

**ANNUAL REPORT AND ACCOUNTS
1 FEBRUARY - 31 MARCH 2008**

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CHAIRMAN'S STATEMENT

Introduction

The past year has been one of great success for the Trust, culminating in our Authorisation as an NHS Foundation Trust on 1 February 2008. This report covers our first two months as a Foundation Trust, reviews performance over the full financial year and looks forward to our future successful development.

Financial performance

We were fortunate to begin life as a Foundation Trust with the benefit of strong financial performance. In closing the accounts of our predecessor NHS Trust, we successfully eliminated the cumulative deficit, thus achieving financial stability and ensuring a sound opening position for the Foundation Trust. Over the full year, we delivered a surplus of over £1.5 million, well ahead of the planned surplus of £0.8 million.

At the same time, we invested some £4.4 million in the maintenance and development of our services. Highlights included the replacement, to time and under budget, of the 40-year old obstetric theatres and expenditure of more than £0.7 million on the replacement of capital equipment. Infrastructure modernisation will continue in 2008/09 with significant investment in a permanent decant facility for our Neonatal Unit and the installation of a new Combined Heat and Power System, for which we will receive substantial funding from the Department of Health's Energy Efficiency Fund.

Operational performance

Operational performance has also been strong. In October 2007, we received a rating of "Excellent" from the Healthcare Commission for the clinical quality of our services, based on our performance in 2006/07, and are confident of maintaining this rating. We have met all the core performance targets set by Government and successfully reported that we had passed the March 2008 waiting list milestone, providing assurance that, by December 2008, no patient will wait more than 18 weeks between referral and treatment for non-urgent conditions. In addition, the Women's Hospital has remained free of MRSA and *Clostridium difficile* for the fifth year running.

Our members

In preparation for Authorisation as a Foundation Trust, we worked hard to establish a representative membership base and were delighted that so many members were prepared to offer themselves for election as governors, ensuring that our Members' Council brings together a wide range of experience and skills. Meeting for the first time in mid-February 2008, the Members' Council has got to work quickly, providing input to the Trust's annual planning process, commenting on our performance against core performance targets and advising on our membership development strategy. We look forward to strengthening and deepening our relationship with the Members' Council and working with governors to develop innovative ways of interacting with our wider membership.

The Board of Directors

The Board of Directors has changed significantly during the year. Two long-serving Non-Executive Directors, Jim Brooks and Brian Miller, retired in the months prior to Authorisation. We then welcomed three new Non-Executive Directors, Robin Rison, David Draycott and Helen Hemberg, who bring with them a wealth of financial, strategic and marketing expertise. Robin ably chairs our Audit Committee, while David fulfils the key role of Senior Independent Director.

Turning to the Trust's Executive Directors, Harry Gee stood down as Medical Director at the end of March 2008 and has been succeeded by Peter Thompson. Shortly after the end of the financial year, Anne Gibbs (Marketing & Development) and Andrew McMenemy (Workforce & Facilities) announced that they would be leaving the Trust to take up Board-level posts in larger organisations within the NHS. We thank Harry, Anne and Andrew for their substantial contributions to the success of the Trust and wish them all every success for the future.

Outlook

As we begin to explore the new operational and financial freedoms afforded by Foundation Trust status, we are mindful that the NHS environment is changing rapidly and are keen to ensure that the Trust, alone or in partnership, is able to respond positively to new challenges and opportunities as they arise. Our performance in 2007/08 provides a firm foundation for the continued development of the Trust and I am confident that we can build on the success of this year and maintain our reputation as a high quality, patient-centred provider of care.

CHIEF EXECUTIVE'S REVIEW OF THE YEAR

As the Chairman's report illustrates, it has been a busy and productive year for the Trust.

Contractual position

Alongside our preparations for Foundation Trust status, we have worked hard during 2007/08 to secure the Trust's contractual position in Birmingham's locally competitive health economy. Contracts have been agreed for 2008/09 with South Birmingham Primary Care Trust, our lead commissioner, and with specialist commissioners. We are very pleased that we have been able to reach agreement at an earlier stage than has been possible in previous years and that 2008/09 will see a transition to a cost-and-volume contract for neonatal services, replacing a historic block contract, as well as further investment in community midwifery.

Working with partners

We have also continued to work closely with partners and stakeholders on the planned development of local health services. Key developments during the year have included the establishment of a joint clinically-led forum with South Birmingham Primary Care Trust, leading to close and positive collaboration on access to maternity services. In addition, we have worked with Heart of Birmingham Teaching Primary Care Trust to support the development of community-based clinics for gynaecology.

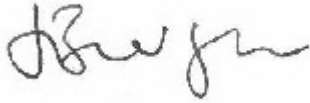
As a tertiary referral centre for the Southern West Midlands Newborn Network, we accept referrals from the West Midlands and beyond for women requiring delivery of a potentially high-risk baby, as well as accepting transfers of babies post-delivery. During 2007/08, we have continued to develop this network role by agreeing care pathways with providers to ensure that optimal care is provided to high-risk mothers and babies. In addition, we have acted in an advisory role to support organisations within the Worcestershire Health Economy in the development of a sustainable model for maternity and newborn care.

More broadly, we enjoy constructive relations with our partner universities, the University of Birmingham, Birmingham City University and Aston University. We are a major hub for undergraduate and postgraduate teaching for the West Midlands region and an important centre for research and development. We are exploring with our partners emerging opportunities for closer working, for example through the development of new organisational models such as Academic Health Science Centres.

Organisational issues

As we look forward, we recognise that new business skills will be needed if we are to flourish as a Foundation Trust. To this end, we have launched a major organisational development programme to ensure that the services we provide to patients, visitors and staff colleagues are of the highest quality. During 2008/09, training programmes will be rolled out to support staff development and provide the business skills needed. In addition, we will implement changes to our systems and processes, including Service Line Management and Reporting, during 2008/09.

As highlighted in the Chairman's report, 2007/08 was a year of strong performance, both financially and operationally. Our staff have made an essential contribution to our success in these areas: it is a tribute to their continued hard work and commitment that we have been able to maintain high service standards while delivering year-on-year improvements in productivity and efficiency. I would like to thank all those who have helped to make the past year so successful.



Julie Burgess, Chief Executive

12 June 2008

ABOUT THE TRUST

Birmingham Women's NHS Foundation Trust was founded on 1 February 2008 under the terms of the National Health Act 2006. Operating from 1994 as the Birmingham Women's Healthcare NHS Trust, we are one of only two Trusts in the UK specialising in the provision of women's health care. In 2008, we are celebrating the fortieth anniversary of the opening of the Birmingham Women's Hospital.

We have 149 adult beds and 43 neonatal cots and employ over 1,500 staff. We look after 50,000 patients every year, delivering 7,000 babies and carrying out 3,000 operations.

Our vision, goals and priorities

Our vision for services is to continue to be a leading provider of local, regional and national importance, providing a specialist range of distinct but interrelated services; delivering excellent healthcare, education, training and research; and contributing to the health and wellbeing of the people we serve.

During the Foundation Trust application process, we consulted within and beyond the Trust on how we could most effectively realise our vision for services. As a result of this dialogue with our key stakeholders, we have adopted as our strategic goals:

- To continue to provide services which offer high quality access and care to our local population
- To develop further as a lead provider of specialist care
- Continuously to improve the efficiency of our organisation to ensure that we make the best use of our resources
- To build upon and enhance positive patient experience
- To build upon and strengthen our excellent reputation as a teaching hospital with a focus on research and development

To these ends, we have identified corporate priorities in seven key categories:

Patient Experience

To improve all aspects of patient experience; to continue to make the patient the centre of everything we do, through a focus on consistently excellent customer care, the achievement of core targets and an excellent rating for quality; and consequently to be the provider of choice.

Clinical Governance and Safety

To ensure that the Trust continues to provide and further develop high quality, safe and clinically excellent services.

Strategy and Service Development

To continue to develop effective partnerships with all key stakeholders, further develop models of care across organisational boundaries and promote and expand our local and regional services.

Workforce

To be the employer of choice, recruiting, retaining and developing the best staff.

Finance

To make the best use of resources and achieve our financial plan.

Research, Development, Education and Training

To enhance further our reputation for excellence.

Modern Infrastructure

To invest in our estate and IT infrastructure to ensure that clinical service is enabled by effective support services.

OUR SERVICES

We deliver our services through five clinical directorates, Maternity & Fetal Medicine; Neonatal Services; Gynaecology & Fertility Care; Genetics; and Clinical Support. With the exception of Clinical Support, which is led by an Associate Director, each clinical directorate is headed by a Clinical Director and a General Manager. Responsibility for clinical quality and safety lies with the Clinical Governance Directorate, which is led by the Medical Director, supported by the Director of Nursing & Midwifery.

The Clinical Directors, the General Managers and the Trust's Executive Directors form the Management Board. Chaired by the Chief Executive, the Management Board has overall responsibility for the day-to-day management of the Trust's activities and is accountable to the Board of Directors.

Maternity & Fetal Medicine

We provide medical and midwifery care for women throughout pregnancy, childbirth and post-natal recovery. Medical and midwifery care are provided in the hospital for women in our local population. In addition, we have a team of community midwives who provide care in the home, in antenatal clinics and in the hospital.

We also deal with high-risk pregnancy problems, from conception to delivery, for women and their unborn babies throughout the West Midlands. We are recognised nationally and internationally as experts in the fields of prenatal diagnosis and fetal therapy. Our services include fetal echocardiography, amniocentesis, chorionic villus sampling, fetal blood sampling and transfusions and intrauterine fetal therapy.

Neonatal Services

Our Neonatal Unit is the regional Perinatal Centre and a tertiary referral centre for the Southern West Midlands Newborn Network, providing intensive, high dependency, special and transitional care for small or sick babies throughout the West Midlands and beyond. We also host the neonatal transport service on behalf of the Network and manage the only Human Milk Bank in the region.

Gynaecology & Fertility Care

Our gynaecology service provides a comprehensive range of services to women experiencing disorders of the reproductive system. We provide planned care mainly to patients in the West Midlands, with 90 per cent of our referrals coming from our local catchment area. In addition, we provide specialist services to a wider population.

Our Assisted Conception Unit offers a range of treatments, including in-vitro fertilisation (IVF); intra-cytoplasmic sperm injection (ICSI); frozen embryo transfer; compensated egg sharing; egg donation; ovulation induction; and intrauterine insemination. Our pregnancy success rate has continued to improve and is a market leader in the West Midlands. In addition, we have country-wide referrals to our supra-specialist services, in particular compensated egg sharing.

Genetics

Our Regional Genetics Service is one of the largest and busiest integrated genetics centres in Europe. Core activities include:

- comprehensive laboratory services to the West Midlands region and nationally, particularly the identification of genetic abnormalities; and
- clinical genetics services, including family-based diagnosis and genetic counselling in clinics in secondary and primary care settings across the West Midlands.

Clinical Support

Our imaging and pathology services provide essential support for our core activities, but also provide specialised services in their own right, generating referrals from across the West Midlands and beyond.

HOW WE PERFORMED

Patient experience

Waiting times

The Trust has performed well during 2007/08 against key targets in respect of waiting times and patient choice. We made our first quarterly report to Monitor in April 2008 and were able to confirm full compliance with all of the following targets:

- maximum waiting time of 31 days from diagnosis to treatment for all cancers
- maximum waiting time of 62 days from urgent referral to treatment for all cancers
- maximum waiting time of six months for inpatients
- maximum waiting time of 13 weeks for outpatients
- all patients with operations cancelled for non-clinical reasons to be offered another binding date within 28 days
- implementation of choose and book for elective (inpatient and daycase) and outpatient booking
- maximum waiting time of two weeks from urgent GP referrals to first outpatient appointment for all urgent suspect cancer referrals

We were also able to confirm achievement of the March 2008 milestone for the 18-week referral to treatment target. However, we were concerned that our ability to meet the December 2008 deadline for full compliance might be jeopardised by the Department of Health's decision, announced in April 2008, that clinical genetics - a complex specialty which represents a significant proportion of our outpatient activity within the target - would be included in the 18-week pathway. Following discussions with the Specialist Commissioning Team for the West Midlands, the 17 West Midlands Primary Care Trusts and the Department of Health, we now have agreement on the way forward.

