Lancashire Care NHS

NHS Foundation Trust

Annual Report and Accounts 2008/09

Mental health matters

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

Lancashire Care NHS Foundation Trust Annual Report and Accounts 2008/09

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Highlights during 2008/09

Operational highlights

- Public engagement and consultation exercises held for the selection of sites for the new inpatient units and the appointment of a design team
- Planning permission granted for a £9 million new 30-bedded low secure unit in Preston
- Pilot post traumatic stress clinic launched
- A number of new service developments, such as a national pilot in East Lancashire for Improving Access to Psychological Therapies, implemented
- Designed and distributed a care card to carers
- Received an excellent rating for Blackpool's drug treatment service
- Opened new resource centres such as Charnley Fold and Daisyfield
- Completed investments in crisis home treatment and assertive outreach services
- Established a new alcohol service in Hyndburn and Ribble Valley and a harm reduction service in Burnley

Performance highlights

- Excellent ratings for the use of resources and quality of service in the Healthcare Commission's Annual Health Check achieved
- Full compliance with all 24 core Standards for Better Health declared
- Good performance figures for patient related surveys achieved

Financial highlights

- Achieved all financial targets including a surplus of £9.2m against a plan of £5.7m. The Trust's surplus being invested in the development of four new inpatient units
- Attained the highest possible financial risk rating from Monitor signifying a low risk environment

Governance highlights

- Established and continuing to develop the Council of Governors
- Achieved a 'green' governance rating from Monitor indicating no regulatory concerns
- Developed a quality strategy
- Achieved level 1 compliance against the new NHS Litigation Authority standards for mental health Trusts
- Received news that the Trust would be registered by the newly established Care Quality Commission with no conditions

Chair and Chief Executive's Foreword

2008/09 has been the first full year that Lancashire Care has operated as an NHS Foundation Trust and it has been a year that has been marked by a number of successes, most notably the achievement of a double excellent rating in the Healthcare Commission's Annual Health Check. However, we are not complacent and will seek to perform even more effectively in years to come.

During the year, we have carried out public engagement and consultation exercises on the selection of sites for the four new inpatient units and appointed a design team to support us in the detailed planning of this significant development.

Planning permission was granted for a new 30-bed low secure unit in Preston at a cost of £9m and construction work is now well underway. The building has been specifically designed to offer a modern, therapeutic environment using the latest design ideas.

We have achieved all of our financial targets, making good progress against our plans and generating a healthy surplus in order to provide both sustainability for the future and to help fund the Trust's future plans and developments.

Foundation Trust status has additionally seen the establishment and development of the Council of Governors who provide active and robust challenge to the Board of Directors. We have a growing membership which we hope to further harness in 2009/10 to increase the public involvement in our work.

More recently we have refreshed the mission and vision in consultation with the Council of Governors and begun a process of developing a set of values for the organisation.

Finally we would wish to recognise that none of these achievements would have been possible without the continued dedication and commitment of all our staff. We know that success is not easily achieved and would therefore want to pay tribute to and thank everyone who has contributed throughout the year. No doubt 2009/10 will bring further challenges and opportunities but we have confidence in all our staff's ability to respond to them positively.

Jo Darbyshire
Chairman

Professor Heather Tierney-Moore
Chief Executive
(appointed 5th January 2009)

1. Directors' Report

The annual report and accounts have been prepared under direction issued by Monitor, the independent regulator for Foundation Trusts, as required by paragraph 26 of Schedule 7 to the National Health Service Act 2006 and in accordance with:

- Sections 415 to 418 of the Companies Act 2006
- Regulation 10 and Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and
- the NHS Foundation Trust Reporting Manual 2008/09 (FT FReM).

Further details of the areas included in this statement can be found on the Trust's website: **www.lancashirecare.nhs.uk.**

1.1 Business Review

Lancashire Care is a specialist provider of mental health and substance misuse services across Lancashire, serving a population of around 1.4 million. It became an NHS Foundation Trust on 1st December 2007 in line with Section 35 of the National Health Service Act 2003. The year 2008/09, therefore, was the Trust's first full year as a Foundation Trust.

The Trust's services are mainly delivered through four clinical networks:

- Adult mental health, providing
  - Inpatient services (including psychiatric intensive care units)
  - Community services (including outpatients, community mental health teams, specialist teams such as assertive outreach and crisis resolution and day services)
- Older adult mental health, providing
  - Inpatient services
  - Community services (including outpatients, community mental health teams, memory clinics and day services)
- Secure services, which also take admissions from South Cumbria, providing
  - An inpatient medium secure unit and a low secure unit
  - Transitional services
  - A range of community mental health services including criminal justice liaison teams and prison mental health in-reach teams
- Child and adolescent mental health (CAMHS), substance misuse and early intervention services, providing
  - An inpatient facility for young people in Lancaster
  - Specialist CAMHS outpatient community services in Lancaster and Morecambe
  - Community drug and alcohol services
  - Community early intervention services.

In addition the Trust provides a range of psychological services to other NHS providers.

Overall responsibility for delivering the activities of the Trust rests with the Board of Directors, who are accountable for the definition and implementation of strategy and policy as well as for the operational performance of the Trust.

More detailed information on our Board of Directors can be found from page 23.

The Trust also has an active Council of Governors, comprising elected staff and public Governors and appointed partnership Governors. The Council of Governors is representative of the views of the membership and is consulted by the Board of Directors on strategic issues, such as the development of the Annual Plan and the refreshing of the Trust's mission and vision. More information about the Council of Governors can be found from page 26.

1.1.1 Performance and progress during 2008/09

2008/09 saw Lancashire Care build on its strong track record of financial and operating performance and the Trust performed well against its targets:

- Lancashire Care received a double 'excellent' rating in the Annual Healthcheck for 2007/08, one of 42 Trusts in the country to do so (and the only Mental Health Trust in the North West). While this rating relates to the previous year, it does outline the improvement made by the Trust over the last two years
- For 2008/09 the Trust was assessed by Monitor, the Independent Regulator, as having a financial risk rating of 5. This indicates that the Trust has the highest possible financial risk rating signifying a low risk environment
- The Trust also has a 'green' governance rating from Monitor for the year, indicating no regulatory concerns
- It achieved all its financial targets, delivering a healthy surplus to support the planned redevelopment of inpatient services.

Strategically, the Trust refreshed its vision and mission in consultation with the Council of Governors:

- Vision – 21st Century mental healthcare with well being at its heart
- Mission – To improve the lives of the people we serve and ensure that mental health matters across the whole community.

1. Directors' Report continued

The Trust has set itself the following strategic aims to describe how we make the vision and mission a reality:

- To deliver high quality, person centred, compassionate services
- To maintain the highest standards of financial, corporate and clinical governance
- To safeguard the welfare and promote the well being of patients and staff
- To maintain and enhance the reputation of the organisation.

The Trust made strong progress against the improvement plans it laid out at the start of the year:

- Delivering better services
  - Approving a business case for the development of a new £9m 30-bed low secure unit and this is well on the way to a planned opening in 2010
  - Launching a pilot post traumatic stress clinic, the only one of its kind in the county. Patients rate the quality and effectiveness of the service as 9.5 out of 10
  - Implementing a number of new service developments including a national pilot in East Lancashire for Improving Access to Psychological Therapies
  - Issuing guidance to all staff stressing the importance of explaining the rights of all service users to them and following this up to ensure that it was effective
  - Launching the PROTECT ME campaign to support learning from serious and untoward incidents
  - Reviewing the care programme approach policy framework to ensure it reflected the guidance in 'Refocusing the CPA'
  - Developing a framework to support the implementation of NICE guidance
  - Designing and distributing a 'care card' providing information about service users' care and treatment and providing clear contact details
  - Developing a quality strategy to detail the Trust's approach to delivering and monitoring quality services
  - Achieving a substantial expansion in the range, quality and quantity of research activity and a substantial increase in research funding and income from teaching
  - Blackpool's drug treatment system was confirmed 'excellent', making it the top performing service in the North West and joint 4th nationally.

- Engaging with local communities
  - Holding engagement sessions with people living locally to the sites identified as preferred locations for our new inpatient facilities
  - Meeting with Overview and Scrutiny Committees across Lancashire on a regular basis to discuss development and service plans
  - Working with local carers to develop a carers' strategy for improving the way the Trust liaises with them.

- Succeeding through partnership
  - Establishing service partnerships with a number of provider organisations to enhance the services offered to the people of Lancashire such as in relation to improving access to psychological therapies in East Lancashire and Blackburn with Darwen
  - Working closely with commissioner and local authority colleagues to improve the quality of services provided.

- Governing the organisation and services effectively
  - Achieving level 1 compliance against new NHS Litigation Authority standards for mental health Trusts
  - Receiving news that the Trust would be registered by the newly established Care Quality Commission with no conditions after an assessment against government regulations for managing risks of infection.

1.1.2 Risks and uncertainties affecting business

Lancashire Care has a well developed and embedded approach to the management of operating risks with Governance Groups in each of the Service Networks focusing on the proactive assessment and mitigation of key risks. The Trust is actively reviewing its approach to strategic risk management and expects to see significant developments in this respect during the next 12 months.

The recent global financial crisis brings a key set of risks and uncertainties to the NHS and Lancashire Care is subject to these with the likelihood of:

- constrained funding growth
- challenging cost pressures
- increased requirement for value for money from every pound spent in the public sector.

The Trust has a good record of managing financial challenges, but acknowledges the scale of the emerging problems. Strategic plans will be tested with rigorous exploration of the downside to ensure that we are able to go forward on a sound basis, building on the reserves that we have established to support the development and quality of services.

The enhanced national focus on quality and increasing demands from commissioners represent further challenges, but the Trust welcomes these and is

preparing plans to address how it will succeed in an environment where quality, accessibility and responsiveness of services are essential rather than desirable.

The Foundation Trust compliance framework is based on a rules-based risk assessment process with annual assessments and in-year monitoring arrangements. This covers the three realms of finance, governance and mandatory services.

Note that Monitor excludes exceptional items and impairments from their assessment of income and expenditure performance.

EDITDA: Earnings before interest, taxes, depreciation and amortisation.
ROA: Return on Assets
Liquidity Ratio: cash plus trade debtors (including accrued income) plus unused working capital facility minus (trade creditors plus other creditors plus accruals) expressed as the number of days operating expenses (excluding depreciation) that could be covered.

Finance Risk Rating
- Rating 5 - Lowest risk - no regulatory concerns
- Rating 4 - No regulatory concerns
- Rating 3 - Regulatory concerns in one or more components. Significant breach of Terms of Authorisation is unlikely
- Rating 2 - Risk of significant breach in Terms of Authorisation in the medium term, e.g. 9 to 18 months in the absence of remedial action
- Rating 1 - Highest risk - high probability of significant breach of Terms of Authorisation in the short-term, e.g. less than 9 months, unless remedial action is taken

Governance and mandatory service risk are rated using a traffic-light system, where green indicates low risk and red indicates high risk. Both governance and mandatory ratings have been green (low) throughout the year.

Implicit within the sustainable surpluses required to achieve the Trust's objectives is a recurrent programme of savings of 2% that will be required to support the financial position. While this level of saving will not be easy to achieve, the Trust is confident that it will do so.

Plans take into account all known and quantifiable risks and these are reviewed on an ongoing basis. Assuming planned savings are achieved, sufficient funds are available to achieve the Trust's goals and objectives. This both safeguards viability and provides for the financial consequences of service development plans.

Risk Ratings

Financial Risk ratings	2008/2009		2007/2008	
Metric	**Actual**	**Rating**	**Actual**	**Rating**
EBITDA margin	10.3%	4	6.3%	3
EBITDA, % achieved	107.2%	5	107.8%	5
ROA	13.2%	5	5.5%	4
I&E surplus margin	6.0%	5	1.4%	3
Liquid ratio	58.7	5	47.9	5
Overall rating		5		4

PBC ratios	**Actual ratio**	**Approved Ratio**	**Actual Ratio**	**Approved Ratio**
Maximum Debt/ Capital Ratio	–	–	–	–
Minimum Dividend Cover	4.3x	3.9x	2.6x	2.4x
Minimum Interest Cover	–	–	–	–
Minimum Debt Service Cover	–	–	–	–
Maximum Debt Service to Revenue	–	–	–	–

Non Financial Risk Ratings

Governance	Green	Green
Mandatory services	Green	Green

1. Directors' Report continued

1.1.3 Analysis of development and performance of the Foundation Trust

2008/09 Financial Performance

The Trust has had a very successful year generating a surplus of £9.2m against a plan of £5.7m. This was with the highest possible risk rating assigned from Monitor i.e. within the lowest assessed risk environment.

Patient care remains the Trust's main activity generating 94% of income with non-patient care services being 3.3% and education, training and research accounting for the bulk of the remaining 2.7%.

The Trust has achieved productivity and efficiency saving through its cost improvement programmes of over £4m whilst maintaining excellent in its non-financial risk ratings. The Trust used its strong operating position to implement a number of improvements to ensure quality and value for money including schemes to the value of around £1m using both capital and revenue funding. Quality information can also be found on page 49 of this report.

As a Foundation Trust, strong balance sheet control is considered essential; liquidity in particular is vital to ensuring the delivery of financial targets. The Trust has sustained a strong operating position which together with effective working capital management has improved its liquidity and consequentially its cash position. This has in turn enabled the Trust to better pursue its goals, facilitated compliance with the Better Payment Practice Code and allowed the Trust to exceed interest receivable targets. Detailed information on the Trust's financial performance can be found in the annual accounts.

Impairments of £2.3m were identified in respect of a fall in land values as a result of the recent down turn in the economy. This resulted in a reduction in the net surplus in the year to £9.2m. The Trust has adopted a new and significant accounting policy that impacts on the comparators for 2007/08 resulting in a net reduction in the value of its buildings of £6m and a restatement of the comparative operating performance (details are included in note 1.7 to the accounts). These adjustments to valuations do not have an impact on the Trust's cash position or its risk ratings.

A Prudential Borrowing Limit comprising two elements governs the Trust's borrowing. Details are set out below:

- The maximum cumulative amount of long term borrowing as determined by Monitor, the Independent Regulator for Foundation Trusts. The Trust, which had a long term borrowing limit of £38.7m in 2008/09 (£26.5m in 2007/08), did not take out any loans in the year. This limit is significant and reflects Monitor's confidence in the Trust's financial standing.
- The amount of the working capital facility approved by Monitor. The Trust had £12m of approved working capital facility in 2008/09 (£12m in 2007/08), again this was not utilised during the year.

As the Trust had no private patient income when it gained Foundation Trust status, no private patient activity is allowed.

The Trust continues to take a proactive approach to managing its costs, identifying realistic, achievable savings and allocating responsibility for the delivery of these. At the start of the 2008/09 the Trust estimated overall cost pressures as £5.4m and planned to address this using a combination of mainly recurrent savings and income generation plans. Whilst the Trust still anticipates achieving the appropriate level of savings, these will now be delivered over a longer time scale. The Trust continues to monitor performance closely, and strong action is taken where issues with performance are identified. Strategic decisions are made following careful and inclusive planning, based on robust costings and appropriate commercial sensitivity.

Explanations, where appropriate, of amounts in financial statements

Our Financial Statements are prepared in accordance with accounting principles generally accepted in the UK (UK GAAP) unless directed otherwise by the Financial Reporting Advisory Board, which provides independent accounting advice in respect of public sector bodies to HM Treasury.

In applying these policies, we make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingencies. The actual outcome could differ from our estimates. Some of these policies require a high level of judgement and in this regard the most critical policy to the accounts is contingencies – contingent liabilities are provided for where transfer of economic benefit is probable. Otherwise, they are not recognised but are disclosed in a note to the accounts, unless the possibility of a transfer of economic benefit is remote.

1.1.4 Trends/ factors that have affected the Foundation Trust's development/ performance in year

During 2008/09 Lancashire Care was affected by a number of significant factors. These can be summarised as changes in relationships with commissioners and developments in service provision.

Changes in relationships with commissioners
The Trust works closely with five Primary Care Trusts in Lancashire. Prior to 2008/09, each PCT contracted individually with LCFT. During the course of the year, the PCTs and the Trust developed a Lead Commissioner arrangement, whereby Blackburn with Darwen has a lead Mental Health Commissioner who acts on behalf of all five PCTs. There are significant benefits for the local population in enabling greater consistency and equity of provision. This relationship will continue into 2009/10.

In addition, we continue with specialist commissioner arrangements for secure services and a small number of other services.

Developments in service provision
A number of national developments in 2008/09 had an impact on service provision. These are dealt with in more detail later in this document and included:
- The Dementia Strategy, and
- Improving Access to Psychological Therapies.

1.1.5 Trends/ factors likely to affect to the Foundation Trust's future development/ performance

For the financial year 2009/10 and looking further ahead, it is useful to distinguish between those factors which as part of the broader socio-economic outlook, we anticipate to have an impact on mental health and those which are NHS-specific initiatives.

Outlook
At the time of writing, it is expected that the present recession will continue to 2010. Current initiatives anticipate an increase in demand for mental health services, the details of which are as yet uncertain. Over the longer term, the age balance of the population in Lancashire is expected to significantly impact upon demand for mental health services as the number of over 65s in the population of the county moves from 250,000 in 2008 to 320,000 by 2020 (forecast figures provided from the Lancashire County Council economic intelligence unit).

NHS initiatives
During 2009/10, Lancashire Care will embrace a number of new developments and initiatives, the impact of which is yet to be determined. Key amongst these will be the impact of Commissioning for Quality and Innovation (CQUIN) and the development of a payment by results tariff for mental health focusing on a care pathways and packages approach. To ensure its preparedness to deliver services to high standards while also meeting the demands of NHS policy developments and financial frameworks, Lancashire Care has developed a Quality Improvement Strategy which will be rolled out across the Trust at the beginning of 2009/10.

1.1.6 Other information

Environmental Impact
The Trust acknowledges that, as with any large organisation, it may have a significant impact on the environment in delivering its services. The Trust is committed to minimising any adverse effects, and wherever practicable and affordable, endeavours to exceed legislative and environmental targets.
The Trust is looking at its management systems for energy, water, waste and transport in its new and existing services and involving relevant stakeholders in an effort to minimise any adverse impact on the environment, improve the patient experience and promote a sustainability agenda. The Trust has adopted the principles of BREEAM Healthcare for its larger capital projects and fully intends to deliver its new inpatient facilities in compliance with BREEAM Healthcare.

The Trust uses NHS procurement arrangements which adhere to the principles of environmental procurement. This puts the following onus on the Trust, within commercial and economic parameters:
- Managing the environmental impacts that arise from the procurement activity itself
- Identifying the environmental impacts that are associated with the product or service being procured
- Managing those impacts through careful specification and the use of appropriate conditions of contract, in accordance with the EU rules and domestic policy
- Liaising with contracted suppliers to improve their environmental performance.

The Trust endeavours to achieve a safe environment for both staff and service users, by ensuring that it:
- Fulfills legal and statutory obligations in regard to the minimisation, reuse, recycling, collection, disposal, classification, transportation and packaging requirements of Healthcare Risk Waste and infectious maters (Clinical Waste), Healthcare Waste (Hazardous) and Healthcare Waste (Domestic Waste)
- Minimises the impact of environmental pollutions relating to any of its activity by ensuring that everyone involved in the generation of waste within the Trust is responsible and takes ownership for the correct disposal of that waste.

The Trust has signed up to the Corporate Citizen Agenda and is currently considering its response to the recent NHS SDU publication "Saving Carbon, Improving Health".

1. Directors' Report continued

Trust Employees
Lancashire Care places a high priority on having the right numbers of appropriately skilled staff in place and ensuring there are systems in place to support them in their work. Staffing is monitored using the electronic staff record system with additional reporting through a performance dashboard and regular Workforce Reports which include information on staff turnover, staff in post and sickness and absence rates.

For 2008/09:
- Staff turnover was – 13.15%
- Staff in post were – 3,679
- Sickness and absence rate was – 6.47%

Training and development of staff has continued to be a key focus for the Trust including over 70 ward managers and other senior nurses attending a ward manager development day and 25 senior nurses from across the Trust commencing a leadership development programme. The courses have been well received by staff and fit in well with our overall plans to strengthen leadership development.

