Northern Devon Healthcare NHS
NHS Trust

Annual report 2006/7

Annual report 2006/07

Introduction

Welcome to the Trust's annual report for 2006/07 – a gruelling year that has now given way to a guarded sense of optimism.

It has certainly been hard. Our financial deficit, built up over a long period but only fully apparent last year, has dominated the headlines and taken up a huge amount of management time.

It called for some tough decisions, heralding a difficult time for many of our staff who were at the sharp end of projects to increase efficiency and change the way we work.

And that's without mentioning the decision to merge community and acute services when the former North Devon Primary Care Trust (PCT) disappeared, creating further uncertainty among staff. Or the Healthcare Commission assessment that rated us as a 'weak' trust, only a year after having been awarded a maximum three stars for performance.

The challenge, of course, was to work through the changes while offering the best care possible for patients and making sure our staff could see the logic and the necessity for change.

The impact was felt everywhere within the Trust, with major changes at the top as well.

It hasn't been easy. Morale has certainly suffered. But the professionalism and dedication on the wards, in the operating theatres, in the community hospitals and elsewhere have been impressive.

Much of this has been barely visible to patients and the wider public.

In fact, many more people will have gained from a constant flow of improvements to services, as outlined in this report. Quicker diagnosis, quicker test results, shorter waiting times for scans and treatment – all have been highlighted by external monitoring.

New developments such as the partnership with Macmillan to create a suite for seriously-ill patients and the introduction of electronic imaging, replacing old-style x-ray and ultrasound technology, are also bringing real benefits.

And now the big prizes are within our grasp. Two major developments this spring mean we can look forward to a brighter future.

Firstly, the Board agreed in May to a substantial refurbishment of North Devon District Hospital some 27 years after it was first built. This will enable services to be reshaped and fitted together better, and the setting for patients to be substantially improved. Detailed planning is now under way.

It won't be a new hospital, but it will be a renewed hospital. There will be disruption while work is carried out, but we think the result will be well worthwhile.

Secondly, the hard work to save money and make services more efficient have combined with new NHS accounting rules to offer the prospect of breaking even once more next year.

It still won't be easy, with further savings to achieve, but it is certainly within our capability. Then we'll have the firm foundations for making both our services and our buildings fit for the 21st century.

We would like to thank all the Trust's staff for their continuing hard work and forbearance in the face of daunting changes, and patients and the people of North Devon for continuing to lend their support.

We look forward to updating you on progress next year.

Brian Sherwin
Chairman

Jac Kelly
Interim Chief Executive

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How the Trust has evolved

Northern Devon Healthcare NHS Trust was set up 15 years ago, providing both for the 163,000 local residents and for the thousands of holidaymakers who pour in during the season.

Initially it included the district hospital, seven community hospitals, various resource centres and community services such as district nursing, health visiting, midwifery, mental health and learning disability.

However, from April 2001 the new North Devon Primary Care Trust (PCT) assumed responsibility for the community hospitals, therapy and community nursing services and general practitioners.

Simultaneously mental health and learning disability services were centralised into the Devon Partnership Trust.

On 1 October 2006, there was further major change when the PCT and most of its counterparts across the rest of the county were merged into a single Devon PCT.

At the same time, following public consultation, Northern Devon Healthcare took over management of the community hospitals and companion services, including therapies, district nursing, sexual health and children's services. The aim was to provide greater continuity of care for patients and to make sure they could be assessed and treated in the right place and at the right time – preferably as close to home as possible.

Northern Devon Healthcare is run by the Trust Board which meets regularly to set strategy and provide guidance to those managing the day-to-day operations.

The Trust Board is now chaired by Brian Sherwin, who took over last year from Ro Day. Alongside him sit:

- Five other part-time non-executive directors - local people who provide a direct link with their communities and who bring outside skills and experience to the NHS
- The Chief Executive, four other executive directors and two associate directors, who are responsible for running the Trust on a day-to-day basis

Ensuring fairness

The Trust is committed to ensuring that all employees are treated fairly and equitably and have a place in the Equal Opportunities Policy and Race Equality scheme. The Trust has achieved and maintained the national 'two ticks' award covering job applicants and employees with disabilities.

The Trust co-ordinates a multi-agency Equality and Diversity Group, involving patient and carer representatives and those from Devon PCT, the local authority and the police service. The Trust is working toward the goals set out by the 'Vital Connections' equalities framework for the NHS.

Involving staff

The Trust uses many methods to make sure staff are kept up to date with, and involved in, developments. These include:

? Routine posting of important information on Tarkanet, the Trust's intranet site
? An Ask the Executive section on Tarkanet, so staff can request answers on any issue about which they have concerns
? A weekly chief executive bulletin, carrying short items on important issues
? Ad hoc Staff Express briefings, which highlight urgent developments
? Regular meetings of the Joint Negotiating and Consultation Committee (JNCC), where issues can be shared and discussed

- A new Staff Forum, chaired by the Chief Executive, which brings together a cross-section of staff from around the Trust to act as a sounding board for frontline views.
- The quarterly Pulse newspaper, which is circulated around the hospital and community sites, for staff as well as patients and visitors
- Roadshows and other face-to-face meetings for important issues. Last year, a series of around 30 roadshows were staged to involve staff in the options for rebuilding or refurbishing the main hospital site.

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Highlights of the year

Patients praise high standards

Results from a survey of adult in-patients, published last year, rated the Trust among the best in the country for its standards of care.

Northern Devon Healthcare was in the top 20% of NHS hospitals in eight out of nine categories, which covered vital issues such as admission, ward conditions, care from doctors and nurses, and discharge.

North Devon District Hospital earned particularly high scores for the quality of care from its nursing staff.

Wards and bathrooms were rated as 'very clean' – an improvement over the previous year. Sodexho staff, who operate the contract for cleaning the hospital, work closely with the Trust to provide the highest standards, with many winning national awards for their standards.

Carolyn Mills, Director of Nursing and Governance said: “We know from various forms of feedback that our patients value the services here at the North Devon District Hospital, in particular the 'personal touch' which a smaller district hospital provides."

Care suite opens for seriously-ill patients and their families

A new Macmillan Supportive Care Suite was built last year at North Devon District Hospital for people who need palliative care, easing pain and providing support in the later stages of illnesses such as cancer.

It enables staff, relatives and friends to be on hand 24 hours a day in an area separated from the bustle of the main ward.

The joint £100,000 project with Macmillan Cancer Support provides a patient bedroom with en-suite bathroom, and a small living area with television, radio and breakfast bar for family and carers.

Mezzi Franklin, Macmillan Clinical Nurse Specialist at the hospital, said: “The suite has been wonderful for patients and their families, who need all the support they can get at such a difficult time.”

The suite complements work at the North Devon Hospice.

Community and hospital services merge to strengthen care

Community and acute health services were merged in North Devon last autumn, after public consultation.

The Trust, which ran North Devon District Hospital only, and North Devon Primary Care Trust (PCT), which ran community services, both agreed that integration would greatly benefit patients.

The decision was taken at the same time as the PCT was due to disappear, merging with other primary care trusts to create a Devon PCT.

As a result, October saw the transfer of community hospitals, therapy services, district nursing, sexual health, community paediatric nursing and medical staff to Northern Devon Healthcare.

The aim was to create smoother 'care pathways', which means ensuring that patients are cared for in the right place and by the right staff throughout their treatment, cutting across traditional boundaries between community and hospital care.

'Healthcheck' shows progress in meeting national standards

The Trust made important progress last year towards the national standards monitored by the Healthcare Commission.

Although the quality of services was rated as 'weak', existing national targets for areas such as waiting times – including those for cancer treatment – were met in full. The Trust also scored a 'good' rating for new targets, such as waits for scans, tackling MRSA infection and the experience of patients.

The Trust's financial deficit also brought a 'weak' rating' for its use of resources.
The Healthcare Commission report was based on the Trust's assessment in April 2006 that it was meeting around half (23) of the 44 national standards. However, by September, the Trust was able to report compliance with 29 of the standards (65%).

Assessment unit expands to speed admission

The system for admitting patients at North Devon District Hospital was improved last year, with an expansion of the Medical Assessment Unit (MAU) to 24 beds.