Although our overall waiting list performance will decline temporarily in the early part of the 2008/09 financial year, we are now confident that, by December 2008, no patient will wait more than 18 weeks between referral and treatment for any non-urgent condition. In the interim, all outpatients will be seen within 13 weeks and inpatients well within six months. We are now focusing our attention on work to ensure that the measures we have taken to achieve this result are integrated into our day-to-day working practices so that the benefits to our patients are sustained over the long term.

Dealing with patient concerns

In accordance with the existing NHS complaints procedure, we make every effort to provide a full, written response to all complaints within 25 working days. Like all other NHS Trusts, however, we are finding that complaints - particularly those in relation to maternity care - are becoming more complex. During 2007/08, we responded to over 80 per cent of formal complaints within 25 days. All complaints received are actively monitored by our Clinical Governance Committee on a quarterly basis.

During 2008/09, we will be piloting new arrangements being introduced by the Government for the handling of complaints from users of publicly-funded health and social care. Birmingham has been selected as one of twelve "Early Adopter" sites for the new arrangements: other participating organisations will include the City's three Primary Care Trusts, acute trusts including University Hospital Birmingham, the

Royal Orthopaedic Hospital and Birmingham Children's Hospital, Birmingham & Solihull Mental Health Trust, West Midlands Ambulance Service and Birmingham City Council.

The new arrangements will replace the existing separate complaints systems for the NHS and social care with a single, unified process intended to make it easier to resolve complaints locally through a more personal and flexible approach and to encourage earlier resolution of complaints.

NHS Inpatient Survey 2007

We were delighted to learn in May 2008 that in the national survey of adult inpatients carried out by the Healthcare Commission in late 2007, we had achieved a score of 83.23 out of 100 for the overall question: "How would you rate the care you received?", placing us in the top 15 of the 165 English acute trusts surveyed.

Quality and safety

Annual Health Check

Based on our performance in 2006/07, we received a rating of "Excellent" from the Healthcare Commission for the clinical quality of our services. In April 2008, we submitted to the Healthcare Commission our statement of compliance during 2007/08 with the *Standards for Better Health* and confirmed that, with one exception, we are able to comply in full with the core standards. The sole area of non-compliance related to our ability to report incidents electronically to the National Patient Safety Agency and will be fully addressed during 2008/09 with the implementation of new Datix reporting software.

Infection control

For the fifth year in succession, we have had no infections in any of the three categories - MRSA, *Clostridium difficile* and *Staphylococcus aureus* - which are subject to mandatory surveillance by the Department of Health. As a Trust, we are firmly committed to combating healthcare acquired infections (HCAs) and have in place a Trust-wide strategy to ensure that our excellent track record is maintained.

As part of the national programme of intensive hospital cleaning announced by the Prime Minister in September 2007, our "deep clean" took place between January and March 2008 and included the refurbishment of bathrooms, cleaning of air conditioning service ducts, washing of all clinical area walls, replacement of flooring, curtains and door bumpers and the purchase of new cleaning equipment.

Modern infrastructure

New obstetrics theatres

Work was completed during 2007/08 on the replacement of the obstetric theatre suite, the first large capital project undertaken by the Trust for several years.

Although the existing suite, which dated from the construction of the hospital in 1968, had been subject to annual maintenance, the fabric and fittings were deteriorating and the air-handling plant was life-expired, necessitating major refurbishment. Following Board approval in July 2006, work to replace the old theatres with a

modular twin theatre complex started in January 2007 and the new theatres opened on 18 May 2007.

We were delighted with the success of the project, which was completed to time and below budget, and have taken steps to ensure that the lessons learned can be applied to future capital projects across the Trust.

Connecting for Health

2007/08 has seen the implementation within the Trust of two important components of the NHS Connecting for Health project, which is bringing modern computer systems into the NHS to improve patient care and services. A new Radiology Information System (RIS) went live in October 2007, followed by the Picture Archiving and Communication System (PACS) in November 2007. The new systems have made a significant contribution to the Trust's ability to achieve the 18-week referral to treatment target for non-urgent conditions and bring significant benefits for patients, doctors and other health professionals by enabling clinicians to access the right image in the right place at the right time, with the right report to support diagnosis.

Future developments

Our programme of infrastructure modernisation will continue in 2008/09 with two significant projects:

- the provision of a permanent neonatal decant facility to provide a safe alternative location for babies in an emergency, in line with guidelines issued by the British Association for Perinatal Medicine. The decant project is scheduled for completion in early 2009 and represents the first phase of a larger project to replace our existing Neonatal Unit, the detailed business case for which will be considered by the Board in July 2008
- the installation of a new Combined Heat and Power System to replace the existing supply of steam from our near-neighbour, University Hospital Birmingham. The project, for which we will receive substantial funding from the Department of Health's Energy Efficiency Fund, will give us improved security of energy supply as well as enhancing the efficiency of our energy utilisation and helping to reduce our emissions of CO₂.

Research and development

Research and development is an integral part of our activities. We have been successful in bidding for new work under the revised funding arrangements for NHS research introduced by the Department of Health. We received R&D levy of £0.46 million in 2007/08 and successfully applied for a further grant of £1.2 million from the Department of Health for research in neonatology. In addition, the Trust received external funding from charities, research councils and foundations of over £2.6 million. Current research strengths within the Trust include the genetic basis of human disease; reproductive disorders, particularly obstetric, gynaecological and urogynaecological complaints; pre-eclampsia and intrauterine growth restriction; spermatogenesis and sperm-egg interactions; fetal precursors of cardiovascular disease in adults; and post-menopausal and cardiovascular disease.

Education and training

The Trust has an exceptional record in undergraduate and postgraduate education. It is the lead Trust for undergraduate education of medical students in obstetrics & gynaecology and neonatology at Birmingham University Medical School and takes placements for nursing and midwifery education from Birmingham City University. In addition, the Trust runs regular courses in obstetrics and gynaecology, newborn life support and neonatal medicine.

The Education Resource Centre has taken a lead on behalf of the West Midlands Deanery for the development of evidence-based medicine and collaboration is in progress with the European Union Evidence-Based Medicine Unity Project.

FINANCIAL REVIEW

Scope of review

The Trust operated as an NHS Trust during the ten months from 1 April 2007 to 31 January 2008 and as an NHS Foundation Trust during the two months from 1 February to 31 March 2008. Separate accounts have been prepared for each of these periods. The narrative review below is intended to provide an overview of the Trust's financial performance during the 2007/08 financial year.

Overview

The Trust has performed strongly in financial terms, declaring a surplus of £1.5 million for the full year, £0.7 million in excess of the planned surplus and eliminating the underlying cumulative deficit, which at 31 March 2007 stood at £0.1 million. This is primarily attributable to the over-achievement of our cost and efficiency programme, which delivered £4.4 million against a target of £3.5 million: of the total reduction, 71 per cent is on a recurrent basis.

The table below compares the outturn for the full financial year to the planned position set out in the Integrated Business Plan submitted to Monitor in July 2007 as part of our application for Foundation Trust status. Corresponding figures for the two months between Authorisation on 1 February 2008 and 31 March 2008 are shown separately.

Summary of 2007/08 outturn compared to Integrated Business Plan			
	Plan £m	Actual (full year) £m	Actual (1 Feb - 31 Mar) £m
<i>Income</i>			
Clinical income	58.938	59.678	11.0
Non-clinical income	13.183	13.359	2.4
Total income	72.121	73.037	13.4
<i>Expenses</i>			
Pay costs	(47.479)	(48.256)	(8.3)
Non-pay costs	(19.580)	(18.816)	(3.6)
Total expenses	(67.059)	(67.072)	(11.9)
EBITDA	5.1	6.0	1.5
Depreciation	(3.002)	(3.196)	(0.5)
Dividend on public dividend capital (PDC)	(1.574)	(1.574)	(0.3)
Interest	0.3	0.323	0.1
Net surplus	0.758	1.518	0.8

Income and expenditure

Clinical activity and income

Clinical income for the full year was some £0.4 million ahead of plan, reflecting higher activity levels in three main areas. In maternity services, activity was significantly higher than planned, driven by population growth and a rising birth rate across the City of Birmingham which were not fully reflected in the Integrated Business Plan. Also as a consequence of the higher birth rate, our neonatal services undertook activity over and above contracted levels, resulting in the receipt of increased income in the later stages of the financial year. In fertility, the Trust responded to a decision by commissioners to increase activity in the final three months of the year above contracted levels in order to clear waiting lists.

Non-clinical income

Non-clinical income for the full year was some £0.5 million over plan. This was attributable to payments in respect of trainees within the Genetics Service: this income was not guaranteed and was received at the very end of the financial year.

Expenditure

Although pay budgets were in general well controlled, there were some overspends in services supporting the additional activity levels described above, where income was not apportioned to cover costs, particularly in the final quarter of the financial year.

Non-pay costs were also well controlled: again, however, there were some overspends associated with additional activity, notably in maternity and clinical support.

As noted above, the cost and efficiency programme delivered £4.4 million against a target for the full year of £3.5 million.

Cash flow

Cash reserves at 31 March 2008 were £8.1 million, some £5.3 million ahead of plan, reflecting factors including an increase in the capital programme late in the financial year and the deferral into 2008/09 of work to install the new Combined Heat and Power system. The improved cash position will enable the Trust to fund increased capital expenditure in 2008/09 without the need for borrowing.

Capital expenditure

Capital expenditure in over the full financial year amounted to some £4.4 million and included the replacement of the 40-year old obstetric theatres and expenditure of more than £0.7 million on the replacement of capital equipment.

Working capital facility

The Trust has an agreed overdraft facility of £5.5 million for the period from Authorisation to January 2010. This will be renewed each year to provide a £5.5 million facility over the full three-year planning cycle. The overdraft facility was not

used during 2007/08 and the cash flow forecast for the next 24 months does not involve any foreseeable requirement to use the facility.

Liquidity

The Trust has liquidity headroom of £8.8 million for 2008/09, taking into account cash at bank of £3.3 million and the committed working capital facility of £5.5 million which was unused at 31 March 2008.

Prudential Borrowing Limit

The Trust's Prudential Borrowing Limit (PBL) for 2007/08 was set by Monitor at £16.2 million. The Trust had no borrowing against the PBL during the year and has no plans to exercise its borrowing powers.

Financial risk rating

Monitor assesses Foundation Trusts against four criteria - underlying financial performance, achievement of the financial plan, financial efficiency and liquidity - and assigns to each Trust a financial risk rating from 1 to 5, where five is the best performance. At Authorisation on 1 February 2008, the Trust received a financial risk rating of 4, the maximum achievable rating by a Foundation Trust in its first year.

The financial risk rating for the two months from 1 February to 31 March 2008, during which the Trust operated as a Foundation Trust, was 4.4, falling to 3.9 when combined with the previous 10 months of operation as an NHS Trust.

Inflation and cost pressures

In planning its activities, the Trust has taken account of forecast general inflation and of other specific cost pressures including:

- *drug costs*: these are expected to increase by 9.0 per cent in 2008/09 and thereafter;
- *clinical supplies and services costs*: these are expected to increase by 2.75 per cent in 2008/09 and thereafter;
- *other non-pay costs*: these are expected to increase by 3.35 per cent in 2008/09 and thereafter.

Other anticipated cost pressures which we have built into Trust's financial plan include the costs of additional midwifery posts associated with our plans to improve staff-to-patient ratios and support expected growth in maternity activity.

