

Tees, Esk and Wear Valleys  
NHS Foundation Trust



# Making a difference together

Annual report and financial statements 2008/2009



**Tees, Esk and Wear Valleys NHS  
Foundation Trust  
Annual report and financial statements  
2008/09**

**Presented to Parliament pursuant to Schedule 7, paragraph 25(4)  
of the National Health Service Act 2006**



# Contents

<b>Chief executive's report</b>	<b>6</b>
<b>About the trust</b>	<b>8</b>
Our mission, vision and goals	9
The environment in which we work	14
Looking to the future	15
Our services	16
<b>Working towards our goals:</b>	
<b>Goal 1</b>	<b>19</b>
Developing excellent services	20
<b>Goal 2</b>	<b>25</b>
Our Quality Report	26
Monitoring and improving our performance	44
Clinical governance and clinical risk	47
Improving the environment	48
Listening, learning, acting	50
<b>Goal 3</b>	<b>53</b>
Developing and supporting our staff	54
Communicating and engaging with staff	56
<b>Goal 4</b>	<b>59</b>
Building strong relationships	60
Working with our partners	60
Patient and public involvement	61
Research and development	63
<b>Goal 5</b>	<b>65</b>
Governance	66
Preparing for emergencies	77
Caring for the environment	78
Finance	79
Statement on internal control	81
Independent auditors' report	88
<b>Financial and governance review 2008/09</b>	<b>91</b>
<b>Accounts for the nine months to 31 March 2009</b>	<b>108</b>

## Chief executive's report

It has been a momentous year for the trust – in July we became the North East's first mental health foundation trust. This was a significant achievement and I was particularly pleased to have been part of this success in my first year with the organisation.



Over the last twelve months I have been getting to know the trust and have visited a great many teams and locations from Scarborough in the south to Consett in the north of our area. I have been greatly impressed by what I have seen - the quality of the services we provide and the dedication and skills of the staff who deliver these services. This commitment was recognised in January at the trust's annual awards dinner where we paid tribute to the achievements of our staff.

The high standard of our services was reflected in the number of positive external assessments we received this year. In October 2008 we were again placed among the best mental health trusts in the country, receiving an 'excellent' rating for the quality of our services and 'good' for the use of resources in the Healthcare Commission's Annual Health Check. The Commission also gave us a 'good' rating in their review of inpatient services, which was the highest score in the North East.

The trust also received a very positive report from the Mental Health Act Commission, which highlighted the many compliments made by patients who spoke positively of their relationships with staff and the care they received.

We strive to be a good employer and I was therefore reassured by the positive responses of staff in this year's national NHS staff survey which placed us in the top 20% of mental health and learning disability trusts in the country in eleven of the key areas.

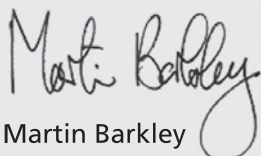
Our continued success is of particular significance in today's changing environment but it is important that our goals continue to reflect the environment in which we work. Over the last few months the board of directors, our governors and various staff groups have been reviewing our strategic goals. The revised goals are included in this report, along with some excellent examples of the work we have already done towards achieving them.

We have modernised services for the benefit of the people who use them and supported our staff to develop the skills they need to deliver these services.

We have continued to build and strengthen partnerships with a range of organisations and have involved service users, carers and other agencies in the work of the trust.

We are committed to improving the quality and value of what we do and over the year have made good progress in implementing our new quality improvement system across the trust.

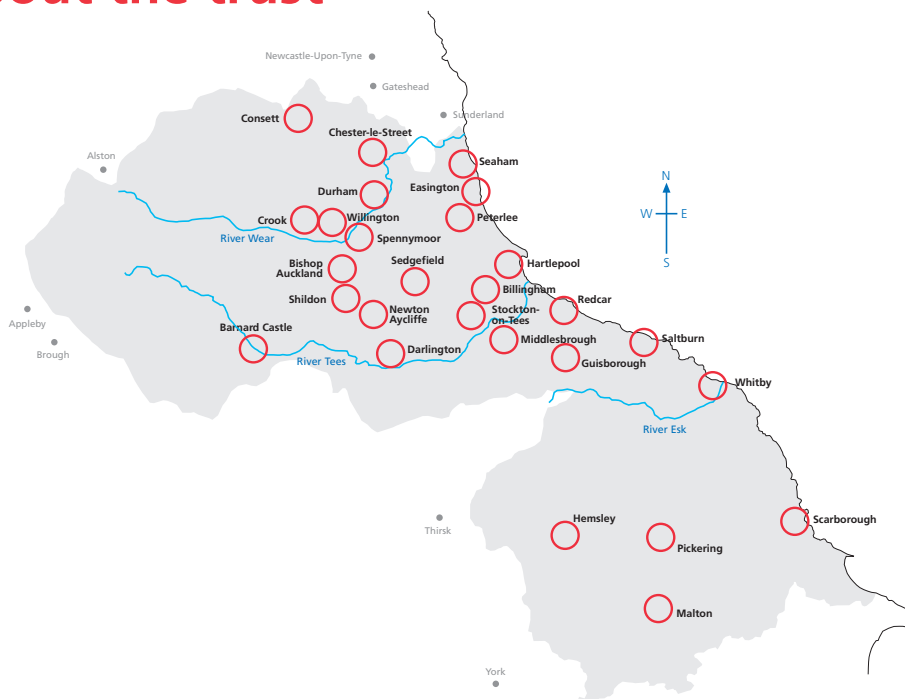
I am proud of what this trust has achieved and finally I would like to pay tribute to all those people who have contributed to our success – our staff, for their hard work and commitment; our partner organisations, in particular our primary care trusts and local authorities for their support; our service users and their carers for their involvement and views and last, but by no means least, our volunteers for the selfless work they do.



**Martin Barkley**  
*Chief Executive*

**“Our service users and their carers are at the heart of everything we do and over the past year we have continued to modernise our services to better meet their individual needs.”**

# About the trust



Tees, Esk and Wear Valleys NHS Trust was created in April 2006, following the merger of County Durham and Darlington Priority Services NHS Trust and Tees and North East Yorkshire NHS Trust. In July 2008 we became the North East's first mental health trust to achieve foundation trust status under the NHS Act 2006. As a foundation trust we are accountable to local people through our council of governors and are regulated by Monitor, the independent regulator of foundation trusts.

We provide a range of mental health, learning disability and substance misuse services for the 1.3 million people living in County Durham, the Tees Valley and North East Yorkshire. With 5,000 staff (73% female and 27% male) and an annual income of £220m we deliver our services by working in partnership with seven local authorities and primary care trusts, a wide range of voluntary organisations, as well as service users, their carers and the public. The services are spread over a wide geographical area which includes coastal, rural and industrial areas.

Being a foundation trust is already helping us:

- build on and improve positive relationships with service users, carers, staff, partners and local people and give greater accountability to local people (for instance, we wrote out to all members in Durham as part of our consultation on proposals for mental health services for older people – see page 62)
- strengthen our internal process and systems to meet the challenges of modern health services
- develop locally based specialist services (see examples of some of the services we have developed on page 20)
- respond better to market opportunities (for example the armed forces contract – see page 60)



## **Our mission**

**To improve peoples lives by minimising the impact of mental ill-health or a learning disability.**

## **Our vision**

**To be a recognised centre of excellence with high quality staff providing high quality services that exceed people's expectations.**



# Our goals

We have five strategic goals

## 1. To provide excellent services, working with individual users of our services and their carers to promote recovery and wellbeing

### This means that...

- Users of our services and their carers have positive experiences and outcomes.
- We have a reputation for excellence amongst the people who currently use our services or who may use them in the future.
- Users of our services have outstanding access to services and to a choice of personalised care and treatment.
- Our service users and their carers believe we are responsive to their needs.
- We provide appropriate and accessible information that is valued by the users of our services, their carers and their general practitioners (GPs).
- We deliver service models, which are effective, responsive and supportive of the whole care pathway.

## 2. To continuously improve the quality and value of our work

### This means that...

- We deliver high quality and safe services that minimise risk.
- We deliver services in accessible and high quality environments.
- We actively seek positive and constructive feedback about the services we provide from our customers.
- We are recognised nationally for the high quality service we provide, eg by Care Quality Commission (CQC), Annual Quality Accounts and any other additional benchmarking.
- We have implemented the TEVV Quality Improvement System across the organisation and there is evidence of continuous improvement in the quality and value of our services.
- Quality indicators and outcome measures are core elements of our performance management processes at trust, directorate and service levels.
- We consistently learn and act on the lessons from both positive and negative experiences.
- We implement common standards across the trust whilst recognising the different levels of investment by primary care trust (PCT) and the sovereignty of PCTs / practice based commissioners (PBCs) and local authority partners.
- We have an active programme of research and development to develop better ways of helping users of our services.

### 3. To recruit, develop and retain a skilled and motivated workforce

#### **This means that...**

- Our staff feel supported and valued in their role.
- Our staff have well defined job roles, which support career progression and provide a productive and flexible workforce.
- We provide a safe and healthy working environment.
- All staff can access a range of appropriately resourced education, training and development opportunities to support their development.
- All staff experience equal opportunities, which results in a diverse workforce.
- We ensure positive engagement of staff through effective communication and involvement at all levels.
- We have a compact between the trust and our workforce setting out the 'gives' and 'gets' of what it means working for the trust.
- All staff have opportunities to attain managerial and leadership roles.
- All managers and leaders undertake their 'people management' roles effectively.
- Our workforce plans enable high quality service delivery.
- We provide effective placements for students in health and social care professions.

### 4. To have effective partnerships with local, national and international organisations for the benefit of our communities

#### **This means that...**

- Our commissioners are world class commissioners of mental health, learning disability and substance misuse services and recognise our support in helping them to achieve this.
- We have excellent integrated services with our partner local authorities.
- We are fully engaged in the health and wellbeing agenda via involvement with local strategic partnerships and delivery of the local area agreements (LAAs).
- We actively work with universities and education providers to support delivery of our research and workforce plans.
- We have a range of partnerships and joint ventures with other providers, including the voluntary sector, which add value.
- We work with service users and carers to help ensure we are responsive to their views.
- We work with GPs to ensure we are responsive to their views.

## 5. To be an excellent and well governed foundation trust that makes best use of its resources for the benefit of our communities

### **This means that...**

- We are accountable to our stakeholders through robust governance arrangements.
- We are the provider of choice with our local commissioners because of our excellent quality and value.
- The cost of our services is below national reference costs.
- We can demonstrate that we are an environmentally friendly and socially responsible organisation.
- Our council of governors is fit for purpose and representative of local communities and stakeholders.
- We have developed new business opportunities, which are consistent with our vision.
- We have delivered our integrated business plan and financial plan.
- We have developed and tested emergency and business continuity plans in place.

## The environment in which we work

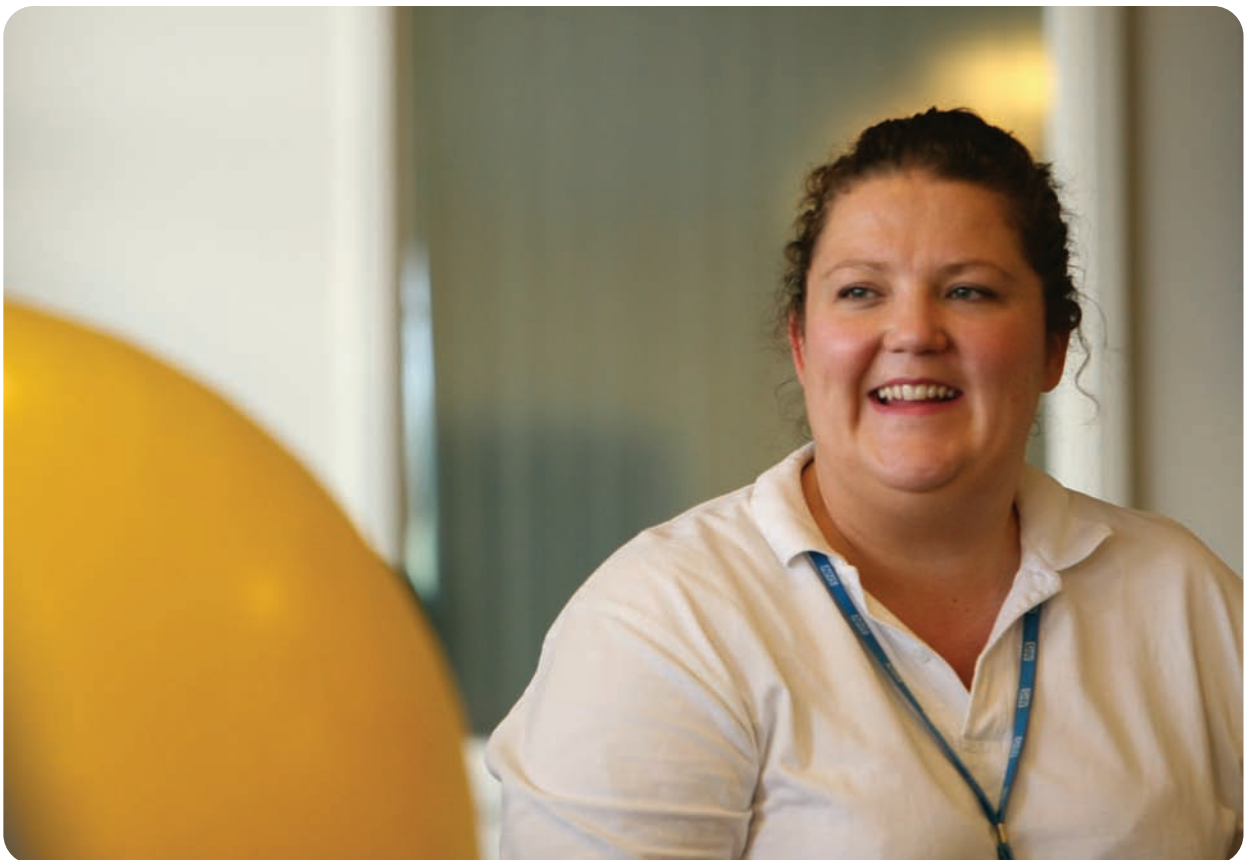
Next year will be a pivotal year for the NHS as implementation of High Quality Care for All gathers momentum. This will move the NHS into the third stage of a reform journey that began with the NHS Plan in 2000 and is about using the additional capacity and the reform levers to transform services to deliver high quality care for patients and value for money for the taxpayer.

Changes in the external environment driven by the system reform agenda have, and will continue to have, a significant impact on the trust and the health and social care community.

In particular,

- the increasing emphasis on health and wellbeing
- the evolving role of commissioners and World Class Commissioning
- plurality of provision and the competitive market environment
- financial outlook/state of the economy

The challenge for the trust will be not only to evolve to reflect these changes in the environment but also to be a partner in change, both supporting and matching the pace of change as commissioners, statutory health and social care providers, private sector providers and the third sector embrace in full the aspirations of system reform.



## Looking to the future

The reader will know from the contents of this report that much has been achieved. Thousands of people have been helped and supported to minimise the impact that mental ill-health and learning disability has had on their lives. As we enter our second year as a foundation trust we are determined to build on our early achievements and further improve the quality of services we provide.

The financial outlook for 2009/10 is positive, with the government keeping to long term funding plans and inflationary costs remaining within planning assumptions. However all NHS organisations will need to cut costs and in 2009/10 we will use some of our financial resources in ways that will permanently reduce some of our running costs with no detrimental impact on the volume or quality of services we provide. In addition we will revise our medium term financial plans (from April 2010) to identify ways of reducing costs by four per cent a year (this is the level we expect will be necessary, given the current economic climate).

We are committed to being an excellent employer, investing in and developing the skills of our workforce and inspiring all of our staff to provide outstanding service. In 2009/10 we aim to attain Investors in People accreditation which will be an external validation of the quality and effectiveness of the way in which the trust works with its staff.

The main focus of the work of the trust in 2009/10 and beyond will be to improve the quality of what we do, principally using the quality improvement methodologies developed over many years by Toyota. We will show our respect to our staff in a number of ways – we will only ask them to do things that add value and we will give them choices about their future when jobs change as a consequence of quality improvement activities.

Of the many service improvements planned for 2009/10, the most notable are:

- the opening of a brand new mental health inpatient hospital serving the northern and eastern part of the county of Durham, providing single bedroom en-suite accommodation for all inpatients
- establishing on a pilot basis a service for people with autistic spectrum disorders
- establishing on a pilot basis an inpatient detoxification service for people with severe substance misuse addiction
- continuing the programme of rehousing people with a learning disability currently living in NHS Campus provision
- further modernisation of our adult mental health rehabilitation service leading to a reduction in inpatient based treatment

Tees, Esk and Wear Valleys NHS Foundation Trust is looking forward to an exciting and successful future.

## Our services

### Adult Mental Health Services

We provide mental health services to adults of working age, including:

- inpatient, day and outpatient assessment and treatment services, including acute, intensive care and rehabilitation services
- a wide range of community based services including crisis intervention, assertive outreach and early intervention

Our main hospitals are the County Hospital in Durham and Derwent Clinic at Shotley Bridge (to be replaced in 2009 by Lanchester Road Hospital), West Park Hospital in Darlington, St Luke's Hospital in Middlesbrough (to be replaced in 2010 by Roseberry Park Hospital), Sandwell Park Hospital in Hartlepool and Cross Lane Hospital in Scarborough.

### Children and Young People's Service

This service includes all child and adolescent mental health services as well as children's learning disability services and also the early intervention in psychosis teams. Our main inpatient site is West Lane Hospital in Middlesbrough.

**"I received first rate care and was treated with respect and concern by all the staff and it was largely due to their efforts that I made the first stage of a good and full recovery. I am indebted to the mental health service and am very grateful that I was lucky enough to be in this area when I needed the benefit of such experienced and professional staff."**

A service user

### Mental Health Services Older People

We provide mental health services for older people working in partnership with social care and a wide range of voluntary and independent service providers, including:

- Inpatient, day and outpatient assessment and treatment services, including acute, intensive care and rehabilitation services.
- A wide range of community based services

Some of our main hospitals are the Bowes Lyon Unit in Durham, West Park Hospital in Darlington, St Luke's Hospital in Middlesbrough (to be replaced in 2010 by Roseberry Park Hospital), Auckland Park in Bishop Auckland, Sandwell Park in Hartlepool, Lustrum Vale in Stockton and Cross Lane Hospital in Scarborough.



## Learning Disabilities and Forensic Services

We provide specialist assessment and treatment services to people with learning disabilities and mental health problems, epilepsy and challenging behaviour as well as some specialist services to other parts of northern England. We also provide services for people with mental health problems who need to be cared for in medium or low secure environments at the Hutton Centre in Middlesbrough.

Our main sites include St Luke's Hospital in Middlesbrough (to be replaced in 2010 by Roseberry Park Hospital), Bankfields Court in Middlesbrough, Lustrum Vale in Stockton and Hart Lodge in Hartlepool.

## Substance Misuse Services

We provide substance misuse services for people aged 18 years and above. These are funded primarily through drug and alcohol action teams across County Durham and the Tees Valley.





**Our goal:**

**To provide excellent services, working with individual users of our services and their carers to promote recovery and wellbeing**

## Developing excellent services

Our service users and their carers are at the heart of everything we do and over the past year we have continued to modernise our services to better meet their individual needs.

We want to make sure that people are able to access the specialist care and treatment they need quickly and as near to their homes as possible. We have invested in specialist community services so that we can support more people at home and we have also continued to develop therapeutic inpatient services for those people who need to spend time in hospital.

These are just a few examples of how we are developing excellent services.

### Star wards

Lincoln ward at Sandwell Park in Hartlepool received special recognition for its work in improving inpatient care.

The adult ward was one of six sites nationally to pilot the recognised Star Wards initiative. Staff, service users and carers worked hard to bring about changes on the unit that would improve life for inpatients and create a more therapeutic environment. Last year the ward successfully implemented all of the 75 standards.

### Veteran programme pilot

The trust was one of six mental health trusts to be selected to pilot a new scheme for veterans in partnership with the Department of Health and the Ministry of Defence.

Its aim is to help ex service men and women access appropriate mental health care when entering civilian life. The pilot scheme is a result of the government's plan to improve access to mental health services for ex service personnel who are currently failing to seek appropriate help.

### New service for deaf people

A new outpatient clinic specifically for deaf people who have a severe and enduring mental illness was set up in West Park Hospital in Darlington.

Previously people had to travel to Newcastle to attend a similar specialist clinic but this local service is now held on a bi-monthly basis. It provides equity of access across the region and is a first step in providing deaf people with the same services as hearing people.

North East commissioning team for mental health and learning disabilities, Northumberland, Tyne and Wear NHS Trust, the John Denmark Unit and the trust have worked together to develop this new local service.

## **New medium secure unit**

More women are being cared for closer to their homes thanks to the opening of a new ward at the Hutton Centre, St Luke's Hospital.

The five bedded Rosedale Ward is a female medium secure unit, primarily for women with personality disorders who have moved back to the area from units elsewhere in the UK. The ward offers single, en-suite accommodation which has been carefully designed to meet national standards.

Care is provided by a specially trained multi-disciplinary team including nurses, occupational therapists, psychiatrists and psychologists and social workers. New models of care and a seven day programme of therapy were introduced, including dialectical behavioural therapy, holistic therapies, NSPCC freedom programmes, anxiety management and acupuncture.

## **Specialist substance misuse service**

Our new substance misuse treatment unit opened on 1 April 2009. Holly Unit at Darlington's West Park Hospital provides seven inpatient beds for people with complex needs caused by drug or alcohol misuse. As well as receiving treatment for their addiction, people will receive help and advice on their physical and mental health, personal and social skills, housing, finances, education, employment and training.

