

Annual Report & Accounts

2nd July 2007

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Chairman's & Chief Executive's Overview

It is a pleasure to introduce this year's report, which is all about achievement, and ensuring recognition for promises delivered in making real service improvement.

It has been a year of significant development and delivery for the Trust, key aspects of which are outlined in this Introduction.

Context to last year's achievements

The context to the year has been characterised by significant changes in our health partners. This has extended from Strategic Health Authorities, through our Primary Care Trust partners. We have also supported the strengthening of NHS foundations; our local contribution to this has, despite an already challenging financial year for the Trust, seen us meeting the Strategic Health Authority requirement for financial surplus. We recognise the importance of this as the NHS moves from the significant early growth percentages of the National Plan to lower rates.

Additionally, our Trust has also embraced reconfiguration in assessing its fitness for the future via our consideration and subsequent application for Foundation Trust status.

Important Milestones

These include:

- Successful achievement of Trust statutory financial duties, and of the SHA requirement to deliver surplus. Additionally, the Trust's programme of cost savings also ran in parallel to making lasting service improvements
- As part of our Fitness for the Future, Foundation Trust application, the whole Trust has seen development, as foreseen in last year's Annual Report. Elements of this include:
 - Foundation Trust - formal Public Consultation was completed, leading to the successful application to the Department of Health
 - Trust Board Changes – three new Non Executive Directors have been appointed to replace departing colleagues. A new Finance Director was also appointed and the Trust revised its committee structure
 - Service management was reorganised into Business Units to give greater focus to service modernisation and local decision-making
- Continued work to progress the retraction of Kingsway Hospital, including completion of a substantial £2million enabling works programme in preparation for the new hospital building. We are now agreeing the penultimate phase of work here through our Private Finance Initiative which focuses on the development of new accommodation to facilitate the closure of the Kingsway Hospital. This includes a range of accommodation for inpatient services in addition to accommodation to support the clinical activity across the Trust
- Further feedback to Trust leaders via both the Patient and Staff Surveys. Results from both of these were very encouraging, identifying areas for continued work, but also underlining successful completion of previous programmes of work. Some of the results placed the Trust in the top 20% of national performers

Continued Improvement

However, despite successfully delivering the above, and many more service improvements, we still have much to do.

If successful with our Foundation Trust application, we will become a different type of organisation, with stronger accountability to local people through our membership, and our Council of Governors. This will give us a much stronger local focus on where our priorities lie, but will require us to be ever more efficient with the resources we manage. This will help ensure the services we provide are those local people want to receive.

In providing these, we look forward to working with all our partners, including public and staff members as well as our nominated partner Governors - PCT, University, Social Services and Voluntary sector representatives - towards achieving this goal.

It will be clear from the following pages that a great deal of credit is due to our staff, working across a huge variety of departments, most in direct patient care, others working in support.

We hope you find this report useful

A handwritten signature in black ink that reads "Judith Forrest". The signature is written in a cursive style with a horizontal line underneath.

Judith Forrest
CHAIRMAN

A handwritten signature in black ink that reads "Mike Shewan". The signature is written in a cursive style with a horizontal line underneath.

Mike Shewan
CHIEF EXECUTIVE

About Us

Derbyshire Mental Health Services NHS Trust was formed on the 1st April 2002 following wide consultation, and subsequent approval from the Secretary of State for Health to form a new county-wide specialist Mental Health Trust. This was achieved as a result of a merger between the Southern Derbyshire Community and Mental Health Services NHS Trust and the Northern Derbyshire Mental Health Confederation - previously managed by the Community Health Care Services (North Derbyshire) NHS Trust. As a consequence of these changes, the Community Health Care Services (North Derbyshire) NHS Trust was dissolved on 31st March 2002.

Our Services – What we do

The catchment area population is circa 950,000, 1 in 4 of whom will experience mental health care needs, and, 1 in 7 of whom will require admission for specialist mental health care.

However, the Trust is one of several providers of mental health services in the local area: Trust services focus on services for those with severe and enduring mental health diagnoses. These supplement lower-tier (such as primary care provided) services and are themselves complemented by more specialist services such as forensic high secure services. We provide a range of services which reflect the wide spectrum of mental health problems. This includes individuals who may need support from community staff, through to in-patient and crisis resolution services and more specialist services.

Services provided by the Trust include:

Adult mental health services	.	Mother and baby care
In-patient services	.	Acute hospital liaison
Assertive outreach	.	Deliberate self harm
Court diversion	.	Substance misuse
Low secure services	.	Community mental health services
Older people's services	.	Psychotherapy
Out-patient services	.	Early intervention
Child and adolescent mental health services	.	Rehabilitation services
Psychology	.	Continuing care services
Crisis resolution	.	Learning disability services

Our Statement of Intent

In the provision of these services, the Trust provides *integrated* social and mental health care services, managed under a single management structure. In so doing:

- We care about people across Derbyshire who have mental health problems or learning disabilities.
- We will work constantly to improve services for them and for those who love and care for them.

Our Strategy

The Trust service strategy - and what commissioners' strategies seek - is summarised in the Department of Health *10 High Impact Changes* document. Essentially this seeks a move from beds to community and from admission to prevention services:

- Through clearly delineated care levels
- Delivered via rationalised (fewer), modernised (better quality) accommodation

This will ensure the ready availability to those who need them of specialist mental health services which are easy to access, with locally responsive solutions and care environments from known, familiar service providers.

We will implement our strategy by seeking to balance development and improvement across all services and localities in which we deliver them, for the full range of client needs and their cultures. This will mean balancing direct service investment with improvements to the accommodation in which we deliver your services, and the expectations from all – service users, carers staff and partners – about the nature and pace of development.

Foundation Trust membership will be vital in achieving this high degree of service customisation.

Our Values

In delivering our services and developing these to meet our strategic aims, we aim to do so in the following ways:

- Mutual Respect – treat other people as you would like to be treated
- Teamwork – work together in partnership towards a common purpose
- Safe & Sound Practices – use procedures which are proven to be effective
- Supportiveness - encourage and support service users, colleagues and partners
- Friendly Professionalism – be approachable and maintain professional standards
- Honesty – be open and honest, but remain sensitive to the feelings of others

The Environment within which Services are provided

SHA Reconfiguration

As noted earlier, during the course of last year, Strategic Health Authorities were reconfigured. This led to the establishment of the NHS East Midlands, with a new senior team. Trust staff have effective relationships with the new SHA team and welcome the focus and clarity the revised arrangements have brought to this relationship and performance management. It is appreciated that successful Foundation Trust authorisation will lead to a different relationship. However, the foundations will be robust and the Trust fully intends to continue being an effective partner in local health and social care communities.

Commissioner Environment

The environment in which the Trust provides services is the focus of much recent, and continued, change. It is characterised in this way:

- Services for the people of Derbyshire are commissioned by two PCTs through a lead commissioner arrangement. Medium to long-term financial growth for the Trust is anticipated to be essentially neutral overall and no significant growth is anticipated.
- A proportion of adults (8.8% in 2002/03 – Commission for Health Improvement ratings) are placed in facilities outside the Derbyshire area. The Commissioning Intentions for 2007/08 include strategies to repatriate as many patients as is possible and appropriate. It is likely to deliver better clinical outcomes as service users can be returned to their environments earlier by better local service infrastructure early engagement, immediate availability of local support and social networks, and better, active case management
- Commissioning agenda focussing on:
 - Continued modernisation of services through self-funding
 - New investment is likely to be commissioner funding-neutral (repatriation). There is likely to be greater support for this if local services deliver commissioner savings, either through lower priced services or shorter length of stay of same-priced care
 - Commissioner growth is likely to come from meeting local service gaps (such as early onset dementia, community eating disorder services)
 - There is significant under provision of Older Adult CMHT in north of the county which was recognised by commissioners and addressed through Walton Hospital Redevelopment Business Case
 - Addressing of service inequity, such as identified through deprivation and health indices

Alternate Service Providers

The Trust is not the only provider of Mental Health services locally. Indeed, mental health services predominantly are considered to have low barriers to entry, being essentially staff resources. Currently, there are few competing specialist service providers, though there is interest in some care pathway service elements, especially in low volume/high cost services such as forensic services.

Other Services Environment

Learning Disability Services are subject to separate commissioning arrangements, led by Derby City and Derbyshire County local authorities, and by the respective PCTs for their areas. Commissioners have advised the Trust of their strategic provision arrangements for these services, which is for local authority direct management and provision. The Trust has been, and remains, fully engaged in planning for this move.

Development of Services

Overview

The Trust continually reviews the changing demands placed on your services and as a consequence organisational structures are reviewed from time to time.

An organisational and management arrangement that is streamlined, experienced and able to meet the expectations of our service users is an essential component of the Trust's plans and is required to ensure services continue developing.

In assessing our Fitness for the Future, under the Foundation Trust programme, a number of important developments were required.

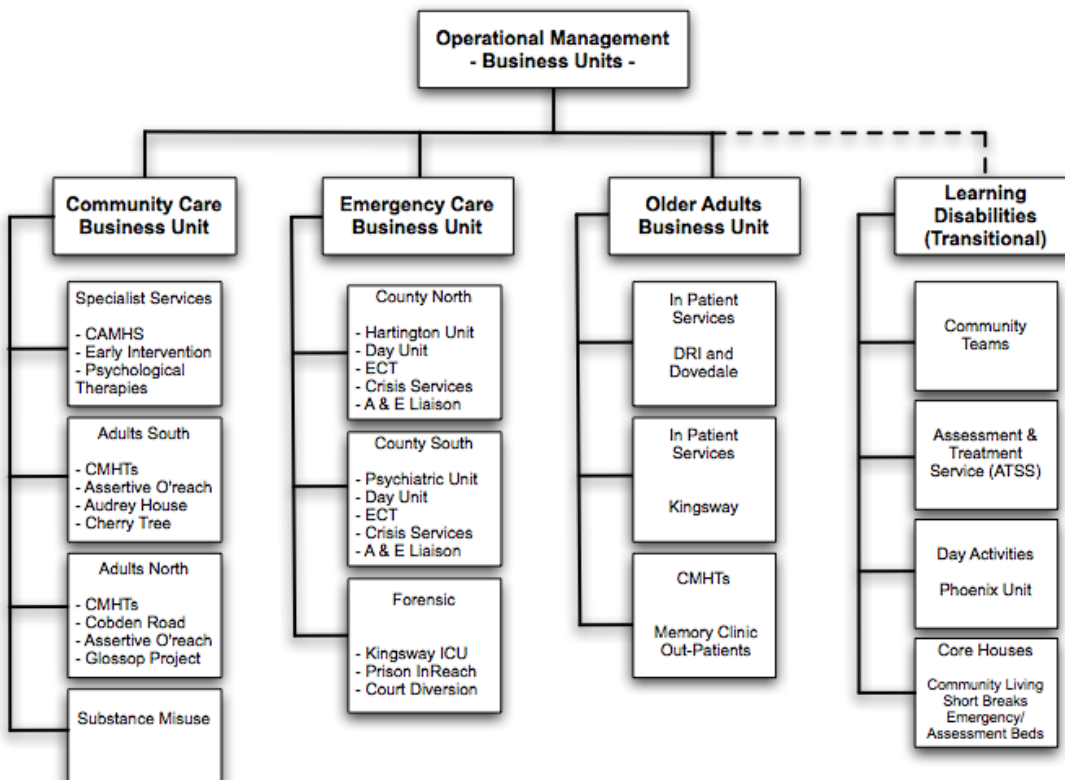
This led to the reconfiguration of clinical services into three Business Units, with Learning disabilities in a transitional Unit, pending transfer from Trust responsibility. In addition to the Mental Health Business Units there are corporate support services that include Finance, Human Resources, Strategic & Organisational Development, facilities and IM&T.

Business Units have full clinical, planning, finance and Human Resources involvement and were established with the following objectives:

- devolution – ensuring local control of resources, local decision-making and effective accountability
- aligning income and cost management at the same level of management
- delivering culture change – bringing an inclusive, can-do, more entrepreneurial approach to decision-making
- information ownership – ensuring responsibility for information is aligned with its greater use as a basis for decision-making

Business Units are about a developmental journey so will continue to be developed.

The Business Units are:



Service-User Experience

What matters in providing our services, is the effectiveness and experience of service users. Effectiveness is a function of (particularly) clinical governance, presented below. Service-user experience feedback is sought by a variety of routes to provide valuable evidence for continued service improvement.

These approaches, and contribution over the last year, include:

Community Mental Health Service Users Survey

The Healthcare Commission has carried out four national surveys of community mental health service users since 2004. Information from the survey provides performance indicators for the patient experience component of the 2007/2008 annual health check and the results are also used locally to improve performance. The 2007 survey took place between February and April 2007 and we expect to receive the results in August 2007.

