

Annual Report and Accounts

1 MAY 2007 - 31 MARCH 2008



success through excellence

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Act 2006**

Central and North West London NHS Foundation Trust

Annual Reports and Accounts
1 May 2007 – 31 March 2008

1 Chairman's Statement

This Annual Report marks the completion of our first year as a Foundation Trust. With our new status has come new freedoms and new responsibilities, which are in turn strengthening our commitment to delivering 'Success through Excellence'.

One of the most significant features of Foundation Trust status is our new membership structure represented by a Board of Governors – known as the Council of Members. Subgroups of the Council of Members have been formed to address annual business planning, membership development, Non-Executive Director & Chair Remuneration, and the Non-Executive Director Appointments process. Work has also been undertaken to engage members in various areas of Trust work, ranging from staff training to service planning, as well as setting up themed workshops for members. All this means that we are now much better placed to relate effectively with the users of our services, carers, community groups, our partner organisations and our local population.

Our achievement of Foundation Trust status was underpinned by strong results in our Annual Health Check ratings from the Healthcare Commission. For our 2006/07 ratings, published in October 2007, we achieved a score of 'excellent' for the quality of our services and a scoring of 'good' for our use of resources. Our financial management has also been assessed in year by Monitor and we have been pleased to achieve a financial risk rating of four throughout the year, against a planned score of three.

Without the quality of our staff none of this could be delivered. We were delighted to be awarded Top Employer Providing Mental Health and Learning Disability Services by the Nursing Times in 2007 and again in 2008. Our Brent Relapse Prevention Project has also gained praise in several awards, including winning the mental health category in the Nursing Times Awards. The achievements of individual staff have also been acknowledged, for example through the Pharmaceutical Care Awards and the NHS Innovator Awards.

We have continued to invest heavily in staff development. During the year seven Trust conferences were held on professional issues including nursing, dual diagnosis and social care. We also set up a programme to identify, support and fast track managers with high potential.

To achieve these high standards also requires good facilities and during 2007/08 a number of schemes came to completion, including refurbished mental health facilities at St Charles Hospital, the introduction of London's first NHS women's only Psychiatric Intensive Care Unit (PICU), and an expanded PICU for males at the Riverside Centre in Hillingdon. A much improved children's inpatient unit also opened in February 2008 at Beatrice Place, in Kensington & Chelsea. The Trust also moved to a new headquarters building in May 2007, Greater London House in Camden, which has provided improved transport links.

As the title of our Annual Report suggests, CNWL's aim is to steadily enhance its reputation for high quality services – doing what we do even better. During 2007/08, new service developments have included a new Section 75 partnership agreement with Harrow Council coming into effect, involving the transfer of a number of social care staff and facilities to the Trust; Learning Disability Services transferring from Brent PCT; and the Trust taking on the management of pharmacy services based at St Charles Hospital. Our Offender Care Division has built on award winning work in HM Prisons by winning the contract for substance misuse services at HM Youth Offender Institute Feltham, to start in 2008/09.

The year has not, however, been without challenge. Although the financial position of the local health economy has continued to improve over the last year, growth funding for new developments continues to be constrained. Also, in the context of the national policy initiative 'World Class Commissioning', our commissioners are reviewing their contractual arrangements, which may well have an impact on CNWL services in the future.

One of the keys to good partnership working is sharing reliable, up-to-date information, and in 2007/08 we embarked on a major investment programme in information systems in the Trust. This will support the provision of good quality information for clinical, commissioning and performance purposes.

Dame Ruth Runciman
Chairman

2 Directors' Report

The Trust was proud to be authorised as an NHS Foundation Trust on 1st May 2007.

Services provided by the Trust

The Trust provides a wide range of mental health and specialist services to the populations of five London boroughs and also elsewhere within and outside the capital.

PCT	Adult Mental Health	Older Adult Mental Health	Child & Adolescent Mental Health Services	Substance Misuse Services	Learning Disabilities	Eating Disorders	Prisons
Brent	✓	✓	✓	✓	✓	✓	
Harrow	✓	✓	✓	✓		✓	
Hillingdon	✓	✓	✓	✓	✓	✓	
Kensington & Chelsea	✓	✓	✓	✓		✓	
Westminster	✓	✓	✓	✓	✓	✓	
Hammersmith & Fulham			✓	✓		✓	✓
Hounslow			✓	✓		✓	
Ealing			✓	✓		✓	
Enfield				✓			
Other PCTs	✓	✓	✓	✓	✓	✓	✓

Partnership Working

The Trust works in collaboration with many other NHS and non-NHS organisations in delivering its services. In particular, it works with the London boroughs where its services are based. Furthermore, the Department of Health is considered a related party as it exerts influence over a number of transactions and operating policies of the Trust. During the year, the Trust 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 organisations have been:

Westminster Primary Care Trust
 Kensington and Chelsea Primary Care Trust
 Hillingdon Primary Care Trust
 Harrow Primary Care Trust
 Brent Primary Care Trust
 Hammersmith & Fulham Primary Care Trust
 Ealing Primary Care Trust
 NHS London

The Trust provides substance misuse services in Brent under a partnership agreement with Turning Point, a voluntary sector organisation.

In delivering medical education for the doctors of the Trust, there is a close relationship with Imperial College Medical School and for nurse training, Thames Valley University.

Board of Directors

The Directors of the Trust for the period were:

Dame Ruth Runciman - Chairman
Claire Murdoch - Chief Executive
David Brettle - Director of Human Resources
Dr Alex Lewis - Medical Director
Trevor Shipman - Director of Finance
Edward Matt - Director of Operations
John Vaughan - Director of Partnerships and Commercial Development
Ian McIntyre - Director of Estates and Facilities
Professor Dorothy Griffiths - Non-Executive Director
John Norman Scott - Non-Executive Director
Hiroo Chothia - Non-Executive Director
Beverly Provost - Non-Executive Director
Ian Holder- Non -Executive Director
Andrew Corbett-Nolan - Non-Executive Director
Bhavana Desai - Non-Executive Director

Service Developments

During 2007/08 we continued to progress the plans we set out in our Integrated Business Plan (IBP) for 2007-11, developed and consulted upon before we became a Foundation Trust in May 2007. We have continued to adopt an inclusive approach to our service plans, most notably through the involvement of the Council of Members, who represent the interests of the local communities we serve. This included establishment of a subgroup of the Council of Members which was convened to look at the priorities and plans of the Trust for the year ahead.

Five key initiatives were identified in our IBP, as follows:

- Ongoing development of early intervention in psychosis services
- Development of learning disabilities services
- Development of services at the Horton Haven for people with challenging behaviours
- Reprovision of the Trust drug and alcohol detoxification inpatient service
- Development of adolescent mental health services

In line with national guidance, the Trust has been working to develop the three Early Intervention in Psychosis teams it has to meet the needs of the local population. During 2007/08 additional in year funding from Kensington & Chelsea PCT and Westminster PCT has supported the expansion of the Kensington & Chelsea and Westminster (KCW) team from a partial service serving the north of the two boroughs to cover the entire two boroughs. In Brent the PCT has maintained funding for a limited service. Harrow PCT has recently agreed funding for three years to establish a joint service with Hillingdon. This remains a key development for the coming year.

Following the transfer of learning disabilities service from Brent PCT the service was renamed as the Kingswood Centre. Since the transfer it has been gratifying to see how quality, bed occupancy and site utilisation have significantly improved. In December 2007 the Trust created a new learning

disabilities directorate to support the development of the speciality bringing together the Kingswood Centre with the smaller learning disabilities services managed by the Trust in Westminster and Hillingdon. It is anticipated that learning disabilities will continue to be an area of growth for CNWL in 2008/09 and beyond.

The Trust has progressed plans to develop a new inpatient facility for people with challenging behaviours at its Horton Haven site in Epsom through a £4.7m capital investment programme, which is expected to be completed in Spring 2009. In the interim, in response to demand from PCTs, a 18 bed unit at the Kingsbury site has been opened in phases since November 2007. This remains a key initiative in 2008/09.

The reprovision of the Trust's Tier 4 drug and alcohol detoxification service, currently located at Ealing Hospital site, has continued to be pursued during 2007/08. The preferred option is to reprovide the service to the Western Pavilion building on the St Charles Hospital site, which is currently owned by Kensington & Chelsea PCT. Discussions over refurbishment costs and potential usage of the building to accommodate other CNWL services are ongoing with the PCT.

Trust plans to develop services for adolescents with mental health problems have undergone revision during the year. The Trust's original intention was to explore the development of an inpatient service for 14 to 18 years as an alternative to existing service provision, which historically has been within the independent sector. The Trust submitted a business case to the North West London CAMHS Consortium. Although this was initially positively received, the Consortium decided to award the contract in year to an independent sector provider (the Priory) initially on a twelve month basis and in April 2008 this was extended to three years. The Board of Directors has kept this initiative under review. The focus of Trust plans is now to develop local community-based services for adolescents which complement existing services. The Trust has established a successful day services pilot in Brent and Harrow and funding has been secured to continue this service for a further year.

Other areas of priority for the Trust are:

- Preparatory work to explore the development of Section 75 partnership agreements with local authorities in Westminster, Brent and potentially other boroughs over the next few years
- Continuing our programme to improve the Trust estate. In Harrow we will be undertaking a capital investment scheme to refurbish the adult acute wards and create a better garden environment for our service users to enjoy. We will continue to pursue options to improve standards of accommodation across our sites where it is most needed.
- To support clinical practice and improve information provided to commissioners. In 2007/08 the Trust launched a major initiative called 'Project Galaxy'. The aims of this project, which will continue into 2008/09, are to improve internal activity recording and the use made of that information for quality, performance management, financial and commissioning purposes. The project outcomes will be crucial in preparing the Trust for the move towards Service Line Reporting.
- The roll out of a single clinical information system (Jade) and supporting infrastructure. During the year Trust has also been working towards the development of a new Business Intelligence System for procurement and implementation in 2008/09.
- Implementation of an organisational development programme aimed at cultivating a new employment culture where striving for excellence is at the heart of all that we do.

Financial Accounts 2007/08

The transition from an NHS Trust to a Foundation Trust led to the production of two sets of annual accounts for 2007/08. The latter set of accounts subsumed CNWL's NHS Trust Balance Sheet as at 30th April 2007 as the opening capitalisation value of the Foundation Trust.

The financial information presented in this Annual Report covers the 11 month Foundation Trust period.

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

Financial Performance

As a NHS Trust, CNWL had a strong record of financial management and this has continued as a Foundation Trust. For the 11 month period, a surplus of £4.4 million was recorded, which is not to mask the fact that as with the rest of the NHS, the Trust continued to operate within a difficult financial climate. However, two significant factors aided the delivery of the Trust's financial performance.

One was the unexpected reimbursement of the surpluses the Trust delivered as an NHS Trust in 2005/06 and 2006/07. This windfall represented £2.9million (£3.2million full year) of the surplus the Trust delivered at year-end.

The second mitigating factor was the 3-year legally binding contract agreements signed between the Trust and its 5 main commissioners prior to becoming a Foundation Trust. These agreements allowed the Trust to effectively plan its financial resources knowing that adjustments by PCTs would not be required during the year.

This is not to say the Trust was not expected to deliver a savings programme to meet the impact of funding shortfalls. In total the Trust delivered a CIP programme of £3.9million for the 11 month period (£4.3million over the year). This year's programme was the first phase of a 3-year strategy to achieve a savings target of almost £15million in total by the end 2009/10. The impact of which will lead to more funds being available for investment in the estate and clinical environments across the Trust making the patient journey a more enhancing experience.

In addition to delivering a surplus on income and expenditure, the 11 month period also saw an increase in the Trust's capital base. A number of asset transfers that begun in 2006/07 were completed in 2007/08. These included the purchase of the Hillingdon estate from Hillingdon Hospitals NHS Trust, the purchase of the Kingsbury Centre from Brent PCT and the sale of the Paterson Centre to Imperial Healthcare NHS Trust (formerly St. Mary's NHS Trust).

Furthermore the Trust disposed of two surplus properties during the year making a combined profit of £0.5million, which was reinvested in the acquisition of an assessment unit in the borough of Harrow. The purchase of this unit providing the Trust with a long-term solution to delivering an effective 24 hour assessment service to Harrow residents under the section 75 agreement entered into between the Trust and the Local Authority at the beginning of the 2007/08 financial year. This agreement is the first fully integrated health and social care arrangement between the Trust and one its five main local authorities and represented a financial resource transfer to cover costs of £4.9million and the management responsibility of 50 staff.

Normalising the impact of the various non-recurrent issues, the Trust would have delivered a surplus position of £3.4million against a plan of £2.9million, a variance of £0.5million.

£million	As Stated	Non Recurring Income	Profit on sale of Fixed Assets	Non Recurring Costs	Sub Total	Monitor Plan	Plan Variance
Surplus	£4.4	-£2.9	-£0.6	£2.5	£3.4	£2.9	£0.5

During the year the Trust also achieved a Monitor financial risk rating of 4, the maximum score available to a Foundation Trust in its first period of operation. This score represents a consolidation of various key indicators, with 5 being the highest attainable. The expectation is that a risk rating of 4, will result in an assessment of 'Excellent', which would be improved outcome from the previous year.

Charitable Donations

The Board members are the Trustees of the Central and North West London NHS Foundation Trust Charitable Fund. No material transactions were recorded between the Central and North West London Charitable Fund and the Foundation Trust.

Risks

In developing our plans the Trust has taken account of certain risks and uncertainties. These include:

- The implications of the introduction of the new mental health contract. As an immediate measure, our main commissioners have served notice to terminate the existing contractual arrangements in April 2009.
- Westminster City Council serving 18 months notice on the Trust to terminate the Substance Misuse Service contract due to the service reconfiguration towards 'one-stop' shops.
- Delivery of Trust work to develop a robust information system and currencies to support Trust contracts from 1 April 2009
- Delivery of Trust cost saving programme.
- Pay settlements against levels of inflation.
- Delivery of capital investment schemes to time and budget.

These risks are monitored by the Board through our governance structures and plans are in place to address them.

Other Performance Issues

The Trust reported to Monitor that it breached its terms of authorisation at 31st March 2008 on the approach to re-appointing two Non-Executive Directors. The constitution has subsequently been amended.

Furthermore, the Trust reported that it was not compliant on a Healthcare Commission's standard at year-end due to the Board not being assured that clinical policies at the Gordon Hospital were being followed with regards to close observations. In all other national targets, the Trust met its requirements.

Staff Consultation and Information

The Trust has a range of mechanisms in place to engage staff in issues relating to Trust performance, service development and individual interest. These include:

- Trust communication structures such as Senior Staff Briefings with information cascaded down to service team levels, a regular staff newsletter Inbrief, and a staff intranet system (Trustnet) which is updated on a daily basis.
- Staff Governors, with further work being undertaken to strengthen communication mechanisms between Governors and the members they represent.
- Staff focus groups, such as the Black and Minority Ethnic Staff Group and the Staff Disability Group.
- Regular meetings between Trust management and staff trade unions for example through the Joint Consultative Committee.

Trust Policies in relation to Disabled Employees and Equal Opportunities

The Trust has recently reviewed, updated and equality impact assessed its *Disability Policy (Employment)* and is in the process of formulating a *Disability Policy (Service Delivery)*. This latter policy will provide a timely policy statement to ensure that service delivery within the Trust reflects our legal duties towards disabled people. The Trust will consult with external disability organisations with regard to the wording and content of this new policy. The Trust's *Use of Interpreters Policy* includes a section on BSL interpreting.

