Salford Royal NHS
NHS Foundation Trust

University Teaching Hospital

# SALFORD ROYAL NHS FOUNDATION TRUST

## 2005/06 ANNUAL REPORT AND SUMMARY FINANCIAL STATEMENTS OF SALFORD ROYAL HOSPITALS NHS TRUST

*Published September 2006*

# Contents

# Section 1: Foreword

1.1 Salford Royal Hospitals NHS Trust was established as a fourth wave Trust on 1st April 1994. The Trust comprises of Hope Hospital site and the Maples Neurorehabilitation Centre on a separate site. The Trust has provided consistently high clinical standards, with an excellent financial management record over many years and through achievement of national performance standards has demonstrated its capability to be licensed as a Foundation Trust, from 1st August 2006.

1.2 The Trust is one of three Teaching Trusts in Greater Manchester, providing a comprehensive range of acute services to a local Salford population of 216,000, as well as more specialist services to the populations of Greater Manchester and beyond. Our specialist services include:

- Neurosciences
- Renal Medicine
- Intestinal Failure
- Complex Spines
- Specialist Cancer
- Specialist Dermatology
- Specialist Neonatal Care

1.3 The Trust employs over 4,200 staff and in 2005/06 had an income of £215 million. Our clinical activity delivery in 2005/6 can be summarised as follows:

| **Point of Delivery** | **Outturn Actual 2005/06** |
|---|---|
| Day Case Spells | 16,690 |
| In-patient Elective Spells | 7,954 |
| Non Elective Spells | 32.483 |
| First Out-patient Attendances | 55,649 |
| Follow Up Out-patient Attendances | 186,069 |

1.4 As an NHS Trust the Trust Board set the strategic direction for the Trust and was statutorily responsible for the organisation's activities on behalf of the Secretary of State. The Executive Board was responsible for the overall performance of the Trust and the delivery of its strategic and operational activities.

1.5 The Trust Board has modified its governance arrangements in preparation for Foundation Trust status.

1.6 This Annual Report for 2005/06 provides a report on the Trust's performance, both clinically and financially over the period.

# Section 2: Chief Executive and Chairman's Introduction

2.1 The Trust has enjoyed another very successful year. The Trust's reputation for strong performance management has once again delivered improvements in quality, exceeded planned throughput and maintained financial balance.

2.2 Our continuing success has enabled us to achieve our goal of becoming a Foundation Trust. We believe that being a Foundation Trust will provide much greater freedom to develop services that satisfy the needs and expectations of our patients.

2.3 Whilst becoming a Foundation Trust provides greater freedoms it also brings with it increased responsibilities. To succeed as a Foundation Trust the organisation must pay far greater attention to how it plans for its future. In 2005/06 the Trust consulted widely with its staff, the public and partner healthcare organisations to create a five-year Service Development Strategy (SDS) for the organisation. The development of an SDS is a significant part of the Foundation Trust application process.

2.4 The Service Development Strategy has been instrumental in the development of our plans for 2006/07. The 2006/07 Annual Plan describes how we intend to develop and invest in our services in the current year and can be obtained from the Trust on request or found on the Trust's website http://www.srht.nhs.uk. As details of our forward plans are described in our published Annual Plan this Annual Report differs from those in previous years in that it only provides a retrospective look at our performance i.e. it does not include our plans for the coming year.

2.5 Of great importance to the Trust Board is the continued dedication, professionalism and hard work displayed by its staff. The Board is immensely proud of the Trust's achievements and recognises the immeasurable contribution made by our staff in this regard.

2.6 As we look back over the past year we would like to encourage your continued interest in, and support of, the Trust in its transition to Foundation Trust status. The opportunity to work more closely with the public we serve and partner organisations is vital to our continued success. We actively encourage our patients and the public to become involved through becoming members of the Foundation Trust. More information on becoming a member of the FT can be obtained by contacting the Trust Executive or accessing the Trust website http://www.srht.nhs.uk**.**

# Section 3: Operating and Financial Review

## 3.1. Review of 2005/06

3.1.1 The Trust can look back on 2005/06 as a year of achievement, having once again treated more patients and improved the standard of care they received. This year the Trust met or exceeded the following key targets:

- **Total Time in A&E**: 98% or more of patients attending A&E were seen, treated, admitted or discharged within four hours of arrival

- **Two week Cancer Wait**: All patients referred with suspected cancers were seen within two weeks of referral.

- **Waiting Times for Rapid Access Chest Pain Clinic**: All patients with new onset chest pain were seen in the RACPC within 2 weeks of referral

- **Cancer 1 Month Target**: All patients diagnosed with cancer were treated within 31 days of their definitive diagnosis.

- **Outpatient waiting times**: No patient waited more than 13 weeks for a first outpatient appointment

- **Inpatient waiting Times**: No patients waited more than 6 months for an elective treatment

- **Thrombolysis Treatment Time**: All patients received treatment within 1 hour of calling for help.

- **Delayed Transfer of Care**: Number of patients that could have been discharged remaining in a hospital bed longer than necessary for their care.

3.1.2 The Trust also made good progress in the following

- **Cancer 2 Month Wait**: From January 2006 all Trusts are required to meet a target of 95% of patients receiving their treatment within 2 months of their referral. Since January the Trust has achieved 91%.. Meeting the 95% depends on close working between NHS providers to ensure all patients are seen on time. A key reason for the Trust not meeting this target concerns delays in access to radiotherapy services at other NHS Trusts. The Trust is working with its partner organisations to ensure that we meet the 95% target in the 2006/07 year.

- **Cancelled Operations**: The NHS Plan requires that all patients who have their operation cancelled at short notice (on the day of their operation) receive the offer of a definitive date to come in within 28 days of the cancellation. In 2005/06 not all patients were offered a suitable date. The Trust has set the delivery of this target as a key priority in 2006/07.

3.1.3 The Trust also performed well against the quality standards laid down within the Healthcare Commission's "Standards for Better Health".

## 3.2 Summary Developments in 2005/06

3.2.1 The Trust continued to invest in and develop services, making additional consultant appointments in accident and emergency (paediatrics), anaesthetics/intensive care, cardiology, general surgery, urology and neonatology. The number of beds available to treat patients suffering from renal disease and those requiring critical care were increased.