Patient & Public Involvement

Derbyshire Voice provides representation for service users in the adult field. The service user representatives are involved with over 30 initiatives ensuring that our plans forward include the people we care for. This has led to changes in service plans as many are being developed in partnership. Carers also play a huge part in the recovery programme of our service users and there are active carers forums that the Trust engages with to work together to make the service user experience a more positive one.

PPI Forum

The PPI Forum has a seat on the Trust Board which the Chair of the forum usually attended. The chair of the forum was also active in many other areas such as the FT project and equality.

PALS - Patient Advice and Liaison Service

Provides information, advice and support for patients, families and carers. It is a service dedicated to listening to user needs and helping them address concerns - supporting patients, relatives, carers, friends of patients or members of the public in navigating the NHS system. During the past year PALS service staff:

- Dealt with 295 individual issues from service users, staff and members of the public
- Attended 76 patient meetings/outreach sessions

In the future, Foundation Trust membership and the council of governors will bring an important added dimension to this aspect of services

Older People's Business Unit

The Older People's Business Unit is responsible for delivering services to older people across Derbyshire; we strive to deliver services according to best practice, national standards and guidance within existing resources. We have a diverse range of services covering In-patient assessment and treatment services and In-patient services for people who have more intensive needs, Community Mental Health Teams, Day Hospital and Day Services and Memory Assessment Services. The Business Unit has 400 staff from various disciplines and the Community Mental Health Teams are integrated with social care.

The last year has seen a sustained effort from our staff to ensure that the services received by older people in Derbyshire and Derby City were better than any other year. Our patient survey showed that overall satisfaction with our service was up by 20%.

Older People's Business Unit		Activity Details	
How many people work for us?	400	Community Mental Health Teams	39,963 total contacts
What do we spend?	£11 million	Day Services	7331 total contacts
How many teams are there?		Day Hospital	4396 total contacts
Community Mental Health Teams	10	In-patient Services	43,530 occupied bed days
Day Hospital	1		
Day Services	2		
How many beds do we have?	118		

Areas of Achievement

1. Life History

Work has taken place over the past twelve months to develop a format for collecting a service users life history that is conducive to supporting service users through the care pathway and that promotes person-centred care. This work has been developed through the person-centred care link group.

2. Dementia Awareness Study Days

These training days were developed to deliver training across the health and social care community and funding has been secured to continue this initiative. The training has recently gained Royal College of Nursing accreditation.

3. Falls

Clinicians have worked hard to ensure that the falls guidelines and assessments are embedded in clinical practice. This work is now continuing to develop with the integration of training within mandatory training sessions and via the professional link roles.

4. Partnership Working with Alzheimers Society providing training for Carers.

Staff members provide training sessions within carer groups, linked to the Alzheimers Society, to raise awareness of issues such as coping with behaviour's that present as a challenge. In a reciprocal arrangement Alzheimers society staff have provided training sessions for our staff.

5. Interpreter Project

A document outlining good practice in working with Interpreters has been written, that will be disseminated as a clinical guideline. A half-day training session has been carried out with the Derby City CMHTs (the area with the most diverse population), and further training sessions have been planned for the in-patient wards. Work has also started within the in-patient areas on developing a tool to help make the most effective use of Interpreters.

Emergency Care Business Unit

The Emergency Care Business Unit is responsible for delivering services to people across Derbyshire who require either acute or forensic care. The services delivered through the Business Unit include Low Secure Care, Acute Inpatient Care, Crisis Resolution and Home Treatment Services, Prison Inreach Services, Criminal Justice and Liaison, Mental Health Liaison Services, Perinatal Mental Health Services, and Day Hospital and Occupational Therapy Acute Services. We have over 400 staff working across our in-patient, community and day services. The last year has seen an enormous amount of work completed by our staff to ensure that the services received by people in Derbyshire and Derby City are provided much closer to home, and are more available and accessible over a 24hr period.

The Business Unit Team has had a very productive year which has had an improvement on patient focus.

How many people work for us?	427
What do we spend?	£12 million
How many teams are there?	
Crisis Resolution and Home Treatment Team	4
Mental Health Liaison Team	2
Adult Acute Inpatient Wards	7
PICU	1
Low Secure	1
Criminal Justice and Liaison Team	1
Prison Inreach Team	1
Day Hospital	1
OT Acute Service	2
Perinatal Service (Inpatient and Community)	1
How many Beds do we have?	
Adult Acute Inpatient	171
Psychiatric Intensive Care	8
Low Secure	12
Perinatal	4

Activity	
Crisis Resolution and Home Treatment	1802 Home Treatments
Adult Acute Inpatient	63786 Occupied Bed Days
PICU/Low Secure	7187 Occupied Bed Days
Perinatal Inpatient	903 Occupied Bed Days
Day Hospital	133 new referrals 7514 attendances

Areas of Achievement

1. Crisis Resolution and Home Treatment Teams

All Crisis Resolution and Home Treatment Teams are now available and operating a waking service 24hrs a day 7 days per week. This has improved the timeliness of responses to those people who require a rapid assessment out of normal working hours

2. Psychiatric Intensive care Unit

Funding has been secured for the development of a new 12 bedded PICU and Section 136 suite at the Psychiatric Unit in Derby. This will provide an Intensive Care Unit (ICU) facility for the whole of Derbyshire and will improve the pathway for patients requiring intensive support during an acute episode of illness

3. Hartington Unit

New reception and Section 136 facilities have now opened at the Hartington Unit in Chesterfield. The Section 136 suite has provided an alternative place of safety to police custody, and has improved patient experience and the pathway into acute care services where they are needed, whilst the new reception has improved security for patients, staff and visitors and enhanced the environment at the Hartington Unit

4. Delayed transfers of care

Over the last year there has been a significant reduction in the number of delayed transfers out of acute inpatient care. This has been delivered through intensive planning and focus on the causes of delayed transfers of care, and ensuring effective systems for escalation are in place

5. Leadership training

The senior nurses and charge nurses managing inpatient areas within the Business Unit are undertaking a year long programme of development in order to further enhance their skills and leadership in this challenging setting

Community Care Business Unit

The Community Care Business Unit is responsible for ensuring the effective and efficient delivery of community based services over Derbyshire. The services delivered through the Business Unit are very diverse and include all adult Community Mental Health Teams, Assertive Outreach Teams, Early Intervention Teams, Substance Misuse Services, Child and Adolescent Mental Health Services (CAMHS) and Residential and Community Rehabilitation Services. The Business Unit contains around 600 staff from a range of disciplines employed by the Trust and a further 200 staff who are employed by the local authorities but managed by business unit managers as part of a partnership approach to delivering services.

Business Unit staff have worked hard to continually improve the range and choice of interventions available to those people who need to use services provided by the Business Unit, this drive has been demonstrated by the increased number of services offered and the addition of new methods of accessing community services.

Community Care Business Unit	
How many people work for us?	600
What do we spend?	£24 Million
How many teams are there?	
Community Mental Health Teams	12
Assertive Outreach Teams	3
Early Intervention Teams	4
CAMHS	7
Community Rehab & Recovery	3
Substance Misuse	5
Psychological Therapies	3
Eating Disorder Service	1
How many Beds do we have Residential rehabilitation?	36

Activity Details	
Community Mental Health Teams	108,165 total contacts
Assertive Outreach Teams	246 average caseload
Residential Rehabilitation	11,896 occupied bed days
Early Interventions	127 new referrals
Psychotherapy Services	9,853 total contacts

Areas of Achievement

1. Eating Disorder Service

Over the past year some intensive planning and consultation has taken place between DMHST and Derbyshire PCT in order that a new county wide Eating Disorder Service may be established. This people service will be launched fully in the forthcoming year and will focus on assisting those experiencing severe anorexia nervosa. It is recognised that The DMHST Eating Disorder Service is a small initial step in a positive direction and it is hoped that further developments will ensue.

2. Choose and Book

The Choose and Book referral system has been launched across DMHST. This enables electronic routine referral access for GPs to mental health services and DMHST is one of the few Trusts nationally to have implemented the system at this early stage. In conjunction with this implementation, Clinical Assessment Services have been formalised in all service areas to ensure that all referrals to DMHST are considered by a multi disciplinary team.

3. Linking with Primary Care

An exciting new initiative is being developed in partnership with three GP practices in the North of the county to provide better support to Primary Care.

Nursing and counselling staff have been seconded to posts based within GP surgeries to work with people experiencing mild to moderate mental health difficulties and to promote mental health awareness. The pilots will be evaluated next year and may influence future developments.

4. Child and Adolescent Mental Health Services

Planning has taken place this year in readiness for the launch of an exciting new service for 16 and 17 year olds that will augment existing services. In addition staff and managers have worked hard to review the skills and experiences required in the workforce in line with latest guidance.

5. Psychological Therapy Services

The Trust has significantly contributed to a review of psychological therapy services over the whole of Derbyshire, in addition the Trust has launched an internal re-organisation of the way we deliver psychological therapy services to ensure that we meet national guidelines around how long people wait for a service and where they can access that service.

Services for People with Learning Disabilities

Services for People with Learning Disabilities are responsible for delivering a range of specialist health support to local people according to best practice, national standards and guidance and within existing resources. We have 190 staff working in community teams, the assessment and treatment service and the core houses (community homes). Our staff survey last year showed that we had 27 out of 28 green achievements demonstrating that we were the highest rated service within the Trust.

Despite another difficult year financially, the service continued to provide a better range of innovative health support to local people than the previous year.

Some of the key achievements during 2006/07 include:

- Publication and roll out of Health Action Plans called 'My Health File'
- Developed accessible information for people about diet and healthy eating
- Established 'health and well-being' groups in each locality
- Developed an obesity programme to support local people
- Supported people with learning disabilities to develop and run a training programme about good and bad staff – called 'Listen To Us'
- Launched an accessible Complaints Procedure and easy read complaint cards to make it easier for people to say what is good and bad about the services they receive
- Involved people with learning disabilities and family carers in our Best Practice Groups and their contribution has been of great value
- Started a programme for all staff to receive Person Centred Thinking training, which lies at the heart of everything we do
- Developed outcome measures for all staff to ensure that their practice is evidence based and improves the quality of lives of individuals
- Invested £500k for decoration and upgrades to improve the Core Houses
- In partnership with Older People's Services, developed a joint approach to supporting people with Down's Syndrome and Dementia, including identifying a lead in each community learning disability team
- Built on our links with Derbyshire Acute Foundation NHS Trust and developed joint clinics to support people with learning disabilities accessing mainstream NHS

In addition to these specific achievements, staff in the community learning disability teams have made significant progress in working with local GP practices and supporting people to access local clinics and receive regular screening and health checks, including breast screening and cervical screening programmes. Staff have also undertaken specific health work in the following areas:

- Parenting
- Sexual health
- Drug and Alcohol support
- Intensive interaction programmes

Staff in the Core Houses started a programme of introducing health action plans and person centred approaches to improve the support they provided to the residents.

The Assessment and Treatment Service made good links with community mental health teams and developed a joint approach to supporting people during crises periods. They also adopted all of the person centred thinking tools and now use these alongside clinical tools in their work and support.

Finally, steps were taken towards integration with social services to form two learning disability partnerships – one for Derby City and one for Derbyshire County. Whilst there is still much to do to achieve full integration, the work has led to better joint working, better links between health and social care and clearer understanding of our respective roles.

Corporate Services

Workforce

The Trust has invested heavily in Human Resources and workforce planning. The Board believes that as staff are the greatest asset of any organisation then cultivating staff through good practice in these areas is key to a stable organisation.

NHS National Staff Survey

The annual NHS National Staff Survey is coordinated by the Healthcare Commission, who use the findings in their Annual Health Check, as part of the organisation's compliance with Department of Health core standards. The 2006 survey was completed between October and December 2006, with the results being published on 30th March 2007. These demonstrated a considerable improvement, when compared against the results of previous years. The report identifies twenty eight key areas in which the Trust is identified as being amongst the bottom 20%, middle 60% or top 20% for all Trusts. The table shows a comparison of the Trust's results over the last four years, since the survey was introduced:

	Bottom 20%	Middle 60%	Top 20%
2003	16	10	2
2004	13	11	4
2005	8	19	1
2006	5	21	2

The Staff Survey Action Group meets monthly to coordinate the administration of the survey and to progress an action plan, which was compiled to incorporate the views of staff, through a schedule of focus groups, facilitated by members of the Improving Working lives Reference Group.