The Trust can report an improvement in the percentage of staff who consider that they have both well structured appraisals and appraisals which include personal development plans in the last twelve months. A new approach for performance development reviews has been agreed with Lancashire County Council to provide a common approach across integrated health and social care teams.

A rolling programme of first line management courses has been introduced and the training team has been working on the development and implementation of a module from the Electronic Staff Record (ESR) called the Oracle Learning Management System (OLM). This enables the Trust to record and monitor training in a consistent way.

Investment in a range of clinical skills training programmes has been significant with a number of programmes commissioned and delivered across the Trust.

Social and Community Issues
As a Foundation Trust, the Trust recognises its role in contributing to the local community. Its early intervention services have a focus on recovery and social inclusion, which has seen the introduction of a walking group and football group. Services are also engaged in promoting awareness of mental health issues through contact with colleges and schools.

As part of its equality and diversity work, the Trust has been represented at a number of community events, networks and conferences during 2008/09 and now has close working relationships to take this agenda forward with local authorities, Primary Care Trusts and other voluntary organisations.

Through its patient and public involvement work, the Trust links in with a range of community and voluntary organisations.

Contracts with person/s that is essential to the business of the Foundation Trust
Close working with the Primary Care Trusts, commissioners of the Trust's services, is an important part of ensuring that access to services and quality and continuity of care for patients remain of the highest standard. With minor exceptions, the Trust's service agreements are on a block contract basis. The Trust has established legally binding contracts for its services with the five Lancashire PCTs and the Secure Commissioners based on the new national mental health contract. Blackburn with Darwen acts as the lead commissioner with the other commissioners associates to the main contract.

The Trust offers PCTs outside Lancashire access to services on a pay per usage basis, mainly inpatient services.

Estate and Capital
The current condition of the estate is recorded and analysed in the Estates Strategy 2007 – 2017.

The current estate includes more than 100 sites with a current asset value of over £112m and is approximately 93,000 m^2 in size. The Estates Strategy 2007 – 2017 looks to rationalise the existing estate to approximately 60 buildings involving a significant overhaul of the Trust's estate A number of community developments have been completed since the 2007 Estates Strategy was approved by the Board as part of an estates rationalisation programme and the Trust is currently updating this document to reflect its current and projected accommodation needs for the period 2009 - 2019. This new Estates Strategy should be available for approval late summer 2009.

Over the last couple of years, the Trust has invested significant sums in its infrastructure supporting community teams and outpatient services, including building six new Community Team Bases. The Trust is now focusing on its inpatient agenda and is engaged in a major overhaul of its inpatient facilities at an estimated cost of over £150m. After extensive

consultation and stakeholder involvement, four preferred sites have been identified and the Trust is pursuing plans to build four new hospitals. In addition, other smaller projects are planned and the Trust is currently building a new low secure unit set to open in late 2009/10. More information about these is contained in the Patient Care section below.

Future plans – position of the Trust at the end of the year
Lancashire Care has a record of strong operational and financial performance with its income safeguarded by legally binding contracts. It has a systematic and improving focus on compliance with both its Terms of Authorisation and the Code of Governance and this approach is strengthened by the recent appointments of Chief Executive and Company Secretary.

Financial reserves are being built up to fund the Trust's planned reprovision of its inpatient facilities and other service developments. Financial plans are rigorously stress tested to ensure that there is sufficient contingency against the significant risks and uncertainties that face us in the years to come.

It is acknowledged that the current national recession is likely to be without precedent in the last 20 years, but the Board of Directors is confident that it is well placed to continue to deliver a balance of high quality services and sound financial performance into the future.

The Board is committed to ensuring that the Trust can capitalise on the flexibilities and opportunities provided by Foundation Trust status in the years to come. The recent amendments to the Prudential Borrowing Code and the revised borrowing limits provide significant opportunities to increase the pace of development.

1.2 Patient Care

1.2.1 Benefits of Foundation Trust status to develop and improve services

In its first full year as a Foundation Trust, Lancashire Care has used the benefits of FT status in a number of different ways:

- As referenced in the Business Review, the Trust has generated a significant surplus which it is investing in the development of four new inpatient units. This is a 10-year programme costing over £150 million and will deliver much needed, modern facilities fit for 21st century mental health care
- In addition to these surpluses, £251,000 was allocated by the Trust to address quality improvement issues which improve the environment in existing units for both staff and service users. These have included refurbishments and redecorations.
- The Trust has a public membership of over 5,000, more information about which is included in the membership section on page 39. Membership provides the Trust with a new opportunity to increase public involvement in its services. Public members were included in the consultation process for the selection of sites for the four new inpatient units. In addition, Governors and service users were actively involved in drawing up a brief for, and selecting, the design team for the new inpatient units, in choosing sites and in developing the clinical model for services
- The Trust's new Membership Strategy for 2009/10 sets out a programme of involvement and engagement for public members. This will complement service user and carer involvement and place an emphasis on improving the patient experience.

1.2.2 Key patient target performance

The Department of Health's Standards for Better Health include 24 core standards in the areas of:

- Safety of patients
- Clinical effectiveness and cost effectiveness
- Governance
- Patient focus
- Accessible and responsive care
- The care environment and amenities
- Public health.

The Trust has declared full compliance with all 24 core standards.

For the 2007/08 Annual Health Check, the Trust received 'Excellent' for both use of resources and quality of services.

For the current 2008 /09 Annual Health Check, the Healthcare Commission has confirmed the targets to be used. The details of some of these indicators have now been published. Lancashire Care is confident of meeting the targets for the seven indicators below:

- Data quality on ethnic group
- Access to crisis resolution home treatment
- Care programme approach (seven day follow up)
- Delayed transfers of care
- Completeness of the mental health minimum dataset
- Numbers of drug users in effective treatment
- Child and Adolescent Mental Health Services

The Trust anticipates maintaining its excellent rating subject to confirmation of the remaining indicators.

In addition, the Trust has also performed well in other patient related surveys, including the Healthcare

1. Directors' Report continued

Commission's community mental health services review. Lancashire Care was found to have improved over the past 12 months on the percentage of service users:

- Receiving a physical health check
- Receiving or being offered cognitive therapy
- Being offered a written copy of their care plan
- Having the contact details of someone to phone out of hours
- Receiving a care review and knowing who is their care co-ordinator.

The Trust also did better this year on the percentage of service users involved in deciding the contents of their care plan, whose diagnosis was discussed with them and who felt they had enough say in their care and treatment.

1.2.3 Arrangements for monitoring progress towards targets

The Trust has in place a system to provide evidence and assurance in relation to the Department of Health's Standards for Better Health. The process has been subject to internal audit scrutiny and has been used as a model of good practice in a presentation to a national conference. The process involves the identification of responsible leads at a senior manager and executive director level for each of the core standards. Their role is to review the standards, identify evidence available and confirm if there are any gaps in evidence. Review of any issues raised and presentation of evidence is at the Trust's Executive Management Team (EMT) Governance monthly meeting and the Trust Board.

The Trust has in place Network Governance Groups which have clear responsibilities in providing evidence and assurance in relation to the Standards for Better Health which further supports the evidence provided by the responsible and executive leads. The agendas are based on the Standards for Better Health domains and they report directly to the monthly EMT Governance meeting. Each year a number of the standards are reviewed by Internal Audit to provide external scrutiny in relation to the evidence provided. The evidence is held on a central database and available to review by the Trust Board and Governors before they make the declaration based on the evidence and assurances provided throughout the year.

The Trust has produced a Quality Report to support the Annual Report for 2008/9. The aim of the report is to provide an overview of the work undertaken over the last 12 months in order to improve the quality of services provided. It provides information about our priorities for quality improvement in 2009/10 including the method of measuring improvement and reports on the work completed in 2008/09 against priorities identified in the annual plan. The report incorporates concerns raised by two of our regulators, the Healthcare Commission and the Health and Safety Executive and summarises the measures used as quality indicators in 2008/09. The aim of the report is to facilitate increased accountability to the public and greater Board engagement in quality. The full report is attached on page 49.

1.2.4 New or significantly revised services

2008/09 has seen a number of new services introduced across Lancashire. In July 2008, Jack Straw, MP officially opened Daisyfield, which brings together a number of specialist and community mental health teams and provides a base for the Early Intervention Service. July also saw Ivan Lewis MP officially open Charnley Fold, which is an innovative new community service for older people in South Ribble with mental health needs. More recently, the publication in February 2009 of the national Dementia Strategy has set out a programme of additional investment in older adult services. The Trust has 12 memory clinics across Lancashire which provide services for all people with dementia type illnesses, regardless of age. In East Lancashire, the current memory clinics are being enhanced following extra investment and are expected to be up and running from July 2009 providing a "gold" standard service in line with the Dementia Strategy. The Trust is also appointing a Primary Care Development Worker, who will work closely with GPs in East Lancashire to help them detect the signs of dementia early on. The older adult service is working closely with Age Concern and The Alzheimer's Society to help people with dementia in the community access day care facilities in a non-medical environment.

East Lancashire also saw the opening of The Mount in Accrington, one of a number of new community resource centres opened to provide more accessible community and outpatient services.

The Trust saw the completion of investment in all its Crisis Home Treatment and Assertive Outreach services. Innovative and nationally recognised new Restart Services are being developed. Progress and innovation continues with the roll out of the New Ways of Working model in inpatient and community services across the county.

In secure services, the new low secure unit at Guild Lodge, Whittingham was given planning permission during 2008. Building work has started and a topping out ceremony held to mark the completion of the first phase of work. The £9 million investment will provide a wider range of secure facilities, therapies and resources to around 1.6 million people across Lancashire and South Cumbria. The unit will employ 70 members of staff and create 30 beds in its two wards - the Langden and Dutton units.

Substance misuse services in Blackpool have been confirmed 'excellent' making it the top performing in the North West and joint 4th nationally in a report from the Healthcare Commission and National Treatment Agency. This looked at how well local areas are meeting the needs of diverse communities and people who require inpatient or residential drug treatment.

A new alcohol service has been launched in Hyndburn and Ribble Valley providing a much needed service to local people including home detox programmes. A harm reduction service has also been established at Burnley House covering Burnley, Pendle, Rossendale, Hyndburn and Ribble Valley. Services offered include Hepatitis and HIV screening, Hepatitis vaccinations and health and wound care as well as providing a range of injecting equipment and advice on safer injecting.

During 2008/09, the Trust made changes to Moss View at Heysham. This was a 28-bed continuing care unit and a base for the Morecambe Community Mental Health Team for Older Adults. Over the last two years, the Trust had seen a reduction in the number of new referrals and admissions to the unit and at the same time patients have been correctly discharged to more appropriate residential and nursing home placements. As a consequence the number of patients has reduced and a decision was made in early 2009 to close the unit and enhance other community services for older people. The building will be reused for other services as part of the overall Estates Strategy.

1.2.5 Service improvements

Within the Service Transformation Programme a number of projects are underway with the aim of modernising all the Trust's services to provide the best possible experience and outcome for people with mental health problems in Lancashire.

The aim of the Service Transformation Programme is to promote best practice and to deliver innovative changes across inpatient and community-based services.

To date the priorities have focused upon:

- Work to replace our existing outdated inpatient wards with four purpose built units
- Developing the new service model for inpatient services with increased therapeutic input
- Ensuring that social inclusion is at the heart of everything we do in partnership with our social care partners
- Further modernising community services to provide a better experience for people, promoting recovery and improving access to psychological therapy
- Developing and piloting specialist clinics such as the Lancashire Traumatic Stress Service and work to secure the long term viability of such pilots
- Developing new integrated care pathways to help make a person's journey from the initial point of contact through to recovery as smooth as possible.

Further information about the Service Transformation Programme is available at www.lancashirecare.nhs.uk/mentalhealthmatters

During 2008/09, the adult mental health network has continued to implement its 'New Ways of Working' project, which takes a service user-centred approach to identifying the skills required of a health care team. Since it was first launched in 2006, it has led to a number of improvements in existing services as well as the introduction of new teams and new roles such as Support Time and Recovery Workers and developments in Occupational Therapy Services.

In secure services, a board game has been developed that provides a familiar and unthreatening way for people to make their opinions heard. The aim is to encourage service user involvement and to gauge perspectives on their hospital environments. It has been used effectively in a variety of settings, such as by service users at Guild Lodge, Whittingham, to help address matters relating to equality and diversity.

1.2.6 Improvements in patient information

In response to feedback from service users, care cards have been developed for service users to have quick and easy access to critical information. The size of a credit card, they can be used to keep details such as the name of a care co-ordinator, counsellor and medication information. Designed by service users, carers and staff, the cards also contain emergency contact numbers for the mental health helpline, crisis team and organisations such as Frank, Mind and the Samaritans.

1. Directors' Report continued

Improved medication leaflets, a discharge medication folder and new hand hygiene leaflet have been produced this year and the adult mental health network has focused on developing assessments and care plans for all carers.

The policy for developing and approving patient information leaflets has recently been updated, which will introduce a new system for cataloguing all leaflets.

1.2.7 Complaints

The Trust continues to work hard to respond to complaints as quickly as possible. Complaints give us the opportunity to review how things may have gone wrong and to try and improve services on the basis of what we have learnt.

During this financial year, 243 formal complaints were received which is a decrease of 13 from the previous financial year. All formal complaints were acknowledged within the 2 working days deadline. A small number of complaints are complex and require detailed investigation which is likely to take longer than the 25 day timescale. In these cases, agreement was reached on how the complaint would be taken forward within this timeframe.

The top five themes of complaints were as follows: care and treatment, staff related issues including attitude/ behaviour, communication, facilities and medication. Two new independent review requests were received from the Healthcare Commission. None were received from the Healthcare Ombudsman during this period.

However, from 1 April 2009, a complainant will be able to approach the Healthcare Ombudsman if they are unhappy with the way the Trust has investigated and responded to a complaint.

1.3 Stakeholder relations

1.3.1 Significant relationships

Lancashire Care provides services across five Primary Care Trust boundaries. It works in close partnership with its commissioning PCTs, the Drug and Alcohol Action Teams and North West commissioning team. With minor exceptions, the Trust's local service agreements are on a block contract basis. The Trust has established legally binding contracts for its services with the five PCTs and the Secure Commissioners based on the FT mental health model contract. Contracts are for a rolling period of three years and the Trust maintains a healthy dialogue with commissioners.

The Trust works in an integrated way with Lancashire County Council, Blackburn with Darwen Borough Council and Blackpool Council and has formal integration arrangements with Lancashire County Council. The Trust would like to record its thanks to Richard Jones, Executive Director of Adult and Community Services for Lancashire County Council for his valued contribution to the work of the Trust Board over the last 12 months. The Trust is an active partner in the Lancashire Mental Health and Social Care Partnership Board.

The Trust also works closely with partner agencies in the criminal justice system through the Lancashire Mentally Disordered Offender Co-ordinating Group and the Multi-Agency Public Protection Arrangements Strategic Management Board.

The section on social and community issues earlier on page 14 also referenced a number of partnership approaches linked to equality and diversity work.

Lancashire Care is accountable to Monitor, the Independent Regulator for NHS Foundation Trusts, for its financial plans and performance and also its governance arrangements. As well as the Board approved submission of reports, there has been continued dialogue with key personnel at Monitor.

1.3.2 Development of services involving other agencies and involvement in local initiatives

The Trust has worked in partnership with NHS East Lancashire, Job Centre Plus and the Women's Centre to implement the Improving Access to Psychological Therapies initiative. This has introduced new services in East Lancashire to make it easier for people to access talking therapies when experiencing depression and anxiety disorders. As a result, 14 new High Intensity Trainee Therapists have been recruited to work at surgeries in Pendle, Hyndburn and Ribble Valley. Work is also underway to develop IAPT in partnership with NHS North Lancashire.

1.4 Statement as to disclosure to auditors

Each of the people who are directors at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s415-s418 of the Companies Act 2006.

For and on behalf of the board

Chief Executive
4th June 2009

Chair
4th June 2009

1.5 Additional Disclosures

Pensions Disclosure

The accounting policies for pensions and other retirement benefits are set out in note 1.16 to the accounts and details of senior employees' remuneration can be found in the remuneration report on page 20.

Statement on accounts preparation

The accounts have been prepared under direction issued by Monitor, the independent regulator for Foundation Trusts, as required by paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006 and in accordance with the NHS Foundation Trust Reporting Manual 2008/09 (FT FReM).

Statement on register of interests' information

Company directorships and other significant interests held by directors (or Governors) which may conflict with their management responsibilities are detailed in a Register of Interests maintained by the Trust. Access to the information in the register can be obtained by written request to the Trust's Company Secretary.

1.6 Going concern statement

After making appropriate 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 preparing the accounts.

2. Remuneration Report

The Trust has prepared this report in compliance with:
- Section 420 to 422 of the Companies Act 2006,
- Regulation 11 and Schedule 8 of the Large & Medium-sized Companies & Groups (accounts and reports) Regulations 2008, and
- Elements of the NHS Foundation trust Code of Governance.

Signed:

Professor Heather Tierney-Moore
Chief Executive

Salary and Pension entitlements of Senior Managers
(The tables below have been subject to audit review)

A) Remuneration

	Period 1 April 2008 - 31 March 2009			Four month period 1 December 2007 - 31st March 2008		
	Salary (bands of £5000)	Other remuneration (bands of £5000)	Benefits in kind Rounded to the nearest	Salary (bands of £5000)	Other remuneration (bands of £5000)	Benefits in kind Rounded to the nearest
	£000	£000	£100	£000	£000	£100
Name and title						
Professor Heather Tierney-Moore Chief Executive (05/01/09 - 31/03/09)	35 - 40		1,000	0	0	0
Mr Finlay Robertson Chief Executive (01/04/08 - 30/09/08)	80 - 85		2,600	50 - 55	0	1,900
Mr David Tomlinson Acting Chief Executive (01/10/08-04/01/09)	35 - 40		1,400	0	0	0
Mr David Tomlinson, Director of Finance (01/04/08 - 30/09/08) (05/01/09 - 31/03/09)	70 - 75	5 - 10	4,000	30 - 35	0	1,800
Mr Shannon Carroll Acting Director of Finance (01/10/08-04/01/09)	20 - 25		1,000	0	0	0
Mrs Shirley Saunders, Deputy Chief Executive/ Director of Operations (01/04/08-31/03/09)	105 - 110		7,100	30 - 35	0	2,700
Prof.Max Marshall, Medical Director (01/04/08-31/03/09)	20 - 25	170 - 175	7,000	5 - 10	50 - 55	1,300
Mr Patrick Sullivan, Director of Nursing (01/04/08-31/03/09)	80 - 85		3,600	25 - 30	0	1,200
Mrs Maggie Stainton, Director of Human Resources (01/04/08-31/03/09)	90 - 95		3,800	25 - 30	0	1,200
Mrs Vourneen Darbyshire, Chairman (01/04/08-31/03/09)	45 - 50		3,700	5 - 10	0	800
Mr Sam Jones, Non-Executive Director (01/04/08-31/03/09)	15 - 20		1,100	0 - 5	0	300
Mrs Anne Baldwin, Non-Executive Director (01/04/08-31/08/08)	5 - 10		600	0 - 5	0	400
Mr Derek Brown, Non-Executive Director (01/04/08-31/03/09)	15 - 20		0	0 - 5	0	0
Mrs Teresa Whittaker, Non-Executive Director (01/04/08-31/03/09)	15 - 20		700	0 - 5	0	0
Professor Christopher Heginbotham, Non-Executive Director (01/09/08-31/03/09)	5 - 10		0	0	0	0
Miss Belinda Weir, Non-Executive Director (01/04/08-31/03/09)	10 - 15		0	0 - 5	0	0
Total paid to Senior Managers	**645 - 725**	**175 - 185**	**37,600**	**170 - 230**	**50 - 55**	**11,600**

The Board directs the operations of the Trust and is appointed as follows. The Chairman and the Non-Executive Directors are appointed by the Council of Governors' Nominations Committee. Remuneration, allowances and terms and conditions of office of the Chairman and Non-Executive Directors is directed by the Governors' Council Remuneration Committee. The Chairman, and Executive Directors appoint the Chief Executive. The Chairman, Non-Executive Directors, Executive Directors and the Chief Executive appoint the other Executive Directors. Executive Directors positions are on substantive contracts. Remuneration, allowances and terms and conditions of all executive directors, including the Chief Executive, is directed by the Trust's Remuneration Committee. Posts are advertised in relevant media and interviews are undertaken by a panel comprising members of the Trust's Remuneration Committee and external assessors. Non-Executive Directors positions, including the Chairman, are terminable by the Governors' Council Remuneration Committee. Executive Director positions are terminable by the Remuneration Committee. In the case of directors other than the Chief Executive, the Chief Executive would also take part in the decision.

