Commission for Patient and Public Involvement in Health

Annual Report & Accounts 2005-06

Shaping Health
Better decisions
Better health

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

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

In their second year of operation, Patient and Public Involvement (PPI) Forums are finding real confidence and strategic awareness. Through them, the quieter voices in health have started to be heard, locally, and indeed nationally. The "pain of set up" is now passing, and the promise of effective involvement is beginning to emerge as the Forum system starts to mature.

This annual report can only touch on a few of the many thousands of examples, large and small, where Forums have achieved real improvements for patients and the public in their local communities. Forums continue to work on a wide range of health subjects, including dentistry, waiting times, hospital food and transport. Practically every Forum can highlight an area where they have had a positive impact, contributing to improvements for the consumers of health services and ensuring patients and the public have a say.

Major successes receive media attention but the hundreds of minor successes tend not to receive the recognition deserved. Their impact is still real and significant in local communities.

These achievements are all the more noteworthy in a year that has been highly unsettling for the Commission, and the more so for Forum members and the Forum Support Organisations (FSOs) which serve them.

There is no doubt that these have been difficult and uncertain times. Controversial arrangements announced in spring 2005 for the replacement of the Commission were subsequently withdrawn in August 2005, following a period of intense debate. There then followed a further period of consultation by the Department of Health followed by the appointment of an expert panel in March 2006. We hope its deliberations will lead to fresh thinking, and that future arrangements for patient and public involvement will at last be finalised.

This uncertainty has been disconcerting for Board, Commission staff, FSOs and especially for the Forum members on whom we depend. However, the delay has provided us with the opportunity to input new ideas into the review process, born of our unique experience as an organisation in engaging the public in health, and shaped too by the emerging dynamics of system reform in health.

Sharon Grant, CHAIR

These are times of great change in our health and public services, the most profound for half a century. If the new National Health Service (NHS) is to be truly "patient led", then patients and communities must have a guaranteed place in shaping services and in transforming the culture of provision of patient centred outcomes.

And as the NHS changes, so must the channels for the public voice. They must be clearer, credible and capable of actively supporting the public in voicing their needs and concerns. Being asked to comment after the event will no longer suffice, in the new age of contestability and choice.

Reform without public consent places public support for the NHS itself at great risk, especially as the role of the independent sector in

health grows. An independent system for public involvement is now a necessity not an optional extra.

The Board is grateful for the remarkable efforts of the many thousands of volunteer Forum members throughout England. Our thanks also go to the dedicated staff in FSOs and the Commission who directly support the Forums work.As we move into what will probably be our final year, we are determined that the cause of patient and public involvement is secured in effective future arrangements. We will do all that we can to ensure that the foundations that the Commission has laid, are built upon.

Sharon Grant
CHAIR

Annual Report

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 572 separate Patient and Public Involvement (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

IIn the previous financial year, the Department of Health (DoH) Arm's Length Body Review resulted in a Ministerial decision to abolish the Commission for Patient and Public Involvement in Health. The original date for abolition was announced as August 2006; however, this was later postponed until summer 2007 to allow a strategic review of Patient and Public Involvement (PPI) to be undertaken by the DoH.

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, to ensure that Commissioners carry out their statutory duties and motivate Commission staff and Forum members.

While continuing to ensure that it maintains robust and streamlined systems to meet its governance responsibilities, the Commission will also be working to ensure that lessons learned during its relatively short period of operation are made available for future use.

Public involvement in health has been stated as a key part of Government policy and the transition of the current system to any new proposals 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. It is not yet known what, if any, part the Commission will be asked to play in this transition process, although it stands ready to contribute with skills and expertise in the interests of achieving truly effective patient and public involvement in health.

4 Patient and Public Involvement (PPI) Forums

4.1 Introduction to PPI Forums

While the Commission for Patient and Public Involvement in Health 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 2005-06 financial year represents the second 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 National Health Service (NHS) and of the Commission which has responsibility for appointment to Forums and for their support, but not for their direction. There are currently 568 PPI Forums, one associated with every NHS Trust, Primary Care Trust and Foundation Trust in England. The structure of the Forum is designed to give each Trust a 'critical friend' which works closely with it, but represents patients' views. 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.

Unsurprisingly, the early periods of PPI Forum activity were spent in establishing themselves as working groups, coming to terms with their responsibilities and beginning to build relationships.

4.2 Forum Network Activity

PPI Forum workplans increasingly show a desire to address wider aspects of public health and to work together in networks with other Forums and other local organisations. In this way, they aspire to address issues and concerns around the patient's journey across multiple service providers in health and social care. In addition they are increasingly aware that some health-related decisions are being taken at regional and national levels and that co-operation and networking across PPI Forums and other organisations is necessary to influence these.

For example:
The London Network of Mental Health PPI Forums and the London Ambulance Service PPI Forum were successful in their request to the Secretary of State for Health to extend the consultation on the race equality implications of the proposed mental health bill. In November 2005, the Forums agreed to ask the Chair of the Commission, Sharon Grant, to write to the Secretary of State for Health requesting further consultation on the Race Equality Impact Assessment on the Mental Health bill. The Forums raised concerns that the proposed bill would have detrimental implications for black and minority ethnic communities.

However this network approach takes time to develop and PPI Forums are still relatively early in their development. Although there are examples emerging of these kinds of activities, the Forums' main focus has been on the individual NHS Trust with which they are specifically associated.

