Essex County Council

North Essex Partnership NHS
NHS Foundation Trust

Meeting of the Board of Directors to be held in public on Wednesday 24 September 2008 from 9.15 (for a 09.30 start) at Trust Headquarters, Stapleford House, Stapleford Close, Chelmsford, Essex CM2 0QX

AGENDA		
1.	Welcome, Introductions & Questions from the Public	MSA
2.	Apologies for Absence	DMc
3.	Declarations of Interest	DMc
	Governance	
4.	Annual Report & Accounts for the Period 01/04/07-30/09/07	AG/RY
	Other Items	
5.	Any Other Notified Business	
6.	Questions from members of the public relating to items on the agenda only	MSA
7.	Date of Next Meeting in Public: 26 November 2008	MSA

Dermot McCarthy

Dermot McCarthy
Trust Secretary
North Essex Partnership NHS Foundation Trust
103 Stapleford Close, Chelmsford, Essex CM2 0QX

Essex County Council

North Essex Partnership NHS
NHS Foundation Trust

Agenda item No: 1
Name of Meeting: Meeting of the Board of Directors in Public
Date: 24 September 2008
Title of Report: Welcome, Introductions & Questions from the Public
Presented By: Mary St Aubyn, Chairman
Subject, Purpose and Recommendation: Those present will be welcomed, and there will be the opportunity for those attending to ask questions about matters not included upon the agenda.
Finance Implications: N/A
Clinical Implications: N/A
HR Implications: N/A
Legal Implications: N/A
Equality Implications: N/A
Risks: N/A

Essex County Council

North Essex Partnership NHS
NHS Foundation Trust

Agenda item No: 2
Name of Meeting: Meeting of the Board of Directors in Public
Date: 24 September 2008
Title of Report: Apologies for Absence
Presented By: Dermot McCarthy, Trust Secretary
Subject, Purpose and Recommendation: The Board is asked to receive apologies for absence.
Finance Implications: N/A
Clinical Implications: N/A
HR Implications: N/A
Legal Implications: N/A
Equality Implications: N/A
Risks: N/A

Essex County Council

North Essex Partnership NHS
NHS Foundation Trust

Agenda item No: 3
Name of Meeting: Meeting of the Board of Directors in Public
Date: 24 September 2008
Title of Report: Declarations of Interest
Presented By: Dermot McCarthy, Trust Secretary
Subject, Purpose and Recommendation: In accordance with Standing Orders the Board of Directors is asked to receive any declarations of interest from members relating to items on the agenda.
Finance Implications: N/A
Clinical Implications: N/A
HR Implications: N/A
Legal Implications: Declarations of interest are required to comply with Standing Order 7 ("Declarations of Interest and Register of Interests").
Equality Implications: N/A
Risks: N/A

Essex County Council

North Essex Partnership NHS
NHS Foundation Trust

Agenda item No: 4
Name of Meeting: Meeting of the Board of Directors in Private
Date: 24 September 2008
Title of Report: Annual Report & Accounts for the period 01/04/07 to 30/09/07
Presented By: Andrew Geldard, Acting Chief Executive
Subject, Purpose and Recommendation: The Board of Directors is asked to receive of the Trust's Annual Report & Accounts as an NHS Trust for the period 01/04/07 to 30/09/07. The accounts form the basis of the financial statements contained within the Trust's Annual Report. These statements describe the Trust's overall financial performance in a detail greater than presented in the month-end annual accounts.
Finance Implications: The accounts formally record the financial performance of the Trust.
Clinical Implications: N/A
HR Implications: N/A
Legal Implications: N/A
Equality Implications: N/A
Risks: N/A

Essex County Council

North Essex Partnership NHS
NHS Foundation Trust

North Essex Mental Health Partnership NHS Trust

Annual Report 2007/08

(1 April - 30 September 2007)

CONTENTS

WELCOME

We are delighted to present our last annual report for the North Essex Mental Health Partnership NHS Trust.

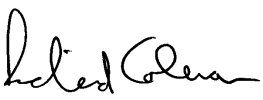
On 1 October 2007, the Trust was granted Foundation Trust status. For this reason, this report covers the period 1 April to 30 September 2007. We will be presenting another report for the remainder of the financial year and the Trust's first six months as an NHS Foundation Trust in due course.

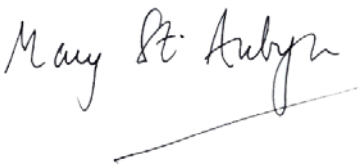
Becoming a Foundation Trust is excellent news for the Trust's future. It means that the Trust will have greater freedoms to develop services to fit local needs and we will have much stronger connections with our local communities through our membership and Council of Governors.

Much has been achieved in the past six months. Our excellent colleagues have continued to deliver real improvements to services while coping admirably with significant pressures. These achievements were acknowledged publicly and independently, with the publication of the Healthcare Commission's 2007 Annual Healthcheck rating of 'excellent' for quality of services and 'good' for use of resources.

The following sections outline our achievements for the period 1 April - 30 September 2007 and our plans for the future.

We thank all colleagues, our partner organisations and all others associated with the Trust for their support. We believe the Trust has a firm platform to continue its success now that Foundation Trust status has been achieved. We look forward to the benefits that being a Foundation Trust can bring to service users and carers.





Dr Richard Coleman
Chief Executive

Mary St Aubyn
Chairman

INTRODUCTION

The North Essex Mental Health Partnership NHS Trust had a challenging but ultimately successful six months between 1 April and 30 September 2007.

The highlights include:

- making excellent progress towards our targets for early intervention, crisis resolution and home treatment services, and assertive outreach services
- the contribution of colleagues in the Trust and in partner organisations to maintaining high quality care and treatment during our local PCTs' consultation on proposed changes to services and seamlessly managing temporary changes to services pending the outcome of the consultation
- developing a strategy to improve services for older adults
- increasing our capacity to deliver a 24 hour service for children and adolescents
- innovations in community services
- further developments in substance misuse services
- working closely with our Patient and Public Involvement Forum
- the development of our shadow Council of Governors and welcoming more public Foundation Trust members to the Trust
- an 'Excellent' rating for the quality of our services and a 'Good' rating for use of resources by the Healthcare Commission.

Background

The Trust was created in 2001 by bringing the three existing NHS trusts and the relevant social care services of Essex County Council together into one organisation. The benefits of this partnership include better co-ordination of care and improved links between mental health professionals.

We provide mental health and substance misuse services to a population of nearly one million in north Essex. We cover approximately 1,000 square miles across north Essex. We also provide some services to Suffolk, south Essex and East Hertfordshire residents.

Our services focus separately on four main care groups; children and adolescents, adults of working age, older adults and people who misuse drugs and alcohol.

The Trust has inpatient services on six main hospital sites: Clacton Hospital, Colchester General Hospital, Broomfield Hospital (Chelmsford), Princess Alexandra Hospital (Harlow), St Margaret's Hospital (Epping) and St John's Hospital (Chelmsford) plus Longview in Colchester.

Our strategic direction

Our vision is to provide 'top quality, best value care' and our values are to:

- respect the individual
- value staff
- maximise the benefit of partnerships.

Our vision is supported by our six strategic objectives which are to:

1. Provide accessible, responsive and effective care
2. Deliver safe, high quality services
3. Be a model employer
4. Achieve good governance, inclusive involvement and excellent partnerships
5. Provide value for money - economy, efficiency and effectiveness
6. Expand the business.

Our business environment

As we look towards the future, it is important that we fully understand our business environment. Our planning takes into account a number of key political, economic, technological and social influences including:

- *Introduction of a tariff for mental health (payment by results)* – although details have yet to be formulated, the Trust will need to ensure systems and processes are robust enough to accurately record all activity in preparation for its introduction.
- *Introduction of competition* - the development of practice based commissioning means in the future we are likely to be competing with other NHS organisations and independent providers for the provision of services.
- *Developments in the broader NHS and social care system* – we need take into account the NHS Plan, National Service Framework for Mental Health, the White Paper 'Our Health, Our Care, Our Say' and the continuing development of Local Strategic Partnerships.
- *The commissioning intentions of local NHS commissioners* as a consequence of their financial and recovery plans for 2007/08 and 2008/09.
- *Changing demography* - over the next decade the north Essex population is set to increase by 60,000 and the proportion of people over 65 is due to rise by 29%.

PROVIDING ACCESSIBLE, RESPONSIVE AND EFFECTIVE CARE

Services for children and adolescents

Through the introduction of innovative ways of working we increased our capacity to deliver comprehensive 24 hour support for the children and adolescents.

Work continued to assess the opportunities for expanding our services for young people. A scoping exercise was undertaken by an independent body.

Plans for the remainder of the financial year include the launch of a parenting website.

Services for adults of working age

The Trust continues to make excellent progress towards its targets for crisis resolution and home treatment, assertive outreach and early intervention in psychosis.

- **Early intervention in psychosis**

The Trust has continued to expand its early intervention in psychosis service. The service offers intensive assessment, treatment and support to young people with a psychotic illness, their carers and families for up to three years. With over 50 service users taken on during the first six months of the financial year, the Trust is making good progress towards its target of supporting 103 new people by the end of the financial year.

- **Crisis resolution and home treatment**

Our three crisis resolution and home treatment teams provide an alternative to hospital admission by offering a round the clock service. They focus on individuals' needs. Typically, an intensive six week programme is put in place to support a service user. This often concludes with an appropriate referral to another service.

In Colchester and Tendring, our crisis resolution and home treatment team for north east Essex has been developed into two new local services: one in Colchester and one in Tendring. This was achieved by combining the team with day hospital services to provide a 24 hour service to people experiencing severe mental health difficulties. This service supported nearly 360 people from April to September this year.

- **Assertive outreach**

Our assertive outreach service treats and supports people who have serious mental illnesses and have difficulty staying in contact with the Trust's services. There are now about 300 people being helped by our three assertive outreach teams.

- **Community mental health teams**

Examples of innovations by our community mental health teams include:

- A team in Harlow has set up a football team to encourage service users to become more physically active and to build their social confidence. The team trains regularly with Tottenham Hotspurs Football Club. The Harlow team and another from Clacton were invited to play at the David Beckham Football Academy to celebrate World Mental Health Day.

- In Saffron Walden, service users are helping to restore the town's historic Bridge End Gardens. This project helps to strengthen mental well being, build physical health and helps participants develop skills to return to the world of work.

- In Braintree, the local community mental health team hold an annual evening meeting for local GPs. The discussion is always lively and most importantly, it is an opportunity for the team and colleagues from primary care to discuss how they can work together more effectively.

Services for older adults

The Trust has been developing a strategy to improve capacity, services and facilities for older adults.

As part of this initiative, a multi disciplinary group of clinicians and representatives from voluntary services has been set up to focus on the needs of people with young onset dementia.