In 2008 the Trust will review and update its Equal Opportunities Policy which includes a section related specifically to disability. All HR policies are developed, bearing in mind the needs of disabled employees and equal opportunities so there are no other policies that specifically relate solely to disability issues.

The Trust's Staff Disability Equality Group contributes to policy development and in particular to policies and guidance that have particular relevance to disabled people.

The Trust has produced *Guidance on Reasonable Adjustment*, *Guidance on deafness and the Deaf community* and *Guidance on Induction (Hearing) Loops*, and within its quarterly Equalities and Diversity Newsletter, *Inclusion News*, there is a regular 'Focus On...' section that addresses a disability-related topic. Staff are also encouraged to contribute to the newsletter. The Trust has also developed 'Cultural Competency for Managers' which includes reference to cultural attitudes towards disability and 'Reasonable Adjustment for Managers' training and is currently developing an 'Understanding Disability' e-learning package.

Staff training

The Trust has a reputation for investing in staff training and development. In the coming year there will be more emphasis on the uptake of mandatory training and development programmes to support promotion and succession planning. As an example, the Trust has identified a group of managers as future leaders and developed the 'High Potential Management Training' course for them. Another major initiative for the next two years will be an organisational development programme. The first step in this process is the establishment of an Associate Director post to lead this programme.

Information provided to Auditors

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

3 Background Information

CNWL was formed as a Foundation Trust on 1st May 2007 under the National Health Service Act 2006. The Trust was previously known as Central and North West London Mental Health NHS Trust.

Over the last nine years, through a series of mergers, the Trust has grown significantly in terms of size and service portfolio. The attainment of Foundation Trust status marks the next chapter in our organisational development, bringing with it new responsibilities and freedoms to realise our vision to,

...work in partnership to provide responsive and dependable mental health, learning disabilities and substance misuse services in a range of settings for the communities we serve, encouraging recovery, well being and social inclusion, individual choice and independent living through high quality care.

Our strategic objectives, which underpin this vision are to:

- Provide integrated, high quality, timely services based on the need of the individual.
- Engage meaningfully with service users, carers and the local community to improve and align our services to their needs.
- Improve and maintain to a high standard the physical environments in which we provide services.
- Recruit, retain and develop a skilled and motivated workforce that is proud to work for the Trust.
- Provide a financial base that is robust for the future development of the Trust and to provide economic and efficient services.
- Improve Trust information systems to support improvement in patient care and performance management.
- Seek and develop new business opportunities consistent with our vision.

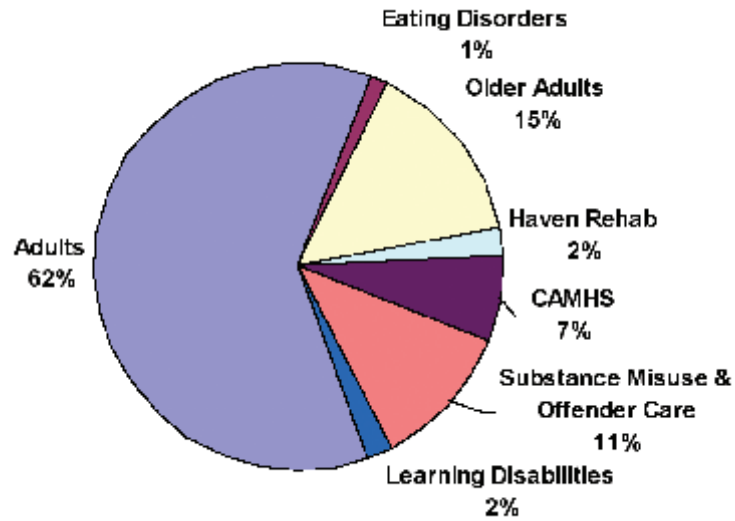
The Trust provides a comprehensive range of general and specialist mental health services to the populations of Brent, Kensington & Chelsea, Westminster, Harrow and Hillingdon. The Trust also provides specialist addiction services to these boroughs as well as to the populations of Hounslow, Ealing, Hammersmith & Fulham and Enfield. In addition, the Trust provides a range of other specialist services to populations within North West London including learning disabilities services, mother and baby services, eating disorder services and rehabilitation services. CNWL also holds contracts to provide mental health and/or substance misuse services to three prisons (HMP Wormwood Scrubs, HMP Holloway and HMP Pentonville), as well as HMYOI Feltham.

The Trust has 23 in-patient units across the boroughs it serves. The main sites are:

- Gordon Hospital in Victoria
- Northwick Park Mental Health Unit in Harrow
- Park Royal Centre for Mental Health in Brent
- Riverside Centre in Hillingdon
- South Kensington & Chelsea Mental Health Centre in Chelsea
- St Charles Mental Health Centre in Ladbroke Grove
- Woodland Centre in Hillingdon
- Kingswood Complex in Brent

The Trust employs over 3,400 staff, operating across 64 separate sites. In 2007/08 our income was £212 million, giving us the third largest financial turnover of all the Mental Health Trusts in London.

The breakdown of income for our clinical specialties is as follows:



In May 2007, CNWL moved to a new headquarters at Greater London House, Hampstead Road, London NW1.

Accounting policies for pensions and other retirement benefits can be set out in note 1.19 to the accounts. Details of senior employees' remuneration can be found on page 57 of the remuneration report.

The Trust's external auditor is Baker Tilly. Expenditure on external audit fees comprised £59,000 for statutory audit work. Although no other work was undertaken by the Auditor during the financial year, any additional work that may have been required over and above the statutory audit work, and for any non-audit services, is managed through the terms of engagement to ensure that the independence of the external auditors has not been compromised.

4 Operating and Financial Review

4.1 Operating Review

This section looks at service changes and our operating resources to deliver our service plans.

4.1.1 Service Changes

As set out in the Directors report, during 2007/08 the Trust took forward the following key work streams and these are expected to continue into 2008/09 and beyond.

- Ongoing development of early intervention in psychosis services
- Development of learning disabilities services
- Development of services at the Horton Haven for people with challenging behaviours
- Re-provision of the Trust drug and alcohol detoxification inpatient service
- Development of adolescent mental health services

In addition, during 2007/08 the Trust also undertook the following service developments:

- Consolidation of the services formerly based at the Paterson Centre in Paddington transferred to the newly refurbished St Charles Mental Health Unit in Kensington.
- Consolidation of the adult social care mental health services transferred under the new Section 75 partnership agreement with the London Borough of Harrow.
- Multi-agency review and consultation on adult community mental health services in Hillingdon.
- Work towards the development of the Rehabilitation and Supporting People Service in Brent.
- Development of an innovative intermediate mental health and physical health inpatient and community service at the St Charles Hospital site for older adults in Westminster.
- Establishment of a new Learning Disabilities directorate within the Trust following the transfer of services based at the Kingswood Centre in Brent.
- Continuing development of inpatient services for children and young people with mental health problems in a new, improved facility.
- Establishment of the Junction Service with Turning Point for people living in Brent aged 18 and over who use heroin or multiple drugs.
- Development of a North West London Court Diversion Pilot Project.

4.1.2 Our Operating Resources

Our Staff

The Trust has a good record in attracting and recruiting staff. The 2007 staff survey reported above average staff job satisfaction and quality of work life balance. The Trust has a full complement of Consultant medical staff, which is extremely unusual in mental health Trusts particularly in London. The Trust is also able to successfully recruit to most professional groups. Trust turnover is approximately 15% and the Trust has active and sustained recruitment strategies in place.

Further integration with our local authority social services partners, for example under Section 75 partnership agreements, is seen as a vital component in developing a more flexible workforce facilitated by more harmonised HR policies and procedures.

Trust Estate

The Trust has an estates strategy that was approved in 2007/08 by the Board. In 2007/08 the Trust continued its capital investment programme to improve the standard of accommodation to ensure fitness for purpose and enhance the experience of service users and staff. Where appropriate, the Trust sought alternative premises. Services which were relocated in the year included the Westminster Drug Treatment Centre and the Collingwood Child and Family Centre.

The Trust's main investment plans for the coming year are:

- The refurbishment of the adult acute inpatient wards at Northwick Park Mental Health unit;
- The £4.7M refurbishment of the Villas building at the Horton Haven, Epsom, with building work due to be completed in December 2008 and the service in operation by Spring 2009;
- Pursuing the acquisition of the K&C PCT Western Pavilion building on the St. Charles Hospital.

During the coming year the Trust will also continue to search for solutions to improve accommodation for services based at the Gordon Hospital as these have been identified as requiring attention.

IT Advances

Project Galaxy

As mentioned in the previous section, the aims of this project are to improve internal activity recording and the use made of that information for quality, performance management, financial and commissioning purposes.

JADE

The clinical system JADE has been used by our Harrow adult and older adult services for several years. In 2007/08 the roll out of the system was first piloted in Hillingdon and then implemented with the Kingswood services. Both of these services have joined the Trust within the last two years and had been using information systems with limited capability. On the basis of this work, the Trust will be undertaking further work to ensure the infrastructure is in place to support the roll out of the system to other large services.

Electronic staff records

In August 2007 we successfully implemented the new Electronic Staff Records system. This is a national system which has been rolled out across the NHS. The view is to have a common system with access to a wider range of management information both within the organisations and across the NHS.

Vocational Services

The Trust's employment policies encourage the recruitment of people with experience of mental health problems. The Trust also runs a Service User Employment Programme to assist people with mental health conditions into employment and education opportunities. During 2007/08 32 work experience placements were offered across the Trust and 13 people were supported to access paid work either within or external to the Trust.

During 2007/08 an Employment Leads Model was launched to ensure that all clinical teams have a Clinical Employment Lead who will keep employment on the agenda, act as a vocational resource and strengthen partnerships with new and existing vocational services. This has included building working links with the new Pathways to Work providers.

Environmental initiatives

A working group of staff from across the Trust agreed a more structured approach to green issues by CNWL. Our Sustainability Strategy brings together current and future plans to reduce our carbon footprint. It covers four key areas:

- Improving the energy performance of all Trust buildings
- Reducing carbon emissions in all Trust properties
- Reducing the carbon footprint generated by staff travel
- Actively promoting the use of sustainable resources in all Trust wide activities

During 2007/08 we ran a staff travel survey to map out travel patterns and our overall carbon footprint. We also established our baseline carbon footprint for energy use, with the aim of reducing energy consumption by 15% by 2012. It was decided to commit £100,000 from the 2008/09 capital programme to invest in energy saving.

Risk Management and Assurance Framework

During 2007/08 CNWL updated its risk management strategy, introducing four new categories – clinical risk, organisational risk, health and safety, and business and financial risk.

The Trust successfully sustained Level 1 status in the Risk Management Standards pilot assessment in November 2007.

The Trust Assurance Framework has been reviewed during 2007/08 by Internal Audit and given an audit opinion of substantial assurance.

The Trust has Trust wide and local risk registers which are regularly updated. Action plans to mitigate these risks are in place and are scrutinised at Executive Board Meetings.

4.2 Financial Review

This section looks at the Trust's financial performance indicators, developments towards Payment By Results, capital investment and financial risks.

4.2.1 Financial Performance Indicators

Monitor Risk Rating

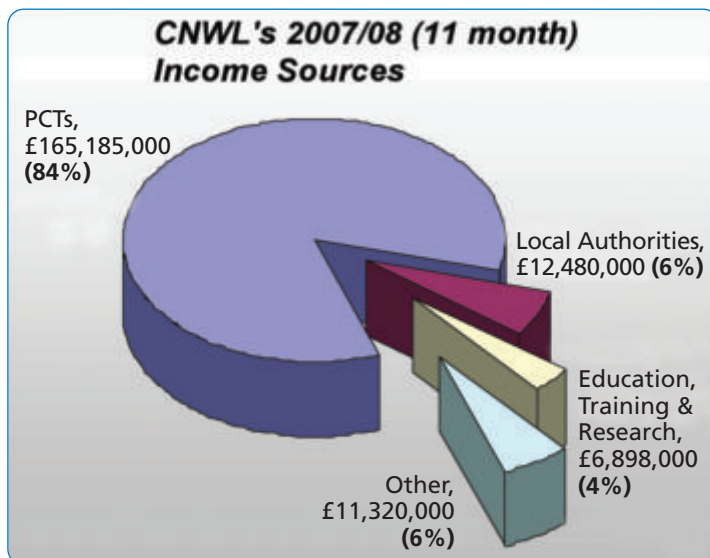
The Trust achieved and exceeded its financial plans for the year and achieved an overall Monitor financial risk rating score of 4 against a planned position of 3. The improved outcome was a result of achieving a higher than planned income and expenditure surplus along with an improved cash position at 31st March 2008, leading to improved ratios for both, which in turn affected the overall position.

Measurement		1 May 2007 to 31 March 2008	Rating
EBITDA Margin	Target	5.47%	3
	Actual	7.03%	3
EBITDA Achieved	Target	100%	5
	Actual	129%	5
Return on Assets	Target	4.39%	4
	Actual	5.77%	4
I&E Surplus Margin	Target	1.67%	3
	Actual	2.24%	4
Liquidity Ratio (Days)	Target	22.50	3
	Actual	47.42	5

**Consolidated
Risk Rating: 4
(target - 3)**

Monitor requires that each Trust develops an annual plan that identifies the Trust's objectives and financial plans for the coming year alongside the risks associated with delivering those plans. Further details of the Trust's 2008/09 plans are described in the Trust Annual Plan which can be obtained from Trust Headquarters or on the website at www.cnwl.org.

Income Chart 1



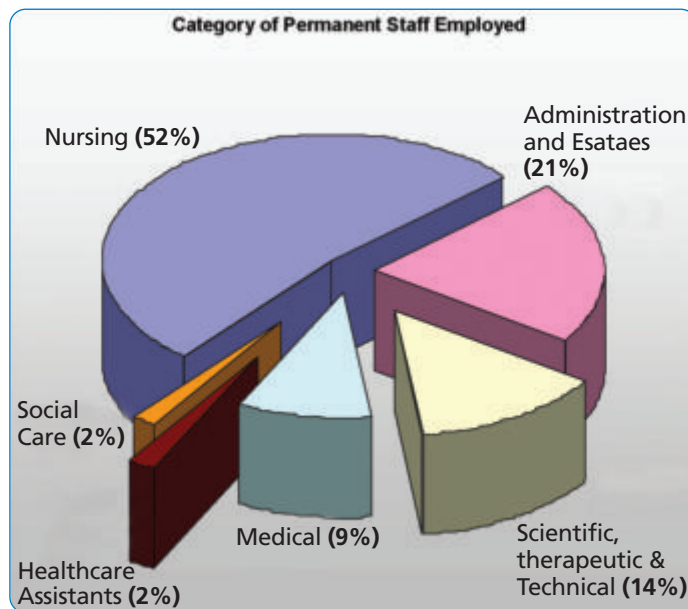
The Trust generated total income in the eleven months of 2007/08 of £195.9 million which included new activities such as the Harrow Section 75 funding agreement, Kingsbury Learning Disabilities and Hillingdon Continuing Care.

Overall clinical income accounted for 95% of the total income of the Trust. 88% of all clinical income came from PCTs, the balance in the main coming from Local Authorities.

The main sources of income for the Trust are set out in chart 1.

