East Lancashire Hospitals
NHS Trust

Annual Report

2017/18

Safe | Personal | Effective

Contents

Foreword

Welcome to our Annual Report and Accounts for 2017/18. Once again, we are very proud to report the many achievements and successes from over the year. And what a busy year it has been. The pressure felt this winter has been unprecedented, especially as the usual demand extended into the early spring months due, in part, to the Beast from the East. Despite this our staff continued to provide excellent safe, personal and effective care, across the five hospital sites and in the community.

The 'Aussie flu', a particularly nasty strain for the year, also played a part in the seasonal pressures. However, ELHT had a strong and rigorous campaign which built on the previous year's success. From October until February 92.3 percent of the workforce received a vaccine, that's over 7,000 individuals. After all the hard work it was very pleasing to be named the top performing Trust for staff vaccinations. Being the biggest employer in the area and offering the flu jabs we are not only protecting our community, we are also vaccinating a large portion of the community too. This no doubt went some way to reduce the numbers of flu cases across East Lancashire.

We were delighted to receive our best ever results for the latest NHS staff survey – the world's biggest workforce study. The independently-verified survey showed that we are a great place to work, with a caring environment and excellent career opportunities.

Out of the 32 key findings ELHT are in the top quarter for half of them! We also scored above the national average for staff recommending ELHT to others as a place of work and we are the fifth top performing Trusts in the North – clearly a sign our staff are motivated and engaged.

Another of our fantastic successes is becoming the world's first 'UNICEF Baby Friendly' Trust. In September 2017 we were presented with the Gold Standard in recognition of the advice and support we provide to families with new babies. It represents over 20 years of pioneering service to new mums, culminating in a 'breastfeeding revolution' in East Lancashire.

Finally, a huge thank you to the many people who contribute to our continued success. Our staff work tirelessly to provide the very best service they can for our patients. In doing so, they show their commitment to continuing to improve the quality of services that are provided across East Lancashire. Together we are very much looking forward to building on our successes and gaining even more accolades for our safe, personal and effective care.

Professor Eileen Fairhurst, Chairman

Mr Kevin McGee, Chief Executive

Performance Overview

Introduction and Background

East Lancashire Hospitals NHS Trust (ELHT) was established in 2003 and is a large integrated health care organisation providing acute secondary and community healthcare for the people of East Lancashire and Blackburn with Darwen. Our population includes patients who live in several of the most socially deprived areas of England.

We aim to deliver high quality, high value care and contribute to a health gain for our community. Located in Lancashire in the heart of North West England, with Bolton and Manchester to the South, Preston to the West and the Pennines to the East we have a combined population of approximately 530,000. We employ in the excess of 7,500 staff, some of whom are internationally renowned and have won awards for their work and achievements.

We offer care across five hospital sites, and various community locations, using state-of-the-art facilities. In addition, our patients are also offered a range of specialist hospital services which are provided predominantly in Manchester and Liverpool.

The majority of the Trust's services are funded by NHS East Lancashire and Blackburn with Darwen Clinical Commissioning Groups (CCGs) and NHS England. The Trust continues to work alongside our commissioners and local authorities to deliver the best possible care in the most appropriate locations for the people of East Lancashire.

Our absolute focus on patients as part of our vision "to be widely recognised for providing safe, personal and effective care" has been demonstrated in the Trust's continued progress and being rated 'Good' by the Care Quality Commission (CQC).

The underlying performance position of the Trust has continued its upward path during 2017/18, with recent improvement in the four-hour treatment target measured in the Emergency Department. Further details of our performance against key national, local access and treatment priorities can be found on page 12.

The Trust has successfully delivered cost savings over the past five years totaling in the region of £85 million.

Safe | Personal | Effective

Performance Report

Chief Executive's Statement

The Trust achieved its financial and performance targets for the year, with the exception of the Accident and Emergency four hour standard for the financial year 2017-18. The Trust received the overall rating of 'Good' in February 2017 by the Care Quality Commission following a well led inspection in September 2016. The Trust is placed in segmentation two by the Regulator under the Single Oversight Framework which is a reflection of the excellent overall performance of the organisation.

