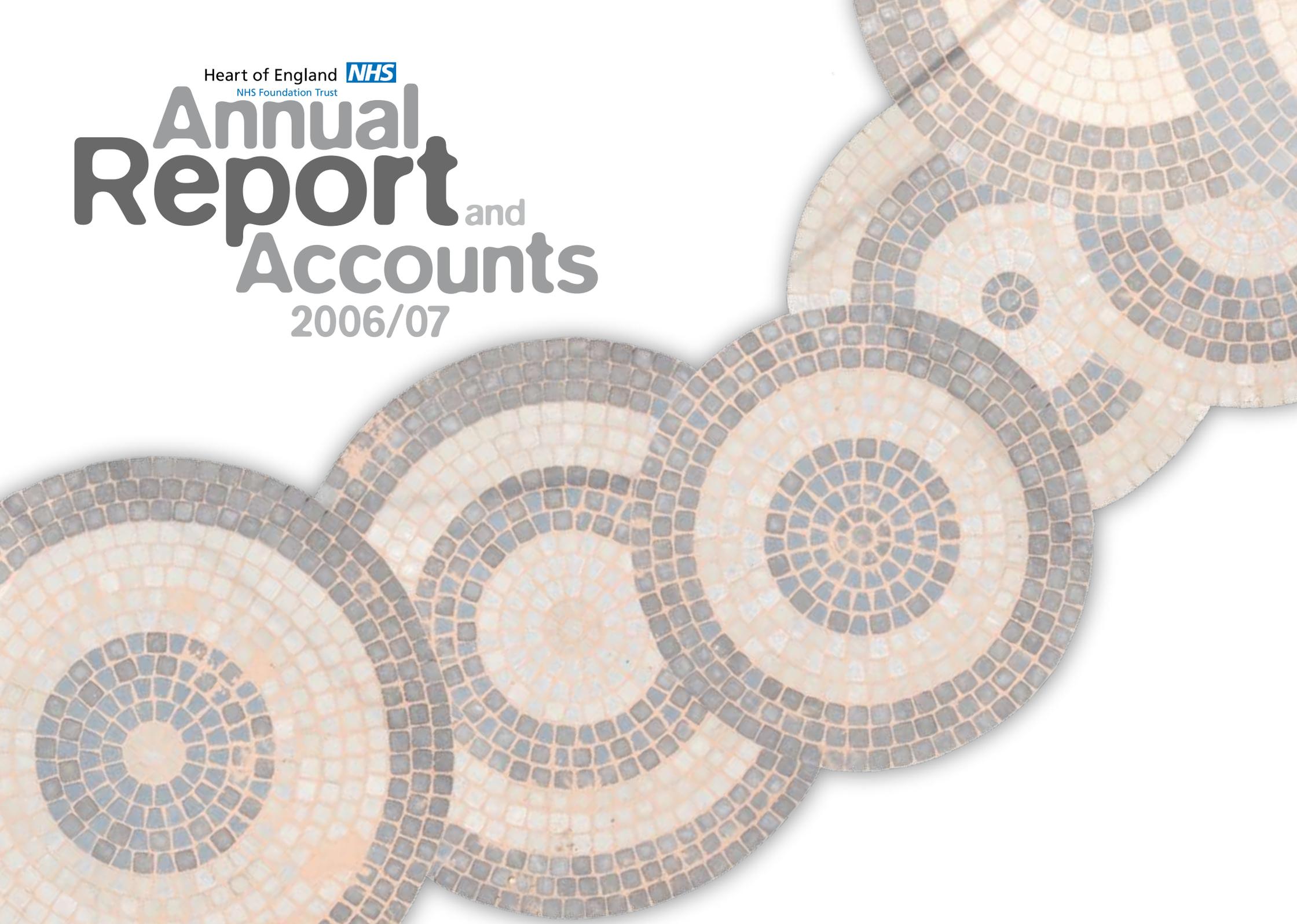


Heart of England **NHS**
NHS Foundation Trust

Annual Report and Accounts 2006/07





Presented to Parliament pursuant to
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(Community Health and Standards) Act
2003, Schedule 1, paragraph 25(4)

Heart of England **NHS**
NHS Foundation Trust

Annual Report and Accounts

2006/07

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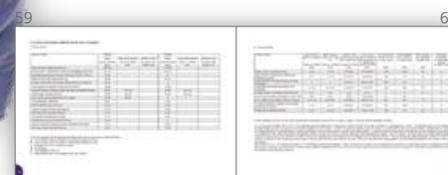
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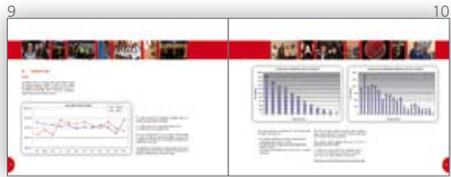
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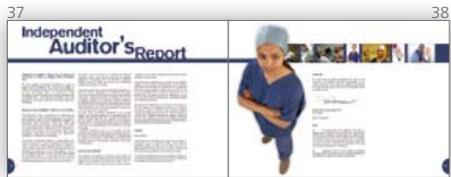


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Medical Illustration

Design: Stuart Hudson

Photography: Adrian Wressell
Hannah Causer
Kevin Sanders

Chairman's Statement

Last year was a truly outstanding one for this Trust and I feel immensely proud of what has been achieved. Most notably, in December we were given approval from the Secretary of State for Health to consult with the public about proposals to make Good Hope Hospital in Sutton Coldfield part of Heart of England. This announcement was made during a personal visit by the Secretary of State for Health and was an indication of the high regard the Department of Health has for this Trust and its support of our plans. They have placed their confidence in us to deliver the first merger of this kind in the history of the NHS.

Our Board has the determination and the commitment to become a force for change; to show the rest of the health service that great patient care in local hospitals, within budget, is achievable. Once again we met, and in some cases exceeded, our financial and operational targets including reducing cancelled operations and improving waiting times. In spite of the work and investment associated with the merger, a surplus was achieved for both Good Hope Hospital and Heart of England. I feel confident that with our combination of dynamic directors, motivated governors and strong clinical leaders, we can make a real difference to the health of local people.

The Trust now has over 80,000 members, and we anticipate that this will exceed 100,000 as we merge with Good Hope Hospital. These members are represented by a board of 35 governors which increases to 44 with the merger and subsequent

elections. The Governors' Consultative Council has had a significant input this year and was invaluable in its work with Governance on the healthcare standards for cleanliness, which included inspections of the hospitals. Infection control continues to be a challenge for the Trust and processes and practice will be regularly reviewed to drive up standards.

The governors also carried out the recruitment and appointment of two new non-executive directors this year. Richard Samuda joined the Trust after the resignation of Denise Friend. Richard has 20 years experience specialising in management consultancy as an advisory partner in KPMG and is a chartered accountant with a wealth of business and public sector experience. He has proved to be a true asset to the non-executive team. Najma Hafeez also joins the Board at the start of the new financial year. Najma is Managing Director of Russell Excel, a firm of international consultants specialising in management training, education, communication and leadership skills, human resources and change management.

I would also like to take this opportunity to thank Bernard Spittle for his contribution after serving the Board for eight years (two full terms), Bernard retired at the end of March. The end of the year also saw the retirement of Dr Rowland Hopkinson as the Board's medical director for governance and deputy chief executive. Rowland led the development of our governance systems which are now used as exemplars by other organisations.

Governors have also given us interesting and useful feedback regarding the Trust's performance, patient experience and the forthcoming merger. Their input into the public consultation on the merger was of great value to us, as they represent our own population and the wider public as a whole. They are in touch with any concerns that patients may have and can raise them with the Board to ensure they are taken into account and addressed. Their input, and the similar levels of support we have received from our partners in the local health economy, has allowed us to create a consultation that is designed around the needs and desires of the patients, public and our partners. This has been essential in minimising any risk of the merger not going ahead because of a lack of local support.

We look forward to a new era for the Trust with confidence and great anticipation. I would like to express my gratitude to all those involved in our achievements, particularly the loyalty and efforts of our staff, who have helped ensure Heart of England is considered by many to be the most successful Trust in the UK.



Clive Wilkinson
Chairman

6 June 2007

over 80,000 members

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England

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Trustⁱⁿ
the UK



“We can
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of local people.”



Chief Executive's Statement

This has been an exceptional year for Heart of England and takes us into a new era, not just for this Trust but for the local health economy, and even the wider NHS. Early last year, the independent regulator Monitor named us as the most financially successful foundation trust in the UK.

In November, a group of health professionals travelled from Canada to look at the way we deliver care to our local people. They had looked at organisations throughout the world, and selected us as one of five worth visiting. Also in the same month, we won 'Acute Trust of the Year' in the Health Service Journal Awards. To achieve this award, we went through a rigorous judging process, in which some of the leading experts in the NHS looked at our accomplishments and visited our Trust. Recognition from our peers, who understand the complexities of our jobs and the challenges we face, is even greater to receive.

Once again last year, we were successful in terms of operational and financial performance. We have introduced some of the best systems, processes and monitoring tools in the health service. We have developed innovative new initiatives in patient care.

This coming year will present new challenges for all of us as Good Hope Hospital and Heart of England come together to create a healthy future for all our hospitals. Having managed Good Hope Hospital for over a year, we already understand the challenges

we face. We have worked closely with managers and staff in advance of the merger on 8 April. The process has not always been easy for staff, but they have embraced the changes recognising that they are the best way forward for all our patients. The appointment of a new Director of Human Resources and Organisational Development, Mandy Coalter, earlier in the year meant strong leadership in developing programmes for staff to understand the Trust's vision and the need for progress and modernisation.

Although there will inevitably be a period of integration with Good Hope Hospital, we have ambitious plans for the forthcoming year. We are committed to doing everything possible to improve patient safety and reduce the risk of infections at all our hospitals. A significant investment programme is planned in both facilities and staff to help us improve on this year's performance where we reduced the number of MRSA cases of bacteraemia from 77 to 68 but we disappointingly did not reach our target of a maximum of 64 cases.

