.2 Analysis of tangible fixed assets:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account*	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value									
- Protected assets at 31 March 2008	28,087	92,631	1,959						122,677
- Unprotected assets at 31 March 2008				1,423	6,603	93	2,288	103	10,510
Total at 31 March 2008	28,087	92,631	1,959	1,423	6,603	93	2,288	103	133,187

11.3 Assets under finance leases and hire purchase contracts.

The Trust had no assets held under finance lease or hire purchase contracts at the balance sheet date 31/03/08.

11.4 Assets held at open market value.

There were no assets held at open market value at the 31st March 2008.

11.5 The net book value of land, building and dwellings at 31 March 2008 comprises:

	Protected £000	2006/07 £000
Freehold	120,874	117,213
Long leasehold	1,803	1,522
TOTAL	122,677	118,735

11.6 Impairment of assets

	Total £000	2006/07 £000
Changes in market prices	3,861	4,124
Other	457	457
	4,318	4,124

12. Current asset Investments

	Total	Investments	2006/07
		£000	£000
Cost or valuation at 1 April 2007	15,413	15,413	
Additions	95,121	95,121	63,109
Disposals	(110,513)	(110,513)	(47,696)
Cost or valuation at 31 April 2008	21	21	15,413

Current asset investments comprise short-term money market investments and other deposit accounts.

13 Stocks and Work in Progress

	£000	2006/07 £000
Raw materials and consumables	1,371	1,048
Finished goods	556	614
TOTAL	1,927	1,662

14.1 Debtors

	£000	2006/07 £000
Amounts falling due within one year:		
NHS trade debtors	2,744	2,713
Non NHS trade debtors	815	835
Provision for irrecoverable debts	(435)	(307)
Other prepayments and accrued income	1,074	818
Other debtors	1,893	1,892
Sub Total	6,091	5,951
Amounts falling due after more than one year:		
Provision for irrecoverable debts	(46)	(30)
Other prepayments and accrued income	175	188
Other debtors	588	394
Sub Total	717	552
TOTAL	6,808	6,503

14.2 Provision for Impairment of NHS Debtors

	£000	2006/07 £000
At 1 April 2007	152	7
Provision for debtors impairment	248	152
Debtors written off during the year as uncollectable	(137)	(7)
Unused amounts reversed	(15)	
At 31 March 2008	248	152

Note 14.3 Analysis of impaired debtors

	£000	2006/07 £000
Ageing of impaired debtors		
Up to three months	49	
Over three months *	432	337
Total	481	337
Ageing of non-impaired debtors past their due date		
Up to three months	793	398
Over three months *	2,068	2,158
Total	2,861	2,556

* Debtors over three months include the total value of NHS Injury Scheme debtors for whom the Trust is awaiting the settlement of compensation claims.

15. Creditors

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

	£000	2006/07 £000
Amounts falling due within one year:		
NHS creditors	5,679	4,519
Non NHS trade creditors	3,914	1,169
Capital creditors	1,481	1,299
Loans	911	911
Interest Payable: NHS Financing Facility	240	399
Payment on Account	2,142	637
Tax and social security costs	2,356	2,273
Other creditors	327	308
Accruals and deferred income*	10,135	10,187
Sub Total	27,185	21,702
Amounts falling due after more than one year:		
Long - term loans	19,178	20,089
TOTAL	46,363	41,791

* Includes Government Grant Deferred Income of £1,951,185 (£2,126,462 in 2006/2007).

NHS creditors include;

- '£1,427,260 outstanding pensions contributions at 31 March 2008 (31 March 2007 £1,328,396) which are settled in April 2008 in accordance with the NHS Pensions Agency payment dates.

15.2 Loans (and other long-term financial liabilities)

At the balance sheet date 31 March 2008, Stockport NHS Foundation Trust had repaid £911,400 of a £21 million loan to the NHS Financing Facility. This loan was utilised for the purposes of constructing the Cardiac and Surgical Unit which became operational in August 2006.

	£000	2006/07 £000
15.2/1 Loans - payment of principal falling due:		
- within one year	911	911
- within one to two years	912	912
- between two and five years	2,734	2,734
- after five years	15,532	16,443
TOTAL	20,089	21,000
15.2/2 Of which:		
- wholly or partially repayable after 5 years by instalments	20,089	21,000
TOTAL	20,089	21,000

15.3 Finance lease obligations

The Trust had no finance lease obligations at the balance sheet date 31 March 2008.

15.4 Finance Lease Commitments

The Trust had no finance lease commitments at the balance sheet date 31 March 2008.

16. Prudential Borrowing Limit

The following table shows actual ratio values as compared to the approved ratios set out in Monitor's Compliance Framework.

