annual report 2007 ● 08

Contents

Picture: The Chemotherapy Outreach Service taking chemotherapy treatment closer to patients' homes.

Front cover picture: Cutting-edge eye surgery being performed at East Kent Hospitals University NHS Trust.

Foreword

2007-08 was an extraordinary year at East Kent Hospitals University NHS Trust and we are extremely proud of what we have achieved:

- Infection rates such as MRSA and C difficile that are among the lowest in the country
- Waiting lists reduced by 35%
- A maximum wait of 18 weeks from GP referral to the start of hospital treatment for the majority of our patients
- £30 million invested into new theatres, wards and clinical services
- Achievement of University Hospital status
- An end-of-year surplus of £7.7 million
- Beginning the process to become an NHS Foundation Trust.

Taken together, these initiatives have made East Kent's hospital services amongst the safest and most effective in the country.

Efficiency has also brought with it financial stability, enabling us to go forward with further investments to improve our services in the future.

Stuart Bain, Chief Executive

Nicholas Wells, Acting Chairman

4 *The new renal dialysis unit at Kent & Canterbury Hospital.*

About East Kent Hospitals University NHS Trust

East Kent Hospitals University NHS Trust is one of the largest hospital Trusts in the country, more than 6,000 staff serving a population exceeding 700,000.

The Trust is nine years old, formed in 1999 when three acute hospital Trusts in East Kent merged. It was awarded University Hospital status by the University of London this year.

The Trust provides over 1,100 beds across three main hospitals in Ashford, Canterbury and Margate as well as a range of outpatient and diagnostic services from its two community hospitals in Folkestone and Dover. It offers a wide range of secondary and tertiary health services for adults and children, including child and adolescent mental health. In addition, the Trust provides specialist services for patients who live outside the East Kent area, such as renal, haemophilia and neonatal services.

A total of 22% of the Trust's outpatient services are provided away from the main acute sites in community facilities, owned by either the Trust or the East Kent Coastal Primary Care Trust. A full list of our services is set out on the opposite page.

Everything we do is guided by our vision, mission and values:

Our vision: To be known as one of the top ten hospitals in England and the Kent hospital of choice for patients and those close to them.

Our mission: To provide safe, patient focused and sustainable health services with and for the people of Kent. In achieving this we acknowledge our special responsibility for the most vulnerable members of the population we serve.

Our values: East Kent Hospitals University Trust people:

Take pride in delivering quality and putting patients first;
Act with integrity, by:

- speaking well of each other and celebrating diversity;
- working together to achieve great things;
- being open, honest and communicating and involving people, and the people we serve, in decisions; and
- being good citizens, looking after the environment and pursuing value for money in all that we do.

The Trust is working hard to become one of the most efficient providers of hospital care in England. We are seeking to achieve this through our 'Clinical Systems Improvement' initiative. This programme, promoted by the NHS Institute for Innovation and Improvement, is a structured way of reviewing and improving working practices to raise the quality of care across the whole healthcare system whilst making best use of available resources. Our performance in 2007/08 demonstrates the effectiveness of this approach and we will continue to roll out and develop this programme of work in 2008/09.

Our services

	K&C	WHH	QEQM	RVH	BHD	Other
Accident and Emergency		●	●			
24-hour Emergency Care Centre	●	●	●			
Minor Injuries Unit	●	●	●		●	
Critical Care (ITU/HDU)	●	●	●			
Special Care Baby Unit		●	●			
Neo-natal Intensive Care Unit		●				
Child Ambulatory Services	●	●	●		●	
Inpatient Emergency Trauma Services		●	●			
Inpatient Emergency General Surgery		●	●			
Inpatient Breast Surgery		●	●			
Inpatient Rehabilitation	●	●	●			
Acute Stroke	●	●	●			
Ortho Rehabilitation	●					
Ortho-geriatric services		●	●			
Acute Elderly	●	●	●			
Inpatient Dermatology	●					
Inpatient ENT, ophthalmology and oral surgery		●				
Inpatient Maxillofacial	●					
Inpatient Cardiology	●	●	●			
Cancer care (Radiotherapy)	●					
Cancer care (Chemotherapy)	●	●	●	●	●	●
Outpatient and diagnostic services	●	●	●	●	●	●
Inpatient Cardiology and Acute Coronary Care Services	●	●	●			
Diagnostic and interventional Cardiac services		●	●			
Inpatient Respiratory	●	●	●			
Inpatient Neurology	●	●	●			
Inpatient Gastroenterology Services	●	●	●			
Endoscopy Services	●	●	●			
Neurophysiology Services	●					
Inpatient Diabetes Service	●	●	●			
Inpatient Rheumatology	●	●	●			
Inpatient Neuro-rehabilitation					●	
Inpatient Orthopaedic Services		●	●			
Inpatient Child Health Services		●	●			
Inpatient obstetrics, gynaecology and consultant led maternity		●	●			
Day case surgery	●	●	●			
Midwifery led birthing units	●				●	
Inpatient Clinical Haematology	●					
Haemophilia Services	●					●
Inpatient Urology Services	●					
Inpatient Vascular Services	●					
Interventional radiology	●	●	●			
Inpatient Renal Services	●					
Renal Dialysis	●	●	●		●	●
Child and Adolescent Mental Health Services	●					●
Community Child Health Services	●					●

Key

BHD - Buckland Hospital, Dover
RVH - Royal Victoria Hospital, Folkestone
K&C - Kent & Canterbury Hospital, Canterbury
QEQM - Queen Elizabeth The Queen Mother Hospital, Margate
WHH - William Harvey Hospital, Ashford
Other - we hold outpatient clinics in many community sites and also provide renal dialysis services in Gillingham and Maidstone.

● This service will move to the Kent & Canterbury Hospital in the autumn of 2008

Major Incident Plan

The Trust has a Major Incident Plan to deal with incidents generating significant numbers of casualties. This is fully compliant with the requirements of the NHS Emergency Planning Guidance 2005 and all associated guidance. We work with our partner organisations to handle major incidents that may occur in or around Kent.

Our objectives and performance

The year was an exceptionally busy one for the Trust – we treated over 276,000 people, performing over 6,700 more operations than the previous year, treating 3,500 more people in our A&E departments and 1600 additional cancer patients.

- New outpatient attendances were 4% higher than 2006/07
- Elective (ie, pre-booked) inpatient activity was 9% higher than 2006/07 and non-elective inpatient activity was 6% above last year's levels
- Accident & Emergency departments experienced a 2% increase in attendances
- Patient referrals were 1.2% more than the previous year.

Despite increasing demand, we have been able to maintain or improve waiting times throughout the service whilst also ensuring patient safety and quality of care are paramount. Performance against waiting time targets was as follows:

- Almost 99% of A&E patients were treated or transferred within the four hour national target,
- 99.6% of outpatients were seen with the 13 week maximum time from referral by their GP,
- 99.7% of suspected cancer patients were seen within 2 weeks (despite a 17% increase in referrals) and over 97% treated within the target of 2 months from referral
- Waiting times for diagnostic tests reduced significantly. By the last quarter of the year all MRI patients were being scanned within the 6 week target, and 98% of CT patients
- The number of cancelled operations remained very low at 0.4% of elective admissions, and only 3 of these patients did not receive their operation within the following 28 days
- By March 2008 the maximum wait was 18 weeks from referral to the start of hospital treatment, giving the Trust 'early achiever' status against this new national target nine months ahead of the rest of the NHS.

As a result of a great deal of hard work from frontline staff across the Trust, tackling this vital issue under the guidance of our Infection Prevention and Control Team, we now have a C difficile rate which is less than one third of the national rate, and MRSA is 44% of the national average rate. However, the Trust is not complacent; we remain vigilant and continue to strive for the minimum possible occurrence, encouraging staff and visitors to follow guidelines and instructions.

Achieving our annual objectives for 2007-08

The Trust set objectives for 2007-08 to support the delivery of its Annual Plan for the year. These objectives also support the delivery of the Trust's strategic objectives.

Objective: Achieving financial balance by ensuring our services are affordable and resources are used widely

Measures: Achieve financial targets

The Trust achieved a financial surplus of £7.7m in 2007/08. The statutory Break Even Duty was also met, with a surplus of £1.9m over the past three years.

Objective: Finalising and implementing a programme of clinical and non-clinical systems improvement that feeds into the Trust's Service Development Strategy and Fit for the Future Plan

Measures: Length of Stay performance within top 25% of Trusts

Achieved. The average length of stay in EKHT hospitals has reduced from 3.6 to 3.1 days, while the readmission rate has remained constant at 5.4%, which shows that patient safety is being maintained.

