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Commission for Patient and Public Involvement in Health

2006-07 Annual Report & Accounts

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Contents

Annual Report

Annual Accounts

1 Chair's Covering Memorandum to the Secretary of State for Health

To: Rt. Hon Patricia Hewitt MP
Secretary of State for Health

In my last memorandum I commented upon the increasing maturity of Patient and Public Involvement (PPI) Forums and how they have continued to develop and their influence and impact grow.

The fact that PPI Forums have continued to work and to deliver their responsibilities to their local communities is a testament to their dedication and commitment to public involvement.

This continues, and remarkably so. Since in July 2006 the Department of Health (DH) published its Expert Panel's Report into PPI – 'A Stronger Local Voice' – which announced the abolition of PPI Forums and the creation of Local Involvement Networks (LINks). For many the decision to abolish PPI Forums was a shock – particularly as it followed fairly closely on Ministerial assurances that they would remain, since they were the 'cornerstone of patient and public involvement'.

We now have a new piece of legislation progressing through Parliament, the Local Government and Public Involvement in Health Bill, which provides for the abolition of PPI Forums and the Commission for Patient and Public Involvement in Health ("the Commission"), and proposes a new system of patient and public involvement in the guise of LINks. It would be unfortunate if the PPI momentum built by the Commission, with its dedicated PPI volunteers, was lost in the movement to the new system and the Commission will endeavour to ensure that PPI Forum members are aware of the new opportunities that LINKs will provide for them.

It is, as you know, part of the Commission's job to advise you as Secretary of State on matters relating to patient and public involvement and we concur with much of the recent report by the Health Select Committee's Report on PPI regarding the viability of LINks. It is our firm view that the proposed LINks system will require significant Parliamentary amendments to make it workable. Indeed common sense may demand that a step back is now needed, to provide for a thorough review of the PPI agenda in the context of the reformed health and social care systems, and to design a workable evidence based system for the future.

Sharon Grant, CHAIR

Returning to the work of the Forums, you may have seen media coverage of recent national campaigns and events:

Fair Talk

The 'Fair Talk' campaign was launched in response to concerns from patients and their visitors over the high cost of hospital bedside entertainment services. The survey also set out to gauge viewpoints on the use of mobile phones within hospitals. More than 1,255 people at 76 hospitals were asked for their opinion on telephone usage in hospitals. Findings showed that the majority are extremely unhappy with the high costs associated with them, particularly in regards to incoming calls. As a result of the campaign, a number of hospital Trusts have now agreed to adopt a more flexible approach to mobile phone usage in hospitals.

Food Watch

In autumn 2006, PPI Forums asked patients and their visitors for their opinion on the cost, quality and availability of hospital food. More than 2,240 people were surveyed at 97 hospitals across England. The survey found that a number of hospitals were providing patients with what they wanted and needed, but in many hospital patients were still being provided with food that is not what they want, served at the wrong temperature, left because it is unappetising and is being supplemented by food brought in by family and friends.

40 MPs put forward an Early Day Motion requesting government action to improve the quality of hospital food. The campaign prompted widespread national debate on hospital food.

Care Watch

Throughout February and early March 2007, members of PPI Forums asked 2,462 patients, across the country, for their views on crucial issues which could affect a patient's dignity, such as privacy, communication and assistance with eating.

Results of the survey found that contrary to popular belief, the National Health Service (NHS) is generally getting patient dignity right. However, they also show that as the NHS is changing, so are patients' expectations, with many now anticipating less personal care than they have done in the past.

Findings were shared with decision-makers at the DH and as a result many NHS Trusts are now working with their Forums to place a higher priority on dignity and care within their services.

National Mental Health Event

The Commission hosted a national event for those with an interest in PPI in the mental health arena. 150 delegates participated in the *'Creating a Stronger Voice for Local Health'* conference staged in Westminster in March 2007.

There have also been some remarkable achievements by PPI Forums and their actions have clearly made a difference to their local health economy. The sheer scale and range of activities undertaken by PPI Forums is quite remarkable and examples range from working with a Trust and an Overview and Scrutiny Committee to provide a hospital shuttle bus for staff, patients and visitors to actions to deal with hospital hygiene and providing NHS Connecting for Health with feedback on their NHS Care Records website to ensure that it is patient friendly.

Sharon Grant
CHAIR

Annual Report 2006-07

2 Background to the Commission

The Commission for Patient and Public Involvement in Health is an independent, Non-Departmental Public Body, sponsored by the Department of Health. The Commission's role is to ensure patients and the public are involved in decision-making about health and health services in England.

Set up in January 2003, the Commission established the first ever independent national system for involving patients and the public through 568 separate PPI Forums, one for every NHS Trust, Foundation Trust and Primary Care Trust in England. Furthermore the Commission has recruited several thousand volunteers who are now actively engaged in local health decision-making through the Forums.

PPI Forums are directly supported by Forum Support Organisations (FSOs), contracted by the Commission, which are made up of voluntary and not-for-profit organisations. The FSO system was an innovation devised by the Commission to utilise the knowledge, experience and existing contacts of these organisations for the benefit of Forums across England and is a system, which on the whole is working well.

3 Future direction of the Commission

The DH's Arms Length Body review resulted in a Ministerial decision to abolish the Commission. The original date for abolition was announced as August 2006; however, this has been postponed until March 2008.

Public involvement in health has been stated as a key part of Government policy and the transition of the current system to the proposed LINks will be key, both in order to remain effective and to maintain the involvement of volunteers who have experienced a great deal of uncertainty since PPI Forums were established. The Commission has worked closely with the DH to ensure a smooth transition from the current system through to closure, in preparation for the new system.

In November 2006, the Health Select Committee announced that it was undertaking an Inquiry into PPI. The Commission submitted both oral and written evidence – as did many PPI Forum members.

The Commission raised many concerns regarding LINks, primarily:

- Adequate resources – the Commission undertook an analysis on the budget required to deliver even the local LINk proposals and surmised that it would require £64 million to delivered this – more than twice the Commission's budget
- Accountability – a report published by the Centre for Public Scrutiny found that Overview and Scrutiny Committee 'holding to account' function is underdeveloped. The LINks should be accountable to local communities: the Local Government and Public Involvement Bill makes no provision to hold individual LINks to account beyond the production of an annual report
- Independence – it is important for LINks to be credible and avoid undue influence by health professionals, especially where local government itself is responsible for the provision of services

- Fear of there being a 'gap' in PPI as one system ends as another begins – the Commission believes that Forum members have acquired considerable knowledge of their local NHS, and developed relationships with trusts and community organisations. The Commission also welcomes the move towards broadening and simplifying LINk membership to enable a smooth transition from the current system
- Timing – changes are occurring during a period of intense change in the NHS – the Commission has concerns around the timing of the change, which comes at a time when the NHS is undergoing major upheaval.

The Report was published on 20 April 2007.

The Commission will continue to meet its statutory responsibilities in respect of PPI Forums and PPI as prescribed in legislation until such time as its abolition occurs. This will provide a highly challenging environment in which to maintain performance, ensure value for money and motivate Commission staff and Forum members.

The Commission will continue to work to the four strategic objectives set by the Chief Nursing Officer:

- *To contribute to the implementation of the new PI system and develop a meaningful legacy that helps to inform the future of public involvement in healthcare.*
- *To maintain PPI Forums as effective organisations and put in place appropriate arrangements for the support of PPI Forums, subject to the availability of funds and value for money.*
- *To maintain CPPIH as an effective organisation through its abolition and ensure that it is closed down in a managed way and proportional to its available funds.*
- *To plan and deliver the closure of the organisation minimising all costs and liabilities through the process.*

There is an ongoing dialogue with the DH to establish how the Commission can best contribute to the transition to the proposed LINKs system. Detailed plans for this are expected to be developed during the forthcoming period.

Currently, on behalf of the DH, the Commission is managing seven Early Adopter Projects (EAPs) to test out the concept of LINKs. They have been selected to reflect the diversity of areas, including urban and rural localities with diversity in ethnic communities. The projects will trial the process of LINk membership recruitment, to ensure diversity in membership and test accountability mechanisms, support models and relationships with the Local Authority. The Projects are located in County Durham, Doncaster, Manchester, Hertfordshire, Kensington & Chelsea, Medway and Dorset. The Commission's Area Directors' main role is to work with local communities to establish the EAPs and Transition Co-ordinators, seconded from the Commission, are supporting the Area Directors in transitional activity by developing the LINks and co-ordinating stakeholder and community involvement.

4 Patient and Public Involvement (PPI) Forums

4.1 Introduction to PPI Forums

While the Commission has a range of statutory responsibilities, its main outputs occur through the establishment and support of PPI Forums. These have been in existence since December 2003, so the 2006-07 financial year represents the third full year of PPI Forum operation.

The PPI Forum system consists of groups of volunteers. Each group is established by legislation to be independent of the NHS and of the Commission which has responsibility for appointment to PPI Forums and for their support, but not for their direction.

As part of the Government's plans to create a patient-led NHS, the NHS underwent a period of reorganisation. This led to Strategic Health Authorities being reduced from 28 to 10, Ambulance Trusts merged to create a total of 12 and the number of Primary Care Trusts was reduced from 303 to 152. There is a PPI Forum associated with every NHS Trust, Primary Care Trust and Foundation Trust in England and in order to reflect the changes in the NHS, PPI Forums also merged. Where previously there were 568 Forums, post-merger this figure now stands at 393. The structure of the PPI Forum is designed to give each Trust a 'critical friend' which works closely with it, but represents patients' views. PPI Forums develop their own work programme, making sure that health services are monitored and it is they, rather than institutions or professionals, who decide which local health issues, are considered

4.2 Forum Successes

Practically every PPI Forum can highlight an issue raised with their Trust or where the PPI Forum sought to influence an improvement in delivery of service. PPI Forums continue to work on a wide range of health subjects, including dentistry, waiting times, hospital food and transport, contributing to improvements for the consumers of these services and ensuring patients and the public have a say.

Major successes have been publicised but the hundreds of minor successes tend not to receive the recognition deserved. The impact of minor accomplishments to service users should not be underestimated. They may not affect huge numbers but the impact is still real and significant.

PPI Forums have been successful in holding Trusts to account regarding decision-making and its effect on service users. This has been achieved even in Trusts who already have their own established method of involving and consulting with patients and the public. Even when this has not led to a changed outcome, it has facilitated improved communication between service users and Trusts.

The following sections provide a small snapshot of the positive work being carried out by PPI Forums across the country. Further details of each PPI Forum's activity and achievements are published every year by the individual Forums and a National Summary of their achievements is published annually by the Commission. Copies of these are available on request or through the Commission's website at www.cppih.org.

4.3 National Activity

During the last year, PPI Forum members undertook three national health campaigns looking at important issues in the NHS.

Fair Talk – 1255 patients were surveyed by members from 78 PPI Forums in April 2006 during a campaign which looked at opinions on the exorbitant charges made by suppliers of hospital bedside entertainment units, focusing specifically on telephone charges. The campaign report was published in May and a copy was sent to the Secretary of State for Health and to the Patient Power Review Group.

