



Central and North West London NHS Foundation Trust

Closing Annual Report

1 April 2007 – 30 April 2007

Chairman and Chief Executive's Report

It gives us great pleasure to present the final annual report and accounts for Central and North West London Mental Health NHS Trust following authorisation as a Foundation Trust from 1 May 2008.

This report gives a brief summary of our activities and accounting for the month of April 2007 which was the period of the 2007/08 financial year that we remained an NHS Trust. It also signifies the end of an era for CNWL which, since its creation in April 2002, has grown in size and reputation within both its substance misuse and mental health service provision to make it one of the largest specialist Trusts in the country.

During the month of April 2007 the Trust Board welcomed the transfer of the Kingsbury Hospital Learning Disabilities Service from Brent Primary Care Trust to CNWL. This service has shown some excellent examples of good quality care and is an area of planned growth for the Trust in the future. Our mental health services continued to treat over 3,700 people with severe and complex mental health problems during April whilst also focusing on improving alignment with primary care services and further strengthening joint working arrangements with social services' teams. Within substance misuse and offender care services preparations continued for the launch of a pilot project with the Criminal Justice System to trial a dedicated drug court to be opened later in the year. We also reached the anniversary of our dual diagnosis project dedicated to improving service provision for people with mental health problems who also use substances.

At a corporate level time was spent in month finalising our arrangements to become a Foundation Trust, which included agreeing three-year contracts with each of our commissioners and confirming the appointment of Governors from our partner organisations. We acknowledge with thanks the many activities undertaken by our partners to ensure the Trust's successful Foundation Trust application.

Looking ahead as a Foundation Trust we now have the opportunity to strengthen health and social partnerships and improve user involvement with a focus on addressing social inclusion, challenging stigma and promoting vocational opportunities. We are looking forward to working with our appointed and elected Governors in the months and years ahead.

It is the Trust's staff who have made this progress possible and as always we are indebted to their enthusiasm and commitment. We are also grateful for the work of our Mental Health Act managers, the contribution of our service users and carers, and the support of the many partners involved in our service provision.



Dame Ruth Runciman
Chairman



Claire Murdoch
Chief Executive

Our Vision

We will work in partnership to provide responsive and dependable mental health and substance misuse services for the communities we serve, encouraging recovery, well-being and social inclusion, individual choice and independent living through high quality care.

Our Objectives

Our vision is being carried forward through our work linked to our objectives and guiding principles:

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

About Us

Central and North West London Mental Health NHS Trust is one of the largest specialist NHS mental health trusts in England and incorporates the most comprehensive substance misuse service in the country. It provides services for a highly diverse population of 1.8 million across a total of nine London boroughs.

Trust Background

The Trust was created on 1 April 2002 following a merger of three organisations:

- Brent, Kensington & Chelsea and Westminster Mental Health NHS Trust (BKCW)
- The adult and older adult mental health services and substance misuse services previously provided by Harrow and Hillingdon Healthcare Trust (HHHT)
- The Hounslow substance misuse services previously provided by Hounslow and Spelthorne Community and Mental Health NHS Trust

On 1 May 2003, the child and adolescent mental health services previously provided by Hillingdon Primary Care Trust joined CNWL. Then on 1 April 2005 the Trust took on responsibility for Brent substance misuse services in partnership with Turning Point.

From 1 April 2006 the remainder of mental health services for Hillingdon joined the Trust along with substance misuse services for this borough. On the same date CNWL also took on responsibility for child and adolescent services in Harrow from North West London Hospitals NHS Trust.

On 1 April 2007 the Trust took over the management of the Kingsbury Hospital Learning Disability Service in Brent.

Our Organisational Structure

CNWL employs over 3,300 staff bringing a wide range of skills, expertise and dedication to service users across our catchment area. The activities of the Trust are led by the Trust Board which consists of Executive Directors and Non-executive Directors.

Our Services

The services provided by CNWL, across 90 sites, include in-patient units, out-patient appointments, day hospitals, community mental health, crisis resolution, assertive outreach and early intervention. These services are available to all residents with mental health and substance misuse problems across the boroughs we serve in central and north west London.

During April 2007 our staff provided community care for more than 41,000 people and cared for 3,600 local people in our in-patient units. The Trust has 23 in-patient units across the boroughs it serves with a total of 893 beds including a female-only psychiatric intensive care unit, rehabilitation housing and a 14-bedded child and adolescent service.

High Performing Services

CNWL was proud to be authorised as a Foundation Trust on 1 May 2007 as one of eight mental health NHS Foundation Trusts in the country. This is a reflection of the Trust's high performance in the NHS star ratings in previous years. In addition, CNWL met the core standards set by the Healthcare Commission which include safety, the care environment and cost effectiveness during 2006.

We have a reputation for strong financial management and have achieved financial balance and met our financial targets each year since the Trust was established.

Our Local Partners

CNWL is part of NHS London, the newly formed Strategic Health Authority responsible for NHS services across the whole of London. Within this area we operate alongside nine other mental health trusts to provide local communities with a range of mental health and substance misuse services.

The Trust works with over 100 partner organisations including other statutory services, voluntary organisations and academic partners. In particular, we have joint working arrangements with social services' teams for the provision of adult and older adult mental health services to ensure we are meeting people's health and social care needs in an integrated way.

A range of other statutory and non-statutory organisations based in and outside the Strategic Health Authority also provide mental health and substance misuse services to the local population.

The People We Serve

The catchment area covered by CNWL has a highly diverse population profile with the Trust serving some of the most deprived boroughs in England amongst pockets of great affluence. 35% of our population see themselves as belonging to a minority ethnic group and there are over 150 languages spoken in the borough of Westminster alone. The Trust provides a range of interpreting services and translated information as required.

The Government's 1998 Rough Sleepers' Strategy acknowledges that central London has higher levels of rough sleeping than anywhere else in England, and 30% to 50% of rough sleepers have a serious mental health problem, as well as substance misuse problems. The Trust aims to meet the needs of this client group through outreach work and homelessness teams operating in the key areas for rough sleepers.

Statement of Intent on Equalities and Diversity

CNWL is committed to improving the quality of its services to people of all backgrounds.

We will take action individually, collectively and in partnership with others, to raise standards and make our services culturally sensitive, relevant and accessible to meet the needs of all the people we serve.

We will take action to recruit and promote people from all backgrounds, at every level and across all professions, because of the additional value, knowledge and personal qualities their diversity brings. We will take action to put into practice systems, policies, and procedures which are fair, flexible and supportive to all who are affected by them. We will demonstrate our commitment through actions, and we will communicate our intentions and our actions throughout our workforce and the communities we serve. Racial discrimination and other forms of exclusion have no place in the provision of services by CNWL.