Managing financial risk

In the course of our application for Foundation Trust status, we carried out a comprehensive assessment of the risks to our financial and service development plans. We have updated this risk assessment as part of the annual planning process and have identified key risks in the following categories:

- *business risks* arising from the 18-week referral to treatment target and/or a shift of work into community setting not owned by the Trust;
- *income risks* arising on particular from tariff increases below expected levels; and

- *cost risks* arising from, for example, non-delivery of cost improvement programmes, increases in the proportion of non-recurrent (and hence less controllable) costs and unplanned increases in expenditure.

In each case, we have estimated the potential adverse financial impact and identified appropriate mitigating actions to minimise the likelihood of the risk being realised. Corrective actions have also been identified which the Trust could initiate to offset downside risk. On this basis, the Board is confident that strategies are in place to handle these risks.

Going concern

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

GOVERNANCE

THE MEMBERS' COUNCIL

Functions

The Members' Council (the equivalent of the Board of Governors as described in legislation) is responsible for representing the interests of the Trust's members and partners and for advising the Trust on how it can best meet the needs of patients and the wider community.

Its statutory duties include appointing the Chairman and the Non-Executive Directors and setting their remuneration and approving the appointment of the Chief Executive by the Non-Executive Directors. The Members' Council also receives the Trust's Annual Report and Accounts, including the report of the External Auditors, and appoints the External Auditors.

Composition

The Members' Council is chaired by the Trust Chairman, Judith Mackay, and consists of 26 Governors, of whom 19 are elected by the public, patients' and carers' and staff constituencies of the Trust's membership to serve for up to three years. The remaining seven Governors are appointed by local partner organisations in the NHS, the wider public sector and the voluntary sector.

The tables below set out the names, terms of office and basis of election or appointment of individual Governors and give details of their attendance at meetings of the full Members' Council in the year ended 31 March 2008.

Elected governors

Public constituency

Governor	Sub-constituency	Term of office (from 1 Feb 2008)	Actual/possible attendance
Arshid Mohammed	Heart of Birmingham and Birmingham E & N	3 years	0/1
Patricia Loizou	Heart of Birmingham and Birmingham E & N	Resigned 12/05/08	0/1
Payal Patel	Heart of Birmingham and Birmingham E & N	3 years	0/1
Alexander Buchan	South Birmingham	3 years	1/1
Patricia Sutton	South Birmingham	Resigned 28/05/08	1/1
Sarah Francis	South Birmingham	3 years	1/1
Kay Fuller	South Birmingham	3 years	1/1
Fleur Rowlands	South Birmingham	3 years	0/1
John Cash	Wider West Midlands	3 years	1/1
Bridget Nisbet	Wider West Midlands	3 years	1/1

Patients' and Carers' constituency

Governor	Term of office (from 1 Feb 2008)	Actual/possible attendance
Lorraine Groves	3 years	1/1
Georgina Barnard	3 years	1/1
Jean Perks	3 years	1/1
Alison Garrish	3 years	1/1

Staff constituency

Governor	Staff group	Term of office (from 1 Feb 2008)	Actual/possible attendance
Moji Balogun	Medical	3 years	1/1
Tracey Budding	Nursing	3 years	1/1
Lisa Smith	Midwifery	3 years	1/1
Maria Masood	Clinical support	Resigned 12/05/08	1/1
Frank Gough	Non-clinical support	3 years	1/1

Appointed governors

Governor	Appointing body	Term of office (from 1 Feb 2008)	Actual/possible attendance
Dee Narga	South Birmingham PCT	3 years	0/1
Cllr Penny Wagg	Birmingham City Council	Appointed Mar 2008	0/0
Prof Evelyn Ellis	University of Birmingham	3 years	1/1
Prof Mike Filby	Birmingham City University	3 years	1/1
Steve McCabe	Member of Parliament	3 years	0/1
Sharon Palmer	Regional Action West Midlands	3 years	1/1
Karen Helliwell	Specialised Commissioning Team (West Midlands)	3 years	0/1

Elections will be held in 2008/09 to fill the vacancies created by the resignations noted above.

Activities during 2007/08

At its inaugural meeting on 15 February 2008, the Members' Council confirmed the appointments of the Chairman and Non-Executive Directors and agreed initial levels of remuneration, subject to review in September 2008. It also confirmed the appointment of Julie Burgess as the Chief Executive of the Trust and agreed that KPMG LLP (UK) should continue in office as the Trust's External Auditors until the completion of the Annual Accounts for the financial year ending 31 March 2009.

The Members' Council has established four committees to advise it on specific aspects of its work:

- the *Estates & Environment Committee* is responsible for oversight of the Trust's physical environment and its impact on the experience of patients, carers and visitors;
- the *Membership Committee* is responsible for advising the Trust, via the Members' Council, on the development of an engaged and representative membership;
- the *Nomination & Remuneration Committee* is responsible for advising the Members' Council on the remuneration and performance appraisal of the Chairman and the Non-Executive Directors and the process to be adopted for the identification and appointment of new non-executive directors; and
- the *Patient Experience Committee* is responsible for oversight of feedback from patients and carers on service delivery and for advising the Trust, via the Members' Council, on priorities for action.

All four committees have now held their inaugural meetings and have adopted work programmes for the 2008/09 financial year.

Members' Council involvement in strategy

The Members' Council has contributed to the development of the Trust's corporate objectives and annual plan through discussion at its inaugural meeting, with specific objectives informing the work programme of the Members' Council and its committees.

Communication between Members' Council and Board of Directors

In order to understand the views of Governors and members, Executive and Non-Executive Directors attend meetings of the full Members' Council whenever practicable and participate by invitation in the activities of the four Members' Council committees. In addition, the Trust's Senior Independent Director, David Draycott, has specific responsibility for helping the Board of Directors to develop a balanced understanding of the issues and concerns of Governors and attends meetings with governors for this purpose.

Register of Governors' interests

The register of Governors' interests is available for public inspection on application to the Foundation Trust Secretary, Birmingham Women's NHS Foundation Trust, Metchley Park Road, Edgbaston, Birmingham B15 2TG, telephone 0121 627 2759.

Governors receive no remuneration but are entitled to reimbursement of their reasonable expenses in accordance with guidelines approved by the Board.

MEMBERSHIP

Eligibility

The Trust's membership community is drawn from its public, patients' and carers' and staff constituencies, which are defined as follows.

Public constituency

Membership of the Trust is open to any member of the public over the age of 14 who lives within any of the South Birmingham, Heart of Birmingham and Birmingham East & North or Wider West Midlands sub-constituencies. The South Birmingham, Heart of Birmingham and Birmingham East & North sub-constituencies reflect the boundaries of the three Primary Care Trusts which are our main commissioners and incorporate our main catchment area: 85% of our users are from this area.

The third sub-constituency, Wider West Midlands, reflects the Trust's position as a provider of services to the West Midlands conurbation and beyond, including Herefordshire, Shropshire, Staffordshire, Warwickshire and Worcestershire.

Patients' and Carers' constituency

Membership of the Patients' and Carers' constituency was open to anyone who had been a patient of the Trust, or the carer of a patient, within the last three years at the time of Authorisation, thus enabling users of our services from outside the West Midlands to be represented.

Staff constituency

The Staff constituency is sub-divided into five classes - medical staff; midwifery staff; nursing staff; clinical support staff; and non-clinical support staff and volunteers - to reflect the different professional groups within the Trust and to ensure that each class is able to elect one of their number to the Members' Council. All members of staff are automatically members of the Trust unless they specifically opt out of membership.

Membership profile

Constituency	Public	Patients' and Carers'	Staff	Total
Number at 1 February 2008	1,735	498	1,475	3,708
Members joining	0	13	28	41
Members leaving	10	0	39	49
Number at 31 March 2008	1,725	511	1,464	3,700

Overall membership of the Trust fell slightly between Authorisation on 1 February 2008 and 31 March 2008. Turnover has been relatively high, a phenomenon that has been noted by the Electoral Reform Service as common to maternity services. However, the Patients' and Carers' constituency has shown good levels of applications for membership and a committed membership.

The Trust has been successful in developing a diverse membership with good representation from the Black and Minority Ethnic groups and from the more deprived socio-economic groupings: some 13 per cent of members in the Public constituency identified themselves in their application for membership as Asian, Asian British, Black or Black British, while over 30 per cent of members in the Public constituency are in socio-economic groups D and E. Women represent over 90 per cent of the current membership of the Public constituency.

Growing a representative membership

The Trust is committed to developing an active and representative membership and has initiated work in collaboration with the Membership Committee of the Members' Council to ensure that our membership continues to grow and flourish. Recruitment activities will focus particularly on addressing areas of under-representation, including the under-21 population and members of the public in the Heart of Birmingham and Birmingham East & North sub-constituency.

Communication with members

The Trust has engaged with the wider membership during 2007/08 through regular updates on progress towards Authorisation as an NHS Foundation Trust. Shortly after Authorisation, all members were sent a copy of the newsletter *Women's Progress*. A written communication will be sent to members at least annually with an invitation to attend the Annual General Meeting of the Trust, the first of which will take place on 15 September 2008.

The Trust plans to re-develop its website as a means of providing up-to-date information to members and enabling Governors to communicate with the people they represent. In the meantime, members who wish to communicate with Governors or Directors of the Trust should in the first instance contact the Foundation Trust Secretary, Birmingham Women's NHS Foundation Trust, Metchley Park Road, Edgbaston, Birmingham B15 2TG, telephone 0121 627 2759.

THE BOARD OF DIRECTORS

Composition

The Trust's Constitution provides for a Board of Directors comprising a non-executive Chairman, a maximum of six other Non-Executive Directors and up to six Executive Directors, including the Chief Executive, the Finance Director, the Medical Director and the Director of Nursing & Midwifery.

Prior to Authorisation as an NHS Foundation Trust, three new Non-Executive Directors, Robin Rison, David Draycott and Helen Hemberg, were recruited to strengthen the Board's financial, marketing and business development expertise. Robin Rison, a chartered accountant, was subsequently appointed as chairman of the Audit Committee and brings to this role the necessary recent and relevant financial skills and experience.

At its inaugural meeting on 15 February 2008, the Members' Council approved the continuing appointment of the current Chairman and Non-Executive Directors and confirmed the appointment of Julie Burgess as the Chief Executive of the Trust. The Chairman and Non-Executive Directors can be removed by the Members' Council in accordance with a process set out in paragraph 22 of the Constitution.

A vacancy currently exists for one additional Non-Executive Director. The process of identifying and appointing a suitably-qualified individual will commence shortly in close consultation between the Board of Directors and the Nomination & Remuneration Committee of the Members' Council and will take into account the need to ensure that the Board of Directors is balanced and unified and has an appropriate mix of skills and experience.

Directors

As at 31 March 2008, the Directors of the Trust were as follows:

Judith Mackay
Trust Chair

Judith Mackay is currently the Managing Director of Projects in Motion, a Birmingham based company specialising in commissions, projects and events where moving images are involved. Previously she was the Head of Aston Media at Aston University where she was successful in securing more than £5 million of external funding from the Regional Development Agency and the Department of Health to develop innovative learning environments. She was for several years a Non-Executive Director of Birmingham Cable and then held an executive post as the Head of Local Programming and Production Services, where she established the first professional local television channel in the UK.

Judith has held a number of public sector appointments including Chairman of the West Midlands Regional Sports Council, Member of The Sports Council, Non-Executive Director of UK Transplant and Chair of Northern Birmingham NHS Mental Health Trust. She holds a BA degree from Elmira College in the United States and a MBA from Aston University.

Judith was appointed as a non-executive director of Birmingham Women's NHS Health Care Trust in 2001 and as its Chair in 2007. Her current term of office will expire in February 2011.