4.3 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. 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 independent nature of PPI Forums, especially where they have adopted a proactive approach, has encouraged even disenchanted and disenfranchised groups to contribute their opinions. Particular examples are:

- Prison inmates
- Travelling communities
- Ethnic minorities
- Geographically remote or widespread communities.
- Young people

While successful community engagement by PPI Forums is not yet standard, it is widespread enough to show that PPI Forums have real potential for promoting the needs and concerns of diverse communities to those in positions to make a difference.

Specialist PPI Forums – i.e. for Ambulance or Mental Health Trusts are especially valuable in the manner in which they provide a focused voice for service users. Due to their independence they have been able to attract service users who have been distrustful or sceptical of Trust-run PPI schemes. They have achieved a great deal of success in addressing issues affecting service users of the Specialist Trusts

A number of Trusts have reported that PPI Forums struggle to engage effectively with them due to the complexity of Trust structures and processes. Where there has been joint commitment of the PPI Forum and the Trust these challenges have been overcome.

Overall PPI Forums have been successful where:

- There is a positive and constructive relationship between the Trust and the Forum
- Forum meetings are well run and there is an effective Chair
- There is effective engagement with the community often as a result of good supporting knowledge of the local community and existing networks
- Forum workplans include realistic goals
- There are high levels of Forum membership and low turnover
- There is commitment by Forum members to learning and understanding, especially when based on existing member knowledge and external support.

4.4 Key Forum Activity Areas

4.4.1 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.

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.

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

- Burnley, Pendle & Rossendale PPI Forum engaged with women from different ethnic communities by visiting a local 'women only' exercise class in Pendle. Forum members, accompanied by an interpreter, spoke to the women, particularly those from the Pakistani community, about PPI and health issues central to their community. The women were also asked to complete a short questionnaire about health issues. Using this novel approach the Forum was able to obtain the views of a largely under-represented group within their community.
- Two PPI Forums in East London - Tower Hamlets PPI Forum and Barts and the London PPI Forum – teamed up to establish a patients' panel to provide more effective representation for the health needs and views of their communities. The panel plans to support a group of patients from the local Somali, Bangladeshi and Turkish communities who will give feedback on healthcare issues from their respective communities.

4.4.2 Providing a public and user voice in specialist services

We have found that 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 Forum members are, or have been, service users.

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

- London Network of Mental Health PPI Forums commissioned the Information Centre about Asylum and Refugees in the UK (ICAR) and St Pancras Refugee Centre (SPaRC) to conduct research into the specific mental health needs of asylum seekers and refugees in London. More importantly, the research has given an overview of mental health services that are being accessed by this group and has highlighted a number of gaps in service provision.
- PPI Forum for West Midlands Ambulance Services played a key role in ensuring Trusts and the Overview and Scrutiny Committee (OSC) addressed Accident & Emergency ambulance turnaround times, in a bid to meet the 15 minute target. The Forum has worked with fellow Forums, Trusts, Birmingham OSC and other stakeholders to review and improve turnaround times at hospitals in the West Midlands & Shropshire area.

4.4.3 Accountability

As part of their role, PPI Forums are responsible for monitoring and reviewing the services provided or commissioned by Trusts. .This includes where changes to services are proposed.

Due to their unique independence and legal powers, Forums are able to identify and raise issues that are not highlighted by any other statutory monitoring and inspections.

Being positioned in the heart of the community gives Forums a distinct advantage and makes them much more approachable than Trusts or other bodies. As a result, they are able to effectively gather views from patients, users, carers and the public.

PPI Forums have been very successful in holding Trusts to account regarding decision- making, and have been able to raise service standards and improve the experience of people using them.

4.4.4 Working with Stakeholders

Forums are now working in partnership with others. PPI Forums have played a crucial role in the Healthcare Commission's 'Annual Health Check', providing a declaration for each Trust on how the PPI Forum feels that the Trust is meeting core standards.

Forums are also working closely with their local OSCs and Members of Parliament (MPs). Some examples of local partnership working include:

- . Members from Shrewsbury & Telford Hospitals PPI Forum were concerned at how widespread self harm was becoming in the community. Up to one in 10 adolescents self harm, a figure on the increase. But different organisations working on the problem were isolated, with little opportunity to share best practice. Forums organised multi-agency meetings bringing these groups together. Groups saw this was a great way to share best practice, between Samaritans, Social Services, Child and Adolescent Mental Health, Relate and the Prison Services. As a result a leaflet on self harm, signposting youngsters to help, will be in schools this term following consultation with children and a youth group.

Overall these examples provide a small snapshot of the positive work being carried out by PPI Forums across the country. National Summaries of Forums' achievements are published each year with more detailed information.

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 for Patient and Public Involvement in Health in response to its statutory functions set out in Section 20 paragraphs 2 - 6 of The National Health Service (NHS) Reform and Health Care Professions Act 2002 (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 Patient and Public Involvement (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. In 2005, an assessment of all FSOs was carried out, taking full account of Forum members' views. The results showed that 70% of FSOs were rated as 'good' or 'very good' by the members they support. Where support was found to be below the required minimum standard, other providers were invited to tender for these contracts. In these cases, Forum members were involved in the selection

of new providers and the Commission has seen satisfaction with the system improve as a direct result.

Where the Commission was not able to contract with an FSO, an In-House support system for PPI Forums was 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 which 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.

5.1.2 Support networks and communications

In June 2005, The Commission organised the first national convention for PPI Forum members - a two day event, held in Birmingham, which enabled Forum members to work together in a wide range of seminar groups to share information and develop best practice.

The Commission continues to provide Forums with an opportunity to network, share good practice and work on common issues through workshops at regular regional events.