Work is progressing well on plans to create a new inpatient and day hospital unit for older adults on the Broomfield Hospital site in Chelmsford. The new unit will replace Drake House in the centre of the town and Ward J6 and J9 on the St John's Hospital site.

Substance misuse services

Work has progressed on developing the substance misuse service across the Trust.

Changes, our community drug and alcohol team in Chelmsford, launched a female only service to encourage women who experience drug and alcohol problems to come forward for help.

The substance misuse service continues to have very strong links with the prison service and accepts direct referrals from HM Prison Chelmsford. The Trust is also part of a multi-agency group dedicated to reducing the number of drug related deaths amongst people who are released from prison.

Emergency Planning

North Essex Mental Health Partnership NHS Trust has a major incident plan that is fully complaint with the requirements of the 'Handling Major Incidents: An operational doctrine'.

Policies and procedures for dealing with major incidents are regularly reviewed to ensure they remain relevant to the organisation. An internal emergency planning group ensures that appropriate arrangements are in place to provide clinical services and support the work of partner agencies in the event of a major incident.

Responding to changes in Primary Care Trusts (PCTs) commissioning intentions

During 2006/7, the West Essex PCT, Mid Essex PCT and North East Essex PCT and Hertfordshire Partnership NHS Trust informed us of their intention to reduce the level of mental health services they commission from us.

Over the summer, the PCTs carried out a public consultation on their proposed changes to services they will commission from us in the future. Services for older adults and working age adults were temporarily reconfigured in west Essex pending the outcome of the PCTs' consultation.

During this period, staff from the Trust and colleagues in partner organisations worked hard to support service users through a period of uncertainty.

Future commissioning of mental health services by PCTs

At the end of their 12 week public consultation, the primary care trusts made the following decisions.

- **West Essex PCT (Harlow, Epping Forest and Uttlesford)**
    - Older adult assessment beds will be permanently based at St Margaret's Hospital, Epping.
    - A day hospital service for older adults will be based at St Margaret's Hospital, Epping.
    - Further planning for older adults services with Essex County Council will take into account the expected population changes for west Essex, including local demographic profiles.
    - The provision of 15 continuing care beds, currently at Ashlar House (an independent sector provider in Epping) will be put out to tender.
    - For the longer term, the PCT agreed that further work will take place to consider two options for providing inpatient services for people from Epping Forest and that the preferred option should be put in place within the next 18 months. These options are:
        - upgrading a ward at the Derwent Centre for Epping Forest patients, or
        - creating a crisis house in Loughton or Epping with an upgraded inpatient ward at the Derwent Centre for Epping Forest, Harlow and South Uttlesford.
    - For the shorter term, it was agreed that inpatient services for people from Epping Forest will remain at the Derwent Centre and discussions will take place between the PCT and the Trust with a view to relocating the Epping Forest service to appropriate available accommodation in the Derwent Centre.

Mid Essex PCT (Braintree, Chelmsford and Maldon districts)

- To replace Pitfields (the Trust's inpatient rehabilitation services in Chelmsford) with a new non-clinically based, more socially inclusive service run by another organisation.
- To reduce community care beds commissioned from the independent provider Care UK subject to further work being carried out between the PCT/Essex County Council joint commissioning team for mental health and the Trust. This work will take into account our continuing care beds at Lucas Ward in Colchester.

- **North East Essex PCT (Colchester and Tendring)**
  - To keep beds at the Lakes in Colchester and Peter Bruff in Clacton open.
  - The PCT will work with the Trust to develop plans for new services for people experiencing mild to moderate mental ill health in 2008/09 and 2009/10. While this work is underway, local bed usage will remain under continual review. The PCT anticipates that when a new structure for services is in place, bed closures may be possible.
  - It was agreed that the number of beds commissioned from Care UK would be reduced, subject to further work being carried out with Essex County Council and the Trust. This work will take into account the use of the Lucas Ward at the King's Wood Centre in Colchester that is run by the Trust.

- **Community services (trustwide)**
  - The PCTs' proposal to reduce community mental health staffing as part of an overall reduction across the Trust was agreed. This reduction has already been achieved by removing 15 posts.
  - It was also agreed that a review of crisis services will take place to ensure that they are working as effectively as possible.

DELIVERING SAFE, HIGH QUALITY SERVICES.

We work hard to improve the quality of care and services we provide.
The Healthcare Commission standards, Essence of Care Benchmarking tools and Patient Environment Action Team help us do this.

Quality of Services: Excellent

Our quality of services is rated as 'Excellent' by the Healthcare Commission in its Annual Healthcheck for 2007/08. Our use of resources is rated as 'Good'.

This is an improvement on last year's rating of 'Good' for both quality of services and user of resources. The progress reflects our commitment to 'providing top quality, best value care' and the dedication of colleagues.

The Trust achieved a full compliance against the Healthcare Commission's Core and Development standards for 2007/08.

Risk and Learning

We have developed a strong dynamic approach towards the management of risk – one that is open, honest and inclusive. This forms an integral part of our philosophy, practice and business planning and is the responsibility of all staff within the organisation.

Our service governance systems and processes have been further strengthened to ensure that service user safety and quality of care are central to our work. Initiatives and developments to achieve national targets are co-ordinated to ensure we are making best use of our resources and that projects integrate with each other.

The Trust will continue to use the annual service user survey to inform work to improve the patient experience, care planning and crisis care.

We are playing a key role in leading work with partner organisations to put the Mental Capacity Act 2005 into practice. This involves working closely with the new independent mental capacity advocates. Over the next few months we will continue our staff training programme for this area.

Patient advice and liaison service (PALS)

PALS offers support, advice and information on the Trust's services to the service users, carers, their families and the general public.

In the first six months of the year, a total of 154 enquiries were made. Nearly half required information about services, care or treatment, 20% needed other assistance and 18% raised an issue or concern. The remainder called for a variety of other reasons.

Formal complaints and compliments

There has been a continual downward trend in the number of complaints received by the Trust in the last five years. 62 complaints were received between 1 April and 30 September 2007. All of these were responded to within 25 working days as required by the NHS complaints regulations.

In October of 2007 the Office of the Parliamentary and Health Service Ombudsman, published Principles for Remedy, which is a benchmark/good practice guidance booklet on complaints handling for government departments, UK public bodies and the NHS in England.

The six principles of this guidance are:

- getting it right
- being customer focused
- being open and accountable
- acting fairly and proportionately
- putting things right
- seeking continuous improvement.

These six principles are embedded at the heart of our organisation and are continually demonstrated by our commitment to good complaints management, quality and timely responses to the issues raised by those who use our services and by the customer service training that is delivered as part of our mandatory staff training programme.

Learning by experience

The organisation's approach to learning has been praised nationally. Complaints and incidents provide a learning opportunity for all those concerned. Since April 2007, and as a result of complaints and incidents, a range of innovations and service changes have taken place. These include:

- the development of a 'shared care' partnership protocol with GPs to make services more accessible for service users being prescribed Clozapine (a drug used to treat schizophrenia)
- guidance for staff on best practice for health and social care record keeping and the Trust's standards for this area of work
- an extended training programme for staff on the lessons learnt from incident investigations. Care plan assessment trainers visit individual teams for training on specific issues and hold sessions for all staff on more general topics.

Capital investment

The Trust has a robust capital investment programme for 2007/08. Work in the first six months of the year included:

- a programme of general maintenance and health and safety improvements to our buildings
- a number of adaptations to our wards at St Margaret's (Epping) in preparation for the temporary service changes that took place during the PCTs' consultation. Adjustments at Chelmer Ward at St Margaret's addressed the needs of the older adults with organic illnesses who moved onto the ward. These included installing grab rails and nurse call alarms
- further improvements to our IT infrastructure and information governance plus an evaluation of our clinical IT systems as part of the national programme for IT.

In the next six months, the Trust will finalise a programme of works to improve Avon Ward at the Derwent Centre.

Other initiatives to improve care

- An overgrown piece of land at the rear of the Derwent Centre has been transformed into a relaxing, therapeutic environment for patients, their visitors and staff. A top award winning garden design company was involved in the project. From planning to planting, patients and staff have played an important part in the garden. It includes a variety of colours, textures and smells to encourage positive mental well-being.
- The garden at the Cherry Trees day centre won a 'Maldon in Bloom' competition.
- The service user information group continued its work to co-ordinate the production of high quality information for service users, carers and the public. A policy and corporate identity guidelines will be published later this year.
- A Disability and Gender scheme was approved in line with legislation. These schemes provide a foundation for further work to address inequality and discrimination.
- A translation and interpretation policy has been developed and access to interpretation and translation services streamlined.

Cleanliness, infection control and food

The Trust continues to monitor the physical environment of its facilities, cleanliness and food quality using the national Patient Environment Action Team (PEAT) methodology. Standards are continually reviewed and capital investment is targeted at improving overall standards. The Trust's inpatient units received either good or excellent ratings for the quality and selection of food available to service users.

The Trust recognises the importance of food to mental well-being. Our nutrition and dietetic advisors developed a new nutritional policy to help staff identify service users' nutritional requirements.

Our Visitors' Charter focuses on the role visitors play in restricting the spread of infection by highlighting some basic principles that people should adhere to when visiting the wards.

Each ward and/or department has a lead nurse for infection control who observes practice to ensure hand washing and glove wearing is being carried out.

Sustainability

The Trust is committed to sustainable development, in which environmental, economic and social objectives are combined. We are keen to move further towards more environmentally friendly ways of working. A sustainability project group to support developments in this area has been set up. Its priorities include reducing our carbon footprint and developing green ways of working.

BECOMING A MODEL EMPLOYER

Valuing Staff

Valuing staff is at the centre of the Trust's ethos. Supporting colleagues' personal and professional development helps improve the standards of care and treatment provided by the Trust. New initiatives to support staff include:

- *Achieving National Vocational Qualification Assessment Centre status* – the accreditation, from the educational body, City and Guilds, means the Trust will be able to develop a range of clinical and non-clinical qualifications for staff. This will give us greater control and flexibility in how education and training are offered. It also strengthens our work to become one of the top employers in the country.
- *New mediation service* – a network of staff is being developed to support colleagues who are experiencing conflict or difficult relationships with colleagues at work.

The Trust has built an enviable reputation in developing its staff within their roles and educating them in wider but essential areas such as equality and diversity, health, safety and risk.

Our drive to make best use of the Trust's resources has lead us to examine where, how and when we provide development opportunities. Innovation solutions such as e learning have been introduced.

On 1 April 2007 the Trust employed 2024 members of staff.

The Trust is committed to equal opportunities in the workplace. We will continue to challenge all forms of discrimination and promote the Trust as an organisation where people can work together safely in respect and friendship. Diversity training for staff is in place and equality and diversity issues are also covered in the induction programme for new staff.