Expenditure on pay costs

Chart 2



The Trust spent £136.9million on staff and £0.9million on Directors, which in total amounted to 73.9% of total expenditure. Within this, the Trust has spent £7.3 million on Agency staff, 5.3% of the total salary cost.

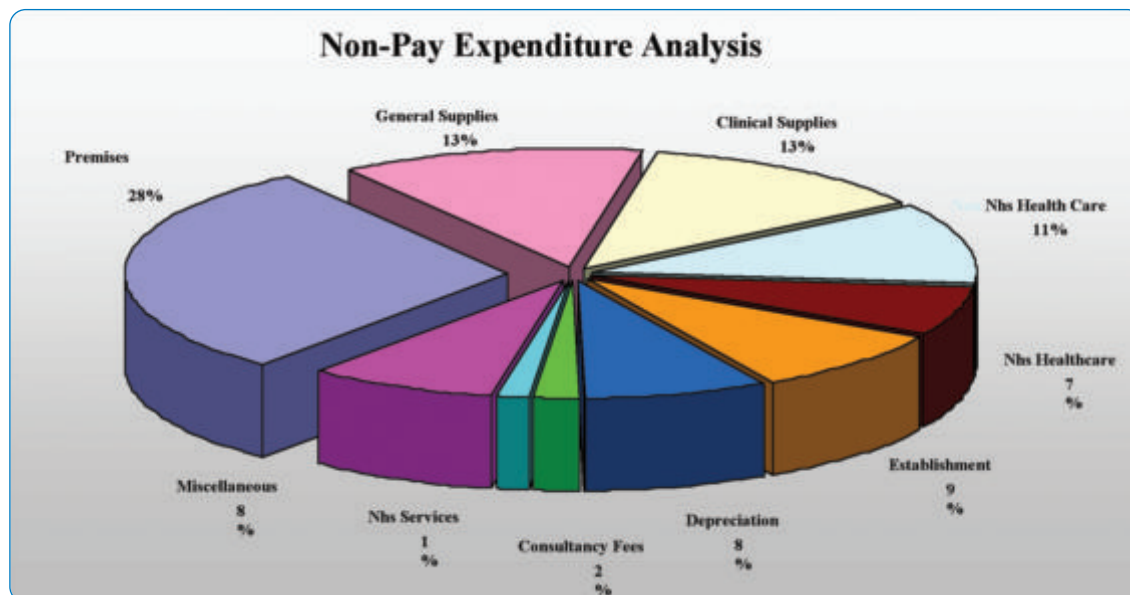
An alternative analysis is that the Trust (excluding agency costs), spent £117.1 million on staff salaries, incurred National Insurance costs of £8.8 million and made pension contributions of £11.9 million.

The breakdown of directly employed staff by category is set out in chart 2.

Expenditure on Non-pay items

The Trust's Non-pay expenditure is largely concerned with operating services from 64 sites. An analysis therefore has Premises with 28% of non-pay expenditure as the most significant expenditure item. Chart 3 shows an analysis of non-pay pay expenditure.

Chart 3



Cash

The Trust's cash and bank balance (including short-term investments) at the end of the financial year was £34.7million. This was £14.3million greater than plan and was in the main a result of accepting payments on account totalling £8.5million from two of the Trust's Commissioners. Additionally, there was a further £2.9million accounted for as income-in-advance as payments had been made for projects that were either delayed or yet to start.

Including the sales proceeds from the asset sales, these 3 items represent 94% of the additional cash balance at year-end, with the balance coming from working capital.

Normalising the impact of these items, the annual position would only have differed from plan by £1.6million.

£million	As at 31st March 2008	Plan	Variance
Closing Cash Balance	£34.7	£20.4	£14.3
<u>Less items not planned:</u>			
Payments on Account	-£8.5	£0.0	-£8.5
Income Received In Advance	-£2.9	-£0.7	-£2.2
Sales of Lord's Close	-£2.0	£0.0	-£2.0
	-£13.4	-£0.7	-£12.7
Normalised Cash Balance	£21.3	£19.7	£1.6

The major causes of achieving £1.6million cash greater than plan, were due to delivering earnings (EBITDA) in excess of plan by £1million and additional interest receivable of £0.6million.

Cost Improvement Programme

The 2007/08 national funding formula assumed that all Trusts would achieve a 2.5% cost improvement target to fund part of the cost of inflation. Additionally, a number of service reconfigurations were required to deliver efficiencies agreed within PCT contracts. For the Trust, this amounted to £4.4 million.

In achieving the target, the Trust delivered recurrent savings of £1.1 million from pay and £3.3 million from non-pay schemes.

4.2.2 Payment By Results

The project outcomes of 'Project Galaxy' will be crucial in preparing the Trust for the move towards Payment by Results, as well as satisfying commissioner expectations on robust information reporting.

Furthermore, the success of the whole project is dependent on the Trust delivering its Jade clinical information system roll out effectively and to plan, as well as introducing the new business intelligence system in the autumn of 2008/09. Without the successful implementation of these two systems to the agreed plan, the Trust runs significant business risks when its Foundation Trust contract terms are renegotiated as part of the Department of Health's agenda. The expectation is that the revised contracts will include much more emphasis on the presentation of cost and activity information which is akin to a payment by result regime for mental health services.

4.2.3 Capital Investment

Capital Expenditure

The Trust invested £5.1 million in capital schemes during the eleven months over and above the transfer of property. An analysis of the main schemes is given below:

Capital Expenditure	£'000
Beatrice Place Redevelopment	1,143
Northolt Road SMS	518
IM&T infrastructure and JADE information system	754
St Andrew's Willesden	799
St Mary's DTC Reprovision	595
Kingsbury	320
Horton Haven	301
Total	£4,430

The capital programme was funded through an allocation of Public Dividend Capital (£1.7 million) and the reinvestment of the underlying value of the two disposed assets during the year (Tenby Road and Lord's Close – combined value £2.2 million).

Purchased capital asset items of note include:

- Expenditure on the refurbishment of Beatrice Place to relocate the Collingham Child and Family Centre from Collingham Gardens.
- Substance Misuse Services in Harrow have for a number of years been unable to find alternative and appropriate accommodation for their services. Northolt Road was a Harrow PCT property that was no longer required and was transferred to the Trust. A subsequent refurbishment programme costing £0.5million was undertaken and completed during the year. This allowed further adult services to be reconfigured and relocated as a result of the knock-on effect of property becoming available from the move to Northolt Road.
- The £0.75million related to the acquisition of the JADE clinical information system is the second year's investment on the rollout of the system.
- During 2007/08 the Trust arranged to acquire the property at 13 -17 Roxborough Road, Harrow. The property was already being used to accommodate a 24 hour social care assessment facility for Harrow residents, which under the Section 75 agreement, CNWL has the responsibility for ensuring the delivery of Housing 21, who owned the property, wished to sell it and approached the Trust as the preferred purchaser. The acquisition was considered by the Business & Finance Committee in February 2008 and approved by the Board of Directors in March 2008.

Property Sales during the 11 month period

Two significant property sales have been completed in the period. These were:

- I. The sale of the Tenby Road site for £0.7million (net book value - £0.2million), and
- II. The sale of the Lord's Close site for £2million (net book value £2million).

The Trust has also agreed the terms of disposal of its Collingham Gardens property following the development of an alternative facility within Beatrice Place. Under the Trust's authorisation, Collingwood Gardens is defined as protected asset and certain restrictions apply to assets defined as such. However, as the sale does not involve the discontinuation of mandatory services and is supported by the local PCTs and local authority, the Trust has not breached any protected asset restrictions. The sale is expected to be completed towards the end of 2008.

Revaluation of the Estate

A revaluation of the estate was undertaken during the year for insurance purposes. Whilst the exercise did not identify a significant difference overall, there were variations between some asset book values and the values presented through the exercise. It has been agreed with the Trust's Auditors that a more comprehensive revaluation exercise will be undertaken during 2008/09. This will coincide with the requirements of introducing International Financial Reporting Standards (IFRS) as well as meeting the 3-year revaluation of the estate under UK GAAP rules (the last revaluation being 1st April 2005).

4.2.4 Identified Financial Risks

The Trust's achievement of Foundation Trust status from 1st May 2007 has brought with it additional risks around the Trust's level of independence from the NHS and the direction it needs to take in order to deliver the requirements set out in its authorisation mandate.

The process undertaken in moving to Foundation Trust status meant that this risk has been evaluated in detail and that any concerns raised at different stages of the procedure have been matched with action. However, it will be part of the internal audit programme to further assess the extent of delivery of those actions and identify any further work that might be required.

From a purely financial perspective, the Trust ended the year with a financial risk rating that reflects the achievements of delivering a surplus of income over expenditure and having substantial cash balances in the bank and on short-term investment. This was a significant achievement considering the remit of NHS Trusts in the past has been to deliver a break-even duty with limited cash resources allowed to be kept at the end of financial years. The change in emphasis has required a business ethos to be quickly and effectively developed across the Trust, which from the results demonstrates success and further progress is being made.

However, while the end of year position for the Trust was good, there remain risks facing the Trust that could impact on financial performance in the future. In the forthcoming year, the key risks facing the Trust that could have the biggest effect on finances are set out below:

(i) Financial Position of the Local Health Economy

As part of the 2007/08 contract settlement with some PCTs, the Trust negotiated arrangements that transferred £3.1 million of mental health commissioning budgets to the Trust rather than being held by the PCTs.

These arrangements were agreed in order to secure core mental health budgets by allowing the Trust to work on delivering savings with the new budgets. The contract agreements are reflected in the new Foundation Trust contracts, which gradually reinstate funding over a three year period on the basis that savings are achieved during this time. The risk moving forward is that, in certain areas, the reinstatement of funding is tied entirely to the Trust releasing savings from these new service areas. Identifying the level of saving is very uncertain at this stage and the Trust runs the risk of not meeting the forecasts.

(ii) Reporting Information, System Development and Future Payment Mechanisms for Services

The delivery of the Jade clinical information system rollout, the new business intelligence system and 'Project Galaxy' will be crucial.

The roll out of the single clinical system Jade, once fully operational, is expected to deliver an increased level and quality of information management.

The new business intelligence system is expected to enable staff to effectively report on the data collected within Jade.

Under Project Galaxy, the Trust has invested significant resources in understanding the procedures supporting its services and the costs these attract. The next stage is looking at assigning prices to each of the defined procedures in order to build up a set of currencies for the future payment of activity. All five of the Trust's main commissioners are fully supportive of the move away from block contracting to a shadow form of payment by results, albeit through an internally agreed set of prices rather than nationally agreed ones.

All three strands of work will support much more effectively the delivery of the Trust's performance agenda both internally and against its contract obligations with its main commissioning PCTs. In time, the efficiency of services will become much more measurable and resources will be able to be directed to meet demand much more appropriately. This will deliver a cultural change in the way the Trust has previously operated and financial emphasis will shift from budgetary performance to service line reporting and being able to demonstrate value enhancement to the organisation's objectives by delivering efficient and appropriate services.

The risk is that the three development programmes fail to deliver and that a potential loss of future income is not mitigated.

(iii) Delivery of the Trust's 3-year Cost Improvement Strategy

Service Heads and Directors have agreed a detailed recurrent saving programme of between 2.2% and 3.0% each year for the 3 years commencing 2007/08. The strategy formed part of the Trust's Foundation Trust application process and was included in the Integrated Business Plan (IBP) and Financial Strategy.

Overall the plan aims to deliver £14.5 million in cost improvements during this period and realise the savings and service improvements outlined in the Trust's Integrated Business Plan. For 2007/08, the Trust fully achieved its cost improvement target of £4.4million. This represented a cost reduction of 2.5% and was delivered without significantly compromising service delivery.

However, in reviewing the second and third years of the 3-year strategy it became apparent that some of the initially identified schemes were no longer deliverable. Additionally, the Department of Health's funding proposals for the NHS made it clear that the cost improvement plan needed to be revised. This led to an additional target of £1.5million being required for the second year and substantial management effort was directed in 2007/08 to ensure the Trust began the new financial year with the necessary plans in place to ensure successful delivery of a viable financial plan.

Continued progress of the strategy will be monitored through the Trust's Business and Finance Committee on a monthly basis. Failing to deliver the strategy is not an option as the Trust's aspirations include the need to make significant investment in its estate to improve the clinical environments across its numerous sites.

Future Financial Plans

As referred to in the Directors Report, the Trust has identified the following risks as part of its revised 3-year financial plan:

- PCT contract terminations as part of the introduction of the new model mental health contract;
- Westminster City Council has served 18 months notice on the Trust to terminate the SMS contract due to the service reconfiguration towards 'one-stop' shops;
- Delivery of Trust work to develop a robust information system and currencies to support Trust contracts from 1 April 2009;
- Delivery of Trust cost saving programme;
- Pay settlements against levels of inflation;
- Delivery of capital investment schemes to time and budget.

Mitigating these risks will allow the Trust to deliver the financial plans it has developed.

The plans for 2008/09 reflect the block nature of the income whereas an element of risk arises in 2009/10 due to the contractual structure. This has been reflected in reducing the planned surplus for that year to develop an increased reserve to match any adverse contractual impact.

The Trust's future financial plans can be summarised as follows:

£m	Plan - YE March 09	Plan - YE March 10	Plan - YE March 11
Income	213.5	237.7	243.6
Pay Costs	(159.6)	(169.7)	(174.3)
Non-pay	(40.7)	(51.0)	(48.0)
EBITDA	13.2	17.0	21.3
Depreciation	(4.3)	(4.8)	(5.6)
Net interest	0.5	1.5	1.5
Profit on asset disposal	3.0	0.0	0.0
Dividend	(6.4)	(7.1)	(8.5)
Net surplus	6.0	6.7	8.7
<i>EBITDA margin</i>	6.2%	7.2%	8.7%
CIP as a % of Costs	3%	3%	3%

5 Patient Care and Stakeholder Relations

5.1 Patient Care

Investment in services

The Trust has taken the strategic decision to reinvest a significant proportion of its cash surplus for 2007/08 into initiatives aimed at improving the quality of patient care, as well as investing in organisational infrastructure which supports the delivery of patient care. £2.5m of the cash surplus for 2007/08 has been reinvested in non recurring patient quality and safety initiatives, as well as Information Management & Technology (IM&T) development.

As mentioned earlier in the plan, the Trust is also planning to invest a significant funding amount from its cash surplus into upgrading the Trust's facilities at Northwick Park. Further investment is being undertaken over the next three years on the Trust's clinical information system, related staff training and IT infrastructure.

National Mental Health Service User Survey

The fourth annual survey of CNWL service users took place in Spring 2007. A national independent survey, it helps CNWL to better understand the needs of service users and improve services based on the feedback we receive. The postal questionnaire went out to 850 people on CNWL's Care Programme Approach register asking them about their experience of CNWL services. 79% of service users rated their care as excellent, very good or good – a 7% improvement on the previous year. However, the survey also revealed dissatisfaction with out of hours services and with the attitude of some Community Psychiatric Nurses (CPNs) towards users in some boroughs. Action plans were developed in each borough to ensure feedback from the survey was acted upon.

Service User/Carer Information

In August 2007, CNWL launched the Medicines Helpline, an independent and confidential service for service users wanting to know more about their medicines and their effects. This was in direct response to our 2006 patient survey where respondents asked for more information on their conditions and how they are treated.