The 'Forum Focus' newsletter, published monthly and distributed to every current Forum member continues to provide governance and other advice to Forums to instil good practice

5.1.3 Forum funding

In addition Funds were made directly available to Forum members through a Forum Development Fund. Forums were invited to make proposals for the direct use of funds in 2005-06 from a budget allocation of £522k. Forums came up with a range of creative proposals, which were put before a reference group of Forum members and the Commission's regional managers. This group then accepted those bids which they thought would contribute to achieving objectives in Forums' work plans and offered value for money.

Proposals which addressed diversity and community engagement, local event planning, or offered research and consultation were given priority. Forums used money to produce promotional material, surveys and public road shows highlighting their work and the tools gained as a result of the Development Fund continue to make an impact for Forums and the local community.

Some examples of ways in which Forums used this money include:

- Specialist PPI Forum, Calderstones were awarded £1,748.24 to construct an information booth where members and support staff can access Forum information. The centre was created to promote the benefits of reading and how it can help improve literacy, stimulate the imagination and provide an excellent form of relaxation to clients at the centre.
- Hyndburn & Ribble Valley PPI Forum received £1999.66 to hold an event to obtain the views of younger people. Over 70 young people from seven local schools in Accrington were given the opportunity to have a say on what they saw as being the main health concerns affecting their generation.
- Hartlepool Primary Care Forum accessed the Development Fund to support its work to improve GP access for local people. The Forum produced 500 questionnaires and from the 217 that were returned, the Forum was able to produce a detailed report, which they presented to various groups including the OSC, the PCT Board and the GP's Council. Many respondents have been back in touch with the Forum to report improvements to the service as a direct result.

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

Overall, approximately 80% of the funds allocated to the Commission were used to directly support PPI Forums. The balance has been used to provide the KMS (also used by Forum members and Forum support), IT systems and infrastructure support, governance arrangements, back office support services, accommodation and general running expenses.

5.2 Appoints all members to PPI Forums

The Commission is responsible for recruiting and appointing PPI Forum members onto the Forums. Interested parties are interviewed by the Commission and if they meet the criteria are offered a place on a PPI Forum. Prospective 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 the Forums and membership opportunities to the public, using key vehicles such as the media, promotional literature and the web.

In September 2005, the Commission, FSOs and Forums carried out a week-long recruitment campaign, entitled 'Shaping Health Week'. The purpose of the week was to raise the profile of the Forums and increase membership to those Forums traditionally low on numbers. Events were held across England, enabling members of the public to find out more about the Forums and ways to get involved. The week secured extensive media coverage and attracted a significant number of people who were keen to get involved in decision-making on health.

The average number of Forum members in place during 2005-06 was 4,757 with an average of 8 members per PPI Forum. During 2005-06 the overall average time from the receipt of a membership application to confirmation of membership including Criminal Records Bureau (CRB) processing was reduced from 14.7 weeks to 8.5 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 7,000 Forum members for the past 20 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 Forums has been produced and shared with 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 Forums on a number of areas including the Forum work plan, understanding differences, holding effective Forum meetings, relationships with partner organisations and consensus decision-making. It also contains a Forum 'Self Assessment' guide, enabling 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. 1,979 course places were taken up by Forum members in the 2005-06 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 Department of Health on the progress of Forums and the PPI system.

The Department of Health (DOH) announced a strategic review into PPI in August 2005. In reality this review became absorbed into the Our Health. Our Care, Our Say White Paper review, which produced little by way of clear direction for the future of PPI. Subsequently the DOH set up a PPI Review expert panel to produce clear proposals in March 2006. The Commission has worked continuously during the year to ensure that the views of Forum members have been made known to the Department of Health, and prepared detailed recommendations for Ministers about the future for PPI.

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 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.

The Commission continues to issue regular 60-second polls on topical health issues, such as the Government's White Paper, NHS Finances and dentistry. These polls are held on the Internet and are open to the public. Views into these areas are sought and then publicised to relevant parties.

6 The Commission's internal operations

The Commission operates through a National Centre based in Birmingham and nine Regional centres aligned with regional government centres. 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 with the planned abolition of the Commission itself, a great deal of uncertainty about the future arrangements for PPI and a programme of staff and cost reductions ready for the reduced budget expected for the 2006-07 financial year.

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 are less than 1% of budget which compares favourably with Health Arms Length BodyBodies (ALB) sector benchmarks.

The financial operations of the Commission as a whole have remained within budget.

6.2 Communications

The Commission's communication function publicises Forum achievements to 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

The Human Resources function has supported a significant reduction in staffing levels over the period with a whole time equivalent (wte) headcount reduction from 192 (April 2005) to 134 (March 2006) comprising 111 Commission staff and 23 In House Forum Support staff. The overall reduction in Commission staff was 81 (42%). This significant organisational change was made in February 2006 in order to prepare the organisation for a reduced budget in 2006-7. During this change process 83 employees were at risk of redundancy. However through people leaving naturally and the internal redeployment opportunities offered, only 17 staff roles were made redundant with four voluntary redundancies. This helped meet the Commission's objective of minimising redundancies through this significant change process.

In addition the Commission brought some Forum support activities in house during the period and 23 (22 wte) staff were recruited or transferred in to the Commission's in-house FSO.

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 99.6% of the time for network-based systems and 99.7% of the time for web-based systems. In addition, during the period reductions of 25% in IT costs were negotiated to be available 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 Patient and Public Involvement in Health (the Commission) for the year 1 April 2005 to 31 March 2006. 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 Section 20 paragraph 1 of The National Health Service Reform and Health Care Professions Act 2002 (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 A2 for revenue and H3 for 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 and nine regional 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 Patient and Public Involvement (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 Commission carries out the statutory functions set out in Section 20 paragraphs 2 - 6 of 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) s etting 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 18 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 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 six 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.