The Trust has an Equality and Diversity policy which incorporates our approach to equal opportunities for staff and outlines how we wish to treat people with varying disabilities. In everything it does, the Trust aims to promote diversity and equality of opportunity, eliminate discrimination, and bring about change for the better for those experiencing disadvantage whether they be staff or clients. A newly appointed vocational manager works with the occupational health department to support staff with mental illness. External agencies such as Access to Work are also fully engaged in assisting the Trust to maintain staff in work.

New ways of working

Redesigning services, further reducing the number of temporary staff we employ and reviewing the type of nursing skills needed for each ward has led to new ways of working. Inpatient nursing rotas have also been reviewed and intensive controls on supplementary hours have been put in place.

Work with junior doctors to ensure that the Trust is compliant with the European Working Time Directive from 2009 continues. The new national arrangements for the introduction of Modernising Medical Careers are currently under review by the Department of Health and the Royal Colleges.

Electronic Staff Records

The Trust has participated in the implementation of the national electronic staff record (ESR) system to replace the existing payroll and information function for human resources. The project milestone has been successfully achieved and was rolled out in June 2007.

ACHIEVING GOOD GOVERNANCE, INCLUSIVE INVOLVEMENT AND EXCELLENT PARTNERSHIPS

The NHS Plan and the White Paper 'Our Health, Our Care, Our Say' require services to be shaped around the needs and preferences of service users, carers and their families. This requires a creative and responsive approach which also challenges any discrimination on the grounds of age, gender, ethnicity, religion, disability and sexual orientation.

The Trust works closely with partners and with Local Strategic Partnerships to promote positive mental health, tackle stigma associated with mental illnesses and encourage well being and recovery through social inclusion approaches.

Foundation Trust

On 1 October 2007 the Trust was awarded Foundation Trust status by the independent regulator Monitor.

During the application process, Monitor rigorously scrutinised our policies and practices for financial management, corporate governance and service provision.

NHS Foundation Trust status creates new opportunities for the Trust and those we serve. Foundation trusts are mutual organisations that exist for the benefit of their members and the local community.

A key difference between Foundation Trusts and other NHS trusts is that Foundation Trusts have greater freedom from Whitehall. It is important that the NHS remains fully accountable to the public. Foundation Trusts do this by involving local people as members. By 30 September, we had over 5,000 shadow Foundation Trust members.

Shadow Council of Governors

Our Council of Governors is responsible for representing the interests of members and influencing the Trust's future plans. It is responsible for recruiting new Foundation Trust members and for making sure that the membership profile reflects the local community.

We have three types of Governor: public, staff and appointed:

- *Public Governors* are a key community link for the Trust. They represent their area. As well up signing up more members, their responsibilities include keeping in contact with local people about the Trust's strategic developments and gaining the views of their constituents.
- *Staff Governors* are there to ensure that colleagues' interests are represented on the Council of Governors.
- *Appointed Governors* represent partner organisations and strengthen the Trust's relationships with other agencies which support people with mental health difficulties.

In advance of achieving Foundation Trust status on 1 October 2007, our shadow Council of Governors approved a constitution and terms of reference for the Council. They also set up working groups on social inclusion, membership, marketing and public relations, and youth matters. These groups will be an important resource for the Foundation Trust as it develops further.

BECOME A FOUNDATION TRUST MEMBER

What are the benefits of membership?

- **Meet new people**

We hold regular talks on subjects chosen by members such as depression, parenting, hearing voices, relationships and behaviour. The events are very popular and are a good way to meet new, like minded people.

- **Interesting**

By being a member you will help to understand your own mental health and those of your loved ones. Members receive regular newsletters and invitations to special events like the Foundation Trust's annual public meeting and talks on depression, dementia, positive parenting and other topics.

- **Supporting your community**

Members help shape their local mental health services by taking part in consultations and letting their local Foundation Trust Governors know what the priorities should be for their area.

In this way communities can influence decisions and ensure services really meet people's needs and are as good as they can be.

By signing up, people are also showing their commitment to raising the profile of mental health and to tackling the stigma and prejudice too often associated with mental illness.

Relationship with key partner organisations

The Trust continues to develop its positive relationship with Essex County Council, with whom it has a NHS Act 2006 Section 75 Partnership Agreement to provide integrated health and social care. The agreement is due for further review later this year.

The Trust works closely with the three local PCTs and continues to develop relationships with emerging practice based commissioning groups. There is regular communication at operational and strategic levels with acute hospital providers locally. Throughout the period positive joint working has continued with the district and borough councils including membership on local working groups. For example, our suicide prevention groups are a multi organisational approach in addressing suicide risks.

The Patient and Public Involvement Forum has acted as an independent critical friend supporting and working closely with us by monitoring and reviewing the service we provide and gathering the views of service users, carers and the public. It then reports and makes recommendations to us based on those views. The Forum's goal is to ensure the Trust takes into account these opinions when designing, planning and delivering improved services.

We are very grateful for the Forum's constructive feedback on behalf of those individuals who use or are interested in the Trust's services, particularly during the PCT consultation process.

EXPANDING THE BUSINESS

Our business plans

As part of our Foundation Trust application, we produced a five year business plan. This was agreed following a wide public consultation and approval from the Department of Health and Monitor.

Our plans for the future include expanding our business into new services and geographical areas as well as developing existing services in north Essex.

Our annual plan for 2007/08 is rooted in the Trust's five year business plan. The views of the Trust's shadow Council of Governors were taken into account when we prepared our annual plan.

Our plans set out how the Trust intends to use its resources effectively and efficiently, to support our goals to improve health and social care and to develop the business of the organisation.

Expansion

From 1 April to 30 September 2007, the following developments took place:

- The local PCT commissioners moved the contract for day services for older adults in west Essex from an independent sector organisation to the Trust.
- With an additional £0.5 million investment, our early intervention in psychosis service continued to grow, we were able to employ extra staff and now support over 200 people.

PROVIDING VALUE FOR MONEY

The period April 2007 to September 2007 represented an extremely challenging time for the finances of the Trust. As a result of financial difficulties within our local PCTs, there has been significant changes to commissioning intentions that have ultimately resulted in a reduction in income to the Trust of £4 million across 2007/08 and 2008/09. This position has been compounded by the final impact of Hertfordshire Partnership NHS Trust withdrawing services from us at the end of June 2007.

Our teams have responded to this situation by delivering a variety of cost savings whilst maintaining their commitment to deliver high quality services. They have worked tremendously hard to continue providing services and to find new ways of working that improves the services we offer.

Our planned income for 2007/08 is now £94 million, and at the end of the first six month period we produced a surplus of £510,000.

Capital developments

During the year, £1.3 million was spent on capital developments, the majority of which was invested to improve clinical areas. Major work has taken place within the St Margaret's unit to facilitate the centralisation of Older Adult Services for West Essex in Epping.

Outlook for the remainder of 2007/08

The Trust's income and expenditure account continues to strengthen as the organisation tests the benefits of Foundation Trust status. A positive result is anticipated in the second half of the year.

Plans are now being constructed for the 2008/09 financial year which, while addressing the planned income reductions, will allow the Trust to strengthen its overall risk rating. The sale of Severalls hospital is planned to take place in 2008/09 and this will begin to further improve liquidity and provide resources for a major renewal of the Trust's estate.

The Operating and Financial Review has been prepared in accordance with the NHS Trust's Manual for Accounts 2007/08, as directed by the Secretary of State.

Copies of the full accounts, including the statement on internal control, are available free of charge from the address below. A separate annual report and accounts for the Trust's charitable funds are also available from:

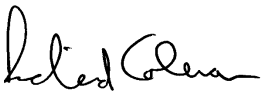
Andrew Geldard
Director of Resources
North Essex Partnership NHS Foundation Trust
Stapleford House
103 Stapleford Close
Chelmsford
Essex CM2 0QX

FINANCIAL REPORTS & DIRECTORS' STATEMENTS

Statement of the Chief Executive's responsibilities as the accountable officer of the Trust

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

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



Dr Richard Coleman
Chief Executive
27 February 2008

Statement of directors' responsibilities in respect of the accounts

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

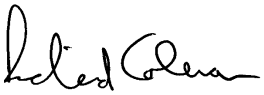
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury
- make judgements and estimates which are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and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

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

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

Each director is not aware of any relevant audit information that has not been made available to the auditors and has taken all the steps that he or she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Trust's auditors are aware of that information and that every effort has been made to ensure the auditor's independence remains.

By order of the Board



Dr Richard Coleman
Chief Executive
27 February 2008

Andrew Geldard
Finance Director
27 February 2008

Statement on internal control (1 April - 30 September 2007)

The Statement on Internal Control can be found within the separate annual accounts document.

Independent auditors' statement to the Directors of the Board of North Essex Mental Health Partnership NHS Trust

We have examined the summary financial statements for the part year ended 30 September 2007 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the Cashflow Statement. We have also audited the information in the Trust's Remuneration Report that is described as having been audited.

This report, including the opinion, has been prepared for and only for the Board of North Essex Mental Health Partnership in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report, including the Remuneration Report. Our responsibility is to audit the part of the Remuneration Report to be audited and to report to you our opinion on the consistency of the summary financial statements within the Annual Report with the statutory financial statements. We also read the other information contained in the Annual Report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

Basis of opinion
We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. Our report on the statutory financial statements describes the basis of our audit opinion on those financial statements and on the information in the Remuneration Report to be audited.

Opinion

In our opinion:

- the summary financial statements are consistent with the statutory financial statements of the Trust for the part year ended 30 September 2007; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Signature
PricewaterhouseCoopers LLP
80 Strand, London, WC2R 0AF
Date

Performance against key financial targets for the period ended 30 September 2007 -

	Target	**Achieved**
Income and expenditure	Breakeven	£510,000 surplus
External financing limit	0	£11,531 overspend against external finance limit
Capital resource limit	0	£1,038k overspend
Capital cost absorption rate	3.5	1.1
Management costs	N/A	7.08%
Payment of bills within target (number) – Non NHS Trade	95%	82%

Five year breakeven performance

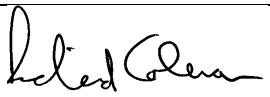
	Retained surplus (deficit) £'000	**Cumulative surplus (deficit) £'000**
2002/03	**5**	(1,240)
2003/04	**694**	(546)
2004/05	**616**	70
2005/06	**2,474**	2,544
2006/07	**707**	3,251
2007/08	**510**	3,761

Income and Expenditure Account for the period ended 30 September 2007

	Six months to 30 Sept 2007	Year ended 2006/07
	£'000	£'000
Income from activities:		
Continuing operations	44,591	**115,580**
Other operating income		
Continuing operations	2,266	**4,604**
Operating expenses:		
Continuing operations	(45,387)	**(116,794)**
OPERATING SURPLUS	1,470	**3,390**
Profit on disposal of fixed assets	0	**208**
SURPLUS BEFORE INTEREST	1,470	**3,598**
Interest receivable	275	**299**
Other finance costs - unwinding of discount	(29)	**(60)**
SURPLUS FOR THE FINANCIAL PERIOD	1,716	**3,837**
Public Dividend Capital dividends payable	(1,206)	**(3,130)**
RETAINED SURPLUS FOR THE PERIOD	510	**707**

