



annual accounts

2007/08



finance

Accounts for Chelsea and Westminster Hospital NHS Foundation Trust

Statement of the Chief Executive's Responsibilities as the Accounting Officer of Chelsea and Westminster Hospital 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 Officer Memorandum issued by Monitor, the independent regulator of NHS Foundation Trusts.

Under the National Health Service Act 2006, Monitor has directed Chelsea and Westminster Hospital 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 Chelsea and Westminster Hospital 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
- 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 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.

Heather Lawrence

Heather Lawrence, Chief Executive and Accounting Officer
13 June 2008

Statement on Internal Control for the Period 1 April 2007 To 31 March 2008

1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Foundation Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

I am also responsible for ensuring that the NHS Foundation Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

2. 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 Chelsea and Westminster Hospital NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Chelsea and Westminster Hospital NHS Foundation Trust for the year ended 31 March 2008 and up until the date of approval of the annual report and accounts.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments to 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.

3. Capacity to Handle Risk

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

All Directors working in the Trust take responsibility for risk mitigation within their areas of work and practice, in line with the management and accountability arrangements in the Trust. The delivery of risk management occurs through management action and accountability arrangements and risk mitigation is monitored through the Trust's Operational Risk Management Committee. This reports to the Trust Executive for Clinical Governance and also provides reports to the Clinical Governance Assurance Committee, which reports to the Board.

The risk management team within the Trust provides support to directorates and departments on all aspects of effective risk assessment and management. Directorates have an identified senior lead for risk management. The Trust risk management team maintain the Trust's incident/risk reporting system and risk and incident review registers. The team also has a vital role in training, the dissemination of good practice and lessons learned from incidents or near misses. This is also achieved through sharing incidents at relevant committees, for example the Risk Management Committee and Trust Executive for Clinical Governance.

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

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

4. The Risk and Control Framework

The risk management strategy identifies the key elements to managing risk. This includes reactive risk management through analysis of incidents, identification of trends, investigations of serious incidents and identification of action plans to reduce risk. These actions are monitored through the incident monitoring database. Risk is identified in the Trust proactively in a number of different ways. Directorates and departments undertake an annual comprehensive risk review using a risk assessment tool. Key gaps in meeting risks are identified and action plans developed. Risks are also identified on an ad hoc basis and evaluated using the Trust risk assessment form. This captures risk information for clinical and non-clinical risks and supports risk evaluation and action planning. Risks may also be identified from incidents, complaints and claims.

A coloured risk matrix is used to rate risks; the maximum score is 25. Risk assessments are peer reviewed to include an assessment of the risk rating to ensure validity. Risks that are red or orange are entered into the centrally held risk register, which is managed by the corporate risk team. This register is reviewed at the Operational Risk Management Committee (with the exception of assurance framework risks which are monitored by the Board) and leads for risk areas will provide updates either as risks are mitigated or by default every 3 months. Risks that are red are notified to the Trust Board and these are monitored quarterly.

Risk management is embedded in the activity of the organisation in a number of ways. The strategy describes local risk management processes which reflect the overall strategy of the Trust. In addition, directorates and departments are required to identify risks associated with objectives; risk identification is part of the business planning template; and risk identification is included in application forms for capital expenditure. The capital plan is regularly compared with the risk register to ensure significant risks requiring funding are prioritised.

Risks which may prevent the Trust from achieving its corporate objectives are identified during the development of the Trust's Assurance Framework.

The Board reviewed the systems and procedures for securing personal data, including patient data in transit, and were satisfied that these have been and remain compliant with relevant information governance guidance and the Data Protection Act 1998, with some exceptions. In outpatient and ward areas records are potentially accessible to the public during clinics. This is being addressed through a programme of training which is monitored regularly by the Information Governance Committee. The medical records library is open and security is being improved by the addition of CCTV. Person identifiable data is being held on portable media without encryption. The Information Management & Technology department are installing new software on all portable PCs and USB keys which will automatically be encrypted and will require a key security phrase to access. There is a software problem with the national PACS system which affects the security of passwords. The resolution of this is outside the Trust's control.

The Audit Committee now receives a regular update on information governance at each meeting and will assure the Board through the reports to the Board.

The lead PCT is involved in risks which affect them through negotiation on the contract. In addition there is liaison and partnership work with relevant bodies on risks which affect them or which they can mitigate, for example, ISS Mediclean for transport, the local safeguarding children's board for children's issues, and various organisations for safeguarding vulnerable adults. The Trust also works with local agencies on emergency and business continuity planning.

Risk appetites are determined by the Board. This is usually based on risk assessments as part of a business case. The definition of consequences as part of the risk rating tool outlines risk levels and what the Trust considers major and extreme.

5. Review of Economy, Efficiency and Effectiveness of the Use of Resources

The development and reporting of patient level costing and service level reporting ensures that the board is cognisant of relative profitability and efficiency.

Monthly finance and performance reports are provided to the Board. The Trust has exceeded the target for EBITDA and generation of surplus.

It is within Internal Audit's remit to make recommendations on the effective use of resources and they have undertaken a review of cost improvement processes.

The Audit Committee reviews performance against the Auditors' Local Evaluation despite being a Foundation Trust as the Trust considers it is good practice. Operational efficiency indicators are set at the top quartile of performance.

6. Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive 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 and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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

The Finance and Investment Committee conducts an objective review of financial and investment policy issues and reports to the Board.

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

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

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

Executive directors are accountable to the Board, the Audit Committee and Clinical Governance and Facilities Assurance Committees for ensuring management arrangements are in place

to develop relevant strategies, policies, systems and procedures to maintain internal control and to take action to address any gaps identified from the review of these systems. Executive Directors are responsible for setting team objectives to ensure the delivery of corporate objectives and the management of risk. Any need to change priorities or controls is clearly recorded and actioned as appropriate. There is a quarterly report on progress on objectives, including a review of the risks. An exception report is presented to the Board every quarter, and a full report every 6 months.