A priority is to refine and develop our information technology systems to ensure that our processes are faster and slicker. The business-focused approach we adopted last year will continue to dominate and drive our strategy, and to support future growth. Recognising the opportunities of the new style NHS in which we operate we have appointed a Commercial Director, Simon Hackwell, to ensure we

generate additional income to improve care for our patients.

We have also employed a Director of Asset Management, John Sellars, to focus on the development of our estate and environment. This will include the construction of our Medical Innovation Development and Research Unit at Heartlands Hospital and progression of plans to build a whole new science and medipark. Our site strategy also includes developing Solihull and Good Hope Hospitals to facilitate the expansion of services at both sites. Next year promises to be as exciting as the last. We will improve our services to patients by managing and growing our business.

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



Mark Goldman
Chief Executive

6 June 2007

Operating^{and} Financial Review

A. Operational Reporting

Trust Background

Heart of England NHS Foundation Trust was formerly known as Birmingham Heartlands and Solihull NHS Trust (Teaching) until 31 March 2005. Birmingham Heartlands and Solihull NHS Trust was founded in 1996 when Birmingham Heartlands Hospital and Solihull Hospital merged to form one Trust, operating across three sites; Heartlands Hospital, Solihull Hospital and Birmingham Chest Clinic in the City centre.

Since the merger further developments took place across both sites including opening new pathology laboratories, elderly care and infections diseases units, three new children's wards, new day surgery and women's units, new medical units and West Midlands adult cystic fibrosis unit.

On 1 April 2005 the Trust became a foundation trust and changed its name to Heart of England NHS Foundation Trust to reflect the additional opportunities that are available to the management as a foundation trust. The Trust was approved as a foundation trust following intensive scrutiny by Monitor, the Independent Regulator of NHS foundation trusts, and other professional organisations.

NHS foundation trusts are often referred to as 'foundation hospitals'. They are a new type of organisation, created under the Health and Social Care (Community Health and Standards) Act 2003. NHS foundation trusts remain part of the NHS but have been set free from central government control. They

possess three key characteristics that distinguish them from NHS trusts:

- Freedom to decide locally how to meet their obligations;
- Accountable to local people, who can become members and governors;
- Authorised and monitored by Monitor - Independent Regulator of NHS foundation trusts;

In 2006/07 Heart of England continued to build on its successes of previous years.

Two of the most significant events in the year were the Trust being recognised as the Acute Healthcare Organisation of the Year in the Health Service Journal Awards and the merger with Good Hope Hospital NHS Trust.

Although this merger did not formally take place until 8 April 2007, it was a significant factor in the year under review. This included detailed work to satisfy the requirements of external bodies such as the Department of Health, the local Strategic Health Authority and Monitor. It also involved consultation with the local population and major activity at all levels in both organisations to ensure that the integration of the two organisations is a success.

In what is the first transaction of its kind involving a foundation trust and a NHS trust, the merger means that the Heart of England NHS Foundation Trust will be one of the biggest trusts in the country serving more

than 1.5 million people. The results of the merged organisation will be reported for the first time in the 2007/08 financial year.

The focus of this report is on the performance of the Heart of England comprising of Birmingham Heartlands and Solihull Hospitals and the Birmingham Chest Clinic.

Trust Specialities

The hospitals within the Trust have national and regional clinical services onsite as well as secondary care, emergency and elective practice. The Trust employs over 6,100 staff; has over 1,150 beds; serves a population of one million; cares for 89,000 inpatients; treats over 400,000 outpatients; and approximately 170,000 accident and emergency attendees each year. This makes the Trust one of the largest in England. The Trust has regional specialities in invasive cardiology; renal dialysis; neonatology; bone marrow transplants; infectious diseases; HIV Aids; thoracic surgery; cystic fibrosis; oncology; and neurology.

The Accident and Emergency department is not only one of the busiest in the country, but one of the most advanced of its kind in the UK. It includes the region's only heli-pad equipped for night landings.

Management of the Trust

The Trust has further strengthened its management team over the last 12 months. In particular the Trust has appointed:

- A permanent Director of Human Resources and Organisational Development, Mandy Coalter is responsible for human resources and organisational development;
- A Commercial Director, Simon Hackwell focused on generating additional income to improve care for patients;
- A Director of Asset Management, John Sellars who will focus on the continued development of the Trust's estate and environment.

Significant management focus in the year has been directed towards the merger and integration of Good Hope Hospital NHS Trust. Notably the Chief Executive and the Managing Director have spent a large proportion of their time on merger and integration issues. Many other members of the senior management team have invested their time and resources in ensuring that the integration of Good Hope occurs as smoothly as possible.

In addition to regular Trust Board meetings, there are a number of committees that meet regularly including Audit Committee, Finance Committee, Donated Funds Committee, Governance and Risk Committee and Operations Committee. Other board committees are set out in the section on Governance. Most of the board committees are in turn supported by sub committees

which include Executive Directors meetings, Human Resources Committee, Capital Prioritisation Group, Site Strategy Committee, Surgical Management Committee, Medical Management Committee and the Facilities Executive Board.

Trust Strategy

The vision of the Trust is "to be a centre of excellence in the provision of healthcare and education".

Supporting this mission statement are six strategic lead objectives;

- To be financially secure;
- To be local provider of choice;
- To be local employer of choice;
- To provide highest quality of care;
- To grow the business for our own and the City's prosperity; and
- To continually learn and innovate.

Each of the Trust's six strategic objectives has been further split into performance measures. These performance measures have been developed into a Trust scorecard, or Key Performance Indicators (KPIs). Each indicator has an identified target, based on national and local targets and behind each result is an action plan. Every month a full set of KPIs is presented to the executive directors who update their RADAR plans to reflect the action needed to achieve the targets. This is in turn presented to the Trust Board to provide assurance that the Trust is achieving its strategic objectives.

Risk Management

The Trust reports on its risk register monthly to the Trust Board. The directors have identified key risks to delivering this strategy covering areas including infection control, operating under the Payment by Results and Choice frameworks, delivering an IT and new business strategy that is relevant to the Trust.

The Trust Board reviews the controls in place to mitigate these risks and monitors progress against agreed actions.

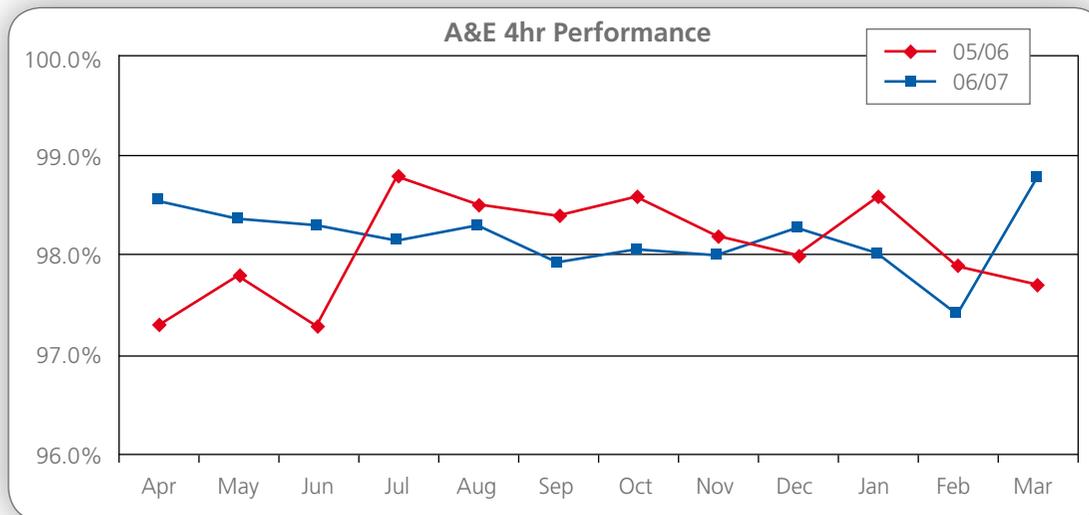
"to be
a centre
of
excellence
in the provision of
healthcare
and
education"



B. Patient Care

Access

In 2006/07 the Trust achieved the national 98% target for treating patients within 4 hours of their arrival at hospital, achieving a year end position of 98.2%, as always this has been one of the most challenging targets the Trust has had to achieve



The Trust achieved the national in-patient and out-patient national targets including:

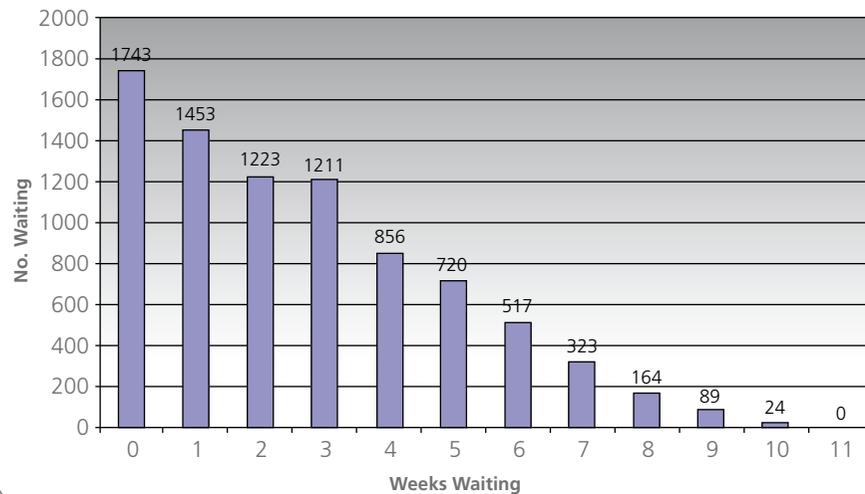
- 11 week wait for an out-patient appointment
- 20 week wait for in-patient care

The Trust achieved 99.1% for the new national target of 100% of patients being seen within 13 weeks for a diagnostic test with just 57 patients not being seen within this timeframe.