Our staff worked tirelessly to deal with the operational pressures that we experienced during the last financial year and the Trust remains committed to delivering safe, personal and effective care to every patient every time.

Trust Fact File

The Trust has a total of:

- 1,079 beds
- 25 theatres
- Two cardiac catheterisation laboratories
- Seven endoscopy rooms

It operates five hospitals:

- Burnley General Teaching Hospital
- Royal Blackburn Teaching Hospital
- Clitheroe Community Hospital
- Pendle Community Hospital
- Accrington Victoria Community Hospital

Vision and values

Our vision is to be widely recognised for providing safe, personal and effective care.

We will do this by achieving our objectives to:

- put safety and quality at the heart of everything we do
- invest in and develop our workforce
- work with key stakeholders to develop effective partnerships
- encourage innovation and pathway reform and deliver best practice.

Our objectives are underpinned by our values. We have committed in all our activities and interactions to:

- put patients first
- respect the individual
- act with integrity
- serve the community, and
- promote positive change.

In achieving the objectives our staff observe our operating principles:

- Quality is our organising principle
- We strive to improve quality and increase value
- Clinical leadership influences all our thinking
- Everything is delivered by and through our clinical divisions
- Support departments support patient care
- We deliver what we say we will deliver
- Compliance with standards and targets is a must; this helps secure our independence and influence
- We understand the world we live in, deal with its difficulties and celebrate our successes.

Our staff are committed to delivering against these challenges by continually improving the quality of the services we provide to meet the needs of our local population. Our improvement priorities for the year were to:

- reduce mortality
- avoid unnecessary admissions
- enhance communication and engagement
- deliver reliable care
- ensure timeliness of care.

Reducing mortality	Safe
Avoiding unnecessary admissions	Safe
Enhancing communications and engagement	Personal
Delivering reliable care	Effective
Timeliness of care	Effective

Our services

We provide a full range of acute hospital and adult community services. We are a specialist centre for Hepatobiliary and Pancreatic Surgery and Interventional Vascular Centre.

Burnley General Teaching Hospital provides a full range of elective hospital services. This includes:

- General, specialist medical and surgical services
- 13 Theatres, two obstetric and one procedure room
- Full range of diagnostic (MRI, CT scanning) and support services
- Urgent Care Centre
- Lancashire Women and Newborn Centre
- Midwife-led birth centre
- Consultant-led maternity unit
- Level 3 Neonatal Intensive Care Unit
- Specialised neuro-rehabilitation
- New Lancashire Elective Centre
- Purpose-built gynaecology unit
- New chemotherapy and breast care facilities
- Full range of diagnostic (MRI, CT scanning) services
- Phase 8 development to include specialist ophthalmology centre, maxilla-facial department and outpatient facilities (opens 2019)

Royal Blackburn Teaching Hospital provides a full range of hospital services to adults and children. This includes:

- General and specialist medical
- Elective and Emergency Surgery
- Emergency Department
- Urgent Care Centre
- State of the art inpatient facilities
- Centralised outpatient department
- Full range of diagnostic (MRI, CT scanning) and support services
- 11 Operating Theatres, including robotic assisted surgery

Pendle Community Hospital provides:

- Rehabilitation for people following illness of injury
- 72 inpatient beds
- Integrated Stroke Therapy
- Community Falls service

Accrington Victoria Community Hospital provides inpatient services and a Minor Injuries Unit for the local population. The hospital also has access to dedicated specialist services together with a range of outpatient services. Many consultants and specialties use this busy facility which allows local people to be seen within their community. Services include:

- Inpatient services
- Outpatient services
- Audiology
- Occupational Therapy
- Minor Injuries
- X-Ray
- Physiotherapy
- Renal Services

At **Clitheroe Community Hospital** we provide:

- 32-bed inpatient ward on the first floor
- Outpatient services on the ground floor, including restaurant
- Inpatient and rehabilitation services for people aged 16 and over

Our **Community Nursing, Health Visiting** and **Outpatient services** are also provided at a number of community facilities, enabling patients to access care closer to homes wherever appropriate, including:

- Accrington PALS
- Acorn Primary Health Care Centre, Accrington
- Bacup Primary Health Care Centre
- Barbara Castle Way Health Centre, Blackburn
- Barnoldswick Medical Centre
- Blackburn Birth Centre
- Clayton-le-Moors
- Clitheroe Health Centre
- Colne Health Centre
- Darwen Health Centre
- Deardengate House, Haslingden
- Garstang Medical Centre (Vascular)
- Haslingden Health Centre
- Helme Chase Surgery, Kendal (Vascular)
- Holly House CDC (Accrington)
- Kiddrow Lane Health Centre
- Rossendale Primary Health Care Centre (Hub)
- St Peter's Centre, Burnley
- Yarnspinners Primary Health Care Centre

Staff

The Trust is a major local employer. We recognise that our ongoing success is due to the hard work, dedication and commitment of all our staff and volunteers. During the course of the year the Trust has worked hard to recruit and retain nursing and medical staff.

Recognising that in order to provide consistent high standards of safe, personal and effective care means high staffing requirements at times of peak demand. The Trust continues to increase our Staff Bank and reduce the cost of agency staff.

As well as ensuring that we have the appropriate workforce numbers, the Trust has worked hard to recognise the importance of employee engagement. Our overall Organisational Development Strategy contains the Employee Engagement Strategy and a focused staff engagement team is in place.

In addition to the information and data from the national NHS employee Staff Survey, we conduct focused surveys to enable staff to feedback confidentially their experience of working for the Trust.

We do this regularly and then monitor the actions that have been taken to improve the staff experience at our monthly Employee Engagement Sponsor Group chaired by the Chief Executive.

Employee engagement

At ELHT we believe our employees are our greatest asset, and we all have a part to play in setting and achieving our vision, values and key priorities.

Our people are at the heart of everything that we do, striving for excellence and driving up standards of care. We want our staff to enthuse pride in their service and similarly for our patients and carers to be proud of us as their local health provider.

As an organisation we are committed to improving employee engagement and empowerment. Our strategy led by the Chief Executive and championed by the Director of Human Resources and Organisational Development (HR&OD) has enabled ELHT to drive the organisation forward by highlighting the importance of employee engagement as well as implementing evidence based interventions to enable further engagement.

We have devised, implemented and embedded a systematic approach to engage and empower our employees through our 10 Enablers of Employee Engagement which has now created an environment whereby our workforce demonstrates high levels of advocacy is truly involved and motivated, working together towards our shared vision of being widely recognised for providing safe personal and effective care.

Finance

Financial duties

The Trust reported a £3.0m adjusted financial performance surplus for the 2017-18 financial years, which equates to 0.6% of turnover. The surplus includes a £14.5m allocation from the Sustainability and Transformation Fund, approved by the Department of Health and Social Care (DHSC) and HM Treasury. This surplus is retained by the Trust and in the short term will help to improve the Trust's liquidity.

The Trust delivered this outturn whilst continuing to support a significant Safely Releasing Cost Programme (SRCP), improving the way it delivers services. In addition, the Trust achieved all its other financial duties as set out at page 72 of this report.

Better Payments Practice Code

Although it is not a financial duty, the Trust met the Better Payment Practice Code target by paying more than 95% of undisputed invoices within 30 days of receipt of the goods or invoice, whichever is the later.

Where our money comes from

In 2017-18, the Trust received income of £495.5 million compared with £477.5 million in the previous year, including £381.2 million for healthcare services provided to people living in East Lancashire and Blackburn with Darwen.

Most of the Trust's income comes from Clinical Commissioning Groups (CCGs) who purchase healthcare on behalf of their local populations. The Trust negotiates an annual contract with the local CCGs for the payment of services. Much of this contract is driven by a nationally-determined tariff.

Where our money goes

From a total spend of £518.9 million in 2017-18, £324.2 million or 62.5% was spent on salaries and wages. Throughout the year the Trust employed in excess of 7,500 staff.

At £39.9 million, drugs costs were the next highest area of expenditure with the Trust spending a £33.7 million on other clinical supplies and services and a further £19.9m on clinical negligence premiums.

The Trust has continued to invest in healthcare facilities on all sites including the £3.4 million spent on the new Ophthalmology department at Burnley General Teaching Hospital, £1.9 million of which was funded from Public Dividend Capital (PDC) received from DHSC.