Improving Working Lives

Following the achievement of Improving Working Lives Practice Plus Accreditation in 2005, the Trust has continued to make progress against the seven areas of good practice:

- Human Resources Strategy and Management
- Equality and Diversity
- Staff Involvement and Communication
- Flexible Working
- Healthy Workplace
- Training and Development
- Flexible Retirement, Childcare and Support for Carers

Although Improving Working Lives is no longer being managed as a project, the ongoing review of policies and procedures has incorporated the principles of improving working lives to ensure that these become embedded in the culture of the Trust. The recommendations made by the Improving Working Lives validation team have been implemented to ensure greater compliance against the standard in respect of:

- Improved communication and consultation with staff
- Management development
- Equality and diversity training provision and uptake

The results of the NHS Staff Survey 2006 confirm that improvements are being made, especially in relation to flexible working, and these will continue to be a priority for organisational development. The Improving Working Lives Reference Group comprises a group of some sixty staff from all departments and all levels of the organisation, which was formed to obtain the views of staff on a range of issues, and which has continued to develop to promote staff involvement across the Trust.

Equal Opportunity

The Trust has an Equalities Forum which is chaired by the Chairman of the Board. This demonstrates the Trust's commitment to equality and diversity at the highest level. The Trust also takes a very active role in diversity issues across the health community and is represented on the Derbyshire Diversity Network and all the sub groups created by the network.

We are committed to the national Positive Diverse initiative and have worked towards this standard for a number of years. In 2006, and again in 2007, the Trust held a Diversity Challenge event to publicly proclaim its commitment to meeting national and local targets and to 'showcase' good practice within the Trust. From the 2006 event, we recognised the need to amend the Trust's Equality and Diversity structure, resulting in the creation of the Equalities Forum and the development of the Local Diversities Forum in each Business Unit. In 2007 we have built on this and worked to identify and implement better support to service users and carers who come from a wide range of diverse backgrounds. We have set ourselves a target of recruiting a total of 10.5% of our workforce from a Black Minority Ethnic (BME) background by March 2008 and created a Disability Network in 2007 to support all our disabled staff. We intend to hold another Diversity Challenge event in 2008 and have produced Disabled and Gender Equality Schemes in accordance with our public body status requirements.

The Trust has established support networks for BME and disabled staff. We are examining the possibility of extending the number of support networks in 2008, working closely with the local health community to examine the benefits of creating a number of support networks across the whole of Derbyshire. We would particularly like to re-establish our Lesbian, Gay, Bisexual and Transgender Network and consider incorporating gender re-alignment support groups either within the LGBT network, or as a separate network.

Staff Consultation

The Trust currently has a traditional Staff Joint Consultative and Negotiating Committee. This is made up of representatives from all recognised Trade Unions. It meets with members of the Top Management Group on a bi-monthly basis to discuss issues related to the business of the organisation, including the Integrated Business Plan, the Service Development Strategy and related industrial relations matters.

JNCC has established an HR Policies and Procedures and Terms and Conditions Sub Group and a Health and Safety Committee. Staff side will also normally be represented on change management project groups and there is a fully functional Local Negotiating Committee of the BMA which meets on a bi-annual basis.

Discussions have also commenced to produce a formal Partnership Agreement which the Trust is hoping to sign with the appropriate Trade Unions later this year. This will lead to the creation of a strategic partnership group with operational issues being handled in the Business Units by local consultative groups.

A lot of discussion and staff involvement occurs at a range of different levels, covering a wide variety of topics. A staff Reference Group is also invited to express views on topics of direct interest to our staff. The role of the Reference Group has developed from work undertaken to achieve Improving Working Lives Practice Plus status and is well regarded as a 'sounding board' to the senior managers when looking to develop new initiatives within the organisation.

Diversity and Equality

During the last twelve months we have amended our Diversity Committee structure and have created an Equalities Forum which is being supported by Local Diversity Groups that will become operational in each Business Unit. These changes arose following consultation at our Diversity Challenge event in March 2006. Arrangements are being made for the 2007 Diversity Challenge to take place in April 2007.

Sickness Absence Management

The Trust has agreed to work with a private company, FirstCare, to introduce a call centre reporting system for sickness/absence management from May 2007. Work has been undertaken during 2006/7

to implement the scheme which will provide advice to staff during periods of sickness, and improved statistical information to managers to help them manage absence issues more effectively.

Disability Network

The 2005 Staff survey highlighted that 7% of staff considered themselves disabled. As a result of this, a Disability Network has been created to support these staff and is open to those with an interest in disability as well as disabled staff. The group has identified a number of actions to support our staff including publishing a leaflet entitled 'Staff Disability Support Leaflet' which provides information on the rights of disabled staff and where they can obtain more support and advice.

Disability Equality Scheme

As part of the requirements identified under the Disability Discrimination Act 2005, the Trust published its Disability Equality Scheme (DES). Working with other Derbyshire NHS Trusts, a very successful consultation 'Open Space' event took place in November 2006 to establish the views of the disabled community. The outcomes of this were built into the action plan which formed part of the Trust DES.

Learning and Development

The Learning and Development Service is responsible for the provision of high quality learning and development opportunities that support the delivery of clinically effective services. We are a dedicated team of integrated health and social care learning and development specialists. Working collaboratively, we support all staff to develop the essential skills, knowledge and attributes to improve the experience of service users and carers. Our main aim is to ensure that the Trust, working with its partners, stakeholders and related sectors, develops and equips its staff with the skills they need to:

- Facilitate evidence based practice
- undertake their working role effectively and safely
- Provide continuing professional/personal development
- Support workforce development and modernisation
- Help realise their potential

This year the Trust made significant improvements in strengthening its learning and development infrastructure.

Quality Assurance and Accreditation

Achievements in this area have included

- Library and Information Service achieved Stage 2 Health Libraries and Information Confederation (HELICON) accreditation.
- 'Working with Personality Disorder' – this year we formed a partnership with Learn Direct and University of Derby to establish a post graduate certificate qualification. Learn Direct is an innovative scheme which allows employers to devise their own accredited qualification in order to address strategic and clinical needs which lie outside of the traditional courses offered by higher education institutions.

Supporting Lifelong Learning and Continuing Personal/Professional Development

Developments during the year have included

- Introduction of Essential Training Matrix – development of strategic framework/ tool to identify and plan essential training needs of all staff.
- Production of annual electronic learning and development directory available on the Trust intranet and accompanying 'quick reference' booklet.
- 'Learn at Work' day held in May 2006 provided an excellent opportunity for staff to meet representatives from local colleges, universities and other external providers, as well as the learning and development team.

- Open University Pre-Registration nursing programme –The Trust has supported 14 members of unregistered staff to access mental health nursing training via this work based learning route;

E-Learning

- Evidence Based Practice (Skills Escalator Level 1) short programme for all staff via the intranet or CD-Rom designed to give an introduction to evidence based practice.
- Diversity E-learning training programme launched January 2007
- ‘Breaking the cycle of abuse’ e-learning programme and CD-Rom.

Leadership and management development

- We continue to take an active role in the creation and delivery of initiatives to improve management and leadership skills.

Working with Service Users and Carers

- We continue to strengthen our links with service users and carer organisations in the delivery of training ranging from induction, to Approved Social Work programmes, mental health awareness and personality disorder training. These links will be further developed with the delivery of “Working with Carers and Families” in the summer of 2007.

Peoples Awards

“Do you know someone who has made a difference?”

This is the question that the Trust in partnership with Derbyshire Voice have been asking people. The Peoples’ Awards are now an established recognition of the work and commitment of some very special people.

Anyone connected with mental health in any capacity is eligible to be nominated. Trust Chairman Judith Forrest and Catherine Ingram from Derbyshire Voice continue to surprise and delight the award winners, usually with an unannounced informal ceremony at the person’s place of work.

There have been 8 award winners in the last year and each has been presented with a specially designed award and certificate.

Staff Awards

“Nothing succeeds like success”....

...these were the words of Mike Shewan as he addressed guests at this year’s Staff Award Ceremony at Pride Park Stadium, Derby. The Chief Executive described his pride in being able to acknowledge the educational achievements of individuals at this annual event which is now firmly fixed in the Trust’s calendar. This is a celebration of the drive and enthusiasm shown by Trust staff in the desire to develop their skills and knowledge to enhance the quality care for those who access mental health services in Derbyshire.

Over 120 invited guests attended this year’s event and were welcomed by Clive Bull (Director of Human Resources) who commended attendees on their achievements and the importance of the Continuing Professional Development of staff in meeting the demands of an ever changing service.

Certificates of Achievement and Merit were then presented by Judith Forrest (Chair) and Mike Shewan to Trust staff in recognition of their accomplishments in a wide range of subject areas including leadership, NVQ’s, BSc’s and Masters level qualifications.

Judith echoed earlier speeches in congratulating all the award winners, but made special comment to the role of their families and partners who were in attendance and the vital role they play in supporting individuals in balancing work, home and study to enable academic success.

Team of the Year

The Executive Management Group (EMG) whose role it is to manage major Trust business has introduced the Team of the Year awards to respond to the excellent spirit and work that teams bring to the organisation. EMG members have always been aware of how much good work is going on and they wished to recognise this publicly. From the six category winners the judging panel had the task of choosing the overall Team of the year winner. The overall winners The Trusts Team of the Year Award in the category, **Supporting with a purpose** - went to: Emergency Cares bid entitled 'Non clinical support team to the inpatient area'. A citation delivered to the audience in their support read:

From painters, technicians and portering services, to reception services, housekeeping services and the patient shop, the services provided are those, which underpin the effective delivery of the inpatient service. They are often the unsung or hidden part of the service, without which, there would be no service. The staff working in the inpatient unit have, without exception, exhibited that they are the foundations upon which we deliver our service. Announcing the winners at the Annual Public Meeting, the Chairman and Chief Executive congratulated all of the teams for taking part and expressed their delight at being able to present the award to such a "thoroughly deserving group of people"

Other changes include the setting up of a Foundation Trust membership office which will be based at Trust Headquarters in Bramble House. The office will be managed by a full time Membership Office Manager who will take care of all administrative and information issues relating to Foundation Trust members.

Corporate Social Responsibility

Good Corporate Citizenship describes how NHS organisations can embrace sustainable development and tackle health inequalities through day-to-day activities: how they employ staff, design and construct buildings, purchase goods, and services and manage their resources. On 13th September 2006 forty five staff from all departments and all levels of the organisation came together for a Corporate Citizen Workshop to raise general awareness of these issues, complete a self assessment and consider how the Trust could make improvements in each of the six key areas:

- Community engagement
- Procurement
- Facilities Management
- Transport
- Employment and Skills
- New buildings

A Corporate Social Responsibility Steering Group was subsequently established, which is now meeting on a monthly basis to forward this agenda.

Our Performance

NON FINANCIAL PERFORMANCE

In April 2005, the Healthcare Commission launched a new approach to assessing and reporting performance which is called the 'Annual Health Check'. This new system is based upon measuring performance within a framework of national standards and targets set by Government. The 'Annual Health Check' has replaced the old 'star ratings' system and looks at a much broader range of issues than the targets used previously, and seeks to make much better use of the data, judgments and expertise of others to focus on measuring what matters to people who use and provide healthcare services.

The performance rating is based across two elements, which are as follows:

1. The use of Resources – based on the auditors local evaluation
2. The quality score which is the total score across the following:
 - The Core Standards for Better Health
 - The New and Existing Targets
 - The Improvement Reviews

The score for each component is added together to give an overall Annual Health Check rating. On 12th October 2006 the Trust received its first 'Annual Health Check' performance assessment score based on performance during the financial year 2005/06.

This Trust has been awarded a rating of "fair" against the two categories of "use of resources" and "quality of services".

Analysis of the scoring system behind the ratings confirms that the Trust has shown considerable improvement in almost all areas since last year, and is in the top 20% of Mental Health Trusts with regard to the Patient Survey, and review of community mental health services.

KEY RESULTS FOR PERFORMANCE 2005/06

1. The Quality Results

Component	Results
Getting the basics right	
Assessment of compliance with core standards	Fully met
Existing national targets	Almost met
Making and Sustaining Progress	
New national targets	Fair
Review of substance misuse	Fair
Review of Adult Community Mental Health Services	Good
Overall Score	Fair

2. The Use of Resources Results

Component	Results
Financial reporting	3
Financial management	2
Financial standing	3
Internal Control	2
Value of Money	2
Overall Score	Fair

KEY RESULTS FOR PERFORMANCE 2006/07

The results of the 'Annual Health Check' based on performance 2006/07 will be available October 2007.

The declaration of compliance with the Standards for Better Health was submitted to the Healthcare Commission on 26th April 2007. Copies of the declaration are available to the local community on the internet. Partner agencies who contributed comments on the declaration were as follows:

1. The Patient and Public Involvement Forum
2. The Overview and Scrutiny Commission Derby City Council
3. The Overview and Scrutiny Committee Derbyshire County Council
4. The Strategic Health Authority

Additionally, for 2006/07 each Trust had to declare its observance with the Code of Practice on Healthcare Associated Infections. The Health Act 2006 introduced a statutory duty on NHS organisations from October 1st 2006 to observe the provisions of the Code.