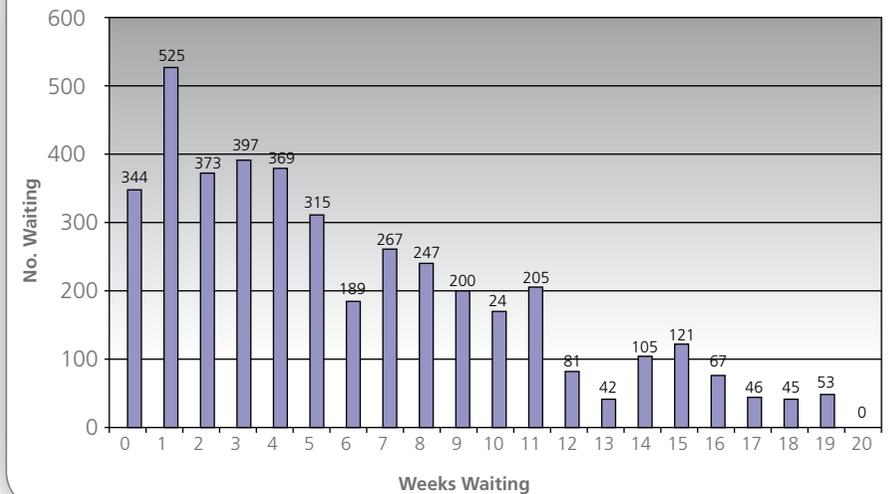
The delivery of these targets is critical as the Trust works towards achieving the national target of 18 weeks from referral to treatment by December 2008.



Outpatient Waiting List @ 31/03/07



Daycase and Elective Waiting List @ 31/03/07



The Trust continued to maintain its 100% success rate throughout the year for:

- All patients admitted for elective coronary artery revascularisation within 3 months
- All patients seen in rapid access chest pain clinics within 2 weeks
- All patients readmitted within 28 days of a cancelled operation.

The Trust has been equally successful with all patients being fully booked for out patient referrals, day cases and in-patient elective procedures.

The national cancer targets were met of 100% of patients being seen within:

- 2 weeks for urgent referral for suspected cancer;
- 31 days from diagnosis to treatment of cancer;
- 62 days from urgent referral to treatment.

These have all been maintained since December 2005.



Patient Satisfaction

Fay Baillie, Acting Director of Nursing states

"As Acting Director of Nursing my vision and aim for nurses, midwives and allied health professionals is to create an environment where patients receive care standards I would expect for myself."

"Continuing to drive changes in how patients are treated, whilst maintaining choice, patient safety and care standards, has been our key focus this year."

The publication of the Healthcare Commission's Annual Healthcheck, in October 2006 gave the Trust a rating of 'fair' for its quality of services. This was disappointing and the Trust has spent the last 12 months working to achieve compliance with the new and existing targets that it is measured against.

It is anticipated that the Trust's rating for 2006/07 will be a significant improvement on last year.

The Trust management believe that it has improved on the following measures, which form part of the assessment:

- Compliance with the National Institute for Clinical Excellence guidance on self harm in accident and emergency;
- Compliance with the National Treatment Agency - provision of information for drug users in accident and emergency and maternity services;
- Compliance with the 'Choosing Health' and 'Guidance for Smoke Free Hospital Trust's' publications;

- Access to genito-urinary clinics within 48 hours.

The Trust anticipates that it is compliant with a new measure introduced looking at the percentage of stroke patients spending more than 50% of their time in a stroke unit. 61% of our patients met this target against a national average of 54%

The Trust has been able to report that it is compliant with all 44 core healthcare standards. This is an improvement on last year and will contribute to our quality of care rating in the Annual Healthcheck

Infection control was one of the Trust's key priorities in 2006/07 and although the Trust failed to achieve the target of a maximum 64 MRSA cases for this year, the 68 cases recorded is a reduction on the 77 cases reported in 2005/06.

The Trust saw an increase in the number of cases of Clostridium Difficile in 2006/07 and this along with all infection control issues will be a key focus for the Board and Trust in 2007/08.

The delivery of safe and effective patient care is fundamental and a significant amount of work has been undertaken in the last 12 months to ensure that the merger does not impact on the quality of the service provided. There has been a considerable amount of sharing of good practice across both organisations.

The philosophy of taking the best from both organisations and moving forward is reflected in the comments from the Trust's Medical Directors.

"The merger with Good Hope Hospital required staff in the Medicine Business Unit to re-examine their roles and responsibilities and for our clinical services and managerial performance to be measured against the standards we all wish to achieve. This was not always a comfortable experience. By approaching it with determination and using processes that were based on evidence and fairness, we have created a combined unit that is much stronger than the two parts that preceded it."

"The challenge now for this excellent and talented team of people is to make real the vision we share. Our guiding principles are simple and timeless: everything we do, in some way, adds value to patient care and the way we treat patients and colleagues is the way we would wish ourselves and our loved ones to be treated." Hugh Rayner – Medical Director, Medicine

"For surgery we have had a very productive year outperforming our targets and delivering a balanced budget. We are delighted with the Good Hope Hospital merger as it will enable us to further enhance our surgical services as we combine the expertise from across the organization. Surgery's vision;

'To be the best provider of surgical, women's and children's services in the NHS,' is well within our grasp by working together."

Ian Cunliffe – Acting Medical Director, Surgery



The Trust is committed to ensuring that patient satisfaction is improved and to measure this, assesses four key areas;

- Perception;
- Environment;
- Treatment outcomes;
- Behaviour.

Patient Perception

The Trust has reviewed how patients perceive the care they receive using patient feedback in the form of complaints and claims.

Patient feedback is vital to the Trust. The Trust's target for response to complaints is 20 days. The Trust achieved 68.6% which is above the National Target of 65%. It should be noted that until April 2007, the internal target was based on 20 days while the National Target was raised to 25 days from September 2006.

It is reassuring to note that the number of successful claims against the Trust has continued to reduce from 2004/05 (table 1) and the aim is to develop the services and responses to enable this trend to continue.

Although the number of complaints has reduced the levels of compensation have increased due to the severity of the complaints.

Table 1 – successful claims

Type of claim	2004/05	2005/06	2006/07
Clinical Claims	19	16	4
Non-clinical Claims	17	7	2

Patient Environment

The Trust also reviews a number of aspects of the environment, including cleanliness, health and safety and other aspects of risk management.

In response to some adverse publicity last year regarding cleaning standards, a working group of Trust governors was established to provide an independent view on compliance with this standard. This novel approach received much positive feedback and will be extended to other Healthcare Standards in 07/08.

The Trust also focused on patient safety and the environment, including cleanliness, health and safety and other aspects of risk management and clinical effectiveness.

Work to consolidate upon the risk management and clinical effectiveness framework has featured:

- Development of the Key Risk Report to strengthen the management of key operational and strategic risks.
- Risk management used to prioritise service needs, e.g. increasing the capacity of neonatology expertise within the paediatric directorate
- Allocation of capital investment programme to mitigate key risks including investment in paediatric lift and fire alarm systems.
- Work to evaluate and implement bedside guidelines and a strengthened approach to the monitoring of NICE Guidance implementation.

In April 2006, the National Health Service Litigation Authority (NHSLA) introduced a new approach towards CNST assessment and released a new set of standards which will feature in the work programme for the

forthcoming year.

In 2006/07 the Trust reduced the number of serious patient incidents from 5 to 4, there were no serious staff incidents and no Health and Safety Executive Enforcements Notices served on the Trust.

Treatment Outcomes

The measures for treatment outcomes have been primarily based on current or previous national targets.

Mortality rates following surgery have gone up slightly compared to last year but remains below the rates recorded in 2003/04 and 2004/05.- table 2.

Table 2 – Mortality rates

Result	March04	March05	March06	March07
Mortality rates (within 30 days of surgery)	7.04%	4.73%	3.83%	4.19%

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C. Stakeholder Relations

External Reputation

Lisa Dunn, Corporate Affairs Director

"The reputation of each of the hospitals in the Heart of England family is fundamental in attracting patients and giving patients confidence in the services we provide. Patients have high expectations and need to have complete trust in the services we offer. As we enter the new era of Patient Choice we have continued to develop new links with key stakeholders, informing them of our services and the benefits of choosing Heart of England. Our GP colleagues, the media and our members are set to benefit from advances to our IT systems and access enriched information. This will provide valuable resources helping to shape and develop local and regional perceptions securing referrals and assisting in the development of local services for local people."

The Trust has successfully increased its positive or balanced media coverage to 93% in 2006/07. Where there was an opportunity, the media team tried to include a Trust statement in negative stories, to present the Trust's view. In 2005/06, 82% of all the media coverage the Trust received was positive or balanced in nature.

Membership

The Trust has almost 80,000 members with further significant growth expected as the merger with Good Hope takes shape. Further details on membership can be found in the Membership Report.

Staff

The major challenge during 2006/07 has been the start of the journey to bring together staff in the run up to the merger with Good Hope in April 2007. This has included face to face communications with staff as well as working closely with trade unions and managing corporate restructuring.

The Human Resources and Organisational Development Department was the first to integrate its Heart of England and Good Hope structures and the first wave was implemented in December 2006. This enabled the HR team to review the process for managing change and put in place the right policies and support.

The Trust has managed the merger with no impact on staff sickness or turnover rates and performance has improved across both Trusts.

In the Autumn 2006, the Trust conducted the first ever local staff survey which 3,000 staff completed. This gave a baseline as to how staff were feeling as the Trusts went into the merger. It was quickly followed up by a programme of 'Moving Forward Together' events during November and December which over 3,000 staff attended. This gave the executive team an opportunity not only to hear 'first-hand' from staff on many issues but also allowed the Trust to outline the benefits of the merger, organisational values and give staff face to face feedback on the survey. 80% of attendees rated the events 'good/excellent' and over half said they were more positive about the merger as a result.

Other major challenges for the HR and OD teams during the year included implementing the new Electronic Staff Records (ESR) system. This successfully went live

in April 2007. As a result, the Trust is modernising its key people management processes, such as the way staff are recruited and inducted, to make them quicker and better able to meet staff, department and organisational needs.

The Trust has also played a key role in managing the implications of Modernising Medical Careers (MMC) and the European Working Time Directive. A full time project manager has been recruited and developed a clear plan. As a result, the Trust is proactively managing the challenges of MMC despite a very unclear national picture.