Further investment on this capital project of £15.0m is planned in advance of the scheduled opening in October 2019, backed by a further £13.7m of PDC funding. The Trust also received £2.7 million of PDC in 2017-18 to strengthen cyber security safeguards.

Financial Outlook for 2018-19

The financial outlook for the National Health Service continues to be extremely challenging. The Trust has not been able to accept the 2018-19 control total as it would require a £30.0 million efficiency programme to meet the control total. The Trust is and will continue to work closely with our Pennine Lancashire colleagues to try and close the gap.

By not accepting the control total the Trust does not have access to the Provider Sustainability Fund (PSF), previously known as Sustainability and Transformation fund (STF), The Trust has committed to deliver a 4% £18m cost improvement programme which will result in a planned deficit of no more than £19.2 million.

Modern Slavery Act 2015 – Annual Statement 2017/18

In accordance with the Modern Slavery Act 2015, East Lancashire Hospitals NHS Trust (ELHT) agreed the final statement regarding the steps it has taken in the financial year 2017/18 to ensure that Modern Slavery i.e. slavery and human trafficking, is not taking place in any part of its own business or any of its supply chains. The full statement can be found here: www.elht.nhs.uk/about-us/corporate-publications-annual-reports-and-accounts

Principal activities of the Trust

Our principal activities are to provide:

- elective (planned) operations and care to the local population in hospital and community settings
- non-elective (unplanned emergency or urgent) operations to the local population in hospital settings
- diagnostic and therapy services on an outpatient and inpatient basis to the local population in hospital and community settings
- specialist services within a network of regional and national organisations e.g. level 3 Neonatal services, Interventional Vascular Centre and specialist Hepatobiliary and Pancreatic Centre
- ELHT also provides robotic assisted surgery within Urology, Colorectal and Head and Neck services
- learning and development opportunities for staff and students
- additional services commissioned where agreement has been reached on service delivery models and price
- support services to deliver the above activity and support the activity of other local health providers where these have been commissioned and agreement has been reached on service delivery models and price

Performance summary

All healthcare providers across the country are set a range of quality and performance targets by the Government, commissioners and regulators. 2017/2018 has been a challenging year for all providers due to increasing patient numbers, financial challenges and the increasing frailty of patients. Generally though, our performance this year has been one of improvement, with many indicators being better than last year and compare very favorably with our local and national peers.

Particular highlights this year have included:

- the opening of the Lancashire Elective Treatment Centre at Burnley General Hospital
- the Trust continued to be within the expected tolerances for mortality rates
- all national cancer targets have been met for the year
- the Trust has one of the lowest levels of complaints in the country
- the Trust continues to receive a high response rate and positive scores for the "Friends and Family Test"
- the Trust being rated "Good" for being 'open and honest' with its public and patients
- the Referral to Treatment time for our patients continues to achieve the target
- the Trust had the highest staff 'flu vaccination rate in the country
- the Trust had very low infection rates from MRSA and C.Difficile
- the provision of robotic surgery for cancer patients in the North West for Urology, Colorectal and Head and Neck Surgery.
- the Trust continues to ensure it is compliant with safeguarding training for working with children and adults
- the Trust has been voted as one of the best places to work in the NHS
- a staff nurse has been shortlisted as a rising star in the Nursing Times Award
- Our Orthopaedic Enhanced Recovery Programme was shortlisted for a Nursing Times award.

You can read about these and many more successes, in the section of this annual report titled, "Our Highlights of 2017/18".

Our key challenges in year have been in relation to a number of key performance targets.

Accident and Emergency

The national target is that 95% of all patients are seen and treated or discharged within four hours of their arrival on the emergency or urgent care pathway. Factors affecting performance include discharges from wards, high number of attendances (particularly of acutely ill patients), increasing numbers of frail elderly patients, very sick patients requiring intensive support and people not using other services in the community appropriately such as GP services and pharmacies.

A combination of these factors meant that the Trust experienced significant difficulties in meeting the required target in the last year.