However the results of the local Delivery plans targets which were agreed with Commissioners at the start of 2006/07 are available as follows:

Mental Health Modernisation Targets / Local Delivery Plan 2006/07

Component	Results
Number of people receiving Early Intervention Services	Achieved
Number of people receiving Crisis Resolution Services – number of home treatment episodes	Achieved
Number of people receiving Assertive Outreach Services	Under achieved

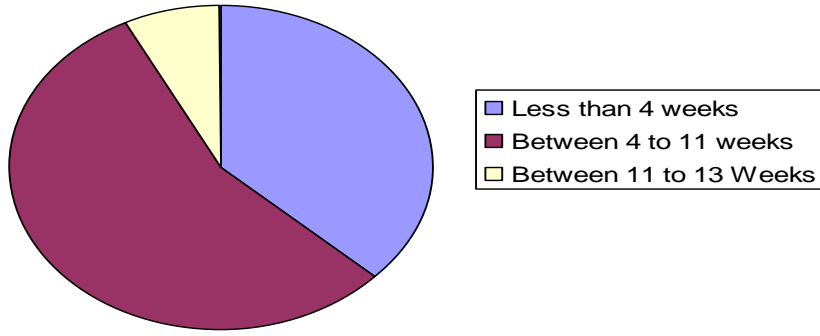
Outpatient Appointments and Waiting Times

1,595 new referrals made by General Practitioners (GP), were seen in 2006-07

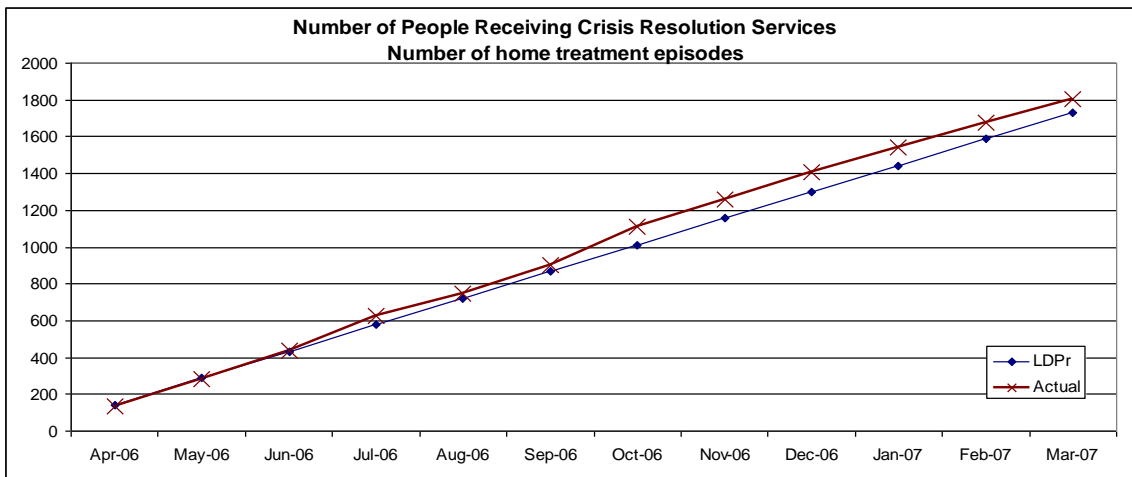
93% of patients were seen within 11 weeks

No one waited longer than 13 weeks for a first appointment following a GP referral

Percentage New GP Referrals Seen within 13 weeks



		Bed days 2006/07	
		Available	Occupied
Mental illness: Elderly Short stay		29,200	26,299
Mental illness: Other ages: Short stay		66,797	66,797
		95,997	93,096
Mental illness: Elderly Long stay		16,918	15,182
Mental illness: Other ages: Long stay		20,440	19,216
		37,358	34,398
Total		133,355	127,494



LOOKING AHEAD TO PERFORMANCE 2007/08

The Healthcare Commission has not published the final assessment process for 2007/08 but through discussions with patients and the public it has already confirmed that there will be 4 areas that will have greater focus in 2007/08. The 4 areas are as follows:

1. Safety
2. Quality of and access to services
3. The reduction in health inequalities in health and the promotion of health and well being
4. The use of resources by all Trust, and whether they offer value for money

Staff across the Trust through their valuable hard work and commitment continue to bring about real improvements for the patients they care for. This is recognised through a process of performance planning at team/ward/service area level. The performance team support each area in a process of self assessment which results in a 'Development Plan' which sets out the improvements they want to make for their patient and their carers over the next 12 months.

FINANCIAL PERFORMANCE

Executive Director of Finance report

I am very pleased to report that the Trust met all of its key statutory financial duties for 2006/07. There were major pressures to be addressed potentially representing nearly £3.5 million of risk to be managed. In spite of this, the Trust was able to plan a surplus in line with the requirements of the Strategic Health Authority and has successfully achieved by ending the year with a £500k surplus.

The key financial targets achieved were:-

- Income and Expenditure achieved a £501k surplus.
- Approved limit on external finance, i.e. borrowing of £1.991 million was met.
- Capital Resources Limit of £5.2 million was not exceeded; there was an underspend of £118k
- Capital cost absorption rate of 3.8% achieved which is within an agreed tolerance of 0.5% of the target of 3.5%.

The Trust achieved its surplus primarily due to the recurrent affect of the previous years Cost improvement program and efforts to improve these targets even further. I am very grateful to all members of staff who contributed to the achievement of this final position.

The Trust spent over £5 million on capital investment. The main areas of capital investment were in the National Programme for IT (£1.4 million), the PFI enabling works (£1.9m) on the Kingsway Site in readiness for the new hospital build and improvement/ refurbishments to the core houses which provide accommodation for learning disability service users.

The Trust enters 2007/08 with £3million of cost savings to be made. This amounts to 3.5% of total budgets which comprises 2.5% of nationally determined cost savings as well as an additional 1% to support the future requirements for the new inpatient facilities on the Kingsway site due to be completed in 2008/09. These savings will largely arise from surpluses gained following the reconfiguration of services providing for a more efficient and effective service delivery.

Recent changes to the NHS capital regime require a review of sources of capital funding and the Trust's capital investment plan for 2007/08 will be focussed upon a small number of large schemes which include the new Psychiatric Intensive Care Unit on the Derby City General Hospital site and continued investment in the National Programme for IT. Capital resources will also be set aside in 2007/08 to ensure appropriate availability to furnish and equip the new Kingsway inpatient facility which we hope will open in 2009.

The Better Payment Practice Code can be found on page 64.

Charitable Funds

The Trust acted as Trustees for its own Charitable Funds as well as those of Southern Derbyshire Primary Care Trusts in 2006/07. The funds were transferred to Derbyshire County PCT on 1st April 2007 which now acts as Trustee in respect of those Charitable Funds attributable to this Trust. PCT's Trustees will administer the funds and prepare the 2007/08 annual accounts in line with statutory requirements.

Trust Estate

The Trust has recently produced an Estates Strategy, which aims to rationalise and modernise the buildings from which clinical services and corporate functions are operated; this will also facilitate the Kingsway Retraction Project, for which a separate Business Case is being developed.

Governance

Clinical Governance

The task of Clinical Governance is to ensure that all care treatment and clinical procedures are of the highest quality, clinically effective and risk free.

Everyone right up to the Chief Executive has a personal and professional accountability for the care we provide and Clinical Effectiveness are in place to make sure this happens.

There have been three main strategic drivers during the year:

- The first has been the completion of the integration of Clinical Quality with the Performance Assessment framework and the new Business Unit structures. This has culminated in the revised Performance Assessment and Clinical Quality Framework, where clinical quality is now part of the regular Performance Reviews.
- The second has been the continuation of, and embedding into the organisation of the Standards for Better Health (S4BH) and the development towards meeting the developmental standards in due course.
- The third has been the completion of the change of the previous Clinical Governance structures and systems to take on a wider and changed brief regarding clinical effectiveness and compliance.

Clinical Audit

Development of the Trust approach to Clinical Audit has continued, and the sharing of Clinical Audit information and impact through the Clinical Audit Showcase event, this year carried out across two locations with an improved contribution and attendance.

Evidence Based Practice and Practice Based Evidence

The Trust has identified the training resource to deliver the packages required, and the supporting packages themselves.

Main Clinical Priorities

The Trust has confirmed that the clinical priorities at a corporate and strategic level are;

- a) NICE Guidelines
- b) National Service Frameworks
- c) Standards for Better Health
- d) Good and Best Practice Recommendations
- e) Trust Clinical Priorities

Clinical Negligence Scheme for Trust (CNST)

The Trust is reviewing progress against its action plan and has put forward to trial the revised NHSLA approach.

Care Programme Approach

Recent work has resulted in an agreed approach to improving the standard of care plans devised by medical staff for service users on enhanced CPA.

This year's annual audit has focussed on the quality of assessment and care planning. We continue to provide a range of regular reports from the Sepia system so the previously annual audit of compliance can become a regular performance monitoring requirement. CPA National Review – the Trust contributed to this ongoing review. CPA Revised Package – the Trust has launched a revised set of CPA paperwork and supporting information in line with the revised policy with the Trust Records Lead.

Sharing Good Practice Database

The Sharing Good Practice Database continues 'Live' on the Trust Intranet and Mental Health Internet sites and is added to regularly.

Risk Management

The Risk Management and Assurance Team are part of the Effectiveness, Compliance, Risk & Assurance Team.

The aim of effective risk management

- To identify potential and actual risks
- Analyse and evaluate these risks
- Ensure controls are in place to minimise the risks
- Embed and sustain changes to manage the risks
- Improve service delivery.

During the last year there have been a number of achievements and successes in further developing the management of risk within the Trust. These include:

The Trusts Risk Management Strategy and Risk Assessment Procedure have been updated to reflect structural changes and a Service/Departmental Risk register has been introduced to encourage more risks to be managed at a local level.

An Integrated Risk Management Report has been developed reporting to the Governance Committee and Board every 6 months. This report pulls together trend analysis of data across a number of areas including incidents, complaints, claims, PALS and risks. Monthly incident reports for each service area are now being produced by the team and shared with the relevant Unit General Manager, Area Service Manager and Matron.

The Trust has undertaken a Preventing Suicide Audit in the summer of 2006 using an adapted version of the NIMHE Toolkit. A report has been produced and the action plan has been combined with the action plan for the Derbyshire Suicide Prevention Strategy to provide an overall suicide prevention action plan for the Trust.

Risk Assessor Training and the Foundation Course in Clinical Risk Management have been reviewed and updated to ensure they reflect the most recent national and local guidance. A Senior Management Risk Update has been introduced to ensure senior managers are aware of their responsibilities with respect to risk management and a Board Development Day focused on risk management and the assurance framework took place in March 2007.

Emergency planning

The Civil Contingencies Act 2004 places a requirement on trusts to ensure that they are prepared for any emergency and specifically to;

- Assess the risk of emergencies occurring and use this to inform contingency planning;

- Put in place emergency plans;
- Put in place Business Continuity Management arrangements;
- Put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency;
- Share information with other local responders to enhance co-ordination; and
- Co-operate with other local responders to enhance co-ordination and efficiency

The Trust takes emergency planning seriously and to meet in continuing to meet its duty under the Civil Contingencies Act training sessions have taken place in preparation for an outbreak of pandemic flu; and business continuity planning is in the process of being incorporated into the Trust emergency plan as part of the ongoing review of its readiness to contend with emergencies. Trust managers also contributed to Exercise Winter Willow, a pan-Derbyshire exercise in testing out and identifying gaps in statutory and voluntary sector readiness for a pandemic flu outbreak. Emergency preparedness is a continuing process of risk assessment, planning, implementation and review and in the coming year the Trust will continue to build on the work done in contributing to the responsiveness to emergencies of Derbyshire's health community.

Information Technology

The Trust's IT department is based at Kingsway House on the Kingsway site. There are currently 6 permanent staff who provide: application support for the CareNotes and NHS Care Record Service(NCRS) clinical support systems; manage the national smartcard access systems; and receive requests for and deploy new and replacement IT equipment. The Trust has a service level agreement with Derbyshire Health Informatics Service (DHIS) to provide a customer helpdesk for IT related issues and technical support to solve them.

The IT department are also responsible for deploying new clinical systems and upgrading the CareNotes and NCRS systems. Contract staff are used to supplement the Trust's staff to manage these projects when they occur.