Financial Ratios	Actual 2007/08	Approved PBL ratios	Actual 2006/07	Approved PBL ratios
Maximum Debt/Capital Ratio	11.3%	< 25%	11.5%	< 25%
Minimum Dividend Cover	4.0	> 1.0 times	3.1	> 1.0 times
Minimum Interest Cover	16.5	> 3.0 times	12.8	> 3.0 times
Minimum Debt Service Cover	8.6	> 2.0 times	12.8	> 2.0 times
Maximum Debt Service to Revenue	1.0%	< 3 %	0.5%	< 3 %

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

- the maximum cumulative amount of long-term borrowing. This is set by reference to the five ratio tests set out in Monitor's
 - the amount of any working capital facility approved by Monitor.
- Further information on the NHS foundation trusts Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

The Trust has fully met all the required ratio values in 2007/08.

- maximum cumulative long term borrowing: £46.1 million, and
- approved working capital facility: not to exceed £14 million.

The Trust has required no further borrowings for 2007/2008 and has repaid £911,400 of its existing loans taking cumulative borrowings to £20,088,600 as at 31st March 2008 (£21,000,000 at 31st March 2007).

The Trust has £14 million approved working capital facility. The actual working capital facility at 31st March 2008 remains at £14 million. The Trust has not used this facility in 2007/08 because of robust management of the Trust's working capital position.

17. Provisions for liabilities and charges

	Pensions relating to other staff	Legal claims	Restructurings	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2007	2,118	105	13	157	2,393
Arising during the year	52	60	305	379	796
Utilised during the year	(101)	(102)	(6)	(1)	(210)
Reversed unused		(9)			(9)
Unwinding of discount	44				44
At 31 March 2008	<u>2,113</u>	<u>54</u>	<u>312</u>	<u>535</u>	<u>3,014</u>

Expected timing of cashflows:

Within one year	112	54	311	500	977
Between one and five years	435		1	35	471
After five years	1,566				1,566
Total	<u>2,113</u>	<u>54</u>	<u>312</u>	<u>535</u>	<u>3,014</u>

The provision for 'Pensions relating to other staff' is for the reimbursement of injury benefit allowances to the NHS Pensions Agency who supply all details of awards and timings of this provision.

The provision for 'Legal Claims' provides for the Liability to Third Parties Schemes (LTPS) and Public & Employers Liability Scheme (PES). Details of claims are supplied by the NHS Litigation Authority (NHSLSA). The provision covers the excess amount payable by the Trust and not the full liability of claims which are covered by the NHSLSA under the non-clinical risk pooling scheme.

£10,895,786 is included in the provisions of the NHS Litigation Authority at 31 March 2008 (£7,228,529 at 31st March 2007) in respect of clinical negligence liabilities of the Trust.

Included within 'Other provisions' is an Agenda for Change provision of £88,000 to cover the new arrangements for unsocial hours payments. This provides for protection costs for several groups of staff who have either been identified as no longer entitled to payments or whose enhancements are reduced under the new arrangements. Additionally provisions have been created to cover the uncertainty over repayment of several sources of unexpected income that has been received in 2007/2008 (£380,000).

18. Movements on Reserves

	Revaluation Reserve	Donated Asset Reserve	Income and Expenditure Reserve	Total
Movements on reserves	£000	£000	£000	£000
At 1 April 2007	36,258	998	7,387	44,643
Transfer from the income and expenditure account			526	526
Fixed asset impairments*				
Surplus/(deficit) on revaluations of fixed assets and current asset investments *	9,190	15		9,205
Receipt of donated assets		104		104
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets		(116)		(116)
Other transfers between reserves	(991)	(39)	1,030	
At 31 March 2008	<u>44,457</u>	<u>962</u>	<u>8,943</u>	<u>54,362</u>

*In 2007/2008 the District Valuer undertook a 3 year interim valuation of the Trust's fixed assets. These figures represent the sums charged to reserves for upwards revaluations. Where downward revaluations, other than the Cardiac and Surgical Unit (see note 1.6), have occurred these have been charged to the Income and Expenditure Account in accordance with FRS 11.

18.1 Movement in taxpayers' equity

	£000	2006/07 £000
Taxpayers' equity at start of period 1 April 2007	116,893	117,230
Surplus/(deficit) for the financial year	4,412	5,272
Fixed asset impairments		(4,124)
Public dividend capital dividends	(3,886)	(3,548)
Gains/(losses) from revaluation of fixed assets and current asset investments	9,205	181
New public dividend capital received	1,821	1,798
Additions/(reductions) in donated asset reserve	(12)	84
Taxpayers' equity at 31 March 2008	<u>128,433</u>	<u>116,893</u>

18.2 Movement in Public Dividend Capital

	£000	2006/07 £000
Public Dividend Capital as at 1 April 2007	72,250	70,452
New Public Dividend Capital	1,821	1,798
Public Dividend Capital as at 31 March 2008	<u>74,071</u>	<u>72,250</u>

18.3 Public Dividend Capital Dividend

The Trust is required to pay a dividend to the Department of Health at a rate of 3.5% of forecast average relevant net assets. The actual rate is calculated as the percentage that dividends paid on public dividend capital totalling £3,886,000 (£3,548,000 in 2006/07) bears to the average relevant net assets of £101,572,000 (£100,039,000 2006/07) that is 3.8% (3.5% in 2006/07).