Balance Sheet as at 30 September 2007

	30 Sept 2007	31 March 2007
	£'000	£'000
FIXED ASSETS		
Intangible Assets	**5**	**6**
Tangible assets	**92,916**	**87,099**
	92,921	**87,105**
CURRENT ASSETS		
Debtors	**24,681**	**30,954**
Cash at bank and in hand	**12,042**	**294**
	36,723	**31,248**
CREDITORS : Amounts falling due within one year	**(11,432)**	**(6,269)**
NET CURRENT ASSETS	**25,291**	**24,979**
TOTAL ASSETS LESS CURRENT LIABILITIES	**118,212**	**112,084**
CREDITORS: Amounts falling due after more than		
one year	**0**	**0**
PROVISIONS FOR LIABILITIES AND CHARGES	**(2,799)**	**(2,910)**
TOTAL ASSETS EMPLOYED	**115,413**	**109,174**
FINANCED BY:		
TAXPAYERS' EQUITY		
Public dividend capital	**39,888**	**39,888**
Revaluation reserve	**51,392**	**46,109**
Other reserves	**(57)**	**(57)**
Income and expenditure reserve	**24,190**	**23,234**
TOTAL TAXPAYERS' EQUITY	**115,413**	**109,174**



Signed on behalf of the Board:

Statement of total recognised gains and losses for the period ended 30 September 2007

	30 Sept 2007 £'000	2006/07 £'000
Surplus for the financial year before dividend payments	**1,716**	**3,837**
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	**5,729**	**(9,331)**
Total gains and losses recognised in the financial period	**7,445**	**(5,494)**

Cash Flow Statement for the period ended 30 September 2007

	30 Sept 2007 £'000	2006/07 £'000
OPERATING ACTIVITIES		
Net cash inflow from operating activities	**13,414**	**2,670**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:		
Interest received	**269**	**295**
Net cash inflow from returns on investments and servicing of finance	**269**	**295**
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	**(985)**	**(1,916)**
Receipts from sale of tangible fixed assets	**256**	**1,616**
Net cash outflow from capital expenditure	**(729)**	**(300)**
DIVIDENDS PAID	**(1,206)**	**(3,130)**
Net cash inflow/(outflow) before financing	**11,748**	**(465)**
FINANCING		
Public dividend capital received	**0**	**458**
Net cash inflow from financing	**0**	**458**
Increase in cash	**11,748**	**(7)**

Management Costs

Management costs are defined in the document “NHS Management Costs 2002/03”. They include the cost of senior managers involved in the management and delivery of clinical services. Management costs also include the cost of all staff engaged in corporate management functions. The calculation includes the management costs within CSIP.

	2007/08		2006/07	
	£'000	% of income	£'000	% of income
Management Cost	3,311	7.07%	6,788	5.65%

Public Sector Payments Policy

The “Better Payments Practice Code” requires the Trust to aim to pay all undisputed non-NHS invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is the later. The Trust’s policy is consistent with this.

	2007/08		2006/07	
	£'000s	Number	£'000s	Number
Total bills paid	5,865	8,355	17,905	25,642
Total bills paid within target	4,352	6,839	13,421	20,185
Percentage of bill paid within target	74.2%	81.86%	74.96%	78.72%

Audit services costs

Our external auditors, appointed by the Audit Commission, are PricewaterhouseCoopers LLP. The cost of audit services in relation to the statutory audit of accounts was £57,000.

Remuneration Report

Name and Title	To 30 September 2007					2006-07		
	Salary (bands of £5,000)	Other Renumeration (bands of £5,000)	Benefits in Kind rounded to the nearest £100	Real increase in pension and related sum at age of 60 *bands of £2,500	Total accrued pension and related lump sum at 60 at Sept 2007 * bands of £5,000	Salary (bands of £5,000)	Other Renumeration (bands of £5,000)	Benefits in Kind rounded to the nearest £100
M St Aubyn, Chair	5,001-10,000					15,001-20,000		
R Cox, Non Executive Director	0-5,000					5,001-10,000		
S Phillips, Non Executive Director	0-5,000					5,001-10,000		
A Ralph, Non Executive Director	0-5,000					5,001-10,000		
C Abel-Smith, Non Executive Director +	0-5,000					0-5,000		
T Graily, Non Executive Director +	0-5,000					0-5,000		
R Coleman, Chief Executive	55,001-60,000			5,001-7,500	165,001-170,000	115,001-120,000		
M Flechtner, Medical Director x *	60,001-65,000	10,001-15,000		2,501-5,000	45,001-50,000	120,001-125,000	25,001-30,000	
G Scott, Director of Strategy	40,001-45,000			0	0	85,001-90,000		
P Keedwell, Director of Nursing	40,001-45,000			12,501-15,000	90,001-95,000	80,001-85,000		
A Geldard, Director of Resources	40,001-45,000			2,501-5,000	90,001-95,000	90,001-95,000		

G Scott is a member of the Local Government Pension Scheme. This scheme is fully funded with all liabilities resting with the pension fund and not the employer.

Remuneration report

This report includes details regarding "senior managers" remuneration in accordance with Section 234b and Schedule 7a of the Companies Act.

The Trust's Remuneration and Terms of Service committee advises and assists the Board to ensure remuneration, allowances and terms of service for the senior managers. Membership of the committee consists of trust chair and all non-executive directors. The chief executive and directors' remuneration is determined on the basis of reports to the remuneration committee taking account of independent evaluation of the post, national guidance on pay rates and market rates. Pay rates for associate directors are determined in accordance with Agenda for Change job evaluations. Pay rates for the chair and non-executive directors are determined in accordance with national guidance.

The Trust does not operate any system of performance related pay. The chair appraises the performance of non-executive directors and the chief executive. The chief executive appraises the performance of the executive directors. Annual pay increases are implemented in accordance with national pay awards.

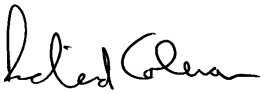
The chief executive and all directors are on permanent contracts as at 30 September 2007, and subject to three months notice period, with the exception of the chief executive, whose notice period is six months. Termination arrangements are applied in accordance with statutory regulations as modified by national NHS conditions of service agreements and the NHS pension scheme.

The Remuneration and Terms of Service Committee will agree any severance arrangements.

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

Tables attached show details of salaries, allowances and any other remuneration and pension entitlements of senior managers. No significant awards have been made to past senior managers. No compensation is payable to former senior managers and no amounts included in the above are payable to third parties for the services of senior managers.

Signed:



Chief Executive & Accounting Officer

TRUST BOARD

The Trust Board is made up of executive and non-executive directors, led by our non-executive Chairman, Mrs Mary St Aubyn.

Non-executive members work part-time. They come from a variety of backgrounds and are chosen for the experience and personal qualities they bring to the Trust. Their role is to keep the big picture in mind and challenge the Board to make sure that the needs of the people who use our services remain our first priority.

Executive and other directors work full-time in the Trust and have direct management responsibilities for delivering services.

Together the members of the Board are responsible for setting our long-term goals, ensuring the Trust is well run, ensuring the high quality of our services and making sure we are accountable to the people of north Essex.

Chairman

MARY ST AUBYN DL, CHAIRMAN
APPOINTED IN APRIL 2001 AND REAPPOINTED DECEMBER 2004

Responsibilities

- Leadership of the Trust Board

Experience

- Appointed Deputy Lieutenant of the County in 2004
- 1999 - 2001 vice chairman, Mid-Essex Hospitals NHS Trust
- 1996 - 1999 vice chairman, North Essex Health Authority
- 1993 - 1996 non-executive director, North Essex Health Authority
- 1992 -2005 magistrate in Chelmsford and Witham
- Member of the Parole Board at Her Majesty's Prison Highpoint

Mary St Aubyn
Chairman

Executive directors

DR RICHARD COLEMAN, CHIEF EXECUTIVE
APPOINTED APRIL 2001

Responsibilities

- Being the Trust's accountable officer, strategic development, corporate and clinical governance

Experience

- 1996-2001, chief executive, Mid Essex Community Mental Health NHS Trust
- 1999 - 2001 (part time) project director for the creation of North Essex Mental Health Partnership NHS Trust
- 1993 - 1996 director of strategic development, Camden and Islington Community Health Service NHS Trust
- 1991-1993, general manager, Camden and Islington Health Authority
- 1987 - 1990 assistant unit general manager, Islington Health Authority
- Prior to this he held social care practitioner, planning and management positions in Bristol, London and New Zealand

Qualifications

- DPhil, BSc Hons (Social Sciences), CQSW, DMS

Dr Richard Coleman
Chief Executive

DR MALTE FLECHTNER, MEDICAL DIRECTOR
APPOINTED FEBRUARY 2005

Responsibilities

- Medical leadership, Caldicott Guardian, Research and Development, pharmacy and medical education

Experience

- 2002 elected as member of the Royal College of Psychiatrists
- 2002 associate medical director for the mid Essex area of North Essex Mental Health Partnership NHS Trust
- 2001 consultant psychiatrist, North Essex Mental Health Partnership NHS Trust
- 1993 - 2001 deputy head of the Department for Social Psychiatry at the Free University of Berlin

Dr Malte Flechtner
Medical Director

Qualifications

- MD, MRCPsych. (Psychiatry and Neurology)
- Specialist training in Psychodynamic Psychotherapy

ANDREW GELDARD, DIRECTOR OF RESOURCES
APPOINTED JUNE 2002

Responsibilities

- Finance, performance management, estates, facilities management, information management and technology

Experience

- 2000 - 2002 director of finance and performance at Southend Primary Care Trust
- 1996 - 2000 deputy director of finance Surrey & Sussex Healthcare NHS Trust
- 1992 - 1996 deputy finance manager, Brixton Healthcare NHS Trust
- 1986 - 1992 South East Thames Regional Health Authority

Andrew Geldard
Director of Resources

Qualifications

- BSc Hons. (Geography & American Studies), MA (Geography)
- Chartered Member of Chartered Institute of Public Finance & Accountancy

PAUL KEEDWELL, DIRECTOR OF NURSING
APPOINTED FEBRUARY 2005

Responsibilities

- Nursing leadership and healthcare standards
- Child and Adolescent Mental Health services
- Clinical/practice governance
- Risk management
- Safeguarding children and vulnerable adults
- Infection control
- Complaints and serious untoward incidents

Paul Keedwell
Director of Nursing

Experience

- 2003 - 2005 area director for Central area, North Essex Mental Health Partnership NHS Trust
- 2001 - 2003 service manager, North Essex Mental Health Partnership NHS Trust
- Experience in psychiatric intensive care, rehabilitation, aggression management, criminal justice and prison in-reach, assertive outreach, day services and community care