Julie Burgess
Chief Executive and Accounting Officer

Julie Burgess is an experienced leader with a strong clinical background. She trained as a nurse in London and then had a clinical career in adult critical care and cardiac nursing. After a long clinical career, she moved across into management. She holds clinical and academic nursing qualifications and has an MSc in Public Sector Management

Her management experience spans both the NHS and the Civil Service. Previous posts include Acting Chief Executive of a large Acute NHS Trust; Executive Director for Nursing and Clinical Governance; Pay Modernisation Director for the NHS in Scotland, and Professional Private Secretary for the Chief Nursing Officer for England. She joined Birmingham Women's Health Care NHS Trust as Chief Executive in October 2005, taking the Trust to foundation status on 1 February 2008.

Julie sits on a number of regional and national groups in her capacity of chief executive. Over the years she has also been a member of a number of national groups as a nurse leader. Throughout the spring of 2008, she has chaired a task and finish group on behalf of the Chief Nursing Officer for England, the work having been commissioned by Lord Darzi to contribute to the Next Stage Review.

She also holds the position of Advisory Board Member for Aston Business School, University of Aston.

Ian Booth

Non-Executive Director (appointed Deputy Chair May 2008)

Ian Booth is the Dean of Medicine and Head of School at the University of Birmingham Medical School. He is a past Chairman of the Academic Board at the Royal College of Paediatrics and Child Health and has served on a number of governmental advisory bodies. His clinical expertise lies within the area of gastroenterology and clinical nutrition and he has researched widely in this area, with over 200 peer-reviewed publications.

Ian was appointed as a Non-Executive Director of Birmingham Women's Health Care NHS Trust in October 2005. His term of office will expire in January 2009.

David Draycott

Non-Executive Director and Senior Independent Director

David Draycott is the interim director of West at Work, a partnership project aimed at supporting the economy of Bristol and the West Country by making sure that local people have the skills that employers need. In his previous role as Business Link Director for Birmingham and Solihull, he was responsible for managing the support package made available by the MG Rover Task Force to supply chain companies affected by the closure of MG Rover. He was also active in making Business Link more accessible to disadvantaged and under-represented communities in the sub-region.

David was appointed as a non-executive director of Birmingham Women's Health Care NHS Trust in July 2007. His term of office will expire in July 2011.

Nigel Gardner

Non-Executive Director

A solicitor with Cobbetts LLP with over 10 years experience in commercial contracts and intellectual property matters. Company secretary of the local branch of a national environmental charity. Active in various other community organisations.

Nigel was appointed as a non-executive director of Birmingham Women's Health Care NHS Trust in September 2006. His term of office will expire in August 2010.

Harry Gee

Medical Director

Formerly Clinical Director for Maternity Services, Harry Gee was appointed as the Medical Director of Birmingham Women's Health Care Trust in April 2002. He has been a consultant obstetrician & gynaecologist for more than 20 years and is currently Deanery Head of School for Obstetrics and Gynaecology.

Harry Gee resigned as Medical Director of the Trust on 31 March 2008 and was succeeded by Peter Thompson with effect from 1 April 2008.

Anne Gibbs

Executive Director, Development & Marketing

Anne Gibbs has been Director of Development and Marketing since July 2006. Her role has included being the Lead Director for the Trust Foundation Trust application,

overseeing the development of the Trust clinical and marketing strategy, identifying and realising service development opportunities and managing the communication function.

Anne has more than 10 years experience within the NHS and has previously held a variety of operational and strategic roles at St Mary's Hospital, Paddington, the Whittington Hospital and the London Ambulance Service.

Helen Hemberg

Non-Executive Director

Helen Hemberg is an experienced marketing professional. She has over 10 years experience at Board/executive Committee level, driving the strategic agenda for marketing, brand and channel issues. She started her career in the consumer goods arena, specialising in new product development. After some years with a major consultancy operation, she then moved to the financial services sector and worked at Lloyds Bank, Legal & General, United Assurance (now Royal London Assurance) and the Wesleyan Assurance Group.

Her experience also involves managing major change programmes, product development, consumer insight, market assessment, introducing products to market and managing brands. She now works as an independent consultant. She is a Fellow of the Royal Society of Arts.

Helen joined the Board in January 2008 and will serve until December 2011.

Andrew McMenemy

Executive Director, Workforce & Facilities

Andrew McMenemy was appointed as Director of in January 2005. Prior to this, he was Deputy Human Resources Director at Birmingham Children's Hospital for three years. He has over 10 years of experience in the NHS environment, covering various types of organisation from district general hospitals to large teaching Trusts.

Andrew has a background in Law. In August 2006, he added facilities and estates management to his portfolio and has led for the Trust on estates strategy and capital development.

Jane Owen

Executive Director, Nursing & Midwifery

Jane Owen trained as a general nurse at Guy's Hospital in London, qualifying in 1973. She then spent the next 10 years in various nursing posts, including two years in Saudi Arabia.

In 1980 she started her midwifery training at the then Birmingham Maternity Hospital, qualifying in 1981. Jane held a number of midwifery posts before moving into midwifery management in 1991, initially as the Clinical Manager for Delivery Suite. During this time, she completed an MSc in Public Services Management, focusing on effective risk management in a delivery suite area. Jane was Head of Midwifery for four years prior to her appointment as Director of Nursing & Midwifery in October 2004. In January 2006, she added to her portfolio executive responsibility for Operations.

Robin Rison

Non-Executive Director and Chair of Audit Committee

Robin Rison is a graduate of Birmingham University and a chartered accountant. He trained with Price Waterhouse and spent many years working in a variety of professional disciplines before becoming group finance director of a number of manufacturing and retail companies based in the West Midlands. He also has experience as an independent business consultant.

Robin was appointed as a non-executive director of Birmingham Women's Health Care NHS Trust in July 2007. His term of office will expire in July 2011.

Tim Woods

Executive Director, Finance & Information

Tim Woods is an experienced financial professional and has worked as a Director of Finance and Board member for 14 years, gaining experience in a Health Authority, an Acute Trust and a large teaching trust before joining Birmingham Women's Healthcare NHS Trust in 2006. His expertise covers capital project developments, financial improvements through service transformation and financial costing within the NHS.

At national level, Tim is a member of the Specialist Trust Finance Group which advises the Department of Health on tariff developments.

The following also served as Non-Executive Directors of the Trust for part of the financial year ended 31 March 2008:

- Jim Brooks (resigned 30 April 2007)
- Brian Miller (term of office expired 31 December 2007)

Independence of Non-Executive Directors

With the exception of the Chairman (to whose office the test of independence set out in Provision A.3.1 of the Foundation Trust Code of Governance does not apply), the Board considers that all of the Non-Executive Directors are independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

Operation of the Board of Directors

The Board of Directors meets monthly in public, with additional public, private and informal meetings as necessary. The attendance of individual Directors at formal meetings of the Board of Directors during 2007/08 is set out in the table overleaf.

The Board has initiated a review of its governance arrangements to ensure that they comply with the Constitution and the recommendations of the Foundation Trust Code of Governance and are fit for purpose in the challenging Foundation Trust environment. As described below, the review is expected to result in changes during 2008/09 to the structure and roles of Board committees.

Directors' attendance at meetings of the Board of Directors

Name	Actually attended	Maximum possible
Ian Booth	11	17
Jim Brooks (resigned 30 April 2007)	3	3
Julie Burgess	15	17
David Draycott (appointed 1 Aug 2007)	6	10
Nigel Gardner	16	17
Harry Gee	15	17
Anne Gibbs	14	17
Helen Hemberg (appointed 1 Jan 2008)	4	4
Judith Mackay	17	17
Andrew McMenemy	14	17
Brian Miller (term of office expired 31 Dec 2007)	12	13
Jane Owen	15	17
Robin Rison (appointed 1 Aug 2007)	10	10
Tim Woods	15	17

Audit Committee

Membership and attendance

Name	Actually attended	Maximum possible
Ian Booth	2	7
Jim Brooks (chair to 30 April 2007)	0	0
David Draycott (appointed 1 Aug 2007)	3	4
Nigel Gardner	7	7
Helen Hemberg (appointed 1 Jan 2008)	2	2
Brian Miller (chair from May - Sept 2007)	5	5
Robin Rison (chair since Sept 2007)	4	4

Activities during year

The Audit Committee provides the Board of Directors with a means of independent and objective review of financial and corporate governance and risk management within the Trust. In addition, it provides assurance of independence for the External Auditors and the internal audit function provided by Deloitte. The Committee is authorised by the Board of Directors to investigate any matter within its terms of reference and to seek any information it requires from members of staff.

In discharging these responsibilities during 2007/08, the Audit Committee approved the annual work plans of the External Auditors and the internal audit function and received regular reports from the External and internal auditors. It reviewed the Management Letter from the External Auditors for the year ended 31 March 2007 and recommended the Letter and associated action plan for formal acceptance by the Board of Directors. In addition, the Audit Committee received reports on counter fraud work at the Trust, including the annual report of the Local Counter Fraud Specialist.

At its inaugural meeting on 15 February 2008, the Members' Council accepted the Audit Committee's recommendation that KPMG LLP (UK) be appointed as the Trust's

External Auditors until the completion of the annual accounts for the year ending 31 March 2009. No work outside the Audit Code and no non-audit services were purchased from the External Auditors during 2007/08.

Nominations Committee

The Board of Directors does not currently have a nominations committee but has agreed in principle that such a committee should be established during 2008/09 with responsibility for regularly reviewing the size, structure and composition of the Board of Directors and for making recommendations for changes where appropriate.

Remuneration Committee

Name	Actually attended	Maximum possible
Ian Booth	4	8
Jim Brooks (resigned 30 April 2007)	0	1
David Draycott (appointed 1 Aug 2007)	3	6
Nigel Gardner	8	8
Helen Hemberg (appointed 1 Jan 2008)	1	1
Judith Mackay	8	8
Brian Miller (term of office expired 31 Dec 2007)	4	7
Robin Rison (appointed 1 Aug 2007)	5	6

Register of Directors' interests

The register of Directors' interests is available for public inspection on application to the Foundation Trust Secretary, Birmingham Women's NHS Foundation Trust, Metchley Park Road, Edgbaston, Birmingham B15 2TG, telephone 0121 627 2759.

REMUNERATION

CHIEF EXECUTIVE'S REPORT ON REMUNERATION

The Remuneration Committee of the Board of Directors comprises the Chairman and all Non-Executive Directors and is responsible for determining the remuneration and terms and conditions of the Chief Executive, the Executive Directors and the Foundation Trust Secretary, taking into account the results of the annual appraisal process. The Chairman undertakes the annual appraisal of the Chief Executive, who in turn is responsible for assessing the performance of the Executive Directors and the Foundation Trust Secretary.

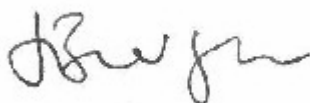
The remuneration and expenses for the Trust Chairman and Non-Executive Directors are determined by the Members' Council, taking account of the guidance issued by organisations such as the NHS Confederation and the NHS Appointments Commission.

Details of the remuneration, including salaries and pension entitlements, of the Board of Directors, are set out on pages 32 to 33. The salaries of senior managers (defined as Executive Directors who are members of the Board of Directors) may include a non-recurrent bonus related to performance. Senior managers' remuneration packages also include pension-related benefits accrued under the NHS Pensions Scheme. Contributions are made by both the employer and employee in accordance with the rules of the national scheme which applies to all NHS staff in the scheme.