Benefits in kind relate to the provision of a lease car or taxable mileage benefits.

B) Pension

Name and title of Senior Manager	Real increase in Pension (Bands of £2,500)	Real increase in Lump Sum (Bands of £2,500)	Pension at 31 March 2009 (Bands of £2,500)	Lump sum at 31 March 2009 (Bands of £2,500)	CETV at 31 March 2009 (Rounded to nearest £1,000)	CETV at 31 March 2008 (Rounded to nearest £1,000)	Real increase in CETV as funded by employer (Rounded to nearest £1,000)	Employers contribution to stakeholder pension
Finlay Robertson Chief Executive (01/04/08 - 30/09/08)	0	0	62.5 - 65	197.5 - 200	0	1,320	0	0
Professor Heather Tierney-Moore Chief Executive (05/01/09 - 31/03/09)	0 - 2.5	0 - 2.5	0 - 2.5	0 - 2.5	9	0	6	0
Maggie Stainton, Director of Human Resources (01/04/08 - 31/03/09)	0 - 2.5	2.5 - 5	27.5 - 30	87.5 - 90	255	418	-121	0
Dave Tomlinson Director of Finance (01/04/08 - 30/09/08 and 05/01/09 - 31/03/09) Interim Chief Executive (01/10/08 - 04/01/09)	2.5 - 5	10 - 12.5	25 - 27.5	77.5 - 80	473	313	106	0
Professor Max Marshall Medical Director (01/04/08 - 31/03/09)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shirley Saunders Deputy Chief Executive/Director Of Operations (01/04/08 - 31/03/09)	0 - 2.5	2.5 - 5	32.5 - 35	102.5 - 105	594	467	81	0
Patrick Sullivan Director of Nursing (01/04/08 - 31/03/09)	0 - 2.5	2.5 - 5	30 - 32.5	92.5 - 95	597	438	104	0
Shannon Carroll Acting Director of Finance (01/10/08 - 04/01/09)	17.5 - 20	55 - 57.5	17.5 - 20	55 - 57.5	272	0	190	0

Finlay Robertson is now in receipt of his pension and this is reflected in the figures above.
Professor Max Marshall is not a member of the pension scheme.
As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

2. Remuneration Report continued

B) Pension continued

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.

Note: The real increase in the CETVs may be significantly different when you compare this year's values with last year's. This difference is due to a change in the factors used to calculate CETVs, which came into force on 1 October 2008 as a result of the Occupational Pension Scheme (Transfer Value Amendment) regulations. These placed responsibility for the calculation method for CETVs (following actuarial advice) on Scheme Managers or Trustees. Further regulations from the Department for Work and Pensions to determine cash equivalent transfer values (CETV) from Public Sector Pension Schemes came into force on 13 October 2008.

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.

3. NHS FT Code of Governance Disclosures

3.1 Description of how the Foundation Trust applies the main and supporting principles of the code

The following statement is provided to enable readers of the annual report to obtain a better understanding of the Trust's governance structure and arrangements and to measure the performance of the Trust against the NHS Foundation Trust Code of Governance. Lancashire Care Foundation Trust is committed to maintaining high standards of corporate governance. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). In setting its governance arrangements, the Trust has regard for the provisions of the Combined Code issued by the Financial Reporting Council, the Code of Governance issued by Monitor and other relevant guidance issued by Monitor and other sector bodies to the extent that the provisions apply to the responsibilities of the Trust. The following paragraphs together with the Statement of Internal Control on page 46, explain how the Trust has applied the main and supporting principles of the Code.

3.2 The Trust Board of Directors

On authorisation as a Foundation Trust, consideration was given to the structure and operation of the Trust Board. A sub committee structure was agreed and clear terms of reference and standing orders approved. Role descriptions for each of the key roles of Chair, Chief Executive, Non-Executive Director, Senior Independent Director and Deputy Chair are in place and provide clarity of role and purpose. The Trust Board of Directors has overall responsibility for providing leadership of the Trust within the framework of prudent and effective controls and for delivering the activities of the Trust. The Board is responsible for a range of matters including the operational performance of the Trust, the definition and implementation of policy and strategy and for ensuring that its obligations to stakeholders are met. The Board of Directors maintains a schedule of matters reserved to itself and has in place a Scheme of Delegation for the further discharge of responsibilities through the Chief Executive and Executive Directors. The Board holds the Executive to account and receives assurance from them in relation to the effective and proper performance under those delegated authorities. The Board of Directors meets regularly and transacts its business in accordance with agreed agenda setting procedures which ensure that standard items of accountability and assurance are addressed but also provide sufficient time to focus on appropriate strategic development and review. Board meetings are held in private but board papers and minutes are made publicly available immediately following the meeting. Opportunities for public and member engagement with the Board and the governing body are scheduled throughout the year. The Chief Executive and Executive Directors exercise considerable influence upon the development of Trust strategy, the identification and planning of new developments and the shaping of the Trust's ethos. Together the executive management provide strong leadership and oversee the day to day operation of the Trust. Matters requiring approval of the Board are generally the subject of proposals brought by the Chief Executive and backed by detailed analysis and supporting information. Papers are issued seven days in advance of Board meetings. At the request of the Chief Executive and with the consent of the Chair, members of the senior management team attend meetings of the Board where necessary in order to help inform debate and discussion. Regular briefings and presentations on specific topic areas or contextual background are provided, particularly for the Non-Executive Directors, as development sessions outside of the formal Board meeting. Members of the Board are offered appropriate training as required, including induction training on appointment. Members are also encouraged to attend relevant external training, briefing seminars and networking events relevant to their role. The Board gives clear direction in relation to its information requirements necessary to facilitate proper and robust discussion and to reach informed decisions. It is the responsibility of the Chair, supported by the Company Secretary to ensure those information needs are met.

The Board as a whole agrees and sets the performance monitoring regime on the advice and recommendation of the Chief Executive and tracks agreed actions to ensure completion and close out. A risk management policy and process has been agreed and operational risk management processes are embedded in the organisation at all levels. The level and nature of operational risk information that should be subject to Board scrutiny has been determined and the Board receives regular reports on the status of those risks. The policy contains escalation processes for the rapid identification and reporting to the Board of emerging risks or concerns about risk mitigation. Work is in progress to further define the risk environment and develop the risk management culture to encompass a complementary Board risk register that will concentrate on key strategic and enterprise risk.

3. NHS FT Code of Governance Disclosures continued

The Board has established four sub-committees; Audit, Governance, Nominations and Remuneration Committees and these have responsibility for the delivery of aspects of the Board's remit under delegated authority or for making recommendations to the Board in areas of specialisation. All committees have written terms of reference and standing orders. Details of the work and membership of these committees can be found on page 31. Membership of committees is periodically reviewed. The Board aims to strike a balance for membership of committees that secures the benefits of retained knowledge whilst ensuring that new ideas and views are brought to bear through a policy of refreshment.

The Board of Directors endeavours to ensure that it presents a balanced and understandable view of the Trust's position and prospects in all of its communications and publications to regulators and to stakeholders. Regular reports on Trust performance, including financial, operational and clinical performance and compliance, are produced for the Board of Directors and the Council of Governors. The Board reports to a range of regulatory bodies as required on relevant performance and compliance matters and in the prescribed form and makes clear its reporting responsibilities in the Annual Report. The Board meets its continuing reporting requirements under the Monitor Compliance Framework and reports on current performance and any required notifications under that regime on a quarterly basis. The Trust has appointed an independent Internal Auditor, Audit North West, to assist the Audit Committee with the discharge of its responsibilities and in conjunction with the Council of Governors makes recommendations on the appointment, remuneration and terms of engagement of the External Auditor. The Committee has considered the maintenance of the independence of the external auditor in the context of non audit work commissioned and has made recommendations, which were subsequently approved, in a policy for the commissioning of such work by the Council of Governors.

The constitution sets out the required number of directors in each category. There should be 13 members of the Board, 6 Executive Directors, 6 independent Non-Executive Directors plus a Non-Executive Chair. All Non-Executive Directors of the Trust are considered to be independent in character and judgement and have no cross directorships or significant links which could materially interfere with the exercise of their independent judgement. All directors have the same general legal responsibilities to the Trust and have collective responsibility for promoting its success by directing and supervising its affairs. However Non-Executive Directors are required to act in the best interests of the Trust at all times exercising their independent judgement on all matters. Details of the Board of Directors can be found on page 28.

Board members are required to disclose and keep up to date details of their interests and other material time commitments in a Register of Interests kept by the Company Secretary. The register is available for inspection by arrangement with the Company Secretary. The Chair had no other significant commitments outside of the work of the Trust to declare during the reporting period.

In the event of a vote being necessary the Chair carries a casting vote. All Non-Executive members of the Board, including the Chair, serve for defined and renewable terms of office and a maximum term of office is in place. The Board considered its size in terms of its number on authorisation as a Foundation Trust and was of the opinion that it was an appropriate size to bring the right balance of skills for the current stage of organisational development and to pursue the aspirational objectives of forward plans. The Board will continue to review this periodically as part of the evaluation of its own effectiveness. The generic and specific skill and competency sets identified as necessary for a Board director is reviewed on a regular basis and specifically prior to recruitment of a new director in order to be assured of their continuing relevance in the context of the immediate and future work of the Board. Appointments to the Board of Directors are subject to an agreed and formal recruitment process against a written role description and person specification which is informed by the outcomes of a review and gap analysis of the generic and specific skill sets needed. New Non-Executive Directors are appointed for an initial term of three years but can be re-appointed in accordance with the constitution for a further three year term subject to satisfactory performance. In considering the recruitment of new Non-Executive Directors during the reporting period, the Board considered the balance of skills and experience of the existing Board and identified specific target skills for the recruitment exercise. The Board has established a Nominations Committee to make recommendations to it in relation to the appointment of Executive Directors. The Council of Governors has also established a Nominations Committee which is similarly charged with making recommendations to the Council in respect of Non-Executive Director appointments. Details of the work and membership of these committees can be found on pages 31 and 38 respectively. It has been the practice to use external consultants to advise these committees and to provide objective and expert advice and guidance on the market in general and the recruitment

process. The consultants have no other significant connection with the Trust.

All members of the Board receive induction training on joining the Trust and undertake a personal induction programme during the first twelve months of appointment. A formal process for the evaluation of the performance of the Chair, Chief Executive and Non-Executive Directors has been approved by the Council of Governors. Objectives for each director are set as part of the performance appraisal process and a personal development plan for each director is agreed on an annual basis. Performance and progress against the objectives and plan are monitored throughout the year and the outcomes reported to the Board of Directors and Council of Governors as appropriate. The Board of Directors has established a Remuneration Committee to determine the pay and conditions of service for the Executive Directors, including the Chief Executive. In setting the level of remuneration, consideration is given to the market position of the Trust and its ability to attract and retain the calibre of individuals needed in these key leadership roles. This is achieved by reference to a range of comparator materials including internal pay scales and awards and externally commissioned market and sector benchmarking information. Whilst performance against annual objectives is a key part of the management process for Board directors, currently no element of pay is directly linked to performance outcomes. The Remuneration Committee of the Board of Directors has reviewed this with a view to considering the introduction of a performance and reward system in future years. The Remuneration Report can be found on page 20. The Council of Governors has also established a Remuneration Committee whose remit is to consider and make recommendations to the full Council in relation to the levels of remuneration for Non-Executive Directors. This Committee takes advice from external consultants in order to bring objective guidance and market benchmarking to the process. Details of the work and membership of this committee can be found on page 38.

On an on-going basis, the Board continues to review the effectiveness of its process in the light of experience as a Foundation Trust and plans to undertake a fundamental review of its own effectiveness and efficiency following two years of operation and thereafter at least every five years.

3.3 The Chair

The Trust's Chair also chairs the Council of Governors and provides the link between the two bodies. The responsibilities of the Chair are set out in the constitution and a clear role description has been agreed. The Chair is responsible for the leadership of the Board of Directors and the Council of Governors and has promoted arrangements for the corporate development of the Board as a whole and through the Chief Executive, the development of individual Executive Directors. The Chair has in place procedures for the continuing and further development of individual Non-Executive Directors. Planned regular meetings between the Board of Directors and the Council of Governors have been set up with a view to ensuring that the two bodies work effectively together and to promote clear communication. Members of the Board of Directors, in particular the Chief Executive and Senior Independent Director, who have a specific role in the management of relationships between the two bodies, have a standing invitation to attend Council of Governor meetings. The Chair sets and agrees the agenda for the Board of Directors and the Council of Governors on the advice of the Chief Executive and the Company Secretary, members of each of these bodies have the opportunity to suggest agenda items for inclusion through the Chair. The Chair is responsible for the flow of information to the Board and the Council of Governors. Papers are produced by or under the authority of the relevant director with portfolio responsibility for the area under discussion. Governors also present papers and provide feedback reports as appropriate at meetings of the Council of Governors. Papers address the issue at hand and make recommendations on those issues clearly identifying the action required by the Board. An executive summary accompanies the paper for ease of reference and to prompt discussion. Discussion at meetings is conducted through the Chair to facilitate a balanced contribution from all members. The Chair encourages members to seek clarification on any matter under discussion at meetings. The Chair through the Company Secretary is responsible for producing minutes of all meetings of the Board and of the Council of Governors and their sub committees. Minutes and papers are made widely available to staff, stakeholders and the general public and are published on the Trust's website. Restrictions on disclosure are kept to a minimum with only those issues that qualify for exemption under the provisions of the Freedom of Information Act being withheld from public availability.

The Chief Executive, who is responsible for ensuring that members of the Board are kept up to date, issues a regular communication bulletin which provides contextual information on Trust and relevant sector activity to directors between meetings to keep them apprised of emerging issues. A similar publication is issued to Governors.

3. NHS FT Code of Governance Disclosures continued

3.4 Council of Governors

The Foundation Trust has a Council of Governors which is the voice of the local community and acts as a critical friend to the Board of Directors to ensure that services are developed to meet users' needs and to reflect the views of members. Council of Governor meetings are held in public at a variety of locations across the county to facilitate member and public attendance. Governors are briefed on the performance of the Trust and ensure that the Board implements the agreed plans. Governors act as a link between the members and the Board of Directors. Governors' responsibilities include the appointment and removal of the Chair, Non-Executive Directors and Auditors, approving the appointment of the Chief Executive and agreeing the terms and conditions of service for the Non-Executive Directors. The Board of Directors is required to present the Annual Report and Accounts to the Governors and consult them on future plans and proposed changes to the Trust. The Constitution sets out the number of Governors that make up the Council of Governors. This is currently 34. Details of the members of the Council of Governors can be found on page 33. Governors are drawn from the member constituencies via a transparent and independent election process as defined in the constitution and run by Electoral Reform Services. A register of appointments and terms of office is maintained to assist with succession planning. As at the year-end, a number of vacancies existed that have arisen as a result of resignations and the planned renewal of terms of office. An election process is currently in progress. The results of these elections will be published on 11th June 2009 with the successful candidates formally appointed to the Council of Governors at their meeting on 10th August.

All Governors undertake induction training which provides guidance and direction in relation to the discharge of their role and duty to be representative of the views and interests of the membership and other stakeholders. A programme of development events for governors is scheduled during the year and members of the Council are encouraged to attend relevant sector events, in particular those run by the Foundation Trust Network and the Governors' Association. The Trust is a member of the Governors' Association. Plans to further enhance development opportunities for Governors are being considered for 2009/10. At a recent meeting between the Board of Directors and the Council of Governors, the two bodies explored in more detail the options to further develop a common understanding of how the responsibilities could be more effectively applied in practice. It was agreed that a small working group would undertake a full review of Council processes and make recommendations to the full Council in respect of the governance processes of the Council and the development of its business agenda. The group would also recommend appropriate measures for the monitoring of the Council's own efficiency and effectiveness.

The Council of Governors meets regularly. The frequency and nature of meetings, the format of reports and the Council's information requirements have been discussed and agreed between the Board of Directors and Council of Governors. The Council is kept informed of progress against annual and strategic plans through standing agenda items at its formal meetings and has the opportunity to engage with members of the Board in respect of the annual plan prior to approval. The Council has established three sub committees details of which can be found on page 38. However, at the invitation of the Chief Executive, Governors are encouraged to participate in operating and oversight committees and working groups of the Trust to facilitate participation and first-hand knowledge of progress in relevant and appropriate areas of the Trust's work and to ensure that the views of stakeholders are represented in the planning stage of key strategic initiatives and forward plans.

3.5 Consultation

The Council of Governors, representing the views of members, is consulted by the Board of Directors on a variety of issues such as the annual plan development. Members, service users and carers have opportunities to put their views forward through involvement channels including consultations and service redesign groups. The Trust is committed to increasing public involvement in its services through the membership and service users and carers as well as developing good working relationships with the three Local Involvement Networks (LINks).

3.6 Statement of Compliance with the Code Provisions

The Trust first reported on its compliance with the Code in April 08 and since then has continued in its efforts to develop further its approach to corporate governance and the effective management of risk in the context of Foundation Trust status and a rapidly changing operating environment. Last year the Trust was able to confirm its compliance with the Code in all but five areas and has worked to address these areas during the year. The Trust is now compliant or has plans to achieve compliance by the due date in all these areas; namely the evaluation of the performance of the Chair, the policy on engagement between the Board of Directors and the Council of Governors and the induction of Governors, the evaluation of the performance of the Council and of the Board of Directors and their respective committees, one of the outcomes of which will be the identification of performance measures.

The Audit Committee has received assurance relating to the evidence base for compliance with the Code of Governance and is of the opinion that the Trust is compliant or is actively progressing actions to achieve compliance with all of the code provisions with the following exceptions.

Having considered the provisions under the code relating to meetings with Non-Executive Directors (A.1.3) and the re-appointment of Executive Directors every five years (C.2.1), the Board has concluded that it will not comply with these code provisions for the following reasons.

Since authorisation as a Foundation Trust, the Chair has met periodically with the Non-Executive Directors without the Executive Directors present. At a meeting held on 26th February 2009, the Non-Executive Directors reviewed the purpose and basis for holding separate meetings. They concluded that there could be only two purposes, firstly to discuss matters of concern about the performance of individual Executives or the Executive as a whole or to discuss issues that related to the business of the Board. In relation to the former it was agreed that there were clear procedures for raising such concerns and in the case of the latter it was felt that this was not appropriate in the context of a unitary Board. The Non-Executive Directors therefore agreed that they would not continue to routinely meet without Executives present but acknowledged that the Chair continued to have the right to convene such a meeting should circumstances warrant.

The Remuneration Committee of the Board of Directors has reviewed the Code provision requiring the re-appointment of Executive Directors at intervals of no more than every five years. In considering its ability to comply, the Committee weighed the need to maintain a flexible approach to Board renewal, the requirement to continue to attract, retain and motivate appropriately skilled and experienced individuals to leadership roles and the potential impact of contractual changes on the Trust and concluded that the introduction of fixed term contracts was not in the best overall interests of the Trust at this stage of its organisational development. The Committee would keep this under periodic review but would continue to monitor overall skill and competence needs of the Trust Board as a whole and where necessary address any shortfalls through other means including Non-Executive appointments and the application of the Trust's performance management and organisational change policies.

The Board of Directors therefore continues to be of the view that the Trust complies with the provisions and spirit of the Code of Governance with the exception of those provisions outlined above but recognises the need for continuing improvement and has identified a number of areas where further attention will improve the governance practice and process. It has committed to address the following areas in the coming year.