Training

The Trust's aim is to ensure that all staff receive state of the art training and equipment to carry out their job competently.

Key to the management of change within the organisation has been a new approach to organisational development. This commenced in August 2006 with the first of a number of 'Leaders', 'Intrapreneur' and 'Inspirers' programmes involving 200 staff from many disciplines and across Heart of England and Good Hope Trusts. The Leaders' course in particular has proved extremely popular with 80% of clinical directors and directorate managers attending and one third of participants from Good Hope. Evaluation demonstrates that leaders are using the learning to manage sensitive people management issues and bring together teams as the merger takes shape.



Mandy Coalter, Director of HR & OD states:

"The Trust has made great strides in engaging staff in the merger and creating a 'just do it' attitude to improving care for patients. Investing in Leaders has been critical to that. There is still much more to do. We will continue to build our approach to organisational development and the 2007 local staff survey will be a key measure of our success."

Communication

All members of staff at the Trust are regularly updated on events and developments at the Trust using a variety of means including;

- Monthly e-mail bulletin from the Chief Executive;
- Monthly staff magazine "Heart and Soul" where contributions are made by a variety of staff groups;
- Trust-wide Intranet; and
- Monthly Core Brief.

Special events including the 'Moving Forward Together' events where the Chief Executive highlighted his vision for the future with a particular emphasis on the Good Hope merger were held throughout the year. Major successes were celebrated including holding an annual staff recognition award ceremony where over 40 staff were singled out for their exceptional contribution to service delivery.

D. Finance

2006/07 Performance

Adrian Stokes – Director of Finance is pleased to report that:

"2006/07 was a tremendous achievement financially with the Trust delivering a surplus of £8.1million pounds and gives the Trust a stable financial platform in which to move into 2007/08."

The strong surplus has also meant that we start 2007/08 with an ambitious capital plan in excess of £25million"

The Trust has had an excellent second year as a foundation trust, exceeding the planned net surplus target by £5.4m delivering a surplus of £8.1m. This also compares favourably with a surplus of £5.4m in 2005/06. This is due to huge efforts across the organisation to deliver activity above the planned levels whilst still constraining costs largely within budgeted levels. It also reflects excellent relationship building and negotiation with the large and local PCTs and other commissioning agents. This is all the more remarkable as it has been achieved against a background of reorganisation at PCTs and considerable challenges posed by the integration of and merger with Good Hope Hospital.

The financial risk rating reported at March 2007 and authorised by Monitor was at a level 5, the best award possible.

Activity exceeded plan across all income classes and was above prior year levels on day case, accident and emergency, maternity and outpatients. Emergency

activity held firm at prior year levels, whilst elective income fell slightly on prior year as planned. Overall NHS clinical income rose by almost 10% on prior year. Operating costs were up as a result of increased activity levels but were contained at below 8%. Included within operating costs was almost £1.4m of non-recurrent transactional costs in relation to the Good Hope merger.

Education and training income fell £0.3m on prior year as a result of budgetary constraints outside the Trust's control. Private patient income remained steady and is still comfortably within the capped rate (see note 3 to the Accounts). The Trust continues to develop other income streams. Most notably these include car parking (£2.0m), catering (£1.0m) and building maintenance (£2.0m). The Trust has also benefited in the year under review from the Good Hope Management Support Contract (£1.0m).

Depreciation costs were down £1m on the prior year as less accelerated depreciation was recognised in 2006/07 after a significant purge in 2005/06. The cash flow over the year has been very strong and has been carefully managed, ensuring PCTs pay on time and that older debts are chased routinely. Where there has been a cash surplus it has been placed on deposit with the National Loans Account to earn a higher rate of interest. This strong Treasury management has meant interest receivable was up £1.2m on the prior year.

The Trust has not required the use of the overdraft facility at any point in the year and does not anticipate using it in the next financial year. There has been no borrowing by the Trust in 2006/07.



The capital plan for 2006/07 was approved at £14.2m. £11.9m of this was commissioned in the year. Most of the balance was committed by the year end. This capital plan was split between refurbishment £2.0m, upgrade work of £6.6m and strategic developments of £3.3m. The Trust has developed a five year Capital Plan outlining the developments that would be expected over the next five years. Significant investment is expected across all sites.

Key developments due to start in the coming year include the construction of MIDRU, a purpose built centre of excellence for research and innovation; a new diabetes unit; car parking improvements at Good Hope and Solihull; and initial work on the Heartlands accident and emergency redevelopment. To support the continuing fight against hospital acquired infections the Trust is developing plans to provide high specification isolation areas. In addition, a number of wards will be upgraded during the course of the year.

Other capital developments include fire alarm upgrades; improvements to the elderly inpatient air conditioning; extensive Disability Discrimination Act works; and the merger of trust-wide switchboard and telephony systems. Medical equipment purchases are planned for radiology including nuclear medicine, digital technology, CT scanners and Chest Clinic X-ray equipment. Other significant planned purchases are urology laser, cardiology echo machine and critical care patient monitors for the Intensive Care Unit. Ongoing schemes include the renal replacement programme, defibrillation units and pharmacy robotics.

The Trust has a strong and stable balance sheet with high levels of liquidity. The Trust has operated a very prudent Treasury management policy to date. In the

future the Trust expects to extend its relationship with quality commercial banks in the expectation of improving returns on deposit balances at acceptable levels of risk.

Financial Risks

The key financial risks facing the Trust in 2006/07 were delivering planned activity levels and receiving payment for over-performance from PCTs. The Trust also had to absorb a modest decrease in education and training income as a result of budgetary constraints imposed outside the organisation. These risks have been closely managed by Finance Committee throughout the year to ensure that mitigating actions to remove the risk were taken.

Charitable Funds

The Trust also runs a Charitable Trust, through a separate Charitable Funds Committee which reports to the main Trust Board. Donations made by individuals and organisations to the Trust's Charitable Fund have a profound effect on care and treatment provided to the patients within the Trust. A separate Trustees Report and set of Accounts are prepared each year. For a copy of this information or information on fundraising, please contact the Communications Department on 0121 424 3337 or e-mail communications@heartofengland.nhs.uk.

Improving Value for Money

The Trust has a number of measures in place to monitor

how effectively it uses its available resources such as theatres and ward beds.

In the last 12 months the Trust:

- At year end the Trust has overachieved against its target for day case surgery;
- Continued to reduce the number of patients with delayed transfers of care from 2.97% to 2.44%, significantly below the national target of 3.5%. This relates to patients who are unable to be discharged from hospital even though their medical treatment is completed. This includes patients waiting for nursing home accommodation and care packages;
- Delivered a small reduction in the length of stay for all medical and surgical patients;
- Achieved the national target of a 5% reduction in the number of emergency bed days a year earlier than expected.

The number of patients who did not attend (DNA) for an out-patient appointment remains the same as last year at 12.3%. This is disappointing and work will continue to find ways to reduce these levels.

achieving the merger with Good Hope Hospital – Heart of England is the first foundation trust in the country to take on such a challenge. This achievement has been recognised nationally and potentially it may act as a model for further mergers in the NHS.

In addition the Trust has continued to look at other opportunities for growing business. Work continues with the local partners towards developing a research Medipark. Old buildings have been demolished to make way for the new build of a diabetes centre and research facility.

The appointment of a Commercial Director and the continued development of a commercial strategy will further drive forward business opportunities.

Going Concern

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



Heart of England has seen major investment in nursing over the last year. As a result, we have seen improved retention and reduced sickness of nursing staff, as well as improved patient care.

Our number of nurses has increased, and this has resulted in more timely patient observation and pain control. We are also driving forward uniform standards, as we believe the professional appearance of nurses is crucial.

Of course there are still areas we need to invest in. We strive for consistency of nursing competencies and patient care.

We also need to work on patient documentation – it is vital that we introduce one standard system across the Trust which, in the future, will be paperless.

Finally, we are looking at new ways of working. The LEAN methodology is being applied across all the wards. This will bring improvements in tidiness, and efficiency in systems, processes and stock control. Such measures can be driven forward by frontline nursing staff.

Achieving uniformity across three hospitals, while preserving the valuable difference in each Hospital's identity, is a huge challenge – one that we will embrace over the coming year.

Mrs Fay Baillie
Acting Director of Nursing

Governors' Consultative Council

There are 33 governors serving the Trust, who were appointed for a three-year period in 2005 and are eligible for re-election or reappointment for a further three years. The governors are appointed as follows:

- 17 public governors, by ballot of members
- 5 staff governors, by ballot of Trust staff
- 9 stakeholder governors, by appointment
- 2 patient governors, by ballot of members

The governors do not have material interests in organisations where those organisations or related parties are likely to do business, or are possibly seeking to do business, with Heart of England.

You can access a register of governors' interests by writing to:

Company Secretary

Heart of England NHS Foundation Trust
Heartlands Hospital
Bordesley Green East
Bordesley Green
Birmingham
B9 5SS

One election was held during 2006/07 to appoint a successor for David Proctor, public governor for Birmingham East, who stood down in May 2006. Dan Jones was appointed on 3 October 2006 and will serve an initial term of three years.