NCRS upgrades - two during the year plus the transition to CSC as system supplier from Accenture. Reorganisation of PCTs and the Trust into business units impacted all information systems with changes being made to ensure reporting could continue.

Trust now owns 1,250 laptops and PCs which are maintained via the continuing service level agreement with Derbyshire Health Informatics.

Work started to specify, purchase and implement a system to integrate HR, Finance and clinical activity data. The integrated management reporting system will provide managers and commissioners with the information they need to support contracts as the Trust moves to foundation status. It is expected that this system will go live in early 2007/08 but 2006/07 saw much of the ground work and significant work to improve the data quality prior to its entry into the system.

Foundation Trust

A Foundation Trust is a new type of NHS organisation known as a 'public benefit corporation'. As public benefit corporations, Foundation Trusts are modelled upon cooperative and mutual traditions.

This essentially means that a Foundation Trust will enjoy a greater level of freedom from day to day central government controls whilst at the same time involving local people as members of the organisation.

Members will let us know what services we should be providing. This will enable us to develop services that are specific and subtle enough to meet the needs of the people of Derbyshire.

Of course, the Foundation Trust will continue to work to national standards and will be inspected on a regular basis by national bodies to ensure the quality of services are maintained. Indeed, there is

evidence that over a fairly short period of time, services provided by a Foundation Trust will be of a higher quality and more responsive to the needs of the local population.

Foundation Trust Public Consultation

Between November 2006 and February 2007 Derbyshire Mental Health Services NHS Trust undertook a formal consultation on its proposals to become a Foundation Trust. A consultation document was published and distributed widely through libraries, GP surgeries and other publicly accessible places. The publication was followed up by a series of public meetings across Derbyshire led by the executive and non-executive members of the Trust Board.

The consultation encouraged the public to consider the benefits of Derbyshire Mental Health Services Trust becoming a foundation trust and to comment on the broader issues related to this change including issues of membership, constitution and youth representation. The broad opinion of respondents to the consultation was in favour of the foundation trust application proposals. Having secured support for the constitutional proposals the trust was able to proceed with its application and gained approval from the Secretary of State to move to the next stage and commence an application to Monitor the independent regulator for Foundation Trusts.

This Annual report has been sent to the Patient and Public Involvement Forum and the Staff side for comment and addition. Also it will be available well in advance of the Annual Public Meeting in order that our members, the public, service users, carers and staff can raise questions and comments about the services we provide.

Trust Board

The Trust Board holds Bimonthly meetings in public on the last Wednesday of the month announced. The meetings take place around the county and we always welcome the attendance of local residents.

Declaration of interests

Board members are required under their Codes of Conduct and Accountability to declare details of company directorships or other significant interests where those companies may seek to do business with the NHS, where this may conflict with their responsibilities as directors.

NAME	ENTRY	
Bull Clive	Nil	
Cecchini Danielle	Nil	
Fairs Martin	Spouse is an employee of Derbyshire County PCT	(e)
Forrest Judith	Secretary – Derbyshire Dales Careline Derbyshire Dales Careline (supported by grant of £3,600 pa from NHS body) Independent member of Council of University of Derby Husband is a Non Executive Director, Derbyshire County PCT	(d) (e) (e) (e)
Gillham Graham	Nil	
Hall Annie	Director Pickup Holdings Ltd Director Salford Marina Ltd Director AP Metalising Ltd Husband, Deputy Chairman/ Senior Independent Director and Chair of Audit – Chesterfield Royal Foundation Trust	(a) (a) (a) (e)
Hambly Marilyn	Employee of Derby City Council	(e)
Langham Dr Michael	Director High Peak Radio Ltd	(a)
Marsden Veronica	Self Employed Personal and Executive Coach Board Trustee Derby Women's Centre	(b) (d)
Moore Linda	Chairman of Alzheimer's Society Chesterfield and North Eastern Derbyshire Branch	(d) (e)
Pitt David	Nil	
Redfern Margaret	Company Secretary CASA Combinations Company Secretary Derventio Joinery & Building Contractors Board member Derbyshire Probation Board Councillor Derby City Council	(a) (a) (c) (c)
Shewan Mike	Nil	
Snowdon David	Nil	
Sykes John	Nil	
Tingle Ralph	Nil	
Thompson Lesley	Fundraising and Marketing Services Ltd Trustee / CAN	(a) (d)

Related Party interests

NAME	ENTRY
Bull Clive	Nil
Cecchini Danielle	Nil
Fairs Martin	Nil
Forrest Judith	Husband NED Derbyshire PCT
Gillham Graham	Nil
Hall Annie	Husband Deputy Chairman/ Senior Independent Director and Chair of Audit – Chesterfield Royal Foundation Trust
Hambly Marilyn	Nil
Langham Dr Michael	Nil
Marsden Veronica	Nil
Moore Linda	Nil
Pitt David	
Redfern Margaret	
Shewan Mike	Nil
Snowdon David	Nil
Sykes John	Nil
Tingle Ralph	Nil
Thompson Lesley	Nil

Related Party Transactions

Related Party transactions apply to material transactions between NHS bodies and individuals within the NHS body. In the case of this Trust, two of our Non-executive Directors have spousal relationships with Non-Executive Directors of other NHS bodies in the locality. In each case, the transactions between the NHS bodies have been disclosed.

The Derbyshire Mental Health Services NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year, two of the Board Members have undertaken material transactions with NHS Trusts, detailed below, in which their related parties have interests. No personal benefit has been gained from these transactions. The transactions are between this Trust and the NHS Organisations for which they are Board Members.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
Judith Forrest - Chair/Mr I Forrest (Husband) - Non Executive Director at Derbyshire County PCT	1,036	76,537	156	1,505
Annie Hall - Non Executive Director/Mr M R Hall (Husband) - Non Executive Director at Chesterfield Royal Foundation Trust	1,333	0	61	8

Audit Committee information

The Audit Committee is formally constituted as a committee of the Board. It provides an independent and objective view of the Trust's systems of internal control and it meets 4-6 times per year. For the financial year 2006/2007 members of the committee comprised the following Non-Executive Directors: Annie Hall (Chairman), Marilyn Hambly, Dr Mike Langham and Martin Fairs. The Executive Director of Finance and Information Management and Technology attends regularly. The Trust's external and internal auditors' annual work plans are approved and monitored by the Committee.

Remuneration Report

The remuneration of Board Directors is covered by the Remuneration and Terms of Service Committee which must meet at least once per year to consider the remuneration of Board Directors. The Committee is a Sub Committee of the full Board and comprises the Chairman and Non Executives. The Chief Executive attends to advise and confirm his agreement to the approach taken to the remuneration of the Executive Directors.

In 2006/07 the Remuneration Committee agreed a policy of bringing all Directors (including the Director of HR) and the Chief Executive onto an Agenda for Change Pay banding. Three local pay scales (Executive 1, 2 and 3) were created and each Director was assimilated to a scale using the Agenda for Change job evaluation scheme.

Since then, work has been undertaken to produce a revised contract of employment using the national Very Senior Managers contract as a model. The contract has provision for individual performance review to form a part, but there is currently no policy to incorporate PRP payments in the contract.

Contracts for all Directors are permanent and there is no proposal in the Trust's Remuneration Policy to issue short term or rolling contracts. The Trust has a Contractual Notice Policy which covers all staff. The notice period for Directors and the Chief Executive is recommended as six months.

Any early termination of a Senior Manager's, Director's or Executive Director's contract would be considered by the Committee. A Compromise Agreement is equally likely to be issued where the termination of a Senior Manager's contract is negotiated and mutually agreed to come to an end

1. Scope of Responsibility

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

Myself, and the Trust participate in partnership processes to ensure that personal and joint accountability issues are dealt with effectively. As Accountable Officer and Chief Executive I have regular supervision meetings with the Chief Executive of NHS East Midlands and the Trust Chairman. In addition, the Derby City and Derbyshire partnership forums are well established and include representation from other NHS Trusts, Primary Care Trusts and Local Authorities.

2. The purpose of the system of internal control

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

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

The system of internal control has been in place in Derbyshire Mental Health Services NHS Trust for the whole year ended 31st March 2007, and up to the date of approval of the Annual Report and Accounts.

3. Capacity to handle risk

The Trust has successfully integrated clinical and corporate risk management processes, which the Deputy Chief Executive/Chief Nurse leads on behalf of the Trust Board.

- There is a Board endorsed Risk Management Strategy which defines the organisational structures in place for the management and ownership of risk, including the responsibilities of Executive Directors for implementing the strategy. This is supported by a Risk Assessment Procedure.
- There is an appropriate committee structure in place to ensure risk is managed effectively throughout the organisation and embedded in all Trust processes.
- The Governance Committee is the principal committee concerned with the management of risk, control and assurance, supported by other specialist groups and committees such as the Information and Performance Management Board, which oversees a regular programme of internal review.
- To enable staff to fulfil their responsibilities defined within the Risk Management Strategy, the Trust provides risk management training, defined within the Induction and Essential Training Policy and Matrix. This training is supported by procedural guidance and direction from specialist risk management staff.

4. The Risk and Control Framework

The system of internal control is based on a framework of risk management processes for identifying and evaluating risk and determining effectiveness of risk controls and assurances received on these controls. The processes, which are embedded in the activities of the organisation, are defined within the Risk Management Strategy and its supporting policies and procedures.

Key elements of the risk and control framework include:

- Risk identification – proactively for example via risk and control workshops, risk assessments, project plans and reactively via incident, complaints and claims analysis, internal and external inspection and audit reports.
- Risk evaluation - using a single risk matrix to determine impact and likelihood of risk realisation and grading of risk by colour.
- Risk control and treatment – responsibility and authority for determining effectiveness of controls, development of risk treatment plans, including assigning appropriate resources is dependent upon the risk grade.
- Risk Register – incorporating requirements of the Assurance Framework including mapping of each risk recorded to a strategic objective.
- Incident investigation – robust systems for reporting and investigating incidents to identify areas for organisational learning and good practice.
- Public stakeholders are involved in the management of risks which may impact on them via the Trust commitment to the Strategic Commissioning Group and regular briefings with the Overview and Scrutiny Committees.
- Communication – the use of a ‘Blue Light’ system to rapidly communicate information on significant risks that required immediate action to be taken and a ‘Learning the Lessons’ newsletter to communicate good practice and actions that have been taken throughout the organisation.
- As an employer, with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the scheme regulations are complied with.

An Assurance Framework has been maintained to:

- Inform the Board of risks to achieving the strategic objective.
- Assure the Board of the effectiveness of the Trusts risk and control systems.
- Identify gaps in control and assurance.
- Record actions agreed or taken to address the gaps in control and assurance.

Gaps have been identified in the following generic areas:

Information Management

Action Plans are in place to deal with these issues and progress will be reported to the Governance Committee on a regular basis and to the Audit Committee as required.

Elements of the Assurance Framework are; risk description, risk evaluation, current controls, gaps in control, sources of assurance, positive assurances, gaps in assurance and agreed actions.

Evidence to support the Statement on Internal Control:

- The Information and Performance Management Board has responsibility to oversee the assurance process, and provides regular reports to the Governance Committee and Trust Board.
- Each strategic objective has been allocated to a group or committee (or Director) within the Trust to be responsible for ensuring risk and control assessments are conducted, potential assurances mapped and reviewed when received to determine the level of assurance obtained and develop and monitor action plans.
- Risk and control assessments, involving staff from various levels within the organisation have been conducted for each strategic objective, the results of which have been included in the Assurance Framework.
- Reports to the Trust Board, Governance Committee and Audit Committee (as required) on progress with the development of the Assurance Framework.
- Routine reporting of significant risks to the Governance Committee and subsequently to the Trust Board.
- Internal Audit Report: Core Standards Evidence Reviews (Sept 06). The review sought to establish the existence of evidence available to support the Trusts declaration for four of the Core Standards. The report concluded that in general terms level 2 of the Trusts methodology of assessing compliance had been met for each of the four Standards reviewed. The evidence provided on level 3 resulted in some key recommendations that have been responded to in the form of an action plan,

to ensure all recommendations are implemented to meet the Health Care Commission requirements on timely availability of evidence.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by:

- *Core Standards Final Declaration*
- *Trust Performance Rating from the Health Care Commission*
- *Clinical Negligence Scheme for Trusts re-accreditation of Level 1.*
- *Internal Audit reports received during year following on from the Internal Audit and External Audit Plans agreed by the Trusts Audit Committee*

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

The processes applied in reviewing and maintaining the effectiveness of internal control are described above. In summary -

The Trust Board:

- Is responsible for approving and monitoring the systems in place to ensure there are proper and independent assurances given on the soundness and effectiveness of internal control.