Finding the right information in the right language can be a challenge for service users and carers. The Patient Information Group at CNWL has been working to improve this by creating listings of all the leaflets available across the Trust. A separate listing has been created for people with learning disabilities. Five core patient information leaflets were made available in nine languages including Albanian, Arabic, Bengali, Farsi, French, Gujarati, Kurdish, Tamil and Urdu and the 'Your Guide to Meetings' leaflet is also available in Somali. It is possible to request the translation of the Trust's other leaflets in these languages as well as in Braille and audio tape.

Quality of Clinical Care

The Trust has declared compliance with all but one of the *Standards for Better Health* core standards under its Declaration for 2007/08 to the Healthcare Commission.

The clinical quality of Trust services is assessed by a number of external bodies including the Healthcare Commission and the Mental Health Act Commission. No areas of 'serious failings' have been identified in assessments undertaken by these bodies during the last year.

Clinical Audit

Clinical Audit is a key tool for service improvement and the monitoring of compliance with Trust policies. The Trust has in place an annual programme of clinical audit that meets the audit requirements of national initiatives and reflects the Trust's priorities.

Significant pieces of work include:

- Care Programme Approach Audit
- Physical Health Care Survey
- Serious Untoward Incidents Annual Report
- National audit of violence
- Safe and secure handling of medicines audit
- Rapid Tranquilization Audit
- Anti-psychotic Prescribing Audit
- Observation and Engagement Policy Audit

All completed Trust-wide audit reports are disseminated through local clinical governance structures where actions are identified and taken forward.

In addition there is a supportive infrastructure for clinicians involved in local clinical audit activity. The Trust will be further strengthening its clinical audit training in 2008 to support high quality audit in all services.

Quality of Environment

The Trust continues to achieve good scores from the Patient Environment Action Team (PEAT) assessments within the two main categories: environment and food. In 2007/08 for the environment category, two sites attained scores of 'excellent', nine sites were 'good' and one site was 'acceptable'. For the food category, three sites attained scores of 'excellent' and nine sites were 'good'.

From April 2007 CNWL moved steadily towards becoming a smoke free environment. The aim is to be completely smoke free by July 2008. It was particularly challenging for the Trust because some inpatient units do not have easy access to outside areas. We have had to find solutions which recognise the high level of smoking amongst service users. Both inpatients and day patients have had smoking history assessments to help those who smoke cut down and staff have been trained in providing nicotine replacement therapy.

Infection Control

Trusts are required to report Clostridium Difficile cases to the Health Protection Agency. During 2007/08 the Trust reported two cases, which were isolated cases and occurred at different times and units. The number of Clostridium Difficile cases for CNWL is low and, crucially, did not lead to any outbreak of the infection amongst other patients.

Complaints

It is important to us that when a service user or carer is dissatisfied with the services they receive, their complaint is properly investigated and lessons are learnt. During 2007/08 we received a total of 206 complaints, which is a reduction of 10% from the previous year.

The Healthcare Commission undertook an independent review of complaints to NHS Trusts in 2007. In the report of its findings 'Spotlight on Complaints', published in April 2008, CNWL was identified as having the lowest percentage of complaint cases referred back for further work. The Trust was praised for its consistently high standard of response to complaints.

Patient Advice and Liaison Service (PALS)

CNWL's PALS service is delivered through a network of seventy-five link workers based at local Trust sites. Despite the PALS Manager being on part-time secondment, we received 403 enquiries during the year. 42% of these were requests for information and advice, and 43% were about problems people were experiencing with services. The issues most frequently raised as problems were related to care and treatment, staff attitude, and communication.

Customer satisfaction questionnaires indicated that 85% of respondents were satisfied with the speed with which PALS responded to their calls, and 85% were satisfied with the help and advice they received.

Organisational Learning

The Organisational Learning Group (OLG) was established in February 2007. The work of this group includes identifying trends of lessons learned from areas such as complaints, serious untoward incidents, accidents and incidents and clinical audit. These lessons will be communicated via a regular newsletter to staff to ensure shared learning and improvements in clinical practice.

The OLG also considers learning from external reviews such as the National Confidential Inquiries and the Healthcare Commission Improvement Reviews as well as patient and staff survey results.

Membership of the group includes service user representation in order to learn from patient experience.

Annual Staff Survey

Staff satisfaction with the Trust was in most cases above the national average. 70% of staff felt that patient care was the Trust's top priority, 20% higher than nationally. 54% believed that CNWL is committed to a healthy work/life balance, 6% above the national figure. However, one in three staff said they suffered from work related stress and 40% felt they did not have sufficient time to carry out all their work.

During 2008/09 a major programme of Organisational Development will be rolled out and will seek to address the findings of the survey.

5.2 Stakeholder Relations

The Trust continues to maintain and develop close working relationships with its commissioning PCTs and other key stakeholders, such as local authorities, voluntary sector organisations, HM Prisons in London, the Metropolitan Police and providers of education and research such as Imperial College London, all of whom have seats on the Trust Council of Members.

The Trust has positive contracting and planning relationships with its main commissioning PCTs, cultivated through different tiers of the organisation. This includes joint 'Board to Board' meetings between the CNWL Board of Directors and PCT board members.

Good working relationships have also been developed with local authority Overview and Scrutiny Committees, who are active partners in monitoring the quality and scope of our service provisions.

Other significant partnerships include:

- A Section 75 Partnership agreement for adult community mental health services with the London Borough of Harrow, which came into effect on 1 April 2007.
- A joint partnership agreement with Turning Point, a voluntary organisation, to run Brent Substance Misuse Service. This agreement was established in 2005/06 when the Trust entered into a partnership with Brent PCT and Turning Point for service provision in Brent.
- An agreement with Enfield PCT to provide interim management for Enfield Substance Misuse Services until 31 March 2009.
- The substance misuse GP Shared Care Scheme. CNWL nursing staff provide regular sessions in GP clinics, with consultant advice as required.
- A contract with Westminster City Council to provide educational services to children in the Marlborough Unit, which is maintained under the OFSTED arrangements.
- Joint working with the Prison Services, particularly HMP Wormwood Scrubs but also HMP Holloway, HMP Pentonville and HMYOI Feltham. These services are contracted through the host PCT and the Prison services themselves.

Patient and Public Involvement

In the coming year a main thrust of the Trust's work to strengthen engagement with the communities it serves will be through the development of its FT Membership Plan and through the development of the role of Governors. Such work, however, will not be at the expense of the constructive working relationships built up over many years with local service user, carer and community groups. A continuing challenge for the Trust will be to engage these different constituencies to facilitate work on common agendas and to navigate between different local and national patient and public involvement systems. To this end the Trust has participated in the LINK early adopter project in Kensington & Chelsea and given input to the development of LINKs in other boroughs, which are being introduced during 2008/09, as a national mechanism to replace local Patient & Public Involvement Forums.

6 Council of Members

Our Council of Members plays an essential role in the governance of the Trust and during 2007/08 it has continued to develop. The Council of Members meets quarterly and meetings are open to the public.

The role of the Council includes:

- To support the Board of Directors in setting the long term vision for the Trust
- To review annually the Trust's objective of delivering high quality services
- To appoint or remove the Chairman and other non-executives and agree their remuneration
- To approve the appointment (by the non-executive directors) of the Chief Executive
- To consider the Annual Accounts and Annual Report

During 2007/08 a range of induction seminars and workshops were held for members and four sub groups were formed to cover non executive director and Chairman remuneration, non executive director appointments, annual business planning, and membership development. A number of forums for the service user and staff constituency groups were also held during the year.

The Council has 39 governors, of which two thirds (26) are elected:

Service Users/Carers	13
General public	7
Staff	6
Appointees from stakeholder organisations such as local authorities, Primary Care Trusts, voluntary sector and prison service	13

One open election was held during 2007/08 for a public constituency governor position which was not filled at the time of authorisation. One staff governor was elected unopposed, two governor replacements were made following resignations of a user governor and a public governor.

The Council of Members and Board of Directors are in the process of establishing formal arrangements for engagement and dialogue. This policy will build on existing arrangements whereby members of the Board of Directors attend the Council of Members meetings on a regular basis and are available to answer questions and participate in discussion when appropriate. It will also include the programme of Governor workshops and working groups on key Trust business. There is, in addition, regular communication with individual governors and questions about the performance of any individual Directors would be directed through the Chairman as appropriate.

The Council of Members will also be developing a process of self assessment of its performance during the coming year.

Below is detailed the members of each constituency, their term of office and their attendance at Council meetings in 2007/08.

Service Users and Carers	Constituency	Term	10 May 07	31 Jul 07	25 Oct 07	24 Jan 08
Ms. Jenny Tritte	General Adults	2 years	✓	✓		
Mr. Robin Walker	General Adults	2 years	✓	✓	✓	✓
Ms. Alison Cameron	General Adults	3 years	✓	✓		✓
Ms. Charlotte Green	General Adults	3 years	✓	✓	✓	✓
Ms. Andrea Rayner	General Adults	3 years	✓		✓	✓
Mr. John Hookham	General Adults	2 years		✓	✓	✓
Ms. Natasha Bishop	Other Services	2 years				
Ms. Shalinie Tewarie	Other Services	2 years	✓	✓	✓	✓
Mr. Sean Bell-Briggs	Other Services	3 years	✓	✓	✓	✓
Ms. Clare Farquhar (Resigned Oct 2007)	Other Services	3 years	✓			
Mr. Roy Taylor (Appointed Oct 2007)	Other Services	3 years				✓
Mr. Roger Warren	Carers	2 years	✓	✓	✓	✓
Ms. Janet Seale	Carers	3 years	✓	✓	✓	✓
Ms. Monique Klang-Voves	Carers	3 years	✓	✓	✓	✓

Staff Constituency	Constituency		10 May 07	31 Jul 07	25 Oct 07	24 Jan 08
Mr. Rami Jumnoodo	Nursing Staff	2 years	✓	✓	✓	
Mr. Paul Byrne	Nursing Staff	3 years	✓	✓	✓	✓
Dr. Kostas Agath	Medical	2 years	✓	✓	✓	✓
Ms. Lesley Jennings	Social Care	2 years	✓	✓		
Ms. Jo Andrews	Other	3 years	✓		✓	✓
Mr. Andy Lale	Allied Health Professionals	3 years	✓	✓		✓

Public Constituency	Constituency		10 May 07	31 Jul 07	25 Oct 07	24 Jan 08
Ms. Selina Henry (resigned Jan 2008)	Hillingdon	2 years		✓		
Mr. Colin Rimell (Appointed Jan 2008)	Hillingdon	2 years				✓
Mr. Christopher Keefe	Harrow	3 years	✓	✓		
Mr. Russell Healey	Westminster	3 years	✓	✓		✓
Mr. Robert McGuire	Ealing, Hammersmith & Fulham, Harrow	3 years				
Dr. Tony Ogefere	Brent	3 years	✓	✓	✓	
Dr. Alicia Etchegoyen	Kensington & Chelsea	2 years	✓	✓	✓	✓
Mr. Eoin Hayden	Greater London Area	3 years		✓	✓	

Appointed Governors		10 May 07	31 Jul 07	25 Oct 07	24 Jan 08
Ms. Zrinka Bralo (Appointed Feb 2008)	Voluntary Sector				
Mr. David Palmer (Resigned Dec 2007)	Voluntary Sector - MRCF	✓			
Ms. Jill Patel	Voluntary Sector - Hillingdon MIND	✓		✓	✓
Mr. Mike Crawford	Imperial College	✓			✓
Cllr. Robert Dunwell	Borough of Brent	✓	✓		
Cllr. Robert Freeman	Royal Borough of Kensington & Chelsea			✓	✓
Ms. Penny Furness-Smith (Resigned May 2007)	Borough of Harrow	✓			
Cllr. Alexander Nicoll	City of Westminster				✓
Cllr. David Payne	Borough of Hillingdon			✓	✓
Cllr. Eric Silver	Borough of Harrow				✓
Mr. Bryan Bringloe (Resigned July 2007)	Police				
Mr. Nick Leader	HM Prisons				
Ms. Diana Middleditch	Kensington & Chelsea PCT	✓	✓		
Ms. Sarah Nyandoro	Brent PCT				
Ms. Marek Stepniak	Westminster PCT				

Register of Interests

The Register of Interests of the Council of Members is available at any time through the Trust Secretary, Ms Christine Baldwinson. Telephone: 020 3214 5776 Email: Christine.baldwinson@nhs.net

7 Board of Directors

Composition of the Board

Our Board of Directors meets monthly. The Board composition is 7 Executive Directors including the Chief Executive and 8 Non-Executives including the Chairman.

CNWL will continue to regularly review the membership of the Board to ensure that it is well balanced and covers the full range of expertise required by a Foundation Trust. Through self-assessment, the Board believes that it currently has a good mix of commercial and financial knowledge, management and clinical experience, public sector expertise and community engagement.

The Board does not have a Senior Independent Director. The Board has discussed this issue at length and plans to revisit it at regular intervals but currently are of the view that there are sufficient channels of communication within the governance framework which mean that they do not need a specifically appointed Senior Independent Director.

The Board of Directors is currently developing a more systematic approach to assessing its collective performance. It carried out an evaluation of itself at its first Board Awayday as a Foundation Trust and carries out evaluations at the conclusion of each Board meeting.

During 2007/08 the Director of Operations & IMT, Edward Matt, has undertaken a six months special project to improve Trust activity and contracting information under 'Project Galaxy'. During this time the operational responsibilities of the role have been managed on a day-to-day basis by an Acting Director of Operations, Robyn Doran. Edward Matt, as the substantive postholder, has retained the executive powers of the role.

There were no other changes to the Board of Directors during the year.