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

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

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



Julie Burgess, Chief Executive
12 June 2008

SALARY AND PENSION ENTITLEMENTS OF SENIOR MANAGERS

A. Remuneration in the period 1 February - 31 March 2008

Name and title	Salary (in bands of £5k) £k	Other remuneration (in bands of £5k) £k	Benefits in kind To nearest £100
Executive Directors			
Julie Burgess, Chief Executive	15 - 20	0	0
Tim Woods, Director of Finance	15 - 20	0	0
Anne Gibbs, Director of Development & Marketing	10 - 15	0	0
Jane Owen, Director of Nursing & Midwifery	10 - 15	0	0
Andrew McMenemy, Director of Workforce & Facilities	10 - 15	0	0
Harry Gee, Medical Director	0 - 5	20 - 25	0
Non-Executive Directors			
Judith Mackay, Chairman	0 - 5	0	0
Ian Booth, Non-Executive Director	0 - 5	0	0
Jim Brooks, Non-Executive Director ¹	0	0	0
David Draycott, Non-Executive Director	0 - 5	0	0
Nigel Gardner, Non-Executive Director	0 - 5	0	0
Helen Hemberg, Non-Executive Director	0 - 5	0	0
Brian Miller, Non-Executive Director ²	0	0	0
Robin Rison, Chairman, Audit Committee	0 - 5	0	0

1. Jim Brooks resigned on 30 April 2007

2. Brian Miller's term of office expired on 31 December 2007

B. Pension benefits in respect of the period 1 February - 31 March 2008

Name and title	Real increase in pension and related lump sum at age 60 (in bands of £2.5k) £k	Total accrued pension and related lump sum at age 60 as 31 March 2008 (in bands of £5k) £k	Cash equivalent transfer value at 31 March 2008 £k	Real increase in cash equivalent transfer value £k
Julie Burgess, Chief Executive	0 - 5	150 - 160	569	3
Tim Woods, Director of Finance	0 - 5	125 - 135	482	1
Anne Gibbs, Director of Development & Marketing	0 - 5	30 - 40	92	2
Jane Owen, Director of Nursing & Midwifery	0 - 5	125 - 135	561	0
Andrew McMenemy, Director of Workforce & Facilities	0 - 5	30 - 40	90	1
Harry Gee, Medical Director	0 - 5	190 - 200	895	3

Non-Executive Directors do not receive pensionable remuneration and there are therefore no entries in respect of pensions for Non-Executive Directors.

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 an arrangement to secure 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 above relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures include the value of any pension benefits in another scheme or arrangements which the member 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 in accordance with the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

DIRECTORS' REPORT

Prepared in accordance with NHS Foundation Trust Financial Reporting Manual 2007/08 (FT FReM) Chapter 4 paragraphs 4.10 - 4.21

DIRECTORS

The following were Directors of Birmingham Women's NHS Foundation Trust or of its predecessor, Birmingham Women's Health Care NHS Trust, during 2007/08:

Executive Directors

Julie Burgess
Harry Gee
Anne Gibbs
Andrew McMenemy
Jane Owen
Tim Woods

Non-Executive Directors

Ian Booth
Jim Brooks (resigned 30 April 2007)
David Draycott (appointed 1 August 2007)
Nigel Gardner
Helen Hemberg (appointed 1 January 2008)
Brian Miller (term of office expired 31 December 2007)
Judith Mackay (Chairman)
Robin Rison (appointed 1 August 2007)

Details of the background and experience of the Directors of the Trust in office at 31 March 2008 are given on pages 25 - 28.

PRINCIPAL ACTIVITIES OF THE TRUST

The principal activities of the Trust during 2007/08 were the provision of obstetric, gynaecological and related services to women and families in Birmingham and the wider West Midlands.

BUSINESS REVIEW

Financial performance

The Trust has performed strongly in financial terms, declaring a surplus of £1.5 million for the full year, £0.7 million in excess of the planned surplus and eliminating the underlying deficit. This is primarily attributable to the over-achievement of the Trust's cost and efficiency programme, which over the full year delivered £4.4 million against a target of £3.5 million: of the total reduction, 71 per cent is on a recurrent basis.

Clinical income for the full financial year was some £0.4 million ahead of plan, reflecting higher activity levels in three main areas. In maternity services, activity was significantly higher than planned, driven by population growth and a rising birth rate across the City of Birmingham. Also as a consequence of the higher birth rate, the

Trust's neonatal services undertook activity over and above contracted levels, resulting in the receipt of increased income in the later stages of the financial year. In fertility, the Trust responded to a decision by commissioners to increase activity in the final three months of the year above contracted levels in order to clear waiting lists.

Non-clinical income for the full financial year was some £0.5 million over plan. This was attributable to payments in respect of trainees within the Genetics Service: this income was not guaranteed and was received at the very end of the financial year.

Pay budgets were in general well controlled, although there were some overspends in services supporting additional activity levels. Non-pay costs were also well controlled: again, however, there were some overspends associated with additional activity, notably in maternity and clinical support.

Cash reserves at 31 March 2008 were £8.1 million, some £5.3 million ahead of plan, reflecting factors including an increase in the capital programme late in the financial year and the deferral into 2008/09 of work to install a new Combined Heat and Power system. The improved cash position will enable the Trust to fund capital expenditure in 2008/09 without the need for borrowing.

The Trust invested some £4.4 million over the full financial year in the maintenance and development of services, including the replacement of obstetric theatres and the replacement of capital equipment.

At Authorisation on 1 February 2008, the Trust received from Monitor a financial risk rating of 4, the maximum rating achievable by a Foundation Trust in its first year of operation. The financial risk rating for the two months from 1 February to 31 March 2008, during which the Trust operated as a Foundation Trust, was 4.4, falling to 3.9 when combined with the previous 10 months of operation as an NHS Trust.

Operational performance

Operational performance has also been strong. In October 2007, the Trust received a rating of "Excellent" from the Healthcare Commission for the clinical quality of its services, based on performance in 2006/07. In April 2008, the Trust submitted to the Healthcare Commission its statement of compliance during 2007/08 with the *Standards for Better Health* and confirmed that, with one exception, it was able to comply in full with the core standards. Action is in hand to address the outstanding area on non-compliance (which relates to the Trust's ability to report incidents electronically to the National Patient Safety Agency. On this basis, the Trust is confident that its "Excellent" rating for clinical quality will be confirmed.

For the fifth year in succession, Birmingham Women's Hospital has had no infections in any of the categories (MRSA, *Clostridium difficile* and *Staphylococcus aureus*) which are subject to mandatory surveillance by the Department of Health. As part of the national programme of intensive cleaning announced by the Prime Minister in September 2007, the "deep clean" of the hospital took place between January and March 2008.

In April 2008, the Trust confirmed to Monitor that was fully compliant with all applicable waiting list and patient choice targets set by Government. These included the March 2008 waiting list milestone, providing assurance that, by December 2008,

no patient will wait more than 18 weeks between referral and treatment for non-urgent conditions.

Outlook

The Trust has agreed contracts for all activities for 2008/09 with South Birmingham Primary Care Trust, its lead commissioner, and with specialist commissioners. This will provide for a transition to a cost-and-volume contract for neonatal services, replacing a historic block contract, and for further investment in community midwifery.

Infrastructure modernisation will continue in 2008/09 with significant investment in a permanent decant facility for the Trust's Neonatal Unit and the installation of a new Combined Heat and Power System.

In the course of application for Foundation Trust status, the Directors carried out a comprehensive assessment of the risks to the Trust's financial and service development plans. This risk assessment has been updated as part of the annual planning process and key risks in the following categories have been identified:

- *business risks* arising from the 18-week referral to treatment target and/or a shift of work into community setting not owned by the Trust;
- *income risks* arising in particular from tariff increases below expected levels; and
- *cost risks* arising from, for example, non-delivery of cost improvement programmes, increases in the proportion of non-recurrent (and hence less controllable) costs and unplanned increases in expenditure.

In each case, the Directors have estimated the potential adverse financial impact and identified appropriate mitigating actions to minimise the likelihood of the risk being realised. Corrective actions have also been identified which the Trust could initiate to offset downside risk. On this basis, the Directors are confident that strategies are in place to manage risk.

AUDIT ARRANGEMENTS

The Trust's External Auditors are KPMG LLP (UK), 2 Cornwall Street, Birmingham B3 2DL. The External Auditors' remuneration for the two months from 1 February 2008 (the date of the Trust's Authorisation as an NHS Foundation Trust) and 31 March 2008 was £23,000. During this period, the External Auditors did not carry out any non-audit work on behalf of the Trust.

The Trust's Internal Audit service is provided by Deloitte & Touche LLP, Four Brindleyplace, Birmingham B1 2HZ.

The Directors confirm that there is no relevant audit information of which the auditors are unaware and that they have taken all appropriate steps to make themselves and the auditors aware of relevant audit information.

VALUATION OF FIXED ASSETS

Prior to Authorisation on 1 February 2008, the Trust's fixed assets were recorded in the balance sheet at historic cost and indexed annually, with a full five-yearly revaluation. Following Authorisation, the Trust is no longer subject to the requirement for annual indexation. It is, however, required to revalue its assets at five-year intervals, with an interim valuation at Year 3.

All Foundation Trusts were required to undertake an interim valuation as at 31 March 2008. The interim valuation carried out by the Office of the District Valuer has resulted in a reduction of £4.6 million (11 per cent) reduction in the Net Book Value (NBV) of land and buildings compared with the NBV at which these assets are held in the Trust's balance sheet: this is made up of a reduction of £0.3 million in the NBV of land and a reduction of £4.3 million in the NBV of buildings.

FINANCIAL RISK EXPOSURE

In planning its activities, the Trust has taken account of forecast general inflation and of other specific cost pressures including:

- *drug costs*: these are expected to increase by 9.0 per cent in 2008/09 and thereafter;
- *clinical supplies and services costs*: these are expected to increase by 2.75 per cent in 2008/09 and thereafter;
- *other non-pay costs*: these are expected to increase by 3.35 per cent in 2008/09 and thereafter.

Other anticipated cost pressures built into Trust's financial plan include the costs of additional midwifery and midwifery posts associated with plans to improve staff-to-patient ratios and support expected growth in maternity activity.

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations have been made by the Trust in the year under review.

POST BALANCE SHEET EVENTS

There have been no material events affecting the Trust subsequent to the balance sheet date.

RESEARCH AND DEVELOPMENT

The Trust is active in the field on research and development. In 2007/08, it received R&D levy of £0.46 million and successfully applied for a further grant of £1.2 million from the Department of Health for research in neonatology. In addition, the Trust received external funding from charities, research councils and foundations of over £2.6 million. Current research strengths within the Trust include the genetics basis of human disease; reproductive disorders, particularly obstetric, gynaecological and urogynaecological complaints; pre-eclampsia and intrauterine growth restriction; spermatogenesis and sperm-egg interactions; fetal precursors of cardiovascular disease in adults; and post-menopausal and cardiovascular disease.

EMPLOYMENT POLICIES

Occupational health

The Trust operates an occupational health scheme and has established policies to support phased return to work after illness or injury: these policies include the provision of retraining where necessary. In addition, the Trust provides a free 24-hour confidential counselling service which is available to all staff.

Equal opportunities

The Trust is committed to the principle of equal opportunities in every aspect of employment and service delivery. A Single Equality Scheme approved by the Board of Directors in March 2008 sets out the Trust's approach to meeting its statutory duties in respect of race, disability and gender equality and incorporates a detailed Equality Scheme and Action Plan. The Trust's Equality & Diversity Committee, which is chaired by the Trust Chairman, Judith Mackay, provides leadership for the Equality Scheme and monitors progress with the implementation of the Action Plan.

Improving working lives

The Trust has been successful in achieving the Improving Working Lives Practice Plus standard and has established a framework of policies and procedures designed to support its staff in their working lives, for example by facilitating positive work-life balance and encouraging professional training and personal development. These include a range of non-standard working options, such as part-time work, job sharing, individually-tailored working patterns and employment breaks; home working opportunities; subsidised childcare and holiday play schemes; and special leave entitlements including parental leave, paternity, adoption and emergency leave.

Staff involvement and consultation

Staff consultation is achieved through two formal mechanisms, the Joint Negotiating Committee (JNC) and the Local Negotiating Committee (LNC).