Measures: Day case rate within upper quartile of Trusts

The target is 80% of operations performed as day cases (not requiring an overnight stay in hospital) and the Trust achieved 79.4%.

Measures: Sufficient training and development and communication of Clinical Systems Improvement (CSI) within the organisation and key partners

Achieved. Warwick University delivered CSI training to 40 clinical and non-clinical staff. Roll out programme being agreed as part of 2008/09 objectives.

Measures: Reduce internal demand for radiology and pathology by 10%

Owing to the general increase in activity during 2007/08, this target was not achieved; demand reduction has focused on the elimination of unnecessary tests.

Objective: Preparing for a successful Foundation Trust application

To prepare for its Foundation Trust application, the Trust has developed a sustainable Service Development Strategy for the next five years, an integrated business plan and a governance strategy for the Foundation Trust. The Trust also carried out a public consultation into its proposals for Foundation Trust status (see page 9).

Objective: Complete the implementation of the renal, vascular and interventional radiology developments to provide excellence in estate and service for patients

The Trust completed the construction of new renal dialysis facilities in Ashford and Maidstone, the extended dialysis unit and inpatient renal ward at Canterbury and the endovascular and interventional radiology theatre suite at Canterbury (see page 12). A new clinical directorate was formed to manage the service and extra medical, nursing and allied health professional staff were recruited.

Objective: Successfully completing the business case for centralising Head & Neck services at the William Harvey Hospital

Achieved. Business case agreed and architects are finalising plans.

Objective: Implementation of release one of the National Care Records System and associated systems

Not achieved due to slippage on the national programme outside of the Trust's remit.

Objective: Get the basics right and maintain compliance with Standards for Better Health

Measures: Reduction in healthcare associated infection rates

East Kent Hospitals continued to reduce infection rates throughout 2007-08, with C difficile rates cut by 46% and MRSA rates cut by 48%.

EKHUT remains one of the best Trusts for infection rates in England, with an MRSA rate for the year of 0.7 per 10,000 bed days compared with a national average of 1.59 and a C difficile rate of 0.8 per 1,000 bed days, compared with the NHS average of 2.5.

Measures: Evidence of public and patient involvement in services developed

Members of the Patient and Public Involvement Forum have been actively involved in committee work and providing feedback on standards and improvement plans. Patient feedback mechanisms have been enhanced.

Measures: Creation of additional single rooms

Twelve additional single rooms have been created this year. When new wards have been created or existing ones refurbished we have provided additional single rooms and where possible incorporated en-suite facilities.

Standards for Better Health

At the end of April the Trust submitted its annual declaration against the Standards for Better Health to the Healthcare Commission. The declaration is a self assessment against the 24 core standards and can include a finding of 'compliant', 'insufficient assurance' or 'not met' against each of the standards. The assessment for the declaration should be informed by performance over the period 1 April 2007 to 31 March 2008. Any lapse during this period either in controls or in the availability of assurance immediately negates a declaration of compliance.

This year the Trust declared compliance against 23 out of the 24 core standards contained within the seven domains of Safety, Clinical and Cost Effectiveness, Governance, Patient Focus, Accessible & Responsive Care, Care Environment and Amenities, and Public Health. A declaration of "not met" was made against just one standard relating to the management of waste following a review of waste management practices and arrangements. The review identified gaps in the current systems of control and assurance to the Trust Board. An action plan is in place to address the shortfalls of the current system and to provide future assurance on the systems in place to manage waste.

In addition to the assessment against the core standards, the declaration also incorporates a general statement on compliance; a statement on measures in place to meet the Hygiene Code; an assessment of compliance against each of the core standards and comments from a number of external organisations including the Strategic Health Authority, Kent County Council Health Overview and Scrutiny Committee and the Patient and Public Involvement Forum. None of these assessments identified any significant gaps in the Trust's control or assurance mechanisms. The Trust is committed to using this assessment as a foundation for further improvements in the delivery of safe, quality care throughout 2008/09.

Objective: Delivering a maximum wait of 18 weeks from referral to the start of hospital treatment, so that by the end of December 2007, 95% of non admitted patients and 90% of admitted patients will have been treated within 18 weeks.

Except for Trauma & Orthopaedics, more than 95% of non-admitted patients, and almost 90% of admitted patients, were treated within 18 weeks of referral.

The Trust fully achieved the 18 week maximum wait by 31 March 2008.

Plans for the future – our strategic objectives

The Trust has established eight strategic objectives for the medium term and each of these reflects the five themes that guide the Trust's activities: safety, effectiveness, efficiency, responsiveness and innovation. This is demonstrated in the following table:

Strategic Objective	Safe	Effective	Efficient	Responsive	Innovative
1	●	●	●	●	●
2	●	●	●	●	
3	●	●	●	●	●
4	●	●		●	●
5	●	●	●	●	●
6	●	●		●	●
7	●			●	
8		●	●		

The strategic objectives are:

1 To improve clinical outcomes, patient safety, patient satisfaction and efficiency
2 To become a local and national employer of choice
3 To establish an estate infrastructure that is fit for purpose which facilitates integrated service delivery in hospital and community settings and offers patients and staff a quality environment
4 Ensuring patients, carers, the public and staff have an increasingly significant role in the development and monitoring of the Trust's services
5 To exploit information and communication technology to support and facilitate service development
6 To build short, medium and long term education, training and research and development capacity to ensure the Trust sustains its position as a leading university hospital
7 To co-operate with local government, Primary Care Trusts and other relevant local organisations to promote, protect and improve the public health of the residents of Kent and Medway
8 To deliver a financial surplus for investment in service improvement.

To ensure the Trust makes measurable progress with the vision to become within the top ten performing Trusts within the UK, five year targets will be agreed for each strategic objective. To measure achievement of these objectives, metrics will be identified at three levels: macro (board level), meso (service level) and micro level (ward or specialty). The meso and micro metrics will be identified by directorate staff. This will ensure that every member of the organisation is aware of their role in achieving the ultimate strategic objectives.

The achievement of these strategic objectives will ensure the Trust moves towards its vision of becoming one of the top ten hospitals in England and the Kent hospital of choice for patients. Realisation of these objectives will mean the Trust will also become a very different organisation, as it will have:

- repatriated a substantial number of specialist services that currently require Kent patients to travel to London, such as renal, vascular, interventional radiology and cardiac services;

- marketed and seen growth in the activity and income of particular services such as orthopaedic and maxillofacial services;

- invested significantly to enable the Trust to offer patients access to services as locally and flexibly as possible to maximise patient convenience for example developing more low risk birthing units, developing mobile radiology services and devoting resources to developing the Trust estate in, for example, the Royal Victoria Hospital, Folkestone and Buckland Hospital, Dover where a range of out patient and diagnostic services will be provided;

- devoted considerable resources to developing the estate and in particular to improving the Trust's general ward areas by reducing the overall number of beds in bays and increasing significantly the number of single, en suite rooms; and

- improved substantially the clinical outcomes and safety of the care the Trust offers through targeted investment in staff and facilities over the next few years.

The Trust will need to continue to respond throughout the five year planning period, but also beyond this time frame, to the changing dynamics of the local Kent and Medway health economy. It will therefore be vital to engage with the Trust's commissioners, partners, patients, relatives and employees to meet their needs, in particular by improving patient access and experience, developing the organisation's profile, market share and market intelligence strategy and ensuring the Trust improves and maintains high quality communication processes, including strengthening the administration systems the Trust uses to communicate with GPs and patients.

Supporting and developing staff and developing the education, training and research and development the Trust offers are also fundamental to delivering successfully the vision the Trust aspires to be in the future.

External risk assessment

The Trust has adopted an integrated approach to the management of risk which is outlined in the Statement on Internal Control. The Trust's Strategic Implementation Plan describes the process and management arrangements in place to support the identification, assessment, mitigation and monitoring of risk issues. A key aspect of this process is the regular populating and updating of the Corporate Risk Register. The register reflects the diversity of risk management activities in the Trust. The register itself is extensive and is supported by detailed directorate registers. Five strategic areas of risk have been identified as over arching risks for the Trust, these are:

1. Treatment (poor quality or inadequate care leading to harm or death)
2. Financial risk (unplanned revenue loss, control of costs, liquidity)
3. Patient and public confidence
4. Market Share
5. Business continuity

Actions to mitigate the risks are included on the risk register along with the residual risk factor ie the element of risk remaining following mitigation measures. In addition the embedding of risk within the Trust's operating framework in particular the annual corporate objectives, business planning and service delivery plans also provides mitigation and assurance to monitoring and control of identified strategic, operational and financial risks.