19. Notes to the Cash flow Statement

		2006/07
19.1 Reconciliation of operating surplus to net cash flow from operating activities:	£000	£000
Total operating surplus	3,921	4,984
Depreciation and amortisation charge	6,575	5,484
Fixed asset impairments and reversals	4,318	
Transfer from donated asset reserve	(116)	(122)
Transfers from government grant deferred income	(175)	
(Increase)/decrease in stocks	(265)	(58)
(Increase)/decrease in debtors	(299)	(731)
Increase/(decrease) in creditors	5,460	11
Increase/(decrease) in provisions	577	188
Net cash inflow from operating activities	19,996	9,756

		2006/07
19.2 Reconciliation of net cash flow to movement in net funds	£000	£000
Increase/(decrease) in cash in the period	24,667	(16,556)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(15,392)	15,413
Change in net funds resulting from cashflows	9,275	(1,143)
Net funds at 1 April 2007	23,324	24,467
Net funds at 31 March 2008	32,599	23,324

	At 1 April 2007	Cash changes in year	31 March 2008
19.3 Analysis of changes in net debt	£000	£000	£000
OPG cash at bank	7,672	24,878	32,550
Commercial cash at bank and in hand	239	(211)	28
Current asset investments	15,413	(15,392)	21
	<u>23,324</u>	<u>9,275</u>	<u>32,599</u>

20. Capital Commitments

At the 31st March 2008 there is a small outstanding commitment of £350,000 for a ward upgrade programme (£2,715,287 in 06/07).

21. Post Balance Sheet Events

There are no disclosable post balance sheet events.

22. Contingencies

	£000	2006/07 £000
NHSLA Contingent Liabilities:	(29)	(30)
Net contingent liability	(29)	(30)

23. Related Party Transactions

Stockport NHS Foundation Trust is a body corporate authorised by Monitor, the Independent Regulator of NHS Foundation Trusts in exercise of the powers conferred by the National Health Service Act 2006.

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

The Trust has 39 members of the Board of Governors; 26 representing public and staff and a further 13 appointed by partner organisations including Stockport Metropolitan Borough Council, Stockport and Derbyshire County Primary Care Trusts and other local bodies. None of the Board of Governors or parties related to them has undertaken any material transactions with Stockport NHS Foundation Trust.

The Department of Health is regarded as a related party. During the year Stockport NHS Foundation Trust has had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

	Income £000	Expenditure £000
▪ Stockport PCT	116,466	(252)
▪ Derbyshire County PCT	15,433	(408)
▪ Central and Eastern Cheshire PCT	5,969	
▪ Tameside & Glossop PCT	5,624	

The Trust has also received revenue and capital payments from a number of charitable funds, the Trustees for which are also members of the Board of Directors. The audited accounts of the Funds Held on Trust are available separately on request from the Director of Finance.

24. Private Finance Transactions

The Trust has no PFI schemes at 31 March 2008.

25 Financial Instruments

FRS 29 Financial Instruments Disclosure requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 29 mainly applies. Stockport NHS Foundation Trust has powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Foundation Trust in undertaking its activities.

Liquidity risk

Stockport NHS Foundation Trust receives its income from annually agreed contracts with local Primary Care Trusts and in accordance with the Payments by Results regime which is intended to match the income received in year to actual activity delivered by reference to the 07/08 National Tariff procedure costs. The Trust receives cash each month based on annually agreed level of contract activity and there are quarterly payments/repayments made to adjust for performance against planned activity. The Trust has in place a £14 million working capital facility with Barclays Bank Plc to utilise, if required, for operational cashflow issues. Due to careful cashflow management the Trust has yet to draw on its working capital facility since its authorisation as a Foundation Trust.

The Trust finances its capital expenditure from internally generated funds or funds made available from the Department of Health as Public Dividend Capital. The Trust can borrow commercially from the Department of Health NHS Financing Facility within an approved Prudential Borrowing Limit.

25. Financial Instruments continued:

Stockport NHS Foundation Trust has in place a Treasury Management Policy that covers the short-term investment of surplus operating cash. It provides a clearly defined risk management framework and was developed with reference to best practice guidance issued by Monitor, the Independent Regulator. This policy ensures the efficient management of liquidity and financial risk and is approved and overseen by the Trust's Audit Committee.