This specialist Tier 4 service is being piloted by the trust for six months and its launch makes us the only NHS trust delivering substance misuse inpatient services like this in the North East.

## **Integrated access assessment service**

A six month pilot got underway in the south of County Durham last year aimed at improving access to our services for adults with mental health problems.

The service is provided from Maple Ward in West Park Hospital in Darlington and seeks to ensure that service users receive the care and support they need quickly. There is a single point of access for all referrals and service users are assessed and treated according to their need.

Services include:

- Crisis response, assessment and home treatment
- Inpatient multi-disciplinary assessment
- Community crisis beds
- Intensive support service

The service will be reviewed at the end of the six month pilot.



## Custody liaison scheme

In 2008 our young people's service successfully tendered to become one of six national custody liaison pilots. The service was set up in January 2009 in the south Tees area and will run for two years. Nurses are linking in to the custody suites at Redcar and Cleveland and Middlesbrough and working closely with the youth offending service, the police and Crown Prosecution. The aim is to ensure that young, vulnerable people get the specialist support they need.

## Community teams

Last year we completed the reconfiguration of our adult community mental health teams. The new teams specialise in different areas and are now able to focus on working with people with either a diagnosis of psychosis or an affective disorder.

We also successfully reconfigured the locality based children's learning disability community teams into larger teams. The new multi-disciplinary teams have pooled their resources and are better equipped to support young people and their families.

## New contract

Last year the trust won the contract to provide drug treatment services for the population of Redcar and Cleveland in 2008/09.

The new team have been working with over 400 drug users using a non medical prescribing model - a first for the trust.

Treatments include detoxification and stabilisation services, and a specialist women-only clinic that can also provide family planning interventions. The team also offer daily complementary sessions and specialist assessments where inpatient or residential rehabilitation services may be needed.

## Developing challenging behaviour services

Following a public consultation in County Durham we approved plans to develop services for older people with the most complex challenging behaviour and move away from providing long term continuing care.

We introduced new specialist services to support people with challenging behaviour. This support is available seven days a week, enabling more people to remain in their own homes for longer. Community teams also work closely with nursing and residential homes to train staff and provide improved support to residents with complex needs, reducing the need for admission to hospital.

We reduced the number of inpatient beds but increased the staff to patient ratios on the two units enabling us to provide more intensive and individualised support.

**“You came to my home and gave my son your wonderful professional, medical and compassionate care and for that we are both very grateful.”**

**A service user’s parents**

## Improving patient and carer information

We want to provide our service users and their carers with information that is appropriate to them and is easily accessible and over the last year we have continued to develop patient and carer information. We have started to introduce information prescriptions, which are offered to people using our services and their carers. They guide people to reliable sources of information and advice, including support groups, allowing them to feel more in control and better able to manage their condition.





**Our goal:**

**To continuously improve  
the quality and value of  
our work**

# Our quality report

## Chief executive's statement

During the year we have continued to make progress in terms of improving the quality of the services we provide.

Examples include:

- In line with our estates strategy we have improved the quality and appropriateness of accommodation in both our inpatient and community facilities.
- We have addressed the issue of mixed sex inpatient accommodation. Currently 85% of our inpatient accommodation is provided in single rooms. By 2011 this will have reached 100% of which 98% will be ensuite. We recognise however that addressing accommodation alone will not address all privacy and dignity issues and we already have a plan to do more to fully deliver on all aspects of privacy and dignity that the users of our services expect.
- Our prescribing and monitoring of inpatients on high dose anti psychotic medication has been made safer.
- We agreed with the NHS Institute of Innovation and Improvement to be the first mental health trust to participate in the Leading Improvement in Patient Safety Programme (see page 43 for more detail).
- We implemented a system to identify and manage those patients at risk of falling which resulted in a corresponding reduction in the number of falls in our inpatient mental health services for older people.
- We have reduced our length of stay and made other improvements to the quality of service on one of our inpatient adult mental health wards through the early implementation of our TEVV quality improvement system. We are examining how we could roll this out to all our acute wards in 2009/10.
- We led the implementation of an improved system for reporting of patients prescribed lithium in conjunction with pathology laboratories across the strategic health authority.
- We achieved a score of good in the Health Care Commission's review of inpatient adult mental health services.
- We implemented a new electronic care record which will support improved clinical decision making and improved data quality. We recognise however that there is further work to ensure this system works as effectively and efficiently as possible.
- We started to have discussions with staff on the establishment of quality metrics as a key element within our performance framework.
- We achieved NHS Litigation Authority (NHSLA) assessment at Level 1, with 94% achievement of the standards.

During the year however the board felt that we needed to be more explicit and rigorous about the fact that our prime purpose is to improve the quality and value of services for all our service users, to best meet the needs and expectations of the people we are here to serve. We have therefore taken a number of strategic steps towards this during 2008/09 including:

- We reviewed our mission, vision and strategic goals to ensure that quality and user focus underpins all that we do
- We defined what 'quality' means to us
- We made early progress on implementing the TEWV quality improvement system

### **Our definition of quality**

Our definition of quality has been influenced by both the national context as set out in 'The Next Stage Review 2008' and the approach taken by the Toyota Production System, the leading quality improvement system in the world. Being clear about what quality means to us will help us over the coming years to make further improvements to the quality and value of what we do and this is reflected in developing a strategic goal on quality as set out above.

The trust's definition of quality is:

$$\text{Quality} = \text{Appropriateness} \times \frac{(\text{Outcome} + \text{Service})}{\text{Waste}}$$

This quality equation captures the essence and rationale of our approach to quality improvement, aiming to deliver perfect health care:

- Is what we are doing appropriate? Is it relevant to the needs of the individual or customer? Does the evidence support this as the most appropriate action? No matter how good anything else is, if what we are doing is not relevant, then it is not quality.
- Is what we are doing effective? Are the outcomes what we expected? Did we help the patients get better? Did we meet their needs/requirements? If so, we are on the way to delivering high quality service.
- Did we do what we should have done in a way that gives the service user/customer high satisfaction? If so, we are further on the journey of delivering a higher quality service.
- Is there any waste? Is there anything we do that does not add value? Is time wasted in non-value adding ways? If yes, we are undermining the level of service because there is scope to do it in less time or using fewer resources, which means that the time or resource could be used to deliver additional health gain.

If we are providing appropriate, effective services that score maximum marks for satisfaction and there is no waste then we are delivering a 'perfect' service. Until that time, we must constantly seek ways of improving quality by increasing effectiveness and satisfaction, as well as eliminating waste in our quest to provide perfect service.

### **The TEWV Quality Improvement System**

In order to improve quality and value the trust needs to ensure that everything it does adds value to our customers, be they service users, carers, GPs, PCTs or others. If we are to make faster and sustainable progress in ways that involve and empower staff we need to have a systematic approach based on the best quality improvement system in the world, which was developed by Toyota.

The TEVV quality improvement system is the approach that we have started to implement, supported by Virginia Mason Medical Centre in Seattle (the first hospital to successfully employ the system and methodologies developed by Toyota in a healthcare setting). This system offers a proven and accessible path to long term success based on a framework that is open, with tools and techniques which are easy to learn and apply therefore being inclusive.

Some of the methods we use include:

- rapid improvement workshop (RPIW) - these are intensive week long workshops which give teams the opportunity to take time out of their jobs to focus on making improvements to the way they work
- Kaizen events – two day improvement events
- 5S events – a training event to help staff sort and standardise their environment to maximise safety and effectiveness

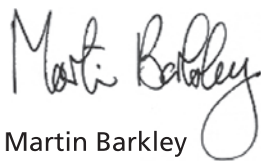
The TEVV quality improvement system is about improving the ways we do things within the trust by identifying and removing wasteful activities and focusing on those that add value.

The following are the benefits which arise as a result of implementing this system:

- improved quality and safety
- improved delivery
- improved throughput
- accelerating momentum for change and improvement
- increased staff engagement in improvement
- improved value

(Further information on our quality improvement system is included on page 42)

The remainder of this section demonstrates the progress we have made against our priorities in 2008/09 and sets out the work we have done to date in terms of identifying priorities for 2009/10. We recognise that we are just at the start of the journey and there is a long distance to travel, however I am confident with the enthusiasm, skill and dedication of our staff, who will be empowered by the TEVV quality improvement system, we can make real progress over the coming year and beyond.



**Martin Barkley**  
*Chief Executive*

## Review of key quality priorities 2008/09

Within the organisation the clinical governance and clinical risk committee is responsible for providing assurance that appropriate structures, systems and processes are in place to deliver safe, high quality effective care, which is continuously improving. In doing so it also identifies where it believes that action should be targeted and recommends these to the board. The following three priorities were the key priorities that we identified through that process.

### Priority 1:

## The development of a suicide prevention strategy and policy

A key priority for improving patient safety in terms of mental health is the reduction of suicides within the trust. Given that the consequences of not addressing this are devastating to both individuals and their family and friends we identified that developing a suicide prevention strategy and policy with our key community partners was a critical priority for 2008/09.

This is supported by a number of key national and local policy documents:

- The National Suicide Prevention Strategy (2002) requires a 10% reduction in suicide by 2010
- The National Patient Safety Agency Seven Steps to Patient Safety in Mental Health (2008), identified suicide prevention in inpatient services as a key priority
- The Safer Care North East Mental Health quality indicators, which were identified in 2008 and published in early 2009, identify suicide as a key metric
- World Class Commissioning guidance identifies reducing the number of suicides as a key priority for those commissioning mental health services and action planning to reduce suicide is a target for the mental health elements of the autumn assessment for PCTs
- the trust had a national target for the completion of an annual cycle of suicide prevention audits and action planning that also needed to be incorporated into development and improvement work

### Action taken in 2008/09

- The trust policy was developed throughout the year and will be implemented through the existing processes of mandatory clinical risk training and monitored by clinical audit.
- The partnership suicide prevention strategy was developed and ratified by the Durham, Darlington and Tees Suicide Prevention Task Forces in September 2008 and through the trust processes in November 2008.
- The partnership strategy was launched in March 2009 with local media coverage. The action plan for the strategy will be performance managed through the local implementation teams, mental health partnership boards and suicide prevention task forces.
- Internal reports on the trust suicide policy and subsequent action plan are monitored through the trust clinical governance and clinical risk committee and feedback is presented to the suicide prevention task forces.

- Suicide prevention training was provided internally to trust staff as part of the mandatory clinical training programme.
- The policy standards were reflected in the action planning for the annual suicide audit action planning.
- The interagency work to support the strategy implementation, monitoring and further development was included in the commissioning framework.

The table below shows the number of deaths of people receiving services from us by suicide since 2006/07.

#### **Death by suicide and undetermined injury by financial year by verdict/verdict pending**

Financial year	No. of deaths by suicide and undetermined injury
2006-2007	36
2007-2008	40
2008-2009	40

**NB:** These are the reported figures that show a 'like for like' comparison. These figures have been, and will continue to be, subsequently adjusted in the light of the verdicts reached by the coroner. The four coroners that have jurisdiction in the area served by the trust determine the verdicts between one month and 30 months after the date of death.

From April 2006 to March 2009 16 deaths occurred in inpatient settings and the remainder occurred in the community. Across the three financial years rates for inpatient deaths have remained relatively stable at five for 2006/2007, six for 2007/2008 and five for 2008/2009. However, deaths within the community have increased year on year.

#### **Further developments planned in 2009/10**

- A further training programme to continue to address the competencies needed by care coordinators is planned for 2009/2010 and will include the required competencies to progress both the policy and strategy.
- A training needs analysis is being conducted in all the partner agencies and will report to the suicide prevention task force in June.
- The local inter-agency task forces will continue to meet regularly and as a result of local media coverage the membership of the partnership will increase with new input from more of the local criminal justice systems agencies.
- Internally the implementation and local serious untoward incidents reports will continue to be monitored through the patient safety and clinical governance processes.
- The trust will continue with the annual suicide prevention audit and action planning/evaluation cycle.



## Priority 2:

### The development of enteral feeding practice (including nasal gastric procedures)

During 2007/08 practice issues in enteral feeding were identified in the implementation of pathways for management of eating disorders in children and young people's services. Given the serious nature of these disorders the clinical governance and clinical risk committee identified the provision of enteral feeding as an area for improvement. Furthermore when the infection prevention and control essential steps enteral feeding tool was implemented in learning disabilities across the trust the need for further policy and practice development became more evident.

The issue identified was that mental health and learning disability staff do not as a routine develop competencies through registration training in specific physical health care procedures and therefore post basic training and development was required, underpinned by policy and procedural guidance.

This is supported by a number of key national and local policy documents:

- a national patient safety alert (2005) entitled 'Checking the position of nasogastric feeding tubes'
- nutrition support in adults: oral nutrition, enteral tube feeding and parental nutrition. NICE clinical guideline 32 (2006)
- eating disorders: core interventions in the treatment and management of anorexia nervosa, bulimia nervosa and related eating disorders. NICE clinical guideline 9 (2004)
- patient safety alert: Reducing the harm caused by misplaced nasogastric feeding tubes. NPSA 2005

#### Action taken in 2008/09

- A task group was established to develop an enteral feeding policy to cover the insertion and management of nasal gastric feeding and management of percutaneous endoscopic gastronomy (PEG) feeding.
- Standards for the equipment used for enteral feeding was researched and informed the agreed standardisation of such equipment within the trust.
- The policy and clinical procedures were approved in November 2008.
- Training programmes for health care workers in the care and management of enteral feeding have been held in January 2009 and March 2009.
- Implementation of the essential steps programme commenced in March 2009 by the modern matrons within the organisation.

#### Further developments planned in 2009/10

- Further training programmes are planned during 2009/10.
- Monitoring of compliance via the essential steps enteral feeding tool and incident monitoring.
- Review of practice with modern matrons as part of the physical health care development programme.



### Priority 3:

## The achievement of NHS Litigation Authority Assessment Level 1

The NHS Litigation Authority (NHSLA) is a special health authority, which was established in 1995 to administer the Clinical Negligence Scheme for Trusts. The promotion of clinical risk management is a key part of the scheme and a comprehensive set of standards provide a framework that is aimed at helping trusts effectively focus their clinical risk management, thereby improving patient safety.

We had achieved NHSLA assessment at level 1 in 2007 but the standards were reviewed and we were advised that we needed to be reassessed against the 50 criteria within the five standards at level 1 before progressing further. The achievement of compliance with the 50 criteria is a key element in the trust's clinical governance and patient safety programme as it gives an external check of the quality of the policies, practice guidance and training assurances in the areas of those standards.

**“Thank you so very much for all your help. It is such a relief to know someone else is giving our daughter the help and support she needs.”**

**A service user's parents**

### Action taken in 2008/09

- A gap analysis was completed against the new criteria and presented to the clinical governance and clinical risk committee on 24 April 2008. An improvement plan was agreed against the five standards of governance, competent and capable workforce, safe environment, clinical care and learning from experience.
- The improvements included reviewing and revising clinical policies, clinical skills training systems and the learning from events processes. Additional improvement work was undertaken, for example with environmental audits, and a separate workstream for implementation of the Hygiene Code.
- From April to December 2008 the improvement programme was performance managed through the clinical governance and clinical risk committee with a co-ordinated progress plan presented.
- The assessment was planned and implemented in January 2009. The overall outcome was 47 of the 50 criteria were met and the feedback was very positive. Those that could not be met were within the workforce development standard in relation to training needs, which were required to be evidenced for medicines management, dual diagnosis and investigations.
- The outcome indicated that the trust had a robust framework for the implementation of required practice that would ensure quality clinical services.

- A further gap analysis against the level 2 standards and criteria has been completed and an improvement plan agreed through the clinical governance and clinical risk committee. This includes ongoing monitoring of the achievements already made.

#### **Further developments planned in 2009/10**

- The three criteria that were not met in the level 1 assessment are being addressed.
- The feedback about development of competency based training needs analysis will be further evaluated and a plan developed and implemented to address the issues raised.
- A shadow assessment at level 2 is planned to consolidate the progress and test the changes made. As level 2 assessment focuses on the implementation of policy frameworks and training a considerable amount of practice evidence will need to be collected. This will further enhance the assurance the trust has regarding the consistent application of evidence based practice.

### **Our response to our regulators**

We welcome the involvement of our regulators in helping us ensure that the services we provide are of high quality. Whilst we try wherever possible to be proactive in monitoring

quality it is always helpful to get feedback from people outside the organisation. Over the year we have developed further robust internal systems for the monitoring and checking of evidence we have to allow us to register and comply with our regulators. Improvement programmes have been developed and put in place to further strengthen this and to enhance clinical quality further where required.

Our recent declaration to the Care Quality Commission indicated full compliance with all of the Core Standards as at 31 March 2009 with an in-year breach within Core Standard 9. This related to the accidental loss of an unencrypted mobile data device (a memory stick) that was reported as an information governance SUI in September 2008. The loss was

contained within seven days, a thorough investigation including a root cause analysis (RCA) review was completed and a full report and action plan was approved by the board of directors in January 2009. As a result of that breach we continue to work within the formal undertakings set by the Information Commissioners Office (ICO) in December 2008 but have fully met all the requirements of those undertakings and submitted regular update reports to the ICO. The action plan following the investigation of the SUI is being regularly evaluated as part of those reports.

In addition to the above we have also received other reports from our regulators:

- Following participation in reviews with the Nursing and Midwifery Council in 2008/09 (including an inspection visit to learning disability services as part of the quality assurance arrangements with the local pre-registration nursing programme provider) we received a

**“I would just like to say a big thank you for all the care that the doctors and nursing staff showed to my husband while he was in your care. I feel at last that I have my husband back.”**

**The wife of a service user**

very positive report. In particular this related to the provision of clinical placements in learning disabilities and for the work we are doing with the education provider and clinical assessment by staff.

- We complied with a Healthcare Commission spot check request on the publication schemes for equality and diversity in October 2008 and were able to fully meet all the requirements of that check.
- We complied with the Care Quality Commission registration processes in January 2009. We received full registration in terms of processes in infection prevention and control, achieving Registration Number 0001 on the first day of registration. Ongoing performance management to ensure we continue to meet the registration requirements will be managed through the infection prevention and control committee.
- In an assessment for National Health Service Litigation Authority level 1 in January 2009 we achieved all the required outcomes, achieving 47 from 50 of the identified standards. The regulator feedback identified a range of areas of good practice.
- In January 2009, we received the annual report from the Mental Health Act Commission, which was extremely complimentary and identified good practice in both the administration and implementation of the Act and highlighted good joint working with the Mental Health Act Commissioners. Throughout the year the regional Mental Health Act Commissioner had been in attendance at the trust mental health act committee and the regular visit reports had been all been actioned to the satisfaction of the commissioner.

In addition to the reports that we have received about our services we also take seriously any which are published nationally. We consider all such governance reports and take action to improve our services where we believe that any similar issues could apply. Examples in 2008/09 include:

- The Healthcare Commission Report on Maidstone and Tunbridge Wells NHS Foundation Trust, which was analysed through the infection prevention and control committee. A self assessment was completed against the report outcomes and recommendations and our actions have been managed through the committee.
- The national reports on the death of Baby Peter by Lord Laming and Ofsted have been considered and issues actioned with local safeguarding children board partners. Our self assessment by our trust safeguarding children team and completion of the Healthcare Commission national review exercise has identified where internal development is required.
- The national report '6 Lives' on the availability of health services to people with a learning disability has been considered within the learning disability directorate, which has discussed issues with our primary care and acute trust partners.

## Our performance against our key quality metrics 2008/09

The following table provides detail of our performance against a set of agreed quality metrics in 2008/09.

	2008-09		2007-08 for comparison
	Target	Actual	
<b>Patient safety measures</b>			
1 Number of suicides	35	40	40
2 Number of outbreaks of healthcare associated infections	0	0	0
3 Number of patient falls	360	278	442
<b>Clinical effectiveness measures</b>			
4 CPA 7 day follow up	95.0%	97.3%	99.0%
5 Implementation of NICE guidance	N/A	75.0%	26.5%
6 Average length of stay for patients in AMH & MHSOP assessment and treatment wards	N/A	47	45
<b>Patient experience measures</b>			
7 Delayed transfers of care	7.5%	4.8%	N/A
8 Complaints	96	104	96
9 National patient survey			
Score within highest performing 20% of trusts	N/A	18 (49%)	7 (19%)
Scores within intermediate 60% of trusts	N/A	17 (46%)	30 (81%)
Scores within lowest performing 20% of trusts	N/A	2 (5%)	1 (3%)

### Notes on selected metrics

- 2 Outbreaks of healthcare associated infections includes MRSA bacteraemia and C Difficile
- 3 Patient falls excludes the categories 'found on floor' and 'no harm'.
- 5 Implementation of NICE Guidance is based on the percentage of audits of NICE guidelines that we completed compared to those that we planned for 2008/09.
- 7 Delayed transfers of care is based on Monitor's definition and therefore excludes children and adolescent mental health services.

### Comments on performance

**Metric 1.** We aim to deliver safe, high quality care and are actively working towards reducing the numbers of suicides. Whilst we have reported more than those anticipated, no obvious trends or clusters have been identified within the deaths that occurred in 2008/09. However, the overall number is of concern and the trust will work strenuously to reduce the number of people who die due to suicide. All unexpected deaths are investigated fully and lessons learnt are shared within the organisation and action taken when appropriate.

**Metric 4.** Whilst our performance has declined slightly in relation to CPA 7 day follow up in 2008/09 compared to 2007/08, we have still achieved the target set nationally. We continue to monitor this on a monthly basis.