The unit is now also staffed by a Physician of the Day and Cardiologist Consultant of the Week to make sure patients get a consultant opinion much earlier in their stay at hospital.

Patients are admitted to the MAU so clinicians can quickly decide on the best care and admit people to the correct ward in the hospital.

The MAU is also supported by the teams in diagnostics, bed management and the wards, to ensure that each patient gets the right test and the right bed in the right ward, with test results returned quickly to aid diagnosis.

Previously, patients would be admitted to NDDH as a medical emergency via the accident and emergency department or through the bed-management team. When there was a high pressure on beds in the hospital, for instance during a flu outbreak, this sometimes meant that patients were temporarily placed in a different ward until space became available.

The new system also means that A&E staff are freer to deal with the other emergencies.

Jo Gibbs, Operations Director, said: "Patients have a much better experience in hospital as they see a consultant much earlier on in their stay, get their test results back quicker, receive treatment in the right department and may not spend so long in hospital. It has meant that we have changed the way the hospital is run and staff have embraced this change because the benefits to patients are so apparent."

Local people sign up for courses to help cope with long-term health problems

Local people with long-term health problems were invited to join the Trust's Expert Patient Programme (EPP) from early 2007.

The aim is to help people get the most out of life when faced with conditions for which there is no 'cure', such as heart disease, arthritis, asthma, diabetes or multiple sclerosis.

Groups meet over six weekly sessions and are led through a structured course by tutors who are also living with a long-term condition. Each session looks at issues such as:

- Dealing with pain and tiredness
- Coping with feelings of depression
- Relaxation techniques and exercise
- Healthy eating
- Communicating with family, friends and health professionals
- Planning for the future

Some of the feedback from people who attended a course last year includes:

- "It has restored my confidence in myself and coping with my disability"
- "I think about things in different ways now"
- "Coming on the programme has given me real confidence to move on and plan for the future without fear, because I can now set goals and move at my own pace"
- "I used to get very down before I came on this course. I've gained so much I can't begin to thank you for it"
- "I feel less of a victim and more confident about the future"

If you would like to register onto a course or would like more information, please contact Janet Winchester, Expert Patient Programme Administrator for Northern Devon Healthcare Trust on 01271 341 550.

Hospitals go 'smoke-free'

North Devon District Hospital went 'smoke-free' from 1 January 2007, following similar moves last year at the community hospitals.

Smoking by staff and patients is now banned in all buildings, grounds and car parks, in line with guidance from the Department of Health. All enclosed public places will see similar bans, backed up with fines, from July 2007.

The most obvious changes were the removal of the smoking shelter behind the Raleigh Galley and of the smoking area to the left of the main hospital entrance.

Jac Kelly, the Trust's Interim Chief Executive, said: "We know from patient feedback that this policy is long overdue and welcomed. When local pubs and restaurants are going smoke-free, there is no excuse for the NHS not to set a good example."

The Trust does not insist that people give up smoking, but makes advice and support available to those interested in giving up.

Anyone who would like NHS help to quit smoking can call 01769 575115.

Computerised imaging set to help thousands of patients in North Devon

A new computerised system for storing and sharing x-rays and other images is starting to bring major benefits to thousands of the Trust's patients.

The Picture Archiving and Communications System (PACS) - launched in March 2007 - puts the Trust at the cutting edge of technology, with the capacity to speed up diagnosis and to reduce travelling and waits for patients.

The full system is also being extended from North Devon District Hospital to the x-ray departments at Ilfracombe and Bideford community hospitals, enabling consultants at the main site to give instant opinions.

The Trust takes approximately 200 x-rays, CT scans, MRI scans and ultrasounds a day - around 75,000 a year.

Electronic image-sharing with major treatment centres in Plymouth and Bristol is also under way to improve the speed of diagnosis and ultimately treatment.

X-rays and scans used to be stored on paper and film, which meant that images could be lost or misplaced because there was only one set. They also had to be retrieved and shipped around sites. Now, doctors can bring up the electronic images instantly, using computer screens rather than old-style lightboxes.

Digital images also mean hospital staff no longer have to handle the chemicals they used to need for processing the x-ray films.

Paul Treweeke, Senior Consultant Radiologist, said: "PACS is probably the biggest revolution that's ever occurred across the whole of radiology. Images of all types - CT scans, MRI scans, ultrasound or plain x-ray - are now instantly available on computer screen straight after the examination has been performed.

"Doctors on the wards can see the images before a patient has even returned to the ward or clinic.

"All the huge amount of time and effort spent sorting and filing films will disappear and it's much quicker and easier for the examinations to be viewed and reported by the radiologists. The days of films being 'lost in the system' are over."

Developmental baby massage comes to Braunton

Special courses to help parents learn the art of massage for their babies were introduced in Braunton last year by Sarah Yeo, Community Nursery Nurse for the Health Visiting Team at Caen Medical Centre. Developmental baby massage is designed to improve relationships, improving confidence and relaxation, as well as encouraging the baby's development, muscular coordination and flexibility. It will also deepen the baby's breathing rhythm, aid digestion and strengthen their immune system.

Courses run over five weeks, for parents or carers whose babies have reached eight weeks old. So far, they have proved extremely popular.

Sarah said: “The gentle course is always punctuated with lots of kisses, strokes, eye contact, talking and singing, love and affection. The quality of touch of parent to child is a wonderful skill to develop, being the simplest and most effective way for parents to encourage their child's growth and development, alleviate birth trauma and other early infant anxieties.”

Other areas in North Devon also offer developmental baby massage sessions. Access is via health visitors or Sure Start centres.

Mum Grace and baby son Sonny:

“The baby massage course has been one of the best things I have done since becoming a new mum. Each week my son stared up at me smiling and wriggling with enjoyment. He has really grown in strength and it has acted as a wonderful way to bond and relax together. It was also a great opportunity to meet new mums and since the course finished we have continued meeting up on a regular basis to share time together and give each other support.”

Claire and Elsa

Baby massage classes at Braunton held my sanity together! At a time when my hormones were dictating feelings of overwhelming love and joy followed swiftly by sobbing tears and desperate feeling of inadequacy, baby massage provided me with time and space to enjoy my beautiful baby daughter Elsa as well as a little slice of sanity.

“Whilst we were all disappointed when the classes came to an end, the baby massage skills we learnt are still being used, and the mums that met at class continue to meet on a Tuesday afternoon!”

Staff earn 'excellent' rating for carrying out vital tests

A national report into pathology services by the Healthcare Commission in early 2007 awarded the Trust an overall rating of 'excellent'. The Trust scored the highest of all the pathology services in the South West peninsula.

The Pathology Laboratory, based at North Devon District Hospital, carries out many different types of tests and analyses, usually involving blood, other body fluids and tissue.

These tests are often vital to the diagnosis of conditions - some of them life-threatening - and form the basis of doctors' decisions on treatment in more than 70% of cases.

The laboratory serves all the community hospitals and GP surgeries in the North Devon area, as well as Stratton in Cornwall.

Each year Pathology carries out more than 3.75 million tests within a total budget of £5.25 million. However, it is very cost-effective in the ratio between staff and the number of tests carried out.

The laboratory has also moved to a computer-based system for returning results to clinicians and GPs. As the geographical area covered by the lab is so large, this has significantly reduced time delays. Previously, results were paper-based and relied on the Trust's daily delivery-van service.

The Commission highlights that despite increasing demand from clinicians – especially GPs - Pathology staff are turning tests around faster than ever.

John Bronze, Pathology Manager, said: "I'm delighted to see that the enormous amount of hard work put in by all staff, and the benefits this brings to patients in terms of quick and accurate diagnosis, have been recognised."

Waiting times for diagnosis continue to fall

Department of Health figures in early 2007 highlighted further reductions in waiting times for patients in North Devon who need to go into hospital for diagnosis.

Statistics for the Trust showed that just 95 people had been waiting more than 13 weeks by January – down from 145 in December.

Extra clinics – some in the evenings and at weekends – new ways of working and the validation of waiting lists all played their part.

The most-dramatic fall came in magnetic resonance imaging (MRI) – a hi-tech imaging technique that is particularly good for diagnosing tumours. In December, 334 people were waiting for MRI scans, 29 of them for more than 13 weeks.

But by the end of January, nobody was waiting more than 13 weeks and the total list was down to 308 patients.