Stockport NHS Foundation Trust is, therefore, not exposed to significant liquidity risk.

Market and Interest Rate Risk

At the 31st March 2008 the Trust's financial liabilities carried either nil or fixed rates of interest. The Trust's financial assets relate to loans and receivables and its cash balances held at the 31/03/08 within its Office of Paymaster General bank account, commercial current account and within short term money market investments. Interest on cash balances are set by the Office of the Paymaster General and short term investments are placed at fixed terms and rates. Stockport NHS Foundation Trust is not, therefore, exposed to significant interest-rate risk.

Credit Risk

As above the Trust receives most of its income from its commissioners based on annual contracts adjusted quarterly. It operates a robust debt management policy and, where necessary, provides for the risk of particular debts not being discharged by the applicable party. Stockport NHS Foundation Trust is, therefore, not exposed to significant credit risk.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

25.1 Financial Assets

Financial assets	Total £000	Floating rate £000
At 31 March 2008		
Sterling	32,578	32,578
Gross financial assets	32,578	32,578
At 31 March 2007		
Sterling	13,133	13,133
Gross financial assets	13,133	13,133

25.2 Financial Liabilities

At the 31st March 2008 none of the Trust's financial liabilities are carried at a floating rate.

25.2 Financial Liabilities

Note 25.3a Financial assets by category		
	Total £000	Loans and receivables £000

Assets as per balance sheet		
NHS Debtors (net of provision for irrecoverable debts)	2,466	2,466
Accrued income	129	129
Other debtors	2,551	2,551
Current asset investments	21	21
Cash at bank and in hand	32,578	32,578
Total at 31 March 2008	37,745	37,745

NHS Debtors (net of provision for irrecoverable debts)	2,561	2,561
Accrued income	122	122
Other debtors	2,572	2,572
Current asset investments	15,413	15,413
Cash at bank and in hand	7,911	7,911
Total at 31 March 2007	28,579	28,579

Note 25.3b Financial liabilities by category		
	Total £000	Other financial liabilities £000

Liabilities as per balance sheet		
Bank overdrafts		
Loans	(911)	(911)
Interest payable	(240)	(240)
NHS Creditors	(5,679)	(5,679)
Other creditors	(8,079)	(8,079)
Accruals	(4,061)	(4,061)
Total at 31 March 2008	(18,970)	(18,970)

Loans	(911)	(911)
Interest payable	(399)	(399)
NHS Creditors	(4,519)	(4,519)
Other creditors	(5,049)	(5,049)
Accruals	(5,673)	(5,673)
Total at 31 March 2007	(16,551)	(16,551)

25.4 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2008.

25.4a Fair value of financial assets at 31 March 2008	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
Financial assets			
At 31 March 2008			
Cash	32,578	32,578	Note a
Investments	21	21	
Total	<u>32,599</u>	<u>32,599</u>	
Financial assets			
At 31 March 2007			
Cash	7,911	7,911	
Investments	15,413	15,413	
Total	<u>23,324</u>	<u>23,324</u>	
25.4 b Fair value of financial assets at 31 March 2008	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
Financial liabilities			
At 31 March 2008			
Provisions under contract	(2,330)	(2,330)	Note b
Loans	(20,089)	(20,089)	Note c
Total	<u>(22,419)</u>	<u>(22,419)</u>	
At 31 March 2007			
Provisions under contract	(2,393)	(2,393)	
Loans	(21,000)	(21,000)	
Total	<u>(23,393)</u>	<u>(23,393)</u>	

Notes

a The figure here is the value of short term money market investments and deposits with commercial banks. It is expected that book value equals fair value.

b Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2% in real terms.

c Loans from the Department of Health's NHS Foundation Trust Financing Facility where it is expected that book value will equal fair value

25.5 Maturity of financial liabilities		2006/07
	£000	£000
Less than one year	1,203	1,256
In more than one year but not more than two years	1,059	1,052
In more than two years but not more than five years	3,059	3,048
In more than five years	17,098	18,037
	<u>22,419</u>	<u>23,393</u>

27. Third Party Assets

The Trust had no third party assets at the balance sheet date.

28. Losses and Special Payments

There were 91 cases of losses and special payments totalling £49,175 (69 totalling £16,278 in 2006/07) approved during 2007/2008. There were no payments for clinical negligence, fraud, personal injury or compensation cases under legal obligation in 2007/2008. The majority of losses and special payments made in 2007/2008 related to payments for bad debts and claims abandoned or ex-gratia payments for loss of personal effects.

Note: The total costs included in this note are on a cash basis and will not reconcile to the amounts in the notes to accounts which are prepared on an accruals basis.