The Trust declared full compliance with the Standards for Better Health for 2007-08.

During the year, the Trust identified control issues relating to meeting the 18 week referral to treat (RTT) target, and the ability to measure the RTT times. These were resolved but concerns remain due to issues with Lastword (see below). Control issues relating to the pathology contract were also identified and resolved.

A key control issue which remains is the ability to maintain the Lastword system, as the provider gave notice of termination of contract in December 2007. This requires the Trust to take over the source code and freeze it prior to supporting Lastword internally. This may affect the timeline for information technology issues relating to the 18-week target. Mitigation strategies are in place and will be monitored closely by the Board in 2008/09.

The Department of Health set a target to reduce MRSA by 60% over a 3-year period. This would require the Trust to have no more than 15 cases for 2007/08, which is the target that the Health Protection Agency had for the Trust. The Trust had 16 cases which are within tolerance levels. However, there is a disagreement about the target, which the Department of Health maintains should be 12.

Data quality remains a control issue and will be a key focus for management action in 2008/09.

7. Conclusion

Other than the control issues specified above, all of which have either been mitigated or robust plans are in place to do so, there are no other significant control issues.



Heather Lawrence, Chief Executive
13 June 2008

Code of Governance

The Board of Directors is committed to high standards of corporate governance. The Board has considered the main and supporting provisions of the Code and considered for each, whether and how it applies. The Trust has implemented changes in order to comply with the Code, involving the Members' Council where appropriate.

For the year ending 31 March 2008 Chelsea and Westminster Hospital NHS Foundation Trust complied with all the provisions of the Code of Governance published by Monitor in September 2006 with the following exceptions:

A.1.3 Led by the Senior Independent Director, the Non-Executive Directors should meet without the Chairman at least annually to evaluate the Chairman's performance, as part of a process, which should be agreed with the Members' Council, for appraising the Chair and on such other occasions as are deemed appropriate.

Response: The Trust appointed a new Chairman, Professor Christopher Edwards, on 1 November 2007. The first evaluation of the Chairman will take place in 2008/09.

B.1.2 The Members' Council should not be so large as to be unwieldy. The Members' Council should be of sufficient size for the requirements of its duties. The roles, structure, composition, and procedures of the Members' Council should be reviewed regularly as described in provision D.2.2.

Response: The Trust will discuss the issue of performance evaluation, including a review of the structure, composition and procedures, at the July 2008 Members' Council meeting.

C.1.1 A Nominations Committee should regularly review the structure, size and composition of the Board of Directors and make recommendations for changes where appropriate. The Nominations Committee should give full consideration to succession planning, taking into account the challenges and opportunities facing the NHS Foundation Trust and the skills and expertise required on the Board.

Response: The Nominations Committee does look at the composition and skill mix of the Board when engaged in reappointments or new appointments, taking into account the challenges and opportunities facing the Trust and the skills and expertise required. However, the Board feels that it is not the role of the Nominations Committee to review the composition of the Board as no members of the Committee actually attend the Board other than the Chairman. The Board will consider a review of the size and structure of the Board as part of the broader performance evaluation of the Board.

C.2.1 Approval by the Members' Council of the appointment of a Chief Executive should be a subject of the first general meeting after the appointment by a committee of the Chairman and Non-Executive Directors. Reappointment by the Non-Executive Directors followed by re-approval by the Members' Council thereafter should be made at intervals of no more than 5 years. All other Executive Directors should be appointed by a committee of the Chief Executive, the Chairman and Non-Executive Directors and subject to reappointment at intervals of no more than 5 years.

Response: The Board does not believe that the reappointment of Executive Directors at no more than 5 years is required, given the existence of robust annual appraisals.

D.2.1 The Chairman, with the assistance of the Secretary of the Board if applicable, should use performance evaluations as the basis for determining individual and collective professional development programmes for Directors relevant to their duties as Board members.

Response: As the Trust appointed a new Chairman who took up office on 1 November 2007, he felt it was appropriate to be in office at least 6 months prior to conducting individual or collective performance evaluations. Both individual and collective professional development programmes will be developed following this performance evaluation.

D.2.2 Led by the Chairman, the Members' Council should periodically assess their collective performance and they should regularly communicate to members details of how they have discharged their responsibilities, including their impact and effectiveness in:

- Advising the Board on the forward plans of the NHS Foundation Trust
- Communicating with their member constituencies and transmitting their views to the Board of Directors

The Members' Council should use this process to review its roles, structure, composition and procedures, taking into account emerging best practice.

Response: As the Trust appointed a new Chairman who took up office on 1 November 2007, he felt it was appropriate to be in office at least 6 months prior to conducting any performance evaluation of the Members' Council. The Members' Council will consider a process for performance evaluation at the July 2008 Members' Council meeting.

Remuneration Committee Attendance

Name	Designation	Attendance
Juggy Pandit (Chair) ¹	Chairman	3/3
Prof Christopher Edwards ²	Chairman	0/0
Andrew Havery	Non-Executive Director	3/3
Marilyn Frampton ³	Non-Executive Director	1/3
Colin Glass ⁴	Non-Executive Director	0/0
Karin Norman	Non-Executive Director	3/3
Charles Wilson	Non-Executive Director	1/3
Prof Richard Kitney	Non-Executive Director	0/3

¹ Chairman to 31 Oct 2007

² Chairman from 1 Nov 2007

³ Non-Executive Director to 31 Oct 2007

⁴ Non-Executive Director from 1 Nov 2007

Remuneration Report for the Period 1 April 2007 to 31 March 2008

This report contains details of the salary and pension entitlements of senior managers.

Remuneration Committee

This Trust Board sub-committee acts on behalf of the Trust Board to determine policy and process for remuneration of the Trust's senior managers.

Its membership includes the Trust Chairman and 5 Non-Executive Directors as tabled above. The Director of Human Resources acts as Secretary to the Remuneration Committee and the Chief Executive attends its meetings, except when her remuneration is under discussion.