The biggest factor behind the improvement has been the installation of an MRI scanner at North Devon District Hospital, so patients and staff no longer have to wait for the visits of a mobile scanner.

Another big gain was in neurophysiology, where the Trust has long had difficulties with waits for diagnosis of nerve conditions in their arms and legs. Not long ago, some patients had been waiting three years for tests to diagnose conditions such as carpal tunnel syndrome, for example; by March 2007, the wait was within 13 weeks.

Only four people in all other specialities across the Trust had been waiting more than 13 weeks in January - three people in audiology and one with sleep problems.

Jo Gibbs, the Trust's Director of Operations, said: “Staff have been working really hard to make sure patients get their diagnosis as quickly as possible, putting on extra clinics and adapting the way they do things.

“Combined with extra investment by the Trust, that's brought real gains for local people. You have to bear in mind as well that 13 weeks is generally the maximum – and many people go in a lot more quickly than that.”

Pharmacists qualify in pioneering new role

Two pharmacists from North Devon District Hospital were among the first in the UK to earn a new type of qualification early in 2007, enabling them to prescribe medicines and monitor patients' treatment instead of a doctor.

Frances Goodhind, Principal Pharmacist Clinical Services, and Suzanne Bishop, Senior Clinical Pharmacist (anticoagulants and paediatrics), run the anti-coagulation service for 2,400 in-patients and out-patients.

This new qualification extends powers introduced in 2004, enabling specially-trained pharmacists to treat specific patients with routine problems, such as high blood pressure, diabetes or drug recovery programmes. However, it does not enable them to treat other medical problems.

Frances Goodhind said: “Becoming a Pharmacist Independent Prescriber will open up a lot of opportunities for us to use our specialised knowledge of drugs to the best advantage of patients."

Suzanne Bishop added: "Independent prescribing is a good use of existing staff resources and has formalised the process of managing both hospital in-patients and community patients who require anti-coagulation to thin their blood. It has expanded my knowledge and skills, especially in diagnosis and communication, which has an onward benefit to the patient."

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Getting better

The main issue looming over nearly everything the Trust did last year was the need to tackle a big financial deficit.

The debt meant an automatic rating of 'weak' from the Healthcare Commission, which monitors all trusts, for use of resources in 2005/06.

To compound the problems, the Healthcare Commission also rated quality of services as 'weak' – a marked setback given that the Trust had been awarded a maximum three stars the previous year.

It was imperative to make sure that the Trust came back into balance, spending no more taxpayers' money than it received – a basic duty for all NHS organisations.

At the same time, services and systems clearly had to be improved.

A series of 'turnaround' projects were designed to reduce spending while having as little negative impact as possible on services. Primarily, that meant increasing efficiency.

They were also designed to look to the future, with new ways of working that would stand the Trust – and patients – in good stead for the longer term.

Individual projects were set up to make the huge task more manageable. These included:

- Reducing bed numbers by, for example, making greater use of day surgery and speeding up discharge, enabling more patients to be treated more quickly
- Making operating theatres more efficient by, for example, integrating pre-operative assessment, making more use of theatres outside usual hours and buying more surgical equipment to reduce sterilisation delays
- Improving procurement, taking advantage of the Trust's purchasing power to secure discounts and standardising items
- Making sure all diagnosis, treatment and care was logged, so no income was lost
- Restructuring the workforce, ending the use of agency nurses, reducing the use of bank staff, controlling vacancies, reducing overtime and making best use of staff skills

One of the most important strands of the drive to turn around the Trust's fortunes and performance was a review of hospital services by external consultants Durrow.

They were commissioned to outline the challenges faced by North Devon in providing a sustainable future for NHS services, in both clinical and financial terms.

The resultant report looked at the types of services that should be offered to patients and the physical buildings needed to house those services.

By early 2007, the Trust began discussing the report formally with senior clinicians, stakeholders, staff and the public to develop a North Devon strategy for the future of health services.

Jac Kelly, who had moved from North Devon PCT to become Turnaround Director at the Trust, said at the time that the Durrow report “presents us all with a real opportunity to create an excellent health service in North Devon”.

She added: “We can use the current turmoil over the financial position at NDHT as a starting point to plan health care that will give patients the best healthcare service in 10 years' time. It also means we have been given all the facts we need to look forward and plan for the future modernisation and reforms in healthcare to we ensure we don't find ourselves offering unaffordable health services again.”

The main Durrow proposal was to reduce costs by moving from the large hospital site at the north edge of Barnstaple, rebuilding on a much-smaller site at Seven Brethren.

From this point, the Trust developed three possible routes forward for North Devon District Hospital:

1. 'Mend and make do' – stay on the current site, carrying out maintenance but making no major changes
2. Rebuild on another site, as recommended by Durrow
3. Substantially refurbish the current site, bringing together services that had close links

Feedback on the three, from roadshows, meetings and via the website, pointed strongly towards refurbishment.

Once all the implications had been digested, the Trust Board decided on 1 May 2007 to follow this route. Detailed planning is now under way to decide on the best configuration, with detailed input from staff and other stakeholders.

This will mean selling off part of the site to fund new developments, which might cost £20-25m.

Analysis showed that 'mend and make do' was not likely to meet the requirements for sustainability, either financially or in terms of services.

The Durrow approach was also ruled out, primarily because of concerns about affordability and timescales. It would almost certainly need to be developed under the Private Finance Initiative, inserting further risk of delay, while there were question marks over whether the Durrow proposal would have been large enough, offering the prospect of substantial price increases.

By the end of the financial year in March 2007, the Trust was also showing real signs of recovering its financial position. Having forecast a deficit of around £7.3m, the actual figure was around £7m.

The 2006/07 programme of turnaround projects brought major improvements and efficiencies across the acute part of the Trust. Savings of £1.15m were made through measures such as skill-mix reviews and the closure of 53 beds.

The slight decrease in deficit from the forecast figure also masked a bigger shift that should help the Trust wipe out its historical debts, following the introduction of new NHS accounting rules.

The new system will see £8.9m returned to the Trust, enabling Devon PCT in turn to remove £8.6m of planned financial support to tackle the debt.

The financial settlement for 2007/08 will also be affected, though the outcome has not yet been finalised .

Overall, the Trust aims to get back into financial balance by the end of 2007/08. Ongoing savings will still be required, with the emphasis on greater efficiency.

Andy Robinson, the Trust’s Director of Finance and Performance, said: “It sounds a bit technical, but the result should be that our financial outlook is brighter. We’ve still got a lot of work to do to save money and make services more efficient, but this puts us on a firmer footing.”

The improvements mean the Trust can focus on service redesign and continuous improvement in 2007/08 to support the service and estates strategies, and the hitting of key targets such as the maximum wait of 18 weeks from a patient's referral for specialist assessment through to treatment.

The Trust has also now signed its Local Delivery Plan (LDP) for 2007/08 with Devon PCT, which sets out how much it will be paid in return for set levels of activity. The agreement is challenging, recognising many of the historical funding errors and the failure in the past to log activity accurately .

The LDP will give the Trust an extra £13m, while calling for £2m efficiency savings on top of those we are already tackling, giving a net increase of £11m.

The Board is confident that these savings can be made without damaging services for patients, by focusing on issues such as length of hospital stay, use of drugs, surgical appliances and equipment.

The prize will be stability for the longer term, with the Trust living within its means for the first time in many years, and a secure range of good services for the people of North Devon.

Operating and Financial Review (OFR)

Objective of the OFR

The objective of this OFR is to prepare a balanced and comprehensive analysis to inform the reader of events that impacted on the Trust during the 2006/07 financial year and is presented through the eyes of the Trust Board.

Trust Overview

Northern Devon Healthcare NHS Trust serves a population of approximately 160,000 people within North Devon and neighbouring towns and villages in North East Cornwall and Mid Devon. North Devon is a popular retirement area and more than 20% of the population are over 65 years old and nearly 10% are over 75 years old (UK averages are 16% and 7.5%, respectively). The total local population has increased by about 1% per year in the last decade.

Since 1991, the Trust has managed the North Devon District Hospital in Barnstaple and provides a full complement of adult and child secondary care services including outpatient care, inpatient, day case, emergency treatment and follow-up care, diagnostics, maternity services (including the Special Care Baby Unit), intensive care and a busy Accident & Emergency department.