The summary of experience and other significant commitments of the Board of Directors is as follows:

NON-EXECUTIVE DIRECTORS	Term of Office
<p>Dame Ruth Runciman, Chairman Chairman UK Drug Policy Commission, Deputy Chairman of the Prison Reform Trust, Former Chairman National AIDS Trust, Former Chairman of the Mental Health Act Commission 1994-1998, Former Chairman of the Joseph Rowntree Foundation Drug and Alcohol Research Committee, Former Member of the Advisory Council on the Misuse of Drugs 1974-1995, Former Advice Worker in the Citizens Advice Bureau Service. <i>Qualifications:</i> BA WITS, BA (Hons) (Cantab)</p>	30/11/09
<p>John Scott, Vice Chairman 38 years commercial experience including 27 years with PA Consulting Group achieving Partner status, former Managing Director of British Power International (privatization of electricity consultancy), former work with British Executive Service Overseas. <i>Qualifications:</i> MA (Cantab), MICE, FIMC</p>	10/05/11
<p>Hiroo Chothia, Non-executive Director Co-founder and Director of IBD - management consultancy in organisation development, strategy and marketing, lay Chairman for recruitment and selection of specialist registrars at the London Deanery, Member of the BME Advisory</p>	30/9/08

Group to the NHS Appointments Commission, Trustee and past Chairman of Pursuing Independent Paths - learning difficulties charity, Independent Chairman of Exclusion Appeals, London Borough of Harrow. <i>Qualifications:</i> DMS, MBA (Dist), MIOD	
Andrew Corbett-Nolan, Non-executive Director Healthcare governance and improvement specialist, Fellow of the Chartered Quality Institute and Member of the European Institute of Corporate Governance, 20 years experience in healthcare with senior positions in the NHS, private sector and not for profit organisations including first director of the NHS Health Services Accreditation, Director of Development of the King's Fund Health Quality Service and Non-executive of the Institute of Healthcare Management. <i>Qualifications:</i> FCQI F Pur Soc MIHM BA Hons	30/11/10
Bhavana Desai, Non-executive Director Former Group Retail Finance Director, BAA plc - global retail sales in excess of £3 billion and revenue of more than £700 million, former senior management positions within The London Stock Exchange, NCR and BOC plc, over 15 years active involvement in the voluntary sector: RBG Kew, AgeLink and Ealing Social Club for the Blind, former Mentor for the Prince's Trust. <i>Qualifications:</i> BA (Hons) Business Studies (Manchester)	30/11/10
Professor Dorothy Griffiths, Non-executive Director Professor of Human Resource Management and Deputy Principal, Tanaka Business School, Imperial College London, wide private sector experience as a consultant, has worked on healthcare reform in a number of countries, has worked on management development in UK NHS. <i>Qualifications:</i> BSc, MSc, FCGI	10/5/11
Ian Holder, Non -executive Director Director of 3C Partners Limited, former Finance Director of Groupe Chez Gerrard plc, former Managing Director of Castle Communications gmbh, former Group Finance Director of Castle Communications plc <i>Qualifications:</i> Member of the Institute of Chartered Accountants in England and Wales ACA, Pg Diploma Counselling BACP Accredited, BSc (Hons), Diploma	30/9/09
Beverley Provost, Non-executive Director A proven manager and equalities officer with a portfolio of activities covering human resources, equal opportunities, equality and diversity, criminal justice system, regeneration, mentoring and European structural funds, experience gained in key positions in public and voluntary sector, Management Committee Member of the Brent Black African & Caribbean Consortium, awarded MBE for services in the community in 2000. <i>Qualifications:</i> BA (Hons), MA Modern European Studies, Change Facilitator Introductory & Development Workshops Certificate.	30/12/08

EXECUTIVE DIRECTORS

Claire Murdoch, Chief Executive

20 years NHS experience holding various clinical and managerial posts in inner London mental health services. Claire has played a key role in planning new models of service and contracting. She has broad experience in partnership and professional development work.
Qualifications: Registered mental health nurse, Hons degree in Social Policy

Trevor Shipman, Director of Finance

Previous Deputy Director of Finance at UCL Hospitals, former Lead on Finance and PFI for the re-build of UCL Hospitals, 25 years experience in the NHS, mainly in finance in all sectors.
Qualifications: Fellow of the Chartered Association of Certified Accountants, BSc (Hons)

Dr Alex Lewis, Medical Director

22 years NHS experience in other NHS settings, management of research projects including links with the commercial sector, extensive experience in delivery of care in mental health settings.

Qualifications: BSc (Hons), MB, BS, MRCPsych

Edward Matt, Director of Operations and Information

Psychiatric nurse, nurse management posts to Director of Nursing level, Local Authority Planning Manager, General Hospital Manager, General Manager Mental Health.

Qualifications: Law degree, registered mental health nurse, registered general nurse, MBA

John Vaughan, Director of Partnership and Commercial Development

Nurse management, management posts in voluntary sector mental health organisations, general management in NHS including commissioning, Head of Mental Health at North West London Strategic Health Authority.

Qualifications: Registered general nurse, registered mental health nurse, MA in Leadership

David Brettle, Director of Human Resources

Former Human Resources Director for NWL Mental Health Trust, 15 years in Human Resources in local government, Trustee for Dementia - charitable organisation.

Qualifications: MSC, BA (Hons), Associateship of Institute of Personnel Management

Ian McIntyre, Director of Estates and Facilities

22 years NHS experience in community, acute and mental health services, 14 of those with CNWL and its predecessor Trusts, various NHS management and business planning roles including Head of Planning.

Qualifications: BA (Hons), Post Grad Dip NHS Project Leadership

Board Meetings

The Trust continues to keep its corporate governance framework under review to ensure that it remains as effective and streamlined as possible. At the time of authorisation as a Foundation Trust the Board of Directors was served by eight committees: the Performance Management Committee, the Audit Committee, the Remuneration Committee, the Clinical Governance Committee, the Business and Finance Committee, the Nominations Committee, the Corporate Governance Committee and the Risk Management Committee. In October 2007 the Board of Directors accepted recommendations to dissolve the latter two Committees on the grounds that the functions held by them could be appropriately undertaken by other existing Trust committees or groups.

During 2007/08 the Board met 13 times. Its committees met as follows:

- | | |
|------------------------------------|-----|
| • Performance Management Committee | 11 |
| • Audit Committee | 4 |
| • Remuneration Committee | 2 |
| • Clinical Governance Committee | 6 |
| • Business and Finance Committee | 12 |
| • Corporate Governance Committee | 2 * |
| • Risk Management Committee | 3* |
| • Nominations Committee | 0 |

* dissolved by the Board in October 2007

Directors' attendance at Board meetings in 2007/08 was as follows:

	2 May 07	15 May 07	6 Jun 07	18 Jun 07	04 Jul 07	1 Aug 07	4 Sep 07	3 Oct 07	31 Oct 07	5 Dec 07	9 Jan 08	13 Feb 08	12 Mar 08
NON-EXECUTIVE DIRECTORS													
Dame Ruth Runciman, Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. John Scott, Vice Chairman	✓	✓		✓	✓	✓	✓		✓	✓	✓	✓	
Ms. Hiroo Chothia, Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Mr. Andrew Corbett-Nolan, Non-Executive Director	✓			✓	✓	✓	✓	✓		✓	✓	✓	✓
Ms. Bhavana Desai, Non-Executive Director	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Professor Dot Griffiths, Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Mr. Ian Holder, Non-Executive Director	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Ms. Beverley Provost, Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
EXECUTIVE DIRECTORS													
Ms. Claire Murdoch, Chief Executive	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Trevor Shipman, Director of Finance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Alex Lewis, Medical Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Edward Matt, Director of Operations and Information	✓				✓	✓	✓		✓	✓	✓	✓	✓
Mr. John Vaughan, Director of Partnership and Commercial Development	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
David Brettle, Director of Human Resources	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ian McIntyre, Director of Estates and Facilities	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Terms of office of Non-Executive Directors

The length of appointments of the Non-Executive Directors is three years. Terms of office may be ended by resolution of the Council of Members following a procedure laid down in the Foundation Trust's constitution.

Code of Governance

The Board of Directors uses the NHS Foundation Trust Code of Governance as best practice advice to improve governance practices in the Trust. The Trust complies with the code in most aspects. One exception is that the Executive Directors of the Trust are all on standard employment contracts rather than the fixed term contracts recommended by the Code and they are not entitled to performance related pay. The Remuneration Committee has general oversight of the Trust's pay policies but determines the reward package for the Directors only. All other staff remuneration is covered by the NHS Agenda for Change pay structure. Work to further develop systems and processes as required by the Code is being undertaken.

How the performance of the Board is evaluated

Since becoming a Foundation Trust, Board development for Executive and Non-Executive Directors has continued as an essential requirement. In 2007/08 it included appraisal and a programme of seminars and away days on organisational priorities and effective Board working. Board members also participated in Foundation Trust Network events and the Kings Fund Board Development Programme.

The Chairman is appraised annually through a process approved by the Council of Members. Non-executive Directors and the Chief Executive are appraised annually by the Chairman of the Trust. Executive Directors are appraised annually by the Chief Executive. The Board is currently developing a system of whole Board appraisal.

Register of Interests

The Board of Directors maintains a Register of Interests in line with the Department of Health and the NHS Appointments Commission's "Code of Conduct: Code of Accountability in the NHS". The Register is regularly reviewed at formal meetings of the Board. No material conflicts of interest have been identified in the last year

The Register of Interests of the Board of Directors is available at any time through the Trust Secretary, Ms Christine Baldwinson. Telephone: 020 3214 5776 Email: Christine.baldwinson@nhs.net.

8 Audit Committee

The Audit Committee has a range of responsibilities including ensuring that the Trust Assurance Framework is fit for purpose, that the Trust has robust governance arrangements and systems of financial control, and that the Trust has appropriate risk management systems to identify and allow for the management of risk.

Directors' attendance at Audit Committee meetings in 2007/08 was as follows:

		18-Jun-07	17-Oct-07	14-Jan-08
Mr. J Scott*	Vice-Chairman	✓	✓	✓
Mr. I Holder	Non-executive Director	✓	✓	✓
Ms. H Chothia	Non-executive Director	✓		✓

* Mr Scott is the Chairman of the Audit Committee

The reporting responsibilities of the Trust external auditor, Baker Tilly, is as follows:

- The primary responsibility is to form an opinion as to whether the financial statements of Central and North West London NHS Foundation Trust prepared under the National Health Service Act 2006 (the 2006 Act) and UK accounting standards show a true and fair view and comply with the Monitor Financial Reporting Manual (FRM.). The accounting requirements of the Trust and Baker Tilly's statutory responsibilities as auditors are both set out in the FRM. In addition Baker Tilly has a statutory obligation in relation to the Statement on Internal Control and to the Trust's Annual Report.
- In broad terms Baker Tilly's statutory responsibilities under the Code, and in accordance with the International Standards of Auditing (UK and Ireland), are to satisfy itself that:
 - The accounts are prepared in accordance with directions under paragraph 1(a) of Schedule 10 of the Act;
 - The accounts comply with the requirements of all other provisions contained in, or having effect under, any enactment which is applicable to the accounts;
 - Proper practices have been observed in the compilation of the accounts;
 - To give an opinion as to whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

9 Nominations Committee

The purpose of a Nominations Committee, in line with Monitor guidance, is to

- review the structure size and composition of the board of directors and make recommendations for change where appropriate
- in the event of a vacancy, to prepare a description of the role and capabilities required for a particular appointment
- agree with the Appointments Committee of the Council of Members a clear process for the nomination of a new Chair or non-executive director
- make recommendations to the board in respect of the appointment of executive directors

There were no changes to the Board of Directors during the period covered by this Annual Report and the Nominations Committee did not meet during this time.

10 Membership

Composition and eligibility criteria for constituencies

Members of the Trust are aged sixteen and above. Members belong to one of three constituency areas, which are further sub-divided into categories ('classes').

Service Users and Carers

There are three categories: general adult service users; all other service users; and carers. This constituency is open to service users or carers who have had contact with Trust services in the last three years.

Public

There are seven categories, based on district of residence: Brent; Kensington & Chelsea; Westminster; Harrow; Hillingdon; rest of North West London sector (Ealing, Hammersmith & Fulham, Hounslow); and rest of London. This constituency is also open to service users and carers.

Staff

There are five categories: Nursing; Medical; Allied Health Professionals; Social Care; and Other Staff. This constituency covers employees of the Trust and also staff employed by partner organisations who have worked for at least 12 months on behalf of the Trust under integrated management arrangements.

Membership for service user/carer and public constituencies is under an 'opt-in' system. Membership for the staff constituency is under an 'opt-out' system'.

Membership Profile

Our membership at the end of March 2008 was 1764 – an increase of 22% from 1358 at the beginning of the May 2007 when the Foundation Trust was established.

In 2007/08 CNWL focused on generating membership from across the communities we serve and maintaining the membership we already have. Potential new members were contacted by direct mail, a 'member get member' initiative, and through existing networks. A telephone recruitment pilot in Hillingdon proved very successful and will be rolled out to other boroughs in 2008/09.

Our membership is broadly representative of our local population with adults of working age, people from particular ethnic communities and service users well represented. More work needs to be done to increase membership amongst young people aged 16-21 and carers.

A members' newsletter was produced quarterly, and a dedicated Members and Governors section was introduced on the Trust website. A questionnaire was sent to all members to gauge their areas and level of interest.

Members are now involved in a number of elements of Trust work. These include member induction workshops, focus groups, service user members on CNWL's organisational learning group, staff training and service monitoring. Two members, with relevant experience, joined the Section 12 Doctor training.

The Trust has set up communication systems to enable members to contact governors by the following methods:

- by email, using a dedicated email address
- by post using a standard form
- by online form

Details of these are included in the Membership Welcome Packs sent upon joining and on the Trust website. In addition, Governors are increasingly attending local groups to communicate with members directly.

11 Public Interest Disclosures

Public Consultations on Significant Service Changes

During 2007/08 the Harrow adult mental health service participated in a multi-agency consultation exercise on the development of community mental health services in the borough. The outcome of this consultation will inform future service plans.

The Trust also engaged with Ealing Health Overview and Scrutiny Committee over its intention to relocate drug and alcohol inpatient services, currently located at Ealing Hospital site, subject to alternative accommodation being acquired. Plans for this development are at an early stage and have not yet reached the formal consultation stage.

Focused Implementation Site (FIS)

The Trust is a national pilot Focused Implementation Site for the Department of Health's 'Delivering Race Equality (DRE) in Mental Health' initiative. This is a three year project. The Trust is focusing on five of the identified DRE characteristics of a reformed service:

- Reduction in the disproportionate rate of admission of people from black and ethnic minority (BME) communities to psychiatric inpatient units.
- Reduction in the disproportionate rates of compulsory detention of BME service users in inpatient units.
- Reduction in the proportion of prisoners from BME communities.
- More active role for BME communities and BME service users in the training of professionals, in the development of mental health policy, and in the planning and provision of services.
- Workforce and organization capable of delivering appropriate and responsive mental health services to BME communities.

A range of initiatives are in place including:

- A court diversion clinical trial blazer project, which involves asking people from BME communities who have used the criminal justice system and mental health services about their experiences and incorporating their views into service improvements.
- An inpatient clinical trial blazer project, running similarly to the Court Diversion initiative above.

- Local initiatives such as working with the South Asian Reference Group in Harrow to develop a conference on mental health issues for the Asian community. A social networking group is also being developed for South Asian service users and carers in the borough. In Brent a 'Listening to Faith Communities' event was held with the Brent Multi-Faith Forum to set objectives for working more effectively with Faith communities.
- Faith awareness training for Trust staff.
- Mental health training for faith groups.

Health and Safety

During the year the Trust developed a new workplace risk assessment for the identification of health and safety hazards. This has been cascaded throughout the organisation and nearly 100% compliance has been achieved across all sites. The Trust also commenced a review of health and safety policies, which will contribute to the development of a new in-house training course for local managers.

Staff Occupational Health Service

Our Occupational Health Service providers continue to work closely with the Trust, with advice and guidance in managing sickness absence as well supporting staff in life style changes such as cessation of smoking.

The Trust also holds 'Health at Work' days across Trust sites during the year, which are supported by the Occupational Health service.

Management Costs

Management Costs for the Trust during the period were:

Management Costs	£9.2million
Income *	£193million
Management Costs as a percentage of income	4.76%

**Income has been adjusted to remove non recurrent income in respect of prior year surpluses.*

These have been calculated in accordance with Department of Health definitions on the Department of Health website at:
(<http://www.dh.gov.uk/en/Managingyourorganisation/Financeandplanning/NHSmanagementcosts/index.htm>)

Policies on Countering Fraud and Corruption

The Trust has a counter fraud policy which sets out how the Trust works to have an anti-fraud culture through pro-active work such as fraud awareness lectures and positive reinforcement through Trust communications structures, such as senior staff briefing meetings and articles in the Trust newsletter *Inbrief*. The Trust has contracted Parkhill to provide its Local Counter Fraud Service and they also investigate any cases of alleged fraud brought to their attention. Through other

policies, Standing Orders, Standing Financial Instructions and various operational procedures the Trust endeavours to minimise the risk of fraud and through its internal control mechanisms ensures that these are implemented. The Audit Committee regularly reviews the work of the Local Counter Fraud Services and the Trust's response to any issues raised.