Food Watch – 117 PPI Forums undertook to survey patients and the public regarding aspects of hospital food and its service. In total, 2,240 people responded and the results were released to the media in October 2006 and a copy of the Report was sent to the Secretary of State.

Care Watch – During February and March 2007, 121 PPI Forums up and down the country surveyed 2,462 patients as part of this national campaign, which looked at the dignity (privacy, respect, communication and help with eating) of patients in the NHS. A Report was produced late March and a copy of the Report has been sent to the Secretary of State for Health and the Dignity in Care Champions Network, supported by the DH.

All three campaigns led to extensive national and local media coverage in the press and broadcast media of crucial health issues and raised the profile of the work of PPI Forums.

4.4 Community engagement

PPI Forums recognise the importance of reflecting the views of their local community and ensuring that everyone, including those not usually heard, has a voice in the future of health services.

PPI Forums have used their knowledge and experience within their communities to develop innovative ways of raising awareness and reaching these 'hard to engage' groups, which include prison inmates, travelling communities, ethnic minorities and remote communities.

PPI Forums have had a real impact in engaging with their communities and some examples of this include:

- PPI Forums in West Sussex were involved in an initiative to learn more about the health and social care issues which concern and affect young people. They are finding ways of engaging with young people and encouraging them to voice their views, ideas, opinions and concerns. At the same time they are raising awareness of PPI and the variety of work PPI Forums are carrying out.

  As a means of engaging with and listening to what young people have to say, approaches were made to the seven Youth Councils and seven Information Shops in the county. Members from the Adur, Arun and Worthing, the Sussex Partnership (West Sussex Locality) and the Horsham and Chanctonbury Forums all participated in workshops with young people from two Youth Councils. The main issues of concern centred around the preservation of doctors' confidentiality, mental health, drug and alcohol misuse and sexual health.

- Cornwall has the highest rates of skin cancer in the UK and is an issue which has been raised by the media, cancer user groups and the dermatology department at the Royal Cornwall Hospital Trust.

  As a result, the Royal Cornwall Hospital Forum held a 'Sun Safe' event at the Extreme Academy in Newquay and was joined by a skin specialist from the British Red Cross and a Consultant Dermatologist from the Royal Cornwall Hospital. The day allowed members of the public to find out more about skin safety and the work of the Forum.

4.5 Providing a public and user voice in specialist services

Specialist PPI Forums, such as Ambulance and Mental Health Trusts are especially valuable in that they often have a unique understanding of these specialist areas. This can be particularly seen in the case of Mental Health Forums, where many PPI Forum members are, or have been, service users.

Some positive examples of Forums who have made a difference to local services include:

- Birmingham and Solihull Mental Health NHS Trust recently held a consultation on Foundation status. The original proposal recommended just one constituency for the general public, but the PPI Forum believed that it was essential to establish separate constituencies for service users and carers.

The Forum issued an interim contribution to the consultation, which was taken to the local Overview and Scrutiny Committees (OSCs), service user, and carer groups. This resulted in the Forum winning support and, following its final submission to the consultation, successfully persuaded the Trust to accept the principle of separate service user and carer constituencies.

- In August 2006 Humber Mental Health Teaching PPI Forum carried out a detailed inspection of patient facilities at Westlands Mental Health Community Unit. Following significant refurbishment, the new facility re-opened in April 2006, providing in-patient care for adult mental health patients. The Forum was keen to assess the standard of care provided by the facility to ensure patient needs were being met.

  The Forum found the new facility to be of a high standard, and were generally impressed with the medical practices observed, however they did identify a number of issues that required addressing. There was concern that some new and temporary staff members were not trained to the same high standard as existing staff members, particularly in terms of hygiene and infection control practices, as well as techniques for patient restraint. In addition minor concerns regarding staff absence and turnover, as well as training standards for catering staff, were also raised. In addition Forum members also highlighted the need for improved fire safety practices, including trial evacuations of the building. A detailed report of the Forums inspection was produced and presented to the Trust, and as a result the Trust has been working with the Forum to address the minor concerns raised. The work of Humber Mental Health Teaching PPI Forum has played a key role in improving the overall standard of patient care at Westlands Community Unit.

4.6 Working with Partners

Forums regularly work in partnership with others. PPI Forums have played a crucial role in the Healthcare Commission's (HCC) 'Annual Health Check', providing a commentary for each Trust on how the PPI Forum feels that the Trust has performed over the previous year. This year, the Commission and the HCC worked in partnership to run 12 training events across the country to help PPI Forums prepare to take part in the Annual Health Check. In total, 1,000 Forum members attended these events.

PPI Forums are increasingly referring to NICE (National Institute for Health and Clinical Excellence) guidance in their reviews of Trust services. By using NICE guidance, PPI Forums are helping to get a better service for the public by: checking whether Trusts are following current best practice in providing and improving services; and giving patients and the public a greater say in the service they get by making them aware of NICE guidance and how to use it.

- PPI Forum for Bedford Hospital worked collaboratively with a local charity, Sight Concern Bedford, to improve services for visually impaired patients in the hospital. The Forum suggested that the hospital use a means of highlighting whether a patient is visually impaired and the Trust has now purchased yellow wrist bands for patients to wear to alert staff without being too obvious to others.

  The Forum also asked the Trust if it would consider providing more visual awareness training for all staff, especially in techniques for guiding patients from outpatient waiting areas to the consulting room. This suggestion was welcomed by the Trust who told the Forum that their training department is looking at providing this.

  PPI Forums are also working closely with, for example, their local OSCs, other council departments and Members of Parliament (MPs). An example of a local partnership working closely includes:

- An innovative transport workgroup led by local PPI Forums, has meant that patients in Staffordshire are benefiting from an annual £166,000 investment by the county council and the local hospital trust to provide regular Arriva bus services running between two major hospitals.

Following feedback from people struggling to attend appointments in the absence of adequate public transport, and the high cost of alternatives, the PPI Forums for Mid-Staffordshire General Hospitals NHS Trust and Cannock Chase PCT established the joint workgroup to collaborate on solving the problem. Other workgroup partners include representatives from the council's transport department, the hospital trust, the hospital user group and members from Cannock Chase PCT Forum.

The result has been a highly successful and much-valued service, which now provides regular transport between Staffordshire General and Cannock Chase Hospitals. In addition, the influence of the transport workgroup is going from strength-to strength, as it is playing a proactive role in shaping the transport strategy for the county PPI.

5 The Commission and its Functions

The Commission seeks to facilitate public involvement in decisions that affect people's health and well-being. The Commission is committed to service delivery characterised by professional competence, transparency of its processes and decision-making, objectivity, integrity, openness and diversity, and placing the interests of patients and members of the public at the heart of everything it does.

The mission statement above was drawn up by the Commission in response to its statutory functions set out in Chapter 2, Section 243 of The National Health Service (NHS) Act 2006 (the Act).

The Commission continues to meet these functions, which are detailed in the management commentary, section seven of this document.

Essentially the Commission carries out the following functions:

5.1 Sets up, funds, staffs and performance manages all PPI Forums

The Commission has recruited and inducted members of the public into the separate PPI Forums across England and put in place an innovative support system, which provides members with a dedicated support organisation, firmly in-line with Government policies on the non-profit sector and localism.

5.1.1 Forum support

Forum Support Organisations (FSOs) are not-for-profit organisations that have been contracted through a competitive tendering process to provide staff support to PPI Forums. These organisations, independent of the NHS, use their knowledge, experience and existing contacts within local communities to support PPI Forums.

They are single organisations or consortia that play a vital role in helping to shape the future of health provision throughout England. They are managed on a geographical basis by nine regional centres.

Specifically FSOs support two or more PPI Forums and:

- Help the Commission by supporting the recruitment and training of PPI Forums
- Help PPI Forums communicate with each other, the Commission and other external networks and organisations
- Arrange for information and guidance provided by the Commission to be available to the PPI Forums
- Help PPI Forums to monitor NHS services
- Help PPI Forums play an active role in health-related decision-making
- Provide administrative support to PPI Forums

The Commission continually assesses the performance of these support providers. At the last full assessment in 2005, 70% of FSOs were rated as 'good' or 'very good' by the members they support. This resulted in the award of contracts in poorly performing areas to new providers with Forum Members fully involved in the process.

In 2006, a non-compulsory assessment by Forum Members of FSOs showed satisfaction levels of over 75%.

Where the Commission is not able to contract with an FSO, an In-House support system for PPI Forums has been developed and implemented.

Additional support is provided to PPI Forums through the Commission's offices and staff including communications, training, PPI governance, networking events, and the award-winning Knowledge Management System (KMS). The KMS enables Forums, FSOs, the Commission, members of the public and other stakeholders to report on their activities, share information and develop knowledge and best practice.

On 12 April 2006 the Commission organised the first FSO National Event in order to give FSOs the opportunity to network and share good practice with each other. The event was well attended and post-event evaluation showed that the event was well received.

5.1.2 Support networks and communications

During 2006 many PPI Forums merged to reflect the changes that were happening with NHS Trusts. This meant that PPI Forum members had to develop new working relationships with members from other Forums while continuing to perform effectively. In order to support this and to strengthen existing relationships, the Commission supported Forums by providing Development Workshops, where newly merged PPI Forum members could network with one another and build on their expertise. The purpose of these workshops was also to enable PPI Forum members to feel valued and a sense of belonging, which was hoped would encourage retention of Forum members during what has been a challenging time for them. The workshops covered subjects such as LINks, The HCC Annual Health Checks and Practice based Commissioning, for example.

At the end of 2005 the National Association Reference Group (NARG) was set up. It is one of several Reference Groups set up by the Commission to bring Forum Members into the policy making process. The purpose of NARG is to advise the Commission on the issues around enabling PPI Forum Members to establish an independent national voice. There are two PPI Forum Members from each region on NARG. Membership is upon application.

5.1.3 PPI Forum funding

Overall, approximately 82% of the funds allocated to the Commission were allocated to directly support PPI Forums. The balance has been used to provide the KMS (also used by PPI Forum members and Forum support), IT systems and infrastructure support, governance arrangements, back office support services, accommodation and general running expenses.

Expenses incurred by PPI Forum members whilst carrying out PPI Forum activities were reimbursed by the Commission.

Additional funding was made available to support those PPI Forums that had merged and needed support in developing themselves as effective organisations.

5.2 Appoints all members to PPI Forums

The Commission is responsible for recruiting and appointing PPI Forum members onto the Forums. Through many of its activities, the Commission actively raises awareness about the benefits of Forum membership, through generating news releases to the media, undertaking national campaigns, the upkeep of the CPPIH website and producing materials focussing on Forum achievement. Specifically, in March 2007, the Commission ran a national recruitment campaign, running a series of advertorial features in newspapers across the country. The campaign objective was to aid general recruitment and there was some focus on recruitment to those PPI Forums with lower numbers. The campaign was deemed a success with over 150 responses being recorded.

Interested parties are interviewed by the Commission and if they meet the criteria are offered a place on a PPI Forum. Prospective PPI Forum members are also Criminal Records Bureau (CRB) checked to help ensure the safe deployment of their powers to enter and inspect NHS premises.