From 1 October 2006 the Trust also took on the ownership and management responsibility from North Devon PCT for the provision of community hospitals together with community services including Physiotherapy, Occupational Therapy, Speech and Language Therapy, Podiatry and District Nursing.

The five community hospitals, based at South Molton, Bideford, Ilfracombe, Holsworthy, and Torrington offer a range of minor injury, rehabilitation and inpatient bed facilities. The Barnstaple Health Centre offers a mix of primary and secondary care services such as podiatry, PALS, sexual health and children's services whilst Lynton has a Resource Centre with a minor injury unit.

The trust continually reviews services to ensure that they follow the latest guidelines in clinical best practice and policy and is committed to involving service users, patients, carers and the public in planning, developing, delivering and improving healthcare services

Across these sites we have more than 20 wards, 7 operating theatres, around 400 inpatient beds and more than 20 day case beds. We spent around £94.5m to provide healthcare services in 2006/07 (£83.2m in 2005/06) and at the end of the financial year we employed on average just under 2000 whole time equivalent staff (1,647 in 2005/06).

The Trust also accommodates the Devon Partnership Trust's inpatient facilities at Barnstaple and Bideford which includes a learning disabilities unit.

To meet local healthcare needs we work closely with the following organisations:

- NHS South West Strategic Health Authority;
- Devon Primary Care Trust;
- Cornwall & Isles of Scilly PCT;
- Somerset PCT;
- Devon Partnership Mental Health NHS Trust;
- South Western Ambulance Service NHS Trust (SWAST);
- Devon County Council Adult and Community (Social) Services;
- North Devon District Council;
- Torridge District Council.

Trust Governance and Board Level Changes

The Trust is directed by the Trust Board, which meets regularly to determine strategy and receive information from those managing day-to-day operations.

The Trust Board is led by a Chairman together with a team of 5 Non-Executive Directors and 6 Executive Directors. The Non-Executive Directors have a part-time role, providing experience and expertise, usually gained from working in organisations outside the NHS.

Ro Day stepped down as Chairman on 31 December 2006, 3 months before the end of her term of office. Brian Sherwin, an existing Non-Executive Director since August 2006 was appointed as Chairman from 1 February 2007.

The Executive and Associate Directors are led by the Chief Executive and combine their role as board members with regular management responsibility. Brian Aird, who became interim Chief Executive in February 2006 following the departure of John Rom, was replaced in October 2006 by Jac Kelly, formerly the Chief Executive of North Devon PCT from 2004 to 2006, on an interim basis for 18 months.

The Trust also experienced the following Executive and Non-Executive Director movements during the financial year:

Rodney Muskett resigned as Director of Finance in July 2006 to take up a post with NHS South West; Andy Robinson was appointed as Director of Finance and Performance from 15 November 2006 after stepping in on an interim basis following the departure of Rodney Muskett.

Dr. Mike Oliver resigned as Medical Director in June 2006 after 2 years in post to return to his full time role as consultant chest physician with the Trust;

Dr. Sean O'Kelly has been seconded to the Trust as Interim Medical Director until 31 August 2007. Samuel Jones appointed as Non-Executive Director from 1 October 2006 for a period of 4 years;

Amelia Tucker-Jones appointed as Non-Executive Director from 11 December 2006 for a period of 4 years. Full details of these and any other Executive and Non-Executive directors are contained within the remuneration report.

The treatment of pension liabilities can be found on pages 11 and 12 of the accounts.

The Board has adopted Codes of Conduct and Accountability recommended by the NHS Executive. Audit, Risk, Clinical Governance and Remuneration and Terms of Service Committees are well established.

Details of company directorships or other significant interests held by directors where those companies are likely to do business, or are possibly seeking to do business with the NHS where this may conflict with their managerial responsibilities are required to be disclosed in the Declaration of Members Interests.

This is presented at each Board meeting and is updated as required.

The Declaration of Members Interests is available for inspection from Jackie Hewitt, Munro House, North Devon District Hospital, Raleigh Park, Barnstaple, North Devon. EX31 4JB

The Board receives assurance from many sources and these are detailed in the Statement of Internal Control.

Corporate Objectives and Strategy

The Trust's corporate objectives during 2006/07 were:

1. Safety

To ensure patient, staff and visitor safety at all times utilising health care systems, working practices and activities that prevent or minimise risks to patients.

2. Clinical and Cost Effectiveness

To ensure clinical and cost effectiveness so that patients achieve healthcare benefits that meet their individual needs, based on researched and evidenced effective outcomes, and based within financial parameters.

3. Governance

To implement and maintain high standards of governance to ensure appropriate Board assurance and risk management, achievement of NHS performance indicators and targets, to ensure that the workforce is well supported and fit for purpose and that the Trust is an employer of choice.

4. Patient Focus

To focus on positive patient, relative and carer experience of services provided, respecting equality, diversity and individual preferences.

5. Accessible and Responsive Care

To ensure that services provided are accessible, responsive and meet the needs of the patient population without undue delay in delivery or along care pathways.

6. Care Environment

To ensure that the healthcare environment is appropriate, developed and improved for the services being provided to patients, their relatives and carers.

7. Public Health

To formulate a clinical strategy with public health partners that identifies the role of Northern Devon Healthcare NHS Trust in improving the health of the local community over time.

8. Financial Balance

To achieve recurrent balance whilst also continuing work with local health, social care and community agencies to seek sustainable solutions to the underlying financial deficit in the healthcare community. These objectives are consistent with the Healthcare Commission Core Standards with the exception of financial balance which was a separate objective that is consistent with the recovery plans the Trust has in place and the necessity for financial health to drive the future vision of the Trust.

All services and activities provided by the Trust are linked directly to one or more of these corporate objectives. Achievement of the Trust's corporate objectives is monitored by the Chief Executive and Chairman.

The Trust develops strategies that are agreed with its commissioning PCT's that are designed to meet the stated objectives and direction of the NHS nationally whilst providing local solutions for the benefit of the residents of North Devon. Examples include:

- reducing the maximum wait in A&E to 4 hours;
- achievement of cancer treatment targets;
- maximum 13 week wait for an outpatient appointment;
- maximum 6 month wait for elective surgery;
- move towards a maximum 18 week wait from referral to treatment.

To achieve this, the Trust has produced a detailed Business Plan that is available for inspection at the Trust's headquarters in Barnstaple. In conjunction with Devon PCT, the Trust will continue to develop its Integrated Service Improvement Plans (ISIP) that takes a multi-agency approach to providing the best healthcare, in the right place at the right time for the benefit of the patient.

Trust Performance

The main performance factors affecting the Trust in this financial year have included:

- 1.7% decrease in all referrals against plan;
- Maintained no patient waiting more than 13 weeks for an outpatient appointment;

- Achieved 18 week Referral to Treatment (RTT) milestone where no patient was waiting more than 11 weeks for an outpatient appointment;
- Maintained no patient waiting more than 26 weeks for in-patient treatment;
- Achieved 18 week RTT milestone where no patient was waiting more than 20 weeks for in-patient treatment;
- Achieved the target for no person waiting more than 13 weeks for an MRI or CT scan;
- 6.1% increase in day case activity against plan;
- 6.8% decrease in elective activity against plan;
- 2.3% reduction in non-elective (Emergency admissions) against plan;
- Achievement of 100% target for maximum 2 week cancer wait;
- Achievement of 98% target for maximum 31 day cancer wait - actual 100%;
- Under-achievement of 95% target for maximum 62 day cancer wait - actual 94.7% (18/19 patients);
- Achievement of 98% target for maximum 4 hour wait in A&E - actual 98.5%;
- 22 cases of MRSA against a target of 15.

As a result of the time-lag that naturally exists in reporting performance data, indicators for March 2007 are taken from the April and May 2007 Performance report that details the reporting the Trust makes on a monthly basis to the Board and Strategic Health Authority.

Against these challenging demands, the Trust continues to progress its recovery plans and move towards the achievement of its Statutory 5 year breakeven duty. Details of financial performance and future outlook are contained later in the OFR.