- Strengthen and further enhance the Governor Development programme
- Work with the Council of Governors to undertake a fundamental review of the work of the Council of Governors and further develop their business agenda and governance processes.
- Building on the existing framework, further develop risk awareness and management processes in the organisation, in particular in relation to strategic and enterprise risks.
- Further develop our process and practice for meaningful engagement with members.

3. NHS FT Code of Governance Disclosures continued

3.7 The Board of Directors

Membership of the Board of Directors for the reporting period was as follows:-

Jo Darbyshire – Chair

Jo Darbyshire was Chair of the North West Lancashire Health Authority prior to joining Lancashire Care Trust. She has also been a Non-Executive Director on the Board of Blackpool, Wyre and Fylde Community Health Services NHS Trust. Jo is a retired Solicitor and is Honorary Solicitor to a number of Housing Associations

Her experience of public service in the statutory and voluntary sectors is vast. She has chaired a support group for children with learning difficulties and a local Citizen's Advice Bureau and has served as a school and college governor. Jo is a past President of Soroptimist International of Gt Britain and Ireland and has served on the Board of Soroptimist International.

Professor Heather Tierney-Moore – Chief Executive

Professor Heather Tierney-Moore OBE joined the Trust in January 2009, with a background in nursing, a distinguished track record of achievement in the NHS at Board and national level and an MSc in Managing Change.

Heather was most recently Nurse Director at Lothian NHS Board with additional responsibility as Chief Operating Officer for Royal Edinburgh and Associated Services. Heather is a visiting Professor at Edinburgh Napier University and in 2001 was appointed OBE for services to nursing.

Shirley Saunders - Deputy Chief Executive and Director of Operations

Shirley Saunders joined the Trust in 2005. She was previously Director of Performance Management, Service Development and Information Management and Technology at Northamptonshire Healthcare NHS Trust.

Shirley's professional background is finance and she has held Director posts in many different organisations over her NHS career and has worked in the independent sector specialising in comparative performance of the NHS.

Shirley is the Executive lead for corporate affairs, performance management, and has operational responsibility for all the Trust's clinical services.

Patrick Sullivan - Director of Nursing

Patrick has worked in the NHS since 1978 in a number of services in the Midlands and North West. He qualified as a Registered Nurse (mental health) in 1981 and undertook postgraduate training at Diploma and Degree level.

Following a successful clinical career he worked in a number of senior professional and general management positions. He has completed a Masters Programme in Health Care Management and has published work on mental health issues.

Dave Tomlinson - Director of Finance

Dave Tomlinson has been the Trust's Director of Finance since it was established in 2002. He also has executive responsibility for estates and facilities management, information and communications technology, business development and planning.

He was previously the Director of Finance and Corporate Information at Guild Community Healthcare NHS Trust in Preston after joining in 1996. He has served as a member of the boards of Audit North West and the North West Collaborative Procurement Hub and sits on the Disciplinary Committee of the Chartered Institute of Management Accountants. Prior to his NHS experience, Dave worked in the private sector with GEC, Sony, Decca and BUPA in a number of senior financial management roles.

He qualified as an accountant in 1985 and gained an MBA at the University of Strathclyde in 1994.

Maggie Stainton - Director of Human Resources

Maggie was Human Resources Director at Ashworth Hospital in Maghull prior to joining Lancashire Care Trust.

Maggie originally trained as a teacher and then worked within the health service in various administrative and human resources roles prior to her appointment as Personnel Director for Lancaster Acute Trust in 1995.

Professor Max Marshall - Medical Director

Max Marshall is an Honorary Consultant Psychiatrist and Professor of Community Psychiatry at the University of Manchester.

Max is well known for his research on homelessness, early psychosis and organising mental health services.

Recently he served on the North West Commission for Mental Health.

Sam Jones – Non Executive Director

Sam spent most of his working life with the Royal Bank of Scotland Group in the North of England retiring as a Regional Commercial Director and served as a member of Preston Health Authority during the late eighties to early nineties.

He is a member of the Board of the University of Central Lancashire where he chairs the Audit Committee. He is also a trustee of the Charitable Trusts of Cheadle Hulme School, Manchester. He is a Rotarian and currently the Treasurer of the Rotary District covering Cumbria and most of Lancashire.

Sam, who is married and has two sons, was born and brought up on Anglesey, North Wales and has lived in the Preston area for the last 35 years. In his spare time he is a keen walker, cinema and theatregoer, and rugby follower.

3. NHS FT Code of Governance Disclosures continued

3.7 The Board of Directors continued

Derek Brown - Non-Executive Director

Derek served in the Royal Air Force as an officer and pilot for 14 years. He joined the British Aircraft Corporation, now BAE Systems, in 1977 and ran the King Faisal Air Academy in the Kingdom of Saudi Arabia as Chief Flying Instructor. Derek managed a fleet of 40 aircraft and 20 flying training instructors, training Saudi and other Middle East students.

He returned to the UK in 1987 where he was seconded into the Dutch civil engineering company of Ballast Needham (then a subsidiary of BAE) as Programme Manager of the largest airfield construction project in the 1990s. He returned to the UK in 1992 where he acted as Business Development Manager for major international programmes, identifying, proposing and winning new business and project managing the successful resultant projects. He was appointed Director of New Business in 2002 and retired in 2006.

Belinda Weir – Non Executive Director

Belinda Weir is from Lancaster and is a Principal Consultant for Serco Ltd. Belinda has 20 years experience of working in mental health for the not for profit sector in a number of senior positions and was the Chief Executive of Community Options, a voluntary organisation established to provide housing and support for people with severe mental health problems.

During her career Belinda has developed a number of skills, which will be invaluable to the Trust; designing and delivering mental health services, financial management, budgetary control, strategic planning, organisational change and partnership working.

Teresa Whittaker – Non Executive Director

Teresa has worked in industry for over 30 years, mainly in the complex highly regulated nuclear industry. Her exposure at board and senior executive level has given her extensive experience of internal control, risk management and corporate governance.

Teresa has broad financial line management experience in a range of industry sectors, both in the UK and overseas, and she has also held a variety of change management/process improvement roles. Teresa currently provides consultancy support in governance and assurance, to both public and private sector organisations.

Professor Chris Heginbotham – Non Executive Director

Chris is Deputy Head of the International School for Communities, Rights and Inclusion at the University of Central Lancashire and co-director of the Institute for Philosophy, Diversity and Mental Health. Working in the field of healthcare for most of his career, Chris has been Chief Executive of both mental health and acute Trusts, in addition to previously leading the Mental Health Act Commission and MIND.

His current academic role has enabled him to work closely with PCTs, NHS Trusts and local authority social services. It has also allowed him to examine the design and delivery of services to those service users and others who are not always well engaged with public agencies through traditional methods.

At the end of the reporting period there was a Non-Executive Director vacancy on the Board of Directors. A recruitment exercise has been undertaken and a recommendation for appointment was made to the Council of Governors at its meeting on 11th May 2009. The Council of Governors approved the appointment of Peter Ballard who took up his post with effect from 1st June 2009

The Board of Directors met 15 times during the reporting period. The following table shows the record of attendance by each director at those meetings and the term of appointment for Non-Executive Directors.

Attendance at Board of Director Meetings 1st April 2008 – 31st March 2009

Name	Number of meetings (Actual/ Max)	Term of appointment
Non-executive Directors		
Vourneen Darbyshire	14/15	01/01/06 – 31/12/09
Derek Brown	14/15	01/10/06 – 30/09/10
Chris Heginbotham	7/7	01/09/08 – 31/08/11
Sam Jones	15/15	01/01/06 – 30/12/09
Belinda Weir	10/15	01/10/07 – 30/09/11
Teresa Whittaker	12/15	01/10/06 – 30/09/10
Anne Baldwin	6/8	04/03/02 – 31/08/08
Executive Directors		
Finlay Robertson	9/9	Retired Sept 2008
Heather Tierney-Moore	3/3	Commenced Jan 2009
Max Marshall	11/15	
Shirley Saunders	12/15	
Maggie Stainton	13/15	
Patrick Sullivan	12/15	
David Tomlinson	14/15	Interim Chief Exec Oct-Dec 08
Shannon Carroll	3/3	Acting Dir of Finance Oct-Dec 08

The sub committees of the Board of Directors are:-

Nominations Committee
The role of the Nominations Committee is to nominate new Executive Directors to the Board for appointment and to review the structure, size and composition of the Board of Directors. Membership of the Committee during the reporting period was:-

- Vourneen Darbyshire
- Anne Baldwin (resigned 31/08/08)
- Derek Brown
- Chris Heginbotham (commenced 01/09/08)
- Sam Jones
- Belinda Weir
- Teresa Whittaker

During the year the Committee met seven times for the purpose of appointing a Recruitment Agency for the search and selection of a new Chief Executive, discussion of the competency skills and job description for the appointment of a new Chief Executive, appointment of the Director of Finance as Interim Chief Executive, pending the appointment of a new Chief Executive and review of the recommendations from the interview panel for the Chief Executive position.

Attendance at committee meetings is set out in the following table.

Name	Meetings attended (Actual /max)
Vourneen Darbyshire	7/7
Anne Baldwin (resigned 31/08/08)	5/7
Derek Brown	7/7
Sam Jones	7/7
Belinda Weir	5/7
Teresa Whittaker	7/7
Chris Heginbotham	0/0

3. NHS FT Code of Governance Disclosures continued

Remuneration Committee
The role of the Remuneration Committee is to decide the remuneration and allowances, and other terms and conditions of office, of the Chief Executive and other Executive Directors as confirmed within the Constitution. Membership of the Committee during the reporting period was:-

- Vourneen Darbyshire
- Anne Baldwin (resigned 31/08/08)
- Derek Brown
- Chris Heginbotham (commenced 01/09/08)
- Sam Jones
- Belinda Weir
- Teresa Whittaker

During the year the Committee met four times for the purpose of reviewing the policy document for remuneration of Chief Executive and Executive Directors, Chairman's action in relation to appointment of the Chief Executive, the salary for the interim Chief Executive, proposed salary changes within Finance Department, the appointment of the Company Secretary and salary and proposal for Performance Related Pay for Executive Directors.

Attendance at committee meetings is set out in the following table.

Name	Meetings attended (Actual /max)
Vourneen Darbyshire	4/4
Anne Baldwin	0/1
Derek Brown	4/4
Chris Heginbotham	0/3
Sam Jones	4/4
Belinda Weir	3/4
Teresa Whittaker	4/4

The Remuneration Report can be found on page 20.

Audit Committee
The role of the Audit Committee is to monitor the integrity of published statements in relation to financial, risk and other control environments and to review the system of internal control, at least annually reporting its findings on the effectiveness of those controls to members via the Annual Report. The Audit Committee has clear written terms of reference. The Trust has appointed an independent Internal Auditor to assist the Committee with the discharge of its responsibilities and in conjunction with the Council of Governors, the Committee makes recommendations on the appointment, remuneration and terms of engagement of the External Auditor. The Committee has considered the maintenance of the independence of the external auditor in the context of non audit work commissioned and has made recommendations, which were subsequently approved, on a policy for the commissioning of such work to the Council of Governors.

Membership of the Committee during the reporting period was:

- Teresa Whittaker
- Derek Brown
- Sam Jones
- Belinda Weir

During the year the Committee met six times for the purpose of reviewing the Assurance Framework and financial matters, general controls and compliance, Clinical Governance audit reports and external and internal audit reports.

Attendance at committee meetings is set out in the following table.

Name	Meetings attended (Actual /max)
Teresa Whittaker	6/6
Derek Brown	6/6
Sam Jones	6/6
Belinda Weir	3/6

Executive Management Team Governance

Membership:
Heather Tierney-Moore
– Chief Executive
Shirley Saunders
– Deputy Chief Executive/ Director of Operations
Max Marshall
– Medical Director
Maggie Stainton
– Director of Human Resources
Dave Tomlinson
– Director of Finance
Patrick Sullivan
– Director of Nursing

Members of the Senior Management Team attend as appropriate to the Agenda.

The Executive Management Team Governance session is the formal sub committee of the Board which focuses on the overall governance agenda. The aim is to ensure that services are delivered in a clinically effective way and that the Trust meets the standards set by the regulatory bodies and meets the expectations of the public we serve. The committee meets on a monthly basis.

3.8 Council of Governors

The Trust has 34 Governors made up of elected members of the public and staff and people that have been nominated by partner organisations. Membership of the Council of Governors as at 31st March is shown below. The members of the Council of Governors for the reporting period is set out in the table on page 37.

Public Governors – Central Lancashire

Lona Smith, Public - Central Lancashire

Lona spent the early part of her career nursing in a psychiatric hospital and then taught in high school for over 20 years. She is a magistrate and frequently comes into contact with people of all ages with psychiatric issues. She has served on many committees and is actively involved in many local organisations.

Neil James Caton, Public, Central Lancashire

As Neil has suffered from mental illness he has a wide experience of services and wants to make a difference for others. Aged 22, he is keen to represent his peers, which he believes make up a high proportion of mental health users.

Barbara Lockett, Public, Central Lancashire

Barbara owned her own company before retiring in 2005. She studied health education as part of a degree course and is familiar with the problems of the elderly, especially Alzheimer's.

Frank Smith, Public, Central Lancashire

Frank has been a member of the Trust since its inception. He is especially interested in establishing closer links with all mental health facilities within the county. In his retirement Frank is devoting his time to charitable organisations and is Chair of Preston District Scope, Vice Chair of Lancashire Victim Support and a member of the Council for National Victim Support.

Public Governors – Blackburn with Darwen

Alfred Olaiya – Public, Blackburn with Darwen

Alfred is very committed to interacting with the community. He is the secretary of a community association, the Chair and founder of the Blackburn with Darwen Sporting Club and a governor at a local school.

Public Governors – East Lancashire

Jennifer Lord – Public, East Lancashire

As a carer for her mother, Jennifer is familiar with the NHS and social services. She has met many people looking after loved ones with dementia and would like to help others to deal with this cruel illness.

Hilary Whitworth – Public, East Lancashire

Former Headteacher Hilary and her husband both have experience of services, therefore she fully understands what a patient centred service should be. As a volunteer for the Patient Advice and Liaison Service, Hilary understands the needs of patients.

John Oliver – Public, East Lancashire

John believes that mental health services have been the poor relation of the NHS for far too long and that Lancashire deserves a 'Rolls-Royce' service for the 21st century. He has worked as a community mental nurse in the private sector and is a former service user.

3. NHS FT Code of Governance Disclosures continued

Dan Johnson, Public, East Lancashire

Dan's experiences of mental health over the past five years, both as a service user and a carer of his mother, have given him a unique insight into the mental health services provided by the Trust. Dan's experiences have changed his life for the better and he now aspires to spread the good practice he has experienced, and at 26 Dan feels he can represent younger service users on the Board of Governors.

Dan has a degree in Business Information Technology and is currently working with Public and Patient Involvement to set up a website for Early Intervention Service Users. He is also involved in tackling the stigma surrounding mental health, an area he feels particularly passionate about.

Ivan Firman, Public, East Lancashire

Ivan has worked in local government for over thirty years and wants to contribute further to the well being of the community. He currently works as a project and performance manager and his skills are negotiation, communication and problem solving.

Public Governors – North Lancashire

John Macleod – Public, North Lancashire

John has been involved with Patient and Public Involvement Forums and has experience of services. He is therefore very aware of the changes, progress in treatments and the positives and negatives of the system as a whole. John aims to promote mental health services for the benefit of users and to raise awareness of mental health issues.

Christina McKenzie Townsend – Public, North Lancashire

Christina McKenzie Townsend has had a long and varied career in the NHS. She has held many roles including a nurse, tutor, and service manager. Christina is now keen to utilise the experiences she has gained both in her career and as a service user of the Trust to contribute to her role as a Governor.

Moira Mondersire, Public, North Lancashire

Moira retired in 2007 after 30 years in psychiatric nursing and as a senior sister specialising in the care of older people. Moira brings extensive knowledge of the needs of patients and carers.

Angela Winter, Public, North Lancashire

Former Head of a Blackpool Comprehensive School, Angela joined the Trust's Mental Health Helpline as one of the initial cohort of volunteers in August 1996, and over the intervening years has delivered and developed a training programme which has been specifically tailored to the needs of the Service.

Angela has covered all aspects of Mental Health with a focus on empowering callers and suicide prevention, therefore she has been given a real insight into the needs and priorities of service users. Angela is currently a Volunteer Support Worker for the CBBT (Computer Aided Cognitive Behavioural Therapy) programme which Making Space is about to make available in Blackpool.

Public Governors – Blackpool

Robert Edward Williams, Public, Blackpool

Robert has had mental health issues since a young age. His skills are listening and taking people's views to committee level. Robert is disabled so therefore understands disability issues and he has extensive experience in voluntary and community work.

Dr David Percox, Public, Blackpool

Dr Percox has benefitted from the services provided by the Trust and believes his personal contact with others while undergoing treatment gives him a fundamental 'patient's eye-view'. Dr Percox thinks it is particularly important that the Trust continues to expand the range of services it provides by developing further initiatives like the 'Joint Crisis Plan' and new facilities like those at Ridge Lea and Daisyfield.

Public Governor – Out of area

Philip Keith Pye, Public - Out Of Area

Phil has experience as a carer and of support groups for many years. Since taking early retirement he has continued to have an interest in the NHS and was one of the first recruits to a Patient and Public Involvement Forum working with Lancashire Care.

Staff Governors

Reg Kielty – Staff , Registered Nurse (Mental Health) Vice Chair

Reg has 30 years experience in front line mental health nursing. He is a strong advocate for staff development and believes that investing in the workforce will be a key element in driving forward improved services.

Daniel Reid – Staff Registered Psychologist

Daniel has worked as a Clinical Psychologist for 20 years and wants to see improved access to psychological services. He believes that it is vital that service users are totally involved in decision making and has led in a number of areas of service improvement.

Chris Southworth, Staff - Registered Social Worker

Chris has been a social worker in mental health services since 1989 and is the Professional Lead for Social Care for the Trust, aiming to ensure that social care issues are always on the agenda.

Elizabeth Taylor – Staff - Registered Medical Practitioner

As a mental health practitioner for over 20 years, Elizabeth has worked in community and inpatient settings. She has a particular interest in service development and believes in partnership working to improve outcomes for patients.

Bryan Dalgleish-Warburton – all other staff

Bryan has worked in the health service for over 17 years in various roles. He believes that the Trust has a responsibility to be responsive to the needs of all individuals and groups and has previously led Equality and Diversity for the Trust.

Nominated Governors

Hazel Bayley, Nominated – Alzheimer's Society

Hazel is a Service Manager for the Alzheimer's Society and has 15 years experience of working in the voluntary sector. She is interested in end of life care for people with dementia as there is very little awareness of how people should be treated with dignity in the later stages of this illness.

Gaynor Chisnall, Nominated - Making Space

Gaynor has worked in the social care field for over 28 years beginning her career at Making Space over 17 years ago where she is now Director of Operations. She is passionate about service user involvement and creating high quality care and accommodation for people with mental health problems.

3. NHS FT Code of Governance Disclosures continued

County Councillor Anne Brown, Nominated – Lancashire County Council

County Councillor Anne Brown is the cabinet member for Adult and Community Services at Lancashire County Council. Along with Marcus Johnstone, Councillor Brown takes responsibility for policies and services that strengthen Lancashire's diverse communities, so that people can feel safe, lead healthy lives, influence local decision-making and have convenient access to quality services. Councillor Brown feels that her many years as a Councillor have given her considerable experience on life issues with regard to the very young and old, and it is with this knowledge that she feels she can offer a different and constructive perspective as a Governor for the Trust. Councillor Brown has worked in an accountant's office and as a tutor in further education, she is married with two adult children and is a grandmother to one.

Mark Lunney, Nominated – MIND

Mark has 25 years of experience in leadership, administration and the public, private and voluntary sectors following a career in the Armed Forces and working for BAe Systems. A firm believer in personal and individual development, Mark is an advocate to self awareness and improvement to individual well being.