**Metric 5.** It should be noted that this figure only shows the number of audits undertaken which were planned at the beginning of the year by the clinical audit team. Other audits may have taken place during the year that were not in the original plan but these are not included. There has been a significant increase in the percentage of those planned over the two years shown. It should be noted however that within those audited in 2008/09 the levels of compliance (based on the service meeting 70% of the standards in the guidance) was 54%.

**Metric 8.** Our annual target was to have less than 96 complaints in the year and we received 104, which was higher than expected. All complaints are thoroughly investigated and both the complaints team and patient advice and liaison service (PALS) strive to resolve as many concerns as possible informally.

**Metric 9.** We have improved our scores on a range of measures within the National Patient Survey, improving on 11 questions to appear in the highest performing 20% of trusts for 18 measures as opposed to seven in the previous year.

## Our performance against national targets and regulatory requirements

The following table demonstrates how we have performed against a wide range of targets set for us by the Department of Health, our regulator Monitor and our commissioners.

	2008-09						2007-08 for comparison
	Q1	Q2	Q3	Q4	Target	2008-09	
a The trust has fully met the HCC Core Standards at year end	N/A				Fully met	Fully met	Fully met
b Number of occupied bed days of under 18s admitted to adult wards	52	4	11	13	100	80	79
c Retention rate: substance misuse (rolling 12 months)	84.9%	87.5%	89.7%	88.7%	82.6%	88.7%	82.6%
d Number of early intervention in psychosis new cases (cumulative position)	61	139	208	301	230	301	236
e Number of crisis home treatment episodes	961	840	866	1066	2978	3733	3865
f Percentage admission to inpatient services that had access to crisis resolution/home treatment teams	88.1%	96.2%	97.0%	96.2%	90.0%	94.5%	N/A
g Maintain level of crisis resolution teams set out in 03/06 planning round	N/A				Maintain	Maintained	Maintained

### Notes on national targets and regulatory requirements

c. Retention rate - the information shown for 2008/09 is the latest published position (Dec 07-Nov 08).

f. This target did not exist in 2007/08 and so no data is available for that period.

### Comments on performance

- Whilst the trust declared full compliance with the Healthcare Commission's Core Standards at the end of the year end, there was one in-year lapse (details of this are provided on page 34).
- The trust has had less occupied bed days for under 18s on adult wards compared to that expected for 2008/09 and continues to only admit patients where it is deemed clinically appropriate in line with guidance published during 2008/09.





## Our quality priorities for 2009/10

Following discussion with the board and our council of governors we have identified three priorities for 2009/10. We recognise however that in addition to those priorities there are some areas that we want to explore further and so we have included these for completeness.

### Priority 1:

## Reduce the number of incidents of violence and aggression

During 2008/09 we identified that the number of incidents of violence and aggression were higher than we would like across the trust. This was re-enforced by the feedback we received from staff in the staff survey in which 21% of staff who had responded had 'experienced physical violence from patients/relatives in the last 12 months' compared to the national average of 19%. This represents one of our four bottom ranking scores and is worse than average. The number of incidents of violence and aggression towards staff and patients was 8257 in 2007/08 and 7348 in 2008/09.

This has led us to identify this as a priority with a view to reducing the incidences of violence and aggression because:

- whilst we recognise that one of the reasons we admit people is because of their violent or aggressive behaviour we would want to reduce the number of incidents through the therapeutic interventions we offer
- we are concerned that we may not be equipping our staff with the skills to improve engagement and build relationships with our users in sufficient time to help reduce the likelihood and frequency of violence and aggression
- high levels of violence and aggression by patients on a ward impacts negatively on the patient experience
- we want to reduce the level of injury to staff and patients

In order to address this issue the trust has introduced a violence and aggression working group chaired by a service director. The group has identified seven key actions to implement in 2009/10 as follows:

- implement and mainstream the trust's newly developed challenging behaviour policy
- review and redevelop all training related to violence and aggression so it is in line with the challenging behaviour policy
- develop a programme of audits to provide evidence of change, improved practice and reduction in violent incidents
- develop a criteria, system and process for clinical review of individuals displaying high levels of violence
- review and redevelop the trust's policy and procedure for reporting violent and aggressive incidents to the police
- introduce a standardised system for recording and reporting incidents



- identify and introduce a violence rating tool and measure to improve analysis and feedback
- produce enhanced data that will aid the performance management of violent and aggressive incidents

This group reports through the trust clinical governance and clinical risk committee to the board. This priority has also been identified as one of the 'breakthrough' targets as part of the Leading Improvement in Patient Safety (LIPS) programme (see page 43).

The trust has set a target of a reduction in physical assaults of 50 per cent each year for the next three years starting in 2009/10.

## Priority 2:

### Reduce Waiting Times for first contact and treatment

According to our definition of quality on page 27, if we make people wait for the treatment they need then we cannot be delivering a high quality service. This is because:

- if a person needs care or treatment at a point in time but then has to wait, that care may no longer be appropriate if it is delivered at a much later date than first identified
- the delivery of good outcomes is supported by early intervention and ensuring people receive the most appropriate treatment as soon as possible - this is compromised if there are long waiting times between referral and assessment and subsequent treatment
- from a patient experience perspective waiting is not a positive experience
- waiting for a service is a significant waste because during that time no value is being added to the patient

We have identified reducing waiting times as a key priority for 2009/10.

The organisation has set itself the following targets in terms of waiting times for 2009/10:

- 80% of people will have their first appointment within four weeks of a referral from their GP/primary care
- 95% of people will have their first appointment within eight weeks of a referral from their GP/primary care
- 100% of people will be treated within 18 weeks of a referral from their GP/primary care

During the latter half of 2008/09 we implemented a new electronic patient system which now allows for the measurement and reporting of waiting times. Therefore a key action from the start of 2009/10 is to report this data at various levels throughout the trust as part of our performance framework. This will allow services to identify areas where there are problems in terms of unacceptable waiting times and to identify and put in place appropriate action to address this. It will also allow the board to drive improvements in this area via the performance dashboard presented each month at the board meetings.

### Priority 3:

## Further implementation of the TEWV Quality Improvement System

As discussed earlier we have started to implement our quality improvement system which is based on the premise of continuous quality improvement, such that everything we do adds value to our customers. We believe that this is very important to enable us to make widespread improvements to quality. Therefore the further implementation of this system throughout the organisation is one of the key priorities for 2009/10. Implementation of this system is also in line with the North East Strategic Health Authority (SHA) approach to quality improvement and sits within the overall North East Transformation System led by the SHA.

Early implementation began in 2008/09 and included training seven senior staff members as accredited quality improvement leaders. In addition a range of improvement events were held across the services which have resulted in some significant improvements in both patient care delivery and the processes that exist to support those. During the year we held eight RPIWs, two Kaizen events and eight '5S' events. It is critical that we minimise all non value adding activity so in addition to making improvements in clinical areas such as lengths of stay and the number of patients waiting whilst receiving treatment it is also important to address corporate service issues such as the reduction in the time taken to complete recruitment of staff, or the repair of our estate.

An example of an improvement event in 2008/09 was Thornton Ward at St Luke's Hospital, which resulted in a dramatic reduction in the length of time of time that service users need to spend in hospital and a range of additional improvements resulting in 72% reduction in the number of incidents and zero complaints in the last 12 months.

Staff have revolutionised the way they work, including replacing the traditional consultant-led ward round by a multi-disciplinary team review. Everyone's care is reviewed by the team on a daily basis from Monday to Friday, clear discharge plans are put in place within 72 hours. The average length of stay on the ward has reduced from 29 days to 12 days and staff sickness levels on the ward also dropped from 9% to 2%. The new system is now being rolled out in other areas of the trust.

In light of the need to further embed the quality improvement system the trust has identified the following key actions to be undertaken during 2009/10:

- The training of a further 16 staff to be accredited quality improvement leaders by 31 March 2010. This will bring the total number of staff trained to 23, of which 6 (25%) are board members and 17 are senior staff in the organisation. This is critical as the number of trainers is a key constraint in terms of delivering the required improvement events throughout the organisation.
- The training of a further 35 senior staff throughout the trust, including all modern matrons, in the tools and techniques associated with the improvement system.
- Completion of a further 40 planned quality improvement events throughout the year, including a number in priority areas identified by the directors. In addition further

improvement events will be identified throughout the year. This will help us embed the system in two ways; it will drive further improvement in these key areas and it will ensure that more staff become involved in experiencing the use of the tools and the approach we are taking to improving quality.

- Integration of other work streams into the quality improvement system, for example the productive ward work being undertaken and the leading improvement in patient safety work which is planned for 2009/10 (see below).

### **Developmental Areas**

In addition to the key priorities identified above the organisation has identified some other areas that it would like to explore:

- In 2009/10 we are participating in the Leading Improvement in Patient Safety programme as part of the work of the Institute of Innovation and Improvement national programme on patient safety. We are currently the only mental health and learning disability trust to be invited to participate in the programme. This will build on work we have already undertaken with the institute to identify a procedure that helps identify common potential risk and harm issues to our service users as part of planning their care. These procedures are known as 'global trigger tools' and are an innovation in mental health and learning disability care.
- As part of this work we will identify 'breakthrough' target areas of patient care improvement. In addition to the issue of violence and aggression as highlighted above we are also considering the further improvement of the use of our care programme approach as this has been highlighted in a number of our serious untoward incident reviews as an issue. We also want to begin to work with our staff and service users in agreeing the definition and meaning of 'what is harm' in a mental health and learning disability context. This will allow us to do further patient improvement safety work to reduce harm.
- During 2009/10 we want to explore how we can learn lessons and spread the processes adopted in those assessment and treatment wards that have reduced length of stay during 2008/09. This is because we believe that keeping people in hospital longer than necessary is not representative of a quality services. Because it is not appropriate:
  - it is likely to mean that the outcome is not as positive
  - it is unlikely to be a positive experience for the user and
  - it is wasteful in that it is using resources inappropriately and not adding value.
- Finally we want to develop our approach to involving our stakeholders in discussions on the quality of our services now and into the future. This will help us identify what we currently do well (on which we can build) as well as those areas that we need to improve. This may result in additional priorities being added to the current three identified above for 2009/10, and will also help us ensure that we identify those priorities that can make the greatest difference to our customers in the future.

# Monitoring and improving our performance

## Introduction

The trust has a dynamic integrated performance management framework, which is critical to the organisation being able to manage and improve service delivery.

The integrated framework combines the things we must do with locally owned targets and reports on what is important to key groups.

The diagram below sets how this works in an integrated way.



The performance framework is 'balanced' and combines the following areas:

- quality
- activity
- finance
- workforce

National targets will cross over the above areas so are not listed as a separate area.

## Performance management process

Our performance management process consists of:

### Performance measurement

Identifying and agreeing performance indicators and targets which relate to the following and measuring actual performance against these:

- trust strategic objectives
- key performance indicators based on the four domains of quality, national targets, workforce and finance
- Healthcare Commission's Annual Health Check assessment
- Local delivery plan/vital sign targets
- Operational type indicators

### **Performance reporting**

The production of a suite of timely performance reports for all levels of the organisation, which highlight both variances in performance against a set of agreed performance indicators and targets. The reports are provided at the following levels on a monthly basis:

- board of directors
- executive management team
- operational directorate
- ward/team

### **Performance improvement**

Ensuring processes are in place, which provide the board of directors with appropriate assurances on the delivery of its key external and internal performance targets. This is facilitated by a range of forums where performance is reported and discussed resulting in appropriate mitigating action being agreed as necessary. The forums include:

- directorate management team meetings
- performance meeting with chief operating officer, director of planning and performance and director of finance and each directorate team
- executive management team performance meeting
- board of directors



## How we have performed during 2008/2009

### **Healthcare Commission's external assessment of our performance**

The Healthcare Commission (which was replaced on 1/4/09 by the Care Quality Commission) is England's healthcare watchdog and is responsible for assessing and rating every NHS trust to show how it has performed over the last year; this process is known as the 'Annual Health Check'. They also undertake a number of service reviews to look at whether trusts are improving the care and treatment they provide in areas that are a priority for the NHS. The main purpose of these reviews is to provide accountability and assurance to patients and the public that services are of high quality and give value for money. This process includes follow-up reviews, which are part of the ongoing monitoring of services, and are intended to help trusts to improve their services.

### **Annual Health Check**

In October 2008 the trust was awarded a score of excellent for quality of services and a score of good for use of resources in the 2007/2008 Annual Health Check. Quality of services covers a range of areas, including the safety of patients, cleanliness, access to services and ensuring people's individual needs are met. Use of resources looks at how effectively a trust manages its financial resources.

This is the second consecutive year that the trust has maintained these ratings and it has continued to work hard to maintain or improve on this position in 2008/2009 (the scores for 2008/2009 will not be available until October 2009).

### **Acute Inpatient Mental Health Service Review 2006/2007**

*(\*results published summer 2008)*

The Healthcare Commission also undertook a service review looking at hospital services for people with acute mental health problems. The trust achieved a score of 3 (good) in this review. The Healthcare Commission commented that 'performance goes beyond the minimum requirements and the reasonable expectations of patients and the public'.

**"I spoke with two patients who both expressed satisfaction with their care. The quality of rehabilitation and concurrent management of risk are exemplary. It is good to see patients involved in a range of age-appropriate activities on and off the unit."**

**The Mental Health ACT Area Commissioner**

### **Adult Community Mental Health Follow up Service Review 2008/2009**

The Healthcare Commission undertook a follow up to the community services improvement review (originally undertaken during 2006). The follow up review focused on a small set of indicators and we received five high scores, nine average scores and one low score and maintained performance or improved from the original review. In comparison to the overall results the trust performed better than the majority in five indicators, was the same as the majority for six indicators, and performed less well against four indicators.

## **Clinical governance and clinical risk**

A formal committee of the board of directors – the clinical governance and clinical risk committee is responsible for ensuring compliance and year on year development against the Standards for Better Health. In 2008/09 we were able to declare full compliance with all the Standards for Better Health.

### **Membership**

- Non-executive director lead for clinical governance and clinical risk (chairman)
- Director of nursing and governance (deputy chairman)
- Nominated non-executive directors x 2
- Chief operating officer
- Medical director
- Associate director of clinical governance
- Service directors x 3
- Clinical directors (services) x 5
- Clinical director for research and development
- Chief pharmacist

Any non executive director of the trust may attend meetings should they wish and all non executive directors will receive agendas and papers

# Improving the environment

## Building for the future

Our two new multi-million pound hospitals in Middlesbrough and Durham are now well on the way to completion.

Work got underway on Teesside's £74 million state-of-the-art mental health and learning disability facility in 2008. **Roseberry Park** will replace the outdated St Luke's Hospital in March 2010 and will have over 300 beds with a floor area of 26,700 square metres. The accommodation is being built around courtyards with ample gardens and outdoor areas and all the living accommodation will be at ground level.

In Durham the £18 million **Lanchester Road Hospital** will be completed in October 2009 and will replace the County Hospital in Durham and Allensford Ward at the Derwent Clinic in Shotley Bridge. The development will house adult mental health and learning disability services and has been designed to provide a safe, homely and therapeutic environment for service users and staff.

The high standard of the environment of the new hospitals will support excellent clinical care and services in Teesside and Durham are all preparing to move into their new accommodation. Teams are developing new models of care in readiness for the move which will provide a much deserved, high quality environment for service users, staff and visitors.

Both developments are being built under the government's private finance initiative (PFI) scheme. The trust's PFI partners are John Laing (SIL) (Roseberry Park) and Grosvenor House Group (Lanchester Road Hospital).





## Major step forward

Plans to redevelop the Cross Lane Hospital site in Scarborough reached a major milestone at the end of March 2009 when the board of directors approved initial proposals, subject to agreement with North Yorkshire and York Primary Care Trust (PCT) and to planning permission.

The proposed developments include a new specialist unit for older people to replace the outdated Rowan Lea and an extensive refurbishment of the Ayckbourn Unit.

The plans comprise 20 assessment and treatment beds and four specialist day places and will provide older people with a safe and therapeutic environment. Modern, spacious accommodation will enable staff to provide more individualised care for people with different needs such as Alzheimer's or depression.

The board also approved plans to build a new base for the adult and older people's community teams in Malton.

## New premises

Easington child and adolescent mental health services moved into their new premises in June 2008. Following consultation with service users, staff and the board of directors the team moved from their cramped, shared facility into their new improved accommodation. The new facility provides more space for service users and staff, including areas for family and therapy work.

## Top score

The trust was awarded the top score in the health care sector of the award for hospitality assured accreditation for housekeeping and hotel services. This was the 3rd year that the hotel services team had achieved this internationally recognised award.

The trust was also awarded outstanding scores in the Patient Environment Action Team results in 2008 with good and excellent ratings for environment, food and privacy and dignity.

These results were given throughout the trust's hospitals by the National Patient Safety Agency for hospital environment standards.

## National accolade

The trust's estates and facilities team received national recognition in the prestigious Building Better Healthcare awards.

They received the award for best estates strategy and the judges commended them on having a highly developed strategy that supported the trust's plans for the development of clinical services.

## Listening, learning, acting

It is important that we listen to what people have to say about our services, that we learn from what we hear and take action wherever necessary. There are a number of ways in which we do this (see below).

We also receive hundreds of letters of thanks and praise for our services from service users, their carers and families and we have included a selection of their comments in this report.

### Patient advice and liaison service (PALS)

The PALS service has continued to seek the views of patients, carers and relatives about their contact with our services. They have used the freephone number, sent messages via the PALS mobile, sent emails and written letters and between 1 April 2008 and 31 March 2009 we recorded and responded to 816 contacts.

### Formal complaints

In 2008-09 we received 104 formal complaints (an increase of eight complaints compared to 96 received in 2007-08). We agreed 20 time extensions with complainants during the year and responded to 97% of all other written complaints within the Department of Health's timescale of 25 working days.

**“When I first came in I didn't want to stay or accept any help, but I appreciate your perseverance and I am glad that I stayed and accepted the help; I feel that I am now on the road to recovery.”**

**A service user**

In 2008-09 the Healthcare Commission was responsible for operating the independent review part of the NHS Complaints Procedure. We received three new requests for an independent review from the Healthcare Commission. Decisions received on these cases were: one case was upheld with a number of recommendations made; one case was not upheld; and a number of recommendations were made in the remaining case. In line with the transitional arrangements in place to introduce the Department of Health's Making Experiences Count (new statutory complaints process) two cases received by the Healthcare Commission were recently passed to the NHS Ombudsman.

We continue to learn valuable lessons from the complaints we receive and aim to ensure that we use these to improve services. Some of the changes that are being implemented as a result of complaints received include:

- development of a procedure to ensure that an emergency contact person is identified and emergency care plans are developed (older person's mental health services)
- ensuring the monitoring of a new referral system to specialist psychotherapy and psychology in north Durham - the aim is to prevent delays/oversights and to ensure clear, written guidelines are in place for all referrers and users, both internally and externally
- the need for environmental risk assessments to be undertaken on wards with an open door policy to minimise the risk of patients absconding



- a review of the absence without leave (AWOL) procedure to ensure all patients receive a multi-disciplinary team (MDT) review when returning from a period of AWOL and to share decisions relating to risk assessment and risk management with members of the multi-disciplinary team

A new NHS and social care complaints procedure was introduced in April 2009 unifying the complaints system for health and social care, aiming to make it easier for people to complain. The new system will be a two stage complaints system which focuses on local resolution and then, if unresolved, an investigation by the NHS Ombudsman. This will replace the often lengthy and bureaucratic procedures currently in place.

It is hoped that the new arrangements will make the whole experience of making a complaint simpler, more user-friendly and far more responsive to people's needs. It also emphasises that health and social care services should routinely learn from complaints feeding into service improvement.



**Our goal:**

**To recruit, develop and  
retain a skilled and  
motivated workforce**

## Developing and supporting our staff

We aim to be the best employer we can be and to have skilled, motivated staff providing excellent services. Over the last year we have continued to support and develop our staff so that they are able to provide high quality services and we have introduced new ways of working in several services. There are many examples of the work that is ongoing across the trust including:

### Associate practitioner role

Services across the trust have embraced the development of the new associate practitioner role (band 4), which will support services to introduce new models of care. Around 80 members of staff are currently studying for their foundation degree at Teesside University and the first group will have completed their studies by the end of 2009.

This new role provides excellent career development opportunities for support staff and they are currently developing the skills they will need for their new roles. Students spend one day per week at the university and return to their work base for four days to work with a mentor developing their new competences. The foundation degree was established specifically for our trust and we work with colleagues at the university to influence the curriculum development.

### Student scholarships

We have continued to support students to qualify as registered nurses. In 2008 36 students qualified as registered nurses and a further eight started their professional training with the support of the trust's scholarship scheme.

### Developing modern matrons

We have redesigned the role of the matron in line with the Department of Health initiative and developed 28 modern matron posts across all residential services. In May 2008 we ran an innovative three-day induction for modern matrons to establish objectives and a clear definition of their roles. This programme was extended and the matrons meet six times a year with senior nursing staff to further develop their knowledge and skills and share information.

### Supporting our staff

We have continued to support staff to develop themselves and to provide high quality services to the people we serve. There have been many examples of this over the past year including

- a sponsored student nurse who we supported through her pregnancy to qualify as a registered mental health nurse and return to work.
- An occupational therapist who was keen to return to work and continue studying following a serious illness. She was able to do this through the trust's graduated return to work programme.

## Wellbeing retreat

An innovative approach to caring for the wellbeing of our staff was piloted last year. A programme of non-religious retreats was set up and was extremely well received. Staff attending were given the opportunity to take time out to reassess their lives and discover what they really wanted from life and work. The sessions included an introduction to meditation and how to use silence. Feedback was extremely positive and a further four retreats will take place this year.