Better Practice Payments Code

Despite another challenging year, in which we became a Foundation Trust and saw a change in our Headquarter location, we are pleased to be able to confirm that we have achieved the financial target of paying 95% of invoices, by both number and value within 30 days. This is in accordance with the Better Practice Payment Code prescribed by the Department of Health and Monitor.

Components of Other Income in Annual Accounts

The other income received by the Trust principally comprises education and training income of £5.6 million. This income is used by the Trust to deliver a wide range of staff development and training, which meets its own governance requirements as well as generating internal expertise to improve services.

A forthcoming development is the Department of Health's strategy 'Best Research for Best Health' proposes changes to the funding of research and development and the move to competitively awarded grants from the National Institute for Health Research (NIHR).

For Mental Health Trusts this will involve working closely with the Mental Health Research Network (MHRN). Consequently, 2008/09 is the final year for Research & Development transitional funding allocations prior to the shift to the new system. Uncertainties around future funding carry a degree of risks for mental health providers. Fortunately, the Trust has a good record of attracting research funding and currently hosts major NIHR grants that comprise a large proportion of the £1.3 million of research and development funding received by the Trust. The Trust is the host of the North London Hub of the MHRN and so is well positioned in the local research network. Most major research projects are collaborations between organisations and the Trust has a strong network of research partners, most notably Imperial College London.

12 Remuneration Report

The Remuneration Committee determines the remuneration of the Chief Executive and Executive Directors by considering relevant comparative data from national salary surveys. All Executive Directors are appointed on permanent contracts with the Chief Executive having a six month notice period and Executive Directors a three month notice period.

There are no contractual provisions for early termination except those provided by law. Any redundancy payments would be made in line with NHS policy. In certain circumstances an individual may benefit from the provisions of the NHS Pensions Scheme. There were no compensation payments made to former senior managers during the period.

There are no elements within the employment contracts for remuneration based on performance.

Neither the Chief Executive nor Executive Directors retain earnings as Non-Executive Directors in other organisations.

The Non-Executive Directors who sit on the Remuneration Committee are:

Dame Ruth Runciman	Chairman
John Norman Scott	Vice Chairman
Professor Dorothy Griffiths	Non-Executive Director
Hiroo Chothia	Non-Executive Director
Ian Holder	Non-Executive Director
Andrew Corbett-Nolan	Non-Executive Director
Bhavana Desai	Non-Executive Director
Beverly Provost	Non-Executive Director

Between 1 May 2007 and 31 March 2008 there were two meetings of the Remuneration Committee on 1 August 2007 and 12 March 2008 and on both occasions all members were present.

The remuneration for non executive directors is set in accordance with guidance from the Department of Health.

Salaries and Allowances:

Name and Title	2007-08 M2-12		
	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000	Benefits in Kind Rounded to the nearest £100
Chairman			
Dame Ruth Runciman	45 - 50	0	0
Chief Executive			
Claire Murdoch	115 - 120	0	0
Executive Directors			
David Brettle - Director of Human Resources	85 - 90	0	0
Dr Alex Lewis - Medical Director	80 - 85	60 - 65	2,600
Trevor Shipman - Director of Finance	85 - 90	0	0
Edward Matt - Director of Operations	90 - 95	0	0
John Vaughan - Director of Partnerships and Commercial Development	75 - 80	0	0
Ian McIntyre - Director of Estates and Facilities	80 - 85	0	2,500
Non-Executive Directors			
Professor Dorothy Griffiths	10 - 15	0	0
John Norman Scott	10 - 15	0	0
Hiroo Chothia	10 - 15	0	0
Beverly Provost	10 - 15	0	0
Ian Holder	10 - 15	0	0
Andrew Corbett-Nolan	10 - 15	0	0
Bhavana Desai	10 - 15	0	0

No 'Golden Hellos', compensation for loss of office or other remuneration from the Trust was received by any of the above during 2007/08. All benefits in kind payments relate solely to the provision of cars.

Pension Benefits

Name and title	Real increase in pension at age 60 (bands of £2500) £000	Real increase in Lump sum at age 60 (bands of £2500) £000	Total accrued pension at age 60 at 31 March 2008 (bands of £5000) £000	Lump sum at age 60 related to accrued pension at 31 March 2008 (bands of £2500) £000	Cash Equivalent Transfer Value at 31 March 2008 £000	Real Increase in Cash Equivalent Transfer Value £000
Claire Murdoch - Chief Executive	5 - 7.5	20 - 20.5	40 - 45	127.5 - 130	622	79
David Brettle - Director of Human Resources	2.5 - 5	7.5 - 10	30 - 35	92.5 - 95	504	44
Dr Alex Lewis - Medical Director	0 - 2.5	2.5 - 5	25 - 30	82.5 - 85	389	10
Ian McIntyre - Director of Estates and Facilities	2.5 - 5	7.5 - 10	20 - 25	67.5 - 70	343	38
Trevor Shipman - Director of Finance	2.5 - 5	10 - 12.5	30 - 35	100 - 102.5	503	50
Edward Matt - Director of Operations	5 - 7.5	17.5 - 20	30 - 35	97.5 - 100	493	75
John Vaughan - Director of Partnerships and Commercial Development	2.5 - 5	12.5 - 15	20 - 25	65 - 67.5	311	47

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Signed



Chief Executive

Date: 11 June 2008

Annual Accounts

(Including Statement of Internal Control)

1 May 2007 -31 March 2008

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STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING OFFICER OF CENTRAL AND NORTH WEST LONDON NHS FOUNDATION TRUST

The National Health Service Act 2006 states that the Chief Executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of the accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the accounting officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Under the National Health Service Act 2006, Monitor has directed the Central and North West London NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Central and North West London NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS Foundation Trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

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

Signed:



Chief Executive

Date: 12 June 2008

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. Monitor, 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 Monitor 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.

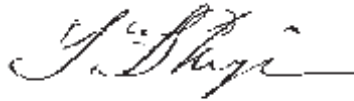
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirement outlined in the above mentioned direction of Monitor. They are also responsible 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 of Directors



Chief Executive
Date: 12 June 2008



Finance Director
Date: 12 June 2008

STATEMENT ON INTERNAL CONTROL 2007/08

1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS foundation trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Central and North West London NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Central and North West London NHS Foundation Trust for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts.

As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring the deductions from salary, employers contributions and payments into the Scheme are in accordance with the Schemes rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

3 Capacity to handle risk

As Chief Executive I have overall responsibility for risk management within the Trust, for meeting all statutory requirements and adhering to the guidance issued by the Department of Health in respect of Governance.

The Executive Board, which I chair, has the remit to ensure the adequacy of the structures, processes and responsibilities for identifying and managing key risks facing the organisation, prior to discussion at the Board

The Executive Board ensures that risk management activity is co-ordinated across the Trust in a systematic and focused way. This provides support to line managers and advises the Board of Directors of the on-going risk profile of the Trust, the changing trends in risks and priorities for action.

Recognising the need to develop risk awareness throughout the organisation, a range of training courses have been developed incorporating aspects of risk management and large numbers of staff have been trained in the identification and management of clinical risk. The development of local risk registers has served also to promote awareness and understanding of the identification of risks and their management across the organisation.

4 The risk and control framework

The Risk Management Strategy was reviewed during 2007. It sets out the organisation's attitude to risk, defines the structures for the management and ownership of risk and for the management of situations in which control failure leads to material realisation of risks. It is supplemented by a Risk Management Policy and a Risk Register Procedure, both of which explain risk management processes.

Key to the effectiveness of risk management in the organisation is the Executive Board, comprising all the Executive Directors. This membership recognises the importance and high profile of risk management in the organisation and facilitates ownership at that level of the identification and management of risks on a continuing basis. This is important in ensuring that the Trust takes an integrated approach to governance and risk management issues.

Work has taken place across the trust to identify local risks and this has resulted in the further development of the Trust-wide Risk Register. The Risk Register contains details of risks under the headings of clinical, financial, health and safety and organisational. Each meeting of the Executive Board and Board of Directors receives a report on the Top Risks facing the Trust.

Top Risks are identified by the Executive Directors. They have been graded, in accordance with the process set out in the Risk Management Strategy, and an action plan developed to address them. Awareness of the top risks facing the organisation enables the Board to review the operation of the Trust and potential business opportunities in a way that helps them determine level of risk appetite they have at any time.

Risk management is a developing process within the organisation. The establishment of a framework of meetings enables effective systems to operate which monitor and track risks. During 2007/08 we reviewed and reorganised the committee structure, streamlining and reducing the overall number of committees and making them more focused on the business of the Trust. However, committees alone are not effective in the initial identification of risk: for that there is a need for the concept of risk management to be cascaded through the organisation so that it becomes part of the everyday culture.

The Trust has an assurance framework, which provides it with a simple but comprehensive method for the effective and focused management of the principal risks to meeting its objectives. This simplifies Board reporting and the prioritisation of action plans, which in turn allow for more effective performance management.

The Trust has the following strategic priorities:

- provide integrated, high quality, timely services based on the need of the individual.
- Engage meaningfully with service users, carers and the local community to improve and align our services to their needs.
- Improve and maintain to a high standard the physical environments in which we provide services.
- Recruit, retain and develop a skilled and motivated workforce that is proud to work for the Trust.
- Provide a financial base that is robust for the future development of the Trust and to provide economic and efficient services.

- Improve Trust information systems to support improvement in patient care and performance management.
- Seek and develop new business opportunities consistent with our vision.

The Assurance Framework reflects the work streams involved in achieving the above objectives. The implementation of the Trust's objectives is a dynamic process and that means that there will always be a number of gaps in control mechanisms and in the assurance process. As a result such gaps are present across most of the objectives and services in the assurance framework (including corporate and operational services and risk management) and an action plans exist to identify means of addressing them. Importantly, however, there are no significant gaps in controls and assurance, a position confirmed through independent assessment by Internal Auditors. The Executive Board and the Foundation Trust Board of Directors monitor progress against the action plans, which provides assurance on each of the strategic priorities.

During 2007/08, for each risk a lead person was identified and responsible for the action necessary to address it and progress was reported to the Board of Directors at regular intervals.

Public stakeholders are involved in managing risks which impact on them through a range of different means. These include the involvement of service user Foundation Trust members in the Trust's Organisational Learning Group and with local Clinical Governance Groups. A questionnaire was sent to all members giving them the opportunity to get involved in learning from mistakes and successes. The outcome of this will be cascaded to all members via the Members' Newsletter. A focus group has been established to examine quality issues, how the Trust defines quality and how it builds in into performance management. The Trust has also invited FT members to be involved in the development of clinical policies.

Locally, all services have a forum where users are able to discuss service development issues. There are also local implementation teams, with user, carer and voluntary organisation representation, which are integral to priority setting and decision making about the development of services.

The Trust has an Information Governance & Security Group, chaired by the Caldicott Guardian, which is the main body overseeing the management of information risks. This group has a reporting line into the Board of Directors via the Information Management, Technology & Governance Group and the Business & Finance Committee. This group also oversees the Trust's Information Governance Toolkit action plan. The Trust has recently appointed an Information Governance & Security Manager and this person reports regularly to the Board of Directors on information risks and security incidents.

5 Review of economy, efficiency and effectiveness of the use of resources

The Trust has a range of processes that ensure that resources are used economically, efficiently and effectively. This includes clear and effective management and supervision arrangements for staff, the role of performance management and the development of key performance indicators, a committee dedicated to performance management issues and regular reporting on performance management to the Board of Directors.

The Trust agreed an annual audit programme and a range of ad-hoc, individual audits, carried out by the Internal Auditors. These audit reports are aimed at evaluating our effectiveness in operating in an efficient and effective manner and are focused on reviewing our operational arrangements for securing economy in respect of the services we provide.

6 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Assurance Framework has been reviewed by the Trust's Internal Auditors. They have confirmed that an Assurance Framework has been established which is designed and operating to meet the requirements of the 2007/08 Statement on Internal Control and provides reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation.

During 2007/08 the Board of Directors met every month. It has as a standing item on the agenda reports on financial management, risk management and performance management. It regularly receives the minutes of meetings or reports of its Committees and an update on progress against its strategic objectives.

The committee structure was fundamentally reviewed during 2006 and subject to a further review in October 2007. The structure continues to include an Audit Committee, which has specific responsibilities for overseeing matters relating to internal control and risk management respectively. Responsibility for risk management rests with the Executive Board. The Audit Committee regularly receives reports on internal control and risk management matters from the internal or external auditors.

The Trust was subject to a Risk Management Assessment in November 2007 and retained its level 1 assessment.

None of the internal or external auditors reports considered by the Audit Committee during 2007/08 raised significant internal control issues. However there were two significant control issues directly identified by the Trust.

1. In 2008 the Trust submitted to the Healthcare Commission a declaration of full-compliance on all the Core Standards under the Annual Health Check, with the exception of standard 5b, which states that healthcare organisations must ensure that clinical care and treatment are carried out under supervision and leadership. Non-compliance against this standard was declared because of a possible non-adherence to the Trust's observation policy by some individuals despite local management action at the hospital concerned. A programme of urgent action was immediately put in place to ensure that the area of concern was addressed and clinical care carried out under senior supervision and leadership.
2. As a Foundation Trust, we are required to follow our terms of authorisation, which include a Constitution approved by the regulatory body, Monitor. That Constitution includes arrangements for the appointment of Non-Executive Directors. The Trust found that these arrangements were restrictive and did not facilitate an appropriate process for the reappointment of existing Non-Executive Directors. There was a requirement to set in train arrangements for filling vacant posts at least six months before the terms of office of existing post-holders were due to expire, and this deadline was not met. A review of that part of the Constitution was undertaken and, with the unanimous support of the Council of Members, an amendment was recommended to Monitor, which was subsequently approved.

7 Conclusion

2007/08 was a year of significant change for the Trust. In May 2007 we became a Foundation Trust and put into effect a revised governance system, incorporating a Council of Members, comprising both elected and appointed governors.

Whilst it is clear from this statement that we have effective systems of internal control, there were two significant control issues identified by the Trust itself which were a cause for concern. In respect of both action has been taken to address them.

None of the internal or external auditors reports considered by the Audit Committee during 2007/08 raised significant internal control issues and I am satisfied that the systems outlined in this statement reflect an organisation that continues to operate with effective and sound systems of internal control.

Signed:



Chief Executive

Date: 12 June 2008

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF MEMBERS AND BOARD OF DIRECTORS OF CENTRAL AND NORTH WEST LONDON NHS FOUNDATION TRUST

We have audited the financial statements of Central and North West London NHS Foundation Trust, which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes.

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

Respective responsibilities of Directors and Auditors

The Chief Executive's responsibilities for preparing the financial statements in accordance with directions issued by Monitor and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Accounting Officer's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with directions issued under paragraph 25(2) of Schedule 7 of the National Health Service Act 2006 and whether the accounts comply with the requirements of all other provisions contained in, or having an effect under, any enactments which are applicable to the accounts.