The Governance Committee:

- Ensures the Trust has a sound system of internal control.
- Produces an annual Risk Management Plan (to be approved by the Board), ensures its effective implementation and monitor progress.
- Evaluates, prioritises and ensures risk is treated until it is acceptable to the organisation.
- Reviews the Trusts Performance in managing risk.
- Ensures that clinical safety is integrated with all clinical governance processes.
- Ensures that clinical and professional policies and practice reflect the need to maintain a high level of clinical safety.

The Audit Committee:

- Is responsible for independently overseeing the effectiveness of the Trust's systems for internal control and for reviewing the structures and processes for identifying and managing key risks.
- Is responsible for reviewing the establishment and maintenance of effective systems of internal control
- Is responsible for reviewing the adequacy of all risk- and control-related statements prior to endorsement by the board.
- In discharging its responsibilities takes independent advice from the Trust's internal auditor and Audit Commission.

Internal Audit:

- East Midlands NHS Internal Audit Services provide the Trust with an independent and objective opinion on the effectiveness of the systems in place for risk management, control and governance.

Internal Auditors

Tim Thomas
Kevin Watkins
Tiffany Hey

Head of Internal Audit:
Audit Manager
Deputy Audit Manager

External Audit

- *The Audit Commission provide the Trust with external audit services which include the review of the annual accounts and a review of the value for money achieved by the Trust.*

External auditors

Ian Sadd

Nigel Carpino

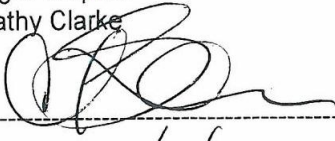
Cathy Clarke

District Auditor

Audit Manager

Principal Auditor

Signed



Chief Executive Officer

Date

20/6/07

(on behalf of the

Board)

Remuneration report 200607

Salary and pension entitlements of Senior Managers

Title	Name	200607			200506		
		Salary (based on bands of £5000)	Other remuneration (bands of £5000)	Benefits in kind to the nearest £100	Salary (based on bands of £5000)	Other remuneration (bands of £5000)	Benefits in kind to the nearest* £100
		£000	£000	£	£000	£000	£
Chief Executive	Mike Shewan	125-130	0	4100	100-105	0	4100
Executive Director of Finance, IT, Information and Health Records	Ralph Tingle***	80-85	20-25	N/A	65-70	0	4100
Executive Director of Finance and Contracting	Danielle Cecchini **	25-30	0	N/A	N/A	N/A	N/A
Director of Human Resources	Clive Bull****	65-70	0	3200	60-65	0	4100
Executive Medical Director	John Sykes	55-60	100-105	4100	20-25	Consent withheld	4100
Executive Director/ Chief Nurse/ Assistant Chief Executive	Dave Snowdon	85-90	0	4100	70-75	0	4100
Executive Director of Strategy, OD & PFI	Dave Pitt	80-85	0	4100	65-70	0	4100
Director of Corporate and Legal Affairs	Graham Gillham	40-45	0	4100	40-45	0	4100
Chair	Judith Forrest	20-25	0	0	20-25	0	0
Non-Executive Director	Margaret Redfern*****	0-5	0	0	5-10	0	0
Non-Executive Director	Annie Hall	5-10	0	0	5-10	0	0
Non-Executive Director	Linda Moore*****	0-5	0	0	5-10	0	0
Non-Executive Director	Mike Langham*****	0-5	0	0	5-10	0	0
Non-Executive Director	Marilyn Hambly	5-10	0	0	5-10	0	0
Non-Executive Director	Martin Fairs*****	0-5	0	0	N/A	0	0
Non-Executive Director	Lesley Thompson*****	0-5	0	0	N/A	0	0
Non-Executive Director	Veronica Marsden*****	0-5	0	0	N/A	0	0

*Benefits in kind relate to lease cars provided for Senior Managers

**Danielle Cecchini started this role on 18.12.06

***Ralph Tingle left this role on 18.12.06

****Clive Bull left the Executive Board on 1.7.06

***** Linda Moore and Margaret Redfern left the Trust on 31.1.07

***** Mike Langham is deceased

***** Martin Fairs joined the Trust on 14.12.06

***** Lesley Thompson and Veronica Marsden joined the Trust on 1.11.06

B. Pension Benefits

Title	Name	Real increase in pension at age 60 (Bands of £2500) £000	Real increase in pension related lump sum at age 60 (Bands of £2500) £000	Total accrued pension at age 60 at 31 March 2007 (bands of £5000) £000	Total accrued pension related lump sum at age 60 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
Chief Executive	Mike Shewan	7.5-10.0	27.5-30.0	50-55	150-155	750	571	165
Executive Director of Finance and Contracting	Danielle Cecchini*	0-2.5	0-2.5	10-15	35-40	158	132	6
Executive Director of Finance, IT, Information and Health records	Ralph Tingle**	10-12.5	30-32.5	25-30	80-85	0	431	-442
Director of Human Resources	Clive Bull***	2-2.5	5-7.5	30-35	85-90	540	478	50
Executive Medical Director	John Sykes	2.5-5	12.5-15.0	45-50	140-145	696	600	81
Executive Director/ Chief Nurse/ Assistant Chief Executive	Dave Snowdon	7.5-10.0	25-27.5	40-45	120-125	554	413	131
Executive Director of Strategy, OD & PFI	Dave Pitt	2.5-5.0	7.5-10.0	15-20	55-60	240	190	44
Director of Corporate and Legal Affairs	Graham Gillham	0-2.5	0-2.5	15-20	50-55	310	294	8

*Danielle Cecchini started this role on 18.12.06

**Ralph Tingle left this role on 18.12.06

*** Clive Bull left the Executive Board on 1.7.06



Mike Shewan
CHIEF EXECUTIVE

**Independent auditor's report to the Directors of the Board of
Derbyshire Mental Health Services NHS Trust**

Opinion on the financial statements

I have audited the financial statements of Derbyshire Mental Health Services NHS Trust for the year ended 31 March 2007 under the Audit Commission Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to the National Health Service set out within them.

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

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

I review whether the directors' statement on internal control reflects compliance with the Department of Health's requirements (The Statement on Internal Control 2003/04, issued on 15 September 2003 and further guidance on 7 April 2006 and 2 April 2007). I report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the directors' statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman & Chief Executive's Foreword, the Trust, Service Developments 2006/07, Service Planning, Involvement & Development, Human Resources, Training, Performance, Complaints, Clinical Governance, Emergency Planning, Support Services, the Trust Board and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's & Chief Executive's Overview, Commissioner Environment, Development of Services, Our Performance, Financial Performance, Governance, Foundation Trust, Trust Board, Statement of Internal Control, Finance and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2007 and of its income and expenditure for the year then ended; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.



Ian Sadd
Audit Commission
1st Floor, Bridge Business Park
Thurmaston
Leicester
LE4 8BL

June 2007

Data entered below will be used throughout the workbook:

Trust name:	Derbyshire Mental Health Services Trust
This year	2006/07
Last year	2005/06
This year ended	31 March 2007
Last year ended	31 March 2006
This year beginning	1 April 2006

FOREWORD TO THE ACCOUNTS

DERBYSHIRE MENTAL HEALTH SERVICES NHS TRUST

These accounts for the year ended 31 March 2007 have been prepared by the Derbyshire Mental Health Services NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Secretary of State has directed that the Chief Executive should 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.

nb: sign and date in any colour ink except black

20/6/07Date..... Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure of the trust for that period. In preparing those accounts, the directors are required to:

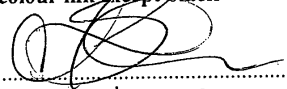
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury
- make judgements and estimates which are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

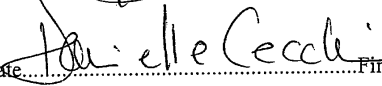
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board

nb: sign and date in any colour ink except black

20/6/07 Date  Chief Executive

20/6/07 Date  Finance Director

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2007**

	NOTE	2006/07 £000	2005/06 £000
Income from activities	3	85,443	81,594
Other operating income	4	5,964	7,387
Operating expenses	5	<u>(89,140)</u>	<u>(87,517)</u>
OPERATING SURPLUS/(DEFICIT)		2,267	1,464
Cost of fundamental reorganisation/restructuring*		0	0
Profit/(loss) on disposal of fixed assets	8	<u>(192)</u>	<u>(30)</u>
SURPLUS/(DEFICIT) BEFORE INTEREST		2,075	1,434
Interest receivable		195	183
Interest payable	9	(9)	(9)
Other finance costs - unwinding of discount	16	(36)	(36)
Other finance costs - change in discount rate on provisions		<u>0</u>	<u>(147)</u>
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		2,225	1,425
Public Dividend Capital dividends payable		<u>(1,724)</u>	<u>(1,425)</u>
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		<u><u>501</u></u>	<u><u>0</u></u>

**NOTE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2007**

	31 March 2007	31 March 2006
	£000	£000
Retained surplus/(deficit) for the year	501	0
Financial support included in retained surplus/(deficit) for the year - NHS Bank	0	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated	0	0
	<hr/>	<hr/>
Retained surplus/(deficit) for the year excluding financial support	<u>501</u>	<u>0</u>

Financial support is income provided wholly to assist in managing the NHS Trust's financial position. Internally generated financial support is financial support received from within the local health economy, consisting of the area of responsibility of Trent Strategic Health Authority.

In 2006/07 the provision of financial support has been replaced by a regime of loans and deposits with the Department of Health. Details of loans received or deposits placed with the Department of Health can be found in notes 14.2 and 15.1 to the accounts.

BALANCE SHEET FOR YEAR ENDING 31 MARCH 2007

	NOTE	£000	£000
FIXED ASSETS			
Intangible assets	10	78	111
Tangible assets	11	52,014	46,563
Investments	14.1	0	0
		<u>52,092</u>	<u>46,674</u>
CURRENT ASSETS			
Stocks and work in progress	12	180	186
Debtors	13	5,248	6,196
Investments	14.0	0	0
Cash at bank and in hand	18.3	227	231
		<u>5,655</u>	<u>6,613</u>
CREDITORS: Amounts falling due within one year	15	<u>(6,303)</u>	<u>(7,282)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(648)</u>	<u>(669)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>51,444</u>	<u>46,005</u>
CREDITORS: Amounts falling due after more than one year	15	(32)	(37)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(2,460)	(2,628)
TOTAL ASSETS EMPLOYED		<u><u>48,952</u></u>	<u><u>43,340</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	22	17,187	15,196
Revaluation reserve	17	20,297	17,401
Donated asset reserve	17	31	30
Government grant reserve	17	0	0
Other reserves*	17	8,680	8,680
Income and expenditure reserve	17	2,757	2,033
TOTAL TAXPAYERS' EQUITY		<u><u>48,952</u></u>	<u><u>43,340</u></u>

The financial statements on pages 1 to 40 were approved by the Audit Committee, on behalf of the Board, on 20th June 2007 and signed on its behalf by:

Signed



(Chief Executive)

Date: 20/06/2007

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2007**

	2006/07	2005/06
	£000	£000
Surplus/(deficit) for the financial year before dividend payments	2,225	1,425
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	3,121	1,345
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	0	0
Defined benefit scheme actuarial gains/(losses)	0	0
Additions/(reductions) in "other reserves"	<u>0</u>	<u>0</u>
Total recognised gains and losses for the financial year	5,346	2,770
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	<u><u>5,346</u></u>	<u><u>2,770</u></u>

CASHFLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2007

	NOTE	2006/07 £000	2005/06 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	18.1	4,608	8,819
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		195	183
Interest paid		0	0
Interest element of finance leases		(9)	(9)
Net cash inflow/(outflow) from returns on investments and servicing of finance		186	174
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(5,055)	(4,337)
Receipts from sale of tangible fixed assets		0	2,343
(Payments) to acquire intangible assets		(6)	0
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
Net cash inflow/(outflow) from capital expenditure		(5,061)	(1,994)
DIVIDENDS PAID			
		(1,724)	(1,425)
Net cash inflow/(outflow) before management of liquid resources and financing		(1,991)	5,574
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of investments with DH		0	0
(Purchase) of other current asset investments		0	0
Sale of investments with DH		0	0
Sale of other current asset investments		0	0
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		(1,991)	5,574
FINANCING			
Public dividend capital received		1,991	1,211
Public dividend capital repaid (not previously accrued)		0	(6,785)
Public dividend capital repaid (accrued in prior period)		0	0
Loans received from DH		0	0
Other loans received		0	0
Loans repaid to DH		0	0
Other loans repaid		0	0
Other capital receipts		0	0
Capital element of finance lease rental payments		(4)	(5)
Cash transferred (to)/from other NHS bodies		0	0
Net cash inflow/(outflow) from financing		1,987	(5,579)
Increase/(decrease) in cash		(4)	(5)

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trust Manual for Accounts 2006/07 which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice and HM Treasury's Government Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

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. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income Recognition

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

1.4 Intangible fixed assets

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

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.5 Tangible fixed assets

Capitalisation

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

Expenditure on digital hearing aids in the year ended 31 March 2004 (but not in earlier years) was treated as capital expenditure, in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. Subsequent purchases of digital hearing aids are capitalised only when the total value is greater than £5,000. Where small numbers of appliances are purchased the costs are expensed as incurred.