New Forum members are given a welcome pack upon arrival and offered an induction course, ensuring they are given the background they need to fulfil their role as a Forum member. The Commission and FSOs, work together to promote Forum and Forum Membership opportunities to the public, using key vehicles such as the media, promotional literature and the web.

The average number of PPI Forum members in place during 2006-07 was 4,296 with an average of 9 members per PPI Forum. During 2006-07 the overall average time from the receipt of a membership application to confirmation of membership including CRB processing ran at 12.41 weeks.

5.3 Sets quality standards for, and issues guidance to PPI Forums

In order to improve the effectiveness of Forums, members need to be clear about their role, responsibilities and boundaries. Having recruited, appointed and worked with over 8,229 Forum members for the past 32 months, the Commission has developed considerable skill and knowledge in this area and continues to disseminate guidance and good practice to Forums on how to improve their work.

A code of conduct for PPI Forums has been produced and shared with PPI Forums and the Commission has developed seven 'good practice guides' covering a number of key areas.

The guides entitled; The Effective PPI Forum, Effective Meetings, Effective Chair, Diversity and Equality, Monitoring and Review Visits, Forums Engaging with their Communities and Working with the Media.

The good practice guide, 'The Effective PPI Forum' shares good practice and advice to PPI Forums on a number of areas including the Forum work plan, understanding differences, holding effective PPI Forum meetings, relationships with partner organisations and consensus

decision-making. It also contains a PPI Forum 'Self Assessment' guide, enabling PPI Forums to review the effectiveness of their work and agree areas for improvement.

The Commission's Standards of Conduct policy encourages PPI Forums to self-regulate, wherever possible but also provides a range of review and appeal processes where self-regulation is not successful.

Inductions and training were rolled out to PPI Forums across the country, with courses including monitoring and visits, media awareness, meeting and chairing skills and equality and diversity amongst others. 526 course places were taken up by PPI Forum members in the 2006-07 financial year.

5.4 Submits reports to the Secretary of State for Health on how the whole system of PPI is working and advises them about it

The Commission continues to submit regular reports to the DH on the progress of Forums and the PPI system, such as the Forum Annual Report National Summary and 'PPI Champions – celebrating 3 years of PPI Forum work' report.

The Commission however was not invited to sit on the 'expert panel' set up to strategically review the future of PPI.

The Board of Commissioners articulated a set of six key principles in November 2004 and these remain, in our view, critical to any successful system of public involvement.

The Commissioners believe that any PPI system should:

- Ensure that the independent voice of patients and the public is heard at all levels where decisions are made
  To have public support, a system of PPI must not depend on existing and established interests in health. It must also operate wherever relevant decisions are made, locally, regionally and nationally.
- Aspire to involve the public in all its diversity, especially those not normally engaged
  We know that some groups in society are too often excluded from decision-making. A system of PPI needs both to encourage them into Forum membership, and be able to find new and imaginative ways of ensuring that their voice on health issues can be heard.
- Work in partnership with the NHS and other stakeholders to produce continuous improvements in how services are delivered and in public health
  A system of PPI needs to change health decision-making so that patients and the public become equal partners with the many different health service providers, regulators and stakeholders. Clear arrangements for joint working and proper support for Forums will be necessary if this is to be achieved.
- Be cost effective and clearly add value to health improvement
  A worthwhile system of PPI will always mean spending significant amounts of public money. That money should be spent wisely, and it should be clear how the system is contributing to improving health and health services.
- Recognise that the patient and public experience is not defined by organisational boundaries
  We know that many decisions about our health are taken both outside the NHS and outside geographic boundaries. A patient's experience of being treated for a condition, may often mean moving between a variety of settings in the NHS, as well as receiving services from elsewhere, for example a local council's social services department. It is important for patients that there is co-ordination between all these different services. This means that the remit of a good system of PPI must extend across and beyond the NHS, and be able to bring together those with common concerns in different parts of the country.

- Operate effectively within the wider 'active citizenship' agenda
  Health is only one area where more public involvement can improve people's lives. A system of PPI will be strengthened by building links with other involvement initiatives locally and nationally, and by sharing learning, resources and ideas.

5.5 Carries out national reviews of services from the patient's perspective – collating data from PPI Forums and making recommendations to the Secretary of State and to other bodies and persons it considers appropriate

The Commission reviewed Forums' annual reports for the year and drew on major themes and areas of good practice. The findings were drawn together in a national summary, which was published and shared with stakeholders, such as MPs, PPI Leads and PPI Forums across England.

Major themes identified in the most recent PPI Forum national summary include:

- Monitoring and reviewing NHS services
- Other activities related to the NHS
- Activities related to non-NHS services
- Working with their NHS Trust
- Working in partnership
- Community involvement
- Training/development
- Recruitment
- Promotion of Forums

6 The Commission's Internal Operations

The Commission initially operated through a National Centre based in Birmingham and nine Regional centres aligned with regional government centres. During the 2006-07 financial year the Commission, through its business plan, was required by the Chief Nursing Officer to minimise closure costs wherever possible. In order to meet this requirement leased premises with long term break clause dates have been marketed. As a consequence of this action the North East, North West and South West regional centres were assigned to other parties. Commission staff affected by the closure of these regional offices, have been relocated, in the intervening period to operational closure, into short term serviced accommodation. Additionally it operates a central call centre for telephone and email contact particularly with Forum members.

In this financial year the Commission has been operating in difficult circumstances in preparing for the planned abolition of the Commission itself, a great deal of uncertainty about the future arrangements for PPI and the legislative timetable. Planning assumptions surrounding the organisational closure date have been changed three times. A programme of staff and cost reductions was applied at the start of the financial year to meet a reduction in budget to £28 million. The restructuring applied has enabled the Commission to remain within its reduced financial threshold.

In spite of these difficulties the Commission continues with the efficient operation of its own internal services and several key highlights of these are noted here.

6.1 Finance

The Finance function processes all of the payment and accounts for the Commission's operation and in addition processes expenses claims made by Forum members when they undertake forum activities. This involved a large number of transactions and the Finance function continues to operate in a highly effective manner.

Operating costs of the Finance function compare favourably with Health Arms Length Bodies (ALB) sector benchmarks. Internal audit reports continue to provide a level of assurance that is at or above similar continuing organisations in the sector.

The financial operations of the Commission as a whole have remained within budget. In meeting its overall budget levels the Commission has also set aside funds to cover longer term provisioning liabilities resulting from the decision to abolish the Commission.

6.2 Communications

The Commission's Communication function publicises Forum achievements to the media and relevant stakeholders. During this financial year media coverage has increased significantly with regular coverage in regional media and features in national media.

Regular monthly newsletters are distributed to FSOs and Forum members in a wide variety of languages and formats in direct response to the needs of individual Forum members.

6.3 Human resources

In the context of the Commission moving towards its abolition with a requirement to deliver its legal responsibilities, the Commission required skilled and experienced staff in order to deliver its responsibilities and the Human Resources function has been active in a number of areas during the financial year.

It has supported the retention and motivation of staff in continuing operations with staff training and development where this contributed to achieving the Commission's objectives and building capacity in PPI related skills.

In addition the function has assisted with the planning process and employment law requirement associated with organisational closure and facilitating the TUPE transfer of staff from third party contractors to the In House Service Provider (IHSP) following the expiry of support contracts.

The function will continue to play a pivotal role in supporting and maintaining the motivation of staff and this support includes ensuring suitable outplacement arrangements are in place to enable staff that are to be made redundant secure suitable alternative employment wherever possible.

6.4 Information Technology & Knowledge management

The IT and Knowledge Management functions continue to support the use of information technology by Commission staff, FSO staff and individual Forum members – approximately 5,500 people across nearly 700 organisations with the capacity for extensive use by the general public.

IT systems were available for service 99.4% of the time for network-based systems and 99.2% of the time for web-based systems. In addition, during the period reductions of 25% in IT costs were negotiated for the 2006-07 financial year.

7 Management Commentary

7.1 An Overview of the Commission

The statement of accounts reports the results of the Commission for the year 1 April 2006 to 31 March 2007. It has been prepared in accordance with the Accounts Direction given by the Secretary of State for the Department of Health, with the consent of the Treasury in accordance with Schedule 16, paragraph 11 and 12 of The National Health Service (NHS) Act 2006 (the Act).

The Commission was established on 1 January 2003 as a body corporate by authority of the Act. The Act established the Commission as an independent body to promote and support greater and more effective involvement of patients and the public in England in matters affecting their health.

The Commission has the status of an Executive Non-Departmental Public Body established by statute. It is financed by Grant-in-aid through the Department of Health Request for Resources Main Estimate 1, Subhead H3 for revenue and capital. The Secretary of State for the Department of Health is answerable to Parliament for the Commission and is responsible for making financial provision to meet its needs.

The Act provides that the Commission shall have a Chair appointed by the Secretary of State for Health or by a Special Health Authority as directed by them, and up to 10 other Members. The Act provides that the Commission shall employ a Chief Executive and other staff. The Commission has a national office in Birmingham, six regional centres and three serviced accommodation offices mirroring the areas covered by the offices of regional government.

On 22 July 2004, the Secretary of State for Health announced in a written statement to the House of Commons, that the Government intended to abolish the Commission following a review of the Department of Health's Arms Length Bodies. In making this announcement, the Secretary of State affirmed a continuing commitment to Patients' Forums, indicating that Forums will continue to be supported under arrangements to be determined. A Ministerial announcement on 15 March 2005 provided a more detailed plan for the timing of this event and the future arrangements for the support of Patients' Forums. The Commission commenced work to co-ordinate its activities within the provisional abolition timetable. Initially it was indicated that the Commission was likely to cease its operations in the autumn of 2006. This was set out in the Queen's speech on 17 May 2005 which included the Health Improvement and Protection Bill, which was proposed as the primary legislation under which the Commission will be abolished. However, a Ministerial announcement in the summer of 2005 indicated a delay in the abolition of the Commission until summer 2007.

The reason given by the Minister for postponing the Commission's abolition was to allow sufficient time for a strategic review of PPI. This review was to forward any high level recommendations that needed to be fed into the White Paper "Our Health, Our Care, Our Say" which was published in January 2006.

The Queen's speech on 15 November 2006 included provision for a Local Government Bill which latterly became titled Local Government and Public Involvement in Health Bill, which included the abolition of the Commission. More recently the Department of Health, with Ministerial approval, has asked the Commission to defer operational closure to 2008 ensuring that the legislative process has been concluded and that the procurement of LINk contracts through Local Authorities have been started prior to the Commissions abolition. This action is seen as a key strategy in ensuring that there are no gaps in the delivery of PPI through the transitional period of migrating from the old system to the new PPI framework.

The Bill is expected to receive Royal Assent in the autumn of 2007, with operational closure of the Commission set for March 2008 followed by a short winding up period of the organisation to be concluded by June 2008.