## Human resource policies

We have a range of policies and procedures which support our commitment to being a good employer and to providing equal opportunities to present and potential employees. We undertook a major review of a number of these policies, which were developed in partnership with staff side representatives from the joint consultative committee (JCC) and with full consultation with staff. Our policies include:

- The recruitment and selection policy, which was revised and updated in 2008/09. This policy aims to ensure full and fair consideration to applications for employment including those made by people with a disability having regard to their aptitudes and abilities.
- The health at work policy, which provides a framework for the management of sickness absence including continuing the employment of, and arranging the appropriate training for, employees who become disabled. It also includes particular guidance on mental wellbeing in the workplace. We held a series of workshops for managers to brief them about the new policy. This policy along with our equality and diversity policy also provide a framework for addressing issues concerning disability. We provide an occupational health service for staff (currently four main providers across the trust). A review of the occupational health service was carried out last year and several changes are due to take effect from January 2010.
- The learning and development policy, which provides guidance about the trust's inclusive approach towards ensuring all employees, including employees with a disability, have access to appropriate training, career development and promotion.

## Health, safety and security

Throughout the year we have continued to ensure that staff receive advice, support and training on health, safety and security issues. Last year we developed a new health, safety and security e-learning package for staff and several policies have been updated or developed. The health, safety and security workbook remains key to ensuring duty of care at ward and departmental levels. We have also developed new web pages on inTouch and held roadshows in seven of our main sites providing staff with information and advice.

**"I wish to express my gratitude to the team for the support I received during the five months I spent with them. I feel it is very important to witness such a high standard of care delivery as a student and feel that this experience has been invaluable in developing the confidence and skills needed for my future as a mental health nurse."**

**A student nurse**

## Communicating and engaging with staff

Ensuring staff are informed and engaged with what is going on within the trust is vital to the success of the organisation. Over the last year we have continued to strengthen existing communication mechanisms, such as the bi-monthly magazine (Insight), which is distributed widely across the trust and the monthly team briefing system, which aims to ensure that all staff have the opportunity to discuss and feed back on trust wide and local issues.

We have also developed new ways of engaging and communicating with staff such as the trust's new staff intranet, known as 'inTouch', which was launched in June 2008. This new system is already a vital tool for communicating with and between our 200 networked sites and 5,000 staff. We have also introduced a new weekly e-bulletin for staff to update them about what's going on across the trust.

We have an ongoing programme of visits by members of the board of directors to premises and teams. This gives staff the opportunity to share success stories and issues facing their services with directors.

It is also important that we consult with staff and their representatives about proposed changes or developments that are likely to affect them and we do this in a number of ways:

- we have monthly meetings with staff side representatives at the joint consultative committee (JCC) and these include a standard item on organisational change plans and developments
- we have recently agreed a revised consultation process as part of updating our partnership agreement with staff representatives
- there are eight staff governors on our council of governors who provide a link between staff members and the trust management
- managers planning service changes or re-organisations attend the JCC to present their proposals as part of a regular consultation process with staff representatives
- monthly JCC meetings also provide an opportunity for consultation and decision making about a wide range of other employment issues that may impact upon trust employees such as policy development, implementation and awareness raising
- a trust wide organisational change policy was introduced last year, following consultation, to support the implementation of our business plans - we held over 30 awareness raising sessions for managers and their staff throughout the trust

There are also many examples of services consulting and engaging with staff throughout this report, for instance the changes to challenging behaviour services for older people in County Durham (see page 62), the new hospital developments in Durham and Middlesbrough (see page 48), RPIWs (see page 28).

Managers use various ways of involving staff in developing services as well as planning and implementing changes that will impact on them. These include away days, team meetings and individual meetings.



## Staff survey

The results of the 2008 national NHS staff survey were announced by the Healthcare Commission at the end of March 2009. They placed our trust in the top 20% of mental health and learning disability trusts in the country in eleven key areas, including training and development. The trust was not in the bottom 20% in any of the key areas.

This was our first staff survey since becoming a foundation trust and the positive responses are reassuring. We will now use the feedback to focus on areas where we still need to improve.

## Valuing our staff

The trust ran its second annual awards programme in 2008 to recognise staff for their achievements and commitment. A record 180 nominations were received for the Making a Difference Awards and the finalists were invited to a special awards evening in January 2009.





**Our goal:**

**To have effective  
partnerships with local,  
national and international  
organisations for the  
benefit of our  
communities**

## Building strong relationships

It is important that we build strong relationships with our key stakeholders including the organisations who commission our services, those we work with to provide services and the people who use our services.

Our aim is to build and sustain good relationships with our key stakeholders and work with them to understand and reconcile their needs and those of the trust. To support this we have developed a stakeholder engagement plan and nominated key relationship managers to link with our key stakeholders at a strategic level, providing a clear point of contact within the trust.

We also have 17 appointed governors on our council of governors (see page 67). This is helping us develop alliances and partnerships to promote better understanding between our services and facilitates closer working across the whole health economy.

**“This is the most comprehensive piece of work ever done with this client and it is so important in helping others to understand him. I have never felt compelled to write a letter of gratitude to anyone in all of the twenty five years I have worked within this sector. Thank you for your exceptional skills and hard work.”**

Manager of a clients care home

## Working with our partners

Throughout the year we have continued to work with our partners to develop services and introduce new initiatives. Some examples of this work include:

### Armed forces contract

We were one of seven NHS trusts across the country to be awarded the contract to provide inpatient mental healthcare to the serving armed forces by the Ministry of Defence.

The development of a network of hospitals to provide care across the country in this way was a first for the NHS and a great opportunity for the trust to play its part in ensuring that armed forces personnel get the care and support they need.

South Staffordshire and Shropshire Healthcare NHS Foundation Trust are the lead trust in the partnership.

## **New homes**

A number of people with learning disabilities and specialist health needs were able to move from hospital style accommodation into their own homes last year.

The new accommodation was designed around individuals' needs and each person has his/her own tenancy and individual support package. The trust's in-reach team provides specialist health support.

The accommodation and support, which was commissioned by the North Tees PCT is a joint initiative between Tees Rivers Housing Association, Stockton PCT, Stockton Borough Council, Creative Support and the trust.

## **New community alcohol service for Darlington**

Darlington launched its new alcohol strategy in September 2008 and a key objective was the organisation of a new community alcohol service.

This unique service is multi-agency and includes staff from adult services within the trust and North East Council on Addictions (NECA). This team works with housing agencies, probation service, Citizens Advice Bureau and accident and emergency departments. The service offers tier three intervention including: assessment, treatment, relapse prevention and aftercare. Family support is also offered focusing on the hidden harm agenda, and the team work closely with young people's drug and alcohol services.

## **Prison healthcare**

The forensic mental health service has continued to provide specialist input into the prisons in Durham and Holme House prison in Stockton, including psychiatry, community psychiatric nursing and nurse consultant sessions.

A senior forensic mental health nurse is also working as a gateway practitioner within Durham Prison, supporting the internal mental health team, to provide specialist assessment and interventions.

The trust is also taking part in a national pilot - the Primrose Programme – at Low Newton. This is being developed to provide therapeutic interventions to women prisoners who meet the dangerous and severe personality disorder criteria. The programme is unique in that it incorporates good practice principles from health and prison services.

## **Patient and public involvement**

It is important that we involve service users, their carers and the wider community in our work. We want to make sure that local people have the opportunity to give us their views and we have continued to promote and strengthen patient and public involvement.

One example of good practice was the essence of care conference organised with the learning disability service user reference group. This was an excellent event, which included a play by a theatre group of people with learning disabilities. The audience was given an insight into the past, present and dreams for the future of people with learning disabilities.

We also held two successful carers events this year, giving carers and agencies that support them an opportunity to have their say and to give us feedback on trust issues.

Service users and carers have continued to have an influence on how we develop and improve our services and there are representatives on a number of groups. For instance:

- The Mental Health Act and CPA implementation board has a specific service user reference group which feeds into the agenda every month.
- The Mental Health Act committee has service user and carer input, including a pre-meeting briefing.
- The clinical governance and clinical risk and infection prevention and control committees have established groups to ensure involvement in these important programmes of work.
- The patient environment action teams that inspect the cleanliness of the wards includes service users representatives - feedback from their participation is excellent.
- The acute care forum – an excellent example of collaborative work was the leave planning project in North Tees, which was established to examine ways of improving the home leave experience for both service users and carers. A new protocol for planned leave from inpatient areas was devised and is now working successfully. This work is now being shared across the trust.
- The Accreditation for Inpatient Mental Health Services (AIMS) assessment groups in adult mental health services and the QUINC assessment in child and adolescent mental health services tier 3 and 4
- The planning and design groups for Roseberry Park Hospital and Lanchester Road Hospital.

## Consulting with local people

Throughout the year we have continued to work closely with colleagues in the overview and scrutiny committees (OSCs) of our local authorities and have now identified a lead director for each committee. We also work closely with the primary care trust links to the OSCs.

### **Consultation on proposals for mental health services for older people**

In June 2008 the trust launched a 14-week public consultation on proposals for long term continuing care and services for people with more complex challenging behaviour problems. We distributed 5,000 leaflets to local people and organisations (this included our members in County Durham). We also held five public meetings and several meetings with carers and staff.

At the end of the consultation the board of directors fully considered the resulting report. They approved proposals to strengthen community services to support more people at home or in nursing and residential homes enabling us to close two of the four wards providing inpatient services.

## Research and development

The past year has seen major expansion in the trust's research and development activity, both in its partnership with Durham University, and its growing externally-funded work with NHS Research Networks.

The trust's Mental Health Research centre launch event was held in June 2008 at Durham University's Queen's Campus in Stockton on Tees, and was attended by 120 people, including clinicians, researchers, service users and carers. A highlight was a presentation by Tony Jones, telling the story of his own research involvement as a service user.

The centre is developing programmes of research into drug safety and adolescent severe mental illness, and also hosts an office for the Mental Health Research Network (MHRN) North East. The centre will grow by winning funds for research, and scored an early success in gaining a Higher Education Funding Council for England (HEFCE) Clinical Senior Lecturer Award for Dr Paul Tiffin, one of our CAMHS consultants working at West Lane Hospital in Middlesbrough. This £250,000 grant will support Dr Tiffin's development as a clinical academic over the next five years, and is the first award of its kind to the new generation of medical schools. The centre's clear commitment to multidisciplinary research in mental health was demonstrated by the appointments of Alison Brabban, consultant clinical psychologist as honorary senior lecturer and Dave Ekers, nurse consultant as honorary clinical lecturer.

The trust has become a full and active partner in a range of NHS research networks, including MHRN North East, the Dementia and Neurodegenerative Diseases Network (DeNDRoN) and the County Durham and Tees Valley Comprehensive Local Research Network (CLRN). Significant external support funding has been gained for its involvement in multicentre studies which address key priorities for the NHS.

Over 230 service users took part in research network studies during the year. The VIEWPOINT study of stigma and discrimination in mental health was successful in recruiting a large number of participants from community mental health teams across Durham and Teesside, with the help of team managers, care coordinators and the clinical support team in Durham. The RIOTT (Randomised Intravenous Opioid Treatment Trial) study achieved its target of 45 participants in Darlington, one of only three sites across the country for this key trial which will influence national drug treatment policy. We keenly await the results of both studies in the knowledge that the trust's users, carers and staff have made a crucial contribution to gaining new knowledge for the benefit of the whole NHS.

With the support of County Durham and Tees Valley CLRN, the trust's research and development office has implemented the research passports scheme to ease access for external researchers, and met the requirements of the coordinated system for permissions, the new national process for research and development approval of externally-funded projects.

We look forward to even greater research participation and involvement in the coming year.





**Our goal:**

**To be an excellent and well governed foundation trust that makes best use of its resources for the benefit of our communities**

# Governance

## Governance arrangements

Our governance arrangements are led by the chairman of the trust being both the chairman of our board of directors and council of governors.

Our council of governors contributes to the development of the trust by representing the views of our members and the wider community and ensures that we comply with the terms of our authorisation.

Our council of governors has the following specific roles:

- to develop our membership and represent their interests
- to assist with the development of the trust's strategy
- to provide its views on any matter when consulted by the board of directors
- to appoint or remove the chairman and the non-executive directors
- to determine the remuneration and allowances, and the other terms and conditions of office, of the chairman and non-executive directors
- to approve the appointment of the chief executive
- to consider the annual accounts and annual report
- to appoint or remove the trust's external auditor

A number of committees including the nomination and remuneration committee support this work (see page 97).

Our board of directors provides overall leadership and vision to the trust and is ultimately and collectively responsible for all aspects of performance, including clinical and service quality, financial performance and governance.

Our board of directors has retained certain decisions to itself including the definition of the trust's strategic goals and objectives, the approval of the annual plan (following consultation with our council of governors); the acquisition, disposal or change of use of land or buildings with a value in excess of £500,000; and the introduction or discontinuance of any significant activity or operation. Further details are provided in the "Scheme of decisions reserved to the board" which is available on our website as part of the constitution.

Any powers which the board has not reserved to itself or delegated to sub-committees are exercised on behalf of the board by our chief executive.

Under the leadership of our chief executive, the executive management team (which comprises the executive, corporate and service directors) is accountable for the ratification of trust-wide policies for implementation and for ensuring:

- performance against our objectives and key targets is reviewed
- the effective operation of our integrated assurance systems and
- the provision of appropriate and accurate information to our board of directors.

## The Council of Governors

Our council of governors comprises:

- 28 governors elected by the public members of the following constituencies:
  - Darlington (two governors)
  - Durham (ten governors)
  - Hartlepool (two governors)
  - Middlesbrough (three governors)
  - North East Yorkshire (four governors)
  - Redcar & Cleveland (three governors)
  - Stockton (four governors)
- Eight governors elected by staff members, one for each of the following classes:
  - adult services
  - allied health professionals
  - children and young people's services, older people's mental health services, substance misuse and North East Yorkshire
  - corporate
  - learning disability and forensic directorate
  - nursing
  - medical
  - psychology
- 17 Governors appointed by the following stakeholder and partner organisations :
  - County Durham Primary Care Trust, Darlington Primary Care Trust (one governor)
  - Middlesbrough Primary Care Trust, Redcar and Cleveland Primary Care Trust, Hartlepool Primary Care Trust, Stockton-on-Tees Teaching Primary Care Trust (one governor)
  - North Yorkshire and York Primary Care Trust (one governor)
  - North East Mental Health and Learning Disability Commissioning Directorate (one governor)
  - Durham County Council (one governor)
  - Darlington Borough Council (one governor)
  - Hartlepool Borough Council (one governor)
  - Stockton-on-Tees Borough Council (one governor)
  - Middlesbrough Borough Council (one governor)
  - Redcar & Cleveland Borough Council (one governor)
  - North Yorkshire County Council (one governor)
  - University of Teesside (one governor)
  - Durham University (one governor)
  - North Tees and Hartlepool NHS Foundation Trust, South Tees Hospitals NHS Trust, County Durham and Darlington NHS Foundation Trust, Scarborough and North East Yorkshire Healthcare NHS Trust (one governor)
  - North East Prisons Directorate (one governor)
  - Voluntary Organisations Network North East and Ryedale Voluntary Action (two governors)

Our council of governors meets approximately four times a year. Since its establishment it has:

- held AGMs/constituency meetings in each of the trust's public constituencies; sought members' views on how the trust should improve the experience of users of our services and their carers, improve membership engagement and promote social inclusion
- established four sub-committees in order to take forward the views expressed at the AGMs/constituency meetings
- established a nomination and remuneration committee
- assisted with the development of the trust's strategic goals and objectives and the annual plan
- ratified the appointment of the initial chairman and non-executive directors of the trust
- appointed two new non-executive directors to increase commercial knowledge, skills and experience on the board of directors
- approved the remuneration of the chairman and non-executive directors
- reviewed the trust's constitution
- undertaken extensive training and development covering: its role, the structure of the trust and its services, the trust's finances, performance management, constitutional and risk management arrangements.

Details of the membership of the council of governors for the period 1 July 2008 to 31 March 2009 is set out on page 95.

## Membership

Membership is important in helping to make us more accountable to the people we serve, to raise awareness of mental health and learning disability issues and assists us to work in partnership with our local communities.

### Public Membership

Anyone (unless eligible to join the staff constituency) aged 14 or over who lives in the area covered by the public constituencies may become a public member of the trust.

As at 31 March 2009 we had the following public Members:

	Actual (31/03/09)
<b>Public Constituencies Total</b>	<b>4255</b>
Darlington	434
Durham	1031
Hartlepool	658
Middlesbrough	796
North East Yorkshire	174
Redcar & Cleveland	350
Stockton	812

At present our public membership is broadly representative in terms of age, gender and ethnicity.

We aim to have a growing, engaged and representative membership and we will be seeking to recruit an additional 1000 Members each year. If you would like to become a member please contact the trust's secretary's team on 01325 552314, email [ft.membership@tevv.nhs.uk](mailto:ft.membership@tevv.nhs.uk) or visit our website [www.tevv.nhs.uk](http://www.tevv.nhs.uk).

### Staff Membership

All staff employed by the trust (including those on a temporary or fixed term contract of 12 months or more) are eligible to become members of the staff constituency.

Members of staff are opted in upon commencement of employment and given the choice to opt out of membership in writing.

Our staff membership as at 31 March 2009 was as follows:

	Actual (31/03/09)
<b>Staff Constituencies Total</b>	<b>4762</b>
Corporate	893
Nursing	1603
Learning Disability and Forensic Services	602
Psychology	129
Medical	177
Adult Mental Health	573
Allied Health Professionals	164
MHSOP, CYP, NEY *	621

*\*mental health services for older people, children and young people's services, North East Yorkshire*

Our membership strategy, adopted prior to authorisation set out the following steps to recruit a representative membership:

- full and summary versions of the consultation documentation produced
- inserts in all council magazines
- the production of display stands for use on public venues
- development of a website
- radio advertising campaign
- presentations to a wide range of internal staff groups
- presentations to a wide range of community groups
- investment in a contact management database
- commissioning of the Electoral Reform Society to organise our council of governors elections
- attendance at over 30 events and shows
- attendance at university refresher events



- attendance at local shopping malls and supermarkets
- development of an anti-stigma campaign to support the development of the membership
- presentations to all overview and scrutiny groups

Since authorisation, our council of governors, through the membership committee has taken over responsibility for developing, implementing and monitoring the membership strategy.

The strategy has been refreshed and the following actions will be undertaken:

- build on existing links with stakeholders to promote membership
- direct targeting of key groups (eg members of community and support groups, members of voluntary organisations, carers, young people etc)
- improve information on our website
- attendance at public events
- more prominent visibility in our premises
- development of a presentation pack
- recruiting people who have a direct interest in the services we provide, for example users of our services and their carers

## The board of directors

Our board of directors comprises:

- a non-executive chairman
- seven non-executive directors
- five executive directors

In accordance with the constitution the executive directors must include the chief executive (as the accounting officer), the finance director, a registered medical practitioner and a registered nurse.

The trust's three corporate directors (directors of human resources, performance and planning, estates and facilities) also attend board meetings in a non-voting capacity.

All members of the board are equally responsible for scrutinising the performance of the trust's executive management team in meeting agreed goals and objectives and, in doing so, satisfying themselves as to the integrity of financial, clinical and other information and that financial and clinical quality controls and systems of risk management are robust and defensible. However the non-executive directors have a special responsibility to ensure that scrutiny takes place.

The board considers that the chairman and all the non-executive directors are independent in accordance with the criteria set out in the foundation trust code of governance. The board has also agreed a clear division of responsibilities between the chairman and the chief executive which ensures a balance of power and authority such that no one individual has unfettered powers of decision.

The board reviewed the balance, completeness and appropriateness of its membership prior to authorisation as a foundation trust. In recognition of the need to increase commercial experience and expertise on the board two new non-executive directors (Mr Jim Tucker and Mr Graham Neave) were appointed by the council of governors with effect from 1 September 2008.

Since the 1 July 2008 there have also been changes to executive director portfolios which were re-aligned following the retirement of the director of nursing, psychology and allied health professionals (31/8/08) and the appointment of the new director of nursing and governance (1/2/09)

The chairman has no other significant commitments than shown overleaf.



Left to right: Chris Fisher, Douglas Taylor, Jim Tucker, Graham Neave, Colin Martin, Martin Barkley, Mike Newell, Jo Turnbull, John Robinson, Chris Stanbury, Les Morgan, Chris Parsons, David Levy, Sharon Pickering, Paul Briggs and Andrew Lombard

## Members of the board (as at 31/3/09)

### **Mrs Jo Turnbull**, *chairman*

Jo is a former chairman of County Durham and Darlington Priority Services NHS Trust and a former non-executive director of County Durham and Darlington Health Authority. She is a non-practicing solicitor and a Justice of the Peace.

**Qualifications:** LI B Newcastle University

**Term of office:** April 2006 – 31 March 2010

### **Mr John Robinson**, *deputy chairman and chairman of the clinical governance and clinical risk committee*

John is a former non-executive director for County Durham and Darlington Priority Services NHS Trust. A former head of nursing in Hartlepool, he is now a councillor for Durham County Council, a Justice of The Peace for south Durham, director of County Durham Area Tourism Partnership and member of Durham and Darlington Fire Authority.

**Qualifications:** RMN and RGN, CPN Certificate, Further Education Teaching Certificate, Diploma in Management Studies

**Term of office:** July 2006 – 30 June 2010

### **Mr Andrew Lombard**, *non-executive director and senior independent director*

Andrew is a former non-executive director for Tees and North East Yorkshire NHS Trust. He was previously head of information and communications technology with Cleveland Police and was for many years chairman of a charity for people with learning disabilities.