The Remuneration Committee met 3 times in 2007/08 to agree Executive Directors' remuneration recommendations and a revised Executive Director Contract of Employment, updated to reflect Foundation Trust status. The Committee met on the following dates:

- 26 April 2007
- 28 September 2007
- 25 October 2007

The Committee will be judged to be non quorate if there are fewer than 3 members present. The Committee reports to the Foundation Trust Board after each meeting.

The Remuneration Committee's role is to:

- Monitor and review performance of Executive Directors
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Trust, that failure is not rewarded and that the duty to mitigate loss is fully recognised
- Ensure that new appointees are offered and accept terms within a previously agreed level
- Develop remuneration packages which are appropriate, defensible and linked to the discharge of responsibilities, taking advice on labour market pay trends in the NHS and beyond
- Ensure the Trust complies with Monitor's directives and advice on pay and remuneration
- Agree the policy for authorising expense claims from the Chair and Chief Executive
- Supply details of remuneration for the Trust's annual report

Senior Manager Remuneration Policy

Senior manager pay is benchmarked against comparable roles in trusts of comparable size and complexity to ensure that rates of pay are competitive, represent value for money and provide stability in senior manager roles.

In this financial year, the Remuneration Committee reviewed the Executives pay band in line with a market review. This led to the increase in salaries of the Executive Directors.

Methods to Assess Performance Conditions

All senior managers are appraised regularly and their performance is assessed against personal and corporate objectives, long and short term.

Policy on Duration of Contracts, Notice Periods and Termination Payments

Contracts of employment do not have predetermined end dates. The notice period for senior managers is six months. Termination payments are not made unless for exceptional factors at the discretion of the Remuneration Committee.

Service Contracts

All have 6 months' notice period and no provision for early termination is made.

Non-Executive Directors

The remuneration of the Trust Chairman and the Non Executives Directors was reviewed in this financial year by the Members' Council and increased to reflect the change in responsibilities and competencies required for the Foundation Trust status.

Heather Lawrence

Heather Lawrence, Chief Executive
(on behalf of the Board)
13 June 2008

Independent Auditors' Report to the Members' Council and Board of Directors of Chelsea and Westminster Hospital NHS Foundation Trust

We have audited the financial statements of Chelsea and Westminster Hospital NHS Foundation Trust for the year ended 31 March 2008 under the National Health Service Act 2006 ("the Act") which comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes 1 to 26. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Members' Council and Board of Directors ("the Boards") of Chelsea and Westminster Hospital NHS Foundation Trust, as a body, in accordance with paragraph 4 of Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not, in giving our opinion, accept or assume responsibility to anyone other than the Trust and the Boards, as a body, for this report, or for the opinions we have formed.

Respective Responsibilities of the Accounting Officer and Auditors

As described in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with directions issued by Monitor, the independent regulator of NHS Foundation Trusts. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements (including statute and the Audit Code of NHS Foundation Trusts) and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by Monitor, the independent regulator of NHS Foundation Trusts.

We also report if, in our opinion, the Accounts have not been prepared in accordance with directions made under paragraph 25 of Schedule 7 of the Act, the Accounts do not comply with the requirements of all other provisions contained in, or having effect under, any enactment applicable to the accounts, or proper practices have not been observed in the compilation of the accounts.

We review whether the statement on internal control reflects compliance with the requirements of Monitor contained in the NHS Foundation Trust Financial Reporting Manual and subsequent guidance from Monitor issued on 16 May 2008.

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 statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

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

Basis of Audit Opinion

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


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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of Chelsea and Westminster Hospital NHS Foundation Trust as at 31 March 2008 and of its income and expenditure for the year then ended in accordance with the accounting policies directed by Monitor, the independent regulator of NHS Foundation Trusts.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts.


16 JUNE 2008

Heather Bygrave, Senior Statutory Auditor
For and on behalf of Deloitte & Touche LLP
Chartered Accountants
St Albans
16 June 2008

Foreword to the Accounts

These accounts for the year ended 31 March 2008 have been prepared by Chelsea and Westminster Hospital NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006.


Heather Lawrence, Chief Executive
13 June 2008

Income and Expenditure Account for the Year Ended 31 March 2008

	Note	Year ended 31 Mar 2008 £000	6 months ended 31 Mar 2007 £000
Income from activities	3	221,636	103,244
Other operating income	4	36,574	18,111
Operating expenses	5	(235,414)	(112,774)
Operating surplus		22,796	8,581
Finance income	9.1	2,018	503
Finance costs—interest expense	9.2	(880)	(114)
Surplus for the financial period		23,934	8,970
Public Dividend Capital dividends payable		(9,309)	(4,833)
Retained surplus for the period		14,625	4,137

Balance Sheet as at 31 March 2008

	Note	31 Mar 2008 £000	Restated 31 Mar 2007 £000
Fixed assets			
Tangible assets	10	278,701	276,013
Current assets			
Stocks and work in progress	11	6,002	5,573
Debtors	12	9,990	8,829
Cash at bank and in hand	16.3	35,894	25,469
Total current assets		51,886	39,871
Creditors: amounts falling due within one year	13.1	(32,376)	(32,225)
Net current assets		19,510	7,646
Total assets less current liabilities		298,211	283,659
Creditors: Amounts falling due after more than one year	13.1	(13,222)	(13,154)
Provisions for liabilities and charges	14	(4,212)	(3,990)
Total assets employed		280,777	266,515
Financed by:			
Taxpayers' equity			
Public dividend capital	15.2	162,549	162,602
Revaluation reserve	15.3	91,040	91,040
Donated asset reserve	15.3	7,533	7,843
Income and expenditure reserve	15.3	19,655	5,030
Total taxpayers' equity		280,777	266,515

Heather Lawrence

Heather Lawrence, Chief Executive
13 June 2008

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2008

	Year ended 31 Mar 2008 £000	6 months ended 31 Mar 2007 £000
Surplus for the financial year before dividend payments	23,934	8,970
Reductions in the donated asset reserve due to depreciation, impairment and/or disposal of donated assets	(310)	(78)
Total recognised gains and losses for the financial period	23,624	8,892