Qualifications

- RMN, BSc Hons (Health Studies)

GEOFF SCOTT, DIRECTOR OF STRATEGY
APPOINTED APRIL 2001

Responsibilities

- Strategic service planning and modernisation, communications, patient and public involvement and strategic lead for services for older adults
- Board level focus for social care workforce

Geoff Scott
Director of Strategy

Experience

- 1999 - 2001 lead for Essex County Council on the project team and project board for creation of the Partnership Trust
- 1996 - 2001 county manager, mental health and substance misuse, Essex County Council, responsible for both commissioning and provision of relevant social care services
- 1980 - 1995 a range of positions and senior management posts in Essex County Council's Social Services
- Four years management experience in the paints/coatings industry

Qualifications

- BSc Hons (Polymer Science), CQSW, DMS

Non executive directors

CHARLES ABEL SMITH
APPOINTED IN OCTOBER 2006

Responsibilities

- Audit Committee
- Remuneration Committee
- Liaison with Governors
- Estates, financial controls, budgets and investment development
- Induction overview of all Clinical Services
- Assurance Framework implementation

Experience

- Currently Head of PPP Advisory with the consulting firm Arup. Clients include the National Audit Office which has appointed Arup as one of eight Strategic Partners to assist in the preparation of Value for Money reports
- 1998 - 2005 head of public private finance with BNP Paribas with responsibility for arranging the funding for a wide range of PFI projects including major hospitals
- 1981 - 1998 Kleinwort Benson Limited. Wide range of banking responsibilities including role as a director in the PFI Advisory team


Charles Abel Smith

Qualifications

- MA (Geography), Cambridge University
- Certificate of Securities and Financial Derivatives

RAY COX
APPOINTED IN APRIL 2001 AND REAPPOINTED IN DECEMBER 2004

Responsibilities

- Chairman of the Audit Committee 2001
- Takes an overview for older adults' services

Experience

- 1998 - 2001 chairman of Audit Committee of North East Essex Mental Health Partnership NHS Trust
- 1986 -1997 director of finance for Tendring District Council.
- Prior to this, deputy borough treasurer for Colchester Borough Council


Ray Cox

Qualifications

- Chartered Member, Chartered Institute of Public Finance & Accountancy

TRACEY GRAILY
APPOINTED IN AUGUST 2006

Responsibilities

- Remuneration Committee
- Nomination Committee
- Liaison with Governors
- Marketing Commercial
- Assurance Framework Implementation

Experience

- 2002 - 2005 founder and managing director of Grails Ltd
- 2004 Investment winner on BBC2's Dragons Den
- 2001 - 2002 buying director at Mothercare plc
- 1996 - 2001 general manager (Commercial) Asda (Walmart)
- 1988 - 1996 sales and marketing roles with Courtaulds Textiles and Glaxo pharmaceuticals


Tracey Graily

Qualifications

- BA Hons in Textile Management, Leeds University
- Diploma in Marketing, Chartered Member of the Institute of Marketing
- Member of Institute of Directors

SARAH PHILLIPS OBE, DL
APPOINTED IN APRIL 2001 AND REAPPOINTED IN DECEMBER 2004

Responsibilities

- Chairs the Remuneration Committee
- Takes an overview of patient and public involvement and specialist services

Experience

- Chairman, Multiple Sclerosis International Federation
- Chairman of Victim Support's National Board of Trustees
- Awarded OBE in 2005 for services to disabled people
- Appointed deputy lieutenant of the County in 2005
- 1998 - 2005 chairman of the Multiple Sclerosis Society
- Serves on the Registration and Conduct Committees of the General Social Care Council
- Chairman of the NHS Appointment Commission's Disability Working Group

Sarah Phillips

ANNIE RALPH
APPOINTED IN APRIL 2003 AND REAPPOINTED IN MAY 2007

Responsibilities

- Chairs the Nomination Committee
- Takes an overview of adult services, information technology, and customer care

Experience

- Management consultant, coach and mentor within the public sector
- 1993 - 2003 chief executive, Braintree District Council
- 2000 - 2002 chair partnership board and PEC member Braintree Care Trust
- 1989 - 1993 director of Contract Services, London Borough of Greenwich
- 1982 - 1986 senior role – Economic Policy Group, Greater London Council
- Trustee of the Essex Community Foundation

Annie Ralph

Qualifications

- BA Economics, DMS, Cabinet Office Top Managers' Programme

GLOSSARY

Term	Definition
Agenda for Change	The new NHS pay reform framework to create equal pay for equal work.
Capital Expenditure	Money spent to acquire or upgrade physical assets such as buildings and machinery. These are normally one off payments.
Care Programme Approach (CPA)	CPA is the framework for individual assessment, care co-ordination and review in mental health care.
Choose and Book	A new booking system that will give all NHS patients improved access to choice of appointment and treatment.
Community Mental Health Teams (CMHT)	Teams of people from a variety of professional backgrounds, providing one point of access to mental health services.
Early Intervention in Psychosis	This service offers treatment to young adults who are in the early stages of psychotic illness.
Management Costs	Includes the cost of senior managers involves in the management and delivery of services.
Operating Expenses	Running costs required to deliver services.
Public Dividend Capital	NHS trusts are required to make a dividend payment to the Government as a return on the capital employed.
Patient Advice and Liaison Service (PALS)	PALS offer support, advice and information on the Trust's services. To contact the service dial 01245 546433.

Glossary continued…

Term	Definition
Payment By Results (PBR)	A new payment system that will ensure that NHS services are paid on the basis of the results they achieve.
Patient and Public Involvement Forum (PPIF)	PPIF are groups of volunteers from the local community that provide a patient and public perspective to influence how services are provided.
Patient Environment Action Team (PEAT)	Representatives from departments across the organisation audit the quality of the patient environment including patient food.

For a copy of this report in an alternative format, please ring 01245 546433.

Essex County Council

North Essex NHS
Mental Health Partnership
NHS Trust

NORTH ESSEX MENTAL HEALTH PARTNERSHIP NHS TRUST

PART YEAR ACCOUNTS TO 30 SEPTEMBER 2007

Trust Headquarters
Stapleford House
103 Stapleford Close
Chelmsford - Essex - CM2 0QX
Telephone: 01245 546400
Facsimile: 01245 546401
www.nemhpt.nhs.uk

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

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

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

Chief Executive.....Date…….

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury

- make judgements and estimates which are reasonable and prudent

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

Each director, is not aware of any relevant audit information that has not been made available to the auditors and has taken all the steps that he or she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

By order of the Board

Chief Executive……..Date……...

Finance Director……..……..…Date…..…..……..…..

STATEMENT ON INTERNAL CONTROL

1st April 2007- 30th September 2007

1 Scope of responsibility

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

As Chief Executive, I meet regularly with the Strategic Health Authority (SHA) Chief Executive on an individual basis, and also as part of a chief executive forum covering all NHS organisations within the Strategic Health Authority. I also have close working relationships with the local Primary Care Trusts and Local Authorities. I meet regularly with the Chief Executives of the three local general hospitals.

2 The purpose of the system of internal control

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

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

A system of internal control has been in place in North Essex Mental Health Partnership NHS Trust for the period ended 30th September 2007 and up to the date of approval of the annual report and accounts.

3 Capacity to handle risk

North Essex Mental Health Partnership NHS Trust has established a risk management framework in order to effectively manage risks within all areas of the Trust's operations.

The responsibility for overseeing the management of organisational hazards is defined within the Risk Management Strategy 2006-2009. Strategic responsibility for the Risk Management Agenda is retained by the Board with operational responsibility being delegated to the Risk and Governance Executive. The risk register, which defines actions and sources of assurance, has been established and approved by the Trust Board. Within this Trust wide approach, arrangements are also being embedded to manage appropriate risks at a local level.

The Trust Board has adopted an Assurance Framework.

All staff within the Trust are included within the internal hazard identification and risk assessment training programmes. Local risk registers are being developed as a result of this as are the actions required to mitigate them. Local risk management structures are being established to ensure capacity exists to undertake assessments, identify hazards and create registers. Training has commenced within services and departments of the Trust in order to identify, prioritise and ultimately control operational hazards and reduce levels of risk that to which staff, patients and visitors are exposed.

4 The risk and control framework

The Trust revised and updated its Risk Management Strategy in October 2006. This sets out the Trust's approach to risk, including the ways in which risk is identified, evaluated and controlled.

This updated document revised the governance structure relating to risk management within the Trust. The Quality and Risk Board sub-committee was discontinued, as was the Executive led Risk Management Committee. These were replaced by a Risk and Governance Executive, which has adopted an integrated approach to risk management. The Board directly oversees the risk management agenda within the Trust receiving periodic updates from the Risk and Governance Executive.

During the period, and as part of our Foundation Trust application, the Trust has reviewed its strategic direction and objectives. Work pursuant to the Standards for Better Health, has continued with a view to a positive declaration by March 2008.

The Trust has in place policies and procedures for the identification of hazards and the subsequent assessment and prioritisation of risks. Risk assessments are supported by risk treatment plans in order to create a planned approach in the reduction or elimination of all risks.

Departments and services are undertaking hazard identification and risk assessments of operational hazards identified through working groups or by undertaking safety inspections of the workplace or task.

Risk registers created will be subject to annual and systematic review. This is assisting in embedding the risk management culture and activity throughout the Trust at all levels. The Risk Register details the sources of independent assurance. This document is subject to continuous review and is considered a live dynamic management tool. The Trust actively uses the sources of independent assurance contained within this framework to underpin this statement on internal control.

The Risk and Governance Executive is responsible for the monitoring of the framework. Where possible we update our stakeholders on our management of risk paying particular attention to locally elected representatives. In particular, we actively engage with our Patient and Public Involvement Forum and with locality mental health forums. The Trust has an active service user involvement steering group, which actively inputs to strategy and monitors action plans.

5 Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. Deloitte and Touche as Internal Auditors, PricewaterhouseCoopers as External Auditors, the NHS Litigation Authority, the Risk Pooling Scheme for Trusts, and the Clinical Negligence Scheme also inform my review for Trusts and the Healthcare Commission. The work in relation to the Standards for Better Health has been particularly valuable. This evidence is supplemented by views from our stakeholders through Staff and Service User Opinion Surveys.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Trust Board and by the Audit, the former Quality and Risk, the Integrated Governance, and the Risk Management Committees and by the newly formed Risk and Governance Executive. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The following information summarises some of the key activities of the main committees that allow the Board to review the effectiveness of the system of Internal Control.

i) The Board -

   The Board has reviewed the Assurance Framework and receives regular information from the Audit Committee and the Risk and Governance Executive. The Board reviewed a number of significant policies during the period.

ii) The Audit Committee -

The Annual Internal Audit Plan enables the Board to be reassured that key internal financial controls and other matters relating to risk are regularly reviewed. It has reviewed internal and external audit reports, and reviewed progress on the implementation of recommendations.

iii) The Risk and Governance Executive -

Operational management of the Risk Management Agenda sits with the Risk and Governance Executive, which has responsibility for implementing the Risk Management Strategy. The group is also responsible for developing the Trust's Clinical/Practice Governance Strategy**.**

iv) Executive Directors and Managers -

Executive Directors and Managers have clear responsibilities for risk management within their area of control. They also have corporate responsibility as Board members.

v) Internal Audit -

Deloitte and Touche were appointed 1st August 2004.

vi) External Agencies -

The Healthcare Commission awarded the Trust a "excellent" rating for Quality of Services and a "good" rating for Use of Resources in its Annual Health Check published in October 2007.