Overall, performance against the Accident and Emergency four-hour standard remains under the 95% target at 82.7% for the year. Nationally, performance against this standard has been deteriorating and for the month of March, just 9 out of 137 reporting trusts with type 1 departments achieved the 95% standard.

	Target	2015/16	2016/17	2017/18
Percentage of patients treated in four hours or less	95%	92.5%	83.5%	82.7%
Number of patients (non-elective)		64,126	61,945	62,230

Referral to Treatment (18 weeks)

The Trust met the ongoing pathway target to ensure that no less than 92% of patients at any time are waiting more than 18 weeks. The target was met for 9 months out of the 12 in 2017/18, however performance fell below the target during September, October and November. This resulted in a full year performance, of just a minute fraction below the target, at 91.9% The Trust continued to meet the 92% target since December 2017.

	Target	2015/16	2016/17	2017/18
Percentage of patients on an ongoing pathway under 18 weeks	92%	96.70%	93.49%	91.9%

Cancer

There are a number of targets that relate to people who either have cancer or are suspected of having cancer and require treatment. Two of these targets are referrals for suspected cancer must be seen within 14 days and patients who are undergoing investigation and subsequent treatment following a diagnosis of cancer should receive their treatment within 62 days of their referral. A more extensive list of targets can be seen in the table below.

At East Lancashire Hospital Trust we are committed to ensuring our patients receive timely and effective treatment in line with national targets and guidance. We are continually reviewing our pathways to ensure that the organisation of tests, outpatient appointments, treatments and multi-disciplinary team meetings are as efficient as possible to avoid undue delays.

The national cancer data relating to our surgeons has indicated that there are no issues with their performance when compared with the rest of the country. Our performance in the National Cancer Survey indicated that there were areas of care we could improve on and we have developed and deployed action plans to ensure we can continue to improve the quality and timeliness of the care we provide.

	Target	2014/15	2015/16	2016/17	2017/18 (at Feb 2018)
Percentage of patients seen in two weeks or less of an urgent GP referral for suspected cancer	93%	96.3%	96.5%	95.8%	94.1%
Percentage of patients seen in two weeks or less of an urgent referral for breast symptoms where cancer is not initially suspected	93%	96.1%	95.5%	96.6%	95.4%
Percentage of patients receiving treatment within 31 days of a decision to treat	96%	98.2%	99.1%	98.8%	98.5%
Percentage of patients receiving subsequent treatment for cancer within 31 days where that treatment is surgery	94%	95.1%	98.3%	97.4%	96.2%
Percentage of patients receiving subsequent treatment for cancer within 31 days where treatment is an anti-cancer drug regime	98%	100%	99.8%	99.9%	99.6%
Percentage of patients receiving treatment for cancer within 62 days of an urgent GP referral for suspected cancer	85%	86%	88.0%	85.9%	86.6%
Percentage of patients receiving treatment for cancer within 62 days of referral from an NHS Cancer Screening Service	90%	95.9%	97.9%	97.4%	97.5%

Stroke

The National Institute for Health and Care Excellence (NICE) stroke quality standard provides a description of what a high quality stroke service should look like. We continue to perform well in most areas of the "gold standard" but have continued to experience difficulties in meeting the required target that patients attending our services with the signs and symptoms of stroke are admitted to our specialist stroke beds within four hours of arrival. This is reflective of the pressures seen across the country in increasing demands for non-elective services and the availability of beds.

	Target	2015/16	2016/17	2017/18	
Percentage of stroke patients spending > 90% of their stay on a stroke unit	80%	81.3%	85.6%	89.0%	** Aug to Nov 17 SSNAP verified
Percentage of stroke patients admitted to a stroke unit within four hours	90%	52.4%	50.2%	63.9%	** Aug to Nov 17 SSNAP
Percentage of patients with TIA at higher risk of stroke seen and treated within 24 hours	60%	63.3%	48.5%	53.9%	

Infection prevention and control

Reducing avoidable healthcare associated infections is a key part of our harms reduction strategy. Everyone has a part to play in infection prevention and control and we have a Team dedicated to support the on-going education and training of all staff to ensure we maintain the highest possible standards of cleanliness and reduce the incidence of infections.