The Race and Diversity Task Group was established during the financial year. Part of the remit of the group has been to instigate a Diversity Audit to establish the Commission's current position and recommend actions to encourage diversity across the organisation.

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 2006, 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 2006. External audit is provided by the Comptroller and Auditor General under Schedule 6, paragraph 12 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 2006 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.

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 2005-2006

Results for the Period

In accordance with Schedule 6, paragraph 12 of the Act, the Commission's Statement of Accounts covers the year ending 31 March 2006. 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 2006 are set out on pages 31–33. The Notes on pages 34–47 form part of the accounts.

The Commission received Operating Income of £33.115m in the year ending 31 March 2006, recording an overall surplus of £0.459m for the year. The surplus will be transferred to the Income and Expenditure Reserve and earmarked for use against future known events that are forecast to arise at the date of the Commission's closure. These estimated values 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 2006 was the second full operational year for the Commission's Forums. In addition, and following the announcement of the delayed abolition of the Commission until the summer of 2007, the Commission has worked 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. 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 2006 the Commission had a cash balance of £3.210m and creditors of £1.476m. Taking debtors into account this increased the total of net current assets to £2.104m. This increase includes cash to meet early retirement provisions of £0.613m by May 2006, for which provision has been made during the year. Removing the cash figure for provisions from the net current asset figure provides sufficient cover for expenditure for approximately 12 working-days based upon the Grant-in-aid received in the year ending 31 March 2006.

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 outcome of the PPI Strategic Review. In addition the Commission will also have to assess any implications for levels of Forum Support and Forum Activity post PCT reconfiguration within a very short period of time. The Statement on Internal Control on pages 27–28 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	25,170	8,470
Total invoices paid within target	21,500	6,578
Percentage of invoices paid within target	85%	78%

The following statistics provide a year on year comparative settlement period analysis. By value, payment performance for the year increased to 85% (2004-05 72%); whilst by number it has risen to 78% (2004-05 75%). It is anticipated that these percentages will remain unchanged in 2006-07.

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 2005-2006 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 2005-06 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, training Forum members and funding Forum member activity accounted for 60% of all Commission expenditure in the 2005-06 financial year.

Forum Support Organisation Contracts

Forum Support contracts with voluntary organisations accounted for 87% of direct PPI costs in 2005-06. As the key cost driver of the Commission, it is essential that value for money is obtained from these support contracts. As part of the project to extend Forum Support contracts into Year 3, Forum members' opinions were sought on the nature and quality of forum support offered by their individual Forum Support Organisation (FSO). This feedback was included in a weighted assessment framework in determining the eligibility of Forum Support Organisations for Year 3 contract awards. In overall financial terms contracts for Year 3 forum support were let without any inflationary uplift.

Forum Development Funds

A Forum Development Fund was made available for the second successive year to which Forums either individually or collaboratively could submit proposals to promote or develop their work plans.

Forum Member Training

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

During the financial year CRB checks were undertaken for all the existing Forum members. These checks are now undertaken during the Forum member recruitment and appointment process.

Forum Member National Event

An inaugural National Forum Member Conference was held in June 2005 at which the Minister of State for Health presented views on the way forward for PPI.

7.9.2 Financial Achievements

The following bullet points outline the key financial management tasks successfully completed during the 2005-06 financial year:

a) Absorbed a base budget reduction from £33m (2004-05) to £31.680m whilst preserving operational budgets;
b) Maintained Commission running cost expenditure at a similar level to prior year;
c) Successfully negotiated the award of Year 3 FSO Contracts within the Year 2 price envelope;
d) Reconfigured the Commission's structures and processes to align recurring costs within a Grant in Aid figure of £28m awarded to the Commission by the Department of Health in 2006-07;
e) Managed a Financial outturn within 1.5% of forecast expenditure
f) Financed all early retirement provision requirements without recourse to additional central Department of Health funding.

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) Outcome of the PPI Strategic Review;

b) Implications on Forum Support and Forum activity levels following PCT reconfiguration;

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

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

Financial

a) All recurring operational costs aligned within a £28m Grant in Aid base budget for 2006-07;

b) Early Retirement Provisions confirmed and financed in 2005-06;

c) All future Early Retirement provisions up to an abolition date of June 2007 have been assessed and can be financed from accumulated reserves at the Balance Sheet date;

d) Unexpired lease provisions have been assessed and for planning purposes have been assumed to apply in the 2007-08 financial year. These, along with potential dilapidation charges from landlords, are regarded as known future costs although not reported under the requirements of FRS12. Work is in hand to mitigate these costs wherever possible in assigning these leases to other parties.

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 the PPI Strategic Review. This review will determine the future direction for the PPI agenda and the nature and level of Forum work.

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

- Maintaining PPI Forums as effective organisations;
- Establish high performing FSOs and Strategic Partnerships;
- Maintaining the Commission as an effective organisation through to abolition;
- Build a meaningful legacy that informs the future of PPI
- Encourage the involvement of Forums, FSOs and the Commission's staff in the development and implementation of the Strategic Review.

In meeting these objectives the Commission will have to work through the detail of the reconfiguration of the PCTs due to take effect by October 2006 and in particular assess the implications for Forum support and the number 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 been set, however for all operational and financial planning matters an indicative date of June 2007 has been adopted.

The Commission was advised to build planning assumptions for the 2006-07 financial year around a budget of £28m. In order to achieve this significant budget reduction, a reconfiguration project was undertaken during the 2005-06 financial year to realign the Commission's operating costs accordingly. This was successfully achieved as a result of implementing the restructuring of the Commission in February and March 2006.