3.2.2 The Trust has also invested in the estate and in the past year has:

- Refurbished our Emergency Clinical Decision Unit (ECDU)
- Created a 28 bedded Emergency Admissions Ward.
- Developed facilities that allow on site cardio-angiography.
- Upgraded and redecorated surgical and medical wards.
- Expanded the Surgical High Dependency Unit

3.2.3 The quality of care provided has also improved. The Trust has implemented the "essence of care" programme across all our ward areas. Through this programme the Trust ensures that all patients receive the highest quality of care from nursing staff. Also improved are the services that work alongside our clinical teams to make patients' experiences as positive as possible. This year patients recognised our efforts by voting the Trust top in a survey on the standards of food and hospital environment.

3.2.4 Patient safety is a top priority for the Board, who have introduced a range of new systems and processes to help to minimise risks to the patients in our care. As an example the Trust has strengthened the infection control team, helping to achieve a reduction in the number of cases of MRSA in the hospital this year.

3.2.5 The Trust Board recognises that these achievements would not have been possible without the dedication and commitment of all of the staff. The Board is proud that last year the staff voted the Trust one of the top ten NHS hospital employers in the UK in the "Nursing Times" poll. The Board's commitment to the staff is demonstrated by the Trust's status as an Improving Working Lives Practice Plus employer.

3.2.6 The Trust continues to try and improve the working lives of its staff. This year the Trust has continued with its zero tolerance approach to violence and aggression on Trust premises. This approach is supported by an increase in on site security through improvements in site surveillance systems. This has significantly reduced the incidences of violence and aggression towards Trust staff.

3.2.7 All of the above has been achieved within the financial resources available, maintaining the Trust's reputation for strong financial management.

## 3.3 Emergency Planning

3.3.1 As a major provider of NHS emergency services the Trust is required to have a Major Incident Plan in place that will ensure effective responses to a range of major incidents and/or emergencies e.g. train crash, bombings, flu pandemic.

3.3.2 The Trust has a well-developed Major Incident Plan. This is continually reviewed and tested using scenario - based table top exercises, communication exercises that target key individuals and live exercises. Staff can access the Major Incident Plan via a link on the Trust's internal website and there are also paper copies distributed in key areas throughout the Trust.

3.3.3 The Trust is also in the process of developing a comprehensive plan for the event of a flu pandemic. This is being carried out in conjunction with Salford Primary Care Trust and Salford City Council as well as the Health Protection Unit and the Strategic Health Authority.

3.3.4 The Trust is also currently reviewing its own business continuity plans which look at maintaining our essential services in the event of problems such as loss of power or severe shortage of staff. These plans cover in detail the contingencies that would be put in place if key services were affected, such as Estates and Informatics.

## 3.4 Our Plans for the Future

3.4.1 2006/07, our first year as a Foundation Trust, is expected to be both challenging and rewarding. As part of the application process the Trust was required to develop a Service Development Strategy (SDS) describing the Trust's strategic, clinical and financial intentions for the next five years. The Trust finalised its SDS in April 2006.

3.4.2 For 2006/07 an Annual Plan has been developed that describes how the strategic objectives described in the SDS will be progressed in the coming year. The Annual Plan contains details the Trust's service development plans for 2006/07, along with the capital investments that we will be making that underpin both current and future plans. The Annual Plan can be found on the Trusts website at http://www.srht.nhs.uk

## 3.5 Developing Our Staff

3.5.1 The quality of services and the Trust's ability to develop and improve is dependent on the skills and commitment of its staff. The Trust works hard to provide a positive developmental environment for all staff and the Board is proud of the Trust's reputation as a good employer.

3.5.2 The Human Resources Directorate exists to support the Trust in achieving its objectives through the provision of interventions, expert advice and support to managers.

3.5.3 All senior managers within the Directorate are members of the Chartered Institute of Personnel and Development and as such are bound by the Institute Code of Practice. Other Human Resources staff are also expected to act in accordance with the Code of Practice.

3.5.4 The Directorate seeks to promote a culture whereby staff within the Trust are valued and treated ethically and the Trust and its managers act within legislation requirements and in accordance with both recognised Codes of Practice and accepted good practice.

3.5.5 The Trust is keen to promote diversity and equality and has a range of policies to support its stance. The Trust's "Equal Opportunities" policies ensure that cultural diversity is both encouraged and respected within the Trust.

## 3.6 Communication and Engagement

3.6.1 The Trust has a wide range of mechanisms through which it communicates and engages with its staff, the local population and its healthcare partners.

3.6.2 Internally, the executive team hosts a monthly Team Brief/Managers' Forum where the Chief Executive Officer (CEO) reports key messages to senior managers and clinicians from across the organisation. The "Team Brief" is followed by a 'workshop' focused on a priority issue for the Trust. Managers are required to ensure that information provided at the Team Brief is cascaded through clinical and management teams within 48 hours of the CEO's presentation. A written brief and copies of the associated presentation are also available via the Synapse intranet.

3.6.3 The Trust publishes regular information on "Synapse" and produces a monthly newsletter "The Gen".

3.6.4 The Trust has excellent working relationships with its local healthcare partners through the Salford's Health Investment For Tomorrow (SHIFT) Programme. The SHIFT Programme consists of a range of projects encompassing service change and capital investment that are being implemented across Salford's health partners and designed to transform the way that services are provided in the future.

3.6.5 Patient and public involvement (PPI) is well established in the Trust with approximately 40 staff acting as PPI Champions and leading PPI initiatives within their own ward/department/area. The Trust welcomes and creates opportunities for patients and the public to comment on and shape its services as a matter of routine.

3.6.6 As part of our plans to become a Foundation Trust (FT) the Trust has developed a Membership Strategy. Prior to our approval as an FT 4,000 members of the public had signed-up as potential members indicating the significant degree of local interest in becoming involved with the Trust. All Trust staff are registered as FT members (unless they chose to opt out), to ensure that they are active stakeholders in the organisation and have every opportunity to influence the organisation's future.