Inherent to the Trust's activities for 2008/09 are the following:

- Strengthening of the estates strategy to ensure that the patient environment supports the delivery of high quality and safe clinical services.

- Detailed annual infection prevention and control programme focused on delivering continuous improvements in the reduction of healthcare associated infections.

- Executive led directorate performance reviews delivering assurance and targeting improvements in all aspects of service delivery (access, quality, safety and efficiency).

- Established programme for long term savings schemes and regular monitoring of performance on activity and income via directorate reviews.

- Reviewing and strengthening business continuity plans to improve organisational resilience and maintain patient access and operation of services.

- Proactive monitoring of local service delivery in conjunction with commissioners to ensure that care remains responsive to the needs of the local population and affords confidence to service users so that East Kent Hospitals is the provider of choice.

- Use of a dashboard by the Trust Board comprising of improvement and stretch indicators to monitor performance and support the achievement of the aspired standards that service users can expect and the Trust aims to provide.

The Trust's adoption of an integrated framework of which risk management is an integral part provides the organisation with the stability required to manage the risks inherent to healthcare and to continue to deliver and develop high quality services to the local population.

Foundation Trust

The Trust believes that the freedoms and opportunities offered in becoming an NHS Foundation Trust will help the organisation to implement its strategic objectives. NHS Foundation Trust status will help us achieve:

- Services that are more responsive to local people's needs
- More say for local people in local hospital services
- Quicker decision making
- Greater flexibility in managing our resources
- First class healthcare in a 21st century environment.

Consultation

In January 2008 we launched a public consultation into our proposals for becoming an NHS Foundation Trust, seeking views on categories of membership and the composition of the Council of Governors, and inviting members of the public to register their interest in becoming a member. Letters were sent to all local MPs, partner organisations and stakeholders alerting them to the consultation, the Trust held public meetings in all local council areas and the consultation was advertised in free newspapers distributed across constituency areas.

1,110 responses were analysed. The highest percentages of positive responses were in agreement with the proposed size of the Council of Governors, (87% in favour) and that the proposed arrangements for the Council of Governors were representative of the local area, (85% in favour). There were many positive comments welcoming the increased local ownership and accountability linked with increased opportunities for local influence on service developments. The Board considered these responses before submitting its final proposals for NHS Foundation Trust status to the Department of Health.

Our staff

East Kent Hospitals University NHS Trust has over 6000 employees and is an Improving Working Lives Practice Plus accredited Trust. This means it has demonstrated that it has policies and practices in place to improve the working lives of its staff and support their work life balance.

The Trust enjoys healthy working relationships with its recognised trade unions and professional bodies. Over the year, Trust management and staff representatives have reviewed and agreed the following employment policies and procedures: Collective disputes, Grievance, Dignity at work, Raising concerns, Sickness absence, Capability, Relocation and associated expenses and Termination of employment.

Communicating with staff

Staff are kept informed about key issues within the Trust in a number of ways, including a monthly briefing from the Chief Executive, a weekly newsletter and e-mail messages about urgent or clinical issues. Directors regularly 'walk the floor' to talk with staff about their work and experiences. The Chief Executive also holds regular meetings with Trust managers and staff to discuss important issues. Towards the end of the year, staff were consulted about the Trust's plans for NHS Foundation Trust status.

Equality issues

The Trust is committed to ensuring equality of opportunity regardless of race, colour, disability, gender, sexual orientation, age, religious belief, culture or family commitments. Staff are actively supported by a number of policies, including flexible working, disability, anti-harassment and equalities policies. The Trust also supports the East Kent NHS Black and Ethnic Minority Network as well as a disabilities and gay, lesbian, bi-sexual and transgender staff group.

We are a 'Positive About Disability' employer. This means that all applicants with a disability who meet the minimum criteria for a vacancy will be interviewed; disabled employees are provided with a mechanism to discuss how they can develop and use their abilities; and the Trust will make every effort to retain employees who become disabled. The Trust's Occupational Health Department works to support staff who suffer accidents at work and deals with work-related health issues.

The average staff absence rate for 2007/08 was 3.9%, a reduction of 0.9% from 2006/07. This is a significant improvement and means the Trust has one of the lowest sickness rates in the NHS.

Responding to concerns and complaints

The Trust has assessed its performance against the "Principles for Remedy" report and associated guidance "Principles of Good Administration" (March 2007). The Trust embodies the principles outlined in its existing complaints and legal claims procedures. However a detailed review will be undertaken in 2008 to ensure that the practical delivery of these policies meets the expectations outlined by the Ombudsman.

Data protection

The Trust takes its responsibility for the care of patients' personal information very seriously. All breaches of patient confidentiality are reported and acted upon within the Trust. During the year, no serious personal data related incidents occurred that had to be reported to the Information Commissioner. A summary of data related incidents in 2007/08 is shown below.

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	5
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	1
V	Other – lost blood cross match sample	1

Trust Board

The Trust is directed by a Trust Board, which comprises a chairman appointed by the Secretary of State for Health and six non-executive directors appointed by the Appointments Commission, who in turn appoint the five executive directors.

The Board is responsible to the Secretary of State for all aspects of the Trust's work, including maintaining standards, achieving targets set by the Government (eg, waiting time targets) and achieving financial balance. During 2007/08 the Trust Board met seven times in public; papers are available on request and past papers can be found on the Trust's website www.ekht.nhs.uk. The Board now meets monthly in public.

During 2007/08, the Board conducted some of its business through committees for Audit, Finance and Charitable Funds, Governance, Remuneration and Strategic Development. Membership of the Audit and Remuneration Committees is shown in the table opposite. Future committee arrangements are under review.

During the year, Stuart Bain was appointed Chief Executive. Julie Pearce was appointed Director of Nursing, Midwifery and Quality and Dr Neil Martin was appointed Medical Director.

Non Executive Directors Leslie Bulman and Margaret Davis retired from service. The Trust welcomed Richard Samuel and Jonathan Spencer as Non Executive Directors.

Chairman George Jenkins was seconded to Maidstone and Tunbridge Wells NHS Trust during the year and Vice Chairman Nicholas Wells became Acting Chairman.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with the Trust. Directors are required to declare other company directorships and significant interests in organisations that are likely to do business (or possibly seeking to do business) with the NHS where this may conflict with their managerial responsibilities.

George Jenkins is Vice Chairman of NHS Blood & Transplant, an NHS holding company that includes the National Blood Service and UK Transplant. During 2007/08 this Trust paid £3.3m to that organisation for blood products and blood handling charges (2006/07 £2.6m).

Richard Sturt is Director of Canterbury Christ Church University, Richard Samuel is Chief Executive of Thanet Council, and Nicholas Wells is a member of the Strode Park Council of Management and Executive Committee. Other than payment of business rates to Thanet Council, the Trust's transactions with these organisations are not significant in financial terms.

Jonathan Spencer is a non-executive director with Liberty Mutual Insurance Europe; no transactions have taken place with this organisation.

With effect from 31 March 2008 two of the Trust's Directors, Stuart Bain and Matthew Kershaw, are also the Directors of the Trust's subsidiary companies, Healthex Limited and East Kent Medical Services Limited.

Board members during 2007/08

Name	Title	Statutory Committee membership at 31/3/08*	
		Remuneration	Audit
George Jenkins	Chairman (seconded 18 October 07)		
Nicholas Wells	Vice Chairman Acting Chairman (from 19 October 07)	●	
Leslie Bulman	Non-executive director (to 31 July 07)		
Alan Clark	Non-executive director	Chair	●
Margaret Davis	Non-executive director (to 31 October 07)		
Deborah McKellar	Non-executive director	●	Chair
Richard Samuel	Non-executive director (from 1 November 07)		●
Jonathan Spencer	Non-executive director (from 1 November 07)		●
Richard Sturt	Non-executive director		
Stuart Bain	Chief Executive (from 13 August 2007)		
Rupert Egginton	Finance Director (Acting Chief Executive until 12 August 07)		
Matthew Kershaw	Chief Operating Officer		
Neil Martin	Medical Director (from 1 August 2007)		
Julie Pearce	Director of Nursing, Midwifery and Quality (from 9 July 2007)		
Philip Astell	Acting Finance Director until 13 August 07		
Marie Beckett	Acting Medical Director until 13 August 07		
Julie Barton	Acting Director of Nursing until 8 July 07		

* Other committees of the Trust Board in operation in 2007/08 were the Governance, Finance & Charitable Funds and Strategic Development committees.