CNWL recognises that due to discrimination people may experience particular inequalities in accessing health services. The Trust's objective is to deliver high quality services that are accessible, responsive and appropriate to meet the diverse needs of different groups and individuals.

Highlights from April 2007

Learning Disabilities Services

On 1 April CNWL welcomed 80 new staff as the Kingsbury Hospital Learning Disability Service joined the Trust from Brent Primary Care Trust. The service provides assessment and treatment for people with learning disabilities who also have mental health issues and/or challenging behaviour.

A 12-bedded in-patient unit offers patients a wide range of multi-disciplinary treatments including psychological interventions, speech and language therapy and independent living skills. Community services are provided through the Intensive Support Team for residents in the borough of Brent.

In the first month of taking on the Kingsbury Hospital the service received a review from the Healthcare Commission which placed the service within the top 20 percent of learning disabilities services in the country, concluding that the atmosphere was pleasant and welcoming and excellent person-centred work was being undertaken by the staff in the unit.

Since taking on the Kingsbury Hospital CNWL has invested in a programme of estates and maintenance work to improve the environment for staff and patients, and has also engaged staff in a wide range of training and development.

CNWL plans to build on this solid framework of good quality care to expand its Learning Disabilities Services in the coming months and years.

Dual Diagnosis

Supporting someone with co-existing mental health and substance misuse problems is one of the biggest challenges facing frontline mental health services and in May 2006 CNWL launched a project to address the needs of this group more closely. This has included training and appointing staff within community teams as dual diagnosis workers and providing a range of information sources. One year on the Trust held its first Dual Diagnosis Conference on 2 April which allowed staff from across the Trust to share good practice and discuss how services have developed over the last four years. Subsequently the Trust has agreed funding to continue this project for a second year to build on the foundations laid to date.

Patient and Public Involvement

Our 2007 annual service user survey, conducted by the Healthcare Commission, concluded in April with the Trust making significant progress in many areas in the past year. These include more service users knowing who their care co-ordinator is and receiving information on medication. Overall, almost four out of five respondents rated the care they had received from mental health services as "good" to "excellent". However, areas for improvement included providing service users with more help to find work and more comprehensive out-of-hours support.

As a membership organisation we plan to involve service users, carers and local residents further in the work of the Trust in the coming months and years and are currently contacting all our members to establish their areas of interest and their desired level of involvement. We will then establish a database of interested parties that can be used for individual service development work as well as Trust-wide projects.

Operating and Financial Review for period 1/4/07 to 30/4/07

Central and North West London Mental Health NHS Trust was successful in its application to become a Foundation Trust and as such ceased as a legal entity on 30th April 2007. This has required the Trust to produce a full set of accounts for the period 1 April 2007 to 30 April 2007; which covers the period the organisation reports financial information to the Department of Health. From 1st May 2007 the new organisation is called Central and North West London NHS Foundation Trust, with future sets of accounts being prepared under the direction of Monitor, the independent regulator for Foundation Trusts.

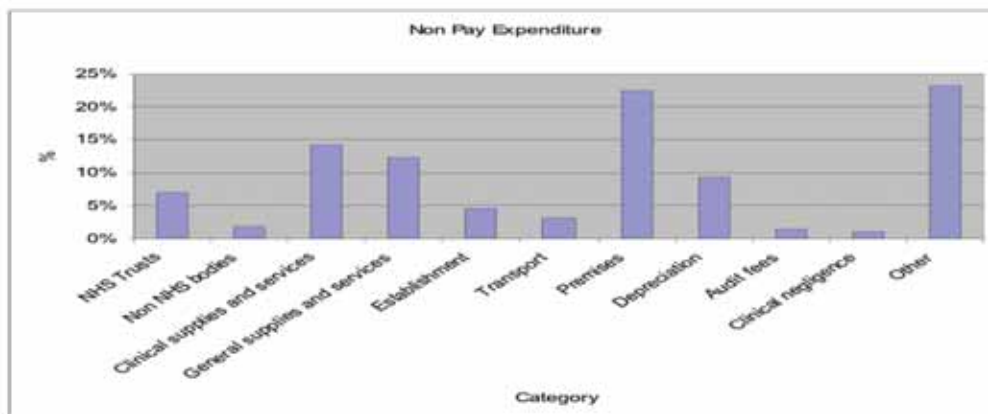
Central and North West London Mental Health NHS Trust is one of the largest specialist Mental Health Trusts in England, providing a wide range of mental health and substance misuse services for a population of 1.7 million people across eight London Boroughs.

The Trust's financial targets for April 2007 as follows:

Financial Duties	Target	Actual
• Break-even on Income and Expenditure	£1.000m	£0.850m
• Achieve a 3.5% Capital Cost Absorption Rate	3% - 4%	3.8%
• Meet the External Financing Limit (EFL)	£0.125m	£0.125m
• Meet the Capital Resource Limit (CRL)	£21.635m	£21.635m
• Meet the Better Payments Practice Code - <i>Non NHS Payments (by number)</i>	95%	95%

The Trust delivered a surplus of £0.850m during April against a planned surplus of £1m. Although the Trust had a £0.150m shortfall in the planned surplus; the statutory duty was to breakeven for the period. The variance from plan was caused primarily by non recurrent costs incurred as a result of the Trust achieving Foundation status. Nonetheless, the recording of this surplus in Central and North West London Mental Health NHS final accounting period is a notable achievement and sets a positive tone for the future as a Foundation Trust.

- **Income** – The Trusts income for April 2007 is £16.349m. This is comprised of Income from Patient Related Activities of £14.886m and Other Income of £1.463m relating mainly to Education, Training and Research funding.
- **Expenditure** - Operating expenditure totalled £14.963m of which £11.237m or 75% relates to staff costs. The non pay costs of £3.726m have been analysed by expenditure category and shown as % below:



- Capital – The Trust spent £0.152m on the 2007/08 capital programme during April 2007. Additionally, the Trust recorded the following inter NHS asset acquisitions and disposals:

Paterson Centre disposal value	£(14,759,000)
Hillingdon Hospital Adult/Older Adult Mental Health units	£20,760,000
Kingsbury Hospital	£15,481,000
Net Inter NHS Asset Transfers	<u>£21,482,000</u>

The above asset transfers between NHS organisations of £21.482m have been reflected in the April 2007 accounts as legal ownership of those assets transferred during April 2007. The Department of Health have confirmed that all the necessary Public Dividend Capital (PDC) funding flows will be available to enable these transactions to take place.