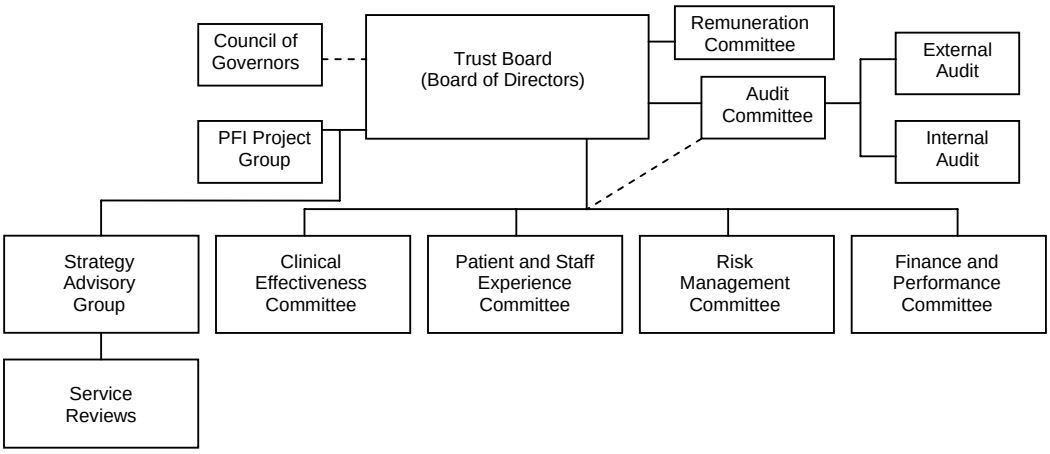
3.6.7 A "Council of Governors" has been established who will lead on positive engagement with our patients and the public, overseeing the FT Membership Strategy.

3.6.8 The Trust participates in the national programme of patient surveys.

# 3.7 Our Management

3.7.1 The Trust Board is an experienced team that has achieved major improvements in performance over the past four years. The Directors have collectively delivered, through performance management systems and capacity and capability development, major service reforms and improvement alongside the achievement of key financial, activity and quality standards.

3.7.2 In preparation for becoming a Foundation Trust the Trust's Board of Directors have reviewed the organisation's management structures and processes. As a result, the Trust Board has established a new corporate assurance structure, shown diagrammatically below:




3.7.3 There are four ***Executive Governance Committees*** each focussed on a critical area of governance:

- Clinical Effectiveness
- Patient and Staff Experience
- Risk Management
- Finance and Performance

3.7.4 These committees, though focused on a particular theme, have a common responsibility for carrying out the detailed work of assurance on behalf of the Trust Board. They report their findings and recommendations to the Trust Board and:

- contribute to the development of the Annual Plan.

- scrutinise reports on the management of risk, the delivery of the Annual Plan and compliance with Standards for Better Health.

- give the Trust Board confidence that the systems, policies and people they have put in place to deliver the Annual Plan are operating in compliance with Standards for Better Health, are effective, are focused on key risks and are driving the delivery of the Trust's objectives.

- recommend to the Trust Board the level of assurance required, the source of assurance required and how the reporting of assurances will be managed and coordinated.

- provide the Board with the evidence required of the effectiveness of controls in order to be able to sign the annual Statement of Internal Control and the Declaration of Compliance with Standards for Better Health.

- scrutinise reports and evidence of assurances provided by clinicians, managers, Trust committees and independent assurance on the status of the Trust's internal controls.

- ensure that unacceptable levels of assurance and risks are reported to the Trust Board for their consideration.

- review the management of incidents and risks with a risk profile score of 10 and above, and report on all risks with a risk profile score of 12 and above to the Trust Board, in order to assure the Trust Board that these are being managed effectively and lessons learnt implemented.

3.7.5 To support the work of the Trust's assurance groups a range of new reporting systems and processes have been introduced that significantly improve the availability and quality of information. The Trust Board receives regular reports from all assurance groups that enable it to track performance and risks and to support planning for the future.

3.7.6 The ***Audit Committee*** supports the Trust's non-executive directors in their ability to effectively challenge and assure themselves that the Trust is being run effectively, efficiently and economically.

3.7.7 The ***Remuneration Committee*** reviews the terms and conditions of employment of the Executive team, assesses performance and recommends salary changes.

3.7.8 The ***Strategy Advisory Group*** has the purpose of ensuring that the Board of Directors remains pivotal in determining the strategy of the Trust. The Strategy Advisory Group includes representation from a wide range of clinical and managerial staff.

## 3.8 Statement of Internal Control

3.8.1 The Trust Board is accountable for internal control. The Trust's Chief Executive is responsible for maintaining, on behalf of the Board, a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives.

3.8.2 The Chief Executive also has responsibility for safeguarding public funds and the organisation's assets, as set out in the Accountable Officer Memorandum.

3.8.3 The Chief Executive is required to provide a signed declaration to the effect that the appropriate systems, structures and processes are in place that ensure the delivery of these objectives. This is called a Statement of Internal Control

3.8.4 A copy of the Trust's Statement of Internal Control is attached to this report as Appendix 1.

## 3.9 Register of Declared Interests

3.9.1 Trust Board Directors are required to declare any interests they have which are relevant and material to their membership of the Board.

3.9.2 Detailed below are the interests declared by Trust Board members in 2005/06:

| Name | Interests Declared |
|---|---|
| Peter Barnes<br>Executive Medical Director | ▪ None |
| Joy Dale<br>Non-Executive Director | ▪ Chair, Royal College of General Practitioners' (RCGP) Patient Partnership Group<br>▪ Trustee, Combined Hospitals' Citizens Advice Bureau |
| David Dalton<br>Chief Executive | ▪ None |
| Martin Hyman<br>Non-Executive Director | ▪ Managing Director and Shareholder of MKH Business Limited<br>▪ Managing Director and Shareholder of Seekers and Seers Limited<br>▪ Regional Business Adviser - Aerospace [Northwest Regional Development Agency/Business Link Lancashire Limited]<br>▪ Director and shareholder in Engaero Limited |
| Elaine Inglesby<br>Executive Nurse Director | ▪ None |
| Raj Jain<br>Director of Workforce and Corporate Affairs | ▪ None |
| Margaret Morris<br>Chair | ▪ Member of Labour Party<br>▪ Elected member (Councillor), City of Salford<br>▪ Executive support member, Development Planning Department, Salford City Council<br>▪ Governor, Barton Moss Primary School<br>▪ Chair of Sarah Lane Trust<br>▪ Director, Fergal Raj Trust |

| Name | Interests Declared |
|---|---|
| | ▪ Life member (retired) of Unison (trade union)<br>▪ Board Member, New Prospect Housing<br>▪ Daughter employed by Trust |
| Hugh Mullen<br>Director of Operations | ▪ None |
| Simon Neville<br>Director of Strategy & Development | ▪ None |
| Katharine Perera<br>Non-Executive Director | ▪ Emeritus Professor, University of Manchester<br>▪ Non-Executive Director, Teachers' TV |
| Jim Potter<br>Deputy Chair & Non-Executive Director | ▪ Director and shareholder in Lasersoft Holdings UK Limited<br>▪ Director of Harland Machine Systems Limited<br>▪ Gerant (owner) of Harland France SARL<br>▪ Executive Vice President of Harland America<br>▪ Executive Director of Harland China (Shanghai) Company Limited |
| David Thompson<br>Non-Executive Director | ▪ Employee of the University of Manchester |
| Tony Whitfield<br>Director of Finance | ▪ None |

3.9.3 The Register of Interests is reviewed annually.

3.9.4 The Register is available to the public via the Trust's external website and available for inspection at Trust Executive Reception.