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 in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations

In line with the Head of Internal Audit's Opinion issued in December 2007, I can confirm that there are no significant control issues to report. The Internal Audit Plan in 2007/08 challenged a number of areas, and controls were further enhanced by management action.

Chief Executive……..Date……...

Independent auditors' report to the Directors of the Board of North Essex Mental Health Partnership NHS Trust

Opinion on the financial statements

We have audited the financial statements of North Essex Mental Health Partnership NHS Trust for the 6 month period ended 30 September 2007 under the Audit Commission Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to the National Health Service set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

This report, including the opinion, has been prepared for and only for the Board of North Essex Mental Health Partnership NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. We do not, in giving this opinion, 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.

Respective responsibilities of Directors and Auditors

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

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

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

We review whether the directors' statement on internal control reflects compliance with the Department of Health's requirements "Statement on Internal Control 2006/07 – Disclosures", issued on 2 April 2007. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the unaudited part of the Remuneration Report, the Operating Review and the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:
the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 30 September 2007 and of its income and expenditure for the year then ended; and

the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Certificate

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

PricewaterhouseCoopers LLP
80 Strand
London
WC2R 0AF

Date:

FOREWORD TO THE ACCOUNTS

These accounts for the six month period ended 30 September 2007 have been prepared by the North Essex Mental Health Partnership NHS Trust under section 98 (2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 30 SEPTEMBER 2007

	NOTE	Period ended 30 Sept 2007 £000	2006/07 £000
Income from activities	3	**44,591**	115,580
Other operating income	4	**2,266**	4,604
Operating expenses	5-7	**(45,387)**	(116,794)
OPERATING SURPLUS		**1,470**	3,390
Profit on disposal of fixed assets	8	**0**	208
SURPLUS BEFORE INTEREST		**1,470**	3,598
Interest receivable		**275**	299
Other finance costs - unwinding of discount	13	**(29)**	(60)
SURPLUS FOR THE FINANCIAL YEAR		**1,716**	3,837
Public Dividend Capital dividends payable		**(1,206)**	(3,130)
RETAINED SURPLUS FOR THE YEAR		**510**	707

The notes on pages 6 to 30 form part of these accounts.
All income and expenditure is derived from continuing operations.

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

	Period ended 30 Sept 2007 £000	2006/07 £000
Retained surplus for the year	**510**	707
Retained surplus for the year excluding financial support	**510**	707

In 2006/07 the locally agreed income and expenditure based financial support was replaced by a regime of loans and deposits with the Department of Health. The Trust received no loans and placed no deposits with the Department of Health.

BALANCE SHEET AS AT 30 SEPTEMBER 2007

	NOTE	Period ended 30 Sept 2007 £000	31 March 2007 £000
FIXED ASSETS			
Intangible assets	9	**5**	6
Tangible assets	10	**92,916**	87,099
		92,921	87,105
CURRENT ASSETS			
Debtors	11	**24,681**	30,954
Cash at bank and in hand	15.3	**12,042**	294
		36,723	31,248
CREDITORS: Amounts falling due within one year	12	**(11,432)**	(6,269)
NET CURRENT ASSETS		**25,291**	24,979
TOTAL ASSETS LESS CURRENT LIABILITIES		**118,212**	112,084
CREDITORS: Amounts falling due after more than one year	12	**0**	0
PROVISIONS FOR LIABILITIES AND CHARGES	13	**(2,799)**	(2,910)
TOTAL ASSETS EMPLOYED		**115,413**	109,174
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	19	**39,888**	39,888
Revaluation reserve	14	**51,392**	46,109
Other reserves	14	**(57)**	(57)
Income and expenditure reserve	14	**24,190**	23,234
TOTAL TAXPAYERS' EQUITY		**115,413**	109,174

The notes on pages 6 to 30 form part of these accounts.
The financial statements on pages 1 to 30 were approved by the Board on 27 February 2008 and signed on its behalf by:

Signed: ……Chief Executive Date: …….

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

	Period ended 30 Sept 2007 £000	2006/07 £000
Surplus for the financial year before dividend payments	**1,716**	3,837
Fixed asset impairment losses	**0**	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	**5,729**	(9,331)
Total gains and losses recognised in the financial year	**7,445**	(5,494)

The notes on pages 6 to 30 form part of these accounts.

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2007

	NOTE	Period ended 30 Sept 2007 £000	06/07 £000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	15.1	**13,414**	2,670
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		**269**	295
Net cash inflow from returns on investments and servicing of finance		**269**	295
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		**(985)**	(1,916)
Receipts from sale of tangible fixed assets		**256**	1,616
Net cash outflow from capital expenditure		**(729)**	(300)
DIVIDENDS PAID		**(1,206)**	(3,130)
Net cash inflow/(outflow) before financing		**11,748**	(465)
FINANCING			
Public dividend capital received		**0**	458
Net cash inflow/(outflow) from financing		**0**	458
Increase/(decrease) in cash		**11,748**	(7)

The notes on pages 6 to 30 form part of these accounts.

NOTES TO THE ACCOUNTS

1.0 ACCOUNTING POLICIES

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements (NHS contracts). Income for patient care provided for other NHS bodies is recognised in accordance with terms of NHS contracts. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Intangible fixed assets

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

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

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives. Statistical Reporting System Licences are included in the balance of intangible assets of the Trust and are amortised on a straight line basis over a 5 year life in accordance with expected economic lives.

1.5 Tangible fixed assets

Capitalisation

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

- individually have a cost of at least £5,000; or

- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

The finance costs of bringing fixed assets into use are not capitalised.

Valuation

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

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices.

The Department of Health has directed certain departures from the RICS Appraisal and Valuation Manual in this and all preceding periodic valuation exercises. The most significant of these are as follows:

- Specialised operational NHS Assets and valued on the basis that the existing building will be replaced by an asset of similar construction, whereas the RICS Appraisal and Valuation Manual requires the valuer to have regard to a modern substitute building where the cost is lower, except in cases where there is a paramount commitment to the retention of an existing building;

- In valuing assets under construction, no deduction is made for the risk of failure to complete the project, whereas the RICS Appraisal and Valuation Manual requires such deductions to be made;

- Additional assumptions, in addition to those required by RICS Appraisal and Valuation Manual, are required in the valuation of non-operational assets to market value;

  - The NHS body is assumed not to be in the market for the asset;

  - Regard is had to dividing properties into lots to achieve the best price;

  - No adjustments are made to reflect hypothetical "flooding of the market";

1.5 Tangible fixed assets (cont.)

- The RICS Appraisal and Valuation Manual requires adjustments to be made to the valuation of a building in respect of dilapidations. The Department of Health has directed that such adjustments should not be made for NHS properties. However, dilapidations are still reflected in the remaining useful economic life attached to properties;

- No adjustments are made to valuations for perceived functional economic obsolescence, whereas the RICS Appraisal and Valuation Manual includes such adjustments.

The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

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

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

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

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

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

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

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

1.5 Tangible fixed assets (cont.)

Depreciation, amortisation and impairments

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

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

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

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

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

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

Where buildings and their underlying or associated land are to be disposed of, they will be subject to an impairment review and revalued or subject to depreciation to reach open market value for alternative use at the point at which they are taken out of operational use. In these circumstances, the building and its underlying or associated land are treated as one single asset for the purposes of the impairment review. Consequently, movements in the value of land and buildings are considered together in these circumstances when calculating any impairment to be charged to revenue or recognised in the statement of total recognised gains and losses. This is a change in accounting policy from previous years. In previous years, land and buildings were considered separately in impairment reviews. Opening balances and prior year comparatives would have been restated to the values at which they would have been stated if this accounting policy had been applied in 2004/05. However, this change has not affected the opening balances and prior year comparatives for this Trust.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank. Where this funding is received it is included in income from Primary Care Trusts and is disclosed at the foot of note 3.

1.6 Donated fixed assets

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

1.7 Government Grants

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

1.8 Private Finance Initiative (PFI) transactions

The Trust has no Private Finance Initiative transactions.

1.9 Stocks and work-in-progress

The Trust has no stocks and work-in-progress.

1.10 Research and development

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

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

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

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

1.11 Provisions

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

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 13.

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

Non-clinical risk pooling

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

1.12 Pension costs

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

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

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

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

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

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

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

1.13 Liquid resources

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

1.14 Value Added Tax

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

1.15 Foreign Exchange

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

1.16 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 23 to the accounts.

1.17 Reserves

Other reserves are created to reflect donated funds for capital schemes received before the acquisition of capital asset in question, and to reflect any differences between the value of fixed assets taken over by the Trust at inception and the corresponding figure in its originating debt.

1.18 Leases

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

1.19 Public Dividend Capital (PDC) and PDC Dividend

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

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

1.20 Losses and Special Payments

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

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). Note 25 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.21 Financial Instruments

The Trust may hold any of the following financial asset and liabilities:
Assets
- Investments
- long term debtors and accrued income
- short term debtors and accrued income (not disclosed in note 22 under exemptions permitted by FRS 13)

Liabilities
- loans and overdrafts
- long term creditors
- short term creditors (not disclosed in note 22 under exemptions permitted by FRS 13)
- Provisions arising from contractual arrangements
- Finance lease obligations

Trusts have no powers to invest or borrow and can only draw cash from the Office of the Paymaster General when it is required.

Account balances are set off only where there is a formal agreement with the bank to do so.

Cash and bank balances are recorded at current values. Interest earned on bank accounts are recorded as interest receivable in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

All other financial instruments are held for the sole purpose of managing the cash flow of the Trust on a day to day basis or arise from the operating activities of the Trust. The management of risks around these financial instruments therefore relates primarily to the Trust's overall arrangements for managing risks to their financial position.

2 SEGMENTAL ANALYSIS

The Care Services Improvement Partnership (CSIP) is a part of the NHS Business Services Authority. It employs a regionalised structure and the North Essex Mental Health Partnership NHS Trust hosts its Eastern Regional office. Funds are received on a ring fenced basis to support its activities.