Service Change during April

On 1 April Learning Disability Services transferred to CNWL from Brent Primary Care Trust. The service is provided at Kingsbury Hospital and includes an inpatient facility as well as the delivery of hospital and community support for patients in Brent. The annual contract income is forecast at £3.7m.

Future

- **Section 75 Agreement with London Borough of Harrow (formerly S31)**

The Trust has entered into an agreement with the London Borough of Harrow to manage its adult mental health services. To this end, the Trust and Borough have entered into a Section 75 agreement from 1st May 2007. The value of the contract is approximately £5million and will involve the transfer of approximately 52 staff to CNWL. A significant element of the service will include the commissioning of patient placements in a social care environment through the not-for-profit sector.

- **Substance Misuse Services in Enfield**

As a result of difficulties in the local service provision, the Trust was approached to manage the operation of Substance Misuse Services in the London Borough of Enfield for five months. The initial arrangement was to the end of June 2007, but the Trust has since been asked to run the services until 31st March 2008 whilst the PCT tenders the service.

Environmental Matters

April 2007

The Trust is implementing a range of initiatives which have been introduced during this period.

The Trust is fully committed to reducing the environmental impact of our activities and is continuing to introduce energy efficient measures on all new building schemes. These reductions in energy measures are now fully implemented to our new or refurbished buildings.

Transportation initiatives include localised car sharing schemes within our larger boroughs and interest free bike loans to all staff. This is implemented through the Trust's Improving Working Lives initiative which also includes 14 bikes to be made available across the Trust for staff to share during work hours.

We continue to promote our Green Travel Plan which we are working closely with Transport for London (TFL). This is produced to reduce the car use within London by participating in NHS car schemes.

Audit Services

The Trusts external auditor, Baker Tilly, were paid £56,000 during the reporting period for work relating to statutory purposes. No other fees were paid for non statutory work.

The non executive directors who form the Audit Committee are John Norman Scott (Chair), Ian Holder and Hiroo Chothia.

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 Deloitte 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.

Political and Charitable Donations

The Trust has not made any political or charitable donations during the reporting period.

Remuneration Report

The remuneration for executive directors has been determined by the Remuneration Committee. The Committee considers relevant comparative data from national salary surveys when determining levels of remuneration for executive directors. All Executive Directors are appointed on permanent contracts.

The non executive directors who sit on the Remuneration Committee are:

Dame Ruth Runciman	Pfr Dorothy Griffiths	John Norman Scott	Hiroo Chothia
Beverly Provost	Ian Holder	Andrew Corbett-Nolan	Bhavana Desai

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

Salaries and Allowances

	2007-08			2006-07		
	Salary	Other Remuneration	Benefits in Kind	Salary Remuneration	Other in Kind	Benefits
	(bands of £5000) £000	(bands of £5000) £000	Rounded to the nearest £100	(bands of £5000) £000	(bands of £5000) £000	Rounded to the nearest £100
Chairman						
Dame Ruth Runciman	0 - 5	0	0	15 - 20	0	0
Chief Executive						
Claire Murdoch	10 - 15	0	0	90 - 95	0	3100
Peter Carter	0	0	0	110 - 115	0	0
Executive Directors						
David Brettle - Director of Human Resources	5 - 10	0	0	80 - 85	0	0
Dr Alex Lewis - Medical Director	5 - 10	0 - 5	200	80 - 85	55 - 60	2700
Trevor Shipman - Director of Finance	5 - 10	0	0	90 - 95	0	0
Edward Matt - Director of Operations	5 - 10	0	0	85 - 90	0	0
John Vaughan - Director of Partnerships and Commercial Development *	5 - 10	0	0	0	0	0
Martin Whittle - Director of Strategic Development	0	0	0	30 - 35	50 - 55	0
Ian McIntyre - Director of Estates and Facilities	5 - 10	0	200	70 - 75	0	2200
Non-Executive Directors						
Pfr Dorothy Griffiths	0 - 5	0	0	5 - 10	0	0
David Robertson	0	0	0	1 - 5	0	0
John Norman Scott	0 - 5	0	0	5 - 10	0	0
Hiroo Chothia	0 - 5	0	0	5 - 10	0	0
Beverly Provost	0 - 5	0	0	5 - 10	0	0
Susan Burke	0	0	0	5 - 10	0	0
Ian Holder	0 - 5	0	0	5 - 10	0	0
Andrew Corbett-Nolan	0 - 5	0	0	0 - 5	0	0
Bhavana Desai	0 - 5	0	0	0 - 5	0	0

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

* John Vaughan - Appointed as Director of Partnerships and Commercial Development on 1/4/07

Pension Benefits

Name and title	Real increase in pension at age 60	Real increase in Lump sum at age 60	Total accrued pension at age 60 at 30 April 2007	Lump Sum at age 60 related to accrued pension at 30 April 2007	Cash Equivalent Transfer Value at 30 April 2007	Cash Equivalent Transfer Value at 31 March 2007	Real Increase in Cash Equivalent Transfer Value
	(bands of £2500) £000	(bands of £2500) £000	(bands of £5000) £000	(bands of £5000) £000	£000	£000	£000
Claire Murdoch - Chief Executive	2.5 - 5	12.5 - 15	35 - 40	105 - 110	498	434	44
David Brettle - Director of Human Resources	0 - 2.5	0 - 2.5	25 - 30	80 - 85	431	420	7
Dr Alex Lewis - Medical Director	0 - 2.5	2.5 - 5	25 - 30	75 - 80	365	381	-11
Ian McIntyre - Director of Estates and Facilities	0 - 2.5	0 - 2.5	15 - 20	55 - 60	283	282	1
Trevor Shipman - Director of Finance	0 - 2.5	0 - 2.5	25 - 30	85 - 90	422	420	1
Edward Matt - Director of Operations	0 - 2.5	0 - 2.5	25 - 30	75 - 80	377	348	20
John Vaughan - Director of Partnerships and Commercial Development	0 - 2.5	0 - 2.5	15 - 20	50 - 55	238	238	0

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

MONTH ENDING 30 APRIL 2007

2007/2008

Annual Accounts

(1 month period 1 April 2007 to 30 April 2007)

MONTH ENDING 30 APRIL 2007

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

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an accountable officer.