This exercise resulted in the implementation of a revised staffing structure which saw overall whole time equivalent (wte) staffing levels fall from 192 wte at the year ending 31 March 2005 to a staffing structure of 111 wte at 31 March 2006. The number of Commissioners fell from seven to six during the same period. In addition 23 additional staff were recruited during the period to provide the in-house FSO support service.

A reduction in staffing capacity will require 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.

Whilst absorbing a further base budget reduction of £2.0m in 2006-07, the Commission will continue to work in partnership with the Department in trying to expunge or assign contractual obligations. This course of action is done with the aim of mitigating future provisioning levels relating to unexpired lease periods and dilapidation costs on premises up to various break clause dates within the 2008 calendar year.

A Commission Closure Project will be initiated in the early part of the 2006-07 financial year to run in parallel with the operational activities which will meet the Chief Nursing Officer's five strategic objectives. The project will 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

In the year ending 31 March 2006 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	5-10
Clara Mackay (resigned 01/05/2005)	5-10
Perminder Paul	5-10
Jennifer Popay	5-10
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, 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 2005-06 financial year there were no payments made to third parties for the services of a senior manager nor were there any severance payments made within the financial year to former members of the Executive Team who left the Commission during the reporting period. 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 2006, no contributions were paid or were payable to stakeholder pension providers.

IIn the year ending 31 March 2006 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 2006 £'000	CETV at 31 March 2005 £'000	Employer Funded Contribution to Real Increase in CETV £'000
Steven Lowden Acting Chief Executive	**2005-06**	**105-110**	**20-25 [65-70]**	**0-2.5 [2.5-5]**	**330**	**299**	**17**
	2004-05	100-105					
David Orchard	**2005-06**	**90-95**	**0-5 [5-10]**	**0-2.5 [2.5-5]**	**43**	**26**	**12**
	2004-05	85-90					
Leslie Forsyth	**2005-06**	**90-95**	**10-15 [30-35]**	**0-2.5 [0-2.5]**	**142**	**131**	**5**
	2004-05	80-85					
Fiona Wood Resigned 28/11/2005)	**2005-06**	**55-60**	**20-25 [70-75]**	**0-2.5 [5-7.5]**	**301**	**254**	**28**
	2004-05	80-85					
Kevin Pegg	**2005-06**	**80-85**	**0-5 [5-10]**	**0-2.5 [2.5-.5]**	**35**	**14**	**14**
	2004-05	55-60					
Justine Kenny (Resigned 12/02/2006)	**2005-06**	**70-75**	**15-20 [50-55]**	**5-7.5 [17.5-20]**	**186**	**111**	**51**
	2004-05	55-60					

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

Signed

Steve Lowden
Accounting Officer
07 July 2006

Annual Accounts

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

The Commission's Responsibilities

Under the Cabinet Office's Guidance on **Codes of Best Practice for Board Members of Public Bodies**, the Commission is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Schedule 6 paragraph 12 of the National Health Service Reform and Healthcare Professions Act 2002, the Commission is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Commission's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

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

- observe the accounts direction issued by the Secretary of State, with the consent of the 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 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
- maintain and ensure the integrity of the Commission's website.

The Accounting Officer's Responsibilities

The Accounting Officer for the Department of Health has appointed the Chief Executive of the Commission for Patient and Public Involvement in Health as the Commission's Accounting Officer. The responsibilities as the 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 objective and goals, 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 2005-06 financial year was the second 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 2005-06. Toward the end of the 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.

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;
- 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.

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 2005-06 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.

During 2006-07, the Commission will continue to develop and revise its corporate governance and risk management arrangements, and its system of internal control, to respond to evolving best practice and to respond to external developments, including any transitional changes to the Commission's operating environment.

Signed

Steve Lowden
Accounting Officer
07 July 2006

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 (the Commission) for the year ended 31 March 2006 under the National Health Service Reform and Healthcare Professions Act 2002. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 Reform and Healthcare Professions Act 2002 and directions made thereunder by the Secretary of State with the consent of Treasury 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 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 Reform and Healthcare Professions Act 2002 and directions made thereunder by the Secretary of State with the consent of Treasury. 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Commission 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 by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 27–28 reflects the Commission's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Commission'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. This other information comprises only the sections on the Background to the Commission, Future Direction of the Commission, Patient and Public Involvement Forums, the Commission and its Functions, the Commission's Internal Operations, and the unaudited part of the Remuneration Report and the Management Commentary. 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'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.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Reform and Healthcare Professions Act 2002 and directions made thereunder by Secretary of State with the consent of Treasury, of the state of the Commission's affairs as at 31 March 2006 and of its surplus 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 Reform and Healthcare Professions Act 2002 and directions made thereunder by the Secretary of State with the consent of Treasury; and
- 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.

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

10 July 2006

Financial Statements

Income and expenditure account

For the year ending 31 March 2006

	Note	2005-06 £'000	2004-05 £'000
Gross Income			
Grant-in-Aid Income	3	**31,515**	30,631
Other Operating Income			
Transferred from Government Grant Reserve	15	**1,352**	1,686
Other Income	3a	**248**	54
		33,115	32,371
Expenditure			
Direct Patient and Public Involvement Costs	4	**(18,045)**	(18,178)
Employment Costs	5	**(7,311)**	(6,983)
Running Costs	6	**(5,102)**	(5,296)
Depreciation and Amortisation	7-8	**(1,244)**	(1,369)
Loss on disposal of Fixed Assets	8	**(15)**	(18)
Loss on Impairment	8	**(106)**	(299)
Notional Cost of Capital	9	**(94)**	(142)
Restructuring – Early Retirements Capital Costs	6a	**(220)**	–
Provision for Early Retirements	12	**(613)**	–
Total Operating Expenditure		**(32,750)**	(32,285)
Operating surplus		**365**	86
Notional Cost of Capital Reversal		**94**	142
Retained Surplus for the Financial Year		**459**	228

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

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2006

Net Unrealised Gain on Revaluation of Fixed Assets	15	**13**	89
		13	89

The Notes on pages 34–47 form part of these Accounts.