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

Professional valuations are carried out by the District Valuers of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses.

Assets in the course of construction are valued at current cost using the indexes as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

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

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

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where, under Financial Reporting Standard 11, fixed asset impairment is charged to the Income and Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank.

1.6 Donated fixed assets

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

1.7 Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed. Gains and losses on revaluations are also taken to the Government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Government grant reserve to the Income and Expenditure account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

1.8 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of the Application Note F to FRS 5 and the guidance 'Land and Buildings in PFI schemes Version 2'.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI obligations are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.9 Stocks and work-in-progress

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

1.10 Research and development

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

- there is a clearly defined project;
- the related expenditure is separately identifiable;

- the outcome of the project has been assessed with reasonable certainty as to:
 - its technical feasibility;
 - its resulting in a product or service which will eventually be brought into use;
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care activity.

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

1.11 Provisions

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

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 16.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2006/07 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

Non-clinical risk pooling

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

1.12 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the NHS Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation on this basis took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

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

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Income and Expenditure account at the time the NHS Trust commits itself to the retirement, regardless of the method of payment.

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

1.13 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.14 Value Added Tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.15 Foreign Exchange

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

1.16 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 28 to the accounts.

1.17 Leases

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

1.18 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital represents the outstanding public debt of an NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the NHS Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. A note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

1.19 Losses and Special Payments

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

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). Note 30 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.20 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as government granted current asset investments, valued at open market value. As the Trust makes emissions a provision is recognised, with an offsetting transfer from the government grant reserve. The provision is settled on surrender of the allowances. The current asset investment, provision and government grant reserve are valued at current market value at the balance sheet date.

2. SEGMENTAL ANALYSIS

This note is not applicable to the Trust as we have only one business segment.

3. Income from Activities

	2006/07	2005/06
	£000	£000
Strategic Health Authorities	2	0
NHS Trusts	4	0
Primary Care Trusts*	84,797	80,808
Foundation Trusts	0	0
Local Authorities	632	757
Department of Health	0	19
NHS Other	0	0
Non NHS:		
- Private patients	0	0
- Overseas patients (non-reciprocal)	0	0
- Road Traffic Act	0	0
- Injury cost recovery	0	0
- Other	8	10
	85,443	81,594

*Includes £31k to offset fixed asset impairments charged to operating expenses.

4. Other Operating Income

	2006/07	2005/06
	£000	£000
Patient transport services	0	0
Education, training and research	2,194	2,725
Charitable and other contributions to expenditure	0	0
Transfers from donated asset reserve	1	0
Transfers from government grant reserve	0	0
Non-patient care services to other bodies	2,195	2,261
Income Generation	269	238
Other income	1,305	2,163
	5,964	7,387

Other Operating Income of £1305k includes:-

NHS Other - Non Clinical Income	670	3,734
Staff charges - Lease cars	312	287
Catering	76	91
Shop Sales	74	86
Board & Lodging	69	68

5. Operating Expenses

5.1 Operating expenses comprise:

	2006/07	2005/06
	£000	£000
Services from other NHS Trusts	194	0
Services from other NHS bodies	2,928	5,276
Services from Foundation Trusts	2,590	2,866
Purchase of healthcare from non NHS bodies	0	24
Directors' costs	1,110	732
Staff costs	68,395	64,755
Supplies and services - clinical	2,391	1,995
Supplies and services - general	900	715
Establishment	3,340	3,301
Transport	101	98
Premises	2,955	2,936
Bad debts	80	6
Depreciation	2,490	1,754
Amortisation	39	38
Fixed asset impairments and reversals	65	201
Audit fees	116	111
Other auditor's remuneration	103	90
Clinical negligence	218	113
Redundancy costs	46	0
Other	1,079	2,506
	<u>89,140</u>	<u>87,517</u>

The Directors costs include redundancy related early retirement costs for the former Director of Finance.

Further information can be found in the remuneration report within the Annual Report.

Other expenditure of £1,079k includes;

External & Contracting Fees	301	370
Legal fees	229	651
Non clinical recharges from NHS Trusts	117	431
Recharges from County Council	87	87
Shop purchases	68	78
Financial Services	58	322

5.2 Operating leases

5.2/1 Operating expenses include:

	2006/07	2005/06
	£000	£000
Hire of plant and machinery	653	619
Other operating lease rentals	1,513	1,563
	<u>2,166</u>	<u>2,182</u>

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2006/07	2005/06	2006/07	2005/06
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	573	582	218	206
Between 1 and 5 years	600	640	435	413
After 5 years	333	341	0	0
	<u>1,506</u>	<u>1,563</u>	<u>653</u>	<u>619</u>

6. Staff costs and numbers

6.1 Staff costs

	Total	2006/07 Permanently Employed	Other	2005/06
	£000	£000	£000	£000
Salaries and wages	58,238	53,183	5,055	54,333
Social Security Costs	4,195	4,013	182	4,087
Employer contributions to NHS Pension Scheme	7,055	6,750	305	6,934
Other pension costs	0	0	0	0
	69,488	63,946	5,542	65,354

6.2 Average number of persons employed

	Total	2006/07 Permanently Employed	Other	2005/06
	Number	Number	Number	Number
Medical and dental	115	92	23	107
Ambulance staff	0	0	0	0
Administration and estates	467	428	39	479
Healthcare assistants and other support staff	320	317	3	289
Nursing, midwifery and health visiting staff	1,013	914	99	1,009
Nursing, midwifery and health visiting learners	39	39	0	33
Scientific, therapeutic and technical staff	206	206	0	200
Social care staff	0	0	0	0
Other	2	2	0	2
Total	2,162	1,998	164	2,119

6.3 Employee benefits

	2006/07	2005/06
	£000	£000
No employee benefits were met by the Trust during the year	0	0
	0	0

6.4 Management costs

	2006/07	2005/06
	£000	£000
Management costs	4,369	4,520
Income	91,407	88,749

The management costs, as a percentage of income, have reduced from 5.1% in 2005/06 to 4.8% in 2006/07.

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

6.5 Retirements due to ill-health

During 2006/07 there were 6 (2005/0607) early retirements from the NHS Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £615k (£289k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

7. Better Payment Practice Code**7.1 Better Payment Practice Code - measure of compliance**

	2006/07	
	Number	£000
Total Non-NHS trade invoices paid in the year	25,535	18,050
Total Non NHS trade invoices paid within target	22,456	16,078
Percentage of Non-NHS trade invoices paid within target	88%	89%
Total NHS trade invoices paid in the year	1,245	13,877
Total NHS trade invoices paid within target	796	9,916
Percentage of NHS trade invoices paid within target	64%	71%

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

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

	2006/07 £000	2005/06 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

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

Profit/(loss) on the disposal of fixed assets is made up as follows:

	2006/07 £000	2005/06 £000
Profit on disposal of fixed asset investments	0	0
(Loss) on disposal of fixed asset investments	0	0
Profit on disposal of intangible fixed assets	0	0
(Loss) on disposal of intangible fixed assets	0	0
Profit on disposal of land and buildings	0	0
(Loss) on disposal of land and buildings	(192)	(30)
Profits on disposal of plant and equipment	0	0
(Loss) on disposal of plant and equipment	0	0
	<u>(192)</u>	<u>(30)</u>

9. Interest Payable

	2006/07 £000	2005/06 £000
Finance leases	9	9
Late payment of commercial debt	0	0
Loans	0	0
Other	0	0
	<u>9</u>	<u>9</u>

10. Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2006	213	0	0	0	213
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Additions purchased	6	0	0	0	6
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2007	219	0	0	0	219
Amortisation at 1 April 2006	102	0	0	0	102
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Charged during the year	39	0	0	0	39
Disposals	0	0	0	0	0
Amortisation at 31 March 2007	141	0	0	0	141
Net book value					
- Purchased at 1 April 2006	111	0	0	0	111
- Donated at 1 April 2006	0	0	0	0	0
- Government granted at 1 April 2006	0	0	0	0	0
- Total at 1 April 2006	111	0	0	0	111
- Purchased at 31 March 2007	78	0	0	0	78
- Donated at 31 March 2007	0	0	0	0	0
- Government granted at 31 March 2007	0	0	0	0	0
- Total at 31 March 2007	78	0	0	0	78

11. Tangible Fixed Assets

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account*	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2006	14,487	24,699	0	4,815	861	142	5,130	800	50,934
Additions purchased	0	0	0	5,077	0	0	0	0	5,077
Additions donated	0	0	0	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	3,070	0	(4,606)	187	0	1,349	0	0
Indexation	828	2,108	0	263	10	1	0	20	3,230
Other in year revaluation	60	(60)	0	0	0	0	0	0	0
Disposals	0	(192)	0	0	0	0	0	0	(192)
Cost or Valuation at 31 March 2007	15,375	29,625	0	5,549	1,058	143	6,479	820	59,049
Depreciation at 1 April 2006					563	89	3,556	163	4,371
Charged during the year	0	1,486	0	0	61	11	854	78	2,490
Impairments	0	65	0	0	0	0	0	0	65
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Indexation	0	104	0	0	2	0	0	3	109
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Depreciation at 31 March 2007	0	1,655	0	0	626	100	4,410	244	7,035
Net book value									
- Purchased at 1 April 2006	14,487	24,669	0	4,815	298	53	1,574	637	46,533
- Donated at 1 April 2006	0	30	0	0	0	0	0	0	30
- Government granted at 1 April 2006	0	0	0	0	0	0	0	0	0
- Total at 1 April 2006	14,487	24,699	0	4,815	298	53	1,574	637	46,563
- Purchased at 31 March 2007	15,375	27,939	0	5,549	432	43	2,069	576	51,983
- Donated at 31 March 2007	0	31	0	0	0	0	0	0	31
- Government granted at 31 March 2007	0	0	0	0	0	0	0	0	0
- Total at 31 March 2007	15,375	27,970	0	5,549	432	43	2,069	576	52,014

11.1 Tangible Fixed Assets (cont'd)

The net book value of assets held under finance leases and hire purchase contracts at the balance sheet date are as follows:

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2007	0	102	0	0	0	0	0	0	102
At 31 March 2006	0	98	0	0	0	0	0	0	98

The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation 31 March 2007	0	4	0	0	0	0	0	0	4
Depreciation 31 March 2006	0	4	0	0	0	0	0	0	4

11.2 The net book value of land, buildings and dwellings at 31 March 2007 comprises:

	31 March 2007	31 March 2006
	£000	£000
Freehold	43,243	39,088
Long leasehold	102	98
Short leasehold	0	0
TOTAL	43,345	39,186

12. Stocks and Work in Progress

	31 March 2007	31 March 2006
	£000	£000
Raw materials and consumables	180	186
Work-in-progress	0	0
Finished goods	0	0
TOTAL	180	186

13. Debtors

	31 March 2007	31 March 2006
	£000	£000
Amounts falling due within one year:		
NHS debtors	2,288	3,060
Provision for irrecoverable debts	(102)	(23)
Other prepayments and accrued income	743	705
Other debtors	819	909
Sub Total	3,748	4,651

Amounts falling due after more than one year:

NHS debtors	1,500	1,545
Provision for irrecoverable debts	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub Total	1,500	1,545
TOTAL	5,248	6,196

14. Investments

The Trust had no investments at the Balance Sheet date (2005-6 nil)

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

	31 March 2007 £000	31 March 2006 £000
Amounts falling due within one year:		
Bank overdrafts	0	0
Current instalments due on loans	0	0
Interest payable	0	0
Payments received on account	0	0
NHS creditors	1,097	846
Non - NHS trade creditors - revenue	959	785
Non - NHS trade creditors - capital	663	657
Tax	804	751
Social security costs	655	612
Obligations under finance leases and hire purchase contracts	5	4
Other creditors	4	853
Accruals and deferred income	2,116	2,774
Sub Total	6,303	7,282
Amounts falling due after more than one year:		
Long - term loans	0	0
Obligations under finance leases and hire purchase contracts	32	37
NHS creditors	0	0
Other	0	0
Sub Total	32	37
TOTAL	6,335	7,319

Other creditors include;

- £6k outstanding pensions contributions at 31 March 2007 (31 March 2006 £815k).