Date: 11 June 2008

Chief Executive



MONTH ENDING 30 APRIL 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

By order of the Board

Date: 11 June 2008

Chief Executive



Date: 11 June 2008

Finance Director



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STATEMENT ON INTERNAL CONTROL 1st to 30th April 2007

1 Scope of responsibility

- 1.1 The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.
- 1.2 The performance of the Trust has been subject to regular and detailed scrutiny by NHS London (Strategic Health Authority). There were regular meetings with officers of that organisation and with local Primary Care Trusts in the areas served by the Trust. As Chief Executive, I attended London-wide Trust Chief Executive Officer meetings and bi-monthly meetings of the mental health trust Chief Executive Officers.
- 1.3 I work closely with partner organisations through regular meetings with representatives of local authorities, primary care trusts and other mental health trusts.

2 The purpose of the system of internal control

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
 - identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
 - evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.2 The system of internal control has been in place in Central and North West London Mental Health NHS Trust for the period ended 30 April 2007, and there has been no material change in the month of April 2007 when the Head of Internal Audit Opinion was given for the 2006/07 period, and up to the date of approval of the annual report and accounts.

3 Capacity to handle risk

- 3.1 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.
- 3.2 The Risk Management Committee, which I chair, has the remit to ensure the delivery of the highest possible quality of care within the resources at its disposal. Its duties include the co-ordination of all aspects of risk management including clinical risk, financial and corporate governance. The Risk Management Committee will ensure that all risk management activity is co-ordinated across the Trust in a systematic and focused way. The committee provides support to line managers and advises the Trust Board of the on-going risk profile of the Trust, the changing trends in risks and priorities for action. The Committee also provides an oversight of all areas of risk as it is recognised that there is a 'grey' area between 'clinical' and 'non-clinical' risk management and separating them would not be helpful.

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3.3 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

4.1 The Risk Management Strategy, covering the period 2005-08, 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 was supplemented by a Risk Management Policy and a Risk Register Procedure, both of which explain risk management processes.

4.2 Key to the effectiveness of risk management in the organisation is the Risk Management Committee, comprising all the Executive Directors and a Non-Executive Director. 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.

4.3 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 Risk Management Committee and Trust Board receives a report on the Top Risks facing the Trust.

4.4 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.

4.5 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 2006/07 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.

4.6 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.

4.7 In May 2006 the Trust Board approved 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.

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- 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.
- 4.8 The Assurance Framework was significantly revised to reflect 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 all of the objectives and services in the assurance framework (including corporate and operational services and risk management) and an action plan will be developed 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 Risk Management Committee and the new Foundation Trust Board of Directors will monitor progress against the action plans, as will the relevant committee, which provides assurance on each of the strategic priorities.
- 4.9 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 Trust Board at regular intervals.
- 4.10 Public stakeholders are involved in managing risks which impact on them through a range of different means. These include the introduction of a Patient/Public Involvement Forum, which was established to facilitate the engagement of local communities. In relation to capital schemes being led by the Trust, for example, the relocation of the Max Glatt service, meetings with user group representatives have been used to develop design proposals.
- 4.11 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.
- 4.12 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.
- 4.13 The Trust has an Information Governance Group, chaired by the Caldicott Guardian, which is the main body overseeing the management of information risks. This group oversees the Trust's Information Governance Toolkit action plan. The Director of Operations is the Senior Information Risk Owner at Board level.

5 Review of effectiveness

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

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these accounts are for the Month of April 2007 I am relying on the opinion given with respect to 2006/07 as there were no changes to the systems controls during April 2007. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by the Trust's External Auditors, who were satisfied in respect of our key financial controls and systems.

- 5.2 I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and in advice from the Internal and External Auditors. A plan to address weaknesses and ensure continuous improvement of the system is in place.
- 5.3 In 2007 the Trust submitted to the Healthcare Commission a full-compliance final declaration on the Core Standards Annual Health Check. It was also reviewed by the Clinical Negligence Scheme for Trusts and retained its level 1 assessment.
- 5.4 The Assurance Framework has recently been reviewed by the Trust's Internal Auditors. They have confirmed that the framework fulfils the requirement of Category A whereby " An Assurance Framework has been established which is designed and operating to meet the requirements of the 2006/07 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" . I am still relying on this in April 2007 as the Assurance Framework Internal Audit report was issued in April 2007 and no material changes had occurred during that period.
- 5.5 During 2006 the Trust Board met every two months, but increased its frequency of meeting to monthly from January 2007. 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.
- 5.6 The committee structure was fundamentally reviewed during 2006 and a new committee structure was introduced in January 2007. The structure continues to include an Audit Committee and Risk Management Committee, which have specific responsibilities for overseeing matters relating to internal control and risk management respectively. These committees partly or fully comprise Non-Executive Directors and the Audit Committee regularly receives reports on internal control and risk management matters from the internal or external auditors.
- 5.7 None of the internal or external auditors reports considered by the Audit Committee during April 2007 raised significant internal control issues.
- 5.8 During April 2007 no significant control issues were identified by the Trust.



Date: 11 June 2008

Chief Executive
(on behalf of the Board)

MONTH ENDING 30 APRIL 2007

INDEPENDENT AUDITORS' REPORT TO DIRECTORS OF THE BOARD OF CENTRAL AND NORTH WEST LONDON MENTAL HEALTH NHS TRUST

Opinion on the financial statements

We have audited the financial statements of Central and North West London Mental Health NHS Trust for the period ended 30 April 2007 under the Audit Commission Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to the National Health Service set out within them.

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

Respective responsibilities of Directors and auditors

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

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

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

We review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, 'The Statement on Internal Control 2003/2004' issued on 15 September 2003 and further guidance on 7 April 2006, 2 April 2007 and 20 May 2008. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword, the unaudited part of the Remuneration Report, the Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the

MONTH ENDING 30 APRIL 2007

Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

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 and the part of the Remuneration Report to be audited 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 and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 30 April 2007 and of its income and expenditure for the period then ended; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Date: 11 June 2008



Signature

Baker Tilly UK Audit LLP
Lancaster House
7 Elmfield Road
Bromley
Kent. BR1 1LT

MONTH ENDING 30 APRIL 2007

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Directors' Responsibilities

The Directors are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trust's use of resources, to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Trust has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

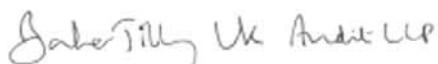
Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Central and North West London Mental Health NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the period ending 30 April 2007.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Date: 11 June 2008



Signature

Baker Tilly UK Audit LLP
Lancaster House
7 Elmfield Road
Bromley
Kent. BR1 1LT

MONTH ENDING 30 APRIL 2007

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INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 30 April 2007

The notes on pages 5 to 31 form part of these accounts. All income and expenditure is derived from continuing operations.