The following senior officers also attend Trust Board meetings:

Director of Strategic Development	Liz Shutler
Director of Human Resources	Peter Murphy
Director of Facilities	Howard Jones
Trust Secretary	Michael Lucas

Working in partnership

Partnership working in Kent is well advanced. For three years the "Kent Partnership", comprising public, private, voluntary and community sector representatives, has guided progress on the county wide Community Strategy – the 'Vision for Kent'. In addition there are nine Local Strategic Partnerships and 12 Crime and Disorder Reduction Partnerships led, or facilitated by, District Councils, each with their own local plans and strategies. The Kent Compact and District Compacts are enabling public services to work more boldly and creatively with the thriving community and voluntary sector in Kent. The Trust is working actively with partners to improve health and narrow inequalities, including contributing appropriately and effectively to nationally recognised and statutory partnerships. The following are the main areas of partnership:

- East Kent Local Strategic Partnership – The Trust is a member of the East Kent Local

Strategic Partnership, which champions the economic, social and environmental regeneration of East Kent. This umbrella partnership brings together organisations from public, private, community and voluntary sector in a local authority area.

● Compacts – The Trust is a signatory to the Local Compacts. These set out the principles for working together across the statutory, voluntary and community sectors, improving relationships for mutual advantage, aiming to recognise the contribution that the voluntary and community sectors make to our society.

● Patients and the community - The Trust works closely with its patients on an individual and organised group basis and has developed further community and external links through its network of charitable donors, fundraisers and volunteers.

● Commissioners - Through the Local Delivery Plan, Planning Boards and GP cluster groups, the Trust works with Primary Care Trusts and other commissioners to ensure that the service development strategy is in line with local public health priorities including waiting time targets. The Trust has worked in detail with Acute Contracting Team who lead negotiations for the Primary Care Trust. This has improved relationships with commissioners significantly and has underpinned developments such as the 18 week early achiever target, and repatriation of cardiac work to East Kent from London.

● Educational partners - The Trust is committed to health care education and works closely with higher education institutes including Canterbury Christchurch University, the University of Kent and University of London. The Trust's Director of Medical Education, in conjunction with the Kent, Surrey, and Sussex Deanery, oversees the education and training of more than 360 junior doctors and medical student placements.

● Neighbouring Trusts - Strong links already exist with the Trust's neighbours, notably Maidstone and Tunbridge Wells NHS Trust and Medway NHS Trust. The Trust continues to work collaboratively with these trusts in relation to service provision whilst understanding that there is also competition between the organisations.

● Other Partnerships - The Trust works closely with Social Care, Police, Air Ambulance, Emergency Services and the Prison Service. Examples include regular meetings with Kent Social Services Area Officers, the Multi Agency Adult Protection and the Crime and Disorder Partnerships. The Trust is participating in the Kent county-wide implementation of the national decontamination strategy, with other acute trusts and Primary Care Trusts.

Environmental responsibilities and initiatives

East Kent Hospitals is committed to playing its full role in meeting the challenges of the environmental agenda and can demonstrate a number of achievements in this area. The Trust has adopted an environmental policy which acknowledges the potential impact that its activities have on the environment. The key impacts are:

● Minimisation of waste and encouraging recycling
● Prevention of pollution to air, water and land.
● Promote the efficient use of energy and water
● Seek to reduce vehicle fuel, particularly in the Patient Transport Service (PTS) ambulance fleet operated by the Trust.
● To minimise the environmental impacts from products by developing environmental purchasing strategies.

Key achievements are:

1. A Total Waste Management contract is in place with one supplier who has the responsibility to manage safe disposal and encourage re-cycling. During 2007/08 the quantity of domestic waste has reduced from 120 to 80 tonnes a month. Greater segregation at ward level is still needed.

2. The installation of new main boiler controls has improved combustion efficiency and reduced air pollution from the major plant. Water re-cycling has been installed in the renal dialysis units at WHH and K&C to reduce water usage and each hospital works in partnership with local water authorities to measure volume and quality of water to sewage plants.

3. Major energy conservation schemes have achieved substantial energy reductions as confirmed by independent surveys from The Carbon Trust. All hospital sites are energy efficient and the K&C site has an energy footprint equivalent to a new-build hospital.

4. Of particular note is the installation of:
● Ground source heat pumps to heat/cool the WHH renal unit
● Micro Combined Heat and Power in the WHH residences
● Solar heating to pre-heat the hot water in the QEQM Heart Centre
● An absorption chiller plant for the main WHH theatres which runs off waste heat
● Installation of low energy 'smart' light fittings in all hospitals
● Installation of Trust wide energy recording and monitoring software
● An award winning Cancer Day Care centre at QEQM which relies on natural ventilation and has a very low energy footprint.

5. Installation of new planning software has reduced the miles travelled each day by the fleet of 18 PTS ambulances across rural East Kent. Video conferencing is now an established part of the working day reducing the need for journeys to meetings.

6. The Supplies & Procurement Department actively support the Purchasing and Supplies Authority and Office for Government Commerce environmental footprint. The tender process requires suppliers to provide evidence of environmental policies and accreditations.

7. A print management strategy has been established which will eliminate stand-alone printers in favour of grouped multi-functional devices.

Through the above initiatives, the Trust is able to demonstrate its commitment to, and enthusiasm for, the implementation of strategies which comply with the published Environmental Policy. The intention is to build on this in each financial year and use established key performance indicators to confirm progress.

Developing our services

We invested £30 million into developing our services in 2007-08 and opened many new facilities, including:

Renal services

For some years we have been working to fully develop an excellent model of renal care whereby the main renal centre of excellence is based at the Kent & Canterbury Hospital, Canterbury, with 'satellite' units providing dialysis and outpatient services in Margate, Dover, Ashford, Maidstone and Gillingham.

This year we completed this work with the opening of the refurbished and extended renal inpatient ward and new, extended dialysis unit at Canterbury and new renal dialysis units at Ashford and Maidstone.

The first patient moves into the new renal ward at K&C.

The high-tech endovascular theatre.

Endovascular theatre

A purpose-built endovascular theatre, believed to be the first of its kind in England, was opened at Kent & Canterbury Hospital in February. The state-of-the-art facility allows highly complex diagnostic procedures and operations, including endovascular stenting of aortic aneurysms (an alternative to open surgery).

Cancer services

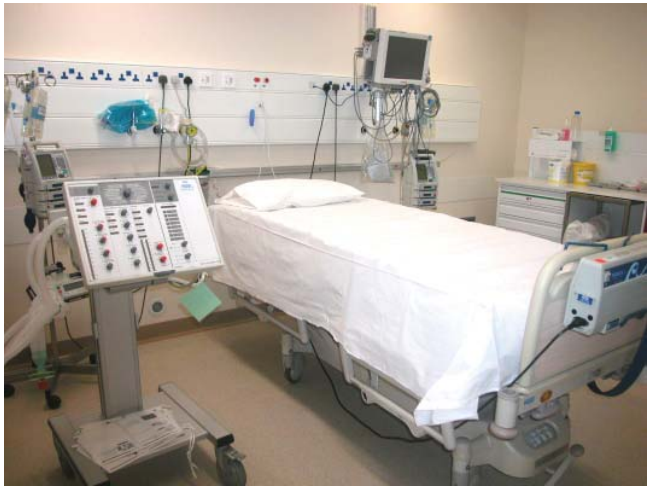
In June, the new Cancer Care Unit at Queen Elizabeth The Queen Mother Hospital, Margate, was officially opened.

The unit was made possible by the local Cancer Care Appeal, which raised £1.5 million over 11 years. It houses chemotherapy treatment rooms, counselling rooms for patients and alternative therapies all under one roof, bringing together services which were previously spread across the hospital.

The new Viking Day Cancer Centre at Margate.

Critical care

The critical care service at the Kent & Canterbury Hospital was expanded from five beds to six intensive care beds and four high dependency beds, and is supporting the new vascular theatre.



Pathology services

Also this year, a new robotic system that processes and analyses patients' blood samples for a wide range of pathology tests was introduced at the William Harvey Hospital's pathology laboratory.

This new automated laboratory, which represents an investment of £10 million over seven years, is amongst the largest in the South East, and has resulted in quicker turnaround times for test results and a more efficient service for both the hospital and GP surgeries throughout East Kent.