**Qualifications:** HNC maths, stats, computing and a post graduate diploma in numerical analysis

**Term of office:** July 2006 – 30 June 2010



**Mr Douglas Taylor**, *non-executive director and chairman of the audit committee*

Douglas is a former director of finance in a development corporation and a major NHS teaching hospital trust. He was also most recently chief executive of a Newcastle based regional housing association and is a consultant to the housing sector.

**Qualifications:** Qualified accountant, CIPFA

**Term of office:** March 2008 to 28 February 2011

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**Mr Paul Briggs**, *non-executive director and chairman of the investment committee*

Paul was previously a managing director of a number of North East companies with 20 years main board experience. He was previously chair of the regional CBI, vice-chair of the Regional Assembly and is currently a member of the ANEC North East Planning Board. Paul is a former non-executive director of Durham and Chester-le-Street Primary Care Trust and currently an appointed governor of the Newcastle-upon-Tyne Hospitals NHS Foundation Trust.

**Qualifications:** MA Economics / Law

**Term of office:** July 2006 to 30 June 2010

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**Mr Mike Newell**, *OBE, non-executive director*

Mike is a former governor of Durham Prison and former president of the Prison Governors Association. He is an executive advisor to the board of an educational charity and research consultant with Kings College.

**Qualifications:** BA Engineering, post graduate diploma in management studies

**Term of office:** July 2006 to 30 June 2010

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**Mr Graham Neave**, *non-executive director*

Graham has worked for Northumbrian Water since graduating from Sheffield University. He currently holds the position of operations director and is a Northumbrian Water Limited executive director with overall responsibility for the customer, technical and operations directorates.

**Qualifications:** B.Eng Civil and Structural Engineering, MBA, C Eng.

**Term of office:** September 2008 to 31 August 2011

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**Mr Jim Tucker**, *non-executive director*

Jim is a former operations director and general manager with Nike. He spent over 20 years working for Nike in a number of roles and most recently as general manager for the developing markets in Eastern Europe, Middle East and Africa.

**Qualifications:** BSc Chemical Engineering

**Term of Office:** September 2008 to 31 August 2012

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**Mr Martin Barkley**, *chief executive*

Martin joined the NHS in 1972 as a trainee hospital administrator and has been a senior manager in mental health and learning disability services since 1986. He has served as chief executive at three trusts since 1996 (East Surrey, Nottingham and Hampshire) before joining this trust in April 2008.

**Qualifications:** Dip IHM, DMS, MBA (Henley/Brunel)

**Appointed:** April 2008

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**Dr Chris Fisher**, *medical director*

Chris was previously the medical director for County Durham and Darlington Priority Services NHS Trust. He took up his first consultant post in 1987 and has held various management roles since 1988. He is chair of the Northern and Yorkshire Division of the Royal College of Psychiatrists and a member of the College Central Executive Committee.

**Qualifications:** MBBS, B.Med.Sci, FRCPsych., BAMB Fellow (Fit to Lead)

**Appointed:** April 2006

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**Mr Colin Martin**, *director of finance*

Colin has worked in local government and the NHS and was previously the director of finance for Tees and North East Yorkshire NHS Trust. He is a member of the Department of Health expert working group for the development of PBR for mental health services, a member of the national costing development group and the HFMA mental health special interest group.

**Qualifications:** Qualified accountant, FCCA

**Appointed:** April 2006

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**Mr Les Morgan**, *chief operating officer*

Les is a qualified registered mental health nurse who moved into general management in 1990. He has held director of nursing posts in North Tyneside Healthcare NHS Trust and Northumbrian Healthcare, where he was also deputy chief executive. Most recently he was director of service delivery and nursing at Bradford District Care Trust.

**Qualifications:** Enrolled nurse (MH), registered mental health nurse (RMN), Diploma in Management Studies

**Appointed:** September 2006

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**Mrs Chris Stanbury**, *director of nursing and governance*

Chris joined the NHS in 1981 as a psychology graduate and registered as an RMN in 1985. She has held a variety of both clinical and educational roles, gaining further registration in both psychotherapy and as a nurse tutor together with a masters degree in education. She was deputy director of nursing in mental health and learning disabilities at County Durham and Darlington Priority Services NHS Trust.

**Qualifications:** BSc, RMN, MEd, PG Dip Pysch

**Appointed:** February 2009 (acting director of nursing, psychology and AHPs 1 August 2008 – 31 January 2009).

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The board of directors is accountable to the council of governors for its performance. Additional information on the board and its committees (audit and remuneration) is available on page 100.

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## Risks and uncertainties

The board will continue to focus on assurance and risk management systems as these are recognised as being fundamental to the achievement of our strategic direction.

The principal risks and uncertainties to achieving the trust's objectives are set out below.

It is recognised that the nature and scope of risks can change and the board, in accordance with the integrated governance strategy, undertakes regular reviews of the risks facing the trust including key controls to manage and mitigate those risks identified and the assurances that the controls are effective.

The statement on internal control describes the systems and processes through which risks are identified, managed and mitigated. This can be found on page 81.

## Strategy

We have recognised the changing environment and the changing needs of our stakeholders through the adoption of our revised strategic direction.

The annual plan which supports the achievement of the strategic direction is designed to be challenging and will require the embedding of the TEVV Quality Improvement System and the full implementation of our workforce and information strategies.

## Financial

The trust is in a strong financial position, however we expect the fiscal position to tighten due to the projected constraints on public sector expenditure. Financial risks have also been identified with regard to the proposed introduction of "payment by results" and the lack of recognised contract currencies.

The need to reduce costs and increase productivity are recognised and will be addressed through the updating of our integrated business plan and long term financial model.

## Information challenges

Providing excellent quality healthcare, which meets the requirements of our commissioners in the current challenging economic conditions requires robust and integrated clinical and business information systems.

A new electronic service user based record system (PARIS) was introduced during 2008/09. We recognise that further work is required to refine the system, continue training and put in place the infrastructure to ensure it operates effectively. The board has recently approved a multi-million pound business case to invest in procuring a significantly enhanced voice and data network.

## Governance and regulatory

The nature of the services we provide exposes us to wide-ranging and complex legal and regulatory risks.

Further development of our governance arrangements is required if we are to maximise the benefits of foundation trust status.

The board will continue to strengthen our risk management and assurance systems, particularly in the light of recent foundation trust failures.

At present there are also regulatory uncertainties following the recent creation of the Care Quality Commission and changes to national targets and core standards are awaited.

## Serious untoward incidents involving data loss or confidentiality breach

During 2008/09 we reported one serious untoward incident (SUI) involving data loss or confidentiality breach (see page 34 for more detail).

### Summary of personal data related incidents 1 July 08 - 31 March 09

Category	Nature of Incident	Total
i	Loss of inadequately protected equipment, devices or paper documents from secured NHS premises	4
ii	Loss of inadequately protected electronic equipment devices or paper documents from outside secured NHS premises	1
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
iv	Unauthorised disclosure	4
v	Other *	2

\* includes items such as access control problems, passwords violations

## Preparing for emergencies

We have put a considerable amount of planning and training into reviewing, drafting and testing our emergency preparedness and resilience to withstand both internal and external threats to our operations.

Following the merger in 2006, plans were brought together in 2007/08 to ensure that we had robust tested plans to meet emergency situations and to manage our responses in support of primary care and acute care services.

During 2008/09 we further developed this work to prepare specific plans to meet the increased level of threat from a world-wide pandemic influenza outbreak. This work also contributed to our business continuity plans, which are now being cascaded throughout both clinical and support services to ensure that we are able to 'stand alone' for up to 5 days in the event of a threat to one or all of our services (flood, fire, utility failure and fuel shortages being just a few of the scenarios considered).

Learning from the experience of other NHS organisations locally has been essential to the development of our plans and we will continue to test and maintain them to minimise disruption to services, patients and staff when an incident takes place.



## Caring for the environment

We are committed to being an environmentally friendly and socially responsible organisation and recognise that some of our activities can have a significant impact on the environment. It is important that these activities are managed effectively to minimise the impact and to ensure that we comply with, or exceed, relevant statutory requirements and we have started to implement an environmental management system (EMS).

Over the last year we have introduced a number of initiatives:

- **Carbon reduction initiative** - as part of our on-going carbon reduction initiative we have recently completed an ambitious £1.3m carbon reduction initiative via the Department of Health Central Energy & Sustainability Fund. The project involved the replacement of inefficient heating boilers and plant equipment with a combination of biomass and high efficiency gas boilers, linked with the latest technology in energy controls.
- **Introduction of portable compactors for segregation and subsequent recycling of cardboard** – to comply with current environmental legislation and contribute to delivering our sustainable environmental problem.
- **Adoption by Wincanton Recycling as a “Best Practice” case study for Waste Electrical and Electronic Equipment (WEEE) recycling** – our response to the new legislation was to develop a dedicated strategy for the collection, storage and recycling of WEEE, working in partnership with Wincanton Recycling. This was adopted as a “Best Practice” case study for the recycling of WEEE by Wincanton Recycling.
- **Partnership activity with the County Durham Procurement Consortium** - to ensure that products/services procured are compliant with legislation, consistent with efforts to improve environmental management performance, help achieve cost reductions.

We have also undertaken work to develop a strategy of corporate social responsibility (CSR) looking at:

- environmental issues
- economic performance (overlaps with quality issues)
- social issues (overlaps with occupational health and safety)

Activities being covered by this strategy include local procurement, carbon reduction and waste minimisation, travel and transport, partnership activities, workforce development, engagement with patients on environmental issues and health education.

# Finance

## Statement of the chief executive's responsibilities as the accounting officer.

The National Health Service Act 2006 states that the chief executive is the accounting officer of the NHS Foundation Trust.

The relevant responsibilities of accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the Accounting Officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

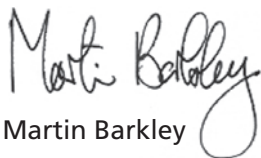
Under the National Health Service Act 2006, Monitor has directed the Tees, Esk and Wear Valleys NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give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

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

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

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

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



**Martin Barkley**  
*Chief Executive*

Date: 4 June 2009

## Responsibilities in respect of the accounts

The directors are required under the National Health Service Act 2006, and as directed by Monitor to prepare accounts for each financial year.

Monitor, with the approval of HM Treasury, directs that these accounts shall show, and give a true and fair view of the NHS foundation trust's gains and losses, cash flow and financial state at the end of the financial year. Monitor further directs that the accounts shall meet the accounting requirements of the NHS Foundation Trust Financial Reporting Manual that is in force for the relevant financial year, which shall be agreed with HM Treasury.

In preparing these accounts, the directors are required to:

- apply on a consistent basis, for all items considered material in relation to the accounts, accounting policies contained in the NHS Foundation Trust Financial Reporting Manual issued by Monitor
- make judgements and estimates which are reasonable and prudent; and ensure the application of all relevant accounting standards, and adherence to UK generally accepted accounting practice for companies, to the extent that they are meaningful and appropriate to the NHS, subject to any material departures being 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. This is to ensure proper financial procedures are followed, and that accounting records are maintained in a form suited to the requirements of effective management, as well as in the form prescribed for the published accounts.

The directors are also responsible for safeguarding all the assets of the trust, including 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 requirement in preparing the Accounts.



**Jo Turnbull**

*Chairman*

On behalf of the Board of Directors



## Statement on Internal Control 2008-09

### **Scope of responsibility**

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

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Tees, Esk and Wear Valleys NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Tees, Esk and Wear Valleys NHS Foundation Trust for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

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

### **Capacity to handle risk**

The chief executive is the trust's accounting officer responsible for ensuring that the principles of risk management are embedded throughout the organisation.

The trust's clinical governance and clinical risk committee (a sub-committee of the board) had delegated authority to oversee and manage the risk management programme as it relates to clinical risk. The audit committee has delegated authority to oversee and manage the risk management programme as it relates to non-clinical risk.

Guidance and training in the risk assessment process is aimed at all levels of staff. This is achieved through the inclusion of risk assessment techniques and processes in the trust mandatory training programme.

### **The risk and control framework**

The trust's risk management strategy contained in the integrated governance strategy is subject to regular review.

Key elements of the risk management strategy are:

- to provide clear management structures and responsibilities throughout the organisation leading to the board of directors
- lead executive responsibility for each risk
- to outline the trust's approach to risk management and identifying risks
- to outline and implement a system for assessing risk
- to select the approach for dealing with the risk
- monitoring and reporting of risk
- use of an integrated risk register for prioritising and reviewing risks
- decision making on acceptability of risk
- training and awareness of risk management
- assurance framework mapping objectives to risks, controls and assurances

Risk is identified using a number of mechanisms including; external assessments such as CNST and Healthcare Commission, complaints management, litigation, staff surveys, task groups, clinical audit and internal and external audit.

Risk management can be demonstrated to be embedded in the trust by;

- clear structures and responsibilities with clear reporting arrangements to board of directors
- a system for risk assessment in place to identify and minimise risk as appropriate
- consideration of acceptability of risk
- development of risk registers at strategic and local level
- awareness training for all staff

Public stakeholders are also involved in managing risks which impact upon the organisation in a variety of ways:

- foundation trust membership and council of governors
- patient satisfaction surveys
- complaints, claims and patient advice and liaison(PALS) concerns
- the trust involves patients and the public in the development of services
- the trust maintains close links with social services departments to ensure the delivery of integrated care and treatment

The trust has been formally assessed against standards prescribed by NHSLA Level 1. In addition an assurance framework was in place at 31 March 2009 and remains in place up to the date of approval of the annual report and accounts. Principal risks to the trust meeting its principal objectives have been identified within the framework together with the key controls in place to manage these risks. The trust had no significant gaps in control identified during the year but has recognised that there were gaps in processes in managing some risks. These included the development of a robust workforce performance management framework, the further development of the trust's IT systems necessary to support the implementation of a single electronic care record, the lack of agreed currencies, quality and outcome measures for the trust's patient care contracts and business continuity planning. In all cases plans are in place to mitigate this situation and to ensure that these gaps are removed as soon as is practicable. This process is managed by the board of directors' sub committees and reported



to the board. The trust has identified that it needs to improve the level of reliance it can place on assurances it gains that controls are operating effectively. This will be achieved by an increasing reliance on validated third party assurances through the development of a system which records and validates the form and frequency of assurances received. This system will allow the trust to assess the level of assurance that can be taken and what actions are necessary to improve the benefit of all third party assurances. This will ensure that governance processes continue to become more dynamic in the pursuit of effectiveness and efficiency.

The trust has confirmed its compliance with the requirements of the Department of Health Information Governance Assurance Programme. The trust has achieved a green rating in the information governance toolkit and this position was confirmed by a review undertaken by internal audit. The director of nursing and governance is the senior information risk owner at board level.

In the trust's Standards for Better Health declaration the board has declared that there was evidence of an in-year lapse for part of one standard (C9). This was in relation to the loss of a mobile storage device containing personal identifiable information from 8/9/08 to 17/9/08. A full investigation in line with the trust's serious untoward incident policy was initiated and a report including an action plan was presented to the board of directors in January 2009. The implementation of the action plan has provided the board of directors with the assurance that compliance with standard C9 was achieved prior to 31 March 2009.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

### **Review of economy, efficiency and effectiveness of the use of resources**

The trust has agreed a process to ensure that resources are used economically, efficiently and effectively that involves:

- agreeing a rolling 3 year annual financial strategy and plan
- a rigorous process of setting annual budgets and a granular cost improvement programme
- annual review of standing financial instructions and schemes of delegation
- the formalisation of a treasury management policy
- robust performance management arrangements
- a programme of supporting directorates to better understand and manage their relative profitability
- breaking the trusts overall reference cost indicator down to specialty/directorate
- leveraging efficiencies through internal and collaborative procurement initiatives
- using benchmarking and nationally published performance metrics to inform plans for improved bed and community service efficiency
- rationalising the estate
- improving workforce productivity
- benchmarking management costs
- commissioning external consultancy where the Trust believes economy and efficiency can be improved

The board plays an active role by:

- determining the level of financial performance it requires and the consequent implications
- reviewing in detail each month financial performance, financial risk and delivery against the granular CIP
- agreeing the IBP and Board Memorandum submitted to Monitor as part of the foundation trust application process
- considering plans for all major capital investment and disinvestment

The trust audit committee has a key role on behalf of the board in reviewing the effectiveness of our use of resources. The trust has also gained assurance from:

- internal audit reports, including review of CIP
- external audit reports on specific areas of interest
- Healthcare Commission annual health check

### **Review of effectiveness**

As accounting officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of the review of the

effectiveness of the system of internal control by the board of directors, audit committee, clinical governance and clinical risk committee and mental health act committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

My review is also informed by:

- The Healthcare Commission
- NHSLA Clinical Negligence Scheme for Trusts (CNST)
- Internal Audit
- External Audit
- Mental Health Act Commissioners
- Health and Safety Executive
- Internal Clinical Audit Team

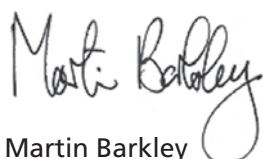
The following groups and committees have been involved in maintaining and reviewing the effectiveness of the system of internal control:

- the board of directors is responsible for setting the strategic direction of the organisation and monitoring the progress of the organisation against targets - the board also receives minutes and reports from its sub committees
- the audit committee provides an independent view of internal control by reviewing financial systems and overseeing audit services
- the clinical governance and clinical risk committee oversaw on behalf of the board of directors all clinical governance activity
- internal audit provides an independent and objective opinion on the degree to which risk management, control and governance support the achievement of the trust's objectives
- the external auditor provides progress reports to the audit committee and the annual report and accounts are presented to the board of directors for approval - the annual audit letter is presented to the council of governors

### **Conclusion**

The loss of the mobile data storage device which contained personal identifiable information is the only significant control issue identified by the Trust in 2008/09. A robust action plan has been implemented which will resolve the issues identified and minimise risk where possible.

In summary, the trust has a sound system of internal control in place, which is designed to manage the key organisational objectives and minimise the trust's exposure to risk. The board of directors is committed to continuous improvement and enhancement of the systems of internal control.



**Martin Barkley**  
*Chief Executive*

Date: 4 June 2009





# Independent auditors' report

## to the board of governors and board of directors of Tees, Esk and Wear Valleys NHS Foundation Trust

We have audited the financial statements of Tees, Esk and Wear Valleys NHS Foundation Trust for the 9 months ended 31 March 2009 under the National Health Service Act 2006 ("the Act") which comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes 1 to 32. These financial statements have been prepared in accordance with the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Board of Governors and Board of Directors ("the Boards") of Tees, Esk and Wear Valleys NHS Foundation Trust, as a body, in accordance with paragraph 4 of Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not, in giving our opinion, accept or assume responsibility to anyone other than the Trust and the Boards, as a body, for this report, or for the opinions we have formed.

### Respective Responsibilities of the Accounting Officer and Auditors

The Accounting Officer's responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with directions issued by Monitor – Independent Regulator of NHS Foundation Trusts are set out in the Statement of Accounting Officer's Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements (including statute and the Audit Code of NHS Foundation Trusts) 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 in accordance with the accounting policies directed by Monitor – Independent Regulator of NHS Foundation Trusts and whether the financial statements and the part of the Directors' Remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and the directions made thereunder by Monitor – Independent Regulator of NHS Foundation Trusts. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the financial statements have not been prepared in accordance with directions made under paragraph 25 of Schedule 7 of the Act, the financial statements do not comply with the requirements of all other provisions contained in, or having effect under, any enactment applicable to the financial statements, or proper practices have not been observed in the compilation of the financial statements.



We review whether the statement on internal control reflects compliance with the requirements of Monitor contained in the NHS Foundation Trust Financial Reporting Manual. We report if it does not meet the requirements specified by Monitor 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 statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

## **Basis of audit opinion**

We conducted our audit in accordance with the Audit Code for NHS Foundation Trusts issued by Monitor, which requires compliance with International Standards on Auditing (UK & 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 Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements 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 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 Directors' Remuneration Report to be audited.

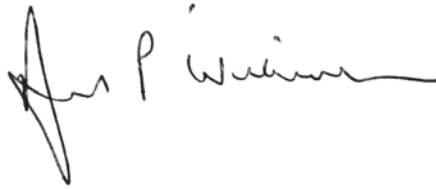
## **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of Tees, Esk and Wear Valleys NHS Foundation Trust as at 31 March 2009 and of its income and expenditure for the year then ended in accordance with the accounting policies directed by Monitor – Independent Regulator of NHS Foundation Trusts;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and the directions made thereunder by Monitor – Independent Regulator of NHS Foundation Trusts; and
- the information given in the directors' report is consistent with the financial statements.

## Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts.



David Wilkinson, FCA, CF, Senior Statutory Auditor  
For and on behalf of Deloitte LLP  
Chartered Accountants  
Newcastle Upon Tyne  
4<sup>th</sup> June 2009

NB: Board of governors = council of governors



# Financial and governance review 2008/09

## Summary of financial performance

2008/9 was the first year as a foundation trust and built on the strong underlying financial position which has existed since the trust was created in 2006. This position allowed new investments in services and improvements in quality to take place against a background of low levels of financial risk.

The 2008/9 financial strategy was agreed by the board of directors as part of the trust's integrated business plan and underpinned the achievement of the trust's strategic objectives.

The following objectives were set:

Objectives	Outcomes
Delivering a minimum £2.8m surplus	Surplus of £2.0m achieved
Achieving a Monitor risk rating of 4	Calculated risk rating of 4 achieved
Delivery of £6.9m cost reductions	£7.2m saving
EBITDA margin of 9.1%	EBITDA margin of 11.9% achieved

## Income and surplus growth

The trust experienced a further year of income growth which has enhanced the underlying position and provided a firm base for revenue and capital investment in clinical services.