		1st to 30th April 2007	2006/07
	NOTE	£000	£000
Income from activities	3	14,886	176,877
Other operating income	4	1,463	6,828
Operating expenses	5	(14,963)	(177,856)
OPERATING SURPLUS		1,386	5,849
Cost of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	0	1,574
SURPLUS BEFORE INTEREST		1,386	7,423
Interest receivable		65	455
Interest payable	9	0	0
Other finance costs - unwinding of discount	16	0	(166)
Other finance costs - change in discount rate on provisions		0	0
SURPLUS FOR THE FINANCIAL YEAR		1,451	7,712
Public Dividend Capital dividends payable		(601)	(5,903)
RETAINED SURPLUS FOR THE YEAR		850	1,809

NOTE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 30 April 2007

		1st to 30th April 2007	2006/07
	NOTE	£000	£000
Retained surplus for the year		850	1,809
Financial support included in retained surplus/(deficit) for the year - NHS Bank		0	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated		0	0
Retained surplus for the year excluding financial support		850	1,809

MONTH ENDING 30 APRIL 2007

BALANCE SHEET
AS AT 30 April 2007

	NOTE	1st to 30th April 2007 £000	2006/07 £000
FIXED ASSETS			
Intangible assets	10	0	0
Tangible assets	11	203,853	181,498
Investments	14	0	0
		<u>203,853</u>	<u>181,498</u>
CURRENT ASSETS			
Stocks and work in progress	12	0	0
Debtors	13	81,893	25,685
Cash at bank and in hand	18.3	426	551
		<u>82,319</u>	<u>26,236</u>
CREDITORS: Amounts falling due within one year ¹⁵		<u>(68,850)</u>	<u>(13,778)</u>
NET CURRENT ASSETS		13,469	12,458
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>217,322</u>	<u>193,956</u>
CREDITORS: Amounts falling due after more than one year	15	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	16	(14,158)	(14,187)
		<u>203,164</u>	<u>179,769</u>
TOTAL ASSETS EMPLOYED		<u>203,164</u>	<u>179,769</u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	22	131,916	110,434
Revaluation reserve	17	49,418	58,509
Donated asset reserve	17	20	20
Income and expenditure reserve	17	21,810	10,806
		<u>203,164</u>	<u>179,769</u>
TOTAL TAXPAYERS' EQUITY		<u>203,164</u>	<u>179,769</u>

The financial statements on pages 1 to 4 were approved by the Board on 4 June 2008 and signed on its behalf by:



Signed: (Chief Executive)

Date: 11 June 2008

MONTH ENDING 30 APRIL 2007

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 30 April 2007

	1st to 30th April 2007 £000	2006/07 £000
Surplus for the financial year before dividend payments	1,451	7,712
Fixed asset impairment losses	0	(8,716)
Unrealised surplus on fixed asset revaluations/indexation	1,063	11,996
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	0	22
Total recognised gains and losses for the financial year	2,514	11,014
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	2,514	11,014

MONTH ENDING 30 APRIL 2007

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 April 2007

	NOTE	1st to 30th April 2007 £000	2006/07 £000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	18.1	152	2,506
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		65	455
Net cash inflow from returns on investments and servicing of finance		65	455
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(342)	(12,569)
Receipts from sale of tangible fixed assets		0	2,473
Net cash outflow from capital expenditure		(342)	(10,096)
DIVIDENDS PAID			
		0	(5,903)
Net cash outflow before management of liquid resources and financing		(125)	(13,038)
MANAGEMENT OF LIQUID RESOURCES			
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash outflow before financing		(125)	(13,038)
FINANCING			
Public dividend capital received		0	13,132
Public dividend capital repaid (not previously accrued)		0	0
Net cash inflow from financing		0	13,132
Increase in cash		(125)	94

MONTH ENDING 30 APRIL 2007**1. ACCOUNTING POLICIES**

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

1.1 Accounting Convention

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

1.2 Acquisitions and Discontinued Operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income Recognition

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

1.4 Pooled Budgets

The Trust has entered into a pooled budget with the London Borough of Brent Social Services Division. Under the arrangement, funds are pooled under section 75 of the NHS Act 2006, for joint management activities and a memorandum note to the accounts provides details of the income and expenditure.

The pool is hosted by Central and North West London Mental Health NHS 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.

1.5 Intangible Fixed Assets

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

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

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

MONTH ENDING 30 APRIL 2007**1.6 Tangible Fixed Assets****Capitalisation**

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

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

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

Valuation

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

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

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

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

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

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. Falls in value when newly constructed assets are brought into use are also charged there.

MONTH ENDING 30 APRIL 2007

These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

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

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

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

Depreciation, Amortisation and Impairments

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

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

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

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

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

1.7 Donated Fixed Assets

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

MONTH ENDING 30 APRIL 2007**1.8 Government Grants**

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

1.9 Private Finance Initiative (PFI) transactions

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

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

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

1.10 Stocks and Work-In-Progress

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

1.11 Research and Development

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

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

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

MONTH ENDING 30 APRIL 2007

the income and expenditure account because some research and development activity cannot be separated from patient care activity.

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

1.12 Provisions

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

Clinical Negligence Costs

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

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

Non-Clinical Risk Pooling

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

1.13 Pension Costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the

MONTH ENDING 30 APRIL 2007

changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

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

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

MONTH ENDING 30 APRIL 2007

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk

1.14 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 Cash Flow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.15 Value Added Tax

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

1.16 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.

1.17 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.

1.18 Leases

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

1.19 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital represents the outstanding public debt of an NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the NHS Trust. A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. A note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

MONTH ENDING 30 APRIL 2007**1.20 Losses and Special Payments**

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

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

1.21 EU Emissions Trading Scheme

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

2. Segmental Analysis

The Trust has only one business segment therefore a segmental analysis is not applicable.