Standards for Better Health

Northern Devon Healthcare Trust is required to produce an annual declaration regarding compliance with the Department of Health's Standards for Better Health. The latest declaration covers the period 1st April 2006 to 31st March 2007.

The Standards for Better Health are grouped between 'core' and 'developmental' standards against which the Trust is required to perform a self assessment of compliance. For the period stated only the 'core' standards contribute to the Healthcare Commission's annual health check.

Due to the reconfiguration of North Devon Primary Care Trust a number of provider services transferred to the Acute Trust on October 2006.

For the period 2005/06, Final Declarations of Compliance for the two organisations were as follows:

Status	NDHCT	NDPCT
Met	23	39
Insufficient Assurance	3	3
Not Met	20	2

This resulted in Northern Devon Healthcare Trust being assessed as 'weak' for both the 'quality of services' and 'use of resources' and North Devon Primary Care Trust as 'Fair' for both categories.

For the period 2006/07, Final Declaration for the merged organisation was as follows:

Status	Merged
Met	24
Insufficient Assurance	0
Not Met	20

To achieve 'met' status the Trust must be able to evidence a full year of compliance. To evidence turnaround during the year, a status of 'met by year end' has been used for the narrative within the final declaration; however these are still considered 'not met' under the Healthcare Commission scoring arrangements.

Status	Merged
Met full year	24
Met by year end	14
Insufficient Assurance	0
Not Met by year end	6

Of the 20 'not met' standards 14 are considered to be met by year end. This positions the Trust for a full year of compliance with those standards for period 2007/08. The projected position based on these scoring parameters is as follows:

Status	Merged
Met	38
Insufficient Assurance	0
Not Met	6

Of the 6 not met, the Trust has an action plan to ensure that these standards will be met by the end of 2007/08, though will not have been in place for the whole financial year.

Changes to the North Devon Health Economy as a Result of Commissioning a Patient Led NHS and Vertical Integration

During 2006/07, the North Devon health economy underwent a significant change as a result of the outcome of the consultation into the future configuration of PCT's in Devon. The Trust's main commissioner, North Devon PCT was dissolved on 30 September 2006 and from 1 October 2006 was merged to form a new Devon PCT. After the initial set up of the PCT, the Trust has been able to develop relationships with its new commissioner and in February successfully agreed the contract for 2007/08.

During the consultation on the future configuration of PCT's, a window of opportunity was identified locally that would give critical mass to the Trust and contribute to the sustainability of acute and community services in North Devon. This project was known locally as Vertical Integration. The Trust and North Devon PCT consulted widely on proposals to transfer services that were previously provided directly by the PCT to the control of Northern Devon Healthcare NHS Trust. The proposal and the finalised services that would form part of the Vertical Integration were approved by the respective Boards of North Devon PCT and Northern Devon Healthcare NHS Trust and by the transitional Board of Devon PCT.

To summarise, the services transferred to Northern Devon Healthcare NHS Trust included the 5 community hospitals mentioned above together with associated nursing services, Physiotherapy, Occupational Therapy, Speech and Language Therapy, Podiatry and District Nursing. It was decided that some services, including Health Visitors and other children's services should transfer to Devon PCT because of their wider strategic importance.

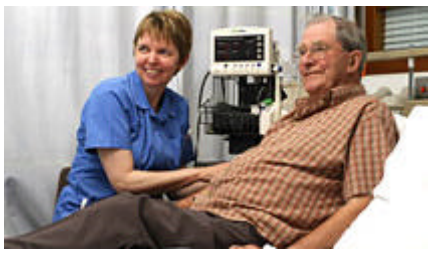
The staffing implications of Vertical Integration are reflected in the Remuneration report contained within the Annual Report.

How our financial performance is assessed

There are a number of targets set by the Department of Health. Our 2006/07 performance against these targets is shown below:

Target	Actual Performance
To break even on income and expenditure taking one year with another	In year deficit of £6.924 million against an initial control total deficit of £7.5m. Cumulative deficit of £15.5 million.
To achieve a capital cost absorption rate of between 3% and 4%	Rate of 3.2%
To operate within an External Financing Limit set by the Department of Health	Requirement of £28,313k. Overshoot of £42k
To pay 95% of non-NHS invoices within 30 days	52% of bills paid within target

Where our money comes from



Total income received by the Trust in 2006/07 was £89.5 million, a 16.2% increase on the previous year, predominantly as a result of the Vertical Integration of Community Hospitals and services from North Devon PCT from 1 October 2006.

The source of each pound the Trust receives, together with the monetary equivalent of total income is summarised below:

Source:		Monetary Equivalent £m
Primary Care Trusts	£0.87	£77.7
Other Income	£0.06	£6.1
Education, Training & Research	£0.03	£2.5
Other Patient Income	£0.04	£3.3
Total	**£1.00**	**£89.6**

The majority of the Trust's funding comes from contracts with Primary Care Trusts (PCT's), which purchase healthcare on behalf of their residents. £74.8 million was received from Devon PCT.

There was a 26.5% decrease in income from education, training and research as a result of central reductions in training levies and Workforce Development Confederation contributions that had to be absorbed by the Trust.

The Trust also provides non-patient care services to other NHS bodies which showed a reduction of £1.1m on 2005/06 levels as a result of the loss of income from services that were vertically integrated.

What we spend money on

The consumption of each pound the Trust spends, together with the monetary equivalent of total expenditure is summarised below:

The largest component of our expenditure is on salaries and wages. The Trust employed an average of 1,999 whole time equivalent staff, including the 6 month impact of vertically integrated staff, at an overall cost of £66.2 million (70.1)% .

Average staff numbers included 194 doctors, 625 nursing staff, 430 Healthcare Assistants and support staff, 501 administration and estates staff and 249 scientific and technical staff and . Overall pay increased by £9.7m (17.5)% mainly as a result of vertical integration.

A further £11.6 million was spent on clinical supplies such as drugs and consumables used in providing healthcare to patients.

The cost of running the premises and equipment amounts to £5.1 million and general supplies and services which support the Trust's infrastructure cost £4.4 million.

Other expenses includes

Applications:		Monetary Equivalent £m
Staff Pay (inc. Management)	£0.70	£66.2
Drugs & Clinical Supplies	£0.12	£11.6
Premises & Equipment	£0.05	£5.1
General Supplies & Services	£0.05	£4.4
Depreciation	£0.04	£3.6
Services from Other NHS Bodies	£0.02	£1.5
Other Expenses	£0.02	£2.1
Total	**£1.00**	**£94.5**

2006/07 Financial Position and recovery Actions

During 2006/07, Grant Thornton and Teamwork were commissioned to build on the work undertaken by Ernst and Young in 2005/06. As a result of proactively managing and implementing all savings schemes, the Trust ended the year with a deficit of £6.9m, being £0.6m less than the £7.5m deficit control total agreed with the Strategic Health Authority at the beginning of the financial year. At the end of 2006/07, the Trust had a cumulative deficit of £15.5m.

The Trust's accounts are audited annually by the Audit Commission, Unit 5-6 Blenheim Court, Matford Business Park, Lustleigh Close, Exeter, Devon, EX2 8PW. The fee for this work is detailed on page 16 of the accounts.

During the financial year, the NHS abolished Resource Accounting and Budgeting (RAB). For an organisation with a financial deficit, RAB was the process of recovering that deficit in the following financial year. The impact of this reversal in the 2006/07 financial position was a net benefit of £0.4m as shown in the table below:

2006/07	£m
Share of RAB funding returned	9.0
Less: Reversal of RAB support received	(8.6)
Net RAB benefit	**(0.4)**

Savings were achieved through a structured and vigorous adherence to project management methodology and progress was reported regularly to the Turnaround Board, Operational Management Group, Trust Board, Finance & Performance Committee, Strategic Health Authority and the Department of Health.

In all, the Trust has closed 55 beds, successfully reduced average length of stay and achieved its required performance targets as detailed earlier in the report.

Better Payment Practice Code

Section 8 identifies a statutory requirement to pay 95% of non-NHS invoices within 30 days and details the Trust's performance against this.

The Confederation of British Industry (CBI) "Better Payments Practice Code" is a 4 point code that organisations should adopt to ensure prompt payment to suppliers. The points are:

1. Agree payment terms at the outset;
2. Explain payment procedures to suppliers;
3. Pay bills in accordance with the contract or legislation;
4. Prompt communication of disputed invoices.