In addition, we report to you if, in our opinion, the Trust has not observed proper accounting practices in the compilation of the accounts, the information given in the Annual Report is not consistent with the financial statements, the Trust has not kept proper accounting records, we have not received all of the information and explanations we require for our audit, if information specified by law regarding directors' remuneration and other transactions is not disclosed or if we cannot conclude that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review whether the Statement on Internal Control is misleading or inconsistent with other information we are aware of from our audit of the financial statements and our knowledge of the Trust. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Directors' Report, Background Information, Operating and Financial Review, the sections on the Council of Members, the Board of Directors, Membership and public interest disclosures and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of Central and North West London NHS Foundation Trust's affairs as at 31 March 2008 and of its surplus for the year then ended and have been properly prepared in accordance with the direction issued by Monitor on 17th January 2008 under the National Health Service Act 2006.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.



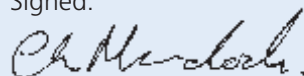
Baker Tilly UK Audit LLP
Chartered Accountants
Lancaster House, 7 Elmfield Road
Bromley BR1 1LT

12 June, 2008

Foreword to the Accounts**Central and North West London NHS Foundation Trust**

These accounts for the period 1 May 2007 to 31 March 2008 have been prepared by the Central and North West London NHS Foundation Trust, under the Direction of Monitor, in accordance with paragraphs 24 and 25 of Schedule 7 to the 2006 National Health Service Act.

Signed:



Chief Executive
Date: 12 June 2008

INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED

01 May 2007 to 31 March 2008

The notes on pages 59 to 83 form part of these accounts. All income and expenditure is derived from continuing operations.

	NOTE	<u>11 month period to 31 March 2008</u> £000
Income from activities	2	185,995
Other operating income	4	9,888
Operating expenses	5.1	<u>(186,449)</u>
OPERATING SURPLUS		9,434
Profit/(loss) on disposal of fixed assets	8	<u>547</u>
SURPLUS BEFORE INTEREST		9,981
Interest Receivable	9.1	1,297
Interest Payable	9.2	0
Other finance costs - unwinding of discount	17.1	(157)
SURPLUS BEFORE TAXATION		11,121
Taxation		0
SURPLUS AFTER TAXATION		<u>11,121</u>
PDC dividends payable	18.1	<u>(6,733)</u>
RETAINED SURPLUS FOR THE PERIOD		<u><u>4,388</u></u>

BALANCE SHEET AS AT 31 March 2008

		31 March 2008	1 May 2007
	NOTE	£000	£000
FIXED ASSETS			
Intangible assets	10	0	0
Tangible assets	11.1	202,428	203,853
Investments	12	0	0
		202,428	203,853
CURRENT ASSETS			
Stocks and work in progress	13	197	0
Debtors within one year	14	12,492	76,702
Debtors after one year	14	4,799	5,191
Investments	15	1,510	0
Cash at bank and in hand	19.2	33,206	425
		52,204	82,318
CREDITORS: Creditors falling due within one year	16.1	(35,826)	(68,850)
NET CURRENT ASSETS/(LIABILITIES)		16,378	13,468
TOTAL ASSETS LESS CURRENT LIABILITIES		218,806	217,321
CREDITORS: Creditors falling due after more than one year	16.1	(638)	0
PROVISIONS FOR LIABILITIES AND CHARGES	17.1	(12,461)	(14,158)
TOTAL ASSETS EMPLOYED		205,707	203,163
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital		130,568	131,916
Revaluation reserve	18.2	52,838	49,418
Donated asset reserve	18.2	17	20
Income and expenditure reserve	18.2	22,284	21,809
TOTAL TAXPAYERS' EQUITY		205,707	203,163

The financial statements on pages 55 to 58 were approved by the Board of Directors on 4 June 2008 and signed on its behalf by:

Signed:



(Chief Executive)

Date: 12 June 2008

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD**

01 May 2007 to 31 March 2008

	<u>11 month period to 31 March 2008</u> £000
Surplus for the financial year before dividend payments	11,121
Fixed asset impairment losses	(493)
Reduction in the donated asset reserve due to depreciation, impairment, and/or disposal of donated assets	(3)
Total gains and losses recognised in the period	<u><u>10,625</u></u>

CASH FLOW STATEMENT FOR THE PERIOD

01 May 2007 to 31 March 2008

	NOTE	<u>11 month period to 31 March 2008</u> £000
OPERATING ACTIVITIES		
Net cash inflow from operating activities	19.1	44,259
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received		1,297
Net cash inflow from returns on investments and servicing of finance		1,297
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets		(41,579)
Receipts from sale of tangible fixed assets		17,514
Net cash outflow from capital expenditure		(24,065)
DIVIDENDS PAID		
		(7,334)
Net cash inflow before management of liquid resources and financing		14,157
MANAGEMENT OF LIQUID RESOURCES		
Purchase of current asset investments		(1,510)
Net cash outflow from management of liquid resources		(1,510)
Net cash inflow before financing		12,647
FINANCING		
New public dividend capital received		37,960
Public dividend capital repaid		(17,826)
Net cash inflow from financing		20,134
Increase in cash		32,781

1. ACCOUNTING POLICIES

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trusts Financial Reporting Manual, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2007/08 NHS Foundation Trust Financial Reporting Manual issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS Foundation Trust. 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 Foundation Trusts, in compliance with HM Treasury's Financial Reporting Manual, are not required to comply with the FRS 3 requirements to report 'earnings per share' or historical profits and losses.

1.2 Acquisitions and Discontinued Operations

Activities are considered to be discontinued where they meet all of the following conditions:

a) The sale (this may be at nil consideration for activities transferred to another public sector body) or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.

b) If a termination, the former activities have ceased permanently.

c) The sale or termination has a material effect on the nature and focus of the reporting NHS Foundation Trust's operations and represents a material reduction in its operating facilities resulting either from its withdrawal from a particular activity or from a material reduction in income in the NHS Foundation Trust's continuing operations.

d) The assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Activities are considered to be acquired whether or not they are acquired from outside the public sector.

1.3 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the trust is under contracts 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 Expenditure

Expenditure is accounted for by applying the accruals convention.

1.5 Pooled Budgets

The Trust has entered into pooled budget agreements with both the London Borough of Brent Social Services Division and the London Borough of Harrow. Under the arrangements, funds are pooled under section 75 of the National Health Service Act 2006 for joint activities.

The pool is hosted by Central and North West London NHS Foundation Trust. Payments for services provided by the Trust are accounted for as income from PCTs. The Trust accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

1.6 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. 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. Impairments are charged to the income and expenditure account.

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.

1.7 Finance Costs

Interest in respect of finance costs is not capitalised.

1.8 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
- form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, 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 setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost.

Valuation

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

All land and buildings are revalued using professional valuations in accordance with FRS 15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professional qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation manual. The last asset valuation was undertaken in 2004 as the prospective valuation date of 1 April 2005. The revaluation undertaken at that date was accounted for on 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.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three yearly valuation or when they are brought into use.

Residual interests in off-balance sheet private finance initiative (PFI) properties are included in assets under construction within tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual with an adjustment. The adjustment is the net present value of the change in the fair value of the residual as estimated at the start of the contract and at the balance sheet date.

Operational equipment is valued at cost. Thereafter, equipment has been depreciated over the remaining useful economic life of the asset. 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 NHS Foundation Trusts professional valuers. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated evenly over the estimated useful life of the asset. The information below details the range within which useful economic lives fall for the main classes of asset.

- Buildings 13 to 88 years
- Furniture and Equipment 5 to 10 years
- Vehicles 7 years
- Information Technology 5 to 8 years

Fixed asset impairments resulting from losses of economic benefits are charged to the income and expenditure account. All other impairments are taken to the revaluation reserve and reported in the statement of total recognised to the extent that there is a balance on the revaluation reserve in respect of the particular asset.

1.9 Donated Fixed Assets

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

1.10 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.

1.11 Government Grants

The Trust has no Government Grants in respect of capital or revenue.

1.12 Private Finance Initiative (PFI) transactions

The Trust has not entered into any Private Finance Initiative (PFI) schemes.

1.13 Stocks and Work-In-Progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Work-in-progress comprises goods and services in intermediate stages of production.

1.14 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.

1.15 Cash, Bank and Overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the NHS foundation trusts cash book. These balances exclude monies held in the NHS foundation trusts bank account belonging to patients (see third party assets above). Account balances are only set off where a formal agreement has been made with the bank to do so. In all other cases overdrafts are disclosed within creditors. Interest earned on bank accounts and interest charged on overdrafts is recorded as, respectively, interest receivable and interest payable in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

1.16 Research and Development

Expenditure on research is not capitalised. The Trust does not undertake any expenditure on development that qualifies to be 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. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Where possible, NHS foundation trusts disclose the total amount of research and development expenditure charged in the Income and Expenditure account separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

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

1.17 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 foundation 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 NHS foundation trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS foundation trust is disclosed at note 17.2.

Non-Clinical Risk Pooling

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

1.18 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in the Notes to the accounts where an inflow of economic benefits is probable.

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in the Notes to the accounts unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control or

Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

1.19 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 Secretary of State, in England and Wales. As a consequence it is not possible for the NHS foundation trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17.

Employers pension cost contributions are charged to operating expenses as and when they become due.

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

1.20 Taxation

Central and North West London NHS Foundation Trust is a Health Service body within the meaning of s519A Income and Corporation Taxes Act (ICTA) 1988 and accordingly is exempt from taxation in respect of income and capital gains within the categories covered by this. There is a power for the Treasury to disapply the exemption in relation to specified activities of a Foundation trust (s519A (3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the scope of corporation tax in respect of activities which are not related to the provision of health care, and where the profits there from exceed £50,000pa. There is no tax liability arising in the current financial year.

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.

1.21 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.

1.22 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS foundation 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 asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. Lease incentives are spread over the lease term.

The interest element of the finance lease payment is charged to the income and expenditure account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the income and expenditure account on a straight-line basis over the term of the lease.

1.23 Public Dividend Capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the original NHS trust.

A charge, reflecting the forecast cost of capital utilised by the NHS foundation trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS foundation trust. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Office of the Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

1.24 Losses and Special Payment

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 26 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.25 Financial Instruments and Financial Liabilities**Recognition**

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

De-Recognition

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and Measurement

Financial assets are categorised as Fair Value through Income and Expenditure, Loans and receivables or Available-for-sale financial assets.

Financial liabilities are classified as Fair value through Income and Expenditure or as Other Financial liabilities.

Financial assets and financial liabilities at fair value through income and expenditure are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Assets and liabilities in this category are classified as current assets and current liabilities.

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the income and expenditure account.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments with are not quoted in an active market. They are included in current assets.

The Trusts loans and receivables comprise current investments, cash at bank and in hand, NHS debtors, accrued income and other debtors.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account.

Other Financial Liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the balance sheet date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the income and expenditure account.

Determination of Fair Value

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from quoted market prices.

Impairment of Financial Assets

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

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate. The loss is recognised in the income and expenditure account and the carrying amount of the asset is reduced directly.

1.26 Financial Risk Management

The Trust has adopted a Treasury policy, which has been based on Monitor's 'Best Practice' code. The Trust's policy limits investment decisions to minimise potential financial risk. The Trust's policy has been adopted by the Business and Finance Committee on behalf of the Board of Directors. Quarterly reports are presented to the Business and Finance Committee, which outline liquidity issues and investments - none of which must exceed the Trust's specific Treasury policy terms.

1.27 Going Concern

The directors consider the Trust to have adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the accounts. This analysis has been based on the Trust's production of its Annual Plan and Compliance Framework submissions. The going concern assessment for 2007/08 was less than a year from the date of approval of the accounts.

2. Income from Activities

	11 month period to 31 March 2008
	£000
NHS Foundation Trusts	124
NHS Trusts	1,581
Strategic Health Authorities	403
Primary Care Trusts	164,185
Local Authorities	12,573
Department of Health - other	38
NHS Other	2,429
Non NHS: Other	4,662
	185,995

3. Private Patient Income

The Trust had no private patient income for the period 1 May 2007 to 31 March 2008. Section 44 of the National Health Service Act 2006 requires that the proportion of private patient income should not exceed its proportion whilst the body was a NHS Trust in the 2002/03 base year. The base year income was £0 and therefore the base year % is zero.

4. Other Operating Income

	11 month period to 31 March 2008
	£000
Research and development	1,289
Education and training	5,608
Transfers from the donated asset reserve in respect of depreciation, impairment and disposal of donated assets	3
Other income	2,988
	9,888

5. Operating Expenses

5.1 Operating Expenses Comprise:

	<u>11 month period to 31 March 2008</u>
	£000
Services from NHS Foundation Trusts	644
Services from NHS Trusts	1,781
Services from other NHS Bodies	1,344
Purchase of healthcare from non NHS bodies	5,430
Executive directors costs	844
Non-executive directors costs	93
Staff costs	136,903
Drug costs	4,815
Supplies and services - clinical (excluding drug costs)	1,255
Supplies and services - general	7,059
Establishment	2,943
Transport	1,388
Premises	14,183
Increase / (decrease) in bad debt provision	1,200
Depreciation and amortisation	3,795
Audit fees	
audit services- statutory audit	59
Clinical negligence	294
Other	2,419
	<u>186,449</u>

5.2 Operating Lease

5.2.1 Operating Lease Rentals

	<u>11 month period to 31 March 2008</u>
	£000
Hire of plant and machinery	109
Other operating lease rentals	255
	<u>364</u>

5.2.2 Annual Commitments Under Non-Cancellable Operating Leases

	£000
Operating leases which expire:	
Land and buildings:	
- within one year	0
- between one and five years	546
- after five years	2,299
	<hr/> 2,845 <hr/> <hr/>
	£000
Other leases	
- within one year	34
- between one and five years	96
- after five years	0
	<hr/> 130 <hr/> <hr/>

6. Staff Costs and Numbers**6.1 Staff Costs**

	11 month period to 31 March 2008		
	Total	Permanently Employed	Other
	£000	£000	£000
Salaries and wages	117,127	109,866	7,261
Social Security Costs	8,804	8,804	0
Employer contributions to NHS Pension Scheme	11,909	11,909	0
	<hr/> 137,840 <hr/> <hr/>	<hr/> 130,579 <hr/> <hr/>	<hr/> 7,261 <hr/> <hr/>
Reconciliation to Note 5.1:	£000		
Executive directors costs	844		
Non-executive directors costs	93		
Staff costs	136,903		
Total	<hr/> 137,840 <hr/> <hr/>		

Within the Salaries and Wages position, £7,261,000 relates to employment of staff not employed on a permanent contract. Total Director and Non Executive Director emoluments are £937,000 for the period.

6.2 Average Number of Persons Employed

	11 month period to 31 March 2008		
	Total	Permanently Employed	Other
	Number	Number	Number
Medical and dental	321	288	33
Administration and estates	719	613	106
Healthcare assistants & other support staff	63	61	2
Nursing, midwifery & health visiting staff	1,799	1,759	40
Scientific, therapeutic and technical staff	476	469	7
Social care staff	62	61	1
Other	7	5	2
Total	3,447	3,256	191

6.3 Employee Benefits

There are no staff benefits that fall within the definition requiring disclosure during the year.

6.4 Early Retirements Due to Ill Health

	11 month period to 31 March 2008
	Number
Number of early retirements on the grounds of ill-health	3
	£000
Value of early retirements on the grounds of ill-health	139

During the eleven months to 31 March 2008 there were 3 early retirements from the NHS Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £138,533. The cost of these ill-health retirements will be borne by the NHS Business Services Authority Pensions Division.

7. The Late Payment of Commercial Debts (Interest) Act 1998

There were no late payment interest charges during the year.