3. Income from Activities

	1st to 30th April 2007 £000	2006/07 £000
NHS Trusts	53	1,518
Primary Care Trusts	14,018	164,232
Local Authorities	487	8,179
NHS Other	300	0
Non NHS: - Other	28	2,948
	14,886	176,877

4. Other Operating Income

	1st to 30th April 2007 £000	2006/07 £000
Education, training and research	1,455	6,380
Transfers from donated asset reserve	0	2
Income Generation	1	8
Other income	7	438
	1,463	6,828

MONTH ENDING 30 APRIL 2007**5. Operating Expenses****5.1 Operating expenses comprise:**

	1st to 30th April 2007 £000	2006/07 £000
Services from other NHS Trusts	796	4,383
Services from other NHS bodies	209	0
Services from Foundation Trusts	147	0
Purchase of healthcare from non NHS bodies	28	624
Directors' costs	68	942
Staff costs	11,169	135,264
Supplies and services - clinical	531	5,834
Supplies and services - general	418	5,846
Consultancy Services	42	0
Establishment	164	2,716
Transport	111	1,324
Premises	841	13,448
Depreciation	343	3,328
Audit fees	56	134
Clinical negligence	40	444
Other	0	3,569
	14,963	177,856

5.2 Operating Expenses**5.2.1 Operating expenses comprise:**

	1st to 30th April 2007 £000	2006/07 £000
Hire of plant and machinery	11	113
Other operating lease rentals	6	202
	17	315

5.2.2 Annual Commitments Under Non-Cancellable Operating Leases are:

	Land and buildings		Other leases	
	1st to 30th April 2007 £000	2006/07 £000	1st to 30th April 2007 £000	2006/07 £000
Operating leases which expire:				
Within 1 year	0	565	35	31
Between 1 and 5 years	575	310	92	94
After 5 years	2,204	1,098	0	0
	2,779	1,973	127	125

MONTH ENDING 30 APRIL 2007**6. Staff Costs and Numbers****6.1 Staff Costs**

	1st to 30th April 2007			2006/07
	Total £000	Permanently Employed £000	Other £000	£000
Salaries and wages	9,429	9,039	390	115,288
Social Security Costs	761	761	0	8,945
Employer contributions to NHS Pension Scheme	1,047	1,047	0	11,97
	11,237	10,847	390	136,206

6.2 Average Number of Persons Employed

	1st to 30th April 2007			2006/07
	Total Number	Permanently Employed Number	Other Number	Number
Medical and dental	319	286	33	317
Administration and estates	683	588	95	690
Healthcare assistants & other support staff	48	46	2	42
Nursing, midwifery & health visiting staff	1,921	1,881	40	1,822
Scientific, therapeutic and technical staff	435	429	6	424
Social care staff	14	13	1	16
Other	4	2	2	6
Total	3,424	3,245	179	3,317

6.3 Employee Benefits

There are no staff benefits that fall within the definition requiring disclosure during the period (2006/07, £nil).

6.4 Management Costs

	1st to 30th April 2007 £000	2006/07 £000
Management costs	785	9,430
Income	16,349	183,705
Management costs as % of Income	4.80%	5.13%

Management costs are defined as those on the management costs website at:
www.dh.gov.uk/en/Managingyourorganisation/FinanceAndPlanning/NHSManagementCosts/index.htm

MONTH ENDING 30 APRIL 2007**6.5 Early Retirements Due to Ill-Health**

During 1st to 30th April 2007/08 there were no early retirements from the NHS Trust on the grounds of ill-health (2006/07, 4 early retirements and estimated liabilities of £307,169.06).

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

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

	1st to 30th April 2007	
	Number	£000
<i>Non-NHS</i>		
Total Non-NHS trade invoices paid in the period	3,391	3,624
Total Non NHS trade invoices paid within target	3,231	3,117
Percentage of Non-NHS trade invoices paid within target	95%	86%
<i>NHS</i>		
Total NHS trade invoices paid in the period	130	1,481
Total NHS trade invoices paid within target	112	1,411
Percentage of NHS trade invoices paid within target	86%	95%

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

There were no late payment interest charges during the period (2006/07, £nil).

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

There was no profit / (loss) on disposal of fixed assets during the period (2006/07, £1,574,000).

9. Interest Payable

There were no interest charges incurred during April 2007 (2006/07, £nil).

10. Intangible Fixed Assets

The Trust holds no assets which fall under the definition of Intangible Fixed Assets (2006/ 07, £nil).

MONTH ENDING 30 APRIL 2007

11. Tangible Fixed Assets

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2007	73,581	105,003	0	992	2,439	277	3,372	274	185,938
Additions purchased	14,590	21,633	0	152	0	0	19	0	36,394
Indexation	331	725	0	7	5	1	0	1	1,070
Disposals	(10,505)	(4,721)	0	0	(346)	0	0	0	(15,572)
At 30 April 2007	77,997	122,640	0	1,151	2,098	278	3,391	275	207,830
Depreciation									
At 1 April 2007	0	0	0	0	2,186	257	1,756	241	4,440
Charged during the year	0	312	0	0	9	0	21	1	343
Indexation	0	0	0	0	5	1	0	1	7
Disposals	0	(471)	0	0	(342)	0	0	0	(813)
At 30 April 2007	0	(159)	0	0	1,858	258	1,777	243	3,977
Net book value									
- Purchased at 1/4/07	73,581	105,003	0	992	253	0	1,616	33	181,478
- Donated at 1/4/07	0	0	0	0	0	20	0	0	20
Total at 1 April 2007	73,581	105,003	0	992	253	20	1,616	33	181,498
- Purchased at 30/4/07	77,997	122,799	0	1,151	240	0	1,614	32	203,833
- Donated at 30/4/07	0	0	0	0	0	20	0	0	20
Total at 30 April 2007	77,997	122,799	0	1,151	240	20	1,614	32	203,853

MONTH ENDING 30 APRIL 2007**11.2 The Net Book Value of Land, Buildings and Dwellings at the Balance Sheet Date Comprise:**

	30th April 2007 £000	2006/07 £000
Freehold	200,065	177,856
Long leasehold	731	728
Short leasehold	0	0
TOTAL	200,796	178,584

The increase in Freehold was principally due to the inter NHS transfer of the Riverside Centre and Woodlands site from Hillingdon Hospitals NHS Trust (£20,760,200) and Kingswood Centre from Brent PCT (£15,481,132) to the Trust. This was offset by the inter NHS transfer of the Paterson Centre from the Trust to St Mary's NHS Trust (£14,383,995).

11.2 Note 11.3 Economic Lives of Fixed Assets

	Range in Years (min)	Range in Years (max)
- Buildings	10	90
- Furniture and Equipment	2	10
- Transport Equipment	5	8
- Information Technology	1	8
- Plant and Machinery	2	15

12. Stocks and Work in Progress

No Stocks or Work in Progress were held at the balance sheet date (2006/07, £nil).