Mark is the general manager of MIND and has been with them for four years, in this period he believes he has gained immense understanding and awareness of mental health matters faced by users of the service, staff and trustees. Mark is a member of the Chartered Management Institute (CMI) and also supports his community as a magistrate on the Bury bench.

Councillor Susan Ridyard – Nominated - Blackpool Borough Council

Susan works for Siemens Business service and was elected as a Conservative Councillor in May 2007 where she was appointed vice chair of adult social care and housing.

Councillor Jacqueline Slater – Nominated – Blackburn with Darwen Borough Council

Jacqueline Slater has been a Councillor for six years, during which she has been the shadow for adult social services at Blackburn with Darwen Borough Council.

Neil Smith, Nominated, Lancashire Constabulary

Chief Superintendent Neil Smith has 32 years police service and was awarded the Queens Nursing Award for 'Innovation' for implementing a service to fast track drug users into treatment, which resulted in significant crime reduction and improved the health and offending behaviour of many people.

Dr John Haworth – Nominated - East Lancs PCT (Representing 5 PCTs)

Dr Haworth's career has focused on primary and community care including 14 years as a GP. His interests include the management of people with mental health problems and learning disabilities.

Nigel Harrison – Nominated - Higher Education

Nigel began his career as a general nurse moving on to carry out a wide range of mental health nursing positions, training and education and he has also worked as a part-time cognitive therapist. He is now the Associate Head of the Department of Nursing at the University of Central Lancashire with responsibility for service user and carer involvement.

The nature of appointment, constituencies and terms of office of each of the members as at the year-end are set out in the following table. Six vacancies are the subject of elections currently in progress. Nominations have been received for election in all vacant constituencies and voting will take place between 20th May 2009 and 10th June 2009. The outcome of elections will be published on 11th June 2009.

The Council of Governors met five times during the year. Attendance at meetings is also set out in the following table:

Name	Constituency	Term expires	No of meetings attended (Actual/Max)
Public Elected Governors			
Alfred Olaiya	Blackburn with Darwen	01/04/09	4/4
David Percox	Blackpool	01/12/11	1/2
Robert Williams	Blackpool	01/12/09	5/5
Neil Caton	Central Lancs	01/12/10	3/5
Sarah Devlin	Central Lancs		2/3
Frank Smith	Central Lancs	01/12/11	2/2
Brian Gumbley	Central Lancs		4/4
Barbara Lockett	Central Lancs	01/12/11	5/5
Lona Smith	Central Lancs	01/12/11	3/5
Ivan Firman	East Lancs	01/12/09	3/5
Dan Johnson	East Lancs	01/12/11	2/2
Jennifer Lord	East Lancs	01/12/10	5/5
John Oliver	East Lancs		2/5
Hilary Whitworth	East Lancs	01/12/10	4/5
John Mcleod	North Lancs	01/12/11	2/5
Moira Mondesire	North Lancs	01/12/10	5/5
Jonathan Nisbett	North Lancs		2/2
Angela Winter	North Lancs	01/12/11	0/3
Christina McKenzie-Townsend	North Lancs	22/04/10	4/5
Philip Pye	Out of Area	01/12/10	4/5
Staff Elected Governors			
Reg Kielty Vice Chair		01/12/11	5/5
Chris Southworth		01/12/10	4/5
Dr Margaret Taylor		01/12/10	4/5
Daniel Reid			4/5
Bryan Dalgleish-Warburton		01/12/09	4/5
Julian Morris			2/3
Appointed Governors			
Hazel Bayley	Alzheimers Society		2/5
Bronwen Pledger	MIND		2/2
Mark Lunney	MIND		2/2
Gaynor Chisnall	Making Space		1/5
Mr Nigel Harrison	Higher Education		4/5
Dr J Haworth	E Lancs PCT		3/5
Councillor Chris Cheetham	Lancs CC		2/2
County Councillor Anne Brown	Lancs CC		1/3
Councillor Karimeh Foster	Blackburn with Darwen		1/1
BC Councillor Jacqueline Slater	Blackburn with Darwen		1/3
Councillor Susan Ridyard	Blackpool BC		2/5
Neil Smith	Lancs Constabulary		0/5

Members of the Board of Directors have an open invitation from the Council of Governors to attend Council meetings. During the year, members of the Board attended meetings as appropriate to the agenda. Board to Board events were held during the year where members of the Council and Board met together to discuss topics of relevance to both bodies and to further develop channels of Communications between the Board and the Council.

3. NHS FT Code of Governance Disclosures continued

The Council of Governors has established three sub committees. These are:-

Nominations Committee
The role of the Nominations Committee is to identify and nominate appropriate candidates to the Council of Governors, for the posts of Chairman and Non-Executive Directors. Membership of the Committee during the reporting period was:-

- Vourneen Darbyshire
- Ivan Firman
- Barbara Lockett
- Bronwen Pledger (resigned 11/11/08)
- Nigel Harrison (commenced 26/11/08)

During the year the Committee met eight times for the purpose of agreeing the criteria for the Non-Executive Director vacancy, the policy for Chairman and NED appraisals, the Terms of Reference for the Committee and review of work over 2008.

Attendance at committee meetings is set out in the following table.

Name	Meetings attended (Actual /max)
Vourneen Darbyshire	6/8
Sam Jones	2/8*
Ivan Firman	6/8
Bronwen Pledger	3/4
Nigel Harrison	4/4
Barbara Lockett	8/8
Maggie Stainton (Advisory)	7/8
Heather Tierney-Moore (Advisory)	1/3

*Sam Jones attended the Committee meeting on two occasions in his role as Deputy Chair standing in for the Chair in her absence.

Remuneration Committee
The role of the Remuneration Committee is to determine the level of pay and terms of appointment for the Trust's Chairman and Non-Executive Directors. Membership of the Committee during the reporting period was:-

- Robert Williams (Chair)
- Chris Cheatham (resigned)
- Derek Holmes (resigned 31/08/08)
- Lona Smith
- Neil Smith

During the year the Committee met once for the purpose of reviewing the report from Hay Group regarding remuneration of NEDs and making recommendations to the Council of Governors for Remuneration of Chair and NEDs.

Attendance at committee meetings is set out in the following table.

Name	Meetings attended (Actual /max)
Robert Williams (Chair)	1/1
Derek Holmes	1/1
Neil Smith	1/1
Chris Cheatham	1/1
Lona Smith	0/1
Maggie Stainton (advisory)	1/1

Membership Committee
The role of the Membership Committee is to develop the membership strategy to both increase membership numbers and to sustain the membership in line with the existing membership strategy. The Committee examines how representative the membership is of the service users and public served by the Trust, including minority group interests. Membership of the Committee during the reporting period was:-

- Derek Holmes (resigned 31/08/08)
- Reg Kielty (commenced 01/12/08)
- John Broderick (resigned)
- Brian Gumbley (resigned)
- Robert Williams
- John MacLeod
- Hilary Whitworth

During the year the Committee met four times for the purpose of increasing membership, communication to new and existing members through newsletters and other media campaigns and discussion of plans for the Annual Members Meeting.

Attendance at committee meetings is set out in the following table.

Name	Meetings attended (Actual /max)
Derek Holmes	2/4
Reg Kielty	3/4
Brian Gumbley	2/4
John Macleod	4/4
Hilary Whitworth	4/4
Beverley Pickover (advisory)	1/1
Maggie Stainton (advisory)	3/3
David Tomlinson (advisory)	1/ 1
Sarah Jones (advisory)	2/2

3.9 Membership

Eligibility requirements
There are two membership constituencies:

- A public constituency, divided into six voting areas to represent the geographical area we serve:

Public Constituency	Electoral divisions comprising the electoral boroughs, cities or districts as set out in The County of Lancashire (Electoral Changes) Order 2005, The Borough of Blackburn with Darwen (Electoral Changes) Order 2002 and The Borough of Blackpool (Electoral Changes) Order 2002	Minimum number of Members
East Lancashire	Hyndburn, Ribble Valley, Burnley, Pendle and Rossendale	75
North Lancashire	Lancaster, Wyre and Fylde	60
Blackburn with Darwen	Blackburn with Darwen	30
Blackpool	Blackpool	30
Central Lancashire	Preston, Chorley, South Ribble and West Lancashire	75
Out of Area	All electoral divisions within the boundaries of the Strategic Health Authority NHS North West excluding those within any other area of the Public Constituency of the Trust.	15

- A staff constituency divided into six staff classes.

	Classes	Minimum number of Members
1	Medical staff (Consultants, SHOs & others)	36
2	Nursing staff (Qualified)	1,150
3	Social care professionals	47
4	Occupational Therapists	22
5	Psychologists	24
6	Non-clinical support staff (Senior Managers, Admin & Clerical, Ancillary and Others)	367

Membership of the public constituency is open to any individual who lives in the geographical areas covered by the public membership classes. The Trust's Constitution sets out the reasons why someone may not be eligible for membership. Membership of the staff constituency is open to any individual who is employed by the Trust under a contract of employment which has no fixed term or has a fixed term of at least 12 months.

Membership numbers
As at 31st March 2009, there were 5,136 public members, spread across the following public constituencies:

	Public member
Blackburn and Darwen	**267**
Blackpool	**323**
Central Lancashire	**1,516**
East Lancashire	**1,577**
North Lancashire	**1,390**
Out of Area	**63**

As at 31st March 2009, there were 3,626 staff members, spread across the following staff constituencies:

	Staff member
Nursing (qualified)	**1,150**
Medical	**120**
Psychologists	**190**
Occupational therapists	**116**
Social work	**180**
Non clinical support staff	**1,870**

Membership Strategy
The Trust has purchased a new membership administration system which profiles its membership against the 2001 census data and Mosaic lifestyle information as shown in the table below. This enables the Trust to identify the areas in which it is under-represented compared to the eligible population.

Public constituency	Number of members	Eligible population
Age (years)		
0 to 16	3	276,665
17 to 21	156	422,358
22 +	4,579	4,848,747
	*398 did not specify their age	
Ethnicity		
Not specified	101	0
White	4,770	5,172,575
Mixed	25	63,014
Asian or Asian British	194	229,999
Black or Black British	25	41,673
Other	21	40,509
Social Grade		
ABC1	3,483	2,817,342
C2	103	804,698
D	1,002	1,009,794
E	545	915,936
Not assigned	3	0
Gender		
Male	2,105	2,652,264
Female	3,026	2,895,506
Not specified	5	0

3. NHS FT Code of Governance Disclosures continued

Since purchasing this new system in December 2008, the Trust has identified a number of under-represented areas based on lifestyle categories and carried out a direct mailshot to 10,000 residents. In addition, it has made progress towards its membership recruitment target by posting membership forms to councillors, voluntary organisations, encouraging existing members to recruit new members and having membership forms available in Trust premises.

The Trust has completed a review of its Membership Strategy and this sets out a substantial programme of membership recruitment and involvement activities for 2009/10. The Trust is aiming to recruit 6,500 members initially, 8,000 by August 2009 with a year end total of at least 9,000.

Contact procedures
The Trust's website sets out how members who wish to communicate with their Governor can do so via contacting the membership office.

4. Other Public Interest Disclosures

4.1 Strategy for maintaining and developing information/ consultation with staff

The Trust has a positive and productive relationship with staff side colleagues through the Joint Negotiation and Consultative Committee and the Joint Local Negotiating Committee. It has adopted an inclusive approach to staff engagement using surveys and consultations to obtain feedback on important issues. There are a variety of internal communications systems in place which ensure staff are kept informed about Trust developments and have an opportunity to provide feedback. These include team brief, a staff newsletter, a weekly bulletin, staff focus groups, management meetings and letters.

4.2 Equality and Diversity

Lancashire Care is committed to establishing and developing an equal opportunities environment, eliminating discrimination and promoting good relations. This year the Trust has published a Single Equality Scheme (SES) which incorporates the latest Race Equality Scheme, Disability Equality Scheme and Gender Equality Scheme. It is an open public commitment to show how the Trust plans to meet its legal equality duties and protect its staff and service users against unlawful discrimination. It will promote equity of access to employment and mental health and substance misuse services. In addition, the SES includes the other equality strands of age, religion/belief and sexual orientation and has strategic key performance indicators on all six equality strands. The scheme is supported by an indepth operational action plan. It will allow the organisation and its partners to constantly improve efforts in meeting the needs of the workforce and the diverse communities served by the Trust.

All teams in the Trust are engaging with mandatory
All teams in the Trust are engaging with mandatory equality and diversity development sessions which support the professional development of staff through the knowledge and skills framework. It is also mandatory for all new and reviewed policies, procedures and functions to be Equality Impact Assessed (EIA) to ensure all the Trust's activities are fully inclusive in terms of the six equality strands. Policy authors are engaging with this process and it is supporting managers in thinking differently as to how the Trust provides services and supports staff.

During 2008/09 the Trust has undertaken a substantial amount of work around disability issues. Disability data relating to the workforce and service users is collected as far as is possible. However the Trust is aware that this data needs to improve to know if it is employing a proportionate number of disabled staff. All Trust service users are protected under the Disability Discrimination Act (DDA) as people with mental health problems are considered to have a disability by law.

Through the equality and diversity development sessions for teams, staff and managers are made aware of access issues including improving environments and the use of equipment to ensure the Trust is a more 'disabled friendly' environment.

Access to parking at some Trust sites can be difficult but all sites have accessible parking for disabled staff and visitors.

In terms of using interpreter and translator services the Trust either uses Lancashire County Council services (if a service user has a Social Worker) or outside agencies including Language Line. This service is funded from localised budgets.

4.3 Health and Safety/ Occupational Health Performance

The Trust has been actively promoting its health and safety related policies and procedures via induction and mandatory training. In addition key staff have received speciality display screen assessment training. A number of health and safety and security policies have been reviewed during the year. This process of policy review has enabled significant change and improvements to the way in which we are able to identify, manage and monitor health and safety related risks. The Trust has an active Health and Safety Committee which is regularly attended by both staff side and managers who work jointly to promote a health and safety culture within the Trust.

The Trust provides accessible, professional and up-to-date occupational health services which are available to all staff. Services are currently provided in four localities within the county, by East Lancashire Hospitals Trust, University Hospitals of Morecambe Bay Trust, Blackpool, Wyre and Fylde Acute Hospitals Foundation Trust, and Lancashire Teaching Hospitals NHS Foundation Trust, ensuring a full spread of services across the geographical area covered by the Trust.

The services support the recruitment process and staff during their employment. The emphasis is on the promotion, maintenance and improvement of the physical and mental well being of staff – supporting them in their everyday work and facilitating their timely return to work after periods of sickness absence.

4. Other Public Interest Disclosures continued

4.4 Consultations completed, in progress or planned

During 2008/09, the Trust has not carried out any formal public consultations. It has, however, carried out extensive engagement with staff, service users, carers, Foundation Trust members and the wider public to identify sites where it would like to build its new inpatient units. The feedback received informed the Board of Directors' decisions on the preferred sites. These are:

- Central Lancashire – the existing Ribbleton Hospital site
- Fylde Coast – Whyndyke Farm
- Lancaster – Royal Albert Fields
- East Lancashire – Burnley Bridge Hapton

Following the identification of a preferred site the Trust held engagement sessions with each of the local communities:

Thursday, March 27, 2008 - Whyndyke Farm
Wednesday, April 2, 2008 - Ribbleton Hospital
Thursday, April 10, 2008 - Royal Albert Fields
Monday, January 26 2009 - Burnley Bridge

An engagement strategy has been developed to ensure that the Trust keeps in touch with all of its key stakeholders as plans progress. The Trust is committed to engaging and involving people and will continue to work in partnership with the local authority overview and scrutiny committees by reporting to them at agreed key milestones.

Service users, carers and staff at Moss View were consulted on the transfer of the service in the year as mentioned on page 17.

4.5 Patient and public involvement work

Service users and carers have been involved in a variety of ways across the Trust during 2008/09 including:

- The Early Intervention Service (EIS) care pathway audit. Service users and carers have been involved in telephoning health professionals and EIS service users to ask questions about their experience of the service
- The EIS website has also been developed by a service user
- As mentioned in the patient information section on page 17, service users and carers have been involved in developing care cards
- Representing service user and carer views at key committees including the strategic acute care forum and participating in the Chief Nursing Officer's review of mental health services in November
- The mental health helpline has been expanded across Lancashire and its steering committee has been strengthened by the addition of service user and carer representation. The service remains under review
- A folder has been developed to be given out at the point of discharge from hospital containing information about medication and service user views have shaped the content of this pack
- Service users and carers have been involved in the selection of the design team for the new inpatient units and have joined staff in visting other recently completed inpatient units
- Carers have taken a central role in developing a carers' strategy for the Trust which will be launched during 2009/10. This has been consulted upon with a wide group of carers and staff
- The readers' panel has continued to review leaflets including the Hyndburn and Ribble Valley Alcohol Service leaflet
- Inspections of the patient environment are carried out across the organisation and service users and carers have a key role in joining staff from facilities in reviewing the ward environments
- Service users and carers have been involved in a range of interviews for posts during the year including the one for the Chief Executive.

The way in which young people are involved and engaged at The Junction in Lancaster has been recognised as an example of good practice in the national report, Out of the Shadows. In particular, Lancashire Care is highlighted for:

- Its commitment to involving young people in developments and changes to services. This means that young people's views directly shape how services are provided meaning that they are more responsive to young people's needs
- Its plans to build on the success of The Junction by developing a dedicated ward for 16-23 year-olds. Options are currently being evaluated.
- Its commitment to developing young people friendly medication guides for every type of medication
- Its aim to ensure there are independent specialist child and young people's mental health advocacy services available
- Providing dedicated places where young people can meet families and friends with facilities available to make drinks and snacks.

The Trust is committed to working in partnership with the three Local Involvement Networks (LINks) which cover Lancashire to increase public involvement in its services.

4.6 Sickness absence data

Sickness absence data has been included in section 1.1.6 on Trust Employees.

4.7 Details of Serious Untoward Incidents (SUIs) involving data loss / confidentiality breach

During 2008/09 there were two SUIs which involved a confidentiality breach. These breaches did not involve any significant disclosure of confidential information. The Trust has a robust process for managing SUIs and all potential incidents are reported as SUIs and reviewed by management.

4.8 Counter Fraud and Corruption Policy

The Trust has a Counter Fraud and Corruption Policy in place and as part of this an annual work plan is agreed by the Director of Finance. This covers areas such as creating an antifraud culture, deterring fraud and preventing fraud. The Trust engages the services of a Local Counter Fraud Specialist who attends the Audit Committee to provide updates on the progress of the annual work plan.

4.9 Data Security

Serious untoward incidents involving data loss or confidentiality breeches are dealt with in section 4.7 above.

4.10 Payment Policies

The Better Payment Practice Code (BPPC) requires the Trust to aim to pay all valid non-NHS invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later, unless other payment terms have been agreed with a supplier. The Trust has achieved full compliance in terms of both volume both during its period as an FT and for the full year.

As a result of the general economic crisis, and at the request of the Prime Minister and Monitor, the Trust now endeavours to pay all smaller non public sector suppliers within 10 days in order to ease their cash flows.

4.11 Late Payment Interest Charges

Legislation is in force, which requires Trusts to pay interest to small companies if payment is not made within 30 days (Late Payment of Commercial Debts (Interest) Act 1996). Details of compliance are included in the notes to the accounts.

4.12 Management Costs

Best practice requires the Trust to report expenditure on management and administration costs as defined in the Department of Health document 'NHS Management Costs 2002/03'. Under the agreed definition the Trusts's management costs were £12,713k representing 6.63% of Trust income.

4.13 Cost Allocation and Charging

The Trust remains compliant with cost allocation and charging requirements laid down by HM Treasury and the Office of Public Sector Information.

4.14 External Audit

PricewaterhouseCoopers are the Trust's external auditors. Their work was carried out in accordance with the "Audit Code for NHS Foundation Trusts" at a cost of £68k. PricewaterhouseCoopers also provided support services to the trust in relation to the move towards International Financial Reporting Standards compliance at a cost of £10k.

4.15 Ill Health Retirement Pension Liability

Costs of ill health retirement are borne by the NHS Pensions Agency, details of numbers and estimates of associated liabilities are supplied by the NHS Pensions Agency and detailed in the note 6.4 to the accounts.