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

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

	<u>11 month period to 31 March 2008</u>
	£000
Profit on disposal of land and buildings	548
Loss on disposal of land and buildings	(1)
	<u>547</u>

9.1 Interest Receivable

	<u>11 month period to 31 March 2008</u>
	£000
Bank and Investment Interest	1,297
	<u>1,297</u>

9.2 Interest Payable

There were no interest charges incurred during the 11 month period.

9.3 Other Net Gains / (Losses) on Financial Instruments

There were no gains or losses on financial instruments charges incurred during the 11 month period.

10. Intangible Fixed Assets

The Trust holds no assets which fall under the definition of Intangible Fixed Assets.

11. Tangible Fixed Assets**11.1 Tangible Fixed Assets at the Balance Sheet Date Comprise the Following Elements:**

	Land	Buildings excluding dwellings	Assets under Construction & POA	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 May 2007	77,997	138,500	1,151	2,098	278	3,391	275	223,690
Additions - purchased	0	3,153	1,895	0	0	23	0	5,071
Additions - donated	0	0	0	0	0	0	0	0
Impairments	(80)	(413)	0	0	0	0	0	(493)
Reclassifications	0	2,014	(2,014)	0	0	0	0	0
Other in year revaluations	0	0	0	0	0	0	0	0
Disposals	(872)	(957)	0	(22)	0	0	0	(1,851)
At 31 March 2008	77,045	142,297	1,032	2,076	278	3,414	275	226,417
Accumulated depreciation at 1 May 2007	0	15,701	0	1,858	258	1,777	243	19,837
Charge for the year	0	3,477	0	81	3	229	5	3,795
Other revaluations	0	0	0	0	0	0	0	0
Disposals	0	378	0	(21)	0	0	0	357
At 31 March 2008	0	19,556	0	1,918	261	2,006	248	23,989
Net book value								
Purchased assets	77,997	122,799	1,151	240	0	1,614	32	203,833
Donated assets	0	0	0	0	20	0	0	20
At 1st May 2007	77,997	122,799	1,151	240	20	1,614	32	203,853
Net book value								
Purchased assets	77,045	122,742	1,032	158	0	1,408	27	202,412
Donated assets	0	(1)	0	0	17	0	0	16
At 31 March 2008	77,045	122,741	1,032	158	17	1,408	27	202,428

No assets were held as finance leases and hire purchase contracts at the Balance Sheet Date.

11.2 Analysis of Tangible Fixed Assets

	Land	Buildings excluding dwellings	Assets under Construction & POA	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value								
Protected assets at 31 March 2008	77,045	122,741	0	0	0	0	0	199,786
Unprotected assets at 31 March 2008	0	0	1,032	158	17	1,408	27	2,642
Total at 31 March 2008	77,045	122,741	1,032	158	17	1,408	27	202,428

11.3 Assets Held at Open Market Value - £nil**11.4 The Net Book Value of Land, Buildings and Dwellings at 31 March 2008 Comprise:**

	11 month period to 31 March 2008
	£000
Freehold	199,067
Long leasehold	719
Short leasehold	0
TOTAL	199,786

11.5 Impairment of assets

	11 month period to 31 March 2008
	£000
Changes in market price	493

12. Fixed Asset investments

No Fixed Asset Investments were held at the Balance Sheet date.

13. Stocks and Work in Progress

	11 month period to 31 March 2008
	£000
Raw materials and consumables	197
TOTAL	197

14. Debtors

	11 month period to 31 March 2008	1 May 2007
	£000	£000
Amounts falling due within one year:		
NHS Debtors	8,032	23,388
Provision for irrecoverable debts	(2,675)	(322)
Other prepayments and accrued income	1,859	12,440
Other debtors	5,276	41,196
Debtors falling due within one year	12,492	76,702
Amounts falling due after more than one year:		
NHS Debtors	4,799	5,191
Debtors falling due after more than one year	4,799	5,191
TOTAL	17,291	81,893

There were no amounts within NHS Debtors for prepaid pension contributions or any prepayments from the buyout of early retirements as at 31 March 2008.

Debtors moved significantly from the accounts ended 30 April 2007 due to the settlement of debt in respect of Public Dividend Capital of (£36,241,000) owed from the Department of Health and the sale proceeds of (£14,759,000) due from Imperial Healthcare NHS Trust (previously St Mary's NHS Trust) in respect of the inter NHS asset transfer of the Paterson Centre and Drug Dependency Unit.

15. Current Asset Investments

	Money Market Investments
	£000
Cost or valuation at 1 May 2007	0
Additions	1,510
Cost or valuation at 31 March 2008	1,510

16.1 Creditors

	11 month period to 31 March 2008	1 May 2007
	£000	£000
Amounts falling due within one year:		
Payments received on account	11,398	0
NHS creditors	6,419	3,522
Other tax and social security costs	3,305	24,220
Capital Creditors	436	36,943
Other Creditors	2,618	2,178
Accruals and deferred income	11,650	1,987
Creditors falling due within one year	35,826	68,850
Amounts falling due after more than one year:		
Other	638	0
Creditors falling due after more than one year	638	0
Total Creditors	36,464	68,850

There were no amounts within NHS Creditors due as a result of any liabilities associated with early retirements as at the 31 March 2008.

Creditors moved significantly from the accounts ended 30 April 2008 due to the settlement of balances in respect of the inter NHS transfer of assets from Hillingdon Hospitals NHS Trust (£20,760,200) and Brent PCT (£15,481,132) to the Trust. Also, the Trust repaid £14,759,000 of Public Dividend Capital to the Department of Health in respect to the sale proceeds from the Paterson Centre and Drug Dependency Unit.

16.2 Loans

The Trust has no obligations on outstanding loans or other long-term financial liabilities at the Balance Sheet date.

16.3 Prudential Borrowing Limit

	11 month period to 31 March 2008
	£000
Total long term borrowing limit set by Monitor	41,900
Working capital facility agreed by Monitor	15,200
TOTAL PRUDENTIAL BORROWING LIMIT	57,100
Long term borrowing at 31 March 2008	0
Working capital borrowing at 31 March 2008	0

16.4 Finance Lease

The Trust has no finance lease obligations or commitments at the Balance Sheet date.

17.1 Provisions for Liabilities and Charges

	Pensions relating to former directors	Pensions relating to other staff	Legal claims	Other	Total
	£000	£000	£000	£000	£000
At 1 May 2007	227	6,107	59	7,765	14,158
Arising during the year	0	0	0	2,563	2,563
Utilised during the year	(38)	(457)	0	(1,138)	(1,633)
Reversed unused	0	0	(10)	(2,774)	(2,784)
Unwinding of discount	4	125	0	28	157
At 31 March 2008	193	5,775	49	6,444	12,461
Expected timing of cashflows:					
Within one year	13	475	49	4,058	4,595
Between one and five years	52	1,900	0	903	2,855
After five years	128	3,400	0	1,483	5,011
	193	5,775	49	6,444	12,461

Provisions relating to pensions are in the main to cover the financial liabilities arising from the closure of two of the Trust's sites, Shenley Hospital and The Horton. The provision covers the pension liability arising from the early retirement of individuals as a result of the withdrawal of services. The provision value has been derived from expected financial obligations to the Pensions Agency until individuals reach the age of 75.

The provision for legal claims relates to third party and employers' liabilities, which are administered by the NHS Litigation Authority on behalf of the Trust.

The 'other' class of obligation contains amounts to cover the following:

	Provision Value	Due within 1 year	Between 1 and 5 years	After 5 years
1. The legislative responsibility governing the transfer of NHS staff to private contractors for the provision of catering and domestic services;	340	43	173	124
2. Amounts to cover the financial responsibilities arising from injury claims;	959	45	178	736
3. Amounts to cover the costs of reconfiguring mental health services in boroughs the Trust has been required to deliver efficiencies;	2,902	2,706	196	0
4. Amounts to cover the impact of capital investment decisions made by the Board of Directors;	1,068	89	356	623
5. Amounts to cover the potential reimbursement of resources as a result of timing differences;	787	787	0	0
6. Claims for pay arrears arising from the introduction of national pay scales.	388	388	0	0
	6,444	4,058	903	1,483

17.2 Clinical Negligence Liabilities

	11 month period to 31 March 2008
	£000
Amount included in provisions of the NHSLA at 31 March 2008 in respect of clinical negligence liabilities of Central North West London NHS Foundation Trust	2,574

18.1 Movement in Taxpayers' Equity

	11 month period to 31 March 2008
	£000
Taxpayers' equity at 1 May 2007	203,163
Surplus for the financial year	11,121
Public dividend capital dividends	(6,733)
Fixed asset impairments	(493)
Deficit from revaluations of fixed assets and current asset investments	0
New public dividend capital received	1,719
Public dividend capital repaid in year	(3,067)
Reductions in donated asset reserve	(3)
Taxpayers' equity at 31 March 2008	205,707

18.2 Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Donated Asset Reserve	Income and Expenditure Reserve	Total
	£000	£000	£000	£000
At 1 May 2007 *	55,541	20	15,686	71,247
Transfer from the income and expenditure account	0	0	4,388	4,388
Fixed asset impairments	(493)	0	0	(493)
Surplus/(deficit) on revaluations of fixed assets and current asset investments	0	0	0	0
Transfer of realised profits/(losses) to the income and expenditure reserve	(1,076)	0	1,076	0
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated assets	0	(3)	0	(3)
Other transfers between reserves	(1,134)	0	1,134	0
At 31 March 2008	52,838	17	22,284	75,139

* The opening balances have been restated to reflect a transfer of £6,123,000 from the Revaluation Reserve to the Income and Expenditure Reserve. This relates to accumulated negative revaluation balances on fixed assets.

19.1 Reconciliation of Operating Surplus/(Deficit) to Net Cash Inflow/(Outflow) from Operating Activities

	11 month period to 31 March 2008
	£000
Total operating surplus	9,434
Depreciation and amortisation	3,795
Fixed asset impairments	0
Transfer from the donated asset reserve	(3)
(Increase)/decrease in stocks	(197)
(Increase)/decrease in debtors	13,779
Increase/(decrease) in creditors	19,148
Increase/(decrease) in provisions	(1,697)
Net cash inflow/(outflow) from operating activities before restructuring costs	44,259
Net cash inflow from operating activities	44,259

19.2 Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt)	11 month period to 31 March 2008
	£000
Increase/(decrease) in the period	32,781
Change in net funds / (debt) resulting from cash flows	32,781
Change in net funds / (debt)	32,781
Net funds / (debt) at 1 May 2007	425
Net funds / (debt) at 31 March 2008	33,206

20. Contractual Capital Commitments

There were contractual commitments at the Balance Sheet date with respect to the development of an intensive rehabilitation service at Horton Haven. The project commenced in October 2007 and is expected to be completed in the final quarter of the 2008/09. The total value of the project is forecast at £4,270,879, of which £301,117 was spent up to 2007/08 leaving a balance of £3,969,762.

21. Post Balance Sheet Events

There are no post balance sheets events.

22. Contingent (Liabilities)/Assets

	11 month period to 31 March 2008
	£000
Gross value of contingent liabilities	23
Net value of contingent liabilities	23

The contingent liabilities relate to liabilities under the NHS Litigation Authority.

23.1 Related Party Transactions

Central and North West London NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health. The independent Regulator of NHS Foundation Trusts ("Monitor") and other Foundation Trusts are considered related parties.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Central and North West London NHS Foundation Trust.

The Board members, who total 15 at 31 March 2008, of the Central and North West London NHS Foundation Trust are the Trustees of the Central and North West London NHS Foundation Trust Charitable Fund. No material transactions were recorded between the Central and North West London Charitable Fund and the Foundation Trust.

The Department of Health is considered a related party as it exerts influence over a number of transactions and operating policies of the Trust. During the year Central and North West London NHS Foundation 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. The material entities are listed as follows:

	Payments to Related Parties	Receipts from Related Parties	Amounts owed to related parties	Amounts due from related parties
	£000	£000	£000	£000
Westminster Primary Care Trust	492	44,616	132	761
Kensington and Chelsea Primary Care Trust	1,517	29,960	511	629
Hillingdon Primary Care Trust	1,664	20,957	1,803	1,548
Harrow Primary Care Trust	1,106	21,196	912	1,800
Brent Teaching Primary Care Trust	306	31,140	34	1,059
Hammersmith & Fulham Primary Care Trust	0	4,120	0	965
Ealing Primary Care Trust	4	4,197	0	596
NHS London	6	4,881	11	378
Westminster City Council	0	6,912	0	1,469
Brent London Borough Council	0	1,625	0	960
Harrow London Borough Council	0	5,100	0	915
Hounslow London Borough Council	0	2,031	0	3
HMR&C	8,804	0	3,305	0
The Royal Borough of Kensington & Chelsea Council	0	1,300	0	534
North West London Hospitals	1,659	80	1,479	53
The Hillingdon Hospital NHS Trust	1,761	609	751	894
Barnet Primary Care Trust	0	1,407	0	809
Camden Primary Care Trust	0	2,065	0	0
Enfield Primary Care Trust	0	1,811	0	243
Chelsea and Westminster Foundation Trust	1,944	99	175	163
Total	19,263	184,106	9,113	13,779

**11 month period
to 31 March 2008**
£000

Income

Value of transactions with other related parties in 11 month period to 31 March 2008	191,805
	191,805

Expenditure

Value of transactions with other related parties in 11 month period to 31 March 2008	21,831
	21,831

23.2 Related Party Balances

	11 month period to 31 March 2008
	£000
Debtor	
Value of balances (other than salary) with board members at 31 March 2008	0
Value of balances (other than salary) with key staff members at 31 March 2008	0
Value of balances with other related parties at 31 March 2008	17,684
	<hr/> 17,684
Creditor	
Value of balances (other than salary) with board members at 31 March 2008	0
Value of balances (other than salary) with key staff members at 31 March 2008	0
Value of balances with other related parties at 31 March 2008	9,724
	<hr/> 9,724

24. PFI

The Trust has not participated in any PFI schemes during 11 month period to 31 March 2008 nor has it in previous years.

25. 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. Central and North West London NHS Foundation Trust is not, therefore, exposed to significant liquidity risks.

Interest-Rate Risk

90.40% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Central and North West London NHS Foundation 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:

25.1 Analysis of Financial Assets

	<u>11 month period to 31 March 2008</u>
	<u>£000</u>
Denominated in £ Sterling	34,716
In other currencies, restated in £ sterling	0
Gross financial assets at 31 March 2008	34,716

25.2 Analysis of Financial Liabilities

	<u>11 month period to 31 March 2008</u>
	<u>£000</u>
Denominated in £ Sterling	(5,073)
In other currencies, restated in £ sterling	0
Gross financial liabilities at 31 March 2008	(5,073)

25.3 Fair Values of Financial Assets at 31 March 2008

	<u>Book value</u>	<u>Fair value</u>
	<u>£000</u>	<u>£000</u>
Investments	1,510	1,510
Other	33,206	33,206
	34,716	34,716

25.4 Fair Values of Financial Liabilities at 31 March 2008

	<u>Book value</u>	<u>Fair value</u>
	<u>£000</u>	<u>£000</u>
Provisions under contract	(5,073)	(5,073)
	(5,073)	(5,073)

26. Losses and Special Payments

There were 53 cases of losses and special payments totalling £290,000 during the period.

27. Third Party Assets

The Trust held £742,680 cash at bank and in hand at 31/03/08 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.

Central and North West London 
NHS Foundation Trust

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