The Governors' Consultative Council comprises:

Title	Forename	Surname	Constituency
Mr	Roy	Gillard	Public: Birmingham at large
Mrs	Julie	Keogh	Public: Birmingham at large
Dr	Syed Raza	Hussain	Public: Birmingham Central
Mr	John	Jebbett	Public: Birmingham Central
Mr	David	O'Leary	Public: Birmingham Central
Mrs	Pam	Sumner	Public: Birmingham Central
Mrs	Irene	Wright MBE	Public: Birmingham Central
Mr	David	Proctor	Public: Birmingham East (Resigned 31 March 2006)
Mr	Dan	Jones	Public: Birmingham East (Appointed 3 October 2006)
Mrs	Olympia	Cargill	Public: Birmingham East
Mr	Mohammed	Zubair Khan	Public: Birmingham East
Mr	John R	Foster	Public: Solihull Central
Mrs	Frances	Linn	Public: Solihull Central
Mr	Peter	Grace	Public: Solihull Central
Mrs	Valerie	Egan	Public: Solihull North
Mrs	Janice Ann	Walford	Public: Solihull North
Mr	Tony	Whittle	Public: Solihull North
Mrs	Sheila	Blomer	Public: Solihull South
Mr	Alec	Weight	Patient
Mrs	Jean	Weight	Patient
Mr	Martin	Collard	Staff: AHP, Technician or Clinical Support Worker
Mr	Andrew	Clements	Staff: Ancillary, Admin, Volunteer or Management
Dr	Paul M	Dodson	Staff: Medical & Dental
Mrs	Maureen	Garland	Staff: Nursing, Midwifery & Healthcare Assistant
Mrs	Catherine	Wilson	Staff: Nursing, Midwifery & Healthcare Assistant
Mr	Aftab	Chughtai	Stakeholder: Birmingham Chamber of Commerce
Councillor	Alderman Don	Lewis	Stakeholder: Birmingham City Council
Professor	Christopher	Ham	Stakeholder: University of Birmingham
Professor	Stewart	Buchanan	Stakeholder: University of Central England
Mr	Roy	Shields	Stakeholder: Solihull Chamber of Commerce
Dr	Qulsom	Fazil	Stakeholder: Birmingham East and North PCT
Mrs	Jan	Prior	Stakeholder: Solihull Care Trust (Resigned 31 December 2006)
Councillor	Bob	Sleigh	Stakeholder: Solihull Council
Mrs	Jeanette	Mulcare	Stakeholder: Stepping Stones

The Governors' Consultative Council is responsible for representing the interests of NHS foundation trust members and stakeholder organisations in the governance of the Trust and exercises certain statutory powers such as the appointment of non-executive directors and the external auditor. It normally meets four times each year and a record of governors' attendance is maintained. The constitution provides for a report to the governors in the event that any individual governor does not attend two consecutive Governors' Consultative Council meetings without good reason.

The Trust's constitution describes the processes intended to ensure a successful and constructive relationship between the Governors' Consultative Council and the board of directors. It emphasises the importance of informal and formal communication, and confirms the formal arrangements for communication within the Trust. It suggests an approach to informal communications, and sets out the formal arrangements for resolving conflicts between the Governors' Consultative Council and the board of directors. The constitution is available on the Trust's website and is available for inspection at the Trust's offices.

we
have a
highly skilled and
motivated
team
of
people



Over the last year Heart of England has put strong focus on engaging and developing staff so that we have a highly skilled and motivated team of people delivering the best for patients.

The Agenda for Change pay structure has been implemented. This has been a challenging task and difficult for many people yet was managed constructively between the Unions and the Trust.

The Trust has put great emphasis on communicating with staff, particularly on the merger with Good Hope Hospital. 3,000 employees filled out the Trust's first ever local staff survey and attended the Moving Forward Together events at which they heard from the Chief Executive about our future and the feedback they gave us in the survey. As a result, we now have a new People Management and Organisational Development Strategy, from which some commitments to staff have already been delivered.

We recognise great leadership at all levels is important to our success and we have made a significant investment in this. 80% of clinical directors and directorate managers have undergone a leadership programme and now have a diploma in Neuro Linguistic Programming (NLP). They are already using their newfound skills to bring together their teams as Heart of England and Good Hope merge.

Human Resources was the first team to reorganise in preparation for the merger. We have listened to our internal and external customers and radically reshaped the way we deliver HR support across the Trust. In doing this we tested principles of managing change and have been able to share these across the Trust as we take forward the integration of services following the merger.

Ms Mandy Coalter
Director of Human Resources and
Organisational Development

Board of Directors



2006/07 has seen further progress made in collaborative work with our partner primary care trusts. For example, new back pain and incontinence services have been designed and piloted. These particular services have proved so successful that we plan to extend them as mainstream services for the local population over the coming year. These and other clinical projects have been developed with the support of the NHS Institute. They are exciting tangible examples of the improvements in patient care that can be delivered through a true partnership between organisations.

The merger with Good Hope provides an exciting opportunity to expand our services yet further and bring together excellent clinicians to create an even more successful team.

Dr Hugh Rayner
Medical Director for Medicine

The Board of Directors is chaired by Mr Clive Wilkinson, who was appointed for a four year period commencing 1 April 2006.

The Chief Executive is Dr Mark Goldman. Other than the Chairman and Chief Executive, there are six executive directors and seven non-executive directors.

The directors do not have material interests in organisations where those organisations or related parties are likely to do business, or are possibly seeking to do business, with Heart of England.

Dr Mark Goldman was also Chief Executive of Good Hope Hospital NHS Trust for the period 2006/07. Details of Heart of England's management contract with Good Hope is available upon request from the Company Secretary.

To access a register of director's interests or receive a copy of the management contract write to:

Company Secretary
Heart of England NHS Foundation Trust
Heartlands Hospital
Bordesley Green East
Bordesley Green
Birmingham
B9 5SS

Deputy Chief Executive and Medical Director for Governance, Dr Rowland Hopkinson, retired on 31 March 2007. Ms Beccy Fenton, Chief Finance Officer and Managing Director, also became the Deputy Chief Executive from 1 April 2007. Dr Sarah Woolley, currently the Trust's Director of Healthcare Governance, also became Acting Director of Governance on the Board on 1 April 2007.

Mr Ian Cunliffe has been in post as Acting Medical Director for Surgery since 1 April 2006.

Ms Mandy Coalter commenced work at the Trust as Director of Human Resources and Organisational Development on 24 July 2006, when Ms Anne Gynane's position as Acting Director of Human Resources and Organisational Development ended.

Mr John Sellars and Mr Simon Hackwell took up positions as Director of Asset Management and Commercial Director respectively on 8 January and 1 March 2007.

Executive Board Directors

The voting executive directors on the Trust Board are:

Name	Title
Dr Mark Goldman	Chief Executive
Dr Rowland Hopkinson	Deputy Chief Executive and Medical Director for Governance (Retired 31 March 2007)
Mrs Beccy Fenton	Deputy Chief Executive (From 1 April 2007), Chief Finance Officer and Managing Director
Dr Hugh Rayner	Medical Director for Medicine
[vacant post]	Medical Director for Surgery
Dame Jill Ellison	Director of Nursing
Ms Mandy Coalter	Director of Human Resources and Organisational Development (Appointed 24 July 2006)

The non-voting executive directors who support the Trust Board are:

Name	Title
Mrs Fay Baillie	Director of Nursing (Acting, since 1 October 2006)
Mr Ian Cunliffe	Medical Director for Surgery (Acting)
Ms Lisa Dunn	Director of Corporate Affairs
Mr Alan Gurney	Operations Director for Surgery
Mrs Anne Gynane	Director of Human Resources and Organisational Development (Acting, until 24 July 2006)
Mrs Kath Kelly	Operations Director for Medicine
Mr Andrew Laverick	Director of Information and Communications Technology
Mr Adrian Stokes	Director of Finance
Dr Sarah Woolley	Director of Healthcare Governance, Director of Governance (Acting since 1 April 2007)
Mr John Sellars	Director of Asset Management (Appointed 8 January 2007)
Mr Simon Hackwell	Commercial Director (Appointed 1 March 2007)

Non-Executive Board Directors

Non-executive directors are appointed for two or four years, dependent upon terms of appointment, and are terminable with one month's notice on either side. The non-executive directors are:

Name
Mr Clive Wilkinson, Chairman
Mr Bernard Spittle, Vice Chairman (Retired 31 March 2007)
Ms Anna East
Mrs Denise Friend (Resigned 8 May 2006)
Ms Najma Hafeez (Appointed 1 April 2007)
Mr Paul Hensel
Mr Alaba Okuyiga
Prof John Perry (Vice Chairman 1 April 2007)
Mr Richard Samuda (Appointed 19 June 2006)

Following the resignation of non-executive director Cllr Sue Anderson on 31 March 2006, Mr Richard Samuda was appointed on 19 June 2006. Ms Denise Friend stood down as non-executive director on 8 May 2006 and Ms Najma Hafeez was appointed on 1 April 2007.



Mr Clive Wilkinson, Chairman

Clive Wilkinson has held this post since February 2001 when he was appointed by the Strategic Health Authority. Mr Wilkinson's term ended on 31 March 2006. After applying for the position of Chairman again, Mr Wilkinson was selected through a process of open competition to continue as Chairman for a four-year period commencing 1 April 2006.

Previously Mr Wilkinson was Chairman of the NHS Executive West Midlands Region from 1997 to 2001, Chairman of Wolverhampton Healthcare NHS Trust from 1994 to 1997 and Chairman of Sandwell Health Authority from 1986 to 1994. He was also a member of the Audit Commission from 1986 to 1996.

Mr Wilkinson was a Birmingham City Councillor from 1970 to 1984. Mr Wilkinson is also Chairman of the Civic Housing Association, a Trustee of Bournville Village Trust, Non-Executive Director of the Financial Services Authority and a member of the Department of Health's Audit Committee.



Dr Mark Goldman, Chief Executive

Mark Goldman was appointed Chief Executive of the Trust in April 2001. Prior to this, he was a consultant vascular surgeon and Medical Director for Surgery at the Trust. He had previously worked as a senior lecturer at the University of Birmingham and honorary consultant surgeon at East Birmingham Hospital.

As Chief Executive, Dr Goldman led the Trust to three star status by meeting all national targets and then to foundation status in April 2005. He was also involved in the original writing of the NHS Modernisation Plan and has subsequently served on the Modernisation Board.



Dr Rowland Hopkinson, Deputy Chief Executive and Medical Director for Governance (Retired 31 March 2007)

Rowland Hopkinson was appointed as a consultant at East Birmingham Hospital in 1978. As a Medical Director, Dr Hopkinson was the Governance lead and Caldicott Guardian for the Trust. He was a consultant in anaesthesia and critical care medicine.

Dr Hopkinson has considerable teaching and training expertise. He lectures extensively on intensive care and anaesthetic topics, as well as risk management, clinical governance and management issues. He is a founder member of the Association of Trust Medical Directors (ATMD) and was Chairman from 1997-99. He was also Board member of the British Association of Medical Managers.

Dr Hopkinson retired at the end of March 2007 and as from the 1 April 2007 Dr Sarah Woolley took over as Acting Director of Governance.