The state-of-the-art pathology laboratory at William Harvey Hospital.

Financial overview

Annual Report - 2007/08 Financial Overview

2007/08 was a successful year in financial terms; the Trust made a surplus of £7.7m. As a result, the deficits built up in the past two years of £5.7m have been eliminated and the Trust has met its statutory duty to break even over a three year period. This leaves the Trust in a strong financial position to progress its Foundation Trust application.

Table 1: Summary Income and Expenditure for the year ended 31 March 2008

	2007/08 £000	2006/07 £000
Income	402,054	363,619
Operating expenses	(384,498)	(359,203)
Operating Surplus	17,556	4,416
Financing Costs and Income	662	469
Public Dividends	(10,564)	(9,632)
Surplus/(Deficit) for the year	**7,654**	(4,747)

The turn-round in the Trust's finances is due to the efforts and achievements of directorate teams and individual staff, in treating additional patients and driving down waiting times whilst also delivering £22m cash-releasing efficiency savings during the year. To achieve this whilst also improving clinical performance and delivering programmes of investment into new clinical services is commendable.

The programme of investment in the estate, services, equipment and new technology is continuing, with over £30m of capital expenditure in 2007/08 including £7.6m for the renal/vascular/interventional radiology scheme, £5m for new staff accommodation at QEQM and £6.6m for medical, theatres, X-ray and other equipment. The Trust is required to manage its Capital investments within a Capital Resource Limit, and this target was met.

The Trust is set a cash limit within which to manage its operations and investments, called an External Financing Limit. The cash position was satisfactory throughout the year, with an undershoot of £0.4m at the year end.

On 31/03/08 the Trust purchased the company that operates and manages the Spencer Wing at Queen Elizabeth the Queen Mother Hospital; where required, their accounts have been consolidated with the Trust's accounts.

Summary financial statements for the year are set out on pages 14 to 15. Further analysis of financial results for 2007/08 is included on pages 19 to 21.

The Trust is required to plan to implement International Financial Reporting Standards (IFRS) with effect from 1 April 2009. The 2008/09 accounts will be prepared under the existing UK GAAP regime and then restated under IFRS, to form the comparatives for the 2009/10 accounts.

Looking forward, aspiring Foundation Trusts are required to prepare and submit a 5-year Long-Term Financial Model covering projected activity, income and expenditure and investment plans. The DH expects Trusts to plan for a surplus to provide resources for future investment in services, facilities and quality of care. This plan will be presented to the Department of Health in August 2008. The Annual Business Plan for 2008/09 has been approved by the Board, with a target surplus of £8.1m for the year.

Overall, 2007/08 was a very successful financial year and should lay a firm platform for the Trust to build its plans to become an NHS Foundation Trust during 2008/09.

Summary financial statements

The financial statements embedded in this annual report are a summarised version, and might not contain sufficient information for the reader to gain a full understanding of the entity's position and performance. A full set of annual accounts can be obtained through the Trust's Freedom of Information Office (e-mail FOIrecordsoffice@ekht.nhs.uk). A copying charge may be levied. The information can also be found on the Trust's internet site at www.ekht.nhs.uk or you can phone us on 01227 766877 ext 73636.

Table 2: Income and Expenditure Account for the year ended 31 March 2008

	2007/08 £000	2006/07 £000
Income from activities	376,051	337,288
Other operating income	26,003	26,331
Operating expenses	(384,498)	(359,203)
OPERATING SURPLUS	17,556	4,416
Profit/(loss) on disposal of fixed assets	(643)	(34)
SURPLUS BEFORE INTEREST	16,913	4,382
Interest receivable	1,371	558
Other finance costs -unwinding of discount	(66)	(55)
SURPLUS FOR THE YEAR	18,218	4,885
Public Dividend Capital dividends payable	(10,564)	(9,632)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR	**7,654**	(4,747)

Table 3: Break-even performance

	2004/05 £000	2005/06 £000	2006/07 £000	**2007/08 £000**
Turnover	338,498	352,455	363,619	402,054
In-year surplus/(deficit)	453	(2,606)	(4,747)	7,654
Cumulative surplus/(deficit)	1,641	(965)	(5,712)	**1,942**

NHS Trusts have a statutory duty to breakeven 'taking one year with another'. This requirement to ensure that costs do not exceed income is measured over three (or exceptionally five) years.
Following a £4.7m deficit in 2006/07, the Trust achieved a £7.7m surplus for 2007/08, recouping the accumulated deficit and generating a £1.9m surplus to carry forward.

Table 4: Trust and consolidated Balance Sheets at 31 March 2008

	31-Mar-08 £000 Trust	31-Mar-08 £000 Group	31-Mar-07 £000 Trust
Fixed assets			
Intangible assets	58	951	0
Tangible assets	294,006	297,341	311,028
Investments	2,100	0	0
Total fixed assets	**296,164**	**298,292**	311,028
Current assets			
Stocks and work in progress	4,878	4,878	4,236
Debtors	14,046	14,472	12,592
Cash at bank and in hand	25,919	26,135	716
Total current assets	**44,843**	**45,485**	17,544
Creditors falling due within one year	(45,570)	(46,227)	(26,198)
Net current assets/(liabilities)	**(727)**	**(742)**	(8,654)
Creditors falling due after more than one year	(22)	(2,046)	(25)
Provisions for liabilities and charges	(7,852)	(7,941)	(5,538)
Total assets employed	**287,563**	**287,563**	296,811
Financed by: Taxpayers equity			
Public dividend capital	189,675	189,675	184,525
Revaluation reserve	87,929	87,929	113,361
Donated asset reserve	11,658	11,658	10,189
Income and expenditure reserve	(1,699)	(1,699)	(11,264)
Total taxpayers equity	**287,563**	**287,563**	296,811

Stuart Bain, Chief Executive

Rupert Egginton, Finance Director

Balances at 31/03/08 for the Group include the consolidated accounts of Healthex Limited which is a wholly-owned subsidiary of EKHUT. Comparatives at 31/03/07 are for the Trust only.

The NHS estate is formally revalued every five years and indexed in the intervening period; in addition, Trusts may arrange their own valuations. An independent professional valuation at 31/03/08 was obtained for the Trust's land and buildings and this has been adopted as the carrying value in the 2007/08 accounts.

Table 5: Statement of Recognised Gains and Losses for the year ended 31 March 2008

	2007/08 £000 Group	2006/07 £000 Trust
Surplus for the year before dividend payments	18,218	4,885
Fixed asset impairment losses	(48,110)	(2,026)
Unrealised surplus on fixed asset revaluations/indexation	25,366	20,435
Increase in donated asset reserve due to receipt of donated assets	2,156	177
Total gains and losses recognised in the year	**(2,370)**	23,471

The revaluation of land and buildings owned by the Trust together with the annual impairment review of equipment reduced the carrying value of tangible fixed assets by £50m offset by £25m of indexation and upward revaluation; £48m of the £50m fall in value was funded from previous increases held in the revaluation reserve and the balance of £2.4m was charged to the Income and Expenditure Account. The greatest single reduction was £18.4m for K&C land, now valued at £12.4m. The valuer has concluded that the previous assessment may have been based on market value for residential use, which was incorrect. WHH land has reduced in value by £5.2m, part of this was due to the earlier valuation having included some land not owned by the Trust.

Table 6: Cash Flow Statement for the year ended 31 March 2008

	2007/08 £000 Group	2006/07 £000 Trust
Net cash inflow/(outflow) from operating activities	**56,007**	19,013
Returns on investments and servicing of finance		
Interest received	1,371	558
Interest paid	0	0
Interest element of finance leases	0	0
Net cash inflow from returns on investments and servicing of finance	**1,371**	558
Capital expenditure		
Payments to acquire tangible fixed assets	(31,053)	(20,332)
Receipts from sale of tangible fixed assets	2,410	309
Payments to acquire intangible assets	(58)	0
Net cash outflow from capital expenditure	**(28,701)**	(20,023)
Dividends paid	(10,564)	(9,632)
Net cash inflow/(outflow) before management of liquid resources and financing	**18,113**	(10,084)
Management of liquid resources		
Purchase of investments	0	0
Sale of investments	0	0
Net cash inflow/(outflow) from management of liquid resources	0	0
Net cash inflow/(outflow) before financing	**18,113**	(10,084)
Financing		
Public dividend capital received	7,756	14,910
Public dividend capital repaid	(2,606)	(5,000)
Loans received	0	0
Loans repaid	0	0
Other capital receipts	2,156	177
Capital element of finance lease rental payments	0	0
Cash transferred to/from other NHS bodies	0	0
Net cash inflow (outflow) from financing	**7,306**	10,087
Increase/(decrease) in cash	**25,419**	3

Trusts are permitted to keep up to £50k in a commercial account; the remainder is held in an interest-bearing account with the Office of the Paymaster General. During 2007/08 the Department of Health relaxed the cash regime for NHS Trusts, enabling surplus cash to be carried forward. Prior to this, Trusts would often have to pay in March for items not due for payment until the new financial year, in order to avoid having 'too much' cash in the bank. Following this rule change, the Trust's cash balance increased from £0.7m on 1 April 2007 to £25.9m on 31 March 2008.