In 2017/18 the Trust had a target of a maximum of 28 cases of Clostridium Difficile occurring at least 72 hours after admission. Unfortunately, there were 37 such cases across the course of the year. The trust was the eighth best performing trust in the North West in terms of infections per 1000 bed days remaining below average. There were two case of MRSA acquired at least 48 hours after admission; an increase of 1 case from 2016/17.

Previously the focus has been on MRSA and Clostridium Difficile however from April 2017, NHS Trust's reported cases of bloodstream infections due to Klebsiella species and Pseudomonas aeruginosa to Public Health England. This is to support the Government ambition to reduce Gram-negative bloodstream infections by 50% by 2021.

In the first year from April 2017 the ambition was to reduce E. coli bloodstream infections by 10% across the health economy. East Lancashire Hospitals NHS Trust were one of only 59 Trusts who achieved a >10% reduction in the hospital onset E.coli blood stream infections.

We have continued to reinforce the need for strict hand hygiene protocols across our sites and continue with detailed monitoring at a directorate and divisional level, with the introduction of divisional performance dashboards. Our dedicated infection prevention and control meeting is attended by appropriate clinical representatives from each Division to continue to reinforce the Trust's commitment to delivering safe care at every patient interaction.

	Target	2015/16	2016/17	2017/18
Methicillin-resistant Staphylococcus aureus (MRSA)	0	1	1	2
Clostridium Difficile infections	28	29	28	37

Cancelled elective procedures

We recognise that it is extremely difficult for patients with planned operations to have their procedures cancelled. When this occurs we aim to rearrange the operation within the following 28 days. For April 2017 to March 2018, 29 patients with an elective admission date that had been cancelled by the hospital were not provided with another admission date within the 28-day standard. A full root cause analysis took place to understand the reasons for the delay and ensure we share the learning across the Trust.

Staff Engagement indicators

The 2017 National Staff Survey demonstrated that ELHT has achieved its best ever scores for staff engagement with 16 key findings in the best 20% of acute trusts compared to 14 key findings in the best 20% in 2016. The results showed that for the third year in a row, staff ratings have improved which has helped ELHT maintain its position in the top 20 hospital trusts for staff satisfaction and engagement.

The results show that as an organisation we continue to improve the support we provide for our most important asset, our staff. The results are also excellent news for patients as we know that high levels of employee engagement and satisfaction directly and indirectly influence the quality of patient care and customer satisfaction in our hospitals and clinics.

Likewise our quarterly Staff Friends and Family Test scores continue to demonstrate that staff would be happy to recommend the Trust for care and as a place to work and at Quarter four 81% of respondents recommended ELHT as a place for care/treatment and 74% recommended the Trust as a good place to work.

It is a testimony that so many staff would recommend the Trust as a place for care/treatment and as a good place to work and as a Trust we will strive to further improve our staff engagement and satisfaction by continuing to embed our employee engagement strategy.

Complaints

As a result of complaints made in the year 2017/18 and those investigated by the Parliamentary and Health Service Ombudsman, action has been taken Trust wide and within Divisions to ensure that concerns raised lead to positive improvements and lessons are shared. These are disseminated through Ward meetings, Share to Care Meetings, Divisional Quality and Safety Meetings, patient stories and reports to Quality Committee and Trust Board.

The main subjects of complaints in the year relate to clinical care and treatment; communication with patients and families; and delays and cancellations of treatment or appointments. Many concerns raised are handled informally and are resolved at a ward or department level. This has reduced the numbers of formal complaints over the last three years and has led to the remaining complaints now relating to more complex clinical issues.

As a result of concerns raised about the complaints process, changes have been made to the sign off process to ensure that the response is now checked divisionally, centrally and clinically prior to sign off by the Chief Executive Officer. In addition, as far as possible, the process takes place electronically in order to reduce the time taken from draft response to signature.

Environmental efforts

The Trust aims to limit the impact of its activities on the environment by complying with all relevant legislation and regulatory requirements.

Together with our partners at Blackburn with Darwen and Lancashire County Councils, we have put a significant effort into highlighting alternatives to single occupier car journeys and we have introduced a car buddy system which encourages staff to share cars, this has had a significant impact on the reduction in car numbers on site. We have also worked with the council to make sure the right bus routes compliment the Trust to and from the town centre.