Balance sheet

As at 31 March 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Fixed Assets			
Intangible Fixed Assets	7	**1,171**	1,528
Tangible Fixed Assets	8	**2,920**	3,875
		4,091	5,403
Current Assets			
Stock		**2**	11
Debtors and Prepayments	10	**368**	282
Cash at Bank and In Hand	17	**3,210**	2,880
		3,580	3,173
Creditors due within one year	11	**(1,476)**	(2,115)
Net Current Assets		**2,104**	1,058
Total Assets less Current Liabilities		**6,195**	6,461
Provisions for Liabilities & Charges	12	**(613)**	–
Deferred Income	13	**(263)**	(302)
Net Assets		**5,319**	6,159
Reserves			
Income and Expenditure Account	15	**1,228**	756
Government Grant Reserve	15	**4,002**	5,314
Revaluation Reserve	15	**89**	89
Total Government Funds		**5,319**	6,159

The Notes on pages 34–47 form part of these Accounts.

Signed

Steve Lowden
Accounting Officer
07 July 2006

Cash flow statement

For the period ended 31 March 2006

	Note	2005-06 £'000	2004-05 £'000
Net Cash Inflow from Operating Activities	16	**581**	1,034
Capital Expenditure			
Payment for the purchase of Fixed Assets		**(291)**	(872)
Net Cash (Outflow) / Inflow before financing		**290**	162
Financing			
Grant-in-aid for Capital Expenditure	3	**40**	633
Net Cash Inflow	17	**330**	795

The Notes on pages 34–47 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 summer 2007 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 31–33 together with the Notes on pages 34–47 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 Schedule 6, paragraph 12 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

Grant-in-aid received for revenue expenditure is credited to income in the year to which it relates. Grant-in-aid for capital expenditure is credited to a Government Grant Reserve. Each year, 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.

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 is sought from FSOs as part of the Commission's performance management procedures.

Notional Charges

In accordance with the **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 2006 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 2004-05). 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 2005-06 was £576k (£587k for 2004-05). 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 2005-06 financial year the Commission were successful in meeting this requirement which is detailed in Section 7.7 of the Annual Report.

Note 3. Grant-In-Aid income

	Note	Continuing £'000	New £'000	**2005-06 £'000**	2004-05 £'000
Grant-In-Aid Received Department of Health Main Estimate					
Request For Resources 1, (RFR1) Running Costs RFR1, Subhead A2		**31,515**	–	**31,515**	30,631
Capital Expenditure RFR1, Subhead H3		–	**40**	**40**	633
		31,515	**40**	**31,555**	31,264
Transferred to Government Grant Reserve	15	–	**(40)**	**(40)**	(633)
Grant-in-Aid for Running Costs Transferred to the Income and Expenditure Account		**31,515**	–	**31,515**	30,631

Note 3a. Other income

	2005-06 £'000	2004-05 £'000
Employee Secondment Income	**222**	52
Rechargeable Expenditure	**26**	2
Total	**248**	54

Note 4. Direct patient and public involvement costs

	2005-06 £'000	2004-05 £'000
Forum Support Organisation Contracts	**15,777**	16,530
Forum Member Development Fund	**382**	447
Forum Member CRB Checking	**80**	–
Core Skills Training	**337**	257
Forum Member Events, Translation Services & Special Needs	**647**	338
Forum Member Expenses	**822**	606
Total	**18,045**	18,178

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. 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. Expenditure relating to Forum Support provided through the In-House Service Provider is included in Notes 5 and 6 within the accounts.

During the year, Forums were once again invited to submit bids to a Development Fund in order to broaden the work and knowledge of Forums.

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 is currently operating for 34 PPI Forums based in London, Essex and Cheshire.

For the purposes of financial reporting, costs relating to the In-House Service Provider have been recorded in Notes 5 and 6 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 5. Employment costs

	Continuing £'000	New £'000	**2005-06 £'000**	2004-05 £'000
Commission Members				
Salaries and Wages	**62**	–	**62**	
Social Security Costs	**4**	–	**4**	83
				5
	66	–	**66**	88
Commission Staff				
Salaries and Wages	**5,220**	**325**	**5,545**	5,161
Social Security Costs	**490**	**29**	**519**	456
Pension Costs	**556**	**20**	**576**	587
Secondments and Interim Staff	**586**	**19**	**605**	691
	6,852	**393**	**7,245**	6,895
Total Employment Costs				
Salaries and Wages	**5,282**	**325**	**5,607**	5,244
Social Security Costs	**494**	**29**	**523**	461
Pension Costs	**556**	**20**	**576**	587
Secondments and Interim Staff	**586**	**19**	**605**	691
Total	**6,918**	**393**	**7,311**	6,983
Less: Secondment Income	**(222)**	–	**(222)**	(52)
	6,696	**393**	**7,089**	6,931

Average Number of Staff Employed

At 31 March 2006 the Commission employed 134 whole time equivalent members of staff of which 111 whole time equivalent were staff engaged in the continuing operations of the Commission and 23 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 2006 by type of contract and location of employment was:

Type of employment

	2005-06	2004-05
Permanent Staff	**96**	126
Fixed Term Staff	**62**	49
Interim and Agency Staff	**15**	1
	173	176

Location of employment

	2005-06	2004-05
National Centre	**46**	47
Regional Centres	**114**	129
In House FSO Support	**13**	–
	173	176

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 2005, no contributions were paid or were payable to stakeholder pension providers

Note 6. Running costs

	Continuing £'000	New £'000	**2005-06 £'000**	2004-05 £'000
Accommodation Costs	**1,468**	**53**	**1,521**	1,540
Advertising	–	–	–	–
Audit Fee – External*	**50**	–	**50**	50
Audit Fee – Internal	**27**	–	**27**	19
General Administrative Expenses	**192**	**81**	**273**	359
Office Expenditure	**96**	**7**	**103**	112
IT and Computer Maintenance	**1,754**	**20**	**1,774**	1,844
Telecommunications and Postage	**60**	**4**	**64**	69
Printing and Publications	**312**	**8**	**320**	357
Recruitment and Training	**548**	**10**	**558**	508
Travel and Subsistence	**349**	**20**	**369**	377
Redundancy Costs	**8**	–	**8**	–
Arms Length Body Review	**35**	–	**35**	61
Total	**4,899**	**203**	**5,102**	5,296

Amount included under accommodation costs relating to operating leases was £934k in 2005-06.
* External auditors' remuneration relates solely to the provision of audit services.

Note 6a. Restructuring - early retirement capital costs

	Continuing £'000	New £'000	**2005-06 £'000**	2004-05 £'000
Early Retirement Costs	**220**	–	**220**	–
Provision for Early Retirement Costs – Note 12	**613**	–	**613**	–

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.

Note 7. Intangible fixed assets

	£'000
Software Licences	
Cost / Valuation at 1 April 2005	**2,109**
Additions	–
Cost / Valuation at 31 March 2006	**2,109**
Amortisation at 1 April 2005	**(581)**
Provided in the period	**(357)**
Amortisation at 31 March 2006	**(938)**
Net Book Value at 31 March 2006	**1,171**
Net Book Value at 1 April 2005	1,528

Note 8. Tangible fixed assets

	Fitting Out & Furniture £'000	Plant and Machinery £'000	IT Hardware/ Development £'000	Total £'000
Cost / Valuation				
1 April 2005	**1,892**	**40**	**3,374**	**5,306**
Additions	–	**9**	**31**	**40**
Disposals	–	–	**(34)**	**(34)**
Indexation	–	–	**(210)**	**(210)**
Revaluation	**16**	**(1)**	–	**15**
Cost/Valuation at 31 March 2006	**1,908**	**48**	**3,161**	**5,117**
Depreciation				
1 April 2005	**(366)**	**(16)**	**(1,049)**	**(1,431)**
Provided in the period	**(220)**	**(10)**	**(657)**	**(887)**
Disposals	–	–	**19**	**19**
Indexation	–	–	**104**	**104**
Revaluation	**(3)**	**1**	–	**(2)**
Depreciation at 31 March 2006	**(589)**	**(25)**	**(1,583)**	**(2,197)**
Net Book Value at 31 March 2006	**1,319**	**23**	**1,578**	**2,920**
Net Book Value at 1 April 2005	1,526	24	2,325	3,875

Note 9. Cost of capital

IIn 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 2006 is calculated using the Treasury's discount rate of 3.5% (2004-05 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.

	2005-06 £'000	2004-05 £'000
Capital Employed as at 1 April 2005	**3,278**	4,810
Capital Employed as at 31 March 2006	**2,109**	3,278
Mean Capital Employed	**2,694**	4,044
Notional Charge for Cost of Capital	**94**	142

Note 10. Debtors falling due within one year

	2005-06 £'000	2004-05 £'000
Debtors	**18**	21
Prepayments	**350**	261
Total	**368**	282

Intra Government Balances

	2005-06 £'000	2004-05 £'000
Balances with Central Government Bodies	**19**	11
Balances with Local Authorities	**16**	10
Balances with NHS Trusts	**–**	7
Balances with Public Corporations	**–**	–
Balances with organisations external to Government	**333**	254
Total	**368**	282

Note 11. Creditors falling due within one year

	2005-06 £'000	2004-05 £'000
Trade Creditors	**90**	65
Tax and Social Security Creditors	**129**	159
Other Creditors	**45**	66
Accruals	**1,212**	1,574
Capital Creditors	–	–
Capital Accruals	–	251
Total	**1,476**	2,115

Intra Government Balances

	2005-06 £'000	2004-05 £'000
Balances with Central Government Bodies	**242**	279
Balances with Local Authorities	**8**	6
Balances with NHS Trusts	**11**	8
Balances with Public Corporations	**4**	12
Balances with organisations external to Government	**1,211**	1,810
Total	**1,476**	2,115

Note 12. Provisions for liabilities & charges

A provision has been set up to represent the future liability to pay early pensions and lump sum payments to eligible staff up to the date of their normal retirement age. Under the provision of the NHS Pension Scheme staff are, by right, able to apply for early retirement in instances where their role is being made redundant. The provision has been charged to the Income and Expenditure Account in the 2005-06 financial year.

	2005-06 £'000	2004-05 £'000
Balance at 1 April 2005	–	–
Provided in Year	613	–
Unwound Discount	–	–
Paid in Year	–	–
Balance at 31 March 2006	**613**	–

The full cost of early retirements provided during the year was £0.833m of which £0.220m has been paid and the balance carried forward as a provision. Capital costs 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 are expected to be discharged under this policy by the end of May 2006 and therefore as the time value of money impact is not material the standard discount rate of 3.5% has not been applied to the provision.