15.2 Loans [and other long-term financial liabilities]

The Trust does not have any loans

15.3 Finance lease obligations

	31 March 2007 £000	31 March 2006 £000
Payable:		
Within one year	13	13
Between one and five years	52	52
After five years	44	57
	<hr/> 109	<hr/> 122
Less finance charges allocated to future periods	(72)	(81)
	<hr/> 37 <hr/>	<hr/> 41 <hr/>

15.4 Finance Lease Commitments

The Trust does not have any new future lease commitments.

16. Provisions for liabilities and charges

	Pensions relating to former directors	Pensions relating to other staff	Legal claims	Restructurings	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2006	0	1,968	112	0	548	2,628
Arising during the year	0	49	65	0	334	448
Utilised during the year	0	(142)	(38)	0	(427)	(607)
Reversed unused	0	0	(9)	0	(36)	(45)
Unwinding of discount	0	36	0	0	0	36
At 31 March 2007	0	1,911	130	0	419	2,460

Expected timing of cashflows:

Within one year	0	150	130	0	419	699
Between one and five years	0	600	0	0	0	600
After five years	0	1,161	0	0	0	1,161
	0	1,911	130	0	419	2,460

The provision of pensions includes a degree of uncertainty in respect of timings and amount, due to the uncertainty over life expectancy. Future liability is calculated using actuarial values.

£708k is included in the provisions of the NHS Litigation Authority at 31 March 2007 in respect of clinical negligence liabilities of the Derbyshire Mental Health Services Trust (31 March 2006 £195k).

17. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Donated Asset Reserve	Government Grant Reserve	Other Reserves	Income and Expenditure Reserve	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2006 as previously stated	17,401	30	0	8,680	2,033	28,144
Prior Period Adjustments	0	0	0	0	0	0
At 1 April 2006 as restated	17,401	30	0	8,680	2,033	28,144
Transfer from the income and expenditure account	0	0	0	0	501	501
Fixed asset impairments	0	0	0	0	0	0
Surplus/(deficit) on other revaluations/indexation of fixed/current assets	3,119	2	0	0	0	3,121
Transfer of realised profits/(losses) to the income and expenditure reserve	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	0	0	0
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets	0	(1)	0	0	0	(1)
Other transfers between reserves	(223)	0	0	0	223	0
Other movements on reserves [specify]	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2007	20,297	31	0	8,680	2,757	31,765

18. Notes to the cash flow Statement**18.1 Reconciliation of operating surplus to net cash flow from operating activities:**

	2006/07	2005/06
	£000	£000
Total operating surplus/(deficit)	2,267	1,464
Depreciation and amortisation charge	2,529	1,792
Fixed asset impairments and reversals	65	201
Transfer from donated asset reserve	(1)	0
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	6	23
(Increase)/decrease in debtors	948	6,471
Increase/(decrease) in creditors	(1,002)	(878)
Increase/(decrease) in provisions	(204)	(254)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities before restructuring costs	4,608	8,819
Payments in respect of fundamental reorganisation/restructuring	0	0
	<hr/>	<hr/>
Net cash inflow from operating activities	4,608	8,819

18.2 Reconciliation of net cash flow to movement in net debt

	2006/07	2005/06
	£000	£000
Increase/(decrease) in cash in the period	(4)	(5)
Cash (inflow) from new debt	0	0
Cash outflow from debt repaid and finance lease capital payments	4	5
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	0	0
Non - cash changes in debt	0	0
Net debt at 1 April 2006	190	190
Net debt at 31 March 2007	190	190

18.3 Analysis of changes in net debt

	At 1 April 2006	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	At 31 March 2007
	£000	£000	£000	£000	£000
OPG cash at bank	245	0	(3)	0	242
Commercial cash at bank and in hand	(14)	0	(1)	0	(15)
Bank overdraft	0	0	0	0	0
Loan from DH due within one year	0	0	0	0	0
Other debt due within one year	0	0	0	0	0
Loan from DH due after one year	0	0	0	0	0
Other debt due after one year	0	0	0	0	0
Finance leases	(41)	0	4	0	(37)
Current asset investments	0	0	0	0	0
	190	0	0	0	190

19. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2007 were £477k (31 March 2006 £142k).

20. Post Balance Sheet Events**21. Contingencies**

	2006/07	2005/06
	£000	£000
Contingent liabilities	(26)	(2,749)
Amounts recoverable against contingent liabilities	0	0
Net value of contingent liabilities	<u>(26)</u>	<u>(2,749)</u>

The Trust has a number of claims for equal pay outstanding. The likely outcome of the claims is uncertain and these have not been included in the Contingent liability figure above.

Contingent Assets	<u>0</u>	<u>0</u>
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The Trust may benefit in future years from income following the sale of Aston Hall.

22. Movement in Public Dividend Capital

	2006/07	2005/06
	£000	£000
Public Dividend Capital as at 1 April 2006	15,196	20,770
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	1,991	1,211
Public Dividend Capital repaid in year	0	(6,785)
Public Dividend Capital repayable (creditor)	0	0
Public Dividend Capital written off	0	0
Public Dividend Capital issued as originating capital on new establishment	0	0
Public Dividend Capital transferred to Foundation Trust	0	0
Other movements in Public Dividend Capital in year	0	0
Public Dividend Capital as at 31 March 2007	<u>17,187</u>	<u>15,196</u>

23. Financial Performance Targets

23.1 Breakeven Performance

The Trust's breakeven performance for 2006/07 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	0	0	0	0	75,469	72,039	75,392	94,216	88,981	91,407
Retained surplus/(deficit) for the year	0	0	0	0	0	0	0	0	0	501
Adjustment for:										
- Timing/non-cash impacting distortions										
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0	0	0	0
- 1999/2000 Prior Period Adjustment (relating to 1997/98 and 1998/99)	0	0								
- 2000/01 Prior Period Adjustment (relating to 1997/98 to 1999/2000)	0	0	0							
- 2001/02 Prior Period Adjustment (relating to 1997/98 to 2000/01)	0	0	0	0						
- 2002/03 Prior Period adjustment (relating to 1997/98 to 2001/02)	0	0	0	0	0					
- 2003/04 Prior Period Adjustment (relating to 1997/98 to 2002/03)	0	0	0	0	0	0				
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)	0	0	0	0	0	0	0			
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)	0	0	0	0	0	0	0	0		
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)	0	0	0	0	0	0	0	0	0	
- Other agreed adjustments	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	0	0	0	0	0	0	0	0	0	501
Break-even cumulative position	0	0	0	0	0	0	0	0	0	501
										0
Materiality test (I.e. is it equal to or less than 0.5%):										
- Break-even in-year position as a percentage of turnover	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.55%
- Break-even cumulative position as a percentage of turnover	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.55%

23.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £1,724k, bears to the average relevant net assets of £45,872k, that is 3.8%. The variance from 3.5% is within the Department of Health's range of 3.0% to 4.0%.

23.3 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

	2006/07 £000	2005/06 £000
External financing limit	1,991	(5,574)
Cash flow financing	1,991	(5,574)
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	<u>1,991</u>	<u>(5,574)</u>
Undershoot/(overshoot)	<u>0</u>	<u>0</u>

23.4 Capital Resource Limit

The Trust is given a capital resource limit which it is not permitted to overspend

	2006/07 £000	2005/06 £000
Gross capital expenditure	5,083	4,345
Less: book value of assets disposed of	(192)	0
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	0	0
Charge against the capital resource limit	<u>4,891</u>	<u>4,345</u>
Capital resource limit	5,195	5,487
(Over)/Underspend against the capital resource limit	<u>304</u>	<u>1,142</u>

24. Related Party Transactions

The Derbyshire Mental Health Services NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year, two Board Members have undertaken material transactions with NHS Trusts, detailed below, in which their related parties have interests. No personal benefit has been gained from these transactions, the transactions are between this Trust and the NHS Organisations for which they are Board Members;

	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
Judith Forrest - Chair/ Mr I Forrest (Husband) -Non Executive Director at Derbyshire County PCT	1,036	76,537	156	1,505
Annie Hall - Non Executive Director/ Mr M R Hall (Husband) - Non Executive Director at Chesterfield Royal Foundation Trust	1,333	0	61	8

The Department of Health is regarded as a related party. During the year Derbyshire Mental Health Services NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

Derby City PCT	(Formerly Central and Greater Derby PCTs)
Derbyshire County PCT	(Formerly Amber Valley, Chesterfield, Derby Dales & South Derbyshire, Erewash, High Peaks and Dales and North Eastern Derbyshire PCTs)
East Midlands Strategic Health Authority	(Formerly Trent Strategic Health Authority)
Chesterfield Royal Hospital NHS Foundation Trust	
Derby Hospitals NHS Foundation Trust	
NHS Logistics Authority	
NHS Professionals	
NHS Litigation Authority	
NHS Purchasing and Supply Agency	

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Derbyshire County Council and Derby City Council in respect of joint enterprises.

The Trust has also received revenue and capital payments from a number of charitable funds. The members of the Trust Board are also the Trustees for Charitable Funds. These Funds relate to both the Mental Health Trust and also Southern Derbyshire Primary Care Trusts.

The audited accounts of the Funds Held on Trust are available from the Communications Department. The Register of Interests is available from the Legal Department.

25. Private Finance Transactions

The Trust is in the process of putting together a Full Business Case with a view to achieving financial closure with Arden, its preferred partner, by September 2007.

26. Pooled Budget

Derbyshire Mental Health Services is not involved in any pooled budgets.

27. Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions should be shown gross. Any amount expected in reimbursement against a provision (and included in debtors) should be separately disclosed.

Liquidity risk

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

Interest-Rate Risk

87% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Derbyshire Mental Health Services NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

27.1 Financial Assets

	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing
					Weighted average interest rate	Weighted average period for which fixed	
	£000	£000	£000	£000	%	Years	Years
Currency							
At 31 March 2007							
Sterling	1,727	226	1,501	0	2.20%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	1,727	226	1,501	0			
At 31 March 2006							
Sterling	1,922	231	1,691	0	2.20%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	1,922	231	1,691	0			

27.2 Financial Liabilities

	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing
					Weighted average interest rate	Weighted average period for which fixed	
	£000	£000	£000	£000	%	Years	Years
Currency							
At 31 March 2007							
Sterling	(19,679)	0	(2,492)	(17,187)	2.20%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	(19,679)	0	(2,492)	(17,187)			
At 31 March 2006							
Sterling	(17,861)	0	(2,665)	(15,196)	2.20%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	(17,861)	0	(2,665)	(15,196)			

Note: The public dividend capital is of unlimited term.

Foreign Currency Risk

The Trust has no foreign currency income or expenditure.

27.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2007.

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
Financial assets			
Cash	227	227	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	1,501	1,501	Note a
Investments	0	0	
Total	<u>1,728</u>	<u>1,728</u>	
Financial liabilities			
Overdraft	0	0	
Creditors over 1 year:			
- Early retirements	0	0	Note b
- Finance leases	(32)	(32)	Note c
Provisions under contract	(2,460)	(2,460)	Note d
Loans	0	0	
Public dividend capital	(17,187)	(17,187)	Note e
Total	<u>(19,679)</u>	<u>(19,679)</u>	

Notes

- a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with notes c and e, below, fair value is not significantly different from book value.
- b Fair value is not significantly different from book value since interest at 9% is paid on early retirement creditors.
- c To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.
- d Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% in real terms.
- e The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

28. Third Party Assets

The Trust held £448k cash at bank and in hand at 31 March 2007 (£260k - at 31 March 2006) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

29. Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	1,909	1,500	239	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	379	0	467	0
Balances with Public Corporations and Trading Funds	0	0	40	0
Balances with bodies external to government	1,460	0	5,557	32
At 31 March 2007	<u>3,748</u>	<u>1,500</u>	<u>6,303</u>	<u>32</u>
Balances with other Central Government Bodies	2,527	1,545	277	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	423	0	371	0
Balances with Public Corporations and Trading Funds	0	0	88	0
Balances with bodies external to government	1,701	0	6,546	37
At 31 March 2006	<u>4,651</u>	<u>1,545</u>	<u>7,282</u>	<u>37</u>

30. Losses and Special Payments

There were 28 cases of losses and special payments (2005/06: 35 cases) totalling £45,887 (2005/06: £9,402) paid during 2006/07.

There were no cases of clinical negligence, fraud, personal injury or compensation where the net payment exceeded £250,000 and there were no cases of fruitless payment where the net payment exceeded £250,000.

Conclusion

This Annual report has been sent to the Patient and Public Involvement Forum and the Staff side for comment and addition. This document will be available in advance of the Annual Public Meeting in order that our members, the public, service users, carers and staff can raise questions and comments about the services we provide.

Please feel free to contact me if there are any aspects of this report that you would like to receive further information about.

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