Lancashire and Cumbria Integrated Care System.

Lancashire and South Cumbria experience significant levels of health inequality with an average life expectancy significantly worse than the national average. To help address this an overarching programme is being developed to help transform health and care services to make them more effective and efficient. In so doing they will become more sustainable. Within Lancashire and South Cumbria there are five health and care economies. ELHT is part of the 'Pennine Lancashire' health and care economy. It is recognised that the majority of the required transformation will need to take place in each local health and care economy however for some services this will be across the whole of Lancashire & South Cumbria.

The transformation or change programme aims to deliver:

- Financial improvement – We estimate there is a recurrent resource gap of over £800m facing the Lancashire & South Cumbria health and care economy over the next five years (about £250m in Pennine Lancashire and over £100m in ELHT). We intend to close this gap by greater standardisation of our clinical processes, reducing waste, by rationalising our estates and continuing to transform our workforce.
- Access standards – With the exception of the four-hour standard, ELHT's performance is robust. In the course of 2016-17 we have continued to modify our acute pathway which has helped to sustain our performance; however we need to improve access to out of hospital services.
- Reducing variability – As a health and care economy, we see variability in services and duplication across a range of health and social care providers. The transformation programme aims to significantly reduce this meaning care is more coordinated and therefore more effective and efficient.

Local health and care system vision

The Pennine Lancashire leadership (ELHT, East Lancashire Clinical Commissioning Group, Blackburn with Darwen Clinical Commissioning Group, Lancashire Care NHS Foundation Trust, Blackburn with Darwen Council and Lancashire County Council) have worked together on the formation of an integrated care partnership. This partnership, or coming together of organisations and the services they provide, will work to deliver to ensure people in Pennine Lancashire have long and healthy lives but also that when they need extra help and support this is easy to find, high quality and shaped around their individual needs. A new model of care has been developed, through engagement and consultation with the public. ELHT will continue as the single largest provider of secondary care services to the community of Pennine Lancashire but partners, will also help in the development of neighborhood services and work closely with primary care. ELHT also has a significant role to play in preventing people from becoming ill.

The executive team at ELHT are closely involved with the developing governance arrangements at both the STP and LDP. From the STP Partnership Board through to the Care Professionals Board, Digital Health Board and the Finance & Investment Group, ELHT executives are helping to shape and respond to the needs of the Five Year Forward View and new models of care. The work of the Executive extends out to broader leadership roles including the following workstreams: cancer services, Hyper Acute Stroke, acute services, vulnerable services, collaborative services, pathology reconfiguration and the broader configuration of diagnostics services.

These partnership arrangements aim to secure improved sustainable outcomes for our population. The partnership approach extends between the NHS, Local Authorities, the third sector and patients groups.

Stakeholder Engagement

The Trust's Patient, Carer and Family Experience Strategy 2018-2021 sets out how staff, patients, families, carers and stakeholders can all work together to review, develop and improve services. This ensures patients have the best possible experience whilst using our services.

We involve public and patient representatives, including a patient representative from the Royal National Institute for the Blind (RNIB), and students from local colleges. Patient representatives are also invited to take part in mini inspections of wards and departments.

A patient story is presented at each public Board meeting. Patients/carers attend in person to relate their experience and identified opportunities for change/improvement direct to the Board. In addition to routine media activity, we employ a feature a writer to work with patients from across the Trust to share their experience of our services. Stories from a purely patient perspective regularly appear in national and local publications.

Our website has a 'contact Kevin' button which invites people to communicate directly with our Chief Executive. This is a well-used feature with a personal response within 48 hours. Stakeholders were invited to focus groups on the re-design of ELHT's website.

The good relationships with the local, regional and national media, provide an opportunity to publicly share our plans and developments, and celebrate the skill and professionalism of our staff. Our last AGM and Health Fayre saw over 300 members of the public attend. Our social media accounts are proving an effective and engaging method of two way contact, reaching an average of 56,000 people per week.

As part of the strategy review we engaged with and sought feedback from service users via patient engagement events asking "what matters to you". We are currently gathering patients feedback about "what matters to them" when being admitted for surgery. This will help us identify the focus of our "Always Events", which patients have been invited to help develop through a Patient Advisory Group.