The Commission carries out the statutory functions set out in Part 12, Section 243 of **The National Health Service (NHS) Act 2006 (the Act)**. Activities carried out in line with these functions are described in more detail in Section Five: 5 The Commission and its functions :

a) advising the Secretary of State, and such bodies as may be prescribed, about arrangements for public involvement in, and consultation on, matters relating to the health service in England;

b) advising the Secretary of State and such bodies as may be prescribed, about arrangements for the provision in England of independent advocacy services;

c) representing to the Secretary of State and such bodies as may be prescribed, and advising him and them on the views, with the regard to the arrangements referred to in (a) and (b) above, of Patients' Forums and those voluntary organisations and other bodies appearing to the Commission to represent the interests of patients of the health service in England and their carers;

d) providing staff to Patients' Forums established for Primary Care Trusts, and advice and assistance to Patients' Forums and facilitating the co-ordination of their activities;

e) advising and assisting providers of independent advocacy services in England (note: this function is currently carried out directly by the Department of Health);

f) setting quality standards relating to any aspect of the way Patients' Forums exercise their functions, and the services provided by independent advocacy services in England, monitoring how successfully they meet those standards, and making recommendations to them about how to improve their performance against those standards;

g) promoting the involvement of members of the public in England in consultations or processes leading (or potentially leading) to decisions by health service bodies, other public bodies, and others providing services to the public or a section of the public, or the formulation of policies by them, which would or might affect (whether directly or not) the health of those members of the public;

h) reviewing the annual reports of Patients' Forums made under section 240 of the Act, and making, to the Secretary of State or to such other persons or bodies as the Commission thinks fit, such reports or recommendations as the Commission thinks fit concerning any matters arising from those annual reports;

i) such other functions in relation to England as may be prescribed;

j) if the Commission becomes aware in the course of exercising its functions of any matter connected with the health service in England which in its opinion gives rise to concerns about the safety or welfare of patients, and is not satisfied that the matter is being dealt with, or about the way it is being dealt with, the Commission must report the matter to whichever person or body it considers most appropriate (or, if it considers it appropriate to do so, to more than one person or body).

7.2 Corporate Governance

A **Code of Practice for Board Members** was issued to Commission Members on appointment. It includes a register of Members' interests which is available for inspection at the Commission by arrangement.

Commission Members meet as a Board bi-monthly to review and decide upon the Commission's policy, management, operational structure, performance and risk management. Elements of the Board's work are delegated to Committees to consider the detail of process arrangements and report their findings and recommendations to the Board as appropriate.

During the 2004-05 financial year the Board, in response to the announcement of the Arms Length Body review findings, amalgamated the work of the Corporate Services, Strategy and Corporate Governance Committees into a single Transition Committee. In order to reflect the extended abolition timetable and to incorporate the reconfiguration and closure obligations placed upon the Board the Transition Committee was replaced with a Change Management Committee in October 2005. The Change Management Committee is chaired by Sharon Grant and its members include all the other serving Commissioners. The Audit Committee, chaired by Ian Hayes, including Barrie Taylor and David Crepaz-Keay as members, monitors all audit activity and the Commission's process for assessing and managing risk. A Remuneration Committee, chaired by Sharon Grant and including Arnold Simanowitz and Barrie Taylor considers all matters pertaining to Executive and staff terms and conditions in addition to more general Human Resource related issues.

All Commissioners underwent performance review by the Chair during 2005-06, and were re-appointed for a further two years from 1 January 2006. The Chair underwent performance review by the NHS Appointments Commission, and was herself re-appointed for a further 2 year period, or until the abolition of the Commission.

One Commissioner resigned during the year, and with an embargo of new appointments the Board now comprises five Commissioners and the Chair, this has constrained the involvement of the Commissioners in steering the organisation.

7.3 Employment Policies

The employment policies of the Commission seek to create an environment in which all employees can give of their best, and can contribute to the Commission's and to their own success.

Diversity

The Commission is committed to equality of opportunity for all employees and potential employees.

In accordance with the Code of Practice on the Duty to Promote Race Equality published by the Commission for Racial Equality, the Commission has continued to develop processes in the year to monitor compliance of its employment duty. In addition to monitoring quantitative data – which is unlikely to provide significant information given the Commission's staff numbers and their distribution across a range of roles – the Commission closely observes recruitment, training, job satisfaction and staff turnover. Data and analysis are reported and if areas of concern are identified, the Commission seeks to address them expeditiously.

Staff Involvement and Development

The Commission is committed to keeping its staff informed of performance, development and progress. The Commission encourages staff involvement and, in the period ending 31 March 2007, staff contributed to the Commission's development through their involvement in working groups and project teams. In addition, the Commission continues to operate an Employee Forum as a staff consultative body.

Disabled Employees

The Commission gives full and fair consideration to applications for employment from people with disabilities, having regard to the nature of the employment. The Commission similarly seeks to enable members of staff who may become disabled to continue their employment.

Part 3 of the Disability Discrimination Act came into effect on 1 October 2004. In response to this, the Commission carried out external and internal checks to ensure that each of its buildings had safe access and egress for all staff, visitors and contractors with specific needs.

7.4 Internal and External Audit

The Commission has appointed Bentley Jennison to provide internal audit services during the year ended 31 March 2007. External audit is provided by the Comptroller and Auditor General under Schedule 16, paragraph 11 of the Act which requires the Comptroller and Auditor General to examine, certify and report on the statement of accounts, and to lay copies of it together with his report before each House of Parliament. During the year ended 31 March 2007 the remuneration of the external auditors was £50k, all of which related to the provision of audit services.

7.5 Environmental Policies

Whilst a formal environmental policy has not yet been developed within the Commission all steps are taken to facilitate the recycling of suitable materials. In addition all IT equipment disposed of during 2006-07 was done recognising the DTI directive on Waste Electrical and Electronic Equipment (WEEE).

7.6 Disclosure of Information to Auditors

As at the date on which the Annual Report and Accounts have been approved each of the persons who are serving directors as detailed in the Remuneration Report confirm that:-

a) so far as each director is aware, there is no relevant audit information of which the Commission's auditors are unaware, and;

b) that each has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

7.7 Development and Performance of the Commission in 2006-2007

Results for the Period

In accordance with the Act, the Commission's Statement of Accounts covers the year ending 31 March 2007. The Commission's Statement of Accounts is prepared on an accruals basis in accordance with the Accounts Direction issued to the Commission by the Secretary of State with the consent of the Treasury. The Accounts Direction issued to the Commission is the model Accounts Direction published by the Treasury in accordance with the Financial Reporting Manual (FReM).

The accounts for the year ending 31 March 2007 are set out on pages 32 to 34. The Notes on pages 35 to 47 form part of the accounts.

The Commission's Operating Expenditure in 2006-07 was £28.263m compared with £32.408m in 2005-06. The comparative reduction in Operating Expenditure year on year principally reflects the full year impact of implementing a new staffing structure for the Commission to meet funding reductions, savings in contractual and running costs and the generation of a surplus as a further contribution to long term liabilities and provisions associated with closure. The surplus will be transferred to the Income and Expenditure Reserve and earmarked for use against these known future events. The estimated values of the longer term liabilities and provisions are set out in the financial paragraph 7.9.3 (c) and (d) of the Management Commentary.

7.8 Key Operational and Financial Highlights

The year ending 31 March 2007 was the third full operational year for the Commission's Forums. During the financial year the Commission has had to draw up planning assumptions based on three closure dates in response to the passage of the Local Government and Public Involvement in Health Bill through Parliament to Royal Assent. Initially a closure date of June 2007 was postponed until December 2007; in March 2007 this date was deferred until March 2008. During the period the Commission has continued to work in collaboration with the Department of Health to draw up a transition plan designed to ensure that the development of Forum related work can continue to progress and that an Early Adopter Programme could begin to assess the requirement for the new LINk arrangements. It is envisaged that this transition work will provide a legacy of good practice, underpinning the manner in which Forums may continue to operate through any future support arrangements put in place.

At 31 March 2007 the Commission had a cash balance of £3.954m and creditors of £1.423m. Taking debtors into account this increased the total of net current assets to £2.852m. This increase includes cash to meet the estimated dilapidation costs of £0.381m on leased premises and £0.394m unexpired lease costs on premises for the period 1 April 2008 to the lease break clause date. Provisions for both liabilities have been made in the 2006-07 financial year. A further £0.909m is required to meet known long term liability and provisioning costs for future Early Retirement costs at the balance sheet date. Removing the total existing and forecast provisioning cash figure of £1.684m, earmarked for all provisions from the net current asset figure, the remaining balance provides sufficient cover for expenditure for approximately 9 working-days based upon the Grant-in-aid received in the year ending 31 March 2007.

In planning and managing its financial resources, the principal risks and uncertainties the Commission, faces concern the costs of implementing any business strategy agreed with the Department of Health in responding to the future developments of PPI through the proposed Local Involvement Networks (LINks). The Statement on Internal Control on pages 27 to 29 describes how these risks and uncertainties are managed.

The Commission aims to follow the principles of the Better Payment Practice Code. The Commission aims to pay suppliers in accordance with our standard payment terms (within 30 days of invoice date) or with suppliers' standard terms, (if specific terms have not been negotiated), provided that the relevant invoice is properly presented and is not subject to dispute.

	£'000	Number
Total invoices paid in period	24,763	7,280
Total invoices paid within target	21,011	5,743
Percentage of invoices paid within target	85%	79%

The following statistics provide a year on year comparative settlement period analysis. By value, payment performance for the year remained at 85% (2005-06 85%); whilst by number it has risen to 79% (2005-06 78%). It is anticipated that these percentages will remain unchanged in 2007-08.

No interest was paid in respect of the Late Payment of Commercial Debts (Interest) Act 1998.

7.9 The Main Trends and Factors Underlying the Development, Performance and Position of the Commission during the 2006-2007 Financial Year

The operational activities of the Commission during the financial year have been highlighted in Sections 4, 5 and 6 of the Annual Report. The following paragraphs and bullet points summarise the core operational areas and resource availability that have geared the financial performance of the Commission during the 2006-07 financial year:

7.9.1 Direct Forum Related Operational Activity

Forum member numbers

At a summary level the number of PPI Forum members has remained above 4,000 throughout the financial year. Direct expenditure on maintaining Forum membership numbers, providing Forum Support either through third party contracts or the Commission's In House Service Provider (IHSP), training Forum members and funding Forum member activity accounted for 62% of all Commission expenditure in the 2006-07 financial year.

Forum Support Organisation Contracts

Forum Support contracts with voluntary organisations and the Commissions IHSP accounted for 91% of direct PPI costs in 2006-07. As the key cost driver of the Commission, it is essential that value for money is obtained from these support contracts.

Original FSO contracts were extended for a further four month period from September to December 2006, in order to facilitate the merger of Forums to establish new ways of working following the reconfiguration of Primary Care Trusts in October 2006. During this period FSO contracts for a further six months to June 2007, the original operational closure date, were negotiated. In overall financial terms these contracts for forum support were let without any inflationary uplift.

In addition, under the terms of the contracts any unspent balances held by Forum Support Organisations (FSOs) at the end of any contractual period are to be refunded to the Commission. A financial reconciliation process was applied at the end of the December 2006, being the expiry date of the initial FSO contracts, which yielded a return of £0.5m of unspent funds. These were posted to the financial accounts in 2006-07 as a contribution to longer term liability and provisioning costs.