Cash Flow Statement for the Year Ended 31 March 2008

	Note	Year ended 31 Mar 2008 £000	6 months 31 Mar 2007 £000
Operating activities			
Net cash inflow from operating activities	16.1	27,841	18,814
Returns on investments and servicing of finance			
Interest received		1,977	498
Interest paid		(800)	(66)
Interest element of finance leases		(80)	(40)
Net cash inflow from returns on investments and servicing of finance		1,097	392
Capital expenditure			
Payments to acquire tangible fixed assets		(10,694)	(3,670)
Net cash outflow from capital expenditure		(10,694)	(3,670)
Dividends paid			
		(9,309)	(4,833)
Net cash inflow before financing		8,935	10,703
Financing			
New public dividend capital received		2,151	256
Public dividend capital repaid		(2,204)	0
Loans received from Foundation Trust Financing Facility		4,706	7,794
Other loans received		0	6,250
Other loans repaid		(3,126)	0
Capital element of finance lease rental payments		(37)	(16)
Net cash inflow from financing		1,490	14,284
Increase in cash		10,425	24,987

Notes to the Accounts

1. Accounting Policies and Other Information

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

1.1 Accounting Convention

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

1.2 Income Recognition

Income is accounted for by applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services. Income is recognised in the period in which services are provided. Income relating to episodes of care which are partially complete at the end of an accounting period is divided pro rata across the periods in which episodes take place. 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 by 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

- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have 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.

1.5 Valuation

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

All land and buildings are restated to current value using professional valuations in accordance with FRS15 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 Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The last asset valuations were undertaken in 2006 as at the prospective valuation date of 1 April 2006.

The revaluation undertaken at that date was accounted for on 1 April 2006. The next valuation will take place on 1st April 2009.

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.

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.

Any residual interests in off-balance sheet Private Finance Initiative (PFI) properties are included in assets under construction within tangible fixed assets at the amount of unitary charge allocated for the acquisition of

the residual with an adjustment. The adjustment is the net present value of the change in the fair value of the residual as estimated at the start of the contract and at the balance sheet date.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

1.6 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 of the asset. The useful economic life for equipment assets is deemed as 5 years for short life assets, 10 years for medium life assets and 15 years for long life assets.

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.

1.7 Donated Fixed Assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the donated asset reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the donated asset reserve and each year an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the income and expenditure account.

Similarly, any impairment on donated assets charged to the income and expenditure account is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the income and expenditure reserve.

1.8 Government Grants

Government grants are grants from Government bodies other than income from Primary Care Trusts or NHS Trusts for the provision of services. Any grant from the Department of Health is accounted for as Government grant. Where the Government grant is used to fund revenue expenditure it is taken to the Income and Expenditure account to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to the income and expenditure account over the life of the asset on a basis consistent with the depreciation charge for that asset.

1.9 Stocks and Work-In-Progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are accounted for as NHS debtors and not work-in-progress.

1.10 Cash, Bank and Overdrafts

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

1.11 Research and Development

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

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and its likelihood of 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, the Trust discloses 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.

1.12 Provisions

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

1.13 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 19, 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 19 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.

1.14 Clinical Negligence Costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 14.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2007/08 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

1.15 Non-Clinical Risk Pooling

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

1.16 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.

1.17 Pension 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 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 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.

1.18 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.

1.19 Value Added Tax

Most of the activities of the 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.

1.20 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the income and expenditure account.

1.21 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in note 16.4.

1.22 Leases

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

1.23 Public Dividend Capital (PDC) and PDC Dividend

Public dividend capital (PDC) is a type of public sector equity finance. A charge, reflecting the forecast cost of capital utilised by the 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 less the value of all liabilities, except for donated assets, assets funded by external finance and cash with the Office of the Paymaster General. The average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

1.24 Financial Instruments

Financial instruments are defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Trust will commonly have the following financial assets and liabilities: trade debtors (but not prepayments), current asset investments, cash at bank and in hand, trade creditors (but not deferred income), finance lease obligations, loans, provisions.

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 which, performance occurs ie when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described above. Regular way purchases or sales are recognised and de-recognised, as applicable, using the trade date. All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Trust has transferred substantially all of the risk and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and Measurement

Financial assets are classified into the following specified categories:

- Financial assets 'at fair value through Income and Expenditure' or
- 'Loans and receivables' or
- 'Available-for-sale' financial assets or
- 'Held-to-maturity' investments.

Financial liabilities are classified as either:

- Financial liabilities 'at fair value through Income and Expenditure' or
- '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 comprise: 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, except for short-term receivables when the recognition of interest would be immaterial.

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.

Impairment of financial assets

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

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

2. Segmental Analysis

Chelsea and Westminster Hospital NHS Foundation Trust is not required to complete a segmental analysis of its accounts as the totality of its operations relates to Healthcare.

3. Income from Activities

3.1 Income from Activities by Type

	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
Elective income	34,058	15,882
Non elective income	56,835	27,254
Outpatient income	47,038	20,493
Other type of activity income	73,353	36,684
A&E income	9,843	4,424
PBR (clawback)	(6,428)	(4,319)
Private patient income	6,937	2,826
Total income from activities by type	221,636	103,244

3.2 Private Patient Income

	Base year 2002/03 £000	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
Private patient income	5,498	6,937	2,826
Total patient related income	157,015	221,636	103,244
Proportion (as percentage)	3.50%	3.13%	2.74%

3.3 Income from Activities by Source

	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
NHS Foundation Trusts	0	86
NHS Trusts	1,331	673
Primary Care Trusts	176,207	83,710
Department of Health—other	35,516	14,902
Non NHS: Private patients	6,937	2,826
Non NHS: Overseas patients (non-reciprocal)	718	782
NHS injury scheme (was RTA)	692	265
Non NHS: Other	235	0
Total income from activities by source	221,636	103,244