## Underlying performance against Monitor's compliance regime - financial metrics

The trust's performance against Monitor's compliance regime is shown in the table below:

### Financial Metrics

	Performance	Rating
EBITDA margin	11.9%	5
EBIDTA % achieved	136.3%	5
Return on assets	6.5%	5
I & E surplus margin	2.0%	3
Liquid rate	68 days	5
Overall rating		4

## Improving efficiency and ensuring value for money

The trust is continuously striving to improve efficiency in its use of resources by reviewing systems and pressures, evaluating skill mix, optimising the use of capacity and ensuring best value through robust procurement practices. In year, £7.6m or 3.1% of our cost base was saved through a variety of ongoing and one off schemes. Internal efficiency is independently reviewed by internal audit and reported to the audit committee and board of directors.

## Capital investment

The trust has utilised its freedoms as a foundation trust to improve the infrastructure and ensure the most modern equipment and technology is available for patient care. Over the last nine months we have reinvested surpluses with the aim of providing the best possible environment. As a foundation trust during 2008/9, over £4m was invested in capital assets.

The trust's investment and disposal strategy is summarised as follows:

	2008/9 £
Investment in fixed assets	4.1m
Disposal of unprotected asset	0.1m

Although the trust has a borrowing limit of £48.6m this was not required to finance the capital investment strategy which was funded in full from the trust's internally generated resources.

## Working capital

Throughout the year the trust had access to a £17m committed working capital facility. This was not required during the year as the trust had strongly liquidity which improved further in year linked to robust treasury management and debt management policies.

## Accounting policies

The trust prepares the financial statements in accordance with the NHS Foundation Trust Reporting Manual (2008/9) and fully complies with UK generally accepted accounting practices (UKGAAP).

The trust's accounting policies are set out in the annual accounts and have been consistently applied over the comparative period. Fixed assets are reflected in the balance sheet based on an interim valuation undertaken 1 July 08 in accordance with FRS15, and they represent current professional valuation and depreciation at 31 March 2009. Full details can be found at note 1.6 of the accounts.

The trust has an agreed project plan to meet national timescales for the adoption of IFRS reporting in 2009/10.

## Going concern

Through the financial statements and financial performance indicators the trust can demonstrate a strong underlying and improving financial position.

The 2009/10 annual plan provides for a deficit of £3.5m (1.5% of turnover) which is due to exceptional items, principally accelerated depreciation. The I&E surplus in 2010/11 and 2011/12 are 3.8% and 5.1% respectively. This forecast is based on prudent estimates of growth and inflationary pressures and the continued delivery of performance targets. The

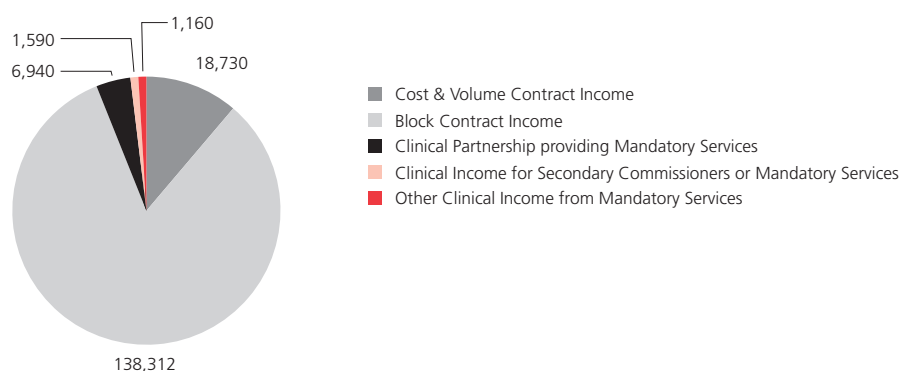
directors view is that the trust is a going concern and can make the disclosure as recommended by the accounting standards board that:

“After making enquiries the directors have a reasonable expectation that the Tees, Esk and Wear Valleys NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts”.

## Income generation

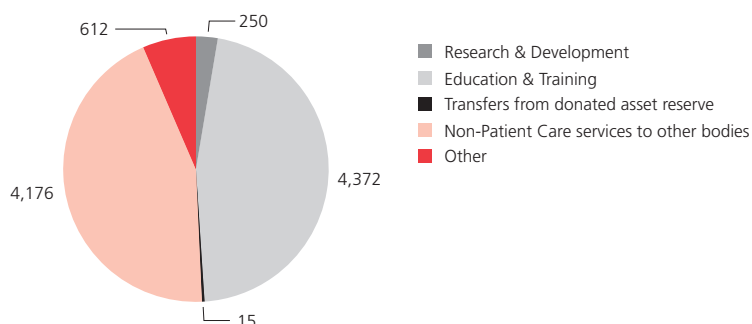
During 2008/9 as a foundation trust, income generated was £176.6m from a range of activities; 94.7% from direct patient care. Patient care income came from the following areas:

### Patient care income 2008/09 (£000s)



With a further £9.4m from education and other non-patient care services.

### Other income 2008/09 (£000s)



## Accounting information

The accounts are independently audited by Deloitte LLP as external auditors in accordance with the National Health Service Act 2006 and Monitors Code of Audit Practice. As far as the directors are aware, all relevant audit information has been fully disclosed to the auditor and that no relevant audit information has been withheld or made unavailable. Nor have any undisclosed post balance sheet events occurred.

No political or charitable donations were made by the trust during 2008/09.

Accounting policies for pensions and other retirement benefits are set out in note 1.15 to the accounts and details of senior employees' remuneration can be found in page 78.

## Better Payment Practice Code

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.

Performance for the 9 months as a foundation trust is as follows:

	9 Months ended 31st March 2009	
	Number	Value
Percentage of Non-NHS trade invoices paid within target	97%	97%
Percentage of NHS trade invoices paid within target	70%	73%

In line with best practice the trust continues to monitor expenditure on management costs in accordance with Department of Health definitions. In 2008/9 4.2% of our total income was incurred on management costs.

## The Foundation Trust Code of Governance disclosures

The "NHS Foundation Trust Code of Governance" was published by Monitor to bring together best practice from the private and public sectors. It provides an overarching framework for corporate governance and complements the statutory and regulatory obligations placed on foundation trusts.

Our constitution requires to our board of directors and council of governors to seek to comply with the code of governance, including both its main and supporting principles, at all times.


We comply with all the provisions of the code of governance with the following exceptions:

- Code provision A.3.5: Mr P Briggs is both a non-executive director of this trust and a governor of Newcastle Upon Tyne Hospitals NHS Foundation Trust
- Code provision C.2.1: The appointments of our chief executive and executive directors are not time limited. We consider time limited executive appointments are contrary to more recent best practice.
- Code provision C.2.2: Mr J Tucker has been appointed as a non-executive director for a period of 4 years in view of the commercial and marketing expertise he has brought to the trust and to ensure the retirement dates of non-executive directors are spread out.
- Code provision D.2.2: Our council of governors has yet to assess its collective performance having only been established on 1 July 2008; however discussions have been held with the council of governors' nomination and remuneration committee and an evaluation will be undertaken in 2009/10


The code of governance is available on Monitor's website: [www.monitor-nhsft.gov.uk](http://www.monitor-nhsft.gov.uk)

## Membership of the council of governors

Name	Constituency	Term of Office		Attendance at Meetings		
		From	To	18/7/08	5/11/08	5/2/09
<b>Public Governors (Elected)</b>						
Dr David Hall	Darlington	1/7/08	30/6/11	✓	✓	✓
Dennis Haithwaite	Darlington	15/12/08	14/12/11			✓
Betty Gibson	Durham	1/7/08	30/6/11	✓	✓	✓
Christopher Wheeler	Durham	1/7/08	30/6/11	✓	✓	✓
Roger Humphries	Durham	1/7/08	30/6/10	✓	✓	✓
Mary Thompson	Durham	1/7/08	30/6/10	✓	✓	✓
Alistair (Mark) Henderson	Durham	1/7/08	16/9/08	✓		
Ian Goodrich	Durham	1/7/08	24/3/09	✓	-	-
Dr Rachel Mitchell	Durham	1/7/08	30/6/11	✓	-	✓
John Hayton	Durham	1/7/08	30/6/11	✓	-	-
Emma Carter	Durham	1/7/08	30/6/10	✓	-	✓
John Doyle	Durham	1/7/08	30/6/10	✓	✓	✓
Simon Carey	Durham	15/12/08	14/12/11			✓
Stephen Thomas	Hartlepool	16/7/08	17/12/08	-	-	
Paul Williams	Hartlepool	16/7/08	15/7/11	-	✓	✓
Ben Ellis	Middlesbrough	1/7/08	30/6/11	-	-	-
Michael Taylor	Middlesbrough	1/7/08	30/6/10	-	✓	-
Raymond Skipp	Middlesbrough	1/7/08	30/6/11	✓	-	-
Paul Hyde	North East Yorkshire	1/7/08	30/6/10	-	✓	-
Richard Thompson	North East Yorkshire	1/7/08	30/6/11	-	✓	✓
Kenneth Dale	North East Yorkshire	1/7/08	30/6/10	✓	✓	✓
John Spencer	North East Yorkshire	1/7/08	4/11/08	✓		
Andrea Darrington	North East Yorkshire	17/2/09	16/2/12			
Michael Pearson	Redcar and Cleveland	1/7/08	3/9/08	✓		
Vivienne Trenchard	Redcar and Cleveland	1/7/08	30/6/10	✓	✓	-
Jayne Mitchell	Redcar and Cleveland	1/7/08	30/6/11	✓	✓	✓
Caroline Parnell	Redcar and Cleveland	15/12/08	14/12/11			-
Susan Keith	Stockton	1/7/08	30/6/10	-	-	-
Gareth Rees	Stockton	1/7/08	30/6/11	✓	✓	✓
Rita Clark	Stockton	1/7/08	30/6/11	✓	✓	✓
Ray McCall	Stockton	15/12/08	14/12/11			✓
<b>Staff Governors (Elected)</b>						
Dr Richard Pyatt	Medical	1/7/08	30/6/11	✓	✓	✓
Simon Hughes	Allied Health Professionals	1/7/08	30/6/11	✓	✓	✓
Tim Cate	Psychology	1/7/08	30/6/11	-	✓	✓
Giles Hallam	Nursing	1/7/08	30/6/11	✓	✓	✓
Richard Walker	Corporate	1/7/08	29/10/08	-		
Nigel Cooke	LD & Forensic	1/7/08	30/6/11	✓	✓	-
Jill Jefferson	MHSOP, C&YP, SM, NEY	1/7/08	30/6/11	✓	✓	✓
Clare Beighton	Adult Mental Health	16/7/08	15/7/11	✓	✓	✓

 Denotes that the Governor was not in office at the time of the meeting

Name	Appointing Organisation	Term of Office		Attendance at Meetings		
		From	To	18/7/08	5/11/08	5/2/09
<b>Appointed Governors</b>						
Cath Siddle	North Tees & Hartlepool NHS/South Tees Hospitals NHS Trust/County Durham and Darlington NHS Foundation Trust/Scarborough & North East Yorkshire Healthcare NHS Trust	1/7/08	30/6/11	✓	-	✓
Alan Tallentire	North East Prisons Directorate	1/7/08	30/6/11	-	-	-
Jane Robinson	Darlington Borough Council	1/7/08	30/6/11	-	-	-
Lesley Tickell	Durham County Council	1/7/08	30/6/11	-	✓	-
Nicola Bailey	Hartlepool Borough Council	1/7/08	30/6/11	✓	-	-
Ruth Hicks	Middlesbrough Borough Council	1/7/08	30/6/11	✓	-	✓
Caroline Seymour	North Yorkshire County Council	1/7/08	30/6/11	✓	-	-
Mike Dillon	Redcar and Cleveland Borough Council	1/7/08	30/6/11	✓	-	-
Ann McCoy	Stockton Borough Council	1/7/08	30/6/11	-	✓	✓
Yasmin Chaudhry	County Durham PCT/Darlington PCT	1/7/08	30/6/11	-	-	-
Rosemary Granger	North East Mental Health & Learning Disability Commissioning Directorate	1/7/08	28/2/09	-	✓	-
Brian Key	North East Mental Health & Learning Disability Commissioning Directorate	1/3/09	30/6/11			
Paddy Pearce	North Yorkshire and York PCT	1/7/08	30/6/11	✓	✓	✓
Clare Hunter	Middlesbrough PCT/Redcar & Cleveland PCT/Middlesbrough PCT/Stockton-on-Tees Teaching PCT	1/7/08	30/6/11	✓	✓	✓
Prof Pali Hungin	University of Durham	1/7/08	30/6/11	✓	✓	✓
Cliff Allan	University of Teesside	1/7/08	30/6/11	✓	-	✓
Mike Hill	Voluntary Organisations Network North East	1/7/08	30/6/11	✓	✓	✓
Robert Salkeld	Ryedale Voluntary Action	1/7/08	30/6/11	✓	✓	✓

 Denotes that the Governor was not in office at the time of the meeting



Elections to our council of governors are overseen and administered by the Electoral Reform Services.

Between 1 July 2008 and 31 March 2009 the elections were held to fill vacancies in the following constituencies:

Constituency	Date of Election	Turnout
Hartlepool (2 vacancies)	16/7/08	16.9%
Staff – Adult Services	16/7/08	12.4%
Darlington	15/12/08	15.4%
Durham	15/12/08	15.1%
Redcar & Cleveland	15/12/08	18%
Stockton	15/12/08	12.2%
North East Yorkshire	17/2/09	19%

We maintain a register of governors' interests. This is available to view on the trust's website. The details are also available from the office of the trust secretary, telephone: 01325 552314.

## Nominations and remuneration committee

The nominations and remuneration committee has been established to support the council of governors regarding the appointment of the chairman and non-executive directors and on their remuneration and terms of service.

Since its establishment on 18 July 2008 the committee has:

- Held formal interviews and recommended the appointment of two new non-executive directors. The recruitment process commenced prior to authorisation and was managed, at that time, by the NHS Appointments Commission under NHS trust rules.
- Reviewed the remuneration and terms of service for the chairman and non-executive directors. In undertaking the review the committee received independent advice from Capita Health Service Partners.
- Been consulted on the board performance evaluation scheme.

The membership of the committee and attendance at meetings was as follows:

		15/8/08	5/11/08	9/1/09
Mrs Jo Turnbull	Chairman of the Trust	✓	✓	✓
Martin Barkley	Chief Executive	✓	✓	✓
Mrs Clare Hunter	Appointed Governor	-	✓	✓
Roger Humphries	Public Governor	✓	✓	✓
Paddy Pearce	Appointed Governor	✓	✓	-

Mr Lombard, the senior independent director, also attended the meeting held on 9/1/09 for the consideration of the board performance evaluation scheme as this included arrangements for the appraisal of the chairman.

Meetings of the committee are chaired by the chairman of the trust except that the senior independent director becomes a member of and chairs the committee for the matters relating to the appointment of the chairman.

The appointments of the chairman and the non-executive directors can be terminated for the following reasons:

- By resignation
- By ceasing to be a public member of the trust
- Upon becoming a governor of the trust
- Upon being disqualified by the Independent Regulator
- Upon being disqualified from holding the position of a director of a company
- Upon being adjudged bankrupt
- Upon making a composition or arrangement with, or granting a trust deed for, his/her creditors
- Upon being convicted of any offence and a sentence of imprisonment being imposed (whether suspended or not) for a period of not less than three months (without the option of a fine).
- Upon removal by the council of governors at a general meeting

Our board of directors ensures it is kept informed of the views of governors and members in a number of ways, including:

- Attendance at council of governors meetings.
- Receiving reports on the outcome of consultations with governors, for example on the annual plan and the trust's strategic direction.
- Non-executive directors and executive directors have been aligned to each of the public constituencies and attend both formal and informal meetings and training events
- Updates by the chairman at board meetings.

With regard to attendance at the three meetings of the council of governors held during 2008/09:

- The chairman and chief executive attended all meetings.
- The non-executive directors were not invited to the inaugural meeting and were invited to attend the subsequent meeting as observers; however attendance is not compulsory. Attendance at meetings by non-executive directors has been as follows:

	5/11/08	5/2/09
Paul Briggs	✓	✓
Andrew Lombard	✓	✓
Graham Neave	-	-
Mike Newell	✓	✓
John Robinson	✓	✓
Douglas Taylor	✓	✓
Jim Tucker	-	✓

- Executive directors attend if required. Mr Martin, the director of finance attended the meetings held on 5/11/08 and 5/2/09 to deliver the finance report and Mrs Stanbury attended the latter meeting following her substantive appointment as the director of nursing and governance.
- Other directors attend meetings as required, for example, the director of planning and performance attended the meeting held on 5/2/09 with regard to the consideration of the draft annual plan.

The senior independent director is also available to governors if they have concerns regarding any issues which have not been addressed by the chairman, chief executive or director of finance.

Following consultation with the council of governors the board put in place arrangements to evaluate its own performance and that its committees, the chairman and individual non-executive directors.

The overall scheme and the assessment tools were developed by Deloitte LLP based on best practice, including 360° techniques.

The collective performance of the board was evaluated by each board member and by the staff governors. The board has agreed a development plan based on the outcome of the evaluation.

The performance of the chairman was evaluated by self assessment; assessments by each board member; and by a governor focus group facilitated by the senior independent director.

The performance of each non-executive director was evaluated by self assessment and assessments by the chairman and a sample of both non-executive and executive directors.


Detailed consideration of the results of the performance evaluation of the chairman and non-executive directors was undertaken by the nomination and remuneration committee of the council of governors. A report from the committee was made to a full meeting of the council of governors.

The performance of audit and clinical governance and clinical risk committees was undertaken by self assessment. The results were reported to the board prior to detailed consideration by each committee.

The appraisal of the performance of executive directors was carried out by the chief executive, whose performance was appraised by the chairman.

Attendance at meetings of the board of directors for the period 1 July 2008 to 31 March 2009 was as follows.

Name	Title	Date of Board Meeting						
		29/7/08	30/9/08	28/10/08	25/11/08	27/1/09	24/2/09	31/3/09
<b>Board of directors – attendance at board meetings</b>								
Mrs. Jo Turnbull	Chairman	✓	✓	✓	✓	✓	✓	✓
John Robinson	Deputy Chairman	✓	✓	✓	✓	-	✓	-
Andrew Lombard	Senior Independent Director	✓	✓	✓	✓	✓	✓	✓
Paul Briggs	Non-Executive Director	✓	✓	✓	✓	✓	✓	✓
Graham Neave	Non-Executive Director (from 1/9/08)		✓	✓	✓	-	✓	✓
Mike Newell	Non-Executive Director	✓	✓	✓	✓	✓	✓	✓
Douglas Taylor	Non-Executive Director	✓	✓	✓	✓	✓	✓	✓
Jim Tucker	Non-Executive Director (from 1/9/08)		✓	✓	-	✓	✓	✓
Martin Barkley	Chief Executive	✓	✓	✓	✓	✓	✓	✓
Dr. Chris Fisher	Medical Director	✓	✓	-	✓	✓	✓	✓
Colin Martin	Director of Finance	-	✓	✓	✓	✓	✓	✓
Les Morgan	Chief Operating Officer	-	✓	✓	✓	✓	-	✓
Mr Harry Cronin	Director of Nursing, Psychology and AHPs (to 31/8/08)	-						
Mrs. Chris Stanbury	Acting Director of Nursing, Psychology and AHPs (1/8/08 to 31/1/09) Director of Nursing and Governance (from 1/2/09)		✓	-	✓	✓	✓	✓

 Denotes that the Board Member was not in office at the time of the meeting

## The audit committee

The board has established a formally constituted audit committee. During the majority of 2008/09 the committee comprised three non-executive directors with a quorum of two; however, following a review of its membership and terms of reference, on 31st March 2009 the Board increased the membership to five with a quorum of three. There is also a standing invitation for all other non-executive directors to attend meetings of the committee and participate in discussions but not to vote.

The committee is supported by officers of the trust and internal and external auditors.

The audit committee has an overarching responsibility for providing assurance to the board on the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.

The responsibilities of the audit committee also include:

- reviewing the adequacy of all risk and control disclosure statements (e.g. the statement on internal control) prior to endorsement by the board

- ensuring the internal audit function is effective, meets mandatory NHS internal audit standards and provides appropriate independent assurance
- making recommendations to the council of governors on the appointment, re-appointment or removal of the external auditor
- approving the remuneration and terms of engagement of the external auditor and reviewing and monitoring the independence and objectivity of the external auditor
- reviewing the work and findings of the external auditor and considering the implications and management responses to their work
- reviewing the findings of other assurance functions, both internal and external to the organisations, (e.g. the Care Quality Commission, Monitor, etc) and considering the implications to the governance of the trust
- reviewing and monitoring the integrity of any financial statements including any financial judgements contained in them and ensuring the completeness and accuracy of information provided to the board
- reviewing arrangements by which staff may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters ("The Whistle Blowing Policy")

Four meetings of the audit committee were held between 1 July 2008 and 31 March 2009 and attendance by members of the committee was as follows:

Mr D Taylor (Chairman of the Audit Committee)	4
Mr A Lombard	4
Mr M Newell	4

The audit committee has agreed a policy to ensure that auditor objectivity and independence is safeguarded if the firm providing external audit services is commissioned to provide services outside of the external auditor's responsibilities. This policy stipulates that only the chief executive, finance director and trust secretary may commission the external audit firm for non-audit services and the appointment must be approved by the chairman of the audit committee. Safeguards are required that the:

- external audit does not audit its own firm's work
- external audit does not make management decisions for the trust
- no joint interest between the trust and external audit is created
- external auditor is not put in the role of advocate for the trust
- the external audit firm does not undertake certain functions including: preparation of accounting records and financial statements; advising on the selection, implementation or running of IS/IT systems; staff secondments; employee remuneration or selection and recruitment; and finance or transaction services work within the trust
- external auditor must ensure that the provision of non-audit services meets its own ethical standards and internal operational policies

The council of governors appointed Deloitte LLP (Deloitte & Touche LLP prior to 1 December 2008) as the trust's external auditor on 5 November 2008 until 2010/11 with a view to renew

after that time. Deloitte LLP had previously been appointed by the Audit Commission as the external audit in January 2008 prior to authorisation as a foundation trust.