Forum Member Training and Best Practise Guides

Forum member training courses were run throughout the financial year. The objectives of these courses are designed to facilitate an increase in the effectiveness of Forum members in carrying out their duties.

Criminal Record Bureau (CRB) Checks

CRB checks are routinely undertaken during the Forum member recruitment and appointment process.

7.9.2 Financial Achievements

The following bullet points outline the key financial management tasks successfully completed during the 2006-07 financial year:

a) Financial plans designed to absorb a base budget reduction from £31.680m (2005-06) to £28.000m, the initial grant-in-aid budget allocation, were successfully implemented, delivering the required savings whilst preserving operational budgets;

b) During the financial year a submission for brokerage of £0.500m was agreed with DH, effectively reducing the grant-in-aid allocation for 2006-07 to £27.500m.

c) Reduced Commission running cost expenditure most notably in IT support costs;

d) Successfully negotiated the award of FSO Contracts for the period 1 January to 30 June 2007 within the Year 3 price envelope;

e) Ensured that the Commission's structures and processes align recurring costs within a Grant in Aid figure of £27.3m awarded to the Commission by the Department of Health for operational and closure requirements in 2007-08;

f) Managed a Financial outturn within 3.0% of forecast expenditure;

g) Through robust financial management has met the Arms Length Body requirement to meet all longer term provisioning obligations without recourse to additional central Department of Health funding. As at the balance sheet date all known provisions for the Commission covering early retirements, unexpired leases and premises dilapidation costs can be financed from the retained Income and Expenditure Reserve.

7.9.3 The Commission's Operational and Financial Position at the end of the year

The following bullet points set out the operational and financial factors relevant for the Commission at the Balance Sheet date which will affect the Commission going forward:

Operational

a) A defined abolition date once the primary legislation has been enacted, current planning assumptions are based on an operational closure date of March 2008, with organisational closure following by June 2008;

b) The full year operational impact of the enhanced IHSP;

c) Implications for Forum Support and Forum membership as the scope and level of involvement in future LINk arrangements are clarified;

d) Increase in operational risk dependent on the outcome of a) and b);

e) Development of contingency plans that will mitigate the operational risks identified in c).

Financial

a) All operational and closure costs are aligned within a £27.3m Grant in Aid base budget for 2007-08;

b) The full year impact of the enhanced IHSP and its financial management;

c) Premises Dilapidation and Unexpired Lease provisions of £0.775m have been financed in 2006-07;

d) All future Early Retirements provisions as a consequence of redundancy of £0.909m associated with an abolition date of March 2008 have been assessed and can be financed from accumulated reserves held at the Balance Sheet date.

These factors are explained in greater detail in section 7.10 of the Management Commentary.

7.10 The main trends and factors that are likely to affect the Commission's future development, performance and position

A key consideration for the Commission during the period to abolition will be the outcome of Local Government and Public Involvement in Health Bill and the development of the detailed framework for Local Involvement Networks. This will determine the future direction for the PPI agenda and the nature and level of Forum work and their potential to migrate into the new system.

During the transition period preceding abolition the Commission has been directed by the Chief Nursing Officer to focus the nature of its business on four strategic objectives;

- Maintaining PPI Forums as effective organisations, putting in place appropriate arrangements for the support of PPI Forums;
- Maintaining the Commission as an effective organisation through to abolition and ensure that it is closed down in a managed manner;
- Contribute to the implementation of the new PPI system and develop a meaningful legacy that informs the future of PPI
- To plan and deliver the closure of the organisation, minimising all costs and liabilities through the process.

In meeting these objectives the Commission will have to work through the detail of the Local Government and Public Involvement in Health Bill as it passes through its legislative phases in Parliament and in particular assess the implications for Forum support, Forum membership and levels of activity for Forums.

In general terms the level of financial and operational risk for the Commission will increase as it moves closer to its eventual abolition date. The timetable for legislation encompassing the abolition of the Commission has not yet been defined; however for all operational and financial planning matters an indicative date of March 2008 has been adopted. The Commission has been advised to build planning assumptions for the 2007-08 financial year around a budget of £27.3m.

Implementation of a revised staffing structure in February, March 2006 has resulted in a staffing level of 111 whole time equivalent (wte) applying for the Commission's core activities at the end of the 2006-07 financial year. The number of Commissioners fell from six to five in addition to the Chair during the same period. Re-tendering for Forum Support Contracts from January to June 2007 resulted in the number of Forums supported by the In House Service Provider increasing to 99 as of January 1 2007. The staffing consequences of this additional In House support to Forums resulted in the TUPE transfer of 82 additional members of staff from outgoing FSOs on this date.

The reduction in the Commission's core staffing capacity required the Commission to review its existing processes and procedures to develop more effective and innovative methods of working. The key human resource risk for the Commission will continue to be the potential loss of key personnel and expertise as any confirmed abolition date draws nearer.

A Commission Closure Project has been initiated in the 2006-07 financial year to run in parallel with the operational activities which will meet the Chief Nursing Officer's four strategic objectives through to abolition. The initial work of the project has been to define the plan for the operational deliverables during the pre operational cessation period and the timetable and tasks for closure during the post-operational cessation period. The processes deployed up until abolition will be done in an effective and efficient manner ensuring that resources are used appropriately during the transitional period in which the Commission continues to deliver its responsibilities to its PPI Forum members and fulfils its statutory functions in addition to planning for its eventual abolition.

8 Remuneration Report

The aspects of the Remuneration Report which are subject to audit include, details of the Remuneration Committee, the remuneration and terms and conditions of employment for senior managers, termination payments and payments to third parties for services of a senior manager.

In the year ending 31 March 2007 the remuneration and emoluments of Commission members were in the following bands:

	Remuneration £'000
Sharon Grant (Chair)	25-30
David Crepaz-Keay	5-10
Ian Hayes	10-15
Perminder Paul	5-10
Jennifer Popay (Resigned 30.09.2006)	0-5
Arnold Simanowitz	5-10
Barrie Taylor	5-10

Commission Members are appointed for periods of up to three years and with the exception of the Chair and the Chair of the Audit Committee, are remunerated at the same rate. Commission Members' remuneration and terms of appointment are set by the Secretary of State for Health. Commission Members' remuneration is not pensionable.

As part of the good governance arrangements of the Commission a Remuneration Committee, chaired by Sharon Grant including Arnold Simanowitz and Barrie Taylor considers all matters pertaining to Executive and staff terms and conditions in addition to more general Human Resource -related issues.

The pay of the Executive Team members is reviewed by the Commission's Remuneration Committee on an annual basis. Increases in pay are usually awarded in accordance with the general inflationary uplift for all Commission staff within a defined pay scale. Executive Team members hold permanent contracts of employment, which do not include any provisions for performance related pay and notice periods of six months in writing for both parties. During the 2006-07 financial year there were no payments made to third parties for the services of a senior manager. In the event of an Executive Team director being made redundant the liability would be restricted to statutory redundancy pay with expectation of the notice period being worked.

Pension benefits to senior staff are provided through the NHS Pension Scheme. Scheme members contribute six per cent of salary to their pension. Commission Members' remuneration is not pensionable.

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

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year pensionable pay for death in service, and up to five times their annual pension for death after retirement is payable.

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 can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

Additional pension liabilities arising from early retirements 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 Commission commits itself to the retirement, regardless of the method of payment.

Staff can opt to open a partnership pension account – a stakeholder pension with an employer contribution. In the year ending 31 March 2007, no contributions were paid or were payable to stakeholder pension providers.

In the year ending 31 March 2007 the remuneration and emoluments of the Commission's Executive Team, were in the following bands:

		Remuneration £'000	Total Accrued Pension £'000 [Lump Sum]	Real Increase in Pension £'000 [Lump Sum]	CETV at 31 March 2007 £'000	CETV at 31 March 2006 £'000	Employer Funded Contribution to Real Increase in CETV £'000
Steven Lowden Acting Chief Executive	**2006-07**	**115-120**	**25-30 [80-85]**	**2.5-5 [12.5-15]**	**417**	**330**	**55**
	2005-06	105-110					
David Orchard	**2006-07**	**95-100**	**0-5 [10-15]**	**0-2.5 [2.5-5]**	**72**	**43**	**19**
	2005-06	90-95					
Leslie Forsyth	**2006-07**	**95-100**	**10-15 [40-45]**	**2.5-5 [7.5-10]**	**197**	**142**	**36**
	2005-06	90-95					
Kevin Pegg	**2006-07**	**90-95**	**0-5 [10-15]**	**0-2.5 [2.5-.5]**	**58**	**35**	**16**
	2005-06	80-85					

None of the above received bonuses, other allowances, compensation for loss of office or any other benefits in kind.

Signed

Steve Lowden
Accounting Officer
11 June 2007

Annual Accounts

Statement of the Commission's and the Accounting Officer's Responsibilities

The Commission's Responsibilities

Under Schedule 16 paragraph 11 of the National Health Service Act 2006, the Secretary of State has directed the Commission to prepare for each financial year a statement of accounts in the form and on the basis directed by the Secretary of State, with the approval of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission at the year end and of its net operating cost, recognised gains and losses and cash flows for the financial year.

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

- observe the accounts direction issued by the Secretary of State, with the approval of HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission for Patient and Public Involvement in Health will continue in operation; and

The Accounting Officer's Responsibilities

The Accounting Officer for the Department of Health has appointed the Chief Executive as Accounting Officer of the Commission for Patient and Public Involvement in Health. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for the keeping of proper records and for safeguarding the Commission for Patient and Public Involvement in Health assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Statement on Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

I am accountable to the Commission and to Parliament through the Secretary of State for Health and the Accounting Officer of the Department of Health.

The Commission's system of internal control is designed to manage rather than eliminate risk, and it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based upon an ongoing process designed to identify and prioritise risks to the achievement of the Commission's objective and goals, to evaluate the likelihood of these risks being realised, and their impact if they are realised, and to manage risks effectively, efficiently and economically.

The 2006-07 financial year was the third full operational year for the Commission. The Commission has continued developing its system of internal control in accordance with Treasury Guidance up to the date of approval of the Statement of Accounts. Attention has been paid to developing the Commission's governance arrangements to ensure that 'best practice' arrangements are in place and to respond to the demands of the second full year of Forum activity.

The identification and management of risk has been and is being aligned with the Commission's operational activities to ensure risk management is embedded in practice. Training has been provided to staff, risks are reviewed regularly and the risk management process is also reviewed regularly by the Commission's Audit Committee.

The Commission's current schedule of risks covers:

- Strategic Control;
  - Strategic direction during transition;
  - Continued service during transition.
  - Stakeholder communications;
  - Reputation management;
  - Risk management.
- Financial;
- Continuing Operations:
  - Contractual delivery;
  - Maintaining PPI Forum effectiveness;
  - Retention of appropriately skilled staff;
  - Resource availability and balance between statutory obligations and transitional costs.

Within each of the strategic headings for any risk identified appropriate counter measures are implemented which are designed to mitigate these risks.