4. Other Operating Income

	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
Research and development	3,029	1,680
Education and training	21,629	10,846
Charitable and other contributions to expenditure	122	34
Transfers from donated asset reserve in respect of depreciation	310	78
Non-patient care services to other bodies	608	589
Other income	10,876	4,884
Total other operating income	36,574	18,111

5. Operating Expenses

	Year ended 31 Mar 2008 £000	Restated 6 mos ended 31 Mar 2007 £000
Services from NHS Trusts	1,191	548
Purchase of healthcare from non NHS bodies	643	37
Executive directors costs	727	315
Non executive directors costs	116	29
Staff costs	133,177	63,247
Drug costs	36,994	17,713
Supplies and services—clinical (excluding drug costs)	25,782	12,306
Supplies and services—general	3,697	1,724
Establishment	2,931	1,467
Transport	601	248
Premises	17,353	7,930
Bad debts	(1,278)	(765)
Depreciation and amortisation	7,587	3,195
Audit fees	106	86
Clinical negligence	3,015	1,722
Other	2,772	2,972
Total operating expenses	235,414	112,774

The prior year comparative for "supplies and services—clinical" has been reclassified to include £5.3m from "Services from NHS Trusts". This will provide users of the accounts with more reliable and relevant information.

5.2 Operating Leases

5.2/1 Operating Lease Rentals

	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
Hire of plant and machinery	559	327
Other operating lease rentals	500	191
Total operating lease rentals	1,059	518

5.2/2 Annual Commitments Under Non-Cancellable Operating Leases

	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
Operating leases which expire:		
Within 1 year	375	307
Between 1 and 5 years	895	142
After 5 years	0	0
Total annual commitments	1,270	449

Notes (Table 5.3 below)

- Mariella Dexter was appointed as the Interim Director of Service Integration & Modernisation on 7 January 2008.
- Juggy Pandit left on 31 October 2007, and his salary has been apportioned accordingly.
- Professor Christopher Edwards was appointed as the Chairman on 1 November 2007.
- Marilyn Frampton left on 31 October 2007, and her salary has been apportioned accordingly.
- Colin Glass was appointed as a Non Executive Director on 1 November 2007.

As non executive directors do not receive pensionable remuneration there are no entries in respect of pensions for them. 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 figure shown relates 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 disclosure applies. The CETV figures include the value of any pension benefits in another scheme or arrangement in which the individual has transferred to the NHS pension scheme. They also include any additional pension benefits 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.

5.3 Salary and Pension Entitlements of Senior Managers

	a) Remuneration		b) Pension Benefits			
	Salary for the year ended 31 Mar 2008 bands of £5,000	Other remuneration for the year ended 31 Mar 2008 bands of £5,000	Cash equivalent transfer value at 31 Mar 2008 £000	Lump sum at age 60 related to real increase in pension at 31 Mar 2008 bands of £2,500	Total accrued pension and related lump sum at age 60 at 31 Mar 2008 bands of £2,500	Real increase in pension at age 60 at 31 Mar 2008 bands of £2,500
Executive Directors						
Heather Lawrence, Chief Executive	165 - 170	0	1,343	57.5 - 60.0	217.5 - 220.0	17.5 - 20.0
Mike Anderson, Medical Director	135 - 140	0	858	17.5 - 20.0	145.0 - 147.5	5.0 - 7.5
Lorraine Bewes, Director of Finance & Information	120 - 125	0	352	12.5 - 15.0	70.0 - 72.5	2.5 - 5.0
Amanda Pritchard, Director of Service Integration & Modernisation (Deputy Chief Executive)	100 - 105	0	125	8.0 - 8.25	40.0 - 42.5	2.5 - 5.0
Andrew MacCallum, Director of Nursing	90 - 95	0	383	12.5 - 15.0	87.5 - 90.0	2.5 - 5.0
Mariella Dexter, Interim Director of Service Integration & Modernisation ¹	25 - 30	0	0	0	0	0
Non-Executive Directors						
Juggy Pandit, Chairman ²	20 - 25	0	-	-	-	-
Professor Christopher Edwards, Chairman ³	15 - 20	0	-	-	-	-
Andrew Havery, Non-Executive Director	15 - 20	0	-	-	-	-
Karin Norman, Non-Executive Director	10 - 15	0	-	-	-	-
Charles Wilson, Non-Executive Director	10 - 15	0	-	-	-	-
Professor Richard Kitney, Non-Executive Director	10 - 15	0	-	-	-	-
Marilyn Frampton, Non-Executive Director ⁴	5 - 10	0	-	-	-	-
Colin Glass, Non-Executive Director ⁵	0 - 5	0	-	-	-	-
Director						
Catherine Mooney, Director of Governance & Corporate Affairs	80 - 85	0	361	5.0 - 7.5	75.0 - 77.5	0 - 2.5

6 Staff Costs and Numbers

6.1 Staff Costs

	Total year ended 31 Mar 2008 £000	Permanently employed year ended 31 Mar 2008 £000	Other year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
Salaries and wages	107,009	97,739	9,270	51,165
Social security costs	9,713	8,859	854	4,342
Employers contributions to NHSPA	10,979	10,916	63	5,204
Agency/contract staff	6,203	0	6,203	2,851
Total staff costs	133,904	117,514	16,390	63,562

6.2 Average Number of Persons Employed

	Total year ended 31 Mar 2008 number	Permanently employed year ended 31 Mar 2008 number	Other year ended 31 Mar 2008 number	6 mos ended 31 Mar 2007 number
Medical and dental	514	490	24	469
Administration and estates	613	519	94	578
Healthcare assistants and other support staff	228	188	40	216
Nursing, midwifery and health visiting staff	1,132	965	167	1,095
Nursing, midwifery and health visiting learners	9	9	0	10
Scientific, therapeutic and technical staff	297	288	9	283
Bank and agency staff	80	0	80	45
Other	32	27	5	80
Total	2,905	2,486	419	2,776

6.3 Employee Benefits

During 2007/08 there were no material non-pay benefits which are not attributable to individual employees exceeding £0.1m (6 months ended 31 March 2007—nil).