13. Debtors

	1st to 30th April 2007 £000	2006/07 £000
Amounts falling due within one year:	30 April 2007	2006/07
NHS debtors	23,388	10,305
Provision for irrecoverable debts	(322)	(365)
Other prepayments and accrued income	12,440	5,624
Other debtors	41,196	4,930
Sub Total	76,702	20,494
Amounts falling due after more than one year: NHS Debtors	5,191	5,191
Sub Total	5,191	5,191
TOTAL	81,893	25,685

There were no amounts within NHS Debtors for prepaid pension contributions or any prepayments from the buyout of early retirements as at 30th April 2007 (2006/07, £nil).

The increase in Debtors was principally due to the recognition of the debt due from the Department of Health associated with the inter NHS transfer of assets from Hillingdon Hospitals NHS Trust (£20,760,200) and Brent PCT (£15,481,132) to the Trust. There was also a recognition of an NHS debt associated with the inter NHS transfer of the Paterson Centre from the Trust to St Mary's NHS Trust (£14,383,995).

MONTH ENDING 30 APRIL 2007**14. Investments**

The Trust held no investments at the balance sheet date (2006/07, £nil)

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

	1st to 30th April 2007 £000	2006/07 £000
Amounts falling due within one year:		
NHS creditors	3,522	3,213
Non - NHS trade creditors - revenue	24,220	8,275
Non - NHS trade creditors - capital	36,943	891
Other creditors	2,178	676
Accruals and deferred income	1,987	723
Total	68,850	13,778

There were no Creditors falling due after one year, nor were there any amounts within NHS Creditors due as a result of any liabilities associated with early retirements as at 30 April 2007 (2006/07, £nil).

The increase in Creditors was due to the recognition of the liability associated with the inter NHS transfer of assets from Hillingdon Hospitals NHS Trust (£20,760,200) and Brent PCT (£15,481,132) to the Trust. There was also a liability associated with the inter NHS transfer of the Paterson Centre from the Trust to St Mary's NHS Trust (£14,383,995).

15.2 Loans and Other Long-Term Financial Liabilities

The Trust has no obligations on outstanding loans or other long-term financial liabilities at the balance sheet date (2006/07, £nil).

15.3 Finance Lease Obligations

The Trust has no finance lease obligations at the balance sheet date (2006/07, £nil).

15.4 Finance Lease Commitments

The Trust has no finance lease commitments at the balance sheet date (2006/07, £nil).

MONTH ENDING 30 APRIL 2007**16. Provisions for Liabilities and Charges**

The Trust has no finance lease commitments at the balance sheet date (2006/07, £nil).

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Other £000	Total £000
At 1 April 2007	226	6,107	58	7,796	14,187
Arising during the year	0	0	0	0	0
Utilised during the year	0	0	0	(29)	(29)
Unwinding of discount	0	0	0	0	0
At 30 April 2007	226	6,107	58	7,767	14,158

Expected Timing of Cashflows:

Within one year	36	475	58	5,862	6,431
Between one and five years	143	1,900	0	983	3,026
After five years	47	3,732	0	922	4,701

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 legislative responsibility governing the transfer of NHS staff to private contractors for the provision of catering and domestic services and amounts to cover the financial responsibilities arising from claims for injury allowances. The provision also includes a forecast of the remaining costs of introducing the consultant contract as well as an estimation of the integration costs of merging mental health services.

Within the provisions of the NHS Litigation Authority, £517,526 is included as at 30 April 2007 in respect of clinical negligence liabilities of the Trust (2006/07, £520,000).

MONTH ENDING 30 APRIL 2007**17. Movements on Reserves**

Movements on reserves in the period comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2007 as previously stated	58,509	20	10,806	69,335
Transfer from the income and expenditure account	0	0	850	850
Surplus on other revaluations/ indexation of fixed/current assets	1,063	0	0	1,063
Transfer of realised profits/(losses) to the income and expenditure reserve	(10,128)	0	10,128	0
Other transfers between reserves	(26)	0	26	0
At 30 April 2007	49,418	20	21,810	71,248

18. Notes to the Cash Flow Statement**18.1 Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities:**

	1st to 30th April 2007 £000	2006/07 £000
Total operating surplus	1,386	5,849
Depreciation and amortisation charge	343	3,328
Transfer from donated asset reserve	0	(2)
Increase in debtors	(19,967)	(8,614)
Increase/(decrease) in creditors	18,419	(1,062)
Increase/(decrease) in provisions	(29)	3,007
Net cash inflow from operating activities	152	2,506

18.2 Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities:

	1st to 30th April 2007 £000	2006/07 £000
Increase/(decrease) in cash in the period	(125)	94
Change in net debt resulting from cash flows	(125)	94
Net debt at 1 April 2007	552	458
Net debt at 30 April 2007	427	552

MONTH ENDING 30 APRIL 2007**18.3 Analysis of Changes in Net Debt**

	At 1 April 2007 £000	Other cash changes in year £000	At 30 April 2007 £000
OPG cash at bank	505	(180)	325
Commercial cash at bank and in hand	46	55	101
	<u>551</u>	<u>(125)</u>	<u>426</u>

19. Capital Commitments

The Trust has no capital commitments at the balance sheet date (2006/07 - £Nil)

20. Post Balance Sheet Events

The Trust has been granted Foundation Trust status with effect from 1st May 2007. Central and North West London Mental Health NHS Trust will cease as an entity on 30th April 2007 and become Central and North West London NHS Foundation Trust.

The Trust has also entered into a section 75 NHS Act 2006 agreement from 1 May 2007 with the London Borough of Harrow for the provision of adult mental health services.

21. Contingencies

	1st to 30th April 2007 £000	2006/07 £000
Contingent Liabilities*	(38)	(38)
Net value of contingent liabilities	<u>(38)</u>	<u>(38)</u>
Contingent Assets*	<u>14</u>	<u>14</u>

*Both the contingent liabilities and assets relate to liabilities under the NHS Litigation Authority's Liabilities to Third Parties and Property Expenses Schemes.

MONTH ENDING 30 APRIL 2007**22. Movement in Public Dividend Capital**

	1st to 30th April 2007 £000	2006/07 £000
Public Dividend Capital as at 1 April 2007	110,434	97,302
New Public Dividend Capital received	0	13,132
Other movements in Public Dividend Capital in period	21,482	0
Public Dividend Capital as at 30 April 2007	131,916	110,434

23. Financial Performance Targets**23.1 Breakeven Performance**

The Trust's breakeven performance for 1st to 30th April 2007 is as follows:

	2007/ 2008 £000	2006/ 2007 £000	2005/ 2006 £000	2004/ 2005 £000	2003/ 2004 £000	1999/ 2003
Turnover	16,349	183,705	157,829	142,313	128,529	
Retained surplus for the year	850	1,809	1,258	70	16	
Break-even in-year position	850	1,809	1,258	70	16	
Break-even cumulative position	9,309	8,459	6,650	5,392	5,322	5,306

Materiality test (i.e. is it equal to or less than 0.5%):

-Break-even in-year position as a percentage of turnover	5.20%	0.98%	0.80%	0.05%	0.01%	
-Break-even cumulative position as a percentage of turnover	56.94%	4.60%	4.21%	3.79%	4.14%	4.44%

23.2 Capital Cost Absorption Rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate for the month April 2007 is calculated as the accrued dividend on public dividend capital, totalling £601,000, bears to the average relevant net assets of £15,919,000 that is 3.8%.