5 Statements of Responsibility

Accounting Officer Statement

Statement of the chief executive's responsibilities as the accounting officer of Lancashire Care NHS Foundation Trust

The National Health Service Act 2006 states that the Chief Executive is the accounting officer of the NHS Foundation Trust. The relevant responsibilities of 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 Lancashire Care 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 Lancashire Care NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

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

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

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

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

Signed

Chief Executive

4th June 2009

Directors' Statement

Statement of Directors' Responsibilities in respect of The Accounts

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

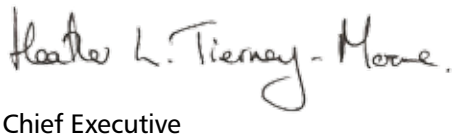
In preparing those accounts, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The following sections of the Companies Act applies to this Annual Report Section 8, Companies Act 1989; Schedule 7, Companies Act 1985 as amended by Schedule 5 of Companies Act 1989 and SI No.189 of 1996Section 234AA, Companies Act 1985 and SI (2005) 1011 Section 234B and Schedule 7A of the Companies Act 1985.

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

By order of the Board



Chief Executive
4th June 2009

Chairman
4th June 2009

6. Statement on Internal Control

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. In undertaking this role I work closely with a variety of Partner Agencies including Monitor, the Strategic Health Authority and the Local Authorities coterminous with the Trust.

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 Lancashire Care 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 Lancashire Care NHS Foundation Trust throughout the period ending 31st 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. This includes ensuring that deductions from salary, employer's contributions and payments into the scheme are in accordance with the scheme rules. Member pension scheme records are accurately updated in accordance with the time scales detailed in the regulations.

Capacity to Handle Risk

The Risk Management Strategy sets out the responsibility and role of the Chief Executive in relation to risk management. The Risk Management Strategy was reviewed during this accounting period. As Accountable Officer I have delegated the following responsibilities to my Executive Directors:

- Director of Nursing has overall responsibility for risk management, service governance and the assurance framework
- Director of Finance has responsibility for financial, corporate and business risk
- Director of Operations has responsibility for operational risk

All staff within the organisation have a responsibility for risk management. These responsibilities are outlined in the Trust's Risk Management Strategy and supported by training.

The Trust has in place a committee structure to support the process of integrated governance and is based on the guidance provided by the Intelligent Board, published by the Appointments Commission and Dr Foster and the Integrated Governance Handbook published by the Department of Health.

The Terms of Reference of the Audit Committee reflect the Audit Committee Handbook 2006 published by the Department of Health.

The Trust has an Assurance Framework linked to the Standards for Better Health and informed by the Risk Register. The Datix system is an IT system which supports the integrated management of these functions.

The Assurance Framework describes the key financial, clinical and business risks to the organisation and outlines the control measures in place to manage these risks. The Board and the Audit Committee review the framework regularly. The most recent internal audit report has concluded that the framework provides significant assurance that the Assurance Framework will meet year-end requirements.

An effective process is in place to support the declaration against core standards. A monthly report is provided to the Board and a process is in place to consider any threats to compliance. These are considered in detail by the Board prior to submission of the declaration.

The Risk and Control Framework

The Trust's risk management framework is set out in the Board approved Risk Management Strategy. The key elements of the strategy include:

- The Trust's commitment to risk management
- Aims and objectives
- Designated responsibilities
- Risk management process that includes identification, evaluation, analysis, and risk control and action to eliminate and reduce risk
- Training requirements
- Dissemination to key stakeholders
- Accountability arrangements

Assurance is provided through:

- The Compliance Framework
- Compliance against the Standards for Better Health
- Financial Risk Rating
- NHS Litigation Authority Standards
- Information Governance Toolkit
- IWL Practice Plus Compliance
- Internal and External Audit Plan
- Healthcare Commission Annual Health Check
- Health and Safety Inspections
- NPSA reports
- Mental Health Act Commission Reports on visits
- Staff Survey
- Patient Survey
- Clinical audit annual programme

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

The Trust manages its information risks including data security through the auspices of the Information Management and Technology Strategy Board and any key risks are discussed with the Audit Committee and/or the Trust Board. The Trust actively uses the Information Governance Toolkit and monitors compliance against it as part of these risk management arrangements.

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

The Trust has effective systems and processes to support a robust system of integrated governance. This is underpinned by a streamlined committee structure and focused reporting arrangements. Detailed financial, performance and governance reports are received by the Board on a monthly basis. Internal and external audit reports and the annual report of the Audit Committee provide assurances that appropriate control and review processes are in place, and these support the Statement on Internal Control.

The Trust was rated 'good' for Use of Resources in both 2005/06 and 2006/07 under the ALE assessment process. As a Foundation Trust, Lancashire Care no longer has to comply with the ALE process, though the strong financial regime remains in place and the Trust has achieved an excellent rating for use of resources in the last Annual Health Check.

During 2007/08 the Foundation Trust authorisation process provided an objective and rigorous assessment of the Trust's financial management processes. The Trust has strengthened its control processes with regular long-term reviews by the Board of its financial performance and standing, enhanced monthly reports to the Board and rigorous review by the Audit Committee of financial statements. A quarterly review of financial performance supports the reporting process to Monitor and regular reports are provided to the Council of Governors.

Review of Effectiveness

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

The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive Directors within the organisation who have responsibility for the development and maintenance of the System of Internal Control provide me with assurance. The Assurance Framework itself provides me with evidence of effectiveness of controls that manage the risks to the organisation in achieving its principal objectives. My review is also informed by the work of Internal and External Audit and the external review processes from the Healthcare Commission's review of the Trust's declaration against the Core Standards. Internal Audit has provided assurance that the process in place to support the declaration against core standards is effective.

6. Statement on Internal Control continued

In describing the process that has been applied in maintaining and reviewing the effectiveness of the System of Internal Control, I have set out some examples of the work undertaken and the roles of the Board and committees in this process.

The Internal and External Audit Plans, which are risk based, are agreed by the Audit Committee at the beginning of the year. Progress reports are then presented to the Audit Committee on a regular basis, and any major issues highlighted. The Chair of the Audit Committee can, in turn, raise any areas of concern at the Trust Board. As an example of good practice, every meeting of the Audit Committee includes an opportunity for the Committee to meet with representatives of Internal and External Audit without the Trust Chair and management being present.

The Trust Board receives reports throughout the year. These provide the assurances required to ensure adequate controls are in place to manage the identified risks to the achievement of the strategic objectives.

Conclusion
No significant internal control issues have been highlighted between April 2008 and March 2009.

Professor Heather Tierney-Moore
Chief Executive
Lancashire Care NHS Foundation Trust
4th June 2009

7. Quality Report 2008/09

Statement from Chief Executive

This has been a challenging year as we continue to work hard to provide the best possible care for service users and carers in Lancashire. The rating of excellent in the quality of services in the Annual Health Check was a significant achievement. However, it is important that we focus on continuously improving our performance and ensuring consistently high standards in all our service areas. February 2009 saw the approval of the Quality Strategy by the Board and this will provide the basis for a range of quality initiatives during 2009/10. These will focus on the safety, experience and outcomes for all service users and carers who come into contact with our services. This year will be demanding due to the tight financial environment and despite this we will be investing in quality over the next 12 months. The introduction of the Care Quality Commission, the new regulator for health and social care, will make new demands on health care organisations. The Trust is confident it will be able to meet the registration requirements and looks forward to working closely with the Commission over the coming months. The next 12 months will see us focus our attention on improving the services we provide to the people of Lancashire and meeting the needs of our diverse local communities.

Professor Heather Tierney-Moore
Chief Executive

Priorities for Quality Improvement 2009/2010

Improving mental health care has been the main objective for Lancashire Care since its inception in 2002. The Trust is committed to developing 21st century mental health services with well being at their heart. We will improve the lives of the people we serve and ensure that mental health matters across the whole community. This is reflected in our four strategic aims:

1. To deliver high quality, person centred, compassionate services.
2. To maintain the highest standards of clinical, corporate and financial governance.
3. To safeguard the welfare and promote the well being of patients and staff.
4. To maintain and enhance the reputation of the organisation.

Underpinning this is a commitment to quality services which reflects a journey of continuous improvement.

The Quality Strategy approved by the Board in February 2009 outlined the following as key quality priorities for the organisation:

- Standards of clinical supervision
- Performance of Community Mental Health Teams
- Standards on in-patient units
- Leadership development
- Ensuring NICE compliance
- Developing care pathways

The priorities were chosen for the following reasons. Standards on inpatient units and the performance of Community Mental Health Teams are fundamental to the provision of high quality mental health services. These are both areas in which we wish to focus improvement activity. These services must be delivered on the basis of up to date evidence and compliance with NICE guidance. Clinical leadership will have a crucial role improving service quality and patient experience and clinical supervision will ensure that interventions are delivered effectively by individual practitioners in accordance with agreed care pathways. A baseline assessment of our performance against these priorities is a fundamental component of the Quality Strategy.

The Trust's quality priorities will underpin the work of each clinical team but there will also be flexibility to build in local quality improvement programmes as long as they reflect the overall quality framework defined by the Trust Board. For reporting purposes clinical teams will be combined into Quality Reporting Units which will be coterminous with service lines.

We will embed the reporting and monitoring of quality into Trust performance management systems.

The Board will receive a quarterly Quality Report.

The Board will carry out a quarterly review of clinical quality, based on the data included in the report. The final quarterly meeting of the year will consider the Trust's Quality Account, which will be made public shortly thereafter.

7. Quality Report 2008/09 continued

Quality Account for 2009/10

Lord Darzi in his report "High Quality Care for All" argued that information on the quality of service needed to be published. From 2009/10 the Trust will be required to produce a quality account. This will provide the public with information on the quality of care we provide.

In developing the quality account the Trust has been guided by the following principles:

1. We will use metrics which focus on the three domains of quality as outlined by Lord Darzi – safety, effectiveness and patient experience.
2. We will include all quality measures on which we are assessed as part of the Annual Health Check or other national requirements.
3. We will focus on measures that can be benchmarked both internally and externally, allowing us to see how we compare with similar organisations (wherever possible)
4. We will wherever possible focus on outcomes rather than processes and will reflect the views of stakeholders, staff, service users and carers about priorities for improvement.
5. We will choose metrics that link to the Quality Strategy.

The metrics described below reflect the application of the above principles and will form the basis of our Quality Account for the year 2009/10. All metrics are cross referenced with the priorities in the Quality Strategy (QS).

Metric	Rationale	Source
MRSA and C.Difficile rates per 1,000 bed days.	Healthcare associated infection rates are nationally collected and compliance with the Hygiene Code is a mandatory part of the Care Quality Commission registration process. All providers must implement the North West Assurance Framework for the reduction of avoidable health care associated infections. Standards on inpatient units (QS).	Trust information provided for Commissioning for Quality and Innovation (CQUIN) monitoring and Care Quality Commission.
Trends in Serious Untoward Incidents and number reported within 2 days and reports completed within 45 days.	All providers will be required to have in place a development plan for introducing a safety culture and reducing harm including the avoidance of Never Events (events defined by the National Patient Safety Agency as those which should never happen). Standards on inpatient units and performance of Community Mental Health Teams (QS).	Trust information provided for CQUIN monitoring and continuation of normal quarterly reporting processes. Benchmark against other comparable providers if possible.
Improvements on the staff questionnaire on patient safety and serious incident root cause analysis management/ clinical outcomes.	Improved safety culture – measured through the staff survey. Standards on inpatient units and community teams. (QS)	Trust information provided for CQUIN monitoring. National Survey Care Quality Commission.
Number of falls resulting in a fracture.	Patient safety and indicator of success relating to preventative work to reduce the possibility of falls particularly in Older People Services. Standards on inpatient units (QS).	Trust information provided for CQUIN monitoring.
Percentage of staff with an up to date appraisal and in receipt of mandatory training.	Safety culture and training. Leadership development. (QS) Standards of clinical supervision (QS).	Trust information provided for CQUIN monitoring. Care Quality Commission. National Survey.
Number and percentage decline in young people admitted to adult inpatient units.	Mental Health Act 2007 requires that services have in place age appropriate services for young people by April 2010. Standards on inpatient units. (QS) Develop care pathways (QS).	Trust information provided for CQUIN monitoring. Care Quality Commission (previously Mental Health Act Commission).

Metric	Rationale	Source
Number of women only day areas and provision of single sex accommodation. Improved score for patients who overall felt they were treated with respect and dignity whilst in hospital – Patient Survey.	Privacy and dignity/ mixed sex accommodation. Requirement to implement plan to eliminate mixed sex wards and to ensure privacy and dignity in all NHS accommodation. Standards on inpatient units (QS).	Trust information provided for CQUIN monitoring. Department of Health.
Drug safety incidents – to see a reduction in incidents but to be confident that all incidents are reported.	Regular reporting of incidents is part of the Trust's routine reporting process. The Trust is acknowledged by the National Patient Safety Agency to be a high reporter of incidents. This needs to be maintained with an overall reduction in incidents. Standard on inpatient units and performance of Community Mental Health Teams (QS).	Trust Medicines Management Annual Plan. Healthcare Commission Publication 'Talking about Medicines'.
Relative position on Prescribing Observatory for Mental Health –UK (POMHUK) above the 50th percentile.	POMHUK facilitates a programme of audit based quality improvement initiatives which allows the Trust to benchmark its performance against national data. Ensuring NICE compliance (QS).	Royal College of Psychiatrists, College Centre For Quality Improvement.
Rates of violence against staff and patients.	Patient and staff safety. Standards on inpatient units. Ensuring NICE compliance. (QS)	Security Management Service and Health and Safety Executive. Trust monitoring.
Patient experience as measured by the Trust internal Patient Experience Survey.	Patient safety. Standards on inpatient units.	High Quality Care For All (Darzi Report). Trust Survey.

Metric	Rationale	Source
Number of patients who have their complaint referred to the Health Service Ombudsman.	A complaint is only referred to the Ombudsman after the Trust has failed to resolve locally. The objective is to resolve all complaints locally and to improve services as a result. Standards on inpatient units and performance of Community Mental Health Teams. (QS)	Care Quality Commission.
Increase in the number of carers' assessments offered and the number completed.	Improvement against the implementation of the Carers' Strategy. Performance of Community Mental Health Teams (QS).	National Carers Strategy. Trust monitoring.
Medium Secure Units. Royal College of Psychiatrists standards Peer review	Allows the Trust to benchmark services against similar organizations to identify areas for improvement. Standards on inpatient units. (QS) Developing care pathways (QS).	Royal College of Psychiatrists.
National Audit Programme - treatment resistant Schizophrenia and incontinence	Allows the Trust to benchmark services against similar organizations to identify areas for improvement. Ensuring NICE compliance (QS).	National Clinical Audit and Patient Outcomes Programme.
Improvements on defined indicators included in the Patient Survey – Information on medication and care plans.	Patient Survey is completed on an annual basis and by all health care organisations. It provides information that can be benchmarked against comparable organisations. Standards on inpatient units and performance of Community Mental Health Teams. (QS) Ensuring NICE compliance.(QS)	Care Quality Commission.

7. Quality Report 2008/09 continued

Development Work for 2009/10

The development work for 2009/10 will focus on implementing the Quality Strategy and the NHS North West's Advancing Quality Programme. Regular reports will be provided against the agreed project milestones to the Trust Board.

The Advancing Quality Project for Mental Health and Learning Disabilities is developing a set of selected metrics for further development and these will be supported by a programme of development work. The Advancing Quality Programme will focus on:

- Schizophrenia
- Dementia
- Physical healthcare checks for all inpatients on admission
- Inpatient care experience

The work programme will address the underlying quality themes which are outlined in the Quality Strategy and the Advancing Quality Programme. A series of quality improvement projects will be set up to drive up standards. The project groups will cover all the Advancing Quality themes and the priorities outlined in the Quality Strategy.

Progress against Priorities for Quality Improvement 2008/2009

This year was the first full year as a Foundation Trust and we continued to make progress in improving the quality of our services. The Trust declaration to the Healthcare Commission indicated our compliance with all the core standards and this was the fourth year in which we had declared full compliance.

We also achieved a green governance rating from Monitor, which regulates NHS Foundation Trusts.

During 2008/09 we worked hard to improve the quality of our services and during the past 12 months have made progress in a number of areas. Below are listed a number of achievements for the year:

- Participation in the POMH-UK audit aimed to improve standards in medicines management by starting to compare our performance with other trusts. The results will form part of the Quality Account in 2010
- Revised our approach to the Care Programme Approach (CPA) in line with the Refocusing the Care Programme Approach guidance. This helped focus the CPA on service users with complex needs and severe mental health problems
- Developed and approved a Quality Strategy which will form the basis for the Quality Account in 2010
- Achieved excellent for quality of services in the Annual Health Check in 2007/08 announced during 2008/09
- Introduced the PROTECT ME scheme to help learn lessons from Serious Untoward Incidents
- Implemented the changes introduced by the Mental Health Act 2007 and supported this with a major training programme focused on key staff
- Achieved Level 1 in the NHSLA Standards
- Increased the range of R&D activity and substantially increased income for research purposes including a National Institute for Health Reseach (NIHR) programme grant to develop new interventions in early psychosis
- Commended by the Mental Health Act Commission as an example of good practice in providing high standards of care for women detained in hospital. This was part of the Women in Detention Project and focused on the women's service at Guild Lodge
- Improvements in the standard of care in our inpatient units through a detailed programme of work focused on the key elements of the Acute Care Review undertaken by the Healthcare Commission
- Began to see significant improvements in the acute care pathway as a result of the New Ways of Working Initiative. This work was commended by the Care Services Improvement Partnership in their review of progress
- Commended for the work undertaken in response to the recommendations made in the "Pushed into the Shadows" report about young people's experience of adult mental health facilities
- Development of a series of 'prompt cards' by the Mental Health Liaison Team to improve the initial assessment of older people presenting with mental health problems
- Worked with carers who have developed and written a Carers Strategy which we will begin to implement during 2009/10

Response to Regulators

There are two areas that require mention in the report and these are as follows:

1. Health and Safety Executive Improvement Notice and Report
2. Healthcare Commission Unannounced Visit – Infection Control

Details are outlined below:

Health and Safety Executive (HSE)

The Trust works closely with the HSE and agreed to a series of unannounced visits to support this process. Following the visits the HSE provided a report to the Trust outlining a series of concerns which related to

specific premises, management practices in some areas, and staff engagement. A visit to one of the community premises led to an Improvement Notice being served around the management of violence and aggression. The Trust is working closely with the HSE to resolve these issues which related to specific areas rather than the whole of the Trust.

Healthcare Commission – Unannounced Visit Infection Control

The Healthcare Commission has now reported on the findings of the review and these are as follows:

Duty 2: The Trust must have in place appropriate management systems for infection prevention and control.	**No Breach of the Hygiene Code identified.**
Duty 3: The Trust must assess the risks of acquiring HCAIs and take appropriate action to reduce or control those risks.	**No Breach of the Hygiene Code identified.**
Duty 4: The Trust must provide and maintain a clean and appropriate environment for healthcare.	**Breach of Hygiene Code identified.**

The breach of the Code relates to 3 sub duties out of a total of 8 in duty 4. The breaches relate to the following areas:

- **Sub-duty a:** The Trust should ensure that all policies for the environment, as identified in the Hygiene Code, are in place and make provision for liaison between the Infection Control Team (ICT) and Facilities Management.
- **Sub-duty f:** The Trust should ensure that it has an appropriate system for the decontamination of equipment used by patients throughout the Trust.
- **Sub-duty g:** The Trust should ensure that Service Level Agreements for laundry services reflect the Health Service Guidance HSG (95) 18 (hospital laundry arrangements for used and infected linen).

The Commission has made recommendations to the Trust about improvements that need to be made and these will be checked in six months time. Action has already been taken to resolve these difficulties.

Response to LINks and to feedback from Members and Governors

As part of the process of preparing our declaration against the Standards for Better Health, the Trust engaged with a range of third parties and the following provided written commentaries on our performance against core standards.