6.4 Retirements Due to Ill-Health

During 2007/08 there were 3 (6 months ended 31 March 2007—2) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £0.1m (6 months ended 31 March 2007—£0.1m). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

6.5 Management Costs

	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
Management costs	10,850	5,357
Income	258,210	121,355
% Management Costs	4.2%	4.4%

7. Better Payment Practice Code

7.1 Better Payment Practice Code—Measure of Compliance

	Year ended 31 Mar 2008 number	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 number	6 mos ended 31 Mar 2007 £000
Total bills paid in the year	65,669	124,372	23,955	40,016
Total bills paid within the target	61,743	110,805	22,497	35,187
Percentage of bills paid within target	94.0%	89.1%	93.9%	87.9%

The Better Payment Practice Code requires the Trust to aim to pay 95% of all valid invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

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

There were no amounts included within interest payable (note 9) arising from claims made under this legislation (2006/07—nil).

8. Profit/(Loss) on Disposal of Fixed Assets

There were no disposals of fixed assets during the year ended 31 March 2008 (2006/07—nil).

9.1 Finance Income

	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
Interest receivable on cash deposits	2,018	503

9.2 Finance Costs—Interest Expense

	Year ended 31 Mar 2008 £000	6 mos ended 31 Mar 2007 £000
Loans from the Foundation Trust Financing Facility	504	66
Finance leases	80	39
Other Loans	296	9
Total Finance Costs—Interest Expense	880	114

10. Tangible Fixed Assets

10.1 Tangible Fixed Assets at the Balance Sheet Date Comprise the Following Elements:

See Table 10.1 overleaf.

Table 10.1: Elements of tangible fixed assets at the balance sheet date

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 Apr 2007	50,000	211,675	1,269	2,942	30,022	63	9,318	471	305,760
Additions—purchased	0	1,033	0	4,170	3,552	2	1,518	0	10,275
Reclassifications	0	2,206	0	(4,875)	2,043	0	626	0	0
Cost or valuation at 31 Mar 2008	50,000	214,914	1,269	2,237	35,617	65	11,462	471	316,035
Depreciation at 1 Apr 2007	0	5,724	77	0	17,292	61	6,159	434	29,747
Provided during the year	0	5,364	111	0	1,570	2	522	18	7,587
Depreciation at 31 Mar 2008	0	11,088	188	0	18,862	63	6,681	452	37,334
Net book value									
Purchased at 1 Apr 2007	50,000	198,749	1,192	2,942	12,095	2	3,153	37	268,170
Donated at 1 Apr 2007	0	7,202	0	0	635	0	6	0	7,843
Total at 1 Apr 2007	50,000	205,951	1,192	2,942	12,730	2	3,159	37	276,013
Net book value									
Purchased at 31 Mar 2008	50,000	196,856	1,081	2,237	16,192	2	4,781	19	271,168
Donated at 31 Mar 2008	0	6,970	0	0	563	0	0	0	7,533
Total at 31 Mar 2008	50,000	203,826	1,081	2,237	16,755	2	4,781	19	278,701
Net book value									
Protected assets at 31 Mar 2008	50,000	200,451	1,081	0	0	0	0	0	251,532
Unprotected assets at 31 Mar 2008	0	3,375	0	2,237	16,755	2	4,781	19	27,169
Total at 31 Mar 2008	50,000	203,826	1,081	2,237	16,755	2	4,781	19	278,701

10.2 Assets Held at Open Market Value

Of the totals at 31 March 2008, £50m related to land valued at open market value, £204m related to buildings, excluding dwellings, valued at open market value and £1.1m related to dwellings valued at open market value.

10.3 Net Book Value of Assets Held Under Finance Leases and Hire Purchase Contracts at the Balance Sheet Date

	Dwellings £000
At 31 March 2008	1,081
At 31 March 2007	1,192

10.3/1 The Total Amount of Depreciation Charged to the Income and Expenditure Account in Respect of Assets Held Under Finance Leases and Hire Purchase Contracts

	Dwellings £000
Depreciation 31 March 2008	111
Depreciation 31 March 2007	55

10.4 The Net Book Value of Land, Buildings and Dwellings at 31 March 2008 Comprises:

	Total £000	Protected £000	Unprotected £000
Freehold	253,826	250,451	3,375
Long leasehold	1,081	1,081	0
Total at 31 March 2008	254,907	251,532	3,375

11. Stocks and Work in Progress

	31 Mar 2008 £000	31 Mar 2007 £000
Raw materials and consumables	6,002	5,573

12. Debtors

12.1 Debtors at the Balance Sheet Date

	31 Mar 2008 £000	31 Mar 2007 £000
Amounts falling due within one year		
NHS Debtors	6,026	4,632
Prepayments and accrued income	1,450	1,869
Other debtors	5,016	6,284
Provision for irrecoverable debts	(2,502)	(3,956)
Subtotal	9,990	8,829
Amounts falling due after more than one year:	0	0
Total	9,990	8,829

Included in the NHS debtors is a figure of £0.71m (31 March 2007—£0.72m) relating to partially completed spells of clinical activity at 31 March 2008.