The following information segments the results of the NHS Trust by:

- Care Services Improvement Partnership activities, and
- Healthcare activities, being all the other activities of the NHS Trust

	Healthcare Activity		**CSIP Activity**		**Total**	
	Period ended 30 Sept 2007 £000	2006/07 £000	**Period ended 30 Sept 2007 £000**	2006/07 £000	**Period ended 30 Sept 2007 £000**	2006/07 £000
INCOME	**44,994**	114,141	**1,863**	6,043	**46,857**	120,184
SURPLUS/(DEFICIT)						
Segment surplus	**510**	3,390	**0**	0	**510**	3,390
Surplus before interest	**510**	3,598	**0**	0	**510**	3,598
NET ASSETS:						
Segment net assets	**115,413**	109,174	**0**	0	115,413	109,174

CSIP's surplus income for 2007/08 was returned to the Trust's host PCT at year end.
Within CSIP's income is £19,500 received from the Big Lottery Fund.

3. Income from Activities

	Period ended 30 Sept 2007 £000	2006/07 £000
Strategic Health Authorities	**(2)**	0
NHS Trusts	**504**	1,802
Primary Care Trusts*	**40,652**	107,356
Local Authorities	**3,384**	6,368
- Other	**53**	54
	44,591	115,580

*2006/07 Includes £20,669k of NHS Bank impairment funding approved to cover fixed asset impairments charged to operating expenses (see note 10.1).

4. Other Operating Income

	Period ended 30 Sept 2007 £000	2006/07 £000
Education, training and research	**1,025**	2,095
Non-patient care services to other bodies	**327**	588
Other income	**914**	1,921
	2,266	4,604

5. Operating Expenses

5.1 Operating expenses comprise:

	Period ended 30 Sept 2007 £000	2006/07 £000
Services from other NHS Trusts	**2,211**	5,079
Services from other NHS bodies	**811**	2,134
Services from Foundation Trusts	**12**	12
Purchase of healthcare from non NHS bodies	**137**	798
Directors' costs	**1,102**	1,808
Staff costs	**33,729**	70,301
Supplies and services - clinical	**1,101**	2,133
Supplies and services - general	**768**	1,929
Consultancy Services	**31**	0
Establishment	**1,116**	2,789
Transport	**397**	793
Premises	**2,052**	3,578
Depreciation	**965**	1,762
Amortisation	**1**	2
Fixed asset impairments and reversals (see note 10.1)	**0**	20,669
Audit fees	**75**	98
Other auditor's remuneration in respect of the statutory audit	**6**	0
Clinical negligence	**58**	225
Redundancy costs	**0**	164
Other	**815**	2,520
	45,387	116,794

5.2 Operating leases

5.2/1 Operating expenses include:

	Period ended 30 Sept 2007 £000	2006/07 £000
Other operating lease rentals	**336**	695
	336	695

5.2/2 Commitments under non - cancellable operating leases are:

	Land and buildings Period ended 30 Sept 2007 £000	2006/07 £000
Operating leases which expire:		
Within 1 year	**107**	69
Between 1 and 5 years	**172**	223
After 5 years	**369**	403
	648	695

6. Staff costs and numbers

6.1 Staff costs

	For period ended 30 September 2007			2006/07
	Total	**Permanently Employed**	**Other**	
	£000	**£000**	**£000**	£000
Salaries and wages	**28,931**	25,519	3,412	61,497
Social Security Costs	**2,403**	2,114	289	4,275
Employer contributions to NHS Pension scheme	**3,050**	3,024	26	6,254
Other pension costs	**423**	0	423	0
	34,807	**30,657**	**4,150**	72,026

6.2 Average number of persons employed

	For period ended 30 September 2007			2006/07
	Total	**Permanently Employed**	**Other**	
	Number	**Number**	**Number**	Number
Medical and dental	**131**	128	3	132
Administration and estates	**364**	344	20	386
Healthcare assistants and other support staff	**49**	15	34	307
Nursing, midwifery and health visiting staff	**876**	802	74	698
Scientific, therapeutic and technical staff	**169**	168	1	168
Social care staff	**163**	0	163	165
Total	**1,752**	**1,457**	**295**	**1,856**

6.3 Management costs

	Period ended 30 Sept 2007 £000	2006/07 £000
Management costs	**3,311**	6,788
Income	**46,857**	120,184

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

6.4 Retirements due to ill-health

During the period ended 30 September 2007 there were 0 (2006/07, 2) early retirements from the NHS Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be nil (2006/07 £34k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority -Pensions Division.

7 Better Payment Practice Code - measure of compliance

	Period ended 30 Sept 2007		2006/07	
	Number	**£000**	Number	£000
Total Non-NHS trade invoices paid in the year	**8,355**	**5,865**	25,642	17,905
Total Non NHS trade invoices paid within target	**6,839**	**4,352**	20,185	13,421
Percentage of Non-NHS trade invoices paid within target	**82%**	**74%**	79%	75%
Total NHS trade invoices paid in the year	**572**	**4,946**	1,195	13,604
Total NHS trade invoices paid within target	**425**	**3,566**	903	9,625
Percentage of NHS trade invoices paid within target	**74%**	**72%**	76%	71%

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

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

	Period ended 30 Sept 2007 £000	2006/07 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0

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

Profit/(loss) on the disposal of fixed assets is made up as follows:	**Period ended 30 Sept 2007 £000**	2006/07 £000
Profit on disposal of land and buildings	**0**	208
	0	208

9. Intangible Fixed Assets

	Software licences £000	Total £000
Gross cost at 1 April 2007	12	12
Gross cost at 30 September 2007	**12**	**12**
Amortisation at 1 April 2007	6	6
Charged during the year	1	1
Amortisation at 30 September 2007	**7**	**7**
Net book value		
- Purchased at 1 April 2007	6	6
- Total at 1 April 2007	**6**	**6**
- Purchased at 30 September 2007	5	5
- Total at 30 September 2007	**5**	**5**

10. Tangible Fixed Assets

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2007	47,018	37,405	494	305	1,082	441	2,329	1,223	90,297
Additions purchased	0	0	0	1,309	0	0	0	0	1,309
Indexation	2,537	3,103	41	25	29	11	0	33	5,779
Disposals	(89)	(182)	0	0	0	0	0	0	(271)
Cost or valuation at 30 September 2007	**49,466**	**40,326**	**535**	**1,639**	**1,111**	**452**	**2,329**	**1,256**	**97,114**
Depreciation at 1 April 2007	0	0	0	0	831	419	1,284	664	3,198
Charged during the year	0	657	6	0	40	3	210	49	965
Indexation	0	0	0	0	22	10	0	18	50
Disposals	0	(15)	0	0	0	0	0	0	(15)
Depreciation at 30 September 2007	**0**	**642**	**6**	**0**	**893**	**432**	**1,494**	**731**	**4,198**
Net book value									
- Purchased at 1 April 2007	47,018	37,405	494	305	251	22	1,045	559	87,099
- Total at 1 April 2007	**47,018**	**37,405**	**494**	**305**	**251**	**22**	**1,045**	**559**	**87,099**
- Purchased at 30 September 2007	49,466	39,684	529	1,639	218	20	835	525	92,916
- Total at 30 September 2007	**49,466**	**39,684**	**529**	**1,639**	**218**	**20**	**835**	**525**	**92,916**

10.2 The net book value of land, buildings and dwellings at 30 September 2007 comprises:

	Period ended 30 Sept 2007 £000	2006/07 £000
Freehold	**86,291**	81,549
Long leasehold	**144**	135
Short leasehold	**3,243**	3,233
TOTAL	**89,678**	84,917

11. Debtors

11.1 Debtors at the balance sheet date are made up of:

	Period ended 30 Sept 2007 £000	2006/07 £000
Amounts falling due within one year:		
NHS debtors	**22,813**	22,230
Other prepayments and accrued income	**374**	6,561
Other debtors	**533**	1,197
Sub Total	**23,720**	29,988
Amounts falling due after more than one year:		
NHS debtors	**953**	958
Other debtors	**8**	8
Sub Total	**961**	966
TOTAL	**24,681**	30,954

Long term debtors comprise expected reimbursements from Primary Care Trusts under Back to Back cover of Provisions, see note 13.

12. Creditors

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

	Period ended 30 Sept 2007 £000	2006/07 £000
Amounts falling due within one year:		
NHS creditors	**6,530**	4,163
Non - NHS trade creditors - revenue	**342**	701
Non - NHS trade creditors - capital	**781**	457
Tax	**772**	0
Social security costs	**592**	0
Other creditors	**1,506**	489
Accruals and deferred income	**909**	459
Total	**11,432**	6,269

Other creditors include;

£740k outstanding pension contributions at 30 September 2007 (31 March 2007 £16k).

13. Provisions for liabilities and charges

	Pensions relating to former directors	Pensions relating to former other staff	Legal claims	Other	**Total**
	£000	£000	£000	£000	**£000**
At 1 April 2007	59	2,192	57	602	**2,910**
Arising during the year	0	0	5	0	**5**
Utilised during the year	(1)	(106)	0	(32)	**(139)**
Reversed unused	0	0	(6)	0	**(6)**
Unwinding of discount	0	23	0	6	**29**
At 30 September 2007	**58**	**2,109**	**56**	**576**	**2,799**
Expected timing of cashflows:					
Within one year	2	212	56	73	**343**
Between one and five years	9	785	0	162	**956**
After five years	47	1,112	0	341	**1,500**

Pensions costs are calculated in accordance with NHS Pensions Scheme rules based on age, salaries and length of service of employees

Other provisions are injury benefits and Agenda for Change arrears due to staff who have left the employment of the Trust.

Expected reimbursement from Primary Care Trusts under Back to Back cover are £1,102k.

£8k is included in the provisions of the NHS Litigation Authority at 30 September 2007 in respect of clinical negligence liabilities of the NHS Trust (06/07 £395k).

14. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Other Reserves	Income and Expenditure Reserve	**Total**
	£000	£000	£000	**£000**
At 1 April 2007	46,109	(57)	23,234	**69,286**
Transfer from the income and expenditure account	0	0	510	**510**
Fixed asset impairments	0	0	0	**0**
Deficit on other revaluations/indexation of fixed assets	5,729	0	0	**5,729**
Transfer of realised profit to the income and expenditure reserve ***	(446)	0	446	**0**
Receipt of donated/government granted assets	0	0	0	**0**
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets	0	0	0	**0**
Other transfers between reserves	0	0	0	**0**
Other movements on reserves [specify]	0	0	0	**0**
Reserves eliminated on dissolution	0	0	0	**0**
At 30 September 2007	**51,392**	**(57)**	**24,190**	**75,525**

15. Notes to the cash flow Statement

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

	Period ended 30 Sept 2007 £000	2006/07 £000
Total operating surplus	**1,470**	3,390
Depreciation and amortisation charge	**966**	1,764
Fixed asset impairments and reversals	**0**	20,669
Increase in debtors	**6,279**	(20,684)
Increase/(decrease) in creditors	**4,839**	(2,359)
Decrease in provisions	**(140)**	(110)
Net cash inflow from operating activities	**13,414**	2,670

15.2 Reconciliation of net cash flow to movement in net debt

	Period ended 30 Sept 2007 £000	2006/07 £000
Increase/(decrease) in cash in the period	**11,748**	(7)
Change in net debt resulting from cash flows	**11,748**	(7)
Non - cash changes in debt	**0**	0
Net debt at 1 April 2007	**294**	301
Net debt at 30 September 2007	**12,042**	294

15.3 Analysis of changes in net debt

	At 1 April 2007	Other cash changes in year	**At 30 September 2007**
	£000	£000	**£000**
OPG cash at bank	269	11,748	**12,017**
Commercial cash at bank and in hand	25	0	**25**
	294	**11,748**	**12,042**

16. Capital Commitments

Commitments under capital expenditure contracts at 30 September were £nil (31 March 2007 £nil).