# 3.10 Financial Reports

## *Director of Finance Report*

3.10.1 I am pleased to report that the year ended 31st March 2006 has been another successful year with the Trust achieving its financial duties. The Trust has reacted positively to the challenges of implementing Payment by Results, with additional activity generating extra income for the Trust during the year.

3.10.2 In 2005/06 the Trust applied to the Department of Health for a licence to operate as a Foundation Trust (FT). This licence has now been granted and we begin operating as an FT from 1st August 2006.

3.10.3 The following sections set out the achievement of the financial duties, commentary on the main income and expenditure items, as well as a forward look to the 2006/07 financial year.

## *Achievement of financial duties*

3.10.4 Copies of the Trust's Summary Financial Statements are included in Section 6 of this report. The full annual accounts and supporting notes are available on request (see paragraph 3.10.8) and show that the Trust has achieved the financial duties required of an NHS Trust, namely:

- **The break-even duty**
  To ensure that income is sufficient to cover the Trust's outgoings i.e. to show that the Trust can live within its means. The Summary Financial Statements show that the Trust achieved a surplus of £449k.

- **The Capital Resource Limit**
  The Capital Resource Limit (CRL) is set by the Department of Health and is the limit on the amount of capital expenditure a Trust can spend in each financial year. The target for 2005/06 was £4,931K, which was met.

- **External Finance Limit**
  The External Financing Limit (EFL) is effectively a limit on the amount of cash the Trust can spend. The EFL for 2006/07 was -£1,562K, (negative EFL means the Trust must pay surplus cash to the Department of Health). To deliver the EFL the Trust ensured that cash at bank on 31st March 2006 did not exceed 0.3% of turnover. Our balance was £619K (0.29%)

3.10.5 In addition, the Trust is expected to:

- **Meet the Better Payments Practice Code**
  The Trust should pay 95% of non-NHS suppliers within 30 days of receiving their valid invoice. In 2005-06, the Trust paid 94% of suppliers within 30 days. Details of the Trust's performance are given on page 25.

- **Provide details of senior manager's remuneration**
  The Trust is required to disclose the salary and pension costs of its senior managers. These costs are shown on pages 18 and 19 In addition, note 1.12 to the Trust's annual accounts describes the accounting policies adopted for determining pension liabilities.

  Senior managers pay is determined through the Trust's Remuneration, Appointments and Terms of Service Committee. Membership of this Committee includes the Trust's Chairman, Chief Executive (unless it is the Chief Executive's remuneration and / or terms of service being discussed) and all Non-Executive directors.

3.10.6 The Trust's external audit service is provided by the Audit Commission and their fee was £175,000, all of which was for statutory audit services. This sum is disclosed in the notes to the Trust's full annual accounts for 2005/06.

3.10.7 During 2005/06, no changes to accounting polices were made.

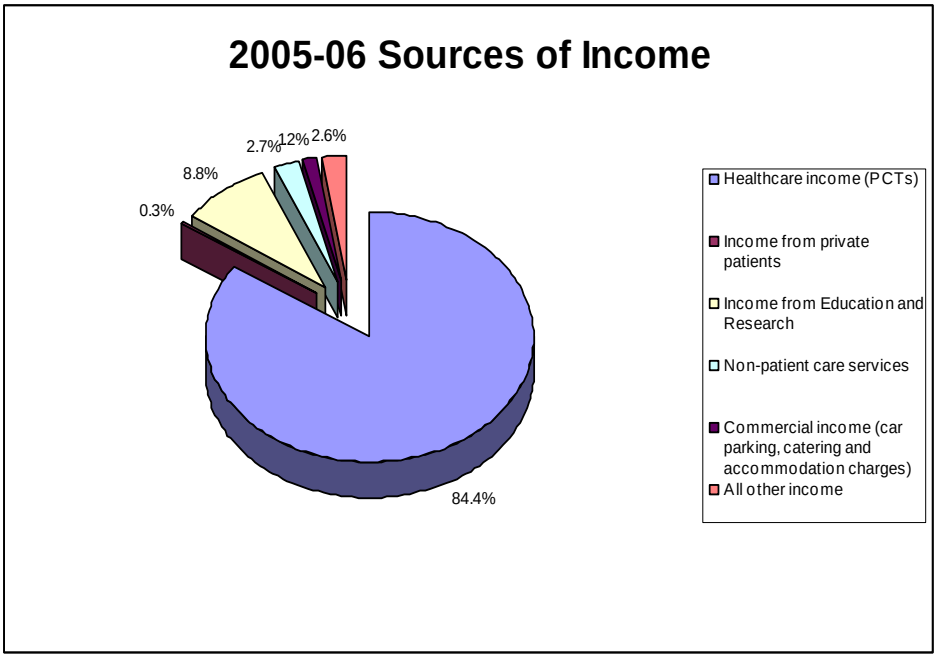
3.10.8 Further details of the Trust's financial performance is available in the 2005/06 Annual Accounts, a copy of which can be requested by writing to the Chief Executive's Office, E2, Hope Hospital, Stott Lane, Salford M6 8HD, alternatively by telephoning 0161-206-5186 or accessing the Trust website http://www.srht.nhs.uk

## *Trust 2005-06 Income and Expenditure*

*Income*

3.10.9 The Trust's turnover in 2005/06 was over £214 million against which the Trust reported a surplus of £449k (0.2%). 2005/06 is the 8th consecutive year that the Trust has reported a surplus of income over expenditure.