Accounting Policies

Accounting policies, set out in the full annual accounts, are based on the DH Manual for Accounts for NHS Trusts with some minor local adjustments. Following the purchase of Healthex Limited the following additional accounting policies have been adopted:

1.2 Acquisitions and discontinued operations
Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be discontinued only if they cease entirely. On 31 March 2008 the Trust acquired a subsidiary company, purchasing 100% of the share capital of Healthex Limited, which is also the parent company of East Kent Medical Services Limited, for a total consideration of £2.1m. The subsidiary provides the operation and management of a public hospital.

1.3 Basis of Consolidation
The consolidated financial statements include the financial statements of the Trust and its subsidiary undertakings up to 31 March 2008. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. The assets and liabilities of the subsidiary are included in the consolidated balance sheet from the date of acquisition.
As the Trust's subsidiary undertaking, Healthex Limited was acquired on the 31 March 2008. Income and expenditure from the date of acquisition has not been included as the results would be immaterial. Assets and liabilities of the subsidiary have been included in the consolidated balance sheet. Accounting policies have been aligned as far as possible and intra group transactions have been eliminated.

1.6 Goodwill
Whilst the Manual for Accounts states that NHS Trusts will not have goodwill, this year the Trust has made a departure from the national policy and created goodwill through the purchase of a subsidiary company, Healthex Limited. This has been capitalised as an intangible fixed asset and will be amortised over its useful economic life, estimated to be ten years. An impairment review was undertaken this year and further reviews will be carried out when indications of impairment are identified.

Salary and pension entitlements of senior managers

The definition of a senior manager for disclosure purposes is 'those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the decisions of the entity as a whole rather than the decision of individual directorates or departments'. The Chief Executive has confirmed that, for 2007/08 and 2006/07, the definition applies only to those listed in the table of salaries and allowances (see Table 7 below). The former owner and managing director of the Healthex group is not included in the remuneration table.

The Remuneration Committee, a mandatory committee of the Trust Board, determines the remuneration and conditions of service for executive directors, ensuring that these properly support the objectives of the Trust, comply with DH and statutory requirements, and represent value for money. Membership of this committee is set out on page 10. The Chief Executive is a member except when his own post is under discussion.

The Committee's policy on remuneration has been to consider the market rate through comparative analysis with other trusts of a similar size. There is no intention to change this approach for the foreseeable future. Other than temporary acting-up arrangements all current contracts for directors are permanent with six months notice required. No additional payments are given on termination. Performance is assessed through individual appraisal. There is currently no system of performance related pay; executive directors did not receive the £250 bonus payable to other staff for 2007/08. The remuneration and expenses for the Trust Chairman and Non-executive directors are set according to guidance issued by the Appointments Commission.

Table 7: Senior Managers' salaries and other non-cash benefits for the year ended 31 March 2008

		2007/08			2006/07		
		Salary	**Other Pay**	**Benefits in kind**	Salary	Other Pay	Benefits in kind
		*****	*****	**##**	*	*	##
		£000	**£000**	**£000**	£000	£000	£000
George Jenkins	Chairman until 18/10/07	10-15			20-25		
Nicholas Wells	Non-Executive Director, Acting Chairman from 19/10/07	10-15			5-10		
Leslie Bulman	Non-Executive Director to 31/07/07	0-5			5-10		
Alan Clark	Non-Executive Director	5-10			5-10		
Margaret Davis	Non-Executive Director to 31/10/07	0-5			5-10		
Deborah McKellar	Non-Executive Director from 01/11/06	5-10			0-5		
Richard Samuel	Non-Executive Director from 01/11/07	0-5					
Jonathan Spencer	Non-Executive Director from 01/11/07	0-5					
Richard Sturt	Non-Executive Director	5-10			5-10		
Stuart Bain	Chief Executive Officer from 13/08/07	100-105		3.8			
Rupert Egginton	Finance Director and Deputy Chief Executive Acting Chief Executive Officer 20/11/06 to 13/08/07	110-115			110-115		
Matthew Kershaw	Chief Operating Officer **	95-100		1.2	95-100		0.2
Neil Martin	Medical Director from 01/08/07.	60-65	55-60				
Noel Padley	Medical Director to 31/03/06 and 01/05/06 to 30/10/06				100-105		
Julie Pearce	Director of Nursing, Midwifery & Quality from 09/07/07	60-65					
Elaine Strachan-Hall	Director of Nursing, Midwifery and Quality to 16/02/07				85-90		
Howard Jones	Facilities Director	80-85		2.5	80-85		
Peter Murphy	Director of Human Resources	80-85		0.5	75-80		0.1
Elizabeth Shutler	Director of Strategic Development	80-85		2.2	75-80		0.1
Philip Astell #	Acting Finance Director from 20/11/06 to 13/08/07	30-35			30-35		
Julie Barton #	Acting Director of Nursing from 19/02/07 to 08/07/07	20-25			5-10		
Marie Beckett #	Acting Medical Director for April 2006 and from 01/11/06 to 13/08/07	5-10	55-60	2.1	5-10	70-75	0.3

* Bands of £5,000

** In addition to the above, £7.6k salary was recharged to another NHS Trust for the provision of Board-level support in an advisory capacity from November 2007 to January 2008
# # lease car benefit.
# total salary whilst acting as a director

Table 8: Pension Benefits of Senior Managers for the year ended 31 March 2008

Name	Real increase in pension at age 60 ** £000	Real increase in pension lump sum at age 60 ** £000	Total accrued pension at age 60 at 31 March 2008 * £000	Lump sum at age 60 related to accrued pension at 31 March 2008 * £000	Cash Equivalent Transfer Value at 31 March 2008 £000	Cash Equivalent Transfer Value at 31 March 2007 £000	Real Increase in Cash Equivalent Transfer Value £000	Employer's contribution to stakeholder pension £00
Stuart Bain	0-2.5	0-2.5	0-5	0-5	3	n/a	n/a	0
Rupert Egginton	2.5-5.0	7.5-10.0	25-30	85-90	370	314	34	0
Matthew Kershaw	0-2.5	5.0-7.5	15-20	45-50	163	137	16	0
Neil Martin ##	-	-	-	-	-	-	-	0
Julie Pearce	2.5-5.0	7.5-10.0	25-30	80-85	416	n/a	n/a	0
Howard Jones	0-2.5	2.5-5.0	30-35	100-105	607	566	19	0
Peter Murphy	0-2.5	2.5-5.0	5-10	20-25	120	99	13	0
Elizabeth Shutler	0-2.5	2.5-5.0	15-20	50-55	201	173	17	0
Philip Astell #	0-2.5	0-2.5	10-15	40-45	260	240	4	0
Julie Barton #	0-2.5	5.0-7.5	15-20	45-50	199	166	6	0
Marie Beckett #	0-2.5	0-2.5	45-50	140-145	782	737	7	0

** Bands of £2,500 * Bands of £5,000 n/a : not applicable

Totals to end of period of acting up ## not currently available from the Pensions Agency

Note: Non-Executive members remuneration is non-pensionable.