- Lancashire County Council Overview and Scrutiny Committee
- Blackburn with Darwen Overview and Scrutiny Committee
- Blackpool Overview and Scrutiny Committee
- Lancashire Safeguarding Board
- Lancashire Learning Disability Partnership
- Lancashire LINks
- Lancashire Care NHS Foundation Trust Council of Governors

A number of the commentaries in the Trust's care standards declaration spoke positively of our ability to work collaboratively. As a Foundation Trust we have worked hard to engage our Members and Governors. A recent poll by MORI provided some useful feedback from Members, and the Governors have participated in the development of the Annual Plan. At an individual level we try to respond to concerns raised by people who use our services. For example, we have redesigned the reception area in one of our services to ensure that confidential information cannot be overheard by members of the public.

7. Quality Report 2008/09 continued

Quality Overview

Performance of Trust against Selected Metrics

Quality Measures Reported	2008/09	2007/08	Comparison
Total number of patients with colonised MRSA.	30	43	▲
Total number of patients with C.difficile toxin positive.	13	17	▲
Number of violent incidents against staff.	160/per 1000 staff	184/per 1000 staff	▲
Number of falls leading to fracture.	3	8	▲
Number of patients who have their complaint referred to the HCC.	2	5	▲
Copy of Care Plan.	63%	61%	▲
Score for patients who were treated with respect & dignity whilst in healthcare.	87%	88%	▼
Percentage of staff employed for more than 12 months who have had an appraisal and/or review in the last 12 months.	63%	59%	▲
Patients definitely had the purpose of medicines explained.	61%	67%	▼

Key ▲ Improvement ▼ Deterioration in performance

Performance against key indicators and the Healthcare Commission core standards

Performance against key Mental Health Indicators

Mental Health Indicator	Threshold	Performance
100% enhanced Care Programme Approach (CPA) patients receiving follow up contact within seven days of discharge from hospital.	95%	Achieved
Minimising delayed transfers of care.	No more than 7.5%	Achieved
Admissions to in-patient services had access to Crisis Resolution Home Treatment Teams.	90%	Achieved
Maintain level of Crisis Resolution Teams set in the March 2005 planning round.		Achieved

Self Assessment against the Standards for Better Health – Core Standards

Core standard	Description of key component	Declaration
C1a	Patient Safety	Compliant
C1b	Patient Safety Alerts	Compliant
C2	Child protection	Compliant
C3	NICE Guidance/ Interventional procedures	Compliant
C4a	Infection control	Compliant
C4b	Medical devices	Compliant
C4c	Decontamination of medical services	Compliant
C4d	Medicines management	Compliant
C4e	Waste Disposal	Compliant
C5a	NICE Technology appraisals	Compliant
C5b	Clinical Supervision and leadership	Compliant
C5c	Clinicians update skills	Compliant
C5d	Clinical Audit	Compliant
C6	Partnerships/cooperation with other agencies	Compliant
C7a & c	Clinical and corporate Governance	Compliant
C7b	Code of openness/use of resources	Compliant
C7e	Equality and diversity	Compliant
C8a	Whistle blowing	Compliant
C8b	Personal development programmes	Compliant
C9	Records management	Compliant
C10a	Employment checks	Compliant
C10b	Compliance with professional codes of practice	Compliant
C11a	Recruitment and training	Compliant
C11b	Mandatory training	Compliant
C11c	Continued professional development	Compliant
C12	Research governance	Compliant
C13a	Staff attitudes/respect and dignity	Compliant
C13b	Consent	Compliant
C13c	Confidentiality	Compliant
C14a	Formal complaints procedures/information	Compliant
C14b	Complaints/discrimination	Compliant
C14c	Complaints/learning the lessons	Compliant
C15a	Food/Catering	Compliant
C15b	Nutrition	Compliant

Core standard	Description of key component	Declaration
C16	Information	Compliant
C17	Involvement of service users and carers	Compliant
C18	Access and choice	Compliant
C20a	Care environments	Compliant
C20b	Privacy and dignity	Compliant
C21	Cleanliness	Compliant
C22a&c	Reducing health inequalities/ partnerships	Compliant
C22b	Reducing health inequalities/ Public Health Annual report	Compliant
C23	Health promotion	Compliant
C24	Emergency planning	Compliant

Glossary

Advancing Quality Programme: The Advancing Quality Programme is a project being introduced across the North West. Based on work undertaken in the USA, it aims to improve patient care and experience in services across the North West.

Annual Health Check: The Annual Health Check was introduced by the Healthcare Commission in 2005. It is designed to assess whether NHS organisations are meeting the government's standards such as those on safety and the quality of clinical care.

Care Pathways: Care pathways (also known as clinical pathways, integrated care pathways and various other terms) basically describe the route that a patient will take from their first contact with an NHS member of staff to the completion of their treatment.

Care Programme Approach: The Care Programme Approach (CPA) is the process which mental health service providers use to coordinate the care for people who have mental health problems. CPA was introduced by the government in 1991, and updated in 1999 and 2008.

Care Quality Commission (CQC): The Care Quality Commission is the independent regulator of health and social care in England. Their aim is to make sure better care is provided for everyone, whether that is in hospital, in care homes, in people's own homes, or elsewhere. The commission regulates services whether provided by the NHS, local authorities, private companies or voluntary organisations. It also protects the rights of people detained under the Mental Health Act.

Commissioning for Quality and Innovation (CQUIN): 'High Quality Care for All' included a commitment to make a proportion of trusts' income conditional on quality and innovation. The means of doing this is through the Commissioning for Quality and Innovation (CQUIN) payment framework.

Health Service Ombudsman: The Health Service Ombudsman investigates complaints about the National Health Service (NHS) in England. The Health Service Ombudsman covers NHS hospitals, trusts and health authorities, GPs, dentists, opticians, pharmacists and other providers (including private health care) where the service is paid for by the NHS.

LINks: Local Involvement Networks (LINks) aim to give people a stronger voice in how their health and social care services are delivered. They are run by local individuals and groups, and supported independently.

Lord Darzi: In July 2007, the Prime Minister and Health Secretary announced that Lord Darzi would lead a review of the NHS that would advise on how to meet the challenges of delivering health care over the next decade. The outcome of this review was the publication 'High Quality Care for All'. This report sets out a detailed vision for the NHS focused on the quality of care.

National Institute for Health and Clinical Excellence (NICE): NICE is an independent organisation responsible for providing national guidance on promoting good health and preventing and treating ill health.

National Patient Safety Agency: Works on behalf of the Department of Health and leads and contributes to improved, safe patient care by informing, supporting and influencing the health sector with regard to safety issues.

NHSLA Standards: The NHS Litigation Authority provides legal support to Trusts around clinical negligence claims. Its work is underpinned by a series of standards and assessments. Healthcare organisations are regularly assessed against these risk management standards which have been specifically developed to reflect issues which arise in the negligence claims reported to the NHSLA. There is a set of risk management standards for each type of healthcare organisation incorporating organisational, clinical, and health & safety risks.

New Ways of Working: Department of Health Initiative aimed at reviewing and refocusing the roles of Consultant Psychiatrists. The aim is to support the delivery of modern person centred care and provide satisfying and sustainable clinical roles.

Prescribing Observatory for Mental Health: The observatory was launched in 2005 and its aim is to help specialist mental health services improve prescribing practice.

Protect Me: Improvement initiative using an acronym to represent key learning points from Serious Untoward Incidents. This was developed following an analysis of the themes identified in Post Incident Reports.

Quality Account: In 'High Quality Care for All', Lord Darzi said publishing information on the quality of service would help patients and their carers make better informed choices about health care and allow clinical teams to compare their performance. It proposed that all providers of NHS care should produce quality accounts to provide the public with information on the quality of care they provide. The Department of Health has introduced legislation to require the publication of Quality Accounts from 2009-10.

Quality Strategy: This document describes the Quality Improvement Strategy for Lancashire Care NHS Foundation Trust. It identifies key areas for quality improvement and sets milestones for progress against agreed targets.

8 Auditor Opinion

Independent Auditors' Report to the Council of Governors of Lancashire Care NHS Foundation Trust

We have audited the financial statements of Lancashire Care NHS Foundation Trust for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes. The financial reporting framework that has been applied in their preparation is the NHS Foundation Trust Financial Reporting Manual issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant statute, the Audit Code for NHS Foundation Trusts issued by Monitor and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council of

Governors of Lancashire Care NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Lancashire Care NHS Foundation Trust website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the NHS Foundation Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Foundation Trust; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view, in accordance with the NHS Foundation Trust Financial Reporting Manual, of the state of the NHS Foundation Trust's affairs as at 31 March 2009 and of its income and expenditure and cash flows for the year then ended 31 March 2009; and
- have been properly prepared in accordance with the NHS Foundation Trust Financial Reporting Manual.

Opinion on other matters prescribed by the Audit Code for NHS Foundation Trusts
In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Financial Reporting Manual; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Audit Code for NHS Foundation Trusts requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from locations not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Statement on Internal Control does not meet the disclosure requirements set out in the NHS Foundation Trust Financial Reporting Manual or is misleading or inconsistent with information of which we are aware from our audit; or
- we have not been able to satisfy ourselves that the NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Peter Chambers
(Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square, Manchester M2 3PW
8th June 2009

Foreword to the Accounts

These accounts for the period ended 31 March 2009 have been prepared by the Lancashire Care NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006.

Signed

Professor Heather Tierney-Moore
Chief Executive

4th June 2009

Income and Expenditure Account
For the period ended 31 March 2009

	NOTE	Year to 31 March 2009 £000	*Restated Four Month Period to 31 March 2008 £000
Income from activities	3	**180,242**	55,872
Other operating income	4	**11,443**	3,562
Operating expenses	5	**(178,401)**	(56,754)
OPERATING SURPLUS/(DEFICIT)		**13,284**	2,680
Cost of fundamental reorganisation/restructuring		**0**	0
Profit/(loss) on disposal of fixed assets	8	**(20)**	(19)
SURPLUS/(DEFICIT) BEFORE INTEREST		**13,264**	2,661
Interest receivable		**864**	104
Interest payable	9	**0**	0
Other finance costs - unwinding of discount	17	**(41)**	0
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		**14,087**	2,765
Taxation		**0**	0
SURPLUS/(DEFICIT) BEFORE TAXATION		**14,087**	2,765
Public Dividend Capital dividends payable		**(4,840)**	(1,422)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		**9,247**	1,343

*Restatement due to Prior Period Adjustment see note 1.7

The notes on pages 63 to 80 form part of these accounts.
All income and expenditure is derived from continuing operations.

Balance Sheet
As at 31 March 2009

	NOTE	Year to 31 March 2009 £000	*Restated Four Month Period to 31 March 2008 £000
FIXED ASSETS			
Intangible assets	10	**516**	223
Tangible assets	11	**114,651**	118,097
		115,167	118,320
CURRENT ASSETS			
Stocks and work in progress	13	**15**	11
Debtors falling due within 1 year	14	**7,319**	8,299
Cash at bank and in hand	21	**23,303**	14,193
		30,637	22,503
CREDITORS: Amounts falling due within one year	16	**(19,995)**	(22,123)
NET CURRENT ASSETS/(LIABILITIES)		**10,642**	380
DEBTORS: Amounts falling due after 1 year	14	**1,198**	1,284
TOTAL ASSETS LESS CURRENT LIABILITIES		**127,007**	119,984
CREDITORS: Amounts falling due after more than one year	16	**0**	0
PROVISIONS FOR LIABILITIES AND CHARGES	17	**(2,543)**	(3,325)
TOTAL ASSETS EMPLOYED		**124,464**	116,659
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	20	**99,365**	99,365
Revaluation reserve	18	**23,374**	25,967
Income and expenditure reserve	18	**1,725**	(8,673)
TOTAL TAXPAYERS' EQUITY		**124,464**	116,659

*Restatement due to Prior Period Adjustment see note 1.7

The financial statements on pages 59 to 62 and pages 63 to 80 were approved by the Board on 4th June 2009 and signed on its behalf by Professor Heather Tierney-Moore, Chief Executive:

Signed:

(Chief Executive) 4th June 2009

Statement of Recognised Gains and Losses
For the period ended 31 March 2009

	Year to 31 March 2009	*Restated Four Month Period to 31 March 2008
	£000	£000
Surplus/(deficit) for the financial year before dividend payments	**14,087**	2,765
Fixed asset impairment losses	**0**	0
Unrealised surplus/(deficit) on fixed asset revaluations	**(1,442)**	(2,929)
Total recognised gains and losses for the financial year	**12,645**	(164)
Prior period adjustment	**(6,081)**	0
Total gains and losses recognised in the financial year	**6,564**	(164)

*Restatement due to Prior Period Adjustment see note 1.7

Cash Flow Statement
For the period ended 31 March 2009

	NOTE	Year to 31 March 2009 £000	*Restated Four Month Period to 31 March 2008 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	21.1	**17,986**	10,567
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		**864**	104
Net cash inflow/(outflow) from returns on investments and servicing of finance		**864**	104
TAXATION PAID / RECEIVED		**0**	0
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		**(6,335)**	(3,678)
Receipts from sale of tangible fixed assets		**1,718**	0
(Payments) to acquire intangible assets		**(283)**	(35)
Net cash inflow/(outflow) from capital expenditure		**(4,900)**	(3,713)
DIVIDENDS PAID		**(4,840)**	(2,132)
Net cash inflow/(outflow) before management of liquid resources and financing		**9,110**	4,826
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of current asset investments		**0**	0
Sale of current asset investments		**0**	0
Net cash inflow/(outflow) from management of liquid resources		**0**	0
Net cash inflow/(outflow) before financing		**9,110**	4,826
FINANCING			
Public dividend capital received		**0**	8,158
Net cash inflow/(outflow) from financing		**0**	8,158
Increase/(decrease) in cash		**9,110**	12,984

*Restatement due to Prior Period Adjustment see note 1.7

1. Accounting Policies

1.0 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 2008/09 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.

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 Expenditure

Expenditure is accounted for applying the accruals convention.

1.5 Intangible fixed assets

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

Intangible fixed assets held for operational use are valued at historical cost and are amortised over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

Intangible fixed assets are depreciated on current cost evenly over the estimated life of the asset using the following lives:

	Years
Development expenditure	5 to 15
Licences & Trademarks	5 to 10
Patents	5 to 8
Software & licences	7

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.

1.6 Tangible fixed assets continued

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 FRS 15 every five years. A three yearly interim valuation is also carried out and was carried out as at 31 March 2008.
Valuations are carried out by professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

The trust has adopted the Modern Equivalent Asset basis for valuing its property assets as at the 31 March 2009. This replaces the Depreciated Replacement Cost basis and is in line with the move towards compliance with International Financial Reporting Standards in the next accounting period.

The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value.
Additional alternative open market value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.
Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.
Residual interests in off-balance sheet private finance initiative (PFI) properties are included in assets under construction within tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual with an adjustment. The adjustment is the net present value of the change in the fair value of the residual as estimated at the start of the contract and at the balance sheet date.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land and assets surplus to requirements.
Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.
Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the trust's professional valuers. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset using the following lives:

	Years
Medical equipment and engineering plant and equipment	5 to 15
Furniture	5 to 10
Mainframe information technology installations	5 to 8
Soft furnishings	7
Office and information technology equipment	5
Set-up costs in new buildings	10
Vehicles	7

1.7 Prior Period Adjustment

The trust has adopted a significant new accounting policy that impacts on the comparative figures for 2007/08 in the Balance Sheet.

Previously as an NHS Trust specialised assets were valued at Depreciated Replacement Cost which was assessed, by a qualified valuer, on the basis of replacing like with like. Following a change in the Royal Institution of Chartered Surveyors (RICS) valuation methodology the assessment of Depreciated Replacement Cost is assessed on a Modern Equivalent Asset basis.

These changes have had the following impact on the comparative figures for 2007/08 compared with those published in the 2007/08 Statement of Accounts (only figures that have changed are included in the table):

	2007/08 Comparators	Net Adjustment due to MEA	2007/08 Restated Comparators
Fixed Assets	99,440	(6,081)	93,359
Revaluation Reserve	25,578	389	25,967
I&E Reserve	(2,203)	(6,470)	(8,673)

1.8 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of 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 by capitalising part of the unitary charge each year, as a tangible fixed asset.

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

1.9 Liquid Resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement.

1.10 Stocks and work-in-progress

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

1.11 Cash, bank and overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the trust's cash book. These balances exclude monies held in the 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.

1.12 Provisions

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

1.13 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 24 where an inflow of economic benefits is probable.
Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 24 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:
Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

1.14 Clinical negligence costs

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

1.15 Non-clinical risk pooling

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

1.16 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. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. As a consequence it is not possible for the trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17. The NHS Pension Scheme (England and Wales) Resource Account is published annually and can be found on the Business Service Authority - Pensions Division website at http://www.nhsbsa.gov.uk/pensions.

The Scheme is subject to a full actuarial investigation every four years. The last such investigation, published in December 2007, covered the period from 1 April 1999 to 31 March 2004. The conclusion of this investigation was that the scheme had accumulated a notional deficit of £3.3bn against notional assets at 31 March 2004. The basis for this conclusion is set out in the report by the government actuary which can be found on http://www.nhsbsa.nhs.uk/Pensions/Documents/Pensions/NHSPS_funding_valuation_report_at_31_3_04_-_final_.pdf.
Taking account of the changes to the benefit and contribution structure effective from 1 April 2008, the conclusion of the investigation was that employer contributions should continue at the existing rate of 14% of pensionable pay. From 1 April 2008, employees will pay contributions according to a tiered scale from 5% to 8.5% of their pensionable pay.
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.

1.17 Value Added Tax

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

1.18 Corporation Tax

The trust is a Health Service Body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to disapply the exemption in relation to specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly the trust is within the scope of corporation tax in respect of activities that are not related to, or ancillary to, the provision of healthcare, and where the profits there from exceed £50,000 per annum.

1.19 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.

1.20 Third party assets

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

1.21 Leases

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

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

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.

1.22 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 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 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.

1.23 Financial Instruments

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 instruments are offset when there is a legally enforceable right to offset and there is intention to settle either on a net basis or to realise the asset and settle the liability simultaneously. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

De-recognition

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

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

The trust will commonly have the following financial assets and liabilities

Assets

Asset investments, long-term and short-term debtors and accrued income.

Liabilities

Loans and overdrafts, long-term and short-term creditors and provisions arising from contractual arrangements.

Classification and Measurement

Financial assets are categorised as Loans and receivables, financial liabilities are classified as *Other financial liabilities*.

2. Segmental Analysis

The trust has only one business segment.

3. Income from activity

3.1 Income from Activities by type

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Block contract income	**178,542**	55,445
Other non-protected clinical income	**1,700**	427
	180,242	55,872

* Under section 15 of the 2003 Act, the proportion of private patient income to the total of patient related income of NHS Foundation Trusts should not exceed its proportion whilst the NHS body was an NHS trust.

3.2 Income from Activities by source

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Primary Care Trusts	179,787	55,872
Other	455	0
	180,242	55,872

3.3 Income from activities arising from manadatory and non-mandatory services

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Mandatory Income	178,542	55,452
Non-mandatory Income	1,700	420
	180,242	55,872

4. Other Operating Income

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Research and development	598	106
Education, training	4,480	1,575
Non-patient care services to other bodies	6,291	1,818
Other income	74	63
	11,443	3,562

5. Operating Expenses

5.1 Operating expenses comprise:

	Year to 31 March 2009	*Restated Four Month Period to 31 March 2008
	£000	£000
Services from Foundation Trusts	5,494	1,969
Services from NHS Trusts	5,438	1,794
Services from other NHS bodies	2,515	904
Purchase of healthcare from non NHS bodies	485	338
Executive directors' costs	699	235
Non-executive directors' costs	135	19
Staff costs	135,155	43,581
Drug Costs	3,316	1,132
Supplies and services – clinical (excluding drug costs)	600	171
Supplies and services – general	1,140	320
Establishment	4,432	1,370
Transport	478	159
Premises	8,446	2,171
Depreciation and amortisation	4,267	1,309
Fixed asset impairments	2,283	0
Audit fees – statutory audit*	68	67
Audit fees – regulatory reporting	0	23
Other auditor's remuneration	10	0
Clinical negligence	186	43
Exceptional items	0	0
Other	3,254	1,149
	178,401	56,754

*Restatement due to Prior Period Adjustment see note 1.7
The auditors liability is limited to £1,000,000 as agreed in the engagement letter dated 23 December 2008.
This limit will not apply to any acts, ommissions or representations which are in any case criminal, dishonest or fraudulent on the part of the auditors, its members, partners or employees nor to any liability which the auditors, its members, partners or employees by law cannot exclude.