Staff are kept informed of strategic and operational developments through the monthly Core Brief which is delivered by the Chief Executive in the week following the Board meeting and is then cascaded through each directorate and department. In addition, a staff magazine, *Women's Progress*, is produced quarterly and contains topical articles on matters of common interest to employees, including factors affecting the performance of the Trust.

PUBLIC AND PATIENT INVOLVEMENT

The Trust has well-established patient and support groups which help to ensure that patient and public feedback is taken into account in the development of services. These include the Women's Hospital Council, the Patient Information Group and the Neonatal Unit's Parent Support Group.

Following Authorisation as an NHS Foundation Trust on 1 February 2008, the Trust also benefits from the advice and input of the Members' Council and its committees, particularly the Patient Experience Committee and the Estates & Environment Committee. Further information on the Members' Council and its committees can be found on pages 20 - 22.

As part of its application for Foundation Trust status, the Trust conducted a major consultation exercise with staff, service users, stakeholders, partners and the wider community. This exercise concluded in February 2007 and no public consultations are currently in progress.

BETTER PAYMENT PRACTICE

The Better Payment Practice Code requires the Trust to aim to pay all valid invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is the later. Information on the Trust's compliance with the Better Payment Practice Code and the Late Payment of Commercial Debts (Interest) Act 1998 can be found in Note 7 to the Accounts.

COUNTER FRAUD POLICIES AND PROCEDURES

The Board of Directors has established policies and procedures designed to minimise the risk of fraud or corruption, together with a procedure to be followed in the event of any suspected wrongdoing being reported. Members of staff with reasonable suspicions of irregularities are encouraged to report them and the Trust's policy is that no employee will receive adverse treatment as a consequence of reporting suspicions in good faith.

Reported concerns are investigated by the Trust's Local Counter Fraud Specialist, whose services are provided by Deloitte & Touche LLP. The Local Counter Fraud Specialist reports to the Director of Finance and works with the NHS Counter Fraud and Security Management Service and the police where necessary. If reported concerns or allegations are substantiated, they are pursued in accordance with criminal, civil or disciplinary proceedings, or a combination of these.

ENVIRONMENTAL RESPONSIBILITY

During 2007/08, the Trust participated in the NHS Carbon Management (NHSCM) programme administered by the Carbon Trust, receiving practical advice on reducing its CO₂ emissions, improving energy efficiency and capturing cost savings. Following a successful bid for funding from the Department of Health's Energy Efficiency Fund, installation of a new Combined Heat and Power system will commence in 2008/09.

REMUNERATION AND PENSIONS DISCLOSURES

Details of senior employees' remuneration can be found in the Remuneration Report on pages 31 - 33. Accounting policies for pensions are set out in Note 1.11 to the Accounts.

EMERGENCY PLANNING

The Trust is classified as a Category 1 Responder under the Civil Contingencies Act 2004. As such, it has in place a major incident and business continuity plan: this complies with the guidance document *Handling Major Incidents: An Operational Doctrine* issued by the Department of Health in March 2004 and is subject to annual review. In addition, the Trust participates in mutual aid arrangements co-ordinated by NHS West Midlands which are intended to help manage the effects of any major incident which has, or threatens to have, impacts across more than one NHS organisation.

INFORMATION SECURITY

Following concerns about data protection and the security of information held by the public sector, the Department of Health asked all NHS organisations in December

2007 to undertake an immediate audit of their information governance arrangements, including procedures for safeguarding data and securing portable devices such as laptops, CDs and pen drives. The audit of our information governance systems was completed and the outcome reported to the Department of Health within the required timescale. Although we were pleased to be able to report a clean bill of health, we are not complacent and have taken the opportunity to revise our information security procedures where necessary.

Birmingham Women's

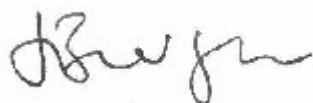
NHS Foundation Trust

**ACCOUNTS FOR THE PERIOD
1 FEBRUARY - 31 MARCH 2008**

FOREWORD TO THE ACCOUNTS

These accounts for the two months ended 31 March 2008 have been prepared by the Birmingham Women's NHS Foundation Trust in accordance with paragraph 25 of Schedule 7 to the National Health Service Act 2006 in the form which Monitor has, with the approval of the Treasury, directed.

The Trust attained Foundation Trust status on 1 February 2008 and therefore these accounts are for the period 1 February to 31 March 2008. The previous period's accounts were for the ten months to 31 January 2008.



Julie Burgess, Chief Executive

12 June 2008

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING OFFICER OF BIRMINGHAM WOMEN'S NHS FOUNDATION TRUST

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

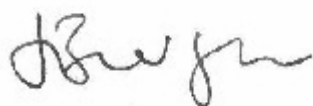
Under the National Health Service Act 2006, Monitor has directed Birmingham Women's NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair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

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

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

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

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



Julie Burgess, Chief Executive

12 June 2008



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS' COUNCIL OF BIRMINGHAM WOMEN'S NHS FOUNDATION TRUST

We have audited the financial statements of Birmingham Women's NHS Foundation Trust for the period 1 February 2008 to 31 March 2008 under the National Health Service Act 2006. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to NHS Foundation Trusts set out herein.

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

Respective responsibilities of directors and auditors

As described on page 47 the Accounting Officer is responsible for the preparation of the financial statements in accordance with the directions issued by Monitor.

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

We report to you our opinion as to whether the financial statements give a true and fair view of the state of affairs of the Trust and its income and expenditure for the period 1 February 2008 to 31 March 2008. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

We review whether the Statement on Internal Control on pages 51 to 55 reflects compliance with Monitor's guidance issued in the NHS Foundation Trust Financial Reporting Manual. We report if it does not meet the requirements specified by Monitor or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Directors' Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

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

Certificate

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

KPMG LLP

KPMG LLP
2 Cornwall Street
Birmingham

16 June 2008

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer and Chief Executive, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Birmingham Women's NHS Foundation Trust's policies, aims and objectives, while 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 Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

The purpose of the system of internal control

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

- identify and prioritise the risks to the achievement of the policies, aims and objectives of the Birmingham Women's 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 the Birmingham Women's NHS Foundation Trust throughout the period ended 31 March 2008 and up to the date of approval of this report and accounts.

As an employer with staff entitled to membership of the NHS Pension Scheme, the Trust has control measures in place to ensure that 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.

Capacity to handle risk

Leadership is given to the risk management process by the Board, which is fully committed to the effective management of risks to the achievement of the Trust's objectives. The Board has adopted for this purpose a systematic risk management process based on the Australian Risk Management Standard AS/NZS 4360: 1999, whereby it approves annually, and regularly reviews, the Trust's Risk Management Framework and Strategy. In addition, the Board receives regular reports throughout the year on the internal controls applied to, and changes in the status of, risks identified in the Trust's Risk Registers: monthly reports are made on those risks which have been designated "red" and quarterly reports on those risks which have been designated "amber".

The Board is assisted in discharging its responsibilities by two Board committees, the Audit Committee and the Clinical Governance Committee.

The Audit Committee, advised by the Trust's internal and external auditors, is responsible for reviewing the Trust's arrangements for corporate governance, business risk management and internal control and reports regularly to the Board on the results of its strategic oversight of the risk management process. In addition, it reports annually to the Board on its work in support of the Statement on Internal Control, specifically on the fitness for purpose of the Trust's risk management and assurance framework.

The Clinical Governance Committee is responsible for determining and monitoring the Trust's performance against the core *Standards for Better Health* and for ensuring continuous improvement in the quality of the Trust's services. It reports monthly to the Board in order to provide assurance to the Board, and thence to patients and commissioners, that risks to the Trust's high standards of care are identified, assessed and managed effectively.

The Clinical Governance Committee is supported in its work by a number of groups concerned with clinical governance and risk. These include the Infection Control Committee, the Health and Safety Committee and the Clinical Audit and Information Committee.

In order to maintain and increase the Trust's capacity to handle risk, all staff receive training in risk management, both as part of their initial induction and on an ongoing basis. In addition, operational guidance is provided to staff at all levels through policy documents approved and regularly reviewed by the Board. The Trust's policy management arrangements are designed to ensure that all policies are up-to-date, easily understood and clearly allocate responsibility and accountability for compliance.

The Trust has an established process for the reporting and investigation of all serious untoward incidents, adverse occurrences and near misses and actively encourages all staff to report any concerns which identify risk. Risks reported by staff are automatically escalated into the detailed risk registers maintained by each Directorate, facilitating a more comprehensive risk profile and providing assurance that all known risks are being identified, assessed and managed appropriately.

The risk and control framework

The Trust's Risk Management Framework and Strategy, which are approved by the Board and made available to all staff, are intended to capture all risks, including clinical, financial, operational and reputational risks, to the achievement of the organisation's objectives. The Framework and Strategy set out the Trust's overall risk management strategy; allocate responsibility for risk management at corporate and Directorate level; describe the risk management process, including the risk evaluation matrix; and outline the system of internal control which is given effect through the Assurance Framework.

Risks to the achievement of corporate and Directorate objectives are identified and assessed annually as part of the business planning process and are prioritised using a risk scoring methodology based on that developed by the National Patient Safety Agency (NPSA). Those risks of highest priority, in terms of the severity of their potential consequences and/or the probability of their occurrence, are recorded in the Trust's Red Risk Register, while those of next highest priority are recorded in the Amber Risk Register. As described above, monthly reports are made to the Board on "red" risks and quarterly reports on "amber" risks.

The Assurance Framework, which is approved and regularly reviewed by the Board, reflects the corporate and Directorate objectives set out in the Trust's Annual Plan and the core requirements set out in *Standards for Better Health*. It identifies the principal risks to the achievement of the objectives, the key controls in place to manage these risks and sources of internal and external assurance about the effectiveness of the controls. The Assurance Framework also details any gaps in control and assurance and identifies the actions being taken to address them. Actions may include the identification of additional resources, implementation of new systems and/or monitoring arrangements or closer working with partner organisations.

The Trust has well-established processes which facilitate the involvement of a wide range of external stakeholders in managing risks which impact on them. These include:

- engagement with patients and the public through the Trust's Patient Advice and Liaison Service (PALS) and patient representative groups such as the Women's Council and the Neonatal Parents' Group;
- liaison with regional and local government through the Trust's participation in the West Midlands Health and Well-being Partnership and the work of Birmingham City Council's Overview & Scrutiny Committees;
- consultation with staff, for example in the context of the Improving Working Lives initiative; and
- regular discussion of key issues and performance management arrangements with commissioners and PCTs and (prior to the Trust's authorisation as an NHS Foundation Trust) the West Midlands Strategic Health Authority.

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

A key strategic goal for the Trust is to make the best use of resources by continuing to improve efficiency and productivity and building on its sound track record of achieving significant levels of cost savings.

Towards this end, the Board has implemented arrangements for continuous and detailed monitoring and review of saving plans and robust management and control of spending across the organisation. Key elements of these arrangements are:

- stringent control and management of vacancies linked to a robust redeployment policy;
- monitoring headcount and the use of agency staff to ensure that numbers are reducing in line with savings plans;
- development of hospital-wide projects led by Directors and delivered operationally within Directorates;
- critical review of service developments to ensure not only that expenditure is covered but also that there is at least a 3.5% contribution over and above this;
- the development of income and expenditure statements for clinical services to make the link between activity and income more transparent;
- rigorous sensitivity analysis of the base financial case to ensure that the consequences of shortfalls in cost improvement programmes, increases and decreases in activity levels, variations in capital spending and the impact of reasonable upside and downside effects on income and expenditure are well understood.

The Trust's financial position is reported monthly to the Board, the Management Board and individual budget holders. In addition to information on income and expenditure, capital expenditure, cash and working capital, monthly reporting packs include rolling cash flow forecasts, risk indices, balance sheet projections and reports on progress with cost improvement programmes.