Cash Equivalent Transfer Values

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

Real Increase in CETV

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

Stuart Bain, Chief Executive

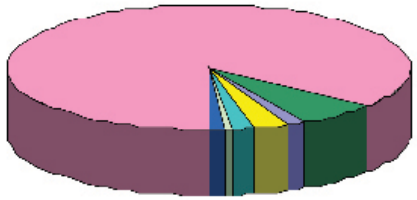
Financial analysis

Income and expenditure analysis

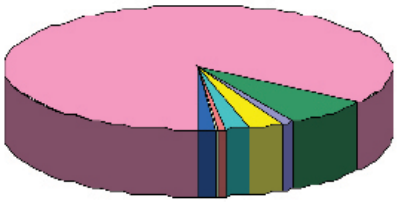
Table 9: Income analysis for the year ended 31 March 2008

	2007/08 £000	2006/07 £000
Primary Care Trusts	345,404	308,492
Department of Health	25,758	25,713
Other income for patient care	4,889	3,083
Education, training and research	11,556	10,771
Non-patient care services to other bodies	6,477	7,065
Charitable and other contributions to expenditure	697	2,219
Transfers from donated asset reserve	1,464	833
Income generation and other income	5,809	5,443
Total income	**402,054**	363,619

2007/08 income



2006/07 income

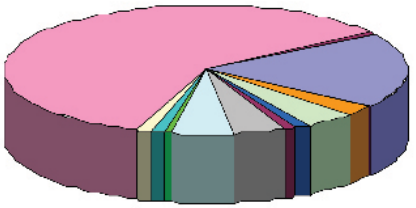


Total income (excluding bank interest) increased by £38m to £402m. Income for patient care activities rose by 11%. The overall uplift for inflation and nationally-agreed cost pressures was 5.5%, reduced by 3% for efficiency savings. The Trust also received £1.4m interest on bank balances during 2007/08 (2006/07: £0.6m).

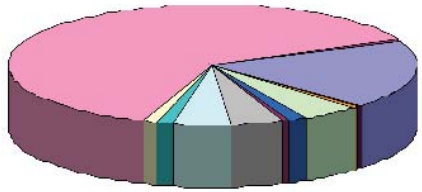
Table 10: Operating expenses for the year ended 31 March 2008

	2007/08 £000	2006/07 £000
Staff costs	229,746	224,254
Directors' costs	1,103	1,022
Consultancy costs	1,310	1,002
Clinical supplies /services	72,350	66,286
Healthcare from non-NHS bodies	833	1,583
Services from other NHS organisations	8,342	1,336
General supplies & services	16,466	16,680
Establishment costs	5,073	5,117
Transport	2,963	2,441
Premises	15,993	14,356
Bad debts	234	286
Depreciation	18,878	15,818
Fixed asset impairments	2,444	0
Audit fees	254	238
Clinical negligence premium	4,037	4,410
Redundancy costs	0	301
Other and miscellaneous	4,472	4,073
Total	**384,498**	359,203

2007/08 expenditure



2006/07 expenditure



Operating expenditure increased by £25m (7%) to £384m. Clinical supplies and services increased by 9% to £72m, this was partly due to the additional activity required to meet the 18 week target. In order to ensure that waiting times were met, £7m of patient care was sourced from the independent sector in 2007/08 under agreements made with the PCT; the Trust is fully reimbursed for these costs, which are included in the above as 'services from other NHS organisations'. Capital charges (depreciation and the Public Dividend Capital dividend) rose by £4m to £29m, this is a consequence of the substantial capital investment in the Trust's infrastructure in recent years.

Table 11: Pay costs by staff group for the year ended 31 March 2008

	2007/08 £m	2006/07 £m
Medical & dental	71.7	70.0
Nurses, midwives & healthcare assistants	86.3	83.7
Scientific, therapeutic and technical	37.2	34.5
Administration, management & estates	33.7	35.1
Ancillary and other	1.9	2.0
Total	**230.8**	225.3

2007/08 pay costs

2006/07 pay costs

Pay costs rose by £6m to £231m, a 2.4% increase. A significant proportion of the increase in patient care activity was delivered within existing resources through more efficient working. National pay rises for substantive staff cost £4m (average 1.9% for employees covered by Agenda for Change terms and conditions).

Staff costs include the Trust's contribution to the NHS pension scheme which all EKHUT employees are entitled to join. The accounting policy for the NHS pension scheme is explained in the full set of annual accounts.

Table 12: Management Costs for the year ended 31 March 2008

	2007/08 £000	2006/07 £000
Management costs	16,610	14,745
Income excluding recharges to other bodies	394,631	356,895
Management costs as a percentage of relevant income *	**4.21%**	4.13%

Management costs are defined as those on the management costs website at http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en.
* Excludes income for non-patient services provided to other organisations. During the year the ratio of management costs to income increased by 0.08%.

Capital resources and liquidity

Table 13: Use of capital resources for the year ended 31 March 2008

	2007/08 £000 Trust
Capital expenditure	
Renal/vascular/interventional radiology development	7,551
Staff Accommodation scheme	5,116
Estates schemes	4,420
Medical and other equipment	6,645
IT	4,256
Assets purchased from donated funds	2,156
Other investment	4,228
Total capital expenditure	34,372
Capital funding	
Donations for capital expenditure	(2,156)
Asset sales	(2,616)
Net capital investment	29,600
Capital Resource Limit	29,715
CRL underspend against Capital Resource Limit	**115**

Capital programme 2007/08

The Trust spent £30.1m on the capital programme for the year. In addition, £2.1m was spent on assets purchased from monies donated for that purpose. Following receipt of Department of Health (DH) guidance (and an increase to the Capital Resource Limit for the year) a further £2.2m has been treated as notional capital expenditure, to reflect the value of Healthex assets acquired; this increased total capital expenditure for the year to £34.4m.

The Capital Resource Limit at the start of the year was based on £19m of capital funding derived from patient care income from PCTs to cover depreciation on Trust assets, and £6.6m of funding for the renal/vascular/interventional radiology scheme. Further DH capital funding was allocated during the year to cover specific additional schemes, including £1.8m of assets transferred from other NHS bodies. Disposal of surplus assets provided funds of £2.6m.

The final Capital Resource Limit of £29.7m was achieved with a £0.1m undershoot. A five year capital investment programme is being developed as part of the Foundation Trust application. The Trust has a £41m DH Prudential Borrowing Limit; at present there is no identified requirement for a loan.

Table 14: Fixed Asset summary at 31 March 2008

	31/03/2008 £000 Trust	31/03/2008 £000 Group	31/03/2007 £000 Trust
Tangible assets:			
Land	35,605	35,605	60,645
Buildings	210,912	213,984	200,251
Dwellings	7,346	7,346	11,228
Assets under construction	12,191	12,191	12,933
Plant and machinery	23,460	23,723	22,802
Transport equipment	5	5	8
Information technology	3,756	3,756	2,353
Furniture and fittings	731	731	808
Intangible assets:			
Software licences	58	58	0
Investment	2,100		
Goodwill		893	0
Total fixed assets	**296,164**	**298,292**	311,028

NHS Trusts are required to demonstrate a 3.5% return on capital (known as the Capital Cost Absorption Rate). This return is calculated on average relevant net assets and is payable in the form of public dividends to the Department of Health. For 2007/08 the Trust achieved a 3.9% return. The rate achieved was higher than planned (owing to the impact of the revaluation of fixed assets) but is within the acceptable range of 3% to 4%.

Table 15: Use of cash resources for the year ended 31 March 2008

	2007/08 £000
External Financing Limit	
Limit notified by DH	-19,850
External financing requirement	-20,269
EFL undershoot	**419**

Cash limits for NHS Trusts are controlled by the DH through an External Financing Limit (EFL), which regulates overall DH spending limits and determines the minimum amount of cash to be held by the Trust on the last day of the financial year. There were no cash shortages in 2007/08 and the Trust met its final EFL target of £19.9m on 31 March 2008 with an undershoot of £0.4m.

Table 16: Better Payment Practice Code - measure of compliance

	Non-NHS		NHS	
	number	£000	number	£000
Trade invoices paid in 2007/08	66,487	118,616	3,944	42,628
Trade invoices paid within target	60,028	107,539	3,529	40,493
Percentage of trade invoices paid within target in 2007/08	**90%**	**91%**	**89%**	**95%**
Percentage of trade invoices paid within target in 2006/07	91%	92%	87%	86%

The Better Practice Payment Code requires the Trust to aim to pay all undisputed invoices within 30 days of receipt of goods or a valid invoice (whichever is later) unless other payment terms have been agreed.

Charitable Funds

The Trust administers charitable funds, comprising legacies and donations received for the benefit of patients and staff. The Trust Board is the Trustee of the funds; the Charity is registered with the Charity Commission. The following table summarises the transactions of the charity during 2007/08.