12.2 Provision for Impairment of NHS Debtors

	31 Mar 2008 £000	31 Mar 2007 £000
At 1 April	2,625	0
At start of period as Foundation Trust	0	6,925
Provision for debtors impairment	0	185
Debtors written off during the year as uncollectable	(137)	(3,745)
Unused amounts reversed	(1,029)	(740)
At 31 March 2008	1,459	2,625

12.3 Analysis of Impaired Debtors

	31 Mar 2008 £000	31 Mar 2007 £000
Ageing of impaired debtors		
Up to three months	0	544
In three to six months	148	968
Over six months	2,354	2,443
Total	2,502	3,955
Ageing of non-impaired debtors past their due date		
Up to three months	3,019	3,308
In three to six months	431	0
Over six months	0	0
Total	3,450	3,308

13. Creditors

13.1 Creditors at the Balance Sheet Date

	31 Mar 2008 £000	Restated 31 Mar 2007 £000
Amounts falling due within one year		
Current instalments due on loans*	4,594	3,125
Interest payable	8	9
NHS creditors	6,116	11,043
Other tax and social security costs	3,186	2,850
Obligations under finance leases and HP contracts	43	38
Capital Creditors	1,235	1,650
Other creditors	6,414	7,296
Accruals and deferred income	10,780	6,214
Subtotal	32,376	32,225
Amounts falling due after more than one year:		
Loans	11,030	10,919
Obligations under finance leases and HP contracts	2,192	2,235
Subtotal	13,222	13,154
Total	45,598	45,379

*The prior year comparative for "Current instalments due on loans" has been reclassified to include £3.1m loan amounts due within one year.

NHS creditors include outstanding pension contributions at 31 March 2008 of £1.5m (31 March 2007—£1.3m).

13.3/1 Financial Ratios

	Prudential borrowing limits	Approved PBL ratio 2007/08	Actual PBL ratio 2007/08	Approved PBL ratio 2006/07	Actual PBL ratio 2006/07
Maximum debt/capital ratio (%)	25%	5%	5%	6%	5%
Minimum dividend cover (times)	1.0x	2.2x	3.4x	1.9x	2.5x
Minimum interest cover (times)	3.0x	25.0x	36.8x	55.7x	107.6x
Minimum debt service cover (times)	2.0x	4.6x	8.0x	50.1x	94.3x
Maximum debt service to revenue (%)	3.0%	1.9%	1.6%	0.2%	0.1%

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

- the maximum cumulative amount of long term borrowing. This is set by reference to the five ratio tests set out in Monitor's *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.
- 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 Foundation Trusts.

13.4 Finance Lease Obligations

	31 Mar 2008 £000	31 Mar 2007 £000
Within one year	121	118
Between two and five years	522	506
After five years	2,610	2,747
Subtotal	3,253	3,371
Less: finance charges allocated to future periods	(1,018)	(1,098)
Net obligations	2,235	2,273

13.2 Loans—Payment of Principal Falling Due

	31 Mar 2008 £000	31 Mar 2007 £000
Amounts falling due:		
In one year or less	4,594	3,125
Between one and two years	1,470	4,595
Between two and five years	4,410	4,410
Over 5 years	5,150	1,914
Total	15,624	14,044

13.3 Prudential Borrowing Limit (PBL)

	£000 Authorised	31 Mar 2008 £000 Actual	31 Mar 2007 £000 Actual
Total long term borrowing	29,900	17,859	16,317
Working capital facility	18,000	0	0
Total	47,900	17,859	16,317

13.5 Finance Lease Commitments

	31 Mar 2008 £000	31 Mar 2007 £000
Minimum payments	3,253	3,371
Number of years of commitment (years)	20	21

14. Provisions for Liabilities and Charges

	Pensions relating to other staff £000	Agenda for Change payments £000	Total £000
At 1 April 2007	419	3,571	3,990
Arising during the year	0	1,740	1,740
Utilised during the year	(11)	(1,507)	(1,518)
Total at 31 March 2008	408	3,804	4,212
Expected timing of cash flows:			
within one year	22	3,150	3,172
Between one and five years	88	654	742
After five years	298	0	298

Clinical Negligence Liabilities

Amount included in provisions of the NHSLA at 31 March 2008 in respect of clinical negligence of the Trust is £27.6m (31 March 2007—£23.5m).

15. Movements in Taxpayers' Equity and Public Dividend Capital

15.1 Movements in Taxpayers' Equity

	31 Mar 2008 £000	31 Mar 2007 £000
Taxpayers' equity at 1 April	266,515	262,205
Surplus for the financial period	23,934	8,970
Public dividend capital dividends	(9,309)	(4,833)
New public dividend capital received	2,151	256
Public dividend capital repaid in year	(2,204)	0
Reductions in donated asset reserve	(310)	(78)
Reductions in other reserves	0	(5)
Taxpayers' equity at 31 March	280,777	266,515

15.2 Movements in Public Dividend Capital

	31 Mar 2008 £000	31 Mar 2007 £000
Public dividend capital at 1 April	162,602	162,346
New public dividend capital received	2,151	256
Public dividend capital repaid in year	(2,204)	0
Public dividend capital at 31 March	162,549	162,602

15.3 Movements on Reserves

	Revaluation Reserve £000	Donated Asset Reserve £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2007	91,040	7,843	5,030	103,913
Transfer from the income and expenditure account	0	0	14,625	14,625
Transfers to the income and expenditure account for depreciation, impairment and disposal of donated assets	0	(310)	0	(310)
At 31 March 2008	91,040	7,533	19,655	118,228

16. Notes to the Cash Flow Statement

16.1 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	31 Mar 2008 £000	31 Mar 2007 £000
Total operating surplus	22,796	8,581
Depreciation and amortisation	7,587	3,195
Transfer from the donated asset reserve	(310)	(78)
(Increase) in stocks	(429)	(98)
(Increase)/decrease in debtors	(1,116)	5,112
(Decrease)/increase in creditors	(909)	1,501
Increase in provisions	222	601
Net cash inflow from operating activities before restructuring costs	27,841	18,814

16.2 Reconciliation of Net Cash Flow to Movement in Net Funds

	31 Mar 2008 £000	31 Mar 2007 £000
Increase in cash in the period	10,425	24,987
Cash (inflow) from new debt	(4,706)	(14,044)
Cash outflow from debt repaid and finance lease capital payments	3,164	16
Change in net debt resulting from cash flows	8,883	10,959
Non cash changes in debt	0	16
Net funds at start of period	9,152	(1,823)
Net funds at 31 March 2008	18,035	9,152

16.3 Analysis of Changes in Net Funds

	Net funds at 1 Apr 2007 £000	Cash changes in year £000	Net funds at 31 Mar 2008 £000
Commercial cash at bank and in hand	22,179	(5,364)	16,815
OPG cash at bank	3,290	15,789	19,079
Debt due within one year	(3,125)	(1,469)	(4,594)
Debt due after one year	(10,919)	(111)	(11,030)
Finance leases	(2,273)	38	(2,235)
Total	9,152	8,883	18,035

16.4 Third Party Assets

The Trust held £0.05m cash at bank and in hand at 31 March 2008 (2006/07—£0.02m) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

17. Contractual Capital Commitments

Commitments under capital expenditure contracts at 31 March 2008 were £4.6m (31 March 2007—£0.9m).