Deloitte LLP was commissioned by the trust to develop a board performance evaluation scheme in July 2008.

The cost of providing external audit services during 2008/09 was £149,000.

## Remuneration committee

The remuneration committee comprises not less than two non-executive directors of the board and the chairman of the trust. All non-executive directors are entitled to attend meetings of the committee. The chief executive attends meetings of the committee but is not present when items concerning his own remuneration or conditions of service are considered. The director of human resources and organisational development undertake the role of secretary to the remuneration committee.

During 2008/09 there was one meetings of the remuneration and terms of service committee:

	29/7/08
Jo Turnbull	✓
Martin Barkley	✓
Andrew Lombard	✓
Douglas Taylor	✓
Mike Newell	✓
Paul Briggs	✓

The director of human resources and organisational development provided advice and information to the committee during 2008/09. Executive and corporate directors remuneration and terms of service are based upon benchmarking information previously provided to the trust by Income Data Services Ltd.

A revised directors' performance evaluation scheme was introduced in May 2008. Individual executive and corporate director objectives are related to the trust's strategic goals and progress toward achievement of these objectives is reviewed and recorded at least twice a year by the chief executive and subsequently reported to non-executive directors.

The trust does not operate a performance-related pay scheme for directors and there is no provision for compensation in respect of early termination with the exception of redundancy. Entitlement to payments arising from early termination of employment by reason of redundancy is in accordance with NHS redundancy terms and conditions and the NHS pension scheme.

There were no significant awards made to past senior managers.

The board evaluated its performance using the board performance evaluation scheme. This included the board of directors (collectively and individually) and its sub-committees. No major issues emerged from the evaluation, but the results were considered at a board workshop and a board development programme established, which will be implemented in 2009.

## Salary and Pension entitlements of senior managers

### A) Remuneration

Name and Title	2008-09 (July08 - March09)			
	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000		Benefits in Kind  Rounded to the nearest £100
Martin Barkley, <i>chief executive</i>	105-110	0	**	10,800
Colin Martin, <i>director of finance</i>	80-85	0	*	5,500
Chris Fisher, <i>medical director</i>	125-130	0		0
Stephen Humphries, <i>medical director (July only)</i>	15-20	30-35	*	3,000
David Levy, <i>director of HR and OD</i>	70-75	0		0
Harry Cronin, <i>director of nursing and AHP (July-Aug)</i>	15-20	0	*	700
Chris Stanbury, <i>director of nursing and governance<sup>1</sup></i>	55-60	0		0
Chris Parsons, <i>director of estates and facilities management</i>	70-75	0	*	1,900
Sharon Pickering, <i>director of planning and performance</i>	60-65	0	*	700
Les Morgan, <i>chief operating officer</i>	70-75	0	*	5,200
Paul Newton, <i>service director - learning disabilities and forensic</i>	55-60	0	*	5,300
David Brown, <i>service director - MHSOP/C&amp;YP's/SMS/NEY</i>	55-60	0	*	2,500
Lesley Crawford, <i>service director - adults</i>	55-60	0		0
Jo Turnbull, <i>chairman</i>	30-35	0		0
Andrew Lombard, <i>non executive and senior independent director</i>	10-15	0		0
Paul Briggs, <i>non executive director</i>	5-10	0		0
Mike Newell, <i>non executive director</i>	5-10	0		0
John Robinson, <i>non executive director</i>	5-10	0		0
Graham Neave, <i>non executive director</i>	5-10	0		0
Jim Tucker, <i>non executive director</i>	5-10	0		0
Douglas Taylor, <i>non executive director and chairman of audit committee</i>	10-15	0		0

Benefits in kind are for the provision of lease cars (\*), or the reimbursement of actual expenses incurred through relocation (\*\*).

<sup>1</sup> Mrs Stanbury was the acting executive director of nursing, psychology and AHPs from 1 August 2008 to 31 January 2009 and was appointed to her substantive post as the director of nursing and governance with effect from 1 February 2009.

B) Pension Benefits

Name and Title	Real increase in pension at age 60 (bands of £2500) £000	Real increase in pension lump sum at age 60 (bands of £2500) £000	Total accrued pension at age 60 at 31 March 2009 (bands of £5000) £000	Lump sum at age 60 related to accrued pension at 31 March 2009 (bands of £5000) £000	Cash Equivalent Transfer Value at 31 March 2009 £000	Cash Equivalent Transfer Value at 30 June 2008 £000	Real Increase in Cash Equivalent Transfer Value £000	Employers Contribution to Stakeholder Pension To nearest £100
Martin Barkley, chief executive			65-70	195-200	1,438			
Harry Cronin, director of nursing and AHP (July-Aug)	0.0-2.5	0.0-2.5	40-45	120-125	0	0		-
Colin Martin, director of finance	0.0-2.5	5.0-7.5	30-35	95-100	517	401	106	-
Stephen Humphries, medical director (July only)	0.0-2.5	5.0-7.5	35-40	105-110	672	465	195	-
Chris Fisher, medical director	0.0-2.5	0.0-2.5	80-85	245-250	1810	1467	306	-
Les Morgan, chief operating officer	2.5-5.0	10.0-12.5	35-40	115-120	716	535	168	-
Chris Stanbury, director of nursing and governance <sup>1</sup>	7.5-10.0	25.0-27.5	30-35	100-105	641	431	199	-
David Levy, director of HR and OD	0.0-2.5	5.0-7.5	15-20	45-50	284	203	76	-
Sharon Pickering, director of planning and performance	0.0-2.5	2.5-5.0	15-20	55-60	285	225	54	-
Chris Parsons, director of estates and facilities management	0.0-2.5	5.0-7.5	10-15	40-45	340	152	184	-
Paul Newton, service director - learning disabilities and forensic	0.0-2.5	2.5-5.0	35-40	115-120	697	566	117	-
Lesley Crawford, service director - adults	0.0-2.5	2.5-5.0	25-30	80-85	514	408	96	-
David Brown, service director - MHSOPIC&YPsISMSINEY	0.0-2.5	2.5-5.0	20-25	65-70	404	322	74	-

<sup>1</sup> Mrs Stanbury was the acting executive director of nursing, psychology and AHPs between 1 August 2008 to 31 January 2009 and was appointed to her substantive post as the director of nursing and governance with effect from 1 February 2009.

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.

There is a significant difference when comparing this years CETV value with those of last year. This is due to a change in factors used to calculate CETV's, which came into force on 1 October 2008 as a result of the Occupational Pension Scheme (Transfer Value Amendment) regulations.

### **Pay terms and conditions**

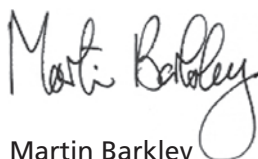
With the exception of executive directors, non executive directors and medical staff the remaining workforce are covered by Agenda for Change. All inflationary pay uplifts have been in accordance with Department of Health recommendations with no performance bonus paid to any staff. All executive directors are on a permanent contract and a notice period of 6 months.

**The remuneration committee is responsible for executive directors' pay.**

### **Membership:**

Mrs Jo Turnbull - Chairman

All Non-Executive Directors of the Trust Board



**Martin Barkley**  
*Chief Executive*

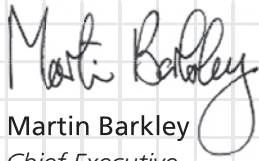
Date: 4 June 2009





# Accounts for the nine months to 31 March 2009

These accounts, for the nine month period ended 31 March 2009, have been prepared by the Tees, Esk and Wear Valleys NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006. The Trust acquired Foundation Trust status on 1 July 2008 and so no comparator figures are included (other than the opening balance sheet at 1 July 2008).



Martin Barkley  
*Chief Executive*

Date: 4 June 2009

## Income and expenditure account for the nine months ended 31 March 2009

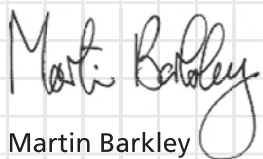
		9 months ended 31st March 2009
	NOTE	£000s
Income from Activities	3	167,182
Other Operating Income	4	9,397
Operating Expenses	5	(170,648)
<b>OPERATING SURPLUS</b>		<b>5,931</b>
Profit on disposal of Fixed Assets	8	18
<b>SURPLUS BEFORE INTEREST</b>		<b>5,949</b>
Interest Receivable	9	577
Other Finance Costs - Unwinding of Discount	9 / 17	(17)
<b>SURPLUS FOR THE FINANCIAL PERIOD</b>		<b>6,509</b>
PDC Dividend payable	18.1	(4,530)
<b>RETAINED SURPLUS FOR THE PERIOD</b>		<b>1,979</b>

The notes 1 to 32 form part of these accounts. All income and expenditure is derived from continuing operations.

## Balance sheet as at the 31 March 2009

		31 March 2009	1 July 2008
	NOTE	£000s	£000s
<b>FIXED ASSETS</b>			
Tangible fixed assets	11	148,057	164,042
<b>Total Fixed Assets</b>		<b>148,057</b>	<b>164,042</b>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	13	203	225
Debtors			
- due within one year	14	7,802	5,311
- due after one year	14	465	752
Cash at bank and in hand	19.3	26,660	20,359
<b>Total Current Assets</b>		<b>35,130</b>	<b>26,647</b>
<b>CREDITORS</b> : Amounts falling due within one year	15.1	(13,740)	(19,851)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>21,390</b>	<b>6,796</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>169,447</b>	<b>170,838</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(2,184)	(1,796)
<b>TOTAL ASSETS EMPLOYED</b>		<b>167,263</b>	<b>169,042</b>
<b>FINANCED BY:</b>			
<b>TAXPAYERS EQUITY</b>			
Public Dividend Capital		143,821	143,821
Revaluation Reserve	18.2	14,773	20,983
Donated Asset Reserve	18.2	500	491
Income and Expenditure Reserve	18.2	8,169	3,747
<b>TOTAL TAXPAYERS' EQUITY</b>		<b>167,263</b>	<b>169,042</b>

The financial statements on pages 1 to 33 were approved by the Board on 4th June 2009 and signed on its behalf by:



Martin Barkley  
Chief Executive

Date: 4 June 2009

## Statement of total recognised gains and losses

9 months  
ended 31st  
March 2009

£000s

Surplus for the financial year before dividend payments	6,509
Fixed asset impairment losses	(4,701)
Unrealised surplus on fixed assets and current asset investment revaluations	958
Reductions in the donated asset reserve due to depreciation of donated assets	(15)
<b>TOTAL RECOGNISED GAINS AND LOSSES IN THE FINANCIAL PERIOD</b>	<b>2,751</b>

## Cash flow statement for the nine months ended 31 March 2009

		9 months ended 31st March 2009
	NOTE	£000s
<b>OPERATING ACTIVITIES</b>		
Net cash inflow from operating activities	19.1	14,064
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>		
Interest received		662
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>662</b>
<b>CAPITAL EXPENDITURE</b>		
Payments to acquire tangible fixed assets		(4,028)
Receipts from sale of tangible fixed assets		133
<b>Net cash outflow from capital expenditure</b>		<b>(3,895)</b>
<b>DIVIDENDS PAID</b>		
		(4,530)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		<b>6,301</b>
<b>Net cash inflow before financing</b>		<b>6,301</b>
<b>Increase in cash</b>		<b>6,301</b>



## 1 Accounting policies and other information

Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the NHS Foundation Trust Financial Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2008/2009 NHS Foundation Trust Financial Reporting Manual issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

As the trust was authorised for foundation status on 1 July 2008, the accounts are for a nine month period only and there are no prior year comparatives (other than the opening balance sheet at 1 July 2008).

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current costs. NHS foundation trusts, in compliance with HM Treasury's Financial Reporting Manual, are not required to comply with the FRS 3 requirements to report "earnings per share" or historical profits and losses.

### 1.2 Acquisitions and discontinued operations

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

- a. the sale (this may be at nil consideration for activities transferred to another public sector body) or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- b. if a termination, the former activities have ceased permanently;
- c. the sale or termination has a material effect on the nature and focus of the reporting NHS foundation trust's operations and represents a material reduction in its operating facilities resulting either from its withdrawal from a particular activity or from a material reduction in income in the NHS foundation trust's continuing operations; and
- d. the assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

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

### 1.3 Income recognition

Income is accounted for applying the accruals convention. The main source of income for the trust is under contracts from commissioners in respect of healthcare services. 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

Using the powers of the Health Act 1999 County Durham PCT and Durham Local Authority entered into a pooled budget arrangement for learning disability services. The trust is commissioned by this pool to provide learning disability services within County Durham.

The pool is hosted by Durham County Council. As a provider of healthcare services, the trust does not make contributions to the pool. However payments for services provided by the trust are accounted for as income from local authorities.

### 1.5 Expenditure

Expenditure is accounted for applying the accruals convention.

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

### Valuation

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

All land and buildings are revalued using professional valuations in accordance with FRS15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005. The revaluation undertaken as that date was accounted for on 31 March 2005.

An interim valuation has been obtained from the District Valuer, who is an appropriately qualified valuer, in accordance with FRS15 during 2008/09 with an application date of 1 July 2008.

The next full valuation will take place in 2009, with an application date of 31 March 2010. This will be based on Modern Equivalent Asset Valuations (MEAVs).

Previous valuations were carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value.

Additional alternative open market value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

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

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

Operational equipment is valued at net current replacement cost, with a professional revaluation being carried out every five years, with a three yearly interim valuation also being carried out. Equipment surplus to requirements is valued at its net replacement cost unless the asset is fully depreciated, in which case an estimate of its current market value is used.

### 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 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 assessed by the NHS foundation trust's professional valuers. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life. Each piece of new equipment has its useful economic life assessed prior to capitalisation, however the range of useful lives is shown below :

- medical equipment is depreciated between 5 and 10 years
- IT Equipment is depreciated over 5 years
- furniture and equipment and other equipment are depreciated between 5 and 10 years
- plant aligned to buildings is depreciated between 15 and 30 years

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

### **1.7 Intangible fixed assets**

Intangible assets are capitalised when they are capable of being used in 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 the 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.

The trust has no intangible fixed assets as at 31 March 2009.

### **1.8 Donated fixed assets**

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

### **1.9 Government grants**

Government grants are grants from Government bodies other than income from primary care trusts or NHS trusts for the provision of services. Grants from the Department of Health, including those for achieving three star status, are accounted for as Government grants as are grants from the Big Lottery Fund. Where the Government grant is used to fund revenue expenditure it is taken to the Income and Expenditure account to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to the income and expenditure account over the life of the asset on a basis consistent with the depreciation charge for that asset.

### **1.10 Private Finance Initiative (PFI) transactions**

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of application note F to FRS 5.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the trust has contributed land and buildings, 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 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.

#### **1.11 Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value.

Stocks exclude any item already in use, or expected to be in use within fourteen days of the balance sheet date.

#### **1.12 Cash, bank and overdrafts**

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

#### **1.13 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 and its resulting in a product or services that will eventually be brought into use; and
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

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

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

#### **1.14 Provisions**

The NHS foundation 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 significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate of 2.2% in real terms.

#### **Contingencies**

Contingent liabilities are provided and included within the balance sheet where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 22 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

### **Clinical negligence costs**

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS foundation trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS foundation trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS foundation trust is disclosed at note 17.

### **Non-clinical risk pooling**

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

#### **1.15 Pension costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the NHS foundation trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17.

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

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

#### **1.16 Value Added Tax**

Most of the activities of the NHS foundation 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.

#### **1.17 Corporation Tax**

The trust has no income generating activities that are subject to Corporation Tax.

#### **1.18 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.

#### **1.19 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS foundation trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts (note 29) in accordance with the requirements of the HM Treasury Financial Reporting Manual.

#### **1.20 Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS foundation trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lesser of the minimum lease payments discounted by the interest rate implicit in the lease.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires.

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.

### **1.21 Public dividend capital**

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

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

### **1.22 Going Concern**

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

### **1.23 Financial instruments**

Financial instruments are defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The trust will commonly have the following financial assets and liabilities: trade debtors (but not prepayments), current asset investments, cash at bank and in hand, trade creditors (but not deferred income), finance lease obligations, loans, provisions.

#### **Recognition**

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

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

Regular way purchases or sales are recognised and de-recognised, as applicable, using the trade date.

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

#### **De-recognition**

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

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

#### **Classification and Measurement**

Financial assets are classified into the following specified categories:

- Financial assets 'at fair value through Income and Expenditure' or
- 'Loans and receivables' or
- 'Available-for-sale' financial assets or
- 'Held-to-maturity' investments.

Financial liabilities are classified as either:

- Financial liabilities 'at fair value through Income and Expenditure' or
- 'Other financial liabilities'.

### **Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'**

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

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

### **Loans and receivables**

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

The trust's loans and receivables comprise: cash at bank and in hand, NHS debtors, accrued income and 'other debtors'.

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

Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account, except for short-term receivables when the recognition of interest would be immaterial.

### **Other financial liabilities**

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

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

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

### **Impairment of financial assets**

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

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income and expenditure account and the carrying amount of the asset is reduced through the use of an allowance account/bad debt provision.

## **2. Segmental reporting**

All the trust's activities relate to healthcare provision and therefore no segmental analysis is required.

### 3. Income from activities

#### 3.1 Income from activities - detailed analysis of income

9 months  
ended 31st  
March 2009  
£000s

Cost and Volume Contract Income	18,730
Block Contract income	138,312
Clinical Partnerships providing mandatory services (including S31 agreements)	6,940
Clinical income for the Secondary Commissioning of mandatory services	1,590
Other clinical income from mandatory services	1,610
	<b>167,182</b>

The trust's Terms of Authorisation set out the mandatory goods and services that the trust is required to provide ('protected services'). All income from activities shown above is derived from the provision of protected services.

#### 3.2 Income from activities - detailed analysis by source of income

9 months  
ended 31st  
March 2009  
£000s

NHS Foundation Trusts	560
NHS Trusts	51
Strategic Health Authorities	162
Primary Care Trusts	159,205
Local Authorities	6,999
Department of Health - other	205
	<b>167,182</b>

### 4. Other operating income

9 months  
ended 31st  
March 2009  
£000s

Research and development	250
Education and training	4372
Transfers from the donated asset reserve in respect of depreciation, impairment and disposal of donated assets	15
Non-patient care services to other bodies	4176
Other *	584
	<b>9,397</b>

* Other income includes:	<b>£000</b>
Estates recharges	257
Staff accommodation rentals	10
Creche services	15
Catering	249
Property rentals	8
Other	45
Total	<b>584</b>



#### 4.1 Operating surplus

Surplus on ordinary activities before PDC dividend payable is stated after charging -

	<b>9 months ended 31st March 2009 £000s</b>
Depreciation of Tangible Fixed Assets	13,905
Impairments of Tangible Fixed Assets	2,299
Other Operating lease rentals	2,048
	<u><b>18,252</b></u>

### 5. Operating expenses

#### 5.1 Operating expenses comprise:

	<b>9 months ended 31st March 2009 £000s</b>
Services from NHS Foundation Trusts	1,095
Services from NHS Trusts	1,109
Services from other NHS Bodies	469
Purchase of healthcare from non NHS bodies	1,779
Executive directors costs	1,053
Non-executive directors costs	127
Staff costs	120,652
Drug costs	3,010
Supplies and services - clinical (excluding drug costs)	1,409
Supplies and services - general	4,150
Establishment	6,411
Transport	2,315
Premises	9,611
Increase / (decrease) in bad debt provision	(28)
Depreciation and amortisation	13,905
Fixed asset impairments	2,299
Audit fees	149
Other auditors remuneration	185
Clinical negligence	253
Other **	695
	<u><b>170,648</b></u>

\*\* Other expenditure includes: **£000**

Consultancy costs	463
Patient travel	40
Other services, e.g. external payroll	92
Losses, ex gratia & special payments	(142)
Other	242
Total	<u><b>695</b></u>

## 5.2 Operating leases

### 5.2/1 Operating expenses include:

	9 months ended 31st March 2009 £000s
Other operating lease rentals	2,048
	<u>2,048</u>

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

	9 months ended 31st March 2009	
	Land and Buildings £000s	Other leases £000s
Operating leases which expire:		
Within 1 year	88	209
Between 1 and 5 years	0	1,699
After 5 years	379	0
	<u>467</u>	<u>1,908</u>

## 6. Staff costs and numbers

### 6.1 Staff costs

	9 months ended 31st March 2009		
	Total £000s	Permanently Employed £000s	Other £000s
Salaries and wages	99,486	96,074	3,412
Social Security Costs	7,217	6,924	293
Employer contributions to NHS Pension Scheme	12,142	11,732	410
Agency / Contract staff	2,987		2,987
	<u>121,832</u>	<u>114,730</u>	<u>7,102</u>

### 6.2 Average number of persons employed

	9 months ended 31st March 2009		
	Total Number	Permanently Employed Number	Other Number
Medical and dental	247	238	9
Administration and estates	866	834	32
Healthcare assistants and other support staff	310	309	1
Nursing, midwifery and health visiting staff	2,808	2,774	34
Scientific, therapeutic and technical staff	442	410	32
Social Care staff	21	0	21
Bank and Agency Staff	90	0	90
Total	<u>4,784</u>	<u>4,565</u>	<u>219</u>

### 6.3 Employee benefits

There were no employee benefits paid in the nine months ended 31 March 2009.