These risks were reviewed by the Board and Senior Management periodically during 2006-07. During the 2005-06 financial year the Board reviewed its strategic approach to managing risk. The review was initiated in the recognition that the Commission would increasingly move from a continuing operation to a project based organisation delivering key workstreams within the Department's transition plan. This approach to risk management was maintained during the 2006-07 financial year.

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The effectiveness of the system of internal control is maintained, and my review of its effectiveness is informed by:

- regular meetings with the Department of Health whose functions include: providing financial resources to enable the Commission and Patients' Forums to meet their statutory responsibilities; supporting the Commission's development and effective, efficient and economical operation; and establishing a framework for the Commission's accountability and review on behalf of the Secretary of State;
- meetings of the Board and Board Committees to consider the strategic direction of the Commission and performance against the Commission's objective and goals;
- regular meetings of the Commission's Directors and Senior Managers to consider both strategic, operational and transition issues;
- the work of managers and staff within the Commission who have responsibility for supporting and operating within the internal control framework;
- the Audit Committee which monitors the operation of internal controls and oversees the work of internal and external audit;
- risk management arrangements under which key risks which could affect the achievement of the Commission's objective and goals are actively managed;
- the work of the external auditors;
- reports by internal audit, prepared in accordance with the Government Internal Audit Standards, which include an independent opinion on the adequacy and effectiveness of the Commission's internal controls together with recommendations for improvement, where necessary.

The Annual Report from the internal auditors Bentley Jennison, gave the following audit opinion from the work undertaken during the financial year:

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Commission's risk management, control and governance processes. In our opinion, for the 12 months ended 31 March 2007 the Commission has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

The Internal Auditors made the following statement regarding the factors that they took into consideration in reaching their opinion:

Risk Management

We reviewed the risk management processes of the Commission and confirmed that 'in our opinion the control framework for the area under review, as currently laid down and operated, provides substantial assurance that risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled'. No recommendations were made.

Governance

Within the remit of our Governance work was to ensure that governance arrangements are suitably open and accountable, to ensure that appropriate standards of conduct were in place and to ensure that performance was managed. This was set against the backdrop of the closure of the Commission and the associated strategic governance challenges that this presents. We confirmed that 'in our opinion the current governance arrangements, as laid down and operated, should provide ***substantial assurance*** *that risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled. We should stress, however, that in the run up to closure it is likely that changes will occur, as the organisation down-sizes, that may impact on the continued practicality and efficacy of the current arrangements'. We made two Merits Attention recommendations.*

Internal Control

We have made no fundamental recommendations during the course of 2006/2007. One Significant recommendation arose from our work on Core Financial Systems which related to Regional teams being reminded of the importance of raising purchase orders in advance of a purchase being made. All areas reviewed resulted in positive assurance opinions being given.

In addition 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.

Both internal and external audits provide a service to the Commission by assisting with the continuous improvement of procedures and controls. Actions are agreed in response to recommendations made, and these are followed up to ensure they are implemented.

I have been advised on the result of my review of the effectiveness of the system of internal control for 2006-07 by the Audit Committee and the Board, and am able to report that there were no material weaknesses in the system of internal control which affected the achievement of the Commission's objective or goals.

Strategic planning is at an advanced stage in identifying the corporate governance, risk management arrangements, and the system of internal control the Commission will need to have in place to meet the requirements of managing the Commission through the transitional period through to organisational closure.

Appropriate management controls and processes will be applied when drawing up plans to close the organisation operationally by March 2008 and completely by June 2008. In doing so, due regard will be given to the requirements of employment law in conducting staff consultations regarding the number of staff to be made redundant, the issuing of contractual redundancy notices to align with operational and organisational closure and the termination and recognition of all other contractual obligations.

Signed

Steve Lowden
Accounting Officer
11 June 2007

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Commission for Patient and Public Involvement in Health for the year ended 31 March 2007 under the National Health Service Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cash flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Commission, the Accounting Officer and auditor

The Commission and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Commission's and the Accounting Officer's Responsibilities.

My 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 with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury. I also report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Background to the Commission, the Future Direction of the Commission, Patient and Public Involvement (PPI) Forums, the Commission and its Functions, the Commission's Internal Operations, the Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Commission for Patient and Public Involvement has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Commission for Patient and Public Involvement in Health's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Commission for Patient and Public Involvement in Health's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included 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 Commission and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission for Patient and Public Involvement in Health's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of the Commission for Patient and Public Involvement in Health's affairs as at 31 March 2007 and of its net operating cost, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and
- information given within the Annual Report, which comprises the Background to the Commission, the Future Direction of the Commission, Patient and Public Involvement (PPI) Forums, the Commission and its Functions, the Commission's Internal Operations, the Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements.

Audit Report on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SWIW 9SP

19 June 2007

Financial Statements

Operating cost statement

For the year ending 31 March 2007

	Note	2006-07 £'000	2005-06 £'000 Restated
Operating Costs			
Direct Patient and Public Involvement Costs	3	**15,388**	18,045
Employment Costs	4	**5,898**	7,089
Running Costs	5	**4,810**	5,076
Restructuring – Early Retirements Capital Costs	5a	**12**	220
Provision for Early Retirements	11	–	613
Provision for Unexpired Premises Leases	11	**394**	–
Provision for Premises Dilapidations	11	**381**	–
Total Net Operating Costs		**26,883**	31,043
Depreciation and Amortisation	6-7	**1,203**	1,244
Loss on disposal of Fixed Assets	7	**133**	15
Loss on Impairment	7	**44**	106
Notional Cost of Capital	8	**54**	94
Capital and Notional Costs		**1,434**	1,459
Gross Operating Costs	14	**28,317**	32,502
Notional Cost of Capital Reversal	8	**(54)**	(94)
Gross Operating Costs to be funded by Grant-in-aid in the Income and Expenditure Reserve	13	**28,263**	32,408

Figures have been restated as a consequence of reporting changes, detailed in the Grant-in-Aid section of the Accounting Policy – Note 1.

There have been no material acquisitions or disposals during the financial year and all the figures are from continuing operations.

Statement of Recognised Gains and Losses for the Year Ended 31 March 2007

Net Unrealised Gain on Revaluation of Fixed Assets	13	**12**	13
		12	13

The Notes on pages 35 to 47 form part of these Accounts.

Balance sheet

As at 31 March 2007

	Note	31 March 2007 £'000	31 March 2006 £'000 Restated
Fixed Assets			
Intangible Fixed Assets	6	**821**	1,171
Tangible Fixed Assets	7	**1,891**	2,920
		2,712	4,091
Current Assets			
Stock		**2**	2
Debtors and Prepayments	9	**319**	368
Cash at Bank and In Hand	15	**3,954**	3,210
		4,275	3,580
Creditors due within one year	10	**(1,423)**	(1,476)
Net Current Assets		**2,852**	2,104
Total Assets less Current Liabilities		**5,564**	6,195
Provisions for Liabilities & Charges	11	**(775)**	(613)
Deferred Income	12	**(221)**	(263)
Net Assets		**4,568**	5,319
Reserves			
Income and Expenditure Reserve	13	**4,487**	5,230
Revaluation Reserve	13	**81**	89
Total Government Funds		**4,568**	5,319

The Notes on pages 35 to 47 form part of these Accounts.

Signed

Steve Lowden
Accounting Officer
11 June 2007

Cash flow statement

For the period ended 31 March 2007

	Note	**2006-07 £'000**	2005-06 £'000 Restated
Net Cash Outflow from Operating Activities	14	**(26,767)**	(30,934)
Capital Expenditure			
Payment for the purchase of Fixed Assets		–	(291)
Receipt from the sale of Fixed Assets		**11**	–
Net Cash (Outflow)/Inflow before financing		**(26,756)**	(31,225)
Financing			
Grant-in-aid for Revenue Expenditure	13	**27,500**	31,515
Grant-in-aid for Capital Expenditure	13	–	40
Net Cash Inflow	15	**744**	330

The Notes on pages 35 to 47 form part of these Accounts.

Notes to the Accounts

Note 1. Accounting policies

Going Concern

The Secretary of State for Health announced on 22 July 2004 that the Commission for Patient and Public Involvement in Health was to be abolished. At the date of signing these accounts whilst there is an indicative date of March 2008 for the Commission's abolition, there is no clear indication of the arrangements for the transfer of the Commission's statutory functions, assets, liabilities, contractual obligations or staff. The Chief Executive and Accounting Officer therefore considers that it is appropriate to prepare the financial statements on the going concern basis, and these financial statements do not include any adjustments that may result from the Commission's abolition. This note should be read in conjunction with Note 21 Post Balance Sheet Events.

Basis of Accounts

The statement of accounts set out on pages 32 to 34 together with the Notes on pages 35 to 47 have been prepared on an accruals basis in accordance with the Accounts Direction given by the Secretary of State with the consent of the Treasury in accordance with the Schedule 16, paragraph 11 of the Act.

Accounting Conventions

The accounts meet:

- the accounting and disclosure requirements of the Companies Act 1985 to the extent that such requirements are appropriate to the Commission and are in line with the requirements of the Accounts Direction;
- standards issued by the Accounting Standards Board;
- disclosure and accounting requirements of HM Treasury;
- the requirements of the Accounts Direction and the Financial Memorandum issued to the Commission by the Secretary of State for the Department of Health.

Grant-in-aid

Following the issue of FRAB (80) 08, the accounting treatment for Grant-in-aid has been amended. The accounting treatment applies from the 2006-07 financial year and has required the restatement of the figures published for the 2005-06 financial year.

Grant-in-aid received for revenue expenditure previously credited to the Income and Expenditure Account in the year to which it related is now credited to the Income and Expenditure Reserve. Grant-in-aid for capital expenditure to finance general asset acquisitions previously credited to a Government Grant Reserve is also now credited to the Income and Expenditure Reserve.

Under the previous accounting treatment an amount equal to the depreciation and amortisation charge on fixed assets acquired through Grant-in-aid, and any deficit on their revaluation in excess of the revaluation held in the Revaluation Reserve, is released to the Income and Expenditure Account. These charges now form part of the operating expenditure taken to the Income and Expenditure Reserve.

The impact of the change in the accounting treatment for Grant-in-aid has resulted in a change to the format of the Commissions financial statements. The Income and Expenditure Account has now been replaced with an Operating Cost Statement. Grant-in-aid drawn down to cover operating costs, previously credited to the Income and Expenditure Account, is now shown as a financing line within the Cash Flow Statement.

Furthermore, in order to aid the reader of the accounts DH have requested that Arms Length Bodies provide a reconciliation indicating how the organisation has performed financially in containing its Total Net Operating Costs within the Grant-in-aid received during the financial year.

The reported retained surplus for 2005-06 was £0.459m; the figure included in the Reconciliation of Total Net Operating Costs to Financing Received from the Department of Health is £0.472m. The difference is accounted for £0.013m of realised revaluation gains credited directly to the Income and Expenditure reserves per Note 15 of the 2005-06 accounts. Had the previous reporting requirements remained the Commission would have recorded an operating surplus of £0.617m in the 2006-07 financial year.