3.10.10 The following chart shows the main sources of income to the Trust during 2005/06:




3.10.11 The Trust's main source of income was from NHS commissioners including specialist commissioners who purchase clinical activity from the Trust on behalf of patients. The Trust received over £181 million for delivering clinical activity during 2005/06 across a range of services including specialist services such as neurosciences, renal medicine, intestinal failure services and neonatal care. Developments agreed with commissioners for clinical services during 2005-06 included:

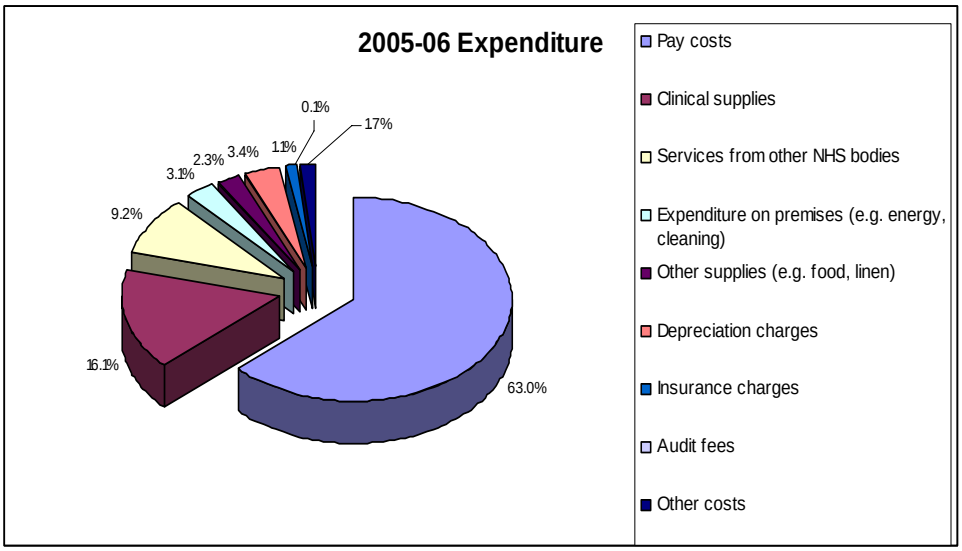
- Additional funding received from specialist commissioners for treating patients with Lysosomal Disorder;
- Full year costs of the expansion of intensive care services;
- Expansion of the renal dialysis service to provide services to patients closer to home.

3.10.12 Nearly 9% of the Trust's income is received to support the costs of providing education, training and research facilities. Education and training income funds the costs of training clinical staff e.g. medical undergraduates, post-graduate doctors in training and non-medical education. Annual research income of over £3.2 million is received from the NHS to support the costs of

providing clinical research in partnership with the Universities of Salford and Manchester.

*Expenditure*

3.10.13 The income received during 2005/06 was used to fund the following types of expenditure.




3.10.14 The Trust's main costs are pay costs. Pay costs have risen during the last few years as a result of implementing pay reforms across the NHS. The pay reforms have now been fully implemented and the Trust's organisational development strategy will develop a framework for ensuring the right numbers of staff with the right skills are in post to deliver quality, patient centred care.

3.10.15 The Trust receives a significant amount of income for Training and Education. The Trust's pay costs include the costs of post graduate medical staff in training plus the costs of the additional staff required to ensure the provision of high quality education to undergraduate medical students.

3.10.16 During 2005/06, the Trust delivered a challenging cost efficiency programme reducing costs by over £5.3 million to enable reinvestment in modern and flexible patient care services.

*2005/06 Capital expenditure*

3.10.17 Once again, investment has been made in the Trust's estate and in purchasing new equipment to support delivery of high quality healthcare. A total of £4.9 million was invested in capital schemes during the year in the following areas.

| | £000s |
|---|---|
| Repair and maintenance of estate | 1,110 |
| Medical equipment | 878 |
| Other minor building schemes and small equipment purchases | 520 |
| Urology ward upgrade | 470 |
| Clinical Decision Unit | 393 |
| Neurosurgery ward upgrade | 374 |
| Provision of temporary ward accommodation | 347 |
| Decontamination scheme | 338 |
| Information Technology | 217 |
| Microbioogy refurbishment | 134 |
| Day Case Unit and Theatres | 89 |
| Nursery / Creche | 60 |
| **Total** | **4,930** |

## *The year ahead*

3.10.18 The Trust became an NHS Foundation Trust from 1st August 2006. This will mean a significant change to the financial environment in which the Trust works, mainly as a result of additional freedoms to make local decisions about future capital investment based on affordability rather than compliance with Department of Health ceilings on allowed spend.

*Income and Expenditure*

3.10.19 During the forthcoming year, the Trust expects to see a small, continued growth in clinical activity and associated income in addition to the development of new, Trust-managed haemodialysis services in Wigan.

3.10.20 From 1st April 2006, over 50% of the Trust's NHS clinical income will be funded at NHS national tariff prices, meaning that every Trust in England receives the same price for the same clinical work done and, furthermore, Trusts will only be paid if clinical activity is actually delivered. The Trust recognises the financial freedoms and benefits that this Payment by Results model can bring in terms of properly funding providers of healthcare for the activity provided.

3.10.21 The Trust's expenditure budgets are planned to increase to reflect increases in costs due to inflation and to recognise additional costs will be incurred during the year to deliver the haemodialysis development in Wigan and other growth in clinical activity.

3.10.22 Increased investment in Trust information management and technology is planned in line with the national Connecting for Health investment programme. The Trust will invest in modern computer systems and services during the next few years to provide more responsive and robust means to collect and retrieve clinical data and to significantly reduce those administration costs associated with dealing with volumes of paper records.

3.10.23 The Trust plans to deliver cost efficiencies of £6.5 million during 2006/07. Trust clinicians and managers will work together to identify, develop and

deliver schemes that will drive out further cost inefficiencies to release resources for continued investment in the Trust's services.

*Planned capital investment*

3.10.24 The Trust plans to invest over £8.3 million in capital developments in 2006/07 including £2.5 million to begin the hospital re-development building programme to provide new operating theatre capacity and a new Heart Care Unit.

3.10.25 Other capital investment planned for 2006/07 includes the purchase of new medical equipment including a new MRI scanner to increase Trust imaging capacity. The key areas for investment are outlined as follows:

| | **£000s** |
|---|---|
| MR scanner | 1,223 |
| Repair and maintenance of estate | 1,156 |
| Day case theatre | 1,000 |
| Other enabling works before hospital redevelopment begins | 1,000 |
| Microbiology scheme | 740 |
| Other minor building schemes and small equipment purchases | 729 |
| Purchase of buildings used by Pain Management and Dermatology services | 600 |
| Medical equipment | 599 |
| Heartcare scheme | 500 |
| Renal expansion | 450 |
| Information Technology | 250 |
| Automated dispensing in Pharmacy | 150 |
| Total | **8,397** |

## *Financial position of the Trust*

*Funding*

3.10.26 The Trust receives both revenue income (income received to support the day-to-day running costs of the Trust e.g. pay costs, drug costs, clinical supplies costs, energy costs) and capital funds (income to fund investment in Trust assets e.g. buildings and equipment).