### 6.4 Retirements due to ill health

During the period to 31 March 2009 there was five early retirements from the Trust on the grounds of ill-health. The estimated additional pension liabilities of the ill-health retirement will be £256,232. The cost of this ill-health retirement will be borne by the NHS Business Services Authority - Pension Division.

### 6.5 Director remuneration

Detail of Director remuneration can be found within the annual report on page 103.

## 7. The late payment of commercial debts (Interest) Act 1998

No claims were made to the trust under this legislation in the nine months to 31 March 2009.

## 8. Profit on disposal of fixed assets

Profit on the disposal of fixed assets is made up as follow:

	<b>9 months ended 31st March 2009 £000s</b>
Profit on disposal of land and buildings	18
	<u>18</u>

## 9. Net financing costs

	<b>9 months ended 31st March 2009 £000s</b>
Interest Receivable	577
Other finance costs - unwinding of discounts	(17)
	<u>560</u>

### 9.1. Losses and special payments

NHS foundation trusts are required to report to the Department of Health any losses or special payments, as the Department still retains responsibility for reporting these to Parliament.

By their very nature such payments should not arise, and they are therefore subject to special control procedures compared to payments made in the normal course of business.

There were 36 cases in the nine months to 31 March 2009 at a value of £4,652

## 10. Intangible fixed assets

The trust does not have any intangible fixed assets.

## 11. Tangible fixed assets:

### 11.1 Tangible Fixed Assets at the balance sheet date comprise :

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under Construction and payments on account £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture £000	Total £000
<b>Cost or valuation at 1 July 2008</b>	58,054	105,673	766	975	2,476	243	6,162	2,297	176,646
Additions - purchased	0	3,533	0	457	56	0	31	0	4,077
Additions - donated	0	0	0	0	0	0	0	0	0
Impairments	(1,116)	(3,585)	0	0	0	0	0	0	(4,701)
Reclassifications	0	816	0	(914)	0	0	98	0	0
Other revaluations	788	240	(70)	0	0	0	0	0	958
Disposals	0	(115)	0	0	0	0	0	0	(115)
<b>Cost or valuation at 31 March 2009</b>	<b>57,726</b>	<b>106,562</b>	<b>696</b>	<b>518</b>	<b>2,532</b>	<b>243</b>	<b>6,291</b>	<b>2,297</b>	<b>176,865</b>
<b>Depreciation at 1 July 2008</b>	0	3,605	1	0	2,222	240	5,242	1,294	12,604
Provided during the period	0	13,392	2	0	53	1	318	139	13,905
Impairments	910	1,389	0	0	0	0	0	0	2,299
Disposals	0	0	0	0	0	0	0	0	0
<b>Depreciation at 31 March 2009</b>	<b>910</b>	<b>18,386</b>	<b>3</b>	<b>0</b>	<b>2,275</b>	<b>241</b>	<b>5,560</b>	<b>1,433</b>	<b>28,808</b>
<b>Net book value</b>									
- Purchased at 1 July 2008	58,054	101,588	765	975	243	3	920	1,003	163,551
- Donated at 1 July 2008	0	480	0	0	11	0	0	0	491
<b>Total at 1 July 2008</b>	<b>58,054</b>	<b>102,068</b>	<b>765</b>	<b>975</b>	<b>254</b>	<b>3</b>	<b>920</b>	<b>1,003</b>	<b>164,042</b>
<b>Net book value</b>									
- Purchased at 31 March 2009	56,816	87,684	693	518	248	2	731	864	147,556
- Donated at 31 March 2009	0	492	0	0	9	0	0	0	501
<b>Total at 31 March 2009</b>	<b>56,816</b>	<b>88,176</b>	<b>693</b>	<b>518</b>	<b>257</b>	<b>2</b>	<b>731</b>	<b>864</b>	<b>148,057</b>

## 11.2 Analysis of Tangible Fixed Assets:

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under Construction and payments on account £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture £000	Total £000
Net book value									
- Protected assets at 31 March 2009	50,127	71,093	193	0	0	0	0	0	121,413
- Unprotected assets at 31 March 2009	6,689	17,083	500	518	257	2	731	864	26,644
<b>Total at 31 March 2008</b>	<b>56,816</b>	<b>88,176</b>	<b>693</b>	<b>518</b>	<b>257</b>	<b>2</b>	<b>731</b>	<b>864</b>	<b>148,057</b>

Protected property is property designated as protected in the Terms of Authorisation (ToA) of a NHS Foundation Trust (NHSFT). Condition 9 of the ToA defines property as protected if it is required for the purposes of providing either the mandatory goods and services or the mandatory education and training as defined in the ToA ('mandatory goods and services').

**11.3** Of the totals at 31 March 2009 £nil related to land valued at open market value and £895,000 related to buildings valued at open market value, and £500,000 related to dwellings valued at open market value.

**11.4** The net book value of land, buildings and dwellings at 31 March 2009 comprise :

	Protected assets £000	Unprotected assets £000
Freehold	121,413	18,272
Long Leasehold	0	6,000
	<b>121,413</b>	<b>24,272</b>

**11.5** The Trust held no assets under finance lease or hire purchase contracts.

**11.6** If land and buildings had not been revalued they would have been included at the following amounts:

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under Construction and payments on account £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture £000	Total £000
Cost or valuation at 31 March 2009	53,697	95,818	696	518	2,532	243	6,291	2,297	162,092
Depreciation at 31 March 2009	-910	-18,386	-3	0	-2,275	-241	-5,560	-1,433	-28,808
<b>Net book value at 31st March 2009</b>	<b>52,787</b>	<b>77,432</b>	<b>693</b>	<b>518</b>	<b>257</b>	<b>2</b>	<b>731</b>	<b>864</b>	<b>133,284</b>

## 12. Investments

### 12.1 Fixed asset investments

The trust holds no fixed asset investments at 31 March 2009.

## 13. Stocks and work in progress

	31 March 2009 £000s	1 July 2008 £000s
Raw materials and consumables	203	225
	<u>203</u>	<u>225</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

## 14. Debtors

	31st March 2009 £000	1st July 2008 £000
<b>Amounts falling due within one year :</b>		
NHS Debtors	4,526	1,243
Provision for irrecoverable debts	(177)	(205)
Prepayments	1,464	2,584
Accrued income	92	0
Other Debtors	1,897	1,689
	<u>7,802</u>	<u>5,311</u>
<b>Amounts falling due after more than one year :</b>		
NHS Debtors	398	683
Other Debtors	67	69
	<u>465</u>	<u>752</u>
<b>Total Debtors</b>	<u>8,267</u>	<u>6,063</u>

### 14.1 Ageing of past due but not impaired receivables

	31st March 2009 £000	1st July 2008 £000
30 -60 days	399	340
61 -90 days	185	194
91 -120 days	78	0
<b>Total</b>	<u>662</u>	<u>534</u>

	31st March 2009 £000	1st July 2008 £000
<b>Movement in the allowance for doubtful debts</b>		
Balance at the beginning of the period	205	205
Impairment losses recognised	(28)	0
<b>Balance at the end of the period</b>	<u>177</u>	<u>205</u>

### 14.2 Ageing of impaired trade receivables

	31st March 2009 £000	1st July 2008 £000
121+ days	177	205
<b>Total</b>	<u>177</u>	<u>205</u>

The directors consider that the carrying amount of receivables is approximately equal to their fair value

## 15.1 Creditors

	31st March 2009 £000	1st July 2008 £000
<b>Amounts falling due within one year :</b>		
NHS Creditors	525	2,226
Other tax and social security costs	3,279	3,250
Capital creditors	580	454
Other Creditors	5,062	5,620
Accruals	2,368	3,976
Deferred income	1,926	4,325
<b>Total</b>	<b>13,740</b>	<b>19,851</b>

### Amounts falling due within one year :

There were no creditor amounts falling due after more than 1 year at 31 March 2009.

## 15.2 Finance lease obligations

The Trust has no loans or long term financial liabilities at 31 March 2009.

## 15.4 Finance lease commitments

The Trust has no finance lease commitments at 31 March 2009.

## 16. Prudential borrowing limit

The trust is required to comply and remain within a prudential borrowing limit which is made up of two elements:

1. The maximum cumulative amount of long term borrowing. This is set by reference to the five ratio tests set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's Compliance framework determines one of the ratios and therefore can impact on the long term borrowing limit.

2. The amount of any working capital facility approved by Monitor

Further information on the NHS Foundation Trust Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

The trust has a prudential borrowing limit of £48.6 million in 2008/09. The trust has borrowed £0 during the nine months to 31 March 2009.

The trust has a £17.0m working capital facility. The trust had drawn down £0 of its working capital facility at 31st March 2009

Financial Ratios	31st March 2009 Actuals	PBL Ratios
Minimum Dividend Cover	4.7	4.7

## 17. Provisions for liabilities and charges

	Pensions - other staff £000	Legal claims £000	Other Provisions £000	Total £000
<b>At 1 July 2008</b>	1,061	552	183	1,796
Arising during the period	0	919	141	1,060
Utilised during the period	(60)	(57)	(214)	(331)
Reversed unused	0	(325)	(33)	(358)
Unwinding of discount	17	0	0	17
<b>At 31 March 2009</b>	<b>1,018</b>	<b>1,089</b>	<b>77</b>	<b>2,184</b>
Expected timing of cashflows:	80	1089	77	1,246
- within one year	400	0	0	400
- between one and five years	538	0	0	538
- after five years	17	0	0	17
	<b>1,018</b>	<b>1,089</b>	<b>77</b>	<b>2,184</b>

Pensions relating to other staff is a provision for injury benefit pensions.

Legal claims relates to the following; the cost of defending equal pay claims (£171,293), the employer/public liability claims notified by the NHS Litigation Authority (£135,251), the provision for employment law (£670,997) and the provision for Inquests (£112,000)

£1,003,000 is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of clinical negligence liabilities of the NHS Foundation Trust.

Included in the 'other' category and arising during the period is a provision for the assimilation of non career grade doctors (£76,589).

## 18.1 Movement in taxpayers' equity

	9 months ended 31st March 2009 £000
Taxpayers equity as at 1 July 2008	169,042
Surplus for the financial period	6,509
Public dividend capital dividends	(4,530)
Fixed asset impairments	(3,493)
Surplus/(Deficit) from revaluations of fixed assets and current asset investments	(250)
Reductions in donated asset reserve	(15)
Tax payers' equity as at 31 March 2009	<b>167,263</b>



## 18.2 Movements on reserves

	Revaluation reserve £000	Donated asset reserve £000	Income and expenditure reserve £000	Total £000
<b>At 1 July 2008</b>	20,983	491	3,747	<b>25,221</b>
Transfer from the income and expenditure account	0	0	1,979	<b>1,979</b>
Fixed asset impairments	(4,701)	0	0	<b>(4,701)</b>
Surplus from revaluations of fixed assets and current asset investments	937	21	0	<b>958</b>
Transfers to the income and expenditure account for depreciation, impairment and disposal of revalued assets	(2,439)	0	2,439	<b>0</b>
Transfers to the income and expenditure account for depreciation, impairment and disposal of donated assets	0	(15)		<b>(15)</b>
Other transfers between reserves	(7)	3	4	<b>0</b>
<b>At 31 March 2009</b>	<b>14,773</b>	<b>500</b>	<b>8,169</b>	<b>23,442</b>

## 19.1 Reconciliation of operating surplus to net cash inflow from operating activities

	9 months ended 31st March 2009 £000
Total operating surplus	5,931
Depreciation and amortisation	13,905
Fixed asset impairments	2,299
Transfer from the donated asset reserve	(15)
Decrease in stocks	22
Increase in debtors	(2,132)
Decrease in creditors	(6,310)
Increase in provisions	364
<b>Net cash inflow from operating activities</b>	<b>14,064</b>

## 19.2 Reconciliation of net cash flow to movement in net funds

	9 months ended 31st March 2009 £000
Increase in cash in the period	6,301
Change in net funds resulting from cash flows	<b>6,301</b>
Net funds as 1 July 2008	20,359
<b>Net funds at 31 March 2009</b>	<b>26,660</b>

### 19.3 Analysis of changes in net funds

	As at 1 July 2008 £000	Cash changes in period £000	As at 31 March 2009 £000s
Commercial cash at bank and in hand	595	(551)	44
OPG cash at bank	19,764	6,852	26,616
<b>Total</b>	<b>20,359</b>	<b>6,301</b>	<b>26,660</b>

### 20. Capital commitments

Commitments under capital expenditure contracts at 31 March 2009 were £674,000.

### 21. Post balance sheet events

There were no post balance sheet events having a material effect on the accounts.

### 22. Contingencies

Contingent liabilities:	<b>£000</b>
Gross value	218
Amounts recoverable	0
Net value	<b>218</b>

The contingencies relate to employer liability legal cases, all cases relate to NHSLA and are due within 1 year.

The trust, like many NHS organisations, has received notification from a number of employees for equal pay claims. There is a significant uncertainty of the validity and value of these claims for inclusion in the accounts. If any are successful there will be a future charge to the trusts accounts.

### 23. Related party disclosure

Tees, Esk and Wear Valleys NHS Foundation Trust is a public benefit corporation authorised by the independent regulator of foundation trusts, Monitor, under the NHS Act 2006.

During the period none of the board members or members of the key management staff or parties related to them has undertaken any material transactions with Tees, Esk and Wear Valleys NHS Foundation Trust.

The Department of Health is regarded as a related party. During the period Tees, Esk and Wear Valleys NHS Foundation Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

North East Strategic Health Authority  
Yorkshire and Humber Strategic Health Authority

County Durham PCT  
Darlington PCT  
Gateshead PCT  
Gedling PCT  
Hartlepool PCT  
Middlesbrough PCT  
Morcambe Bay PCT  
Newcastle PCT  
North Tees PCT  
North Tyneside PCT

North Yorkshire and York PCT  
 Northumberland Care Trust  
 Redcar and Cleveland PCT  
 Southampton City PCT  
 Sunderland Teaching PCT  
 Warrington PCT

County Durham and Darlington NHS Foundation Trust  
 East London and the City Mental Health NHS Trust  
 North East Ambulance Service NHS Trust  
 North Tees and Hartlepool NHS Foundation Trust  
 Northumberland, Tyne and Wear NHS Trust  
 Northumbria Health Care NHS Foundation Trust  
 Scarborough and North East Yorkshire Health Care NHS Trust  
 South Tees Hospitals NHS Trust  
 The Newcastle Upon Tyne Hospitals NHS Foundation Trust  
 Yorkshire Ambulance Service NHS Trust

NHS Business Services Authority  
 NHS Information Authority  
 NHS Litigation Authority  
 NHS Pensions Agency (NOT the pension scheme)  
 NHS Supplies Authority

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:

Durham County Council  
 Darlington Borough Council  
 Hartlepool Borough Council  
 HMP Durham  
 Middlesbrough Borough Council  
 Redcar and Cleveland Borough Council  
 Stockton Borough Council  
 North Yorkshire County Council

## 24. Private Finance transactions

### 24.1 PFI schemes deemed to be off-balance sheet

	<b>9 months ended 31st March 2009 £000</b>
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	<b>1,627</b>
Amortisation of PFI deferred asset	<b>(231)</b>
Net charge to operating expenses in respect of off-balance sheet PFI transaction(s)	<b>1,396</b>
The NHS foundation trust is committed to make the following payments during the next year.	<b>£000</b>
PFI scheme which expires; 21st to 25th years (inclusive)	<b>2,176</b>
	<b>£000</b>
Estimated capital value of the PFI scheme	19,627
Contract Start date:	4 July 2003
Contract End date:	4 July 2033

The trust has one PFI scheme relating to West Park Hospital in Darlington. The hospital was handed to the trust in November 2004 and received patients in December 2004. West Park Hospital provides both adult mental health and older people mental health services for residents of Darlington and Wear Valley, including adult mental health services for residents from Sedgefield (Sedgefield older people mental health services are accessed through Sedgefield Community Hospital). The hospital includes 60 acute, 7 recovery, 10 intensive care, 15 special care and 24 older people beds in addition to day services including therapy.

The Trust provides all clinical and most non clinical services. The PFI partner, NU Local Care Centres (West Park) Ltd provides maintenance services for the building. The Trust has purchased the land and all of the non fixed equipment.

## 25. Financial instruments

FRS 25 (Financial Instruments: Disclosure and Presentation) and FRS 29 (Financial Instruments: Disclosures), require 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. The trust does not have any complex financial instruments and does not hold or issue financial instruments for speculative trading purposes. Because of the continuing service provider relationship the trust has with primary care trusts and the way those primary care trusts are financed, the 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 25 mainly applies. The 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 Trust in undertaking its activities.

The finance and investment committee manages the trust's funding requirements and financial risks in line with the board approved treasury policies and procedures, and their delegated authorities.

The trust's financial instruments comprise loans, finance lease obligations, provisions, cash at bank and in hand and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the trust's operations.

### 25.1 Categories of financial instruments

**31 March  
2009  
£000**

#### Financial assets:

Loans and receivables (including cash)

33,640

**33,640**

#### Financial liabilities:

Other financial liabilities (amortised cost)

8,535

Liabilities at fair value through the I&E

2,184

**10,719**

### 25.2 Fair values

**Book value  
£000**

**Fair value  
£000**

#### Financial assets:

Cash

26,660

26,660

Debtor > 1 year

465

465

**27,125**

**27,125**

#### Financial liabilities:

Provisions under contract

**2,184**

**2,184**

As allowed by FRS 25, short term trade debtors and creditors measured at amortised cost may be excluded from the above disclosure as their book values reasonably approximate their fair values.

## 25.3 Liquidity and interest risk tables

	Weighted ave. interest rate %	Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000	Total £000
<b>Financial assets:</b>						
Non-interest bearing		6,518	54	107	301	6,980
Variable interest rate instrument	0.25%	26,660				26,660
<b>Gross financial assets at 31st March 2009</b>		<b>33,178</b>	<b>54</b>	<b>107</b>	<b>301</b>	<b>33,640</b>

	Weighted ave. interest rate %	Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000	Total £000
<b>Financial liabilities:</b>						
Non-interest bearing		8,535	0	0	0	8,535
Fixed interest rate instrument		1,246	0	400	538	2,184
<b>Gross financial liabilities at 31st March 2009</b>		<b>9,781</b>	<b>0</b>	<b>400</b>	<b>538</b>	<b>10,719</b>

## 26. Interest-rate risk

100% of the trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Tees, Esk and Wear Valleys NHS Foundation Trust is not, therefore, exposed to significant interest-rate risk.

## 27. Liquidity risk

The trust's net operating costs are mainly incurred under legally binding contracts with primary care trusts, which are financed from resources voted annually by Parliament. This provides a reliable source of funding stream which significantly reduces the trust's exposure to liquidity risk.

The trust also manages liquidity risk by maintaining banking facilities and loan facilities to meet its short and long term capital requirements through continuous monitoring of forecast and actual cash flows.

In addition to internally generated resources the Trust has a working capital facility of £17,000,000, unused at 31 March 2009.

## 28. Credit risk

Credit risk exists where the trust can suffer financial loss through default of contractual obligations by a customer or counterparty.

Trade debtors consist of high value transactions with primary care trusts under contractual terms that require settlement of obligation within a time frame established generally by the Department of Health. Other trade debtors include private and overseas patients, spread across diverse geographical areas. Credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, sufficient prepayment is required to mitigate the risk of financial loss.

Credit risk exposures of monetary financial assets are managed through the trust's treasury policy which limits the value that can be placed with each approved counterparty to minimise the risk of loss. The counterparties are limited to the approved financial institutions with high credit ratings. Limits are reviewed regularly by senior management.

## **29. Third party assets**

The trust held £8,995 cash at bank and in hand at 31/03/09 (£23,299 30/06/08) which related 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. The trust also has a creditor of £17,276 at 31/03/09 (£256,103 at 30/06/08) relating to patients monies held within the trust bank account.

The trust held £116,885 cash at bank and in hand at 31/3/09 (£217,328 at 30/06/08) which related to monies held by the trust for a staff savings scheme on behalf of itself, Middlesbrough PCT and Redcar & Cleveland PCT. This has been excluded from the cash at bank and in hand figure reported in the accounts.

## **30. Calculation of dividend paid on Public Dividend Capital**

The foundation trust is required to absorb the cost of capital at the rate of 3.5% of net relevant assets. The rate is calculated as the percentage that dividends paid on public dividend capital in the nine months to 31 March 2009 totalling £4,530,000, bears to the average relevant net assets of £144,175,000 that is 3.14%.

The variation from the target of 3.5% is due to the part year effect of the dividend payment. In calculating the full year capital cost absorption rate, the percentage that the dividends paid of £6,040,000 bears to the average relevant net assets of £148,303,000 that is 4.1%.

## **31. The Late Payment of Commercial Debts (Interest) Act 1998**

There have been no payments made under the Late Payment of Commercial Debts (Interest) Act 1998 for the nine months ended 31 March 2009.

## **32. Private patient income**

Section 44 of the 2006 NHS Act requires that the proportion of private patient income to the total patient related income of NHS foundation trusts should not exceed its proportion whilst the body was an NHS trust in 2002/03 (the Private Patient Cap). The NHS Foundation Trust's Private Patient Cap is set out in the NHS Foundation Trust's Terms of Authorisation. For the 9 month period the trust has a private patient income of 0% compared to 0% in 2002/03 and therefore this target has been met.



If you would like additional copies of this report please contact

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For more information about the trust and how you can get involved visit our website [www.tevv.nhs.uk](http://www.tevv.nhs.uk)