Mrs Beccy Fenton, Deputy Chief Executive (From 1 April 2007), Chief Finance Officer and Managing Director

Beccy Fenton has worked in the NHS for 11 years and has held the posts of Finance Director, Deputy Finance Director and Service Development Director at the Trust. As Finance Director, she restructured the finance team, introduced new financial reporting systems, revised the Trust Board and directorate financial reporting, and redesigned the Trust's business planning and performance management process. Mrs Fenton became Managing Director in April 2006 whilst keeping her role as Chief Finance Officer.

She has always had a close working relationship with the clinical teams to ensure delivery of significant year on year cost and efficiency savings, and delivering recurrent financial position in 2004/5 which enabled the Trust to be successful in its application for Foundation Status on 1 April 2005.

Mrs Fenton gained a Masters Degree in Engineering Sciences from Oxford University in 1992. She then joined Coopers and Lybrand where she qualified as a Chartered Accountant with a first time pass before moving to the NHS.



Dame Jill Ellison, Director of Nursing

Dame Jill Ellison DBE, has been Director of Nursing at Heart of England NHS Foundation Trust since 1990. She trained as a nurse at the Middlesex Hospital in London and later worked in Israel as a kibbutz nurse and then at the Hadassah Hospital in Jerusalem in the Intensive Care Unit.

Dame Ellison has worked at Health Authority level, becoming the senior nurse with responsibility for information, personnel and research. She was the leading light on the National Nursing Leadership Programme for the West Midlands Regional Health Authority between 2000 and 2002 and was also the lead nurse for the Birmingham and Black Country Strategic Health Authority on a part-time secondment basis until November 2003.



Dr Hugh Rayner, Medical Director for Medicine

Hugh Rayner was appointed as a Consultant Nephrologist at the Trust in May 1993, having graduated from Cambridge University and the London Hospital Medical School. He trained in medicine and nephrology in Norwich, London, Nottingham, Leeds and Melbourne, Australia. He became Clinical Director for Acute Medicine at Heartlands Hospital in 1996 and then Trust Medical Director for Medicine in 2000.

Dr Rayner has taken a leading role in the development of the 'Working Together for Health' initiative within East Birmingham and Solihull, having visited Kaiser Permanente in Northern California in 2003. He is also country investigator for the Dialysis Outcomes in Practice Pattern Study, a worldwide study of haemodialysis treatment for kidney failure.



Ms Mandy Coalter, Director of Human Resources and Organisational Development (Appointed 24 July 2006)

Prior to Mandy Coalter's appointment in July 2006, she was Corporate Director of Human Resources and Organisational Development at Doncaster Council for four years. During her time with the Council she introduced a radical new approach to service delivery and new organisational values which delivered significant service and cost improvements.

Ms Coalter spent eight years at City of York Council prior to Doncaster, working in a variety of roles, including working on Local Government Reorganisation and spending two years managing the Education Human Resources Service for the city's schools.

Ms Coalter is a Fellow of the Chartered Institute of Personnel and Development and former Vice Chair of Public Sector People Management Association - Yorkshire and Humber.



Mr Bernard Spittle OBE, Non-Executive Director and Vice Chairman (Retired 31 March 2007)

Bernard Spittle OBE was born in Birmingham and has worked and lived in Birmingham and Solihull. He has been a Non-Executive Director since December 1998 and is the Vice Chairman of the Trust. He is also Director of Heartlands Education Centre Limited. Mr Spittle is an ex Chief Officer of Birmingham City Council, responsible for a wide profile of functions including sports and recreation, youth services, community services, libraries, museums and art galleries, parks and playing fields and adult education.

Mr Spittle is a member of the Safer Major Sports Grounds Committee, has also been a member of the National Lottery Awards Panel for Sport, Trustee of the Football Trust and is currently Director of the English Institute of Sport, Sheffield.





Ms Anna East, Non-Executive Director

Anna East was formerly Head of Legal and Group Company Secretary at Britannic Group plc and has also practised at Eversheds Solicitors in Birmingham. She chairs the Governance Committee and is a member of the Remuneration and Audit Committees.



Ms Najma Hafeez, Non-Executive Director (Appointed 1 April 2007)

Najma Hafeez is Managing Director of Russell Excel, a firm of international consultants specialising in management training, education, communication and leadership skills, human resources and change management.

Ms Hafeez was the youngest and first Muslim woman elected to Birmingham City Council in 1983. During her years in office, she held several senior positions including, Chair of Education, Chair of Social Services, Chair of Community Affairs and Chair of Euro-Cities Network.

As an elected member and member of the executive team of Birmingham City Council, Ms Hafeez was involved in the development of Birmingham City's regeneration programme, including the building of the International Convention Centre, Brindley Place, Millennium Point and other key projects, all of which have revitalised the city and its economic and commercial potential.



Mr Paul Hensel, Non-Executive Director

Paul Hensel is an IT professional with 35 years' experience in the development and provision of IT systems. His early career encompassed roles with Dunlop, GKN, Chubb and West Midlands Regional Health Authority.

Mr Hensel, together with his brother, started his own business in 1980 to exploit the emerging power of small scale computers. This company eventually became a leading supplier of software to the worldwide mobile telecommunications industries, particularly in South Africa and Europe and was acquired by CMG/Logica in 2003.

Mr Hensel was appointed as a Non-Executive Director to the Heart of England NHS Foundation Trust Board in August 2005 and is the non-executive lead for IT issues. He currently chairs the Information Management and Technology Committee for the Trust.

Mr Hensel is also the Non-Executive Chairman for a small software company which is involved in innovative software development for the deployment of mobile systems.



Professor John Perry, Non-Executive Director and Vice Chairman (from 1 April 2007)

John Perry is a qualified Civil Engineer who has focused his professional career on construction project management. After eight years in industry, he began an academic career, firstly at UMIST and then at the University of Birmingham, where he was Head of the School of Civil Engineering for 12 years.

He has provided consultancy and training for numerous clients in the UK and around the world and has served on several committees for the Institution of Civil Engineers. He has chaired the Projects and Purchasing Committee and the Human Resources Committee for the Trust. Professor Perry has been a governor at Bromsgrove School for a number of years.

Professor Perry will take over as Vice Chairman from 1 April 2007 when Mr Spittle retires.



Mr Alaba Okuyiga, Non-Executive Director

Alaba Okuyiga is a management consultant. He has worked in the areas of equality and diversity, change management, international management in developing countries and multicultural mental health training.

Mr Okuyiga has worked extensively in the public and private sector and his clients have included PCTs, mental health, borough councils, the police service, the Crown Prosecution Service and the prison service.

He has taught undergraduate courses in older adult health care and related topics for Fircroft College and the University of Birmingham. He is also a Home Secretary's appointee on the West Midlands Police Authority Selection Panel.



Mr Richard Samuda, Non-Executive Director (Appointed 19 June 2006)

Richard Samuda has over 20 years' experience specialising in management consultancy as an advisory partner in KPMG. He is a Chartered Accountant with a wealth of business experience dealing with major public sector clients. He is also a Non-Executive Director of Horton Estates, one of the largest private property companies outside London.



bringing
together excellent
clinicians to
create an
even **more** successful
team

Membership Report

This year we have engaged more patients and public than ever before and enabled them to become really involved in the Trust. We have expanded our Patient and Public Involvement programme and broadened our communications activities to a wider audience, as well as growing our membership to over 80,000 people.

As part of the recent public consultation around the acquisition of Good Hope Hospital, we reached out to over two million people and asked for their feedback. This helped us develop new relationships with different community groups and we aim to work closely with these people in the future.

Going forward we will have a joint membership (including our Good Hope members) of over 100,000 people. We look forward to hearing their feedback on our services and ideas on how we can improve care.

Ms Lisa Dunn
Director of Corporate Affairs



The Trust has almost 80,000 members, which are categorised into three main constituencies, namely:

- 1) a public constituency: members who live in one of the Trust's six governor zones – see Table opposite.
- 2) a staff constituency: members of Trust staff
- 3) a patient constituency: members who are patients of the Trust and live outside the six governor zones.

As well as showing the governor zones, the table opposite shows the minimum number of members, as well as the number of governors, required for each constituency.

Breakdown of Members

Total Public Members: 57,901
Total Patient Members: 3,813
Total Staff Members: 6,400
Opt-out initiative 2006/07: 9,033
Governors: 29
Volunteers: 115

Total: 77,291

The total Public Members is broken down as follows:

Birmingham at Large: 5,064
Birmingham Central: 13,185
Birmingham East: 15,417
Solihull Central: 12,221
Solihull North: 5,881
Solihull South: 6,133

The Membership Strategy

The membership strategy for the year included a further recruitment drive to build the number of members to over 75,000. This focused on increasing the public constituency membership by including an 'opt-out' information card with outpatient appointment letters. All new patients who received cards were automatically made members of the Trust unless they informed the Trust they did not wish to be a member. This was to ensure greater representation from the local community and increased levels of engagement and involvement in Trust activities.

New approaches and incentive schemes were also developed for members including health seminars on conditions affecting the local community and a discount scheme for local retail and leisure facilities.

For the coming year, the membership will change and grow. As Good Hope Hospital becomes part of Heart of England, it is essential to ensure that this new community is represented by the membership and Governors' Consultative Council. A new Membership Strategy has been developed and will be launched in April 2007 to recruit and engage new members for this area.