Under the Late Payment of Commercial Debts (Interest) Act, all businesses are entitled to claim statutory interest and debt recovery compensation for the late payment of commercial debts.

Further details as provided on page 20 of the accounts are detailed below:

Note 7.1 Better Payment Practice Code - measure of compliance		
	2006/07	
	Number	**£000**
Total Non-NHS trade invoices paid in the year	**33,956**	**26,859**
Total Non NHS trade invoices paid within target	**17,636**	**15,705**
Percentage of Non-NHS trade invoices paid within target	**52%**	**58%**
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.		

Note 7.2 The Late Payment of Commercial Debts (Interest) Act 1998		
	2006/07	**2005/06**
	£000	**£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**
There were no payments in respect of late payments on commercial debts.		

Capital Investment

In 2006/07 capital expenditure totalled £25.1 million. This included £19.0m of assets transferred under vertical integration and £0.9m investment in Picture Archiving Communications Systems (PACS). During the year the Trust disposed of its Riversvale administration and training premises for £1.1m. The balance of expenditure went towards general maintenance of the property and medical equipment.

The Trust received £130k in donations towards capital spend and is grateful to those organisations and individuals that support it.

During the year £1.1 million was spent on the Mental Health build, which is property owned by the Trust and to be utilised by Devon Partnership Trust. The funding for this project has been secured from South West Peninsula Strategic Health Authority Strategic Capital.

Breakeven Duty and 2007/08 Financial Outlook

NHS Trust's are required to break-even taking one year with another. In practice this must be delivered over a 3 year period and can be extended to 5 years with the permission of the Department of Health and starts with first year the deficit arises. The Trust's accumulated deficit can be stated as follows:

Year	Position £m	Break-even Year
Previous available surplus00	0.4	

2004/05 (Actual)	(1.0)	1
2005/06 (Actual)	(8.0)	2
2006/07 (Actual)	(6.9)	3
	(15.5)	

From the above it is clear that the Trust must make surpluses of £15.5m by the end of 2008/09 in order to achieve its break-even duty over the extended 5 year period as approved by the Department of Health in 2006. It has been recognised by the PCT and SHA that the Trust will be unable to achieve this from its own internally generated resources. From 2007/08, the PCT has therefore agreed to pay the Trust additional resources to allow it to achieve the following surpluses:

Year	Position £m	Break-even Year
2007/08 (Plan)	7.6	4
2008/09 (Plan)	7.9	5

The table below shows the Trust's financial plan of break-even at the end of the 2007/08 financial year after achieving £4.5m of savings. It is important to emphasise that in 2007/08, the planned surplus is from additional income that the Trust has not earned for work done or patients treated.

It must also be emphasised that the planned surplus in 2007/08 does not provide the basis for significant investment but merely a step towards eliminating the historic financial deficit of the organisation to put it on a firm footing from 2009/10.

The enormity of the task ahead should not be underestimated as the Trust strives for continuous improvement in the efficient way services need to be delivered.

The continued support to eliminate the historic deficit by the end of 2008/09 is dependent on the achievement of a £7.6m surplus in 2007/08. Failure by the Trust to achieve this surplus could jeopardise the planned financial support in 2008/09.

The following table illustrates the impact on the Trusts cumulative deficit.

	2004/05	2005/06	2006/07	2007/08	2008/09
	Actual	Actual	Actual	Plan	Plan
	£'000	£'000	£'000	£'000	£'000
Post 1997 Cumulative Surplus/(Deficit) b/fwd	**372**	**(619)**	**(8,580)**	**(15,504)**	**(7,904)**
Internally Generated Surplus/(Deficit) after savings achieved	(991)	(7,961)	(6,924)	0	0
Revised Cumulative Surplus/(Deficit)	**(619)**	**(8,580)**	**(15,504)**	**(15,504)**	**0**
Internally Generated Surplus/(Deficit) after savings achieved	0	0	0	0	0
Break Even Duty Funding	0	0	0	7,600	7,904
Cumulative Surplus/(Deficit) c/fwd	**(619)**	**(8,580)**	**(15,504)**	**(7,904)**	**0**
Break Even Duty Year	**1**	**2**	**3**	**4**	**5**
Breakeven Duty Achieved?	**No**	**No**	**No**	**No**	**Yes**

The Trust has agreed the 2007/08 Service Level Agreement with Devon PCT, that addresses the issues previously raised by the Trust in 2006/07 regarding activity the Trust was undertaking but not receiving reimbursement. The value of this income was £5.5m and 2007/08 was the earliest opportunity the Trust had under current rules to receive this entitlement.

Savings identified and incorporated in financial plans for 2007/08 total £4.5 million and are being managed, reviewed and validated using the same methodology that successfully secured the required savings and efficiencies in 2006/07.

Economic, efficient and effective use of resources

As a result of weaknesses highlighted in the 2005/06 Operating and Financial Review, the Trust has systematically implemented the following Governance arrangements during 2006/07:

- Set, reviewed and implemented strategic and operational objectives;
- Monitors and scrutinises performance against strategic objectives, standards and targets;
- Established and monitors the quality of its published performance information;
- Continuous development of a sound system of internal control;
- Established a systematic approach to the management of significant business risks;
- Established a medium term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities;
- Established arrangements to ensure that spending is within agreed control totals;
- Established a system to manage financial performance against budgets.

Full details are contained in the Statement on Internal Control and can be found within the annual report.

Energy Efficiency Performance against the Department of Health Energy Target and the Consequential Environmental Impact of the Trust's Carbon Footprint

- Waste Management.

The Northern Devon Healthcare NHS Trust works proactively to manage the disposal of waste across all of its properties, especially in relation to waste segregation and reduction. Waste produced at all properties continues to be monitored to clarify different waste streams and identify efficiencies. This includes on-site shredding of confidential waste and recycling of non-confidential office paper.

The Trust purchased a large industrial type shredder this year and employed personnel to manage the waste streams around the Trust and targeted increasing recycling tonnage. Presentations were made at link practioners meetings about the costs and legal consequences of incorrectly disposing of waste. Audits in various departments within the Trust have confirmed that waste costs have reduced and there is a greater awareness of the recycling potential of much of our waste. With the closure of Riversvale and the relocation of staff to the main hospital, these offices have for the first time been given excellent recycling opportunities which the staff have fully supported.

- Energy Management.

Because of the lower temperatures over this seasons winter period there has been a drop in the energy usage of all the Trusts properties. This combined with lower fuel prices over the same period has resulted in a good energy year for the Trust estate. There is a continual strive to reduce energy usage within the Trust which needs to remain a high priority in order to meet the government targets. This has resulted in a continual assessment of all the buildings energy consumptions and where possible investment opportunities will be made in order to save.

In line with greening the NHS, a portion of the electricity brought comes from green sources, this proportion continues to rise as more becomes available.

Emergency Planning

The Trust has reviewed and published its Major Incident Plan on its Intranet to comply with national guidance for emergency preparedness. This ensured that should a major incident occur that required a response from healthcare organisations in North Devon, the Trust had the necessary systems and processes in place for staff to take appropriate action.

The Civil Contingencies Act 1995 ensures that the United Kingdom is prepared to deal with major disruptive challenges however they might occur. Under the Act, the Trust was classed as a Category One responder with responsibilities including:

- Assessment of the risks of an emergency occurring and using this to inform contingency planning;
- Put emergency plans in place;
- Have business continuity arrangements in place;
- Put in place arrangements to make information available to the public and maintain arrangements to warn, inform and advise the public in the event of an emergency;
- Share information with other local responders to enhance co-ordination;
- Co-operate with other local responders to enhance co-ordination and efficiency.

Working closely with our partners is fundamental to the achievement of our role and responsibilities. The Trust is an active member of the Devon Health Emergency Planning Group which is a forum that enables multi-agency working with all partners including Local Authorities, Emergency Services and voluntary agencies. This ensures a robust and joined up approach to planning across Devon.

To test the robustness of the approach to emergency planning, the Trust, together with other local services, successfully participated in a staged exercise designed to simulate a real life emergency situation.

Additionally, the Trust also undertook its own test of internal systems by running an emergency situation and response during the year.