Table 17: Charitable funds financial summary for the year ended 31 March 2008 (provisional - unaudited)

Income and expenditure	**2007/08 £000**
Incoming Resources	
Cash donations	297
Legacies	555
Investment Income	145
Income from Activities	0
Other income	16
Total incoming resources	**1,013**
Resources expended	
Contributions to NHS	(528)
Patient welfare and amenities	(20)
Research	(13)
Governance and administration	(117)
Staff welfare and amenities	(49)
Cost of generating funds	(76)
Total resources expended	**(803)**
Loss on revaluation and disposal of investment assets	(111)
Net movement on income and expenditure	**99**

Summary of Financial Activities	**£000**
Fund balances at 1 April 2007	4,502
Funds transferred to other NHS bodies	**(26)**
Net movement in funds during 2007/08	**99**
Fund balances at 31 March 2008	**4,575**

External charities (Leagues of Friends, lottery funds and the charity shop) also contributed £612K during the year for the purchase of specific items for use by the Trust.

The Trust greatly values the generous support of the public and the business community within East Kent, which helps to sustain and enhance the quality of services provided. A Fundraising Manager has been appointed to coordinate and promote charitable activities.

Governance

Managing risks and maintaining standards
The Trust's approach to the management of risk is set out in the annual Statement on Internal Control which forms part of the annual accounts. It describes how the Board is provided with assurance that risks are identified, quantified, controlled and mitigated in all areas of the Trust's work.

The Trust Board is committed to maintaining and promoting ethical business conduct as described in the 'Nolan' principles, the NHS Codes of Conduct for Board members, managers and staff, the Trust's documented Governance Arrangements and the Staff Handbook.

The Trust is committed to the elimination of fraud, ensuring rigorous investigation and disciplinary or legal action as appropriate. The Anti-fraud policy has been widely publicised and reinforced with local awareness training. Any concerns are investigated by the Trust's Local Counter Fraud Specialist or referred to the NHS Counter Fraud and Security Management Service as appropriate. All investigations are reported to the Trust's Audit Committee.

Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust
The Secretary of State has directed that the Chief Executive shall be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health. To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an accountable officer.

Statement on Internal Control
This is an extract of the full Statement on Internal Control, which can be obtained through the Trust's Freedom of Information Office (e-mail FOIrecordsoffice@ekht.nhs.uk). A copying charge may be levied. The information can also be found on the Trust's internet site at www.ekht.nhs.uk.

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

Final responsibility for establishing the appropriate accountabilities for risk management rests with the Trust Board and these are exercised through two Board sub committees: the Governance Committee and the Audit Committee. The Governance Committee oversees all aspects of governance and risk management (corporate, clinical and non clinical) on behalf of the Board. The Audit Committee provides verification on the systems in place for risk management and internal control. In addition, the work of the Strategic Development Committee continues to embrace the role of addressing risks associated with service developments, strategic planning and as part of the preparations for Foundation Trust status. The Finance Committee has also reviewed our financial recovery processes.

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

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

The system of internal control has been in place in East Kent Hospitals University NHS Trust for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts.

The Director of Nursing, Midwifery & Quality is responsible for assuring the Board about the management of risk. The Trust recognises that such risks may be clinical, non clinical, financial and organisational. Through its risk register it continues to maintain a framework which provides an integrated system of control for identified risks and through its Assurance Framework continues to provide assurances to the Board on risk exposure in relation to its corporate objectives. Throughout 2007/08 the assurance to the Trust Board has been further developed with the provision of regular reports on patient safety and the patient experience.

The Trust recognises the importance of having in place robust systems to safeguard personal and other sensitive information. In March 2008, the Trust completed its self assessment using the Information Governance toolkit to determine compliance against the required standards. This assessment identified the need for targeted actions relating to procedures for managing patient confidentiality alerts, information governance event reporting and investigation and the secure transit of digital information when shared with other organisations. Further opportunities were also identified to further strengthen local information governance arrangements. A detailed action plan has been produced aimed at improving compliance and progress will be monitored by the Information Governance Working Group chaired by the Director of Nursing, Midwifery and Quality.

The Trust's risk management strategy sets out an overall vision and framework for the management of risk across the organisation. The strategy details the oversight provided by the Trust Board on integrated governance and its delegated authority to the Governance and Audit Committees for the monitoring and receipt of assurance on the embedding of risk.

The Trust is committed to continually improving its systems of control and provision of assurance and has identified the following key actions for 2008/09:

1. To maintain and improve the Trust's compliance with the Standards for Better Health ad-

dressing the gap in compliance identified against core standards 4e (waste management)
2. To maintain robust business and management structures for the successful assessment and transition to Foundation Trust status
3. To continue to ensure patient safety is given equal priority and attention by Trust Board as finance and operational targets.
4. To strengthen existing performance management arrangements to ensure that sustainable progress is made through robust improvement metrics.
5. Continue to progress the national IT programme whilst managing the risks associated with its full implementation.
6. To improve compliance with the Information Governance standards.

Individual action plans have been developed to take forward the actions.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways; the Head of Internal Audit Opinion, the Assurance Framework arrangements and the process of external review by bodies such as the Healthcare Commission and Audit Commission.

In the past year the Governance Committee and Audit Committee have provided strong oversight in maintaining the effectiveness of the Trust's systems of Internal Control. The committees have overseen work in key areas in the last year led by its directors. This has included:

- Submission of the Trust's declaration against the Healthcare Commission's core and developmental standards and a summary of progress in implementing the Hygiene Code.
- Ongoing involvement of patients and members of the public in service developments and changes to service delivery.
- Approval of audit plans and scrutiny of the Trust's response to agreed actions
- Review and approval of the annual accounts and associated audit reports
- Oversight of the adequacy of controls relating to the provision of services to the Trust by the Finance and Payroll Consortia and Health Informatics Service.

Further work is planned to address the reported non compliance against core standard 4e, Waste Management, in the Standards for Better Health programme.

The Trust will continue its programme of embedding Risk Management and Governance within the organisation. In support of this, internal governance arrangements including the roles and responsibilities of Board committees and corporate management meetings such as the Clinical Management Board are being reviewed. This review will assist in demonstrating that our arrangements are fit for purpose in preparation for Foundation Trust status and in maintaining the necessary assurances provided to underpin the Statement on Internal Control in 2008/09.

On the basis of the advice and evidence I have received I am satisfied as to the effectiveness of the system of internal control.

Stuart Bain, Chief Executive, 3 July 2008

Audit

Membership of the Trust's Audit Committee is set out on page 10. The Committee conducts an annual review of its effectiveness and the results are reported to the Trust Board.

Before the accounts are approved each of the Trust's directors is required to confirm that, as far as they are aware, there is no relevant audit information of which the Trust's auditors are unaware; that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the NHS Trust's auditors are aware of that information.

The Trust's external auditors are the Audit Commission, based at Sevenoaks. The District Auditor is Andy Mack. In 2007/08 the cost of audit work performed by the Audit Commission was £254k. No non-audit services were provided.

Independent auditor's statement to the Directors of the Board of East Kent Hospitals University NHS Trust

I have examined the summary financial statements set out on pages 14 to 23. This report is made solely to the Board of Directors of East Kent Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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

Basis of opinion
I conducted my work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. My report on the statutory financial statements describes the basis of our audit opinion on those financial statements.

Opinion
In my opinion the summary financial statement is consistent with the statutory financial statements for the Trust for the year ended 31 March 2008. I have not considered the effects of any events between the date on which I signed my report on the statutory financial statements, 7 July 2008, and the date of this statement.

Andy Mack, District Auditor
Audit Commission, 16 South Park, Sevenoaks, Kent TN13 1AN
Date: 18 August 2008
Note: This Auditor's statement does not apply to charitable fund accounts which are subject to separate audit.

Tell us what you think

We want to know what you think of our annual report – whether you think it gave you a good insight into our year or whether it could have been presented better. Please give us your views by completing this short questionnaire and returning it to:

Communications Department, Trust Offices, Kent & Canterbury Hospital, Ethelbert Road, Canterbury, Kent, CT1 3NG

Fax: 01227 866385

1. In general, do you think the Annual Report was written in a way that was easy to understand?

Yes ❑
Middle ❑
No ❑

2. In general, do you think the Annual Report gave you enough information about the Trust's activities and performance in 2007/08?

Yes ❑
Middle ❑
No ❑

3. Is there any other information you would have liked it to include? (please write in)

_____

_____

4. Please use this space to make any further comments you would like about our Annual Report:

_____

_____

This annual report can be made available in several different languages and in different formats, eg, large print. Please contact the East Kent Hospitals' Communications Department on 01227 866384 or e-mail communications@ekht.nhs.uk