17. Post Balance Sheet Events

As of 1st October 2007, Monitor (Indepedendent Regulator of NHS Foundation Trusts) licensed the Trust as a Foundation Trust, and as such North Essex Mental Health Partnership NHS Trust ceased to exist. All of the assets and liabilities of the NHS Trust transferred to the North Essex Partnership NHS Foundation Trust.

In November £20m impairment funding was received and consequently used to repay public dividend capital.

18. Contingencies

	Period ended 30 Sept 2007 £000	2006/07 £000
Contingent liabilities	**(26)**	(25)
Net value of contingent liabiliies	**(26)**	(25)

Contingent liabilities relate to 9 employment claims and 1 public liability claim not provided for in the accounts, as notified by the NHS Litigation Authority.

19. Movement in Public Dividend Capital

	Period ended 30 Sept 2007 £000	2006/07 £000
Public Dividend Capital as at 1 April 2007	**39,888**	39,430
New Public Dividend Capital received	**0**	458
Public Dividend Capital as at 30 September 2007	**39,888**	**39,888**

20. Financial Performance Targets

20.1 Breakeven Performance

The trust's breakeven performance for 2007/08 (part year) is as follows:

	2001/02 £000	2002/03 £000	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000	Period ended 30 Sept 2007 £000
Turnover	75,776	82,773	80,033	88,798	100,775	120,184	46,857
Retained surplus/(deficit) for the year	(1,245)	5	694	616	2,474	707	510
Break-even in-year position	(1,245)	5	694	616	2,474	707	510
Break-even cumulative position	(1,245)	(1,240)	(546)	70	2,544	3,251	3,761
Materiality test (I.e. is it equal to or less than 0.5%):							
- Break-even in-year position as a percentage of turnover	(1.64%)	0.01%	0.87%	0.69%	2.45%	0.59%	1.09%
- Break-even cumulative position as a percentage of turnover	(1.64%)	(1.50%)	(0.68%)	0.08%	2.52%	2.71%	8.03%

The Trust's break-even performance is compared to a materiality threshold of 0.5% of turnover, below which recovery of deficits within the framework of a recovery plan will not be required by the Department of Health.

20.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £1,206k, bears to the average relevant net assets of £106,152k, that is 1.1%. The reduced capital absorption rate reflects the six month accounting period, and that the disposal of the Severalls site has not been completed as forecast.

20.3 External financing

Under the new capital finance regime for NHS Trusts, no extrernal financing limit is set.

	Period ended 30 Sept 2007 £000	2006/07 £000
External financing limit	**0**	466
Cash flow financing	(11,748)	465
External financing requirement	**(11,748)**	465
Cash generated through operations	**11,748**	1

Trusts, under the new regime are allowed to retain cash generated through operations, including unspent depreciation, for future reinvestment.

20.4 Capital Resource Limit

	Period ended 30 Sept 2007 £000	2006/07 £000
Gross capital expenditure	**1,309**	1,720
Less: book value of assets disposed of	**(271)**	(2,803)
Charge against the capital resource limit	**1,038**	(1,083)
Capital resource limit	**0**	(642)
(Over)/Underspend against the capital resource limit	**(1,038)**	441

The Trust has not been given a capital resource limit as it will generate enough cash internally to finance it's capital programme this year.

20.5 Prudential Borrowing Limit

The Trust has a prudential borrowing limit of £29,335,000. The Trust has not borrowed against this limit in the period.

21. Related Party Transactions

North Essex Mental Health Partnership NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with North Essex Mental Health Partnership NHS Trust.

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

East of England Strategic Health Authority
London Strategic Health Authority
South Central Strategic Health Authority
South East Coast Strategic Health Authority
West Midlands Strategic Health Authority
Doncaster Primary Care Trust
Dorset Primary Care Trust
East and North Hertfordshire Primary Care Trust
Islington Primary Care Trust
Mid Essex Primary Care Trust
Milton Keynes Primary Care Trust
Norfolk Primary Care Trust
North East Essex Primary Care Trust
Peterborough Primary Care Trust
Redbridge Primary Care Trust
South West Essex Primary Care trust
Suffolk Primary Care Trust
Waltham Forest Primary Care Trust
West Essex Primary Care Trust
West Hertfordshire Primary Care Trust
Bedfordshire and Luton Mental and Social Care NHS Trust
Birmingham and Solihull Mental Health NHS Trust
Bradford District Care Trust
Cambridgeshire & Peterborough Mental Health Partnership NHS Trust
Camden & Islington Mental Health and Social Care Trust
East London and City Mental Health NHS Trust
East of England Ambulance Service NHS Trust
Essex Rivers Healthcare NHS Trust
Hertfordshire Partnership NHS Trust
Lincolnshire Partnership NHS Trust
Mid Essex Hospital Services NHS Trust
North East London Mental Health NHS Trust
Oxfordshire and Buckinghamshire Mental health Partnership NHS Trust
Penine Care NHS Trust
The Princess Alexandra Hospital NHS Trust
Homerton University Hospital NHS Foundation Trust
South Essex Partnership NHS Foundation Trust
South London and Maudsley NHS Foundation Trust
University College London NHS Foundation Trust
NHS Business Services Authority
NHS Litigation Authority
NHS Professionals

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with:

HM Revenue & Customs
Essex County Council

The Trust has also received revenue and capital payments from a number of charitable funds, some of the Trustees for which are also members of the NHS Trust Board. The Summary Financial Statements of the Funds Held on Trust is separately produced by the Trust.

Paul Keedwell, Director of Nursing, acts in a voluntary capacity as Co-opted Director of Maldon MIND. The value of transactions between the two bodies recorded in the accounts was £nil.

22 Financial Instruments

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

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

Liquidity risk

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

Interest-Rate Risk

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

22.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate: Weighted average interest rate	Fixed rate: Weighted average period for which fixed	Non-interest bearing: Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 30 September 2007							
Sterling	12,995	0	953	12,042	0.00%	0	0
Gross financial assets	**12,995**	**0**	**953**	**12,042**			
At 31 March 2007							
Sterling	1,260	0	958	302	0.00%	0	0
Gross financial assets	**1,260**	**0**	**958**	**302**			

22.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate: Weighted average interest rate	Fixed rate: Weighted average period for which fixed	Non-interest bearing: Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 30 September 2007							
Sterling	(40,391)	0	(503)	(39,888)	0.00%	0	0
Gross financial liabilities	**(40,391)**	**0**	**(503)**	**(39,888)**			
At 31 March 2007							
Sterling	(42,451)	0	(2,563)	(39,888)	0.00%	0	0
Gross financial liabilities	**(42,451)**	**0**	**(2,563)**	**(39,888)**			

Note: The public dividend capital is of unlimited term.

22.4 Fair Values

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

	Period ended 30 Sept 2007		2006/07		
	Book Value	**Fair Value**	Book Value	Fair Value	**Basis of fair valuation**
	£000	**£000**	**£000**	**£000**	
Financial assets					
Cash	12,042	12,042	294	294	
Debtors over 1 year:					
- Including agreements with commissioners to cover creditors and provisions	953	953	966	966	Note a
Total	12,995	12,995	1,260	1,260	
Financial liabilities					
Creditors over 1 year:					
- Early retirements	(1,953)	(1,953)	0	0	Note b
Provisions under contract	(503)	(503)	(2,563)	(2,563)	Note b
Public dividend capital	(39,888)	(39,888)	(39,888)	(39,888)	Note c
Total	(42,344)	(42,344)	(42,451)	(42,451)	

Notes

a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with note c below, fair value is not significantly different from book value.

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

c The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

23 Third Party Assets

The Trust held £215k cash at bank and in hand at 30 September 2007 (£175k at 31 March 2007) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

24 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	**Debtors: amounts falling due after more than one year**	**Creditors: amounts falling due within one year**	**Creditors: amounts falling due after more than one year**
	£000	**£000**	**£000**	**£000**
Balances with other Central Government Bodies	22,396	953	0	0
Balances with Local Authorities	16	0	0	0
Balances with NHS Trusts and Foundation Trusts	417	0	0	0
Balances with bodies external to government	885	8	0	0
At 30 September 2007	**23,714**	**961**	**0**	**0**
Balances with other Central Government Bodies	26,498	958	3,310	0
Balances with Local Authorities	801	0	87	0
Balances with NHS Trusts and Foundation Trusts	737	0	869	0
Balances with bodies external to government	1,952	8	2,003	0
At 31 March 2007	29,988	966	6,269	0

25 Losses and Special Payments

There were 4 cases of losses and special payments (2006/07 32 cases) totalling £1,829 (2006/07 £63,764) paid during the period ended 30 September 2007.

Note: The total costs included in this note are on a cash basis and will not reconcile to the amounts in the notes to the accounts which are prepared on an accruals basis.

Mental Health Partnership NHS Trust

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This year	2007/08
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113,329.52
117,298.70

Essex County Council

North Essex Partnership NHS
NHS Foundation Trust

Agenda item No: 5
Name of Meeting: Meeting of the Board of Directors in Public
Date: 24 September 2008
Title of Report: Any Other Notified Business
Presented By: Mary St Aubyn, Chairman
Subject, Purpose and Recommendation: The Board is invited to consider any items of urgent business notified in advance to Mary St Aubyn Chairman or Dermot McCarthy, Trust Secretary.
Finance Implications: N/A
Clinical Implications: N/A
HR Implications: N/A
Legal Implications: N/A
Equality Implications: N/A
Risks: N/A

Essex County Council

North Essex Partnership NHS
NHS Foundation Trust

Agenda item No: 6
Name of Meeting: Meeting of the Board of Directors in Public
Date: 24 September 2008
Title of Report: Questions from members of the public relating to items on the agenda only
Presented By: Mary St Aubyn, Chairman
Subject, Purpose and Recommendation: The Board is invited to reply to any questions from members of the public relating to items on the agenda only.
Finance Implications: N/A
Clinical Implications: N/A
HR Implications: N/A
Legal Implications: N/A
Equality Implications: N/A
Risks: N/A