Statement of Internal Control 2006/07

Scope of responsibility

The Board is accountable for internal control. As Accountable Officer, and Interim 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.

With regard to the accountability arrangements for the Trust, the following routine meetings are attended by the Chief Executive and/or Directors:

- Weekly Executive Group meetings, with the attendance of an NHS Turnaround Director on a fortnightly basis
- Monthly performance meetings with the Director of Finance and Director of Operations with General Managers
- Monthly Board and Operational Management meetings
- Monthly meetings held with the South West Peninsula Strategic Health Authority and all Peninsular Chief Executives
- Regular meetings held with the Director of Finance at the South West Peninsula Strategic Health Authority and the Director of Finance and Performance
- Monthly performance meetings held with the South West Peninsula Strategic Health Authority, attended by the Director of Finance and Performance and members of the senior team and members of the senior team from North Devon Primary Care Trust until October 2006
- Monthly meetings held between Chief Executive and the senior team from the Trust and the Chief Executive and the senior team from the North Devon Primary Care Trust until October 2006. These meetings have been continued with Devon Primary Care Trust.
- Membership of the North Devon Way Forward Group and the North Devon Health Cabinet
- Attendance at the Patient and Public Involvement Forum and the Overview and Scrutiny Committee when required
- Additionally, the Trust Executive Team have attended Devon Health Community meetings when they have been convened.

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.

The system of internal control has not been in place in Northern Devon Healthcare NHS Trust for the whole of the year ended 31 March 2007, but was in place by 31 March 2007 and up to the date of approval of the annual report and accounts.

In making this statement reference must also be made to the action plans derived from the self-assessment of the relevant Core Standards for Better Health, the self-assessment for the Auditor's Local Evaluation and the Head of Internal Audit opinion on the effectiveness of the organisation's internal control systems and financial governance.

Capacity to handle risk

The Board and Senior Management are committed to risk management, as this is an integral part of achieving the Trust's objectives and being accountable to the public.

The Chief Executive has overall responsibility for risk management within the Trust. The Director of Finance and Performance has been nominated as the lead Director for risk management. Each Director has responsibility for leading and reporting on the risk management plans for risks identified within their directorates. The Directors are accountable to the Chief Executive in this role.

The line management and professional structures within the Trust ensure that responsibility for the implementation of risk management procedures and control of risks are in line with the scheme of delegation for their areas of responsibility.

Statutory Health and Safety training is provided to all staff. Generic risk assessment training is provided to the relevant staff. Further risk management training, such as managing risk registers, is targeted to the appropriate staff. This has enabled staff to manage risk in a way appropriate to their authority and duties. Further training will be provided over the next year.

The Risk Management Strategy was reviewed in order to reflect the changes to the organisation's structure following vertical integration with the community services in October 2006. The Risk Management Strategy was approved by the Trust Board in March 2007.

The risk and control framework

The Risk Management Strategy includes the following:

- Details of the aims and objectives for Risk Management in the organisation
- A description of the relationships between various Committees
- Descriptions of the responsibilities of all levels of management and their levels of authority in respect of managing risk and operating a suitable system of internal control
- Summaries of the role of key individuals with responsibility for advising on and co-ordinating risk management activities
- A description of the tools that the organisation will use to review risk management performance and for gaining assurance about the management of risk
- The definitions of risk management, risk and other key terms
- Guidance on what is an acceptable risk to the organisation

It also includes a description of the whole risk management process and requires all risk to be recorded, when identified, in a standard format risk register and prioritised using a standard scoring methodology. Risk registers, both local and corporate, are in place throughout the organisation.

The Risk Management Strategy clearly states that it is the responsibility of all staff to identify risks and communicate those risks to the most appropriate person and/or committee.

The Risk Management Strategy was reviewed in order to reflect the recent organisational changes and changes in the reporting and accountability structure of the principal committees responsible for risk management. At the Trust Board meeting in August 2006, it was agreed that the Non-Clinical Governance Committee should be disbanded.

The Risk Management Committee was established in December 2006 to monitor and manage both clinical and non-clinical risks. Minutes of the Risk Management Committee meetings are presented to the Audit & Assurance Committee, the Clinical Governance Committee and the Trust Board for information.

The role of the Audit and Assurance Committee has been expanded to monitor the management of high-scoring risks and to approve the management of the Principal Risk and Assurance Register. High-level clinical risks are monitored by the Clinical Governance Committee. The Terms of Reference of these two Committees have been amended to reflect these changes.

During 2006/07, the processes for populating the Trust's Corporate Risk Register have been reviewed. All identified risks are entered onto the Corporate Risk Register, with supporting action plans to mitigate the risk. A robust system for validating the risk assessments and their scores and for performance monitoring the progress of the action plans has been put in place. Routine reports of new risks, exception reports and those risks that have been accepted are presented to the Risk Management Committee on a monthly basis for discussion. The Assurance Framework is monitored by the Audit and Assurance Committee. Key elements of the Assurance Framework are:

- Principal objectives
- Principal risks
- Key Controls
- Assurances on Controls
- Gaps in Assurance
- Gaps in Control

In formulating the Assurance Framework, the Board has reviewed its strategic objectives to reflect the Standards for Better Health. The Corporate Objectives are used to confirm the Board agenda. The purpose of the Assurance Framework is to document the above and is used to examine the level of assurance on the effective operation of controls.

High scoring risks, i.e. with scores of 15 or more, recorded on the Corporate Risk Register are discussed at the Risk Management Committee to assess if they represent an example of a strategic organisation-wide risk. These risks are recorded on the Principal Risk and Assurance Register, together with a description of existing controls and related assurances and any gaps. The Principal Risk and Assurance Register is monitored by the Audit Committee and presented to the Trust Board for approval.

The Assurance Framework clearly states that the context for risk management should incorporate consideration of the organisation's stakeholders, including:

- Patients
- Service user interests
- Public interests
- Risk aspects of relationships inside and outside of the NHS, including key suppliers of goods and services to incorporate:
- Ways in which the behaviour of partners affects the Trust
- Way in which the behaviour affects the partners
- The risk priorities of partners
- Wider societal interests
- Ministers and the Department of Health.

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

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.

My review has also been informed by:

- Audit Commission reports
- Internal Audit reports
- Standards for Better Health assessment of the core and developmental standards

- Auditor's Local Evaluation assessment
- Healthcare Commission Reviews
- Internal management reports

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.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Risk Management Committee, the Clinical Governance Committee, the Audit and Assurance Committee, the Operational Management Committee and the Trust Board. The system is subjected to ongoing review and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The main mechanism for this will be the Assurance Framework and the agreed supporting committee and reporting structures that have been put in place from August 2006.

- The Board receives the following reports that provide it with assurance on how the controls within the organisation are working:
    - Reports from other committees of the organisation
    - Reports from Executive Directors and key managers
    - Reports from external reviewers, when received

- The Audit and Assurance Committee receives reports from Internal and External Audit on the work conducted by them during the year
- Minutes from the relevant committees, e.g. Audit and Assurance Committee, are presented to the Board to note
- Executive Directors and key managers may present reports to the Board to note or to approve
- The Director of Internal Audit has provided a Head of Audit Opinion commenting on the current status of the Assurance Framework and the effectiveness of the Systems of Internal Control reviewed by Internal Audit. This has been used to aid in the preparation of this Statement.
- The reporting structure described in the Assurance Framework is used to monitor the systems of internal control and make regular reports to the Board
- The Assurance Framework is independently reviewed by Internal Audit on an annual basis
- The Trust has completed three of the five modules for the Auditors Local Evaluation toolkit. The remaining two modules will be completed in June 2007 after the Trust's final accounts 2006-07 have been completed.
- The Trust has completed the declaration for Standards for Better Health.

Issues of Significant Internal Control identified by the Executive Directors will be reported immediately to the Chief Executive. Reports will also be made to the next Executive Group meeting, to the next Board meeting and to the next Risk Management Committee meeting. If required, the issue will be escalated to the relevant group, e.g. Audit and Assurance Committee or Clinical Governance Committee.

Disclosure of a significant internal control issue may contain a description of the weakness and its impact to provide context for the actions taken to manage it. In such cases, the Trust may exercise discretion when disclosing a significant internal control issue in order to avoid further adverse impacts or exploitation of the weakness.