5.2 Operating leases

5.2.1 Operating expenses include:

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Hire of plant and machinery	**0**	0
Other operating lease rentals	**1,397**	476
	1,397	476

5.2.2 Annual commitments under non - cancellable operating leases are:

	Year to 31 March 2009		Four Month Period to 31 March 2008
	Land and buildings £000	**Other leases £000**	£000
Operating leases which expire:			
Within 1 year	**377**	**0**	138
Between 1 and 5 years	**39**	**0**	219
After 5 years	**981**	**0**	1,071
	1,397	**0**	1,428

6. Staff costs and numbers

6.1 Staff costs

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Salaries and wages	**109,244**	35,325
Social Security Costs	**7,668**	2,531
Employer contributions to NHS Pension Scheme	**12,825**	4,178
Agency and contract staff	**6,117**	1,782
	135,854	43,816

6.2 Average number of persons employed

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Medical and dental	**202**	160
Administration and estates	**561**	548
Healthcare assistants and other support staff	**726**	898
Nursing, midwifery and health visiting staff	**1,313**	1,246
Nursing, midwifery and health visiting learners	**23**	29
Scientific, therapeutic and technical staff	**432**	394
Social care staff	**0**	1
Bank and agency staff	**462**	418
Other	**47**	6
Total	**3,766**	3,700

6.3 Employee benefits

The trust provides no employee benefits.

6.4 Retirements due to ill-health

During the year to 31 March 2009 there were 10 (7 during the 4 months to 31 March 2008) early retirements from the trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £792k (£233k for the 4 months to 31 March 2008). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

7. Better Payment Practice Code

7.1 Better Payment Practice Code – measure of compliance

	Year to 31 March 2009		Four month period to 31 March 2008	
	Number	**£000**	Number	£000
Total Non-NHS trade invoices paid in the year	**37,394**	**33,738**	10,998	10,910
Total Non NHS trade invoices paid within target	**35,398**	**32,078**	10,393	10,472
Percentage of Non-NHS trade invoices paid within target	**95%**	**95%**	95%	97%
Total NHS trade invoices paid in the year	**2,822**	**23,508**	703	8,156
Total NHS trade invoices paid within target	**2,734**	**23,166**	694	8,145
Percentage of NHS trade invoices paid within target	**97%**	**99%**	98%	99%

The Better Payment Practice Code represents best practice and 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.

As a result of the general economic crisis, and at the request of the Prime Minister and Monitor, the trust now endeavours to pay all smaller non public sector suppliers within 10 days in order to ease their cash flows.

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

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

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Profit on disposal of land and buildings	**88**	0
(Loss) on disposal of land and buildings	**(108)**	(19)
	(20)	(19)

No major property disposals have taken place.

9. Interest Payable

The trust did not pay any interest charges during the period.

10. Intangible Fixed Assets

	Software licenses	Other	Total
	£000	£000	£000
Gross cost at 01 April 2008	504	0	504
Impairments	0	0	0
Reclassifications	138	0	138
Revaluation	0	0	0
Additions purchased	283	0	283
Additions donated	0	0	0
Disposals	0	0	0
Gross cost at 31 March 2009	**925**	**0**	**925**
Amortisation at 01 April 2008	281	0	281
Charged during the year	128	0	128
Impairments	0	0	0
Reversal of impairments	0	0	0
Reclassifications	0	0	0
Revaluation	0	0	0
Disposals	0	0	0
Amortisation at 31 March 2009	**409**	**0**	**409**
Net book value			
- Purchased at 01 April 2008	223	0	223
- Donated at 01 April 2008	0	0	0
Total at 01 April 2008	**223**	**0**	**223**
Purchased at 31 March 2009	516	0	516
- Donated at 31 March 2009	0	0	0
- Total at 31 March 2009	**516**	**0**	**516**

11. Tangible Fixed Assets

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

	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
*Restated Cost or valuation at 01 April 2008	19,023	93,571	2,287	613	40	6,508	353	122,395
Additions purchased	1,003	2,912	1,748	0	0	525	106	6,294
Additions donated	0	0	0	0	0	0	0	0
Impairments *	(2,283)	0	0	0	0	0	0	(2,283)
Reclassifications	0	0	(138)	0	0	0	0	(138)
Revaluation*	(2,018)	576	0	0	0	0	0	(1,442)
Disposals	(598)	(1,140)	0	0	0	0	0	(1,738)
Cost or Valuation at 31 March 2009	**15,127**	**95,919**	**3,897**	**613**	**40**	**7,033**	**459**	**123,088**
*Restated Depreciation at 01 April 2008	0	212	0	343	36	3,526	181	4,298
Charged during the year *	0	3,098	0	74	4	915	48	4,139
Impairments	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Depreciation at 31 March 2009	**0**	**3,310**	**0**	**417**	**40**	**4,441**	**229**	**8,437**
Net book value								
- Purchased at 01 April 2008	19,023	93,359	2,287	270	4	2,982	172	118,097
- Donated at 01 April 2008	0	0	0	0	0	0	0	0
Restated Total at 01 April 2008	**19,023**	**93,359**	**2,287**	**270**	**4**	**2,982**	**172**	**118,097**
- Purchased at 31 March 2009	15,127	92,609	3,897	196	0	2,592	230	114,651
- Donated at 31 March 2009	0	0	0	0	0	0	0	0
- Total at 31 March 2009	**15,127**	**92,609**	**3,897**	**196**	**0**	**2,592**	**230**	**114,651**

There were no donated assets during the period.

Of the totals at 31 March 2009, £40k related to land valued at open market value (£7,285k at 31 March 2008) and £120k related to buildings valued at open market value (£1,351k at 31 March 2008).

*Restatement due to Prior Period Adjustment see note 1.7

11.2 Analysis of tangible fixed assets by asset status

	Land	Buildings excluding dwellings	Assets under construction	Plant and machinery	Information techology	Furniture & fittings	Total	*Restated 31 March 2008
	£000	£000	£000	£000	£000	£000	£000	£000
NBV - Protected assets at 31 March 2009	10,958	87,840	0	0	0	0	98,798	101,768
NBV - Unprotected assets at 31 March 2009	4,169	4,769	3,897	196	2,592	230	15,853	16,329
- Total at 31 March 2009	**15,127**	**92,609**	**3,897**	**196**	**2,592**	**230**	**114,651**	118,097

*Restatement due to Prior Period Adjustment see note 1.7

11.3 Net book value of assets held under finance leases and hire purchase contracts at the balance sheet date
The trust has no finance lease or hire purchase obligations.

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

	31 March 2009	*Restated 31 March 2008
	£000	£000
Freehold	**70,554**	70,395
Long leasehold	**37,144**	41,941
Short leasehold	**38**	46
TOTAL	**107,736**	112,382

*Restatement due to Prior Period Adjustment see note 1.7

12. Fixed asset investments

The trust did not hold any fixed asset investments at the balance sheet date.

13. Stocks and Work in Progress

	31 March 2009	31 March 2008
	£000	£000
Raw materials and consumables	**15**	11
Work-in-progress	**0**	0
Finished goods	**0**	0
TOTAL	**15**	11

14. Debtors

14.1 Debtors

	31 March 2009	31 March 2008
	£000	£000
Amounts falling due within one year:		
NHS debtors	**4,791**	6,256
Other debtors	**1,856**	1,550
Provision for irrecoverable debts	**(216)**	(196)
Other prepayments and accrued income	**888**	689
Sub Total	**7,319**	8,299
Amounts falling due after more than one year:		
Other prepayments and accrued income	**1,198**	1,284
Sub Total	**1,198**	1,284
TOTAL	**8,517**	9,583

14.2 Debtors
Provison for impairment of debtors

	31 March 2009	31 March 2008
	£000	£000
At 1 April 2008	**196**	0
At start of period for new FTs	**0**	181
Increase in provision	**149**	50
Amounts utilised	**(1)**	0
Unused amounts reversed	**(128)**	(35)
At 31 March 2009	**216**	196

14.3 Analysis of impaired debtors

	31 March 2009	31 March 2008
Ageing of impaired debtors		
Up to three months	**43**	33
In three to six months	**8**	15
Over six months	**165**	148
Total	**216**	196
Ageing of non-impaired debtors past their due date		
Up to three months	**3,410**	2,080
In three to six months	**833**	303
Over six months	**784**	150
Total	**5,027**	2,533

15. Investments

The trust did not hold any current asset investments at the balance sheet date.

16. Creditors

16.1 Creditors at the balance sheet date are made up of:

	31 March 2009	31 March 2008
Amounts falling due within one year:		
NHS creditors	**2,010**	2,976
Other tax and social security costs	**2,757**	2,572
Capital creditors	**2,642**	2,789
Other creditors	**4,261**	4,103
Accruals and deferred income	**8,325**	9,683
Sub Total	**19,995**	22,123
Amounts falling due after more than one year:	**0**	0
TOTAL	**19,995**	22,123

Other creditors include;
- £30k outstanding pensions contributions at 31 March 2009 (£37k 31 March 2008).

16.2 Loans

The trust has no outstanding loans.

16.3 Finance lease obligations

The trust has no finance lease obligations.

17. Provisions for liabilities and charges

	Pensions relating to other staff	Legal claims	Other	**Total**	31 March 2008
	£000	£000	£000	**£000**	£000
At 01 April 2008	2,110	219	996	**3,325**	2,692
Change in discount rate	0	0	0	**0**	0
Arising during the period	107	241	223	**571**	977
Utilised during the period	(128)	(94)	(602)	**(824)**	(234)
Reversed unused	(370)	(66)	(134)	**(570)**	(110)
Unwinding of discount	41	0	0	**41**	0
At 31 March 2009	1,760	300	483	**2,543**	3,325

Expected timing of cashflows:

	£000	£000	£000	**£000**	£000
Within one year	128	300	483	**911**	1,357
Between one and five years	512	0	0	**512**	568
After five years	1,120	0	0	**1,120**	1,400

The pensions provisions are ongoing provisions which are regularly reviewed and revalued.

Other provisions consists of £152k made under the Agenda for Change arrangements, £130k for other pay issues and £201k for schedules of dilapidations held on leases at properties within the trust as valued by the trust's professional advisors.

£572k is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of clinical negligence liabilities of the trust (£1,080k for the Period to 31 March 2008).

18. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Income and Expenditure Reserve	**Total**	31 March 2008
As at 01 April 2008	25,967	(8,673)	**17,294**	0
As at 01 December 2007	0	0	**0**	34,191
Prior Year Adjustment *	0	0	**0**	(15,311)
Restated at at 01 December 2007	25,967	(8,673)	**17,294**	18,880
Transfer from the income and expenditure account	0	9,247	**9,247**	1,343
Fixed asset impairments	0	0	**0**	0
Surplus/(deficit) on other revaluations of fixed assets and current asset investments	(1,442)	0	**(1,442)**	(2,929)
Transfer of realised profits/(losses) to the income and expenditure reserve	(1,151)	1,151	**0**	0
At 31 March 2009	**23,374**	**1,725**	**25,099**	17,294

*Restatement due to Prior Period Adjustment see note 1.7

19. Movements in taxpayers' equity

	Year to 31 March 2009	*Restated Four Month Period to 31 March 2008
	£000	£000
Taxpayers' equity as at 01 April 2008	**116,659**	0
Taxpayers' equity as at 1 December 2007	**0**	125,399
Prior Period Adjustment	**0**	(15,312)
Surplus/(deficit) for the financial year	**14,087**	2,765
Public dividend capital dividends	**(4,840)**	(1,422)
Fixed asset impairments	**0**	0
Surplus/(deficit) from revaluations of fixed assets and current asset investments	**(1,442)**	(2,929)
New public dividend capital received	**0**	8,158
Taxpayers' equity at 31 March 2009	**124,464**	116,659

*Restatement due to Prior Period Adjustment see note 1.7

20. Movement in Public Dividend Capital

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Public Dividend Capital as at 01 April 2008	**99,365**	0
Public Dividend Capital as at 1 December 2007	**0**	91,207
New public dividend capital received	**0**	8,158
Public Dividend Capital as at 31 March 2009	**99,365**	99,365

21. Notes to the cash flow Statement

21.1 Reconciliation of operating surplus to net cash flow from operating activities:

	Year to 31 March 2009	*Restated Four Month Period to 31 March 2008
	£000	£000
Total operating surplus/(deficit)	**13,284**	2,680
Depreciation and amortisation	**4,267**	1,309
Fixed asset impairments	**2,283**	0
(Increase)/decrease in stocks	**(4)**	0
(Increase)/decrease in debtors	**1,066**	1,617
Increase/(decrease) in creditors	**(2,128)**	4,328
Increase/(decrease) in provisions	**(782)**	633
Net cash inflow from operating activities	**17,986**	10,567

*Restatement due to Prior Period Adjustment see note 1.7

21.2 Reconciliation of net cash flow to movement in net debt

	Year to 31 March 2009	*Restated Four Month Period to 31 March 2008
	£000	£000
Increase/(decrease) in cash in the period	**9,110**	12,984
Change in net debt resulting from cash flows	**9,110**	12,984
Net debt at 01 April 2008	**14,193**	1,209
Net debt at 31 March 2009	**23,303**	14,193

22. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2009 were £6,696k (£187k at 31 March 2008).

23. Post Balance Sheet Events

There are no material post balance sheet events.

24. Contingencies

The trust had the following contingent liabilities in relation to the Risk Pooling Schemes for Trusts:

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Contingent liabilities	**(101)**	(70)
Amounts recoverable against contingent liabilities	**0**	0
Net value of contingent liabiliies	**(101)**	(70)
Contingent Assets	**0**	0

25. Related Party Transactions

Lancashire Care NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board members or members of the key management staff or parties related to them has undertaken any material transactions with the trust.

Government departments and their agencies are not considered as related parties due to the exemption for consolidation under FRS 8.

Council of Governors

The roles and responsibilities of the council of governors of the trust are carried out in accordance with the trust's constitution and its terms of authorisation.

The council has specific powers including:
- appointment and removal of the Chair and non executive directors;
- approval of appointment of the Chair and non executive directors;
- to decide the remuneration and allowances and the other terms and conditions of office of the non executive directors;
- to appoint and remove the auditors.

The trust maintains a register of interests for members of the Governing Council.

Of the total 34 members of the Council of Governors, 9 represent the interests of other organisations who the trust has identified as key partners in the delivery of healthcare and 6 are staff members with the remainder being members of the public.

	Debtor £000	**Creditor £000**	**Income £000**	**Expenditure £000**
Member of Council of Governors				
Blackburn with Darwen PCT	675	54	15,055	3
Blackpool PCT	380	0	16,724	0
Central Lancashire PCT	1,396	52	51,264	264
East Lancashire PCT	770	7	35,737	228
North Lancashire PCT	0	690	34,895	1,466
UCLAN	2	1	2	89
MIND	0	0	0	1
Making Space	0	0	1	34
Alzheimer's Society	0	0	0	0
Lancashire County Council	539	38	1,328	2,459
Blackpool County Council	93	6	177	90
Blackburn with Darwen Borough Council	59	0	425	511
Lancashire Constabulary	0	0	0	4
	3,914	**848**	**155,608**	**5,149**

All income was received as income to commission heathcare services, and all expenditure relates to the associated operating expenses.

Other

All transactions were conducted during the normal course of business in delivering healthcare.

The trust has also received monies from the Lancashire Care NHS Foundation Trust Charity. The charity is registered with the Charity Commission (Charity Number 1099568) and produces its own annual report and accounts. These documents are available on request from the finance department of the trust.

26. Third Party Assets

The trust held £334k cash at bank and in hand at Period Ended 31 March 2009 (£380k at 31 March 2008) that relates to monies held by the trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

27. Prudential borrowing limit

The trust is required to comply and remain within Monitor's prudential borrowing limit. This is made up of two elements:
- 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; and
- the amount of any working capital facility approved by Monitor.

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

	Year to 31 March 2009	
	Actual Ratios	**Approved PBL Ratios**
Minimum dividend cover	4.3x	3.9x
Minimum interest cover	-	-
Minimum debt service cover	-	-
Maximum debt/capital ratio	-	-
Maximum debt service to revenue	-	-

The trust has a Prudential Borrowing Limit (PBL) of £38,700k (£26,500k at 31 March 2008). The trust had no loans in year and therefore only the Minimum Dividend Cover ratio applies. The trust was within the approved limit.

The trust had an approved working capital facility of £12 million during the period covered, this was not utilised.

28. Private Finance Transactions

28.1 PFI schemes deemed to be off-balance sheet

	Year to 31 March 2009	Four Month Period to 31 March 2008
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	**1,294**	407
Amortisation of PFI deferred asset	**(86)**	(29)
Net charge to operating expenses	**1,208**	378

Analysis of future commitments by expiry date

	£000	£000
The trust is required to analyse its payment commitment for the next year by expiry date:		
PFI scheme which expires;		
11th to 15th years (inclusive)	**1,208**	0
16th to 20th years (inclusive)	**0**	1,134

	£000
Estimated capital value of the PFI scheme	6,600
Contract Start date:	9-Feb-1999
Contract End date:	8-Feb-2024

The scheme was inherited from Morecambe Bay PCT and provides mental health facilities, a resource centre in the community and office accommodation to the North Lancashire PCT.

29. Financial Instruments

The trust does not have any listed capital instruments and is not a financial institution.

Credit Risk

The bulk of the trusts' commisioners are NHS, which minimises the credit risk from these customers.

Non-NHS customers do not represent a a large proportion of income and the majority of these relate to bodies which are considered low risk - e.g. universities, local councils, insurance companies, etc...

Liquidity risk

The trust's net operating costs are incurred under service agreements with the local Primary Care Trusts, which are financed from resources voted annually by Parliament. The trust largely finances capital expenditure through internally generated funds and from loans that can be taken out up to an agreed borrowing limit. The borrowing is based upon a risk rating determined by Monitor, the Independant Regulator for Foundation Trusts and takes account of the trust's liquidity. The trust is therefore not exposed to significant liquidity risk.

Market Risk

All of the trust's financial liabilities carry nil or fixed rates of interest. In addition the only element of the trust's financial assets that is currently subject to a variable rate is cash held in the trust's main bank account and therefore the trust is not exposed to significant interest-rate risk.

Fair Value

For short term financial assets and financial liabilities the amortised cost is likely to be close to the fair value.

29.1 Financial assets by category

All assets are denominated in stirling

	31 March 2009	31 March 2008
	Loans and receivables	Loans and receivables
	£000	£000
NHS Debtors (net of provision for irrecoverable debts)	**4,575**	6,060
Accrued income	**13**	0
Other debtors	**1,631**	1,550
Cash at bank and in hand	**23,303**	14,193
Total Financial assets	**29,522**	21,803

29.2 Financial liabilities by category

All assets are denominated in stirling

	31 March 2009	31 March 2008
	Other financial liabilities	Other financial liabilities
	£000	£000
NHS Creditors	**2,010**	2,976
Other creditors	**4,261**	4,103
Accruals	**4,654**	2,823
Capital Creditors	**2,642**	2,789
Provisions under contract	**2,543**	3,325
Total Financial Liabilities	**16,110**	16,016

30. Losses and Special Payments

There were 36 cases of losses and special payments totalling £53k paid during Year to 31 March 2009 (11 totalling £1k for year to 31 March 2008). Special payments are recognised on a cash basis.

31. Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
Balances with NHS Trusts and Foundation Trusts	532	0	829	0
Balances with NHS bodies	4,259	0	1,181	0
Balances with other government bodies	933	0	4,318	0
Balances with bodies external to government	1,595	1,198	13,667	0
At 31 March 2009	**7,319**	**1,198**	**19,995**	**0**

Lancashire Care NHS
NHS Foundation Trust

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