Members wishing to communicate with Governors or Directors should write to:

Company Secretary
Heart of England NHS Foundation Trust
Bordesley Green East
Bordesley Green
Birmingham
B9 5SS

serving a population of over 1 million

Constituencies of the Trust

Name of Constituency	Area/Qualification	Minimum number of Members	Number of Council Members
Public Constituency	(a) Birmingham at large (excluding wards below)	100	2
	(b) Birmingham Central (Nechells, Washwood Heath, Sparkbrook, Acocks Green, Bordesley Green, Springfield)	100	5
	(c) Solihull Central (Shirley West, Shirley South, Shirley East, Olton, Lyndon, Elmdon, Silhill, Bickenhill)	100	3
	(d) East Birmingham (South Yardley, Hodge Hill, Shard End, Sheldon, Stechford, Yardley North)	100	3
	(e) Solihull North (Castle Bromwich, Smiths Wood, Kingshurst and Fordbridge, Chelmsley Wood)	100	3
	(f) Solihull South (Blythe, Dorridge and Hockley Heath, St Alphege, Knowle, Meriden)	100	1
			Total 17
Patient Constituency	Patients and Patient Carers as defined in the Constitution	50	2
Medical and Dental Practitioners Staff Class	As defined in paragraph 7.3.4 of the Constitution	50	1
Nurses and Midwives Staff Class	As defined in paragraph 7.3.5 of the Constitution	100	2
Other Health Professional Staff Class	As defined in paragraph 7.3.6 of the Constitution	100	1
Other Staff Class	As defined in paragraph 7.3.7 of the Constitution	100	1

Remuneration Report

Role of the Remuneration Committee

The Remuneration Committee is responsible for developing the Trust's policy on executive remuneration and for determining the remuneration of Executive Directors.

The Remuneration Committee reports to the Trust Board.

Composition of the Remuneration Committee

The membership of the Remuneration Committee is as follows;

Mr C Wilkinson – Chairman
Mrs A East – Non-Executive Director
Mr A Okuyiga – Non-Executive Director
Professor J Perry – Non-Executive Director
Mr B Spittle – Non-Executive Director
Mr P Hensel – Non-Executive Director
Mr R Samuda – Non-Executive Director

Remuneration Policy

The Remuneration Committee determines the remuneration policies and practices with the aim of attracting, motivating and retaining high calibre directors who will deliver success for the Trust and high levels of patient care and customer service.

All appointments as executive directors are made as permanent appointments and will only be terminated on resignation of the employee or a fundamental breach of their employment contract.

Executive Directors' Remuneration

Remuneration packages for executive directors consist of a salary and pension contributions.

Salaries are reviewed annually with reference to the NHS Boardroom Pay Report published by Income Data Services (IDS). There are no performance related elements to remunerations. Performance is judged and reviewed as part of the annual appraisal and personal development review process in line with Trust policies.

The table following shows the salaries and allowances that have been awarded to the executive directors who have served the Trust throughout the year.



Name and Title	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000
Mark Goldman (Chief Executive) (a)	185-190	
Beccy Fenton (Chief Finance Officer and MD) (b)	150-155	
Dame Jill Ellison (Nursing Director)	80-85	
Rowland Hopkinson (Deputy Chief Executive & Medical Director Gov.)	40-45	175-180
Hugh Rayner (Medical Director Medicine)	40-45	135-140
Ian Cunliffe (Acting Medical Director Surgery)	40-45	90-95
Fay Baillie (Acting Nursing Director from 09.10.06)	35-40	
Anne Gynane (Acting HR Director to 23.07.06)	20-25	
Mandy Coalter (HR and OD Director from 24.07.06)	65-70	

Note (a) Half of 2006/07 salary was recharged to Good Hope Hospital NHS Trust as part of the management contract.

Note (b) 20% of 2006/07 salary was recharged to Good Hope Hospital NHS Trust as part of the management contract.

All of the executive directors have a six month notice period for termination included in their contracts and there is no provision for compensation for early termination in their contracts. In the year to 31 March 2007 there have been no payments for compensation for loss of office, or any non-cash benefits in kind.

There were no amounts payable to third parties for the services of the executive directors.

Pension benefits

The table below shows the real increase during the reporting year in the pension and related lump sum at age 60 for each of the Executive Directors.

- (a) Sick leave
- (b) Covering sick leave since 09.10.06
- (c) Acting HR Director to 23.07.06
- (d) Effective from 24.07.06

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 2007 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2007 (bands of £5000) £000	Cash Equivalent Transfer Value at 31 March 2007 £000	Cash Equivalent Transfer Value at 31 March 2006 £000	Real Increase in Cash Equivalent Transfer Value £000
Mark Goldman	0-2.5	2.5-5.0	75-80	225-230	1,335	1,249	39
Beccy Fenton	0-2.5	2.5-5.0	10-15	40-45	154	130	14
Dame Jill Ellison (a)	0	0	30-35	100-105	553	530	7
Fay Baillie (b)	2.5-5.0	10-12.5	20-25	70-75	346	228	79
Ian Cunliffe	10-12.5	35-37.5	30-35	100-105	445	274	115
Anne Gynane (c)	0-2.5	0-2.5	0-5	10-15	41	39	1
Rowland Hopkinson	0-2.5	0-2.5	90-95	275-280	n/a	1,669	0
Hugh Rayner	0-2.5	2.5-5.0	45-50	145-150	768	705	32
Mandy Coalter (d)	0-2.5	0-2.5	0-5	0-5	5	0	4

Non- Executive Directors Remuneration and Appointment

Non-executive directors are appointed for two or four years, dependent upon terms of appointment, and are terminable with one month's notice on either side. The non-executive directors are appointed following interview by a sub-committee of the Governors' Consultative Council.

Non-executive directors fees are determined by the Governors Consultative Council.

The table below shows the salaries and allowances that have been paid to the non- executive directors who have served the Trust during the year and the date of their first appointment. The non-executive directors do not receive pensionable remuneration.

Name and Title	Salary (bands of £5000) £000	First Appointment date	Notice period	Unexpired term of contract
Clive Wilkinson (Chairman)	45-50	01 December 2001	1 month	3 years
Bernard Spittle (deputy Chairman)	10-15	01 December 1998	1 month	Retired 31/3/07
Richard Samuda (Non Executive Director)	10-15	14 June 2006	1 month	3 years, 3 months
Alaba Okuyiga (Non Executive Director)	10-15	01 December 2003	(a)	8 months
Professor John Perry (Non Executive Director)	10-15	01 December 1997	1 month	1 year
Anna East (Non Executive Director)	10-15	01 July 2005	(a)	2 years 3 months
Denise Friend (Non Executive Director)	0-5	01 June 2005	(a)	Resigned 8/5/06
Paul Hensel (Non Executive Director)	10-15	01 August 2005	(a)	2 years, 4 months

(a) There is no specific reference to notice period in the contract for this Non-Executive Director.

Amounts Payable to Third Parties

The only amounts payable to third parties for services by a senior manager were to Denise Friend (now resigned) where the fee for her service was to her company rather than her being on the payroll.

Mark Goldman
Chief Executive
6 June 2007



developing
new
relationships
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Statement_{on} Governance

Following consultation in February 2006, Monitor issued a final version of the NHS Foundation Trust Code of Governance in October 2006 for implementation. The Code applies with effect from 1st April 2006. The Code is issued as best practice advice and is not mandatory however the Code imposes disclosure requirements on NHS foundation trusts. The Board of Directors considers that it was throughout the year fully compliant with the Principles of the NHS Foundation Trust Code of Governance and that it was fully compliant with the Provisions of the NHS Foundation Trust Code of Governance with the following exceptions. The paragraphs are numbered to correspond with the provisions of the Code.

A1.4 The board of directors will make available a statement of the objectives of the NHS foundation trust showing how it intends to balance the interests of patients, the local community and other stakeholders, and use this as the basis for its decision making and forward planning upon the completion and publication of its Corporate Business Plan.

A2.1 The division of responsibilities between the chairman and chief executive is clearly established and will be set out in writing and agreed by the board during 2007.

A3.2 At least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. Currently the board comprises (full complement) 1 chairman, 7 executive directors, 6 independent non-executives and 1 non independent non-executive (Professor John Perry – nominated by Birmingham University). The independent non-executive position will be regularised in April 2008 at the end of Professor Perry's term of office.

A3.3 The board has not appointed a senior independent director. Members and governors have direct access to all members of the board. In addition to direct access on request, all the members of the board are invited

to attend every Governors' Consultative Council meeting and participate fully in discussion with members of the Council. Members of the board or Trust senior managers who might have issues where contact through the normal channels with chairman, chief executive or finance director is inappropriate have right of direct access to the chairman of the Audit Committee and the vice chairman.

B1.4 The statement of rules and responsibilities of governors will be set out at the front of the Governors' Handbook which is due to be completed in 2007

C.2.1 The Trust has not appointed chief executive and executive directors with fixed terms. Such "rolling fixed term" contracts are expensive to terminate and were abandoned by the NHS as a matter of policy some time ago for that very reason. The insecurity of tenure, particularly in the case of the chief executive whose appointment is to be confirmed by Governors' Consultative Council, will not support the recruitment and retention of candidates of the highest calibre required. Appraisal processes, employment policies and terms and conditions of appointment are in place to deal with the possibility of suboptimal performance and its consequences.

E.2.3 The Governors' Consultative Council does not currently consult external professional advisers to market test the remuneration levels of the chairman and other non-executive directors but this is under review. The current recommendations made to the Council are based on independent advice and guidance as issued from time to time by appropriate bodies such as the National Health Service Appointments Commission in relation to National Health Service trusts or the NHS Confederation (Foundation Trust Network) which provides benchmarked and externally validated guidance relevant to foundation trusts.

Board of Directors

The board meets every month and, additionally, ad hoc as necessary. A formal schedule of matters specifically reserved for decision by the board of directors was adopted by the board on 29 August 2006. This schedule is available on the Trust's website. The board delegates other matters to the executive directors and other senior management. The directors are given accurate timely and clear information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance issues. The directors have a range of skills and experience and each brings independent judgement and considerable knowledge to the board's discussions and determinations. This range of skills and experience ensures balance, completeness and appropriateness to the requirements of the Trust.

Chairman and members of:

Nominations Committee

Clive Wilkinson (Chair)
Mark Goldman (CEO)
John Perry (NED)

Audit Committee

Richard Samuda (Chair)
All other Non-Executive Directors

Remuneration Committee

Mr C Wilkinson (Chair)
All other Non-Executive Directors

A register showing the number of meetings of the board of directors and the above committees and the attendance of individual directors is available from the Company Secretary.





The terms of reference for the Board's committees are available on the Trust's website and are available for inspection at the Trust's offices.