Fixed Assets – Intangible

Intangible fixed assets comprise licences to use software developed by third parties and are capitalised where they are capable of being used for more than one year. Intangible fixed assets are valued at historical cost or revalued to market value where this is readily ascertainable.

Fixed Assets – Tangible

Assets are capitalised as fixed assets if they are intended for use on a continuing basis and their original purchase cost, on an individual or grouped basis, is £4,000 or more. Fixed Assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office for National Statistics.

Labour costs relating to the configuration and connectivity of software applications have not been capitalised on the basis that they do not form part of any networked infrastructure asset.

Any upward revaluation is credited to the Revaluation Reserve. A deficit on revaluation is debited to the Income and Expenditure Account if the deficit exceeds the balance held for previous revaluations in the Revaluation Reserve.

Depreciation and Amortisation

Depreciation or amortisation is provided on all fixed assets on a straight-line basis to write off the cost or valuation evenly over the asset's anticipated life as follows:

IT hardware	four years
IT application developments	seven years
Software systems and licences	four years to seven years
Furniture and office equipment	up to ten years
Refurbishment costs	over the remaining term of the lease

The economic life of the KMS IT development has been set at seven years to align it with the term of the framework agreement under which past and future software development work has been or will be commissioned.

A full month of depreciation is charged to the Income and Expenditure account in the month of acquisition.

Forum Support Organisation Contract Costs

Costs are incurred in accordance with the payment schedules included in the contract agreed with each Forum Support Organisation (FSO). The expenditure against each contract will be reported in the accounts of the respective FSO. Assurances regarding their use of funds are sought from FSOs as part of the Commission's performance management procedures.

Notional Charges

In accordance with the Government Financial Reporting Manual published by HM Treasury, a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account along with an equivalent reversing notional income to finance the charge. The charge for the year ending 31 March 2007 is calculated using the Treasury's discount rate of three and a half per cent applied to the mean value of capital employed during the period (unchanged from 2005-06). The value of capital employed excludes non-interest bearing cash balances held with the Office of the Paymaster General.

Pension Contributions

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 Commission to identify its share of the underlying scheme 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 total employer contribution payable in 2006-07 was £437k (£576k for 2005-06). Employees pay contributions of 6% of their pensionable pay.

The Scheme is subject to a full valuation every four years (previously every five years). The last valuation took place as at 31 March 2003. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. 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 NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

Pension cost contributions are charged to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation on which contribution rates were based, (31 March 1999) employer contribution rates from 2003-04 were set at 14% of pensionable pay (2002-03 7%). For 2003-04 the additional funding was retained as a Central Budget by the Department of Health and was paid direct to the NHS Pensions Agency. As a result the employers' contribution had remained at 7%. For 2004-05 onwards, this funding has been devolved in full to NHS Pension Scheme employers and the employers' contribution rate has risen to 14%.

Provisions

Provisions have been established in accordance with ***FRS12 Provisions, Contingent Liabilities and Contingent Assets***. Provisions have been established in circumstances where a valid expectation exists between a third party at the balance sheet date and the Commission.

Operating Leases

Payments made under operating leases on Land and Buildings and Equipment are charged to expenditure on an accruals basis.

Value Added Tax

The Commission is not eligible to register for VAT and costs are shown inclusive of VAT where applicable.

Note 2. Financial targets

The Commission has an annual financial target set by the Department of Health to remain within its Grant in Aid budget. Within this financial threshold the Commission is required to deliver a Business Plan and absorb any transitional costs in meeting future DH Arms Length Body financial targets and closure costs. Within the 2006-07 financial year the Commission were successful in meeting this requirement which is detailed in Section 7.7 of the Annual Report.

Note 3. Direct patient and public involvement costs

	2006-07 £'000	2005-06 £'000
Forum Support Organisation Contracts	**13,848**	15,777
Forum Member Development Fund	**45**	382
Forum Member CRB Checking	**–**	80
Core Skills Training	**149**	337
Forum Member Events, Translation Services & Special Needs	**481**	647
Forum Member Expenses	**865**	822
Direct Costs Charged to Operating Cost Statement	**15,388**	18,045
Funds transferred to support In House Provision	**1,824**	636
Total	**17,212**	18,681

Forum Support Organisation (FSO) Contracts were originally let for a two-year period commencing 1 September 2003. FSOs that were assessed as providing a satisfactory level of performance had their contracts extended for a further period of 12 months, expiring on 31 August 2006. During the 2006-07 financial year DH agreed to a further extension period under the original contractual format to 31 December 2006 in order to allow Forums affected by PCT Reconfigurations taking place in October 2006 to merge and agree new ways of working. New FSO Contracts for the period 1 January 2007 to 30 June 2007, the provisional abolition time applying through the contractual negotiation period, were tendered for and awarded during September 2006.

In situations where contracts were not extended and no suitable alternate third party negotiations could be concluded Forum support was provided by an In House Service Provider. During the financial year £1.824m (£0.636m for 2005-06) was set aside to fund the costs associated with providing support to PPI Forums through the In House Service Provider. Expenditure relating to Forum Support provided through the In House Service Provider is included in Notes 4 and 5 within the accounts.

A training programme covering a set of "Core Skills" for Forum members enabling them to carry out their role more effectively was maintained during the year.

Forum member events include expenditure incurred from welcome day programmes that formed part of the Forum member induction process. Forum members' expenses are reimbursed according to the regulations provided in the 'Forum Member Expense Guidance Policy'.

In-House Service Provider

As indicated above in instances where contracts could not be negotiated with third parties, Forum support was provided through an In-House arrangement. In House Service Provision provided support for 34 PPI Forums for the period April 2006 to December 2006, increasing to 99 from January 2007 following the re-tendering exercise in September 2006.

For the purposes of financial reporting, costs relating to the In-House Service Provider have been recorded in Notes 4 and 5 of the accounts. This has been done to enable the reader of the accounts to differentiate between the core business of the Commission and permit a true and fair comparative with the past financial performance of the Commission. However the nature of this activity does not meet the criteria to disclose it fully under the provisions of SSAP25 Segmental Reporting.

Note 4. Employment costs

By Contract Type	Continuing £'000	In House £'000	2006-07 £'000	2005-06
Permanent Staff				
Salaries and Wages	**2,448**	**203**	**2,651**	
Social Security Costs	**230**	**17**	**247**	
Pension Costs	**292**	**18**	**310**	
	2,970	**238**	**3,208**	
Fixed Term Contracts				
Salaries and Wages	**1,327**	**719**	**2,046**	
Social Security Costs	**124**	**63**	**187**	
Pension Costs	**78**	**49**	**127**	
	1,529	**831**	**2,360**	
Secondments and Interim Staff	**260**	**70**	**330**	
Total Employment Costs				
Salaries and Wages	**3,775**	**922**	**4,697**	5,607
Social Security Costs	**354**	**80**	**434**	523
Pension Costs	**370**	**67**	**437**	576
Secondments and Interim Staff	**260**	**70**	**330**	383
Total	**4,759**	**1,139**	**5,898**	7,089

Average Number of Staff Employed

At 31 March 2007 the Commission employed 191 whole time equivalent members of staff of which 111 whole time equivalent were staff engaged in the continuing operations of the Commission and 80 whole time equivalent staff engaged with providing Forum support through the In House Forum Support Provider. In addition six Commissioners were remunerated from Commission funds. The average number of employees during the year ending 31 March 2007 by type of contract and location of employment was:

Type of employment

	2006-07	2005-06
Permanent Staff	**64**	96
Fixed Term Staff	**76**	62
Interim and Agency Staff	**4**	15
	144	173

Location of employment

	2006-07	2005-06
National Centre	**48**	46
Regional Centres	**66**	114
In House FSO Support	**30**	13
	144	173

Pension Contributions

Pension benefits to staff are provided through the NHS Pension Scheme. Scheme members contribute six per cent of salary to their pension. Commission Members' remuneration is not pensionable.

The NHS Pension Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. A lump sum normally equivalent to three 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 12 months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year pensionable pay for death in service, and up to five times their annual pension for death after retirement is payable.

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 can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

Additional pension liabilities arising from early retirements 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 Commission commits itself to the retirement, regardless of the method of payment.

Staff can opt to open a partnership pension account – a stakeholder pension with an employer contribution. In the year ending 31 March 2007, no contributions were paid or were payable to stakeholder pension providers.

Note 5. Running costs

	Continuing £'000	In House £'000	**2006-07 £'000**	2005-06 £'000 (Restated)
Accommodation Costs	**1,505**	**142**	**1,647**	1,521
Advertising	–	–	–	–
Audit Fee – External*	**50**	–	**50**	50
Audit Fee – Internal	**29**	–	**29**	27
General Administrative Expenses	**109**	**298**	**407**	273
Office Expenditure	**63**	**4**	**67**	103
IT and Computer Maintenance	**1,356**	**115**	**1,471**	1,774
Telecommunications and Postage	**36**	**16**	**52**	64
Printing and Publications	**231**	**20**	**251**	294
Recruitment and Training	**397**	**48**	**445**	558
Travel and Subsistence	**328**	**40**	**368**	369
Redundancy Costs	**8**	**2**	**10**	8
Arms Length Body Review	**13**	–	**13**	35
Total	**4,125**	**685**	**4,810**	5,076

Amount included under accommodation costs relating to operating leases was £1.006m in 2006-07

*External auditors' remuneration relates solely to the provision of audit services.

Note 5a. Restructing – early retirement capital costs and premises dilapidations

	Continuing £'000	In House £'000	**2006-07 £'000**	2005-06 £'000 (Restated)
Early Retirement Costs	**12**	–	**12**	220
Provision for Early Retirement Costs – Note 12	–	–	–	613
Provision for Unexpired Lease Costs – Note 12	**394**	–	**394**	–
Provision for Dilapidation Costs – Note 12	**381**	–	**381**	–

The policy of the NHS Pension Scheme is to charge in full the capitalisation costs of any early retirement on the date of retirement. This provides an annuity against which any future inflationary uplift in retirement benefits will be offset. All future obligations and liabilities for the Commission are therefore expunged on payment of the capitalisation cost.

Premises dilapidations have been calculated using the Royal Institute of Chartered Surveyors Dilapidations Price Book, measured against the original schedule of works for fitting out each of the Commissions leased premises, in tandem with the tenants maintenance and renewals clauses in the leases of every property still held by the Commission on 31 March 2007.

An Unexpired Lease provision has been calculated for all Commission premises held under lease at 31 March 2007. The provision has been raised in accordance with FRS 12 in order to reflect the onerous nature of the lease for the period beyond operational closure in March 2008 to the respective break clause dates contained in the lease of each premise. The onerous term for the Commission's National Centre has been assessed as the period beyond organisational closure in June 2008 to the break clause date.