Note 13. Deferred income

	2005-06 £'000	2004-05 £'000
Deferred Income within one Year	**41**	41
Deferred Income after one Year	**222**	261
Total	**263**	302

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 14. Income and expenditure account

	2005-06 £'000	2004-05 £'000
Income and Expenditure Account at beginning of period	**756**	528
Retained Surplus for the Financial Year	**472**	228
Income and Expenditure Account at 31 March	**1,228**	756

Note 15. Movement on reserves

	Income & Expenditure Reserve £'000	Government Grant Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2005	**756**	**5,314**	**89**	**6,159**
Additions				
Retained Surplus	**459**			**459**
Grant-in-Aid–Capital Expenditure		**40**		**40**
Revaluation			**15**	**15**
Transfers to Income & Expenditure				
Depreciation		**(1,231)**		**(1,231)**
Loss on Impairment		**(106)**		**(106)**
Loss on Disposals		**(15)**		**(15)**
Backlog Depreciation			**(2)**	**(2)**
Realised Element of Revaluation	**13**		**(13)**	–
Balance at 31 March 2006	**1,228**	**4,002**	**89**	**5,319**

Note 16. Reconciliation of the operating surplus to the net cash inflow from operating activities

	Note	2005-06 £'000	2004-05 £'000
Operating Surplus		**365**	86
Depreciation and Amortisation	7-8	**1,244**	1,369
Cost of Capital Charge	9	**94**	142
Loss on Impairment	7-8	**106**	299
Loss on Disposal of Fixed Assets	7-8	**15**	18
Release from Government Grant Reserve	15	**(1,352)**	(1,686)
Decrease/(Increase) in Stock		**9**	(11)
Increase In Debtors and Prepayments	10	**(86)**	–
(Decrease)/Increase in Creditors	11	**(388)**	792
Increase in Provisions for Liabilities & Charges	12	**613**	–
(Decrease)/Increase in Deferred Income	13	**(39)**	25
Net Cash Inflow from Operating Activities		**581**	1,034

Note 17. Analysis of changes in cash

	2005-06 £'000	2004-05 £'000
Balance at beginning of period	**2,880**	2,085
Increase in Cash	**330**	795
Balance at 31 March	**3,210**	2,880

Note 18. Capital commitments

At 31 March 2006 capital commitments contracted for were £Nil (2004-05 £Nil).

Note 19. Commitments under operating leases

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

	2005-06 £'000	2004-05 £'000
Operating leases for Land and Buildings which expire:		
Within one year	**32**	–
In years two to five	**69**	69
Over five years	**816**	817

There were no other operating leases in place at 31 March 2006.

Note 20. Contingent liabilities

There were no contingent liabilities at 31 March 2006 (2004-05 £Nil).

Note 21. 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 are still to be made public as at the date of signing this Annual Report and Accounts 2005-06.

The financial implications of this announcement could vary significantly depending on the timetable and project plan currently being developed and it is not possible to calculate the financial consequences of this announcement with any degree of certainty.

The 2005-06 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 2006-07 financial year to enable the Commission to continue its duty to support the work of Patients' Forums.

Note 22. Related party transactions

The Department of Health is a related party to the Commission. During the year ending 31 March 2006, 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 2006 none of the Commission Members, key managerial staff or other related parties undertook any material transactions with the Commission.

Note 23. Losses and special payments

Losses in the year ending 31 March 2006 amounted to £Nil (2004-05 £17k).

Note 24. 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.

9 Contact details:

The Commission has a National and nine Regional Centres. Their addresses and contact details are:

The Commission for Patient and Public Involvement in Health
7th Floor
120 Edmund Street
Birmingham B3 2ES

Tel:	0121 222 4500
Fax:	0121 222 4511
Tel (General enquiries):	0845 120 7111
Tel (PPI Forum Membership Recruitment):	0845 120 7115
Fax:	0121 345 6130
Email:	communications@cppih.org
Website:	www.cppih.org

North East Region - Gateshead

Richmond House
Ground Floor
The Watermark
Metro Riverside Park
Riverside Way
Gateshead
NE11 9SZ
Tel:0191 448 4300
Fax:0191 448 4388

Humberside / Yorkshire Region - Leeds

Nelson House
Quayside Business Park
George Mann Road
Leeds
LS10 1DJ
Tel: 0113 227 2400
Fax: 013 227 2488

North West Region - Warrington

4 Mandarin Court
Centre Park
Lakeside Drive
Warrington
WA1 1GG
Tel:01925 543000
Fax:01925 543088

East Midlands Region - Nottingham

5th Floor
Pearl Assurance House
Friar Lane
Nottingham
NG1 6BT
Tel:0115 851 1300
Fax:0115 851 1388

West Midlands Region - Birmingham

7th Floor
120 Edmund Street
Birmingham
B3 2ES
Tel:0121 222 4400
Fax:0121 222 4488

East of England Region - Cambridge

Ground Floor
Block 7
The Westbrook Centre
Cambridge
CB4 1YG
Tel: 01223 633900
Fax: 01223 633906

South East Region - Guildford

Ground Floor
Victoria House
London Square
Guildford
GU1 1UJ
Tel:01483 698000
Fax:01483 698088

South West Region - Exeter

Lynx House
Pynes Hill Office Campus
Rydon Lane
Exeter
EX2 7AN
Tel:01392 332100
Fax:01392 332188

London Region - Euston

Ground Floor
163 Eversholt Street
London
NW1 1BU
Tel:0207 788 4900
Fax:0207 788 4988

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