Audit Committee

The work of the Audit Committee is to:

- review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives.
- ensure that there is an effective internal audit function established by management that provides appropriate independent assurance to the Audit Committee, Governance and Risk Committee, chief executive and board.
- consider and make recommendations to the Audit Appointments Committee of the Governors' Consultative Council in relation to the appointment, re-appointment and removal of the Trust's External Auditor and to oversee the relationship with the External Auditor.
- monitor the integrity of the financial statements of the Trust, reviewing significant financial reporting issues and judgements which they contain.
- review significant returns to regulators and any financial information contained in certain other documents.

Nominations Committee

The Nominations Committee of the board undertakes to:

- review the structure, size and composition of the board and make recommendations with regard to any changes;
- give full consideration to succession planning;
- evaluate the balance of skills, knowledge and experience in relation to the appointment of both executive and non-executive directors; and
- identify and nominate suitable candidates to fill executive director vacancies;

In the case of non-executive director vacancies including the chair, the relevant information is passed to the Governors' Consultative Council Appointments Committee so that it can then incorporate the information into its deliberations. The Governors' Consultative Council Appointments Committee is then responsible for the identification and nomination of non-executive directors, including the chairman, and for making recommendations to the Governors' Consultative Council as to their terms and conditions of employment.

In the case of executive director vacancies, the Nominations Committee draws up the job description and person specification, and undertakes the recruitment process and then makes a recommendation to the Appointments Committee of the Trust board which may accept or reject the recommendation. It is for the non-executive directors to appoint and remove the chief executive and such an appointment requires the approval of the Governors' Consultative Council.

The Remuneration Committee of the board is mandated to review the appraisal of the executive directors and decide their remuneration and allowances and the other

terms and conditions of office and to keep under review executive director development and succession planning. The committee meets without the chief executive present to perform the same role in respect of that post. The non-executive directors, sitting as the Remunerations Committee, also appoint or remove the chief executive and are joined by the chief executive to appoint or remove the executive directors.

Primary^{and}
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together

Statement of Accounting Officer's Responsibilities

The Health and Social Care (Community Health and Standards) Act 2003 states that the chief executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the Accounting Officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ('Monitor').

Under the Health and Social Care (Community Health and Standards) Act 2003, Monitor has directed Heart of England 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 the Heart of England NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards as set out in the NHS Foundation Trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and

- prepare the financial statements on a going concern basis.

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

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

Mark Goldman
Chief Executive

6 June 2007



Delivering an
ambitious and
transformational
agenda



The Board of Surgery has had a very successful year. We have achieved a balanced budget and delivered against our access targets. We have developed many new initiatives including same day admission lounges and the opening of the Surgical Assessment Unit.

Alongside this, we have developed the integration with Good Hope Hospital. The coming year will be very exciting as we move forward with a new vision and implement our integration plan for the benefit of our patients.

Mr Ian Cunliffe
Acting Medical Director for Surgery

Statement on Internal Control

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.

The Purpose of the System of Internal Control

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

- identify and prioritise the risks to the achievement of the policies, aims and objectives of Heart of England NHS Foundation Trust;
- 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 at Heart of England NHS Foundation Trust for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts

Capacity to Handle Risk

Heart of England has a Trust board approved Risk Management Strategy and Policy and Procedure and these provide explicit guidance for all staff concerning:

- leadership and accountability;
- roles and responsibilities for managing risks;
- processes for risk management;
- risk management training.

The risk management strategy and policy sets out the Trust's approach to risk by defining the structures for the management and ownership of risk at all levels of the organisation. It includes everyone's responsibilities for handling risk.

The strategy and policy clearly detail that as accountable officer, I have overall responsibility for the Trust's risk management programme and to ensure that it operates effectively. I have delegated operational responsibility for risk management to the Medical Director – Governance and Director of Healthcare Governance. They are supported by the executive directors, who are responsible for overseeing risk management activities within their individual areas of responsibility.

The Healthcare Governance Directorate has dedicated staff with specialist risk management expertise that work with the Trust's directorates and departments to implement risk management. Risk management training and guidance is provided to staff in a manner appropriate to their authority and duties. It forms a key component of the Trust's induction programme and the Healthcare Governance Directorate provides a range of training to staff at all levels across the organisation.

Heart of England has effective processes in place to ensure that it is easy for staff to raise issues of concern, to identify risks, report incidents and near misses and to be informed of progress on relevant issues. Review and assurance mechanisms are in place so that lessons can be learned. Sharing of good practice and learning from our mistakes are important processes for making improvements to patient and staff safety.

The Risk and Control Framework

The Trust's Risk Management Strategy describes the risk management framework which is based upon a 4 step cycle as follows:-

- risk identification;
- risk prioritisation;
- risk control/treatment;
- risk review.

The Trust's risk register process represents the physical output from the risk management procedure outlined above. It forms the key tool for defining the Trust's appetite for risk. It is used to manage and escalate all risks (strategic, operational and financial).

Risk management, at Heart of England, is a continuous dynamic process embedded within the management activities of the Trust. All directorates, departments and staff adopt this systematic approach for the operational implementation of risk management Trust-wide and locally. The Trust requires all directorates and departments to conduct a formal review of their risk management process and risk register status on a quarterly basis.

The Trust board is ultimately responsible for overseeing the delivery of the Risk Management Strategy. It is supported in this by the work of its subcommittees. The board has delegated its risk management responsibilities to the Governance and Risk Committee. The board is independently assured on the effectiveness of the operation of its risk management processes through the work of the Audit Committee.





Risk management forms an integral part of the Trust's strategy and objective development and its business planning processes. The assurance framework is used as a monitoring tool that acts as an assurance to the Trust board that planned management action will deliver the Trust's objectives. The assurance framework maps the control system to the risks to not achieving Trust objectives and the assurance mechanisms in place to assess the effectiveness of these controls. The assurance framework supports the Annual Statement on Internal Control (SIC). The Trust has had its assurance framework in place since March 2004.

The Strategic Risk Register/ Assurance Framework is reviewed quarterly by the Governance and Risk Committee and Trust board to monitor the processes in place for managing its strategic risks.

The Trust engages its stakeholders through the following forums:

- Governors' Consultative Council;
- Patient and Public Involvement Forums;
- Overview and Scrutiny Committees;
- Customer Surveys;
- Patient Focus Groups;
- Foundation Trust Membership;
- Meetings with Commissioners.

Review of Economy, Efficiency and Effective Use of Resources

The Corporate Business Plan represents the principle mechanism, which the board uses to review use of resources. This sets an annual delivery plan, which is aligned to the Trust's strategic objectives. As accounting officer I have overall accountability for delivery of this plan. I am supported in this role by the executive directors who have delegated responsibility for delivery of local targets and objectives. Delivery of objectives in the Corporate

Business Plan is formally reviewed and monitored on a monthly basis by the Trust board and executive directors. Independent assurance on the use of resources is provided through the Trust's internal audit programme, Audit Committee and external agencies such as Monitor, External Audit and the Healthcare Commission.

The Trust has a policy framework in place to guide staff on the appropriate use of resources through its Standing Orders, Financial Instructions, Human Resources and Governance policies. This policy framework is operationalised through the Trust's budgetary and general management processes, business case processes for new developments and core financial processes such as purchasing.

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 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, the Audit Committee and Governance and Risk Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The assurance framework and the Trust's risk management system provide me with evidence that the effectiveness of controls to manage the risks to the Trust achieving its principal objectives has been reviewed. The Trust undertakes regular surveys of its patients, staff and other stakeholders to gather views on the Trust. My review is also informed by the work of external assessors including:

- Healthcare Commission Healthcare Standards and Annual Health check;
- Monitor Quarterly Reporting;
- Health and Safety Executive;
- NHS Litigation Authority assessment of Risk Management Standards ;
- Dr Foster;
- The Patient Environment Action Team;
- External Audit;
- Peer Reviews;
- The Head of Internal Audit's Opinion.

Each level of management including the board reviews the risks and controls for which it is responsible. I, together with the board will monitor the implementation through the robust risk reporting structures, defined in the Risk Management Strategy and the Assurance Framework.

As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure that all employer obligations contained within the scheme regulations are complied with.

The Statement on Internal Control is a balanced reflection of the actual control position. No significant control issues have been identified for this financial year.

Mark Goldman
Chief Executive
6 June 2007
(On behalf of the Trust Board)

Independent Auditor's Report

Independent Auditor's Report to the Board of Governors of Heart of England NHS Foundation Trust

We have audited the financial statements of Heart of England NHS Foundation Trust for the year ended 31 March 2007 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cashflow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Foundation Trust is responsible for preparing the Annual Report and the financial statements in accordance with directions issued by the Independent Regulator of Foundation Trusts ("Monitor") under the Health and Social Care (Community Health and Standards) Act 2003. Our responsibility is to audit the financial statements in accordance with relevant statute, the Audit Code for NHS Foundation Trusts issued by Monitor and International Standards on Auditing (UK and Ireland).

This report, including the opinion, is made solely to the Board of Governors of Heart of England NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 1 of the Health and Social Care (Community Health and Standards) Act 2003 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the directions issued by Monitor under the Health and Social Care (Community Health and Standards) Act 2003.

We review whether the Accounting Officer's statement on internal control 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 Accounting Officer's statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the NHS foundation trust's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, 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.

In addition we report to you if, in our opinion, the NHS foundation trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of Audit Opinion

We conducted our audit in accordance with section 28 and Schedule 5 of the Health and Social Care (Community Health and Standards) Act 2003 and Audit Code for NHS Foundation Trusts issued by Monitor, which requires

compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the foundation trust in the preparation of the financial statements, and of whether the accounting policies are appropriate to the NHS Foundation 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, in accordance with the NHS Foundation Trust Financial Reporting Manual, of the state of affairs of Heart of England NHS Foundation Trust as at 31 March 2007 and of its income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Health and Social Care Act 2003 and the directions made thereunder by Monitor.



Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Health and Social Care (Community Health and Standards) Act 2003 and the Audit Code for NHS Foundation Trusts issued by Monitor.

PricewaterhouseCoopers LLP
Birmingham

Date 8 June 2007

Note

(a) The maintenance and integrity of the Heart of England NHS Foundation Trust website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.