18. Post Balance Sheet Events

There have been no post balance sheet events since the balance sheet date.

19. Contingencies

There were no contingent liabilities at the balance sheet date.

20. Related Party Transactions

Chelsea and Westminster Hospital NHS Foundation Trust is a public benefit corporation established by the order of the Secretary of State for Health.

Government Departments and their agencies are considered by HM Treasury as being related parties. During the period the Trust has had a significant number of material transactions with the Department of Health and with other entities for which the Department is regarded as the parent department. The main commissioners include Kensington and Chelsea PCT, Hammersmith and Fulham PCT, Westminster PCT and Wandsworth PCT.

In addition, the Trust has had a significant number of material transactions in the ordinary course of its business with other Government Departments and other central bodies. Most of these transactions are with HM Revenue & Customs in respect of deduction and payment of PAYE, NHS Pensions Agency in respect of pension contributions, NHS Logistics Authority and NHS Litigation Authority.

Income and expenditure relating to the above mentioned commissioners and other Government Departments and other central bodies is as follows:

	Income £000	Expenditure £000
Main Commissioners:		
Kensington and Chelsea PCT	83,695	273
Hammersmith and Fulham PCT	26,365	13
Westminster PCT	15,031	328
Wandsworth PCT	15,715	230
Other Government Departments and central bodies:		
HM Revenue & Customs	4,447	36,705
NHS Pensions Agency	-	16,200
NHS Logistics Authority	-	3,991
NHS Litigation Authority	-	3,015

The Trust has also received income from Chelsea & Westminster Health Charity for the provision of financial services as well as contributions towards revenue expenditure. No funds are held in trust by Chelsea and Westminster Hospital NHS Foundation Trust but are held by the Trustees, who prepare their own annual accounts, as they are independent from the Trust.

None of the Board Directors, Members' Councillors, members of the key management staff or parties related to them have undertaken any material transactions with the Trust.

21. PFI Schemes

The Trust is not party to any PFI Schemes.

22. Losses and Special Payments

There were 332 cases of losses and special payments (6 months ended 31 March 2007—457 cases) totalling £0.8m (6 months to 31 March 2007—£4.6m) for the year ended 31 March 2008.

23. Financial Instruments

FRS 25 (Financial Instruments: Disclosure and Presentation) and FRS 29 (Financial Instruments: Disclosures), require disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Trust does not have any complex financial instruments and does not hold or issue financial instruments for speculative trading purposes. Because of the continuing service provider relationship the Trust has with Primary Care Trusts and the way those Primary Care Trusts are financed, the Trust is not exposed to the degree of financial risk faced by business entities.

Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 25 mainly applies. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Finance and Investment Committee manages the Trust's funding requirements and financial risks in line with the Board approved treasury policies and procedures, and their delegated authorities.

The Trust's financial instruments comprise loans, finance lease obligations, provisions, cash at bank and in hand and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Trust's operations.

23.1 Categories of Financial Instruments

	31 Mar 2008 £000	31 Mar 2007 £000
Financial assets:		
Loans and receivables (including cash)	45,199	33,302
Assets at fair value through the I&E	0	0
Held to maturity investments	0	0
Total financial assets	45,199	33,302
Financial liabilities:		
Other financial liabilities (amortised cost)	40,796	44,145
Liabilities at fair value through the I&E	0	0
Total financial liabilities	40,796	44,145

23.2 Fair Values

	Book value £000	Fair value £000
Financial assets:		
Cash	35,894	35,894
Total financial assets	35,894	35,894
Financial liabilities:		
Finance leases	2,235	2,235
Provisions under contract	4,212	4,212
Loans	15,624	15,624
Total financial liabilities	22,071	22,071

As allowed by FRS 25, short term trade debtors and creditors measured at amortised cost may be excluded from the above disclosure as their book values reasonably approximate their fair values.

23.3 Liquidity and Interest Risk Tables

	Weighted average interest rate %	Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000	Total £000
Financial assets:						
Non-interest bearing		9,305	0	0	0	9,305
Fixed interest rate instrument	5.59%	35,894	0	0	0	35,894
Variable interest rate instrument		0	0	0	0	0
Gross financial assets at 31 March 2008		45,199	0	0	0	45,199
Non-interest bearing		7,833	0	0	0	7,833
Fixed interest rate instrument	4.93%	25,469	0	0	0	25,469
Variable interest rate instrument		0	0	0	0	0
Gross financial assets at 31 March 2007		33,302	0	0	0	33,302
Financial liabilities:						
Non-interest bearing		21,875	654	0	0	22,529
Finance lease liability	3.50%	121	125	397	2,610	3,253
Fixed interest rate instrument	4.92%	4,616	1,492	4,476	5,448	16,032
Variable interest rate instrument		0	0	0	0	0
Gross financial liabilities at 31 March 2008		26,612	2,271	4,873	8,058	41,814
Non-interest bearing		26,893	516	0	0	27,409
Finance lease liability	3.50%	118	121	385	2,747	3,371
Fixed interest rate instrument	5.08%	3,147	4,617	4,476	2,223	14,463
Variable interest rate instrument		0	0	0	0	0
Gross financial liabilities at 31 March 2007		30,158	5,254	4,861	4,970	45,243

Front Cover: Staff Nurse Karla Hickson with Ameen Mohammed (8 months) on Neptune Ward

Choose
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Chelsea and Westminster Hospital 

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