In addition, Directorates report their financial position against plan to a Performance Management Group which meets twice a month. The first meeting focuses on progress against the savings plan and actions needed to ensure achievement against agreed target, while the second deals with the wider performance agenda.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors, the Audit Committee, the Clinical Governance Committee and Executive Directors. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board has played a key role in reviewing risks to the delivery of the Trust's performance objectives through monthly monitoring and discussion of the performance dashboard and more generally through review and discussion of the Assurance Framework.

The Audit Committee has overseen the effectiveness of the Trust's risk management arrangements and the Statement on Internal Control.

The Clinical Governance Committee has monitored key clinical and non-clinical risks highlighted in Directorate risk registers and has ensured that all serious untoward incidents, adverse occurrences and near misses are reported and investigated and that appropriate actions are implemented. Executive Directors have ensured that key risks have been highlighted and monitored within their areas of responsibility and that action has been taken to address them.

My review is also informed by the work of the external auditors, including their opinion on the report and accounts.

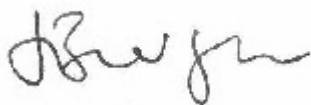
Other external sources of assurance on which reliance has been placed include:

- the Level 2 compliance achieved by the Trust against the core and maternity risk management standards of the NHS Litigation Authority (NHSLA);
- the Healthcare Commission rating of the Trust as "excellent" for quality of services and "fair" for use of resources;
- the successful outcome of licensing and inspection assessments of the Trust carried out by the Clinical Pathology Accreditation Scheme, the Human Tissue Authority and the Human Fertilisation and Embryology Authority; and
- the rigorous application process leading to the Trust's authorisation as an NHS Foundation Trust on 1 February 2008.

A plan to address weaknesses and ensure continuous improvement of the system is in place. In this context, it was reported in the Statement on Internal Control for the 2006/07 financial year that the risk management software previously used within the Trust had proved inadequate. To address this, the Datix Risk Register module is being introduced to support the development and updating of risk registers and will provide enhanced assurance at both Trust and Directorate level that incidents and risks can be captured and reported effectively.

Conclusion

The Statement on Internal Control confirms that there has been a system of internal control in place for the period 1 February to 31 March 2008 and that no significant internal control issues have been identified.



Julie Burgess, Chief Executive
12 June 2008

**INCOME AND EXPENDITURE ACCOUNT FOR THE TWO MONTHS
ENDED 31 MARCH 2008**

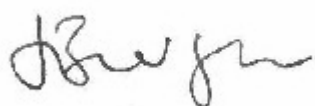
	NOTE	1 Feb - 31 March 2008 £000
Income from activities	3	11,049
Other operating income	4	2,382
Operating expenses	5	<u>(12,435)</u>
OPERATING SURPLUS		996
Profit/(loss) on disposal of fixed assets	8	<u>0</u>
SURPLUS BEFORE INTEREST		996
Interest receivable		77
SURPLUS FOR THE PERIOD		1,073
Public Dividend Capital dividends payable		<u>(262)</u>
RETAINED SURPLUS FOR THE PERIOD		<u><u>811</u></u>

The notes on pages 14 to 38 form part of these accounts.

All income and expenditure is derived from continuing operations.

BALANCE SHEET AS AT 31 MARCH 2008

	Note	As at 31 March 2008 £000	As at 31 Jan 2008 £000
FIXED ASSETS			
Intangible assets	10	119	123
Tangible assets	11	45,184	49,780
		45,303	49,903
CURRENT ASSETS			
Stocks and work in progress	12	385	357
Debtors	13	4,055	3,510
Cash at bank and in hand	19.3	8,105	5,383
		12,545	9,250
CREDITORS: Amounts falling due within one year	15	(9,681)	(8,910)
NET CURRENT ASSETS		2,864	340
TOTAL ASSETS LESS CURRENT LIABILITIES		48,167	50,243
CREDITORS: Amounts falling due after more than one year	15	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	16	(385)	(371)
TOTAL ASSETS EMPLOYED		47,782	49,872
FINANCED BY:			
Taxpayers' equity:			
Public dividend capital	23	40,159	38,039
Revaluation reserve	18	3,190	7,758
Donated asset reserve	18	869	1,322
Income and expenditure reserve	18	3,564	2,753
TOTAL TAXPAYERS' EQUITY		47,782	49,872



Julie Burgess, Chief Executive

12 June 2008

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE
TWO MONTHS ENDED 31 MARCH 2008**

	1 Feb - 31 March 2008 £000
Surplus for the period before dividend payments	1,073
Unrealised deficit on fixed asset and current asset investments and revaluations	(5,008)
Reductions in the donated asset reserve due to the depreciation, impairment and disposal of donated assets	(13)
TOTAL RECOGNISED LOSSES FOR THE PERIOD	<u><u>(3,948)</u></u>

**CASH FLOW STATEMENT FOR THE TWO MONTHS ENDED 31 MARCH
2008**

	Note	1 Feb - 31 March 2008 £000
OPERATING ACTIVITIES		
Net cash inflow from operating activities	19.1	2,194
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:		
Interest received		<u>65</u>
Net cash inflow from returns on investments and servicing of finance		65
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets		<u>(869)</u>
Net cash outflow from capital expenditure		(869)
DIVIDENDS PAID		
		<u>(787)</u>
Net cash inflow before management of liquid resources and financing		603
MANAGEMENT OF LIQUID RESOURCES		
Net cash inflow before financing		<u>603</u>
FINANCING		
Public dividend capital received		<u>2,119</u>
Net cash inflow from financing		2,119
Increase in cash		<u><u>2,722</u></u>

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 are 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 Principles 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 Income recognition

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

1.3 Expenditure

Expenditure is accounted for applying the accruals convention.

1.4 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, 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 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 revalued using professional valuations in accordance with FRS 15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) *Appraisal and Valuation Manual*. The last full asset valuation was undertaken in 2004 and accounted for on 31 March 2005. A professional interim valuation was undertaken in 2008 and accounted for at 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 five or three-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.

Depreciation, amortisation and impairments

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

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

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed 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:

- Short life medical equipment - 5 years
- Medium life medical equipment - 10 years
- Long life medical equipment - 15 years

- IT equipment - 5 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.

1.5 Intangible fixed assets

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

Intangible fixed assets held for operational use are valued at historical cost and are amortised 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 and amortised over the shorter of the term of the licence and their useful economic lives.

1.6 Donated fixed assets

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

1.7 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Work-in-progress comprises goods and services in intermediate stages of production. Partially completed spells within contracts for patient services are not accounted for as work-in-progress.

1.8 Cash, bank and overdrafts

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

1.9 Research and development

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

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

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Where possible, NHS foundation trusts disclose the total amount of research and development expenditure charged in the Income and Expenditure account separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

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

1.10 Provisions

The NHS foundation 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 HM Treasury's discount rate of 2.2% in real terms.

Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 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 defined as:

- Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Clinical negligence costs

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

Non-clinical risk pooling

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

1.11 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.nhsbsa.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.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a. Full actuarial (funding) valuation

The purpose of this valuation 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 valuation, which determined current contribution rates, was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees' contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b. FRS17 accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability, as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

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

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. 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.

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

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.12 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.

1.13 Corporation tax

The Trust is a Health Service Body within the meaning of s 519A ICTA 1988 and accordingly is exempt from taxation in respect of income and expenditure gains within categories covered by this. There is a power for the Treasury to disapply the exemption in relation to specified activities of a Foundation Trust (ss 519A (3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the scope of corporation tax in respect of activities which are not related to, or ancillary to, the provision of healthcare, and where the profits therefrom exceed £50,000 per annum.

1.14 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.

1.15 Third party assets

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

1.16 Leases

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

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires.

The interest element of the finance lease payment is charged to the income and expenditure account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the income and expenditure account on a straight-line basis over the term of the lease.

1.17 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 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 NHS foundation trust. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Office of the Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

1.18 Financial instruments and financial liabilities

Recognition

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

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 categorised as 'Fair Value through Income and Expenditure', Loans and receivables, or 'Available-for-sale financial assets'.

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 expenditure 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 are comprised of 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the Trust intends to dispose of them within 12 months of the balance sheet date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves. When items classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments recognised in reserves are included in the income and expenditure account.

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 estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

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

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 would be determined from either quoted market prices, independent appraisals, discounted cash flow analysis, or some other method which would be described.

1.19 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the Income and Expenditure account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 29 is compiled directly from the losses and compensations register which is prepared on a cash basis.

2. SEGMENTAL ANALYSIS

Due to the singular nature of the Trust's business, segmental disclosure is not required per SSAP25.

3. INCOME FROM ACTIVITIES

	1 Feb - 31 March 2008 £000
Foundation Trusts	33
NHS Trusts	42
Primary Care Trusts	9,987
Department of Health - other	795
Non NHS:	
- Private Patients	192
	11,049

3.1 Private patient income

	1 Feb - 31 March 2008 £000	Base year £000
Private patient income	192	920
Total patient-related income	11,049	42,485
Proportion (as percentage)	1.74%	2.17%

Section 44 of the NHS Act 2006 requires that the proportion of private patient income to the total patient-related income of the Trust should not exceed its proportion whilst the body was an NHS Trust in 2002/03 or the base year.

4. OTHER OPERATING INCOME

	1 Feb - 31 March 2008 £000
Research and development	77
Education and training	560
Charitable and other contributions to expenditure	68
Transfers from donated asset reserve	13
Non-patient care services to other bodies	695
Other income	969
	<u>2,382</u>

The material items included in "Other Income" are £0.5m for West Midlands Cancer Intelligence Unit, £0.2m for the West Midlands Public Health Observatory and £0.1m for Clinical Excellence Awards.

5. OPERATING EXPENSES

5.1 Operating expenses comprise:

	1 Feb - 31 March 2008 £000
Services from Foundation Trusts	71
Services from other NHS Trusts	52
Executive directors' costs	126
Non-executive directors' costs	8
Staff costs	8,205
Supplies and services - clinical	1,372
Supplies and services - general	242
Establishment	164
Transport	109
Premises	493
Depreciation and amortisation	541
Audit fees	23
Clinical negligence	504
Other	525
	<u>12,435</u>

5.2 Operating leases

5.2.1 Operating expenses include:

	1 Feb - 31 March 2008 £000
Hire of plant and machinery	6
Other operating lease rentals	21
	<u>27</u>

5.2.2 Annual commitments under non-cancellable operating leases are:

	1 Feb - 31 March 2008	
	Land and buildings £000	Other leases £000
Operating leases which expire:		
Within 1 year	0	23
Between 1 and 5 years	0	23
After 5 years	104	0
	<u>104</u>	<u>46</u>

6. Staff costs and numbers

6.1 Staff costs

	1 Feb -31 March 2008		
	Total £000	Permanently Employed £000	Other £000
Salaries and wages	6,602	6,602	0
Social Security Costs	498	498	0
Employer contributions to NHSPA	810	810	0
Agency/contract staff	421		421
	<u>8,331</u>	<u>7,910</u>	<u>421</u>

6.2 Average number of persons employed

	1 Feb - 31 March 2008		
	Total no.	Permanently Employed no.	Other no.
Medical and dental	105	99	6
Administration and estates	311	302	9
Healthcare assistants and other support staff	96	96	0
Nursing, midwifery and health visiting staff	493	490	3
Scientific, therapeutic and technical staff	254	251	3
Total	1,259	1,238	21

6.3 Employee benefits

There were no employee benefits paid in the 2 months to 31st March 2008.

6.4 Management costs

	1 Feb - 31 March 2008 £000
Management costs	421
Income	13,625

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

6.5 Retirements due to ill-health

During 2007/08, the NHS Pensions Agency has provided information on three early retirements from the NHS Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £98,284.74. The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	Year ended 31 March 2008	
	no.	£000
Total non-NHS trade invoices paid in the year	9,681	23,855
Total non-NHS trade invoices paid within target	9,418	23,483
Percentage of non-NHS trade invoices paid within target	97%	98%
Total NHS trade invoices paid in the year	999	21,815
Total NHS trade invoices paid within target	945	18,655
Percentage of NHS trade invoices paid within target	95%	86%

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

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

The Trust made no payments of interest for late payment of commercial debt.