3.10.27 Revenue income is largely earned by the Trust in delivering clinical activity to NHS commissioners (see pie chart above paragraph 3.10.11).

3.10.28 Trust capital funding during 2005/06 came from internally generated resources i.e. money that the Trust has set aside each year (called depreciation) to enable replacement, repair or purchase of assets.

3.10.29 Whilst the Trust was able to fund its own capital expenditure programme in 2005/06, over 50% of the Trust's total fixed assets have been funded by the government holding a stake in the Trust. The government's contribution

towards the costs of the Trust's total assets is called Public Dividend Capital and totalled £79.5 million at the end of 2005/06.

3.10.30 In 2006/07 the government will provide further Public Dividend Capital to the Trust to fund the hospital redevelopment scheme costs during the year.

*Liquidity*

3.10.31 Liquidity refers to the value of assets that the Trust holds that can be quickly converted into cash and includes items such as debtors (people who owe the Trust money) and the Trust's bank balance. Liquidity is reduced by the value of Trust's creditors (people to whom the Trust owes money).

3.10.32 The NHS Trust financial regime requires that Trusts hold no more than 0.3% of their turnover as a cash balance on 31st March. For this Trust, this meant that the maximum cash balance allowed on this date was £619k, which was the value of cash held.

*Treasury policies*

3.10.33 An NHS Trust has limited means to invest surplus cash balances. The Trust monitors its cash balance on a daily basis and invests any surplus funds on a short term basis with a government financial institution.

3.10.34 During 2005/06, the Trust earned £386k in interest payments on its invested cash balances.

# Section 4: Remuneration Report

4.1.1 The Trust is required to disclose the remuneration of all those senior managers that have authority or responsibility for directing or controlling the major activities of the NHS body. The following report provides details of both the salaries and pension entitlement of the Trusts Board of Directors

4.1.2 Remuneration for executive directors is determined by the Remuneration Committee of the Trust Board. The Remuneration Committee membership consists of the Trust Chairman, Chief Executive and the Non-Executive Directors. The Trust's Director of Workforce and Corporate Affairs acts as secretary to the committee.

4.1.3 Remuneration for Non-Executive Directors is determined using a national scale

4.1.4 The Executive Directors are appointed by the Trust Board and have a non fixed contract which may be terminated by either party.

## *Remuneration (audited report)*

| Name and Title | 2005-06 | | | 2004-05 | | |
|---|---|---|---|---|---|---|
| | Salary (bands of £5000) £000 | Other Remuneration (bands of £5000) £000 | Benefits in Kind Rounded to the nearest £100 | Salary (bands of £5000) £000 | Other Remuneration (bands of £5000) £000 | Benefits in Kind Rounded to the nearest £100 |
| | | | £ | | | £ |
| P C Barnes - Medical Director | 20 - 25 | 145 - 150 | | 20 - 25 | 145 - 150 | |
| D N Dalton - Chief Executive | 145 - 150 | | 9,600 | 135 - 140 | | 8,000 |
| T A Whitfield - Director of Finance | 90 -95 | | 5,700 | 90 - 95 | | 5,300 |
| E Inglesby - Executive Nurse | 90 -95 | | | 85 - 90 | | |
| H J Mullen - Director of Operations | 90 -95 | | | 90 - 95 | | |
| | | | | | | |
| M A Morris - Chair | 20 - 25 | | | 20 - 25 | | |
| K Perrera - Non Executive Director | 5 - 10 | | | 5 - 10 | | |
| J Potter - Non Executive Director | 5 - 10 | | | 5 - 10 | | |
| M Hyman - Non Executive Director | 0 -5 | | | | | |
| D G Thompson - Non Executive Director | 0 - 5 | | | | | |
| | | | | | | |
| C J Dale - Non Executive Director | 0 - 5 | | | 5 - 10 | | |
| | | | | | | |
| | | | | | | |
| S H G Neville - Director of Strategy & Development | 85 -90 | | 8,300 | 80 - 85 | | 7,400 |
| R K Jain - Director of Workforce and Corporate Affairs | 85 -90 | | 3,900 | 75 - 80 | | 3,700 |
| | | | | | | |

The following persons held office as senior managers for a period less than the full financial year, as follows:

C J Dale - Non Executive Director ~ 1/4/2005 - 31/10/2005
M Hyman - Non Executive Director ~ 1/7/2005 - 31/3/2006
D G Thompson – Non-Executive Director ~ 1/7/2005 - 31/3/2006

All benefits in kind were for lease car benefits.

Pension (audited report)

| Name and title | Real increase in pension at age 60 (bands of £2500) £000 | Real Increase in lump sum at age 60 (bands of £2500) £000 | Total accrued pension at age 60 at 31 March 2006 (bands of £5000) £000 | Lump Sum at aged 60 related to accrued pension at 31 March 2006 (bands of £2500) £000 | Cash Equivalent Transfer Value at 31 March 2006 £000 | Cash Equivalent Transfer Value at 31 March 2005 £000 | Real Increase in Cash Equivalent Transfer Value £000 | Employers Contribution to Stakeholder Pension To nearest £100 |
|---|---|---|---|---|---|---|---|---|
| P C Barnes - Medical Director | 2.5 - 5.0 | 10.0 - 12.5 | 65 - 70 | 197.5 - 200.0 | | | | |
| D N Dalton - Chief Executive | 0.- 2.5 | 5.0 - 7.5 | 45 - 50 | 137.5 - 140.0 | 621 | 561 | 32 | |
| T A Whitfield - Director of Finance | 0 - 2.5 | 2.5 - 5.0 | 30 - 35 | 95.0 - 97.5 | 462 | 422 | 21 | |
| E Inglesby - Executive Nurse | 0 - 2.5 | 5.0 - 7.5 | 30 - 35 | 90.0 - 92.5 | 417 | 367 | 28 | |
| H J Mullen - Director of Operations | 0 - 2.5 | 2.5 - 5.0 | 25 - 30 | 75.0 - 77.5 | 335 | 301 | 19 | |
| S H G Neville - Director of Strategy | 0 - 2.5 | 5.0 - 7.5 | 20 - 25 | 72.5 - 75.0 | 320 | 277 | 25 | |
| R K Jain - Director of Human Resources | 0 - 2.5 | 5.0 - 7.5 | 10 - 15 | 37.5 - 40.0 | 164 | 132 | 20 | |

As Non-Executive Directors do not receive pensionable remuneration, there are 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 arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Signed …….. Chief Executive Date 29 June 2006

# Section 5:

# Independent auditor's report

### Independent auditors' report to the Directors of the Board of Salford Royal Hospitals NHS Trust

I have examined the summary financial statements set out on pages 21 to 25.