Financial Recovery

During 2006/07, the Trust has continued the learning from the work undertaken by Ernst & Young, Grant Thornton and Teamwork and has successfully established a formal monitoring and control process to ensure recovery actions deliver the required savings, efficiencies and service changes. A programme board was established together with a recovery project office to ensure that work streams were operating in a planned, co-ordinated and controlled manner.

Throughout the year, the Trust was required to report fortnightly to the Strategic Health Authority and the Department of Health on progress against recovery plans. The project manager and project leads were required to report performance against agreed milestones and actions to the programme board within the same timescale.

The following fortnightly/monthly controls were implemented and remain in place regarding reporting of progress of projects:

- Executive Group meetings (fortnightly) - recovery project manager plus planned attendance of a nominated project lead
- Finance & Performance Committee meetings (monthly) - recovery project manager
- Trust Board meetings (monthly) - recovery project manager
- Operational Management Group meetings (monthly) - recovery project manager
- Project Leads Group meetings (monthly) - with recovery project manager and Deputy Director of Finance
- Project Lead plus finance manager meetings (monthly) - with recovery project manager and Deputy Director of Finance

The Trust has detailed plans in place to deliver £4.5m of savings in 2007/08 and will continue to monitor delivery to the same methodology and control as detailed above which ensures the Directors, the Board and the Strategic Health Authority are assured that recovery remains on track, or that remedial action is taken immediately to ensure that the planned financial position is achieved.

All risks to delivery are reported and scored for input to local and corporate risk registers as required.

Details of financial performance in 2006/07 and the 2007/08 financial plan are included in the Operating and Financial review that forms part of the annual report.

Standards for Better Health

Northern Devon Healthcare Trust is required to produce an annual declaration regarding compliance with the Department of Health's Standards for Better Health. The latest declaration covers the period 1st April 2006 to 31st March 2007.

The Standards for Better Health are grouped between 'core' and 'developmental' standards and the Trust is required to perform a self assessment of compliance. For the period stated only the 'core' standards contribute to the Healthcare Commission's annual health check.

Due to the reconfiguration of North Devon Primary Care Trust, a number of provided services transferred to the acute Trust in October 2006.

For the period 2005/6, the final declarations of compliance for the two organisations were as follows:

Status	Acute Trust	Primary Care Trust
Met	23	39
Insufficient Assurance	3	3
Not Met	20	2

This resulted in Northern Devon Healthcare Trust being assessed as 'weak' for both the 'quality of services' and 'use of resources' and North Devon Primary Care Trust as 'Fair' for both categories.

For the period 2006/07, the final declaration for the merged organisation was as follows:

Status	Merged Trust
Met	24
Insufficient Assurance	0
Not Met	20

Using the Healthcare Commission scoring guidance, the Trust must be able to evidence a full year of compliance. However to measure the turnaround of compliance against each standard a status of 'met by year end' was used within the Trust and recorded in the narrative section of the declaration.

Of the 20 'not met' standards, 14 were 'met by year end'. This positions the Trust for a full year's compliance against these 14 core standards in the forthcoming year 2007/08.

To support compliance with Standards for Better Health, the Trust has developed a process according to the principles below:

- Use of a delegated management model, where Executives direct and control the operational staff who implement and report achievement
- Alignment of Executive Lead responsibilities to achieve consistency with their portfolio
- Active support of the Clinical Governance Unit to help executive and operational achievement, through coaching, monitoring and reporting
- Alignment of Non-Executive Directors portfolios to the seven domains of Standards for Better Health
- Early engagement of the Non-Executive Directors in the assessment process
- Development of a central database for action planning to ensure consistency and the issuing of regular performance/assurance reports
- Provision of assurance reports to:

    - Clinical Governance Committee
    - Audit and Assurance Committee
    - Executive Team Meetings
    - Trust Board through the performance report
    - Strategic Health Authority

- Participation of regular meetings with the Healthcare Commission

Jac Kelly
Interim Chief Executive

Remuneration Report 2006/07

Introduction

Section 234B and Schedule 7A of the Companies Act, as interpreted for the public sector requires NHS bodies to prepare a Remuneration Report containing information about director's remuneration. In the NHS the report will be in respect of the senior managers of the NHS body. The definition of "Senior Managers" is:

'those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments.'

For the purposes of this report, this covers the Trust's Non-Executive Directors, Executive Directors and Associate Medical Directors, with the exception of the Associate Medical Director.

Remuneration Report

Details of senior manager's remuneration and pensions are attached in Annex 1.

The Remuneration and Terms of Services Committee

The Trust's Remuneration Committee is a Non-Executive Committee. The membership is the Chairman plus 5 Non-Executive Directors. Executive Directors may be present, in attendance, as and when required.

The remuneration of senior managers

The remuneration of senior managers is set out in the Terms and Conditions of Service. The performance of senior managers is assessed through the formal appraisal process, based on organisational and individual objectives. No element of the remuneration of senior managers is subject to performance conditions. All contracts contain a 3 month notice period and no contracts contain a provision for termination payments other than those agreed nationally and under statutory requirements for Redundancy Payments.

Non Executive Directors

The dates of contracts and unexpired terms of office for the non-executive directors are as follows:-

Name	Appointment start date	Appointment end date	Re-appointment start date	Re-appointment end date
Ro Day (Chairman)	01/04/03	31/12/06	n/a	n/a
Brian Sherwin (Chairman)	01/02/07	31/01/11	n/a	n/a
Annie Brenton (NED)	1/12/98	30/11/02	01/12/02	30/11/06
Tony Gatland (NED)	01/01/01	30/11/04	01/12/04	30/11/08
June Lake (NED)	01/07/03	30/06/07	n/a	n/a
Frank Pearson (NED)	01/07/03	31/07/06	n/a	n/a
Brian Greenslade (NED)	01/07/03	20/08/05	21/08/05	20/05/06
Brian Sherwin (NED)	01/08/06	31/01/07	n/a	n/a
Sam Jones (NED)	01/10/06	30/09/10	n/a	n/a
Amelia Tucker-Jones (NED)	11/12/06	10/12/10	n/a	n/a

Non-Executive Directors of the Board are paid an allowance for their work on the Board and do not hold a contract of employment with the Trust. There is no period of notice required for non-executive directors.

Executive Directors and Associate Directors

Name	Position	Contract Type	Start date	Employment status
Brian Aird	Interim Chief Exec	Self employed	06/02/06	Interim appointment ceased 12th October 2006
Jac Kelly	Interim Chief Exec	Fixed term	16/10/06	Contract duration 18 months to 15th April 2008.
Rod Muskett	Director of Finance	Permanent	01/08/05	Seconded to SHA 14th July 2006 to 31st March 07 extended to 31st April 2007 to enable appointment to new post.
Andy Robinson	Interim Director of Finance	Seconded from ND PCT	17/07/06	Secondment ended 14th November 2006.
Andy Robinson	Director of Finance	Permanent	15/11/06	
Mike Oliver	Medical Director	Permanent	19/10/04	Ceased role of Medical Director 30th June 2006.
Andy Latham	Interim Medical Director	Fixed term	01/08/06	Ceased 30th September 2006.
Sean O'Kelly	Interim Medical Director	Seconded from Swindon NHS Trust	01/10/06	Secondment end date 31st August 2007.
Carolyn Mills	Director of Nursing	Permanent	08/08/05	
Catherine Oliver	Director of HR	Permanent	13/09/04	
Jo Gibbs	Director of Operations	Permanent	18/04/05	
Iain Roy	Director of Facilities	Permanent	19/04/99	
Maureen Bignell	Director of Organisational Development	Permanent	01/10/06	Transferred under TUPE from North Devon PCT through vertical integration
Nikki Kennelly	Interim Director of Community Services	Acting position	01/10/06	Transferred under TUPE from North Devon PCT through vertical integration
Alison Diamond	Associate Medical Director	Permanent	01/10/06	Transferred under TUPE from North Devon PCT through vertical integration
Andy Latham	Associate Medical Director	Permanent	01/10/06	
Kate Maynard	Interim Director of Development	Internal secondment	01/10/06	Appointed to permanent position from 1st February 2007.
Kate Maynard	Director of Development	Permanent	01/02/07	