8. Profit/(loss) on disposal of fixed assets

There were no profits or losses on disposal of fixed assets.

9. Interest payable

The Trust has no interest payable.

10. Intangible fixed assets

	Software licences £000	Total £000
Gross cost at 1 Feb 2008	133	133
Indexation	0	0
Impairments	0	0
Reclassifications	0	0
Revaluation	0	0
Additions purchased	0	0
Additions donated	0	0
Additions government granted	0	0
Disposals	0	0
Gross cost at 31 March 2008	133	133
Amortisation at 1 Feb 2008	10	10
Indexation	0	0
Impairments	0	0
Reversal of impairments	0	0
Reclassifications	0	0
Revaluation	0	0
Charged during the period	4	4
Disposals	0	0
Amortisation at 31 March 2008	14	14
Net book value		
- Purchased at 1 Feb 2008	123	123
- Donated at 1 Feb 2008	0	0
Total at 1 Feb 2008	123	123
- Purchased at 31 March 2008	119	119
- Donated at 31 March 2008	0	0
Total at 31 March 2008	119	119

11. Tangible fixed assets

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

	Land £000	Buildings exc dwellings £000	Dwellings £000	Assets under construction £000	Plant and machinery £000	Information Technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 Feb 2008	9,185	40,916	4,037	838	15,200	2,032	2,148	74,351
Additions purchased	0	0	0	125	824	0	0	949
Additions donated	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Other in year revaluation *	(335)	(3,398)	(1,275)	0	0	0	0	(5,008)
Disposals	0	0	0	0	0	0	0	0
At 31 March 2008	8,850	37,518	2,762	958	16,024	2,032	2,148	70,292
Depreciation at 1 Feb 2008	0	9,553	1,947	0	9,928	1,813	1,330	24,571
Provided during the period	0	248	54	0	184	15	36	537
Impairments	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Other in year revaluation	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Depreciation at 31 March 2008	0	9,801	2,001	0	10,112	1,828	1,366	25,108
Net book value								
- Purchased at 1 Feb 2008	9,185	30,149	2,089	833	5,207	219	776	48,458
- Donated at 1 Feb 2008	0	1,215	0	0	65	0	42	1,322
Total at 1 February 2008	9,185	31,364	2,089	833	5,272	219	818	49,780
- Purchased at 31 March 2008	8,850	26,951	761	958	5,850	204	741	44,315
- Donated at 31 March 2008	0	766	0	0	62	0	41	869
Total at 31 March 2008	8,850	27,717	761	958	5,912	204	782	45,184

* an interim valuation was carried out as at 31 March 2008 by the District Valuer in line with the Trust's accounting policy

11.2 Analysis of tangible fixed assets

	Land £000	Buildings exc dwellings £000	Dwellings £000	Assets under construction £000	Plant and machinery £000	Information Technology £000	Furniture & fittings £000	Total £000
Net book value								
- Protected assets at 31 March 2008	8,850	27,717	761	0	0	0	0	37,328
- Unprotected assets at 31 March 2008	0	0	0	958	5,912	204	782	7,856
Total at 31 March 2008	8,850	27,717	761	958	5,912	204	782	45,184

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

	31 Mar 2008 £000	31 Jan 2008 £000
Freehold	26,778	31,530
Long leasehold	10,550	11,108
Short leasehold	0	0
TOTAL	37,328	42,638

12. Stocks and work in progress

	31 Mar 2008 £000	31 Jan 2008 £000
Raw materials and consumables	385	357
TOTAL	385	357

13. Debtors

	31 Mar 2008 £000	31 Jan 2008 £000
Amounts falling due within one year:		
NHS debtors	2,719	1,715
Provision for irrecoverable debts	(44)	(45)
Other prepayments and accrued income	686	1,076
Other debtors	694	764
Sub-total	4,055	3,510
Amounts falling due after more than one year:	0	0
TOTAL	4,055	3,510

14. Investments

The Trust holds no investments.

15. Creditors

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

	31 Mar 2008 £000	31 Jan 2008 £000
Amounts falling due within one year:		
NHS creditors	1,501	1,659
Other tax and social security costs	20	1,047
Other creditors	2,172	2,469
Capital creditors	390	330
Accruals and deferred income	5,598	3,405
Sub-total	9,681	8,910
Amounts falling due after more than one year:	0	0

15.2 Prudential borrowing limit

	2008 £000
Prudential borrowing limit set by Monitor	16,200
Working capital facility	5,500
Minimum dividend cover	6.2

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

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

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

16. Provisions for liabilities and charges

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Other £000	Total £000
At 1 February 2008	0	0	270	101	371
Change in discount rate	0	0	0	0	0
Arising during the period	0	0	10	10	20
Utilised during the period	0	0	0	0	0
Reversed unused	0	0	(6)	0	(6)
Unwinding of discount	0	0	0	0	0
At 31 March 2008	0	0	274	111	385

Expected timing of cashflows:

Within one year	0	0	274	111	385
Between one and five years	0	0	0	0	0
After five years	0	0	0	0	0

The provisions included in "Legal claims" are for employment related claims and those within "Other" relate to potential settlements. The provisions have been calculated based on information received from the Trust's legal advisers, taking into account indications of uncertainty and timing of payments. In event that they are successful, it is anticipated that they will be settled within the next 12 months.

£20,312,914 is included in the provisions of the NHS Litigation Authority at 31 March 2008 in respect of clinical negligence liabilities of the NHS Trust (31 March 2007 £7,397,650).

17. Movement in taxpayers' equity

	31 March 2008 £000	31 Jan 2008 £000
Taxpayers' equity at start of period	49,872	46,010
Surplus/(deficit) for the financial year	1,073	2,019
Public dividend capital dividends	(262)	(1,312)
Surplus/(deficit) from revaluations of fixed assets	(5,008)	3,205
New public dividend capital received	2,120	0
Additions/(reductions) in donated asset reserve	(13)	(50)
Taxpayers' equity at 31 March 2008	47,782	49,872

18. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Income and Expenditure reserve £000	Total £000
At 1 Feb 2008	7,758	1,322	2,753	11,833
Transfer from the Income and Expenditure account			811	811
Surplus/(deficit) on the revaluation of fixed assets and current asset investments	(4,568)	(440)	0	(5,008)
Transfers to the Income and Expenditure account for depreciation, impairment and disposal of donated assets	0	(13)	0	(13)
At 31 March 2008	<u>3,190</u>	<u>869</u>	<u>3,564</u>	<u>7,623</u>

19. Notes to the cash flow statement

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

	1 Feb - 31 March 2008 £000
Total operating surplus	996
Depreciation and amortisation charge	541
Transfer from donated asset reserve	(13)
(Increase)/decrease in stocks	(28)
Increase/ (Decrease) in debtors	(552)
Increase/(decrease) in creditors	1,236
Increase/ (decrease) in provisions	14
Net cash inflow from operating activities	<u><u>2,194</u></u>

19.2 Reconciliation of net cash flow to movement in net debt

	£000
Increase in cash in the period	2,722
Cash inflow from new debt	0
Cash outflow from debt repaid and finance lease capital payments	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0
Change in net debt resulting from cashflows	2,722
Non - cash changes in debt	0
Net funds at 1 Feb 2008	5,383
Net funds at 31 March 2008	8,105

19.3 Analysis of changes in net debt

	At 1 Feb 2008 £000	Cash changes in period £000	At 31 March 2008 £000
OPG cash at bank	5,333	2,681	8,014
Commercial cash at bank and in hand	50	41	91
	<u>5,383</u>	<u>2,722</u>	<u>8,105</u>

The Trust held £3.05 million cash at bank and in hand at 31 March 2008 which relates to monies held by the Trust on behalf of the West Midlands Cancer Intelligence Unit and the West Midlands Public Health Observatory.

20. Capital commitments

Commitments under capital expenditure contracts at 31 March 2008 were £537,464 (31 January 2008 £521,661)

21. Post balance sheet events

The Trust has no post balance sheet events.

22. Contingencies

	1 Feb - 31 March 2008 £000
Contingent liabilities	24
Amounts recoverable against contingent liabilities	0
Net value of contingent liabilities	24

There are £24,065 (31 March 2007 - £16,350) included above which relates to amounts notified by the NHSLA for potential employer and public liability claims over and above the amounts provided for in note 16.

23. Movement in Public Dividend Capital

	1 Feb - 31 March 2008 £000
Public Dividend Capital as at 1 February 2008	38,039
New Public Dividend Capital received	2,120
Public Dividend Capital as at 31 March 2008	40,159

24. Related party transactions

Birmingham Women's NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a related party. During the period Birmingham Women's 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. The main local commissioners are South Birmingham PCT, Heart of Birmingham Teaching PCT and the West Midlands Specialised Commissioning Team from whom the Trust received £7.6m for health care contracts in the 2 month period. Additionally the Trust has transacted with a large number of other PCTs and NHS Trusts including Birmingham East and North PCT, Worcestershire PCT, Warwickshire PCT, South Staffordshire PCT, Sandwell PCT, Walsall PCT, University Hospital Birmingham NHS Foundation Trust, Birmingham Children's Hospital NHS Foundation Trust, Heart of England NHS Foundation Trust, Solihull Care Trust, Dudley PCT and Sandwell and West Birmingham Hospitals NHS Trust as well as NHS Logistics and the National Blood Service.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Department for Education and Skills in respect

of the University of Birmingham. The Trust also had a material level of direct transactions with the University of Birmingham.

The Trust has also received revenue and capital payments from BWH charitable funds, the Trustees of which are also members of the Trust Board of Directors.

25. Private Finance transactions

The Trust holds no Private Finance schemes.

26. Pooled budget

The Trust has no pooled budget projects.

27. Financial instruments

FRS 29 requires that entities quantify and disclose the role financial instruments have played in creating or changing their exposure to risk. A financial instrument is any contract that gives rise to a financial asset of one company and a financial liability or equity instrument in another company. Examples of financial assets are cash, deposits in other companies, trade receivables, loans to other companies, investments in debt instruments, investments in shares and other equity instruments. Examples of financial liabilities are trade payables, loans from other companies and debt instruments issued by the company. The Standard also applies to more complex derivative financial instruments such as call options, put options, forwards, futures and swaps. Due to the Trust's terms of authorisation and our use of public funds, our ability to deal in instruments is limited. A derivative is a financial asset or liability that requires no initial investment, will be settled at a future date and whose value changes in relation to a specified interest rate, index or other variable.

Derivatives can be found within PFI contracts and contracts for the supply of goods and services. To this end we have reviewed our contracts and found that although they contain derivatives in relation to price increases over the life of contracts, the price increases are in line with UK Retail Price Index which is deemed to be a closely related economic market and therefore does not require separate disclosure.

Liquidity risk

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

Interest rate risk

100% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Birmingham Women's NHS Foundation Trust is not, therefore, exposed to significant interest rate risk.

Foreign currency risk

The Trust has no/negligible foreign currency income or expenditure.

27.1 Fair values

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

	Book value £000	Fair value £000	
Financial assets			
Other	0	0	
Investments	0	0	
Agreements with commissioners to cover creditors and provisions	28	28	a
Total	28	28	
Financial liabilities			
Creditors over 1 year:	0	0	b
Provisions under contract	385	385	c
Loans	0	0	
Total	385	385	

Notes

- a. These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/ unwinding of discount.
- b. To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.
- c. 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.

28. Third party assets

The Trust held £nil cash at bank and in hand at 31 March 2008 (£nil - at 31 January 2008) which relates to monies held by the NHS Trust on behalf of patients.

29. Losses and special payments

There were three cases of losses and special payments (10 months ended January 2008: 21 cases) totalling £268 (10 months ended January 2008: £8,118) paid during the two months ended 31 March 2008.