This report is made solely to the Board of Salford Royal Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. My responsibility is to report to you my opinion on the consistency of the summary financial statements within the Annual Report with the statutory financial statements. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the summary financial statements.

### Basis of opinion

I conducted my work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. I have not considered the effects of any events between the date on which I signed my report on the annual accounts (6 July 2006) and the date of this statement.

### Opinion

In my opinion the summary financial statements are consistent with the statutory financial statements of the Trust for the year ended 31 March 2006.

Julian Farmer
District Auditor
Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

Date: 14th September 2006

# Section 6: Summary Financial Statements

## 6.1 Income and Expenditure Account for the Year Ended 31st March 2006

| | **2005/06** | 2004/05 |
|---|---|---|
| | **£000** | £000 |
| **Income from activities** | **183,434** | 163,816 |
| **Other operating income** | **31,226** | 30,816 |
| **Operating expenses** | **(209,466)** | (189,996) |
| **OPERATING SURPLUS (DEFICIT)** | **5,194** | 4,636 |
| Cost of fundamental reorganisation/restructuring | **0** | 0 |
| Profit (loss) on disposal of fixed assets | **0** | (13) |
| **SURPLUS (DEFICIT) BEFORE INTEREST** | **5,194** | 4,623 |
| Interest receivable | **386** | 273 |
| Interest payable | **0** | 0 |
| Other finance costs - unwinding of discount | **(3)** | (3) |
| Other finance costs - change in discount rate on provisions | **(209)** | 0 |
| **SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR** | **5,368** | 4,893 |
| Public Dividend Capital dividends payable | **(4,919)** | (4,443) |
| **RETAINED SURPLUS (DEFICIT) FOR THE YEAR** | **449** | 450 |

The Trust received no financial support during the year.

# 6.2 Balance Sheet as at 31st March 2006

| | **31 March 2006 £000** | 31 March 2005 £000 |
|---|---|---|
| **FIXED ASSETS** | | |
| Intangible assets | **27** | 547 |
| Tangible assets | **148,811** | 147,604 |
| | **148,838** | 148,151 |
| **CURRENT ASSETS** | | |
| Stocks and work in progress | **2,500** | 2,461 |
| Debtors | **9,995** | 10,743 |
| Cash at bank and in hand | **619** | 435 |
| | **13,114** | 13,639 |
| **CREDITORS:** Amounts falling due within one year | **(14,508)** | (16,051) |
| **NET CURRENT ASSETS (LIABILITIES)** | **(1,394)** | (2,412) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **147,444** | 145,739 |
| **CREDITORS:** Amounts falling due after more than one year | **0** | 0 |
| **PROVISIONS FOR LIABILITIES AND CHARGES** | **(1,568)** | (1,433) |
| **TOTAL ASSETS EMPLOYED** | **145,876** | 144,306 |
| **FINANCED BY:** | | |
| **TAXPAYERS' EQUITY** | | |
| Public dividend capital | **79,474** | 80,852 |
| Revaluation reserve | **48,422** | 47,097 |
| Donated asset reserve | **6,765** | 6,896 |
| Income and expenditure reserve | **11,215** | 9,461 |
| **TOTAL TAXPAYERS EQUITY** | **145,876** | 144,306 |

Signed: …… (Chief Executive) Date: *29 June 2006*

# 6.3 Cash Flow Statement for the Year Ended 31st March 2006

| | **2005/06** | 2004/05 |
|---|---|---|
| | **£000** | £000 |
| **OPERATING ACTIVITIES** | | |
| **Net cash inflow/(outflow) from operating activities** | **10,873** | 12,282 |
| **RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:** | | |
| Interest received | **386** | 273 |
| Interest paid | **0** | 0 |
| Interest element of finance leases | **0** | 0 |
| **Net cash inflow/(outflow) from returns on investments and servicing of finance** | **386** | 273 |
| **CAPITAL EXPENDITURE** | | |
| (Payments) to acquire tangible fixed assets | **(4,778)** | (6,412) |
| Receipts from sale of tangible fixed assets | **0** | 0 |
| (Payments) to acquire intangible assets | **0** | 0 |
| Receipts from sale of intangible assets | **0** | 0 |
| (Payments to acquire)/receipts from sale of fixed asset investments | **0** | 0 |
| **Net cash inflow/(outflow) from capital expenditure** | **(4,778)** | (6,412) |
| **DIVIDENDS PAID** | **(4,919)** | (4,443) |
| **Net cash inflow/(outflow) before management of liquid resources and financing** | **1,562** | 1,700 |
| **MANAGEMENT OF LIQUID RESOURCES** | | |
| (Purchase) of current asset investments | **0** | 0 |
| Sale of current asset investments | **0** | 0 |
| **Net cash inflow/(outflow) from management of liquid resources** | **0** | 0 |
| **Net cash inflow/(outflow) before financing** | **1,562** | 1,700 |
| **FINANCING** | | |
| Public dividend capital repaid | **(1,378)** | (1,700) |
| **Net cash inflow/(outflow) from financing** | **(1,378)** | (1,700) |
| **Increase/(decrease) in cash** | **184** | 0 |

# 6.4 Statement of Total Recognised Gains and Losses for the Year Ended 31st March 2006

| | **2005/06** | 2004/05 |
|---|---|---|
| | **£000** | £000 |
| Surplus (deficit) for the financial year before dividend payments | **5,368** | 4,893 |
| Fixed asset impairment losses | **0** | 0 |
| Unrealised surplus/(deficit) on fixed asset revaluations/indexation | **2,756** | 16,898 |
| Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets | **38** | 982 |
| Defined benefit scheme actuarial gains/(losses) | **0** | 0 |
| Additions/(reductions) in "other reserves" | **0** | 0 |
| **Total recognised gains and losses for the financial year** | **8,162** | 22,773 |
| Prior period adjustment | **0** | 0 |
| **Total gains and losses recognised in the financial year** | **8,162** | **22,773** |