Note 6. Intangible fixed assets

	£'000
Software Licences	
Cost / Valuation at 1 April 2006	**2,109**
Additions	–
Cost / Valuation at 31 March 2007	**2,109**
Amortisation at 1 April 2006	**(938)**
Provided in the period	**(350)**
Amortisation at 31 March 2007	**(1,288)**
Net Book Value at 31 March 2007	**821**
Net Book Value at 1 April 2006	**1,171**

Note 7. Tangible fixed assets

	Fitting Out & Furniture £'000	Plant and Machinery £'000	IT Hardware Development £'000	Total £'000
Cost / Valuation				
1 April 2006	**1,908**	**48**	**3,161**	**5,117**
Disposals	**(174)**	–	**(83)**	**(257)**
Indexation		**(3)**	**(160)**	**(163)**
Revaluation	**23**	–	–	**23**
Cost / Valuation at 31 March 2007	**1,757**	**45**	**2,918**	**4,720**
Depreciation				
1 April 2006	**(589)**	**(25)**	**(1,583)**	**(2,197)**
Provided in the period	**(208)**	**(11)**	**(634)**	**(853)**
Disposals	**51**	–	**62**	**113**
Indexation	–	**2**	**117**	**119**
Revaluation	**(11)**	–	–	**(11)**
Depreciation at 31 March 2007	**(757)**	**(34)**	**(2,038)**	**(2,829)**
Net Book Value at 31 March 2007	**1,000**	**11**	**880**	**1,891**
Net Book Value at 1 April 2006	1,319	23	1,578	2,920

Note 8. Cost of capital

In accordance with HM Treasury Guidance, a notional charge for the cost of capital employed in the financial year is included in the Income and Expenditure Account along with an equivalent reversing notional income to finance the charge. The charge for the year ending 31 March 2007 is calculated using the Treasury's discount rate of 3.5% (2005-06 3.5%) applied to the mean value of capital employed during the period. The value of capital employed excludes non-interest bearing cash balances held with the Office of the Paymaster General.

	2006-07 £'000	2005-06 £'000
Capital Employed as at 1 April 2006	**2,109**	3,278
Capital Employed as at 31 March 2007	**1,008**	2,109
Mean Capital Employed	**1,559**	2,694
Notional Charge for Cost of Capital	**54**	94

Note 9. Debtors falling due within one year

	2006-07 £'000	2005-06 £'000
Debtors	**19**	18
Prepayments	**300**	350
Total	**319**	368

Intra Government Balances

	2006-07 £'000	2005-06 £'000
Balances with Central Government Bodies	**18**	19
Balances with Local Authorities	**28**	16
Balances with NHS Trusts	–	–
Balances with Public Corporations	–	–
Balances with organisations external to Government	**273**	333
Total	**319**	368

Note 10. Creditors falling due within one year

	2006-07 £'000	2005-06 £'000
Trade Creditors	**45**	90
Tax and Social Security Creditors	**164**	129
Other Creditors	**62**	45
Accruals	**1,152**	1,212
Total	**1,423**	1,476

Intra Government Balances

	2006-07 £'000	2005-06 £'000
Balances with Central Government Bodies	278	242
Balances with Local Authorities	1	8
Balances with NHS Trusts	–	11
Balances with Public Corporations	1	4
Balances with organisations external to Government	1,143	1,211
Total	**1,423**	1,476

Note 11. Provisions for liabilities & charges

	2006-07 £'000	2005-06 £'000
Balance at 1 April 2006	**613**	–
Provided in Year – Premises Dilapidations	**381**	613
Provided in Year – Premises Unexpired Lease costs	**394**	–
Unwound Discount	–	–
Paid in Year – Early Retirements	**(613)**	–
Balance at 31 March 2007	**775**	613

Premises dilapidations have been calculated using the Royal Institute of Chartered Surveyors Dilapidations Price Book, measured against the original schedule of works for fitting out each of the Commissions leased premises, in tandem with the tenants maintenance and renewals clauses in the leases of every property still held by the Commission on 31 March 2007.

Capital costs for Early Retirements are calculated by the NHS Pension Scheme whose standard policy is to charge in full the capitalisation costs of any early retirement from the date of retirement as a consequence of redundancy. This provides an annuity against which any future inflationary uplift in retirement benefits will be offset. All future obligations and liabilities for the Commission are therefore expunged on payment of the capitalisation cost.

All provision costs were discharged under this policy by the end of May 2006 and therefore as the time value of money impact was not material the standard discount rate of 2.8% was not applied to the provision.

Note 12. Deferred income

	2006-07 £'000	2005-06 £'000
Deferred Income within one Year	**41**	41
Deferred Income after one Year	**180**	222
Total	**221**	263

Accounting Standards Board Urgent Issues Task Force Abstract 28 Operating Lease Incentives requires that lease rentals are disclosed net of any incentives, with incentives recognised over the period of the lease. The deferred income relates to the unused benefit derived from the initial rent-free periods on leased property. All leases have been taken out for a period of 10 years with the exception of the West Midlands Regional Centre lease which has been taken out for a period of six years.

Note 13. Movement on reserves

	Income & Expenditure Reserve £'000	Government Grant Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2006	**1,228**	**4,002**	**89**	**5,319**
Restated at 1 April 2006	**5,230**	**0**	**89**	**5,319**
Additions				
Grant-in-Aid Revenue Expenditure	**27,500**	–	–	**27,500**
Grant-in-Aid-Capital Expenditure	–	–	–	–
Revaluation	–	–	**23**	**23**
Transfers to Income & Expenditure				
Operating Costs	**(28,263)**	–	–	**(28,263)**
Revaluation	**8**	–	**(8)**	**0**
Backlog Depreciation	–	–	**(11)**	**(11)**
Realised Element of Revaluation	**12**	–	**(12)**	**0**
	(743)	–	**(8)**	**(751)**
Balance at 31 March 2007	**4,487**	–	**81**	**4,568**

Note 14. Reconciliation of the operating costs to the net cash outflow from operating activities

	Note	2006-07 £'000	2005-06 £'000 Restated
Operating Expenditure		**(28,317)**	(32,502)
Depreciation and Amortisation	6-7	**1,203**	1,244
Cost of Capital Charge	8	**54**	94
Loss on Impairment	6-7	**44**	106
Loss on Disposal of Fixed Assets	6-7	**133**	15
Decrease/(Increase) in Stock		–	9
(Increase)/ Decrease In Debtors and Prepayments	9	**49**	(86)
(Decrease)/Increase in Creditors	10	**(53)**	(388)
Increase/ (Decrease) in Provisions for Liabilities & Charges	11	**162**	613
(Decrease)/Increase in Deferred Income	12	**(42)**	(39)
Net Cash Outflow from Operating Activities		**(26,767)**	(30,934)

Note 15. Analysis of changes in cash

	2006-07 £'000	2005-06 £'000
Balance at beginning of period	**3,210**	2,880
Increase in Cash	**744**	330
Balance at 31 March	**3,954**	3,210

Note 16. Capital commitments

At 31 March 2007 capital commitments contracted for were £Nil (2005-06 £Nil).

Note 17. Commitments under operating leases

The Commission is committed to making the following operating lease payments in the next financial year:

	31 March 2007 £'000	31 March 2006 £'000
Operating leases for Land and Buildings which expire:		
Within one year	**434**	32
In years two to five	**69**	69
Over five years	**635**	816

There were no other operating leases in place at 31 March 2007.

Note 18. Contingent liabilities

There were no contingent liabilities at 31 March 2007 (2005-06 £Nil).

Note 19. Post balance sheet events

On 22 July 2004, the Secretary of State for Health announced, in a written statement to the House of Commons, that the Government intended to abolish the Commission for Patient and Public Involvement in Health following a review of the Department of Health's arms length bodies. In making this announcement, the Secretary of State affirmed a continuing commitment to Patients' Forums, indicating that Forums will continue to be supported under arrangements to be determined.

A further Ministerial announcement on 15 March 2005 provided a more detailed plan for the timing of this event and the future arrangements for the support of Patients' Forums. The Commission commenced work to co-ordinate its activities within a timetable which indicated that the Commission was likely to cease its operations in the autumn of 2006. The Queen's Speech to Parliament on 17 May 2005 included the Health Improvement and Protection Bill which was intended to be the primary legislation under which the Commission was to be abolished by autumn 2006.

In July 2005, the Department decided to defer the abolition date of the Commission until the summer of 2007 to facilitate a Strategic Review of PPI. The initial outcome of the review was published in the White Paper *Our Health, Our Care, Our Say, A New Direction for Community Services* on 30 January 2006. To conclude a review of PPI, the Department of Health established an expert panel to consider the evidence collected so far on how the arrangements for ensuring a strong local voice in health and social care could be strengthened. The findings of the expert panel were published in May 2006. Following the publication of the findings, on the 13 July 2006 there was a written ministerial statement made to the House of Commons announcing the publication of *A Stronger Local Voice*, this was a document announcing the creation of Local Involvement Networks (LINks) which would be the successor replacement for PPI Forums.

More recently the Department of Health, with Ministerial approval, has asked the Commission to defer operational closure to 2008 ensuring the legislative process has been concluded and that the procurement of LINk contracts through Local Authorities have been started prior to the Commissions abolition. This action is seen as a key strategy in ensuring that there are no gaps in the delivery of PPI through the transitional period from the old system to the new PPI framework.

The Bill is due to receive Royal Assent in the autumn of 2007, with operational closure of the Commission set for March 2008 followed by a short winding up period of the organisation to be concluded by June 2008.

Whilst the financial consequences of this announcement can be calculated with a degree of certainty, the overall project plan is predicated by the response to the findings of the Health Select Committee review in April 2006 and the PPI legislative and local authority procurement processes being applied appropriately within this timetable.

The 2006-07 accounts have, therefore, been prepared on a going concern basis and do not include any adjustments that may result from the Commission's abolition. At the date of publishing these accounts the Department of Health has continued to allocate Grant-in-Aid during the 2007-08 financial year to enable the Commission to continue its duty to support the work of Patients' Forums.

The 2006-07 financial statements were authorised for issue on 21 June 2007 by the Accounting Officer.

Note 20. Related party transactions

The Department of Health is a related party to the Commission. During the year ending 31 March 2007, with the exception of the Department of Health providing the Commission with Grant-in-aid, no related party transactions were entered into. During the year ending 31 March 2007 none of the Commission Members, key managerial staff or other related parties undertook any material transactions with the Commission.

Note 21. Losses and special payments

Losses in the year ending 31 March 2007 amounted to £Nil (2005-06 £Nil).

Note 22. FRS 13

As permitted by FRS13, this disclosure excludes short-term debtors and creditors. The Commission has no borrowings, relying solely on Grant-in-Aid for its cash requirements. Neither does the Commission have material deposits. All material assets and liabilities are denominated in sterling. The Commission, therefore, manages a continuing liquidity risk but is not exposed to an interest rate or to a currency risk.

Note 23.

Reconciliation of Total Net Operating Cost to Financing Received from the Department of Health for 2006/07 is as follows:

	Note	**2006-07 £'000**	2005-06 £'000
Total Net Operating Costs for the Financial Year		**(26,883)**	(31,043)
Financing Received from the Department of Health		**27,500**	31,515
Under/(Over) Spend against Financing Received from the Department of Health		**617**	472

9 Contact details:

The Commission for Patient and Public Involvement in Health has a National Centre and nine Regional Centres. Their addresses and contact details are:

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