MONTH ENDING 30 APRIL 2007**23.3 External Financing**

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

	1st to 30th April 2007		2006/07
	£000	£000	£000
External financing requirement	125		13,040
		125	13,038
Undershoot/(overshoot)		0	2

23.4 Capital Resource Limit

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

	1st to 30th April 2007		2006/07
	£000	£000	£000
Gross capital expenditure		36,394	13,259
Less: book value of assets disposed of to NHS Orgs		(14,759)	(898)
Less: donations towards the acquisition of fixed assets		0	(22)
Charge against the capital resource limit		21,635	12,339
Capital resource limit		21,635	12,339
(Over)/Underspend against the capital resource limit		0	0

MONTH ENDING 30 APRIL 2007**24. Related Party Transactions**

Central and North West London Mental Health NHS Trust is a body corporate established by order of the Secretary of State for Health. 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 Mental Health NHS Trust.

The Department of Health is regarded as a related party. During the year Central and North West London Mental Health NHS Trust has had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department. 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	0	3,549	165	1,408
Kensington and Chelsea Primary Care Trust	0	2,687	68	502
Hillingdon Primary Care Trust	0	1,830	0	1,341
Harrow Primary Care Trust	0	1,823	170	2,930
Brent Primary Care Trust	0	2,819	4	1,034
Hammersmith & Fulham Primary Care Trust	0	410	0	1,016
Ealing Primary Care Trust	0	360	0	551
London SHA	0	1,260	0	0
Barnet Primary Care Trust	0	97	643	0
West Hertfordshire Primary Care Trust	0	0	965	0
The Hillingdon Hospital NHS Trust	0	0	864	631
West London Mental Health NHS Trust	0	195	73	320
Bedfordshire and Luton Mental Health NHS Trust	0	0	0	320
Total	0	15,030	2,952	10,053

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Department for Education and Skills in respect of Imperial College Medical School, the London Borough of Brent and Westminster City Council in respect of joint enterprises.

25. Private Finance Transactions

The Trust has not participated in any PFI schemes during the period nor has it in previous years.

MONTH ENDING 30 APRIL 2007**26. Brent Pooled Budget**

The Trust has entered into a partnership agreement with the London Borough of Brent (Social Services Division) for the provision of mental health services within the borough of Brent. The arrangements of the partnership are governed under a formal Section 31 Agreement, which is valid until 30 April 2007.

The memorandum trading account in respect of the joint management structure costs for mental health services provided in the Brent locality by Central and North West London Mental Health NHS Trust and the London Borough of Brent (Social Services Division) is as follows:

	£000	1st to 30th April 2007 £000	2006/07 £000
Income from activities:			
Brent Primary Care Trust	86		1,038
London Borough of Brent (Social Services Division)	34		429
	<hr/>	120	<hr/> 1,467
Operating Expenses:			
Pay	(127)		(1,393)
Non pay	(2)		(48)
	<hr/>	(129)	<hr/> (1,441)
Retained Surplus/(Deficit) for the year/period		<hr/> (9) <hr/>	<hr/> 26 <hr/>

27. Financial Instruments

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

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile.

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 Mental Health NHS 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 Mental Health NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

MONTH ENDING 30 APRIL 2007

27.1 Financial Assets

					Fixed rate	Non-interest bearing	
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 30 April 2007							
Sterling	426	426	0	0	2.20%	23	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	426	426	0	0			
At 31 March 2007							
Sterling	5,741	550	5,191	0	2.20%	18	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	5,741	550	5,191	0			

27.2 Financial Assets

					Fixed rate	Non-interest bearing	
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 30 April 2007							
Sterling	(6,838)	0	(824)	(6,014)	2.20%	18	1
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	(6,838)	0	(824)	(6,014)			
At 31 March 2007							
Sterling	(6,639)	0	(828)	(5,811)	2.20%	17	1
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	(6,639)	0	(828)	(5,811)			

The Department of Health has indicated that for the 2007/08 accounts, Public Dividend Capital and Pension provisions are no longer classified as financial instruments and as such, the 2006/07 values have been restated accordingly. The Trust's non-interest bearing financial liabilities comprise provisions under NHS Litigation Authority's schemes.

The Trust has no foreign currency and therefore is not exposed to currency risk.

MONTH ENDING 30 APRIL 2007**27.3 Fair Values**

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 30 April 2007.

	Fair Value £000	Fair Value £000	Fair Value £000
Financial assets			
Cash	426	426	
Debtors over 1 year due to agreements with commissioners to cover creditors and provisions	0	0	Note a
Investments	0		
Total	426	426	
Financial liabilities			
Provisions under contract	(6,838)	(6,838)	Note b
Total	(6,838)	(6,838)	

Notes:

a) These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount.

b) Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2% in real terms.

28. Third Party Assets

The Trust held £558,962 cash at bank and in hand at 30/04/07 (£556,102 at 31/03/07) 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.

MONTH ENDING 30 APRIL 2007**8. Third Party Assets**

The Trust held £558,962 cash at bank and in hand at 30/04/07 (£556,102 at 31/03/07) 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.

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	21,937	5,191	2,265	0
Balances with NHS Trusts & Foundation Trusts	1,492	0	1,257	0
Balances with bodies external to government	53,273	0	65,328	0
At 30 April 2007	76,702	5,191	68,850	0
Balances with other Central Government Bodies	9,799	5,191	553	0
Balances with NHS Trusts & Foundation Trusts	1,758	0	2,269	0
Balances with Public Corporations & Trading Funds	0	0	0	0
Balances with bodies external to government	8,937	0	10,956	0
At 31 March 2007	20,494	5,191	13,778	0

30. Losses and Special Payments

There were 2 cases of losses and special payments (2006/07, 17 cases) totalling £306 (2006/07, £87,112) paid during the period ending April 2007.

MONTH ENDING 30 APRIL 2007