# 6.5 Notes to the Summary Financial Statements 31st March 2006

**Management costs**

| | **2005/06** | 2004/05 |
|---|---|---|
| | **£000** | £000 |
| Management costs | **6,075** | 5,441 |
| Income | **214,600** | 194,632 |

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

**Better Payment Practice Code - measure of compliance**

| | **2005/06** | **2005/06** |
|---|---|---|
| | **Number** | **£000** |
| Total Non-NHS trade invoices paid in the year | **77,639** | **74,897** |
| Total Non NHS trade invoices paid within target | **73,138** | **68,616** |
| Percentage of Non-NHS trade invoices paid within target | **94%** | **92%** |
| Total NHS trade invoices paid in the year | **2,323** | **30,575** |
| Total NHS trade invoices paid within target | **1,833** | **27,577** |
| Percentage of NHS trade invoices paid within target | **79%** | **90%** |

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.

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

During the year there were no claims for interest, made against the trust, under the above legislation.

**Post Balance Sheet Events**

**Foundation Trust**

The Trust received Secretary of State approval in December 2005 to be formally assessed by Monitor as a prospective foundation trust. The assessment process will take place during May and June 2006. Should the Trust be successful formal licensing will take effect from 1 August 2006.

**Pain & Dermatology**

Within the revenue expenditure of the Trust are values associated with the operating leases for the pain and dermatology building. The leases terminate with effect from July 2006. The Trust has entered into a contractual arrangement with the owners of the buildings to purchase them, at a cost of £599,000, on termination of the leases.

The Summary Financial Statements within this Annual Report reflect the Annual Accounts approved by the Trust Board at its July 2006 meeting. Subsequent to this date (and the above note) the Trust has been successful in its application to be come a Foundation Trust (with effect from 1st August 2006) and have purchased the Pain and Dermatology Building as set out above.

# Appendix 1: Statement of Internal Control 2005/06

## 1. Scope of responsibility

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

I carry out my accountability role:

- with commissioning bodies though service agreements,
- with local partners and wider communities through holding public meetings, publishing business plans, an annual report and accounts, and through compliance with the Code of Practice on Openness in the NHS,
- with patients through management of standards of care,
- to the Secretary of State and Strategic Health Authority Chief Executive for performance and statutory financial duties.

## 2. The purpose of the system of internal control

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

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

The system of internal control has been in place in Salford Royal Hospitals NHS Trust for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

## 3. Capacity to handle risk

As Chief Executive and supported by Board Members I have responsibility for the introduction and implementation of the risk management processes within the Trust. The Audit Committee scrutinises these risk management processes and the Trust's systems of internal control.

In order to ensure that risk management becomes integrated into all practices and procedures carried out by staff, the Trust provides training and procedures which:

- Increase the awareness of staff to **report all** Adverse incidents and near misses;
- Facilitate proactive self assessment of risks throughout the Trust;
- Develop systems and processes which have the capability to reduce risk;
- Improve procedures for reporting and feedback mechanism;
- Continue to ensure compliance with policies and professional standards;
- Provide consistency in the management of risks;
- Ensure compliance with professional registration requirements;
- Ensure compliance with professional codes of practice;
- Promote continuing personal and professional development that meets the needs of individuals and the business needs of the Trust.
- Enable staff appraisal to focus on improvements in performance related to Adverse incidents/near misses, concerns and complaints received.

## 4. The risk and control framework (Any Gaps in Assurance)

Risk management requires participation, commitment and collaboration from all staff. The process starts with the systematic identification of risks throughout the organisation and these are documented on 'risk registers'. These risks are then analysed in order to determine their relative importance using a risk scoring matrix. Low scoring risks are managed by the area in which they are found while higher scoring risk are managed at progressively higher levels within the organisation. Achieving control of the highest scoring risk is given priority over low scoring risks. Risk control measures are identified and taken to reduce the risk's potential for harm. Some risk control measures do not require extra funding and these are implemented as soon as practically possible. However, where risk control requires extra funding then a risk funding process determines how best to use the organisation's financial resources to control that risk. Risk funding can direct funds to further risk control measures or it may decide to transfer the risk to others such as NHS insurance schemes or sharing the risk in the contracts drawn up with others. The whole process is a continual iterative process.

In order to provide evidence in support of the Statement of Internal Control the Trust has a Board Assurance Framework which is based on six key elements:

- Clearly defined principal objectives agreed with stakeholders together with clear lines of responsibility and accountability
- Clearly defined principal risks to the achievement of these objectives together with an assessment of their potential impact and likelihood.
- Key controls by which these risks can be managed.
- Management and independent assurances that the risks are being managed effectively.
- Board reports identifying that risks are being reasonably managed and objectives being met, together with gaps in assurances and gaps in risk control.
- Board action plans which ensure the delivery of objectives, control of risk and improvements in assurances.

## 5. Review of effectiveness (Any Significant Control Issues)

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

the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the systems of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by external audit, audit by the National Health Service Litigation Authority's periodic audits of compliance with its standards and Strategic Health Authority Review.

I have been advised on the implications of the result of my review of the effectiveness of the systems of internal control by the Trust Board, Audit Committee, and the Executive Governance Committees, including the Risk Management Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Processes now ensure regular review of systems and action plans on the effectiveness of the systems of internal control through:

- Trust Board review of Board Assurance Framework, risk register and action plans
- Audit Committee scrutiny of controls in place
- Review of serious incidents and learning by the Executive Governance Committees, including those for Risk Management and Clinical Effectiveness.
- Review of progress in meeting the Core Standards of the Healthcare Commission's Standards for Better Health by the Executive Governance Committees.
- Internal Audit of effectiveness of systems of internal control

No significant control issues were identified during the year 2005/06; however the following control issues, not amounting to significant control issues, were identified:

- Control of hospital acquired bacteraemias including MRSA.
- Meeting cancer access targets due to the dependence on other Trusts' performance.
- Potential impact on services from review of children's and maternity services across Greater Manchester.
- Fire safety standards.

Action to improve the control of all of the above risks have been progressing throughout 2005/06 and the effectiveness of these improvements have been reviewed by the Trust Board.

**Signed**_____ **David Dalton, Chief Executive Officer**
**(on behalf of the Board) 3rd July 2006**