We routinely involve patient representatives in Quality Improvement projects. For example the Frailty Care Pathway project, Electronic Patient Record Project, development of an information booklet for patients, family and carers and the End of Life Steering Group.

Acting on feedback from local MPs, we have developed a light version of our monthly Team Brief which we issue to staff. The MP version includes performance information, areas of development and key messages from the executive board. In addition the MPs have regular meetings with our Chief Executive.

The Medical Director's GP newsletter has recently been adapted to reflect the level of detail and information GPs would prefer to receive.

During the re-design of our website, we invited stakeholders to attend focus groups to help us develop the website. Their feedback was invaluable. Following their feedback we developed the site to be more easily accessible for the visually impaired and have an improved translation function for people whose first language is not English. The focus groups also made positive suggestions on how the navigation of the site could be improved.

The Trust works closely with Healthwatch Lancashire and Healthwatch Blackburn with Darwen and with the Carers Services for East Lancashire and Blackburn with Darwen. Regular meetings are held between the Trust and these organisations and representatives are invited to take part in quality improvement projects. The Trust is also involved in and contributes to Healthwatch projects, for example the 'The Young Person's Voice' project on the Childrens Ward, and the 'Spotlight on Accident & Emergency' project.

Representatives from Healthwatch, the Carers Services and the local CCGs are invited to participate in "mini" inspections which are carried out on our wards and departments, and Healthwatch representatives take part in the annual PLACE assessments along with representatives from ELMS (East Lanes Medical Services) and the Patient Voices Group.

The Trust has established partnerships with the University of Central Lancashire (UCLan) and Burnley College which will hopefully attract more people to come and work at the Trust. The Trust will benefit from students and graduates from UCLan's Medical School as well as IT, HR and Finance and other administrative professions.

The Trust also works in partnership with Age UK who have a regular presence in the Emergency Department to provide support to patients who are being discharged.

The Trust works closely with the CCGs to ensure that issues raised by GPs, and local healthcare providers via the CCG "Connect" mailbox, are investigated and responded to.

We are continuously working closely with our NHS partners. For example, in the Pennine Lancashire Together a Healthier Future programme, we are part of:

1. Partnership Leadership Forum
2. Transformation Steering Group
3. Care Professionals Board
4. Finance and Investment Group
5. Joint CIP/QIPP Plans
6. Out of hospital working groups around development of the Integrated Neighbourhood Teams
7. On a wider Lancashire and South Cumbria footprint, we are part of the Integrated Care Partnership Board
8. Provider Board
9. Acute and Specialist work stream
10. Working groups on STP priorities e.g. Stroke, Urology, Vascular, CAMHS, Head and Neck Cancer, Diagnostics etc.

Principal risks

The Trust has identified and assessed its risk areas and put in place mitigation strategies.

The Board Assurance Framework and Corporate Risk Register are regularly presented to the senior leadership at the Operational Delivery Board and to the Directors at the Trust Board. The five main risks outlined on the Board Assurance Framework during last year were relating to:

1. delivery of the Trust's Clinical Strategy
2. workforce planning and recruitment
3. collaborative working at Local Delivery Plan and Sustainability and Transformational Plan levels and the impact on the delivery of sustainable services
4. financial sustainability
5. fulfilment of regulatory requirements

Risks 3, 4 and 5 were high and their scoring was above 15 throughout the year. Various actions were undertaken to reduce and mitigate the risks and the detail of those is provided in the Board Assurance Framework which is published as part of the Trust Board Reports (www.elht.nhs.uk/about-us/trust-board/trust-board-papers.htm). The Annual Governance Statement describes the risk approach for the Trust and provides details of risk management across the organisation (pages 21 to 48 of this document) and gives more details about the significant risks that the Trust encountered in the year.

Signed:

Kevin McGee, Chief Executive

Date: 24 May 2018


f Check In

Accountability Report

Corporate Governance Report

Statement of the Accountable Officer

East Lancashire Hospitals NHS Trust – Annual Accounts 2017-18

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

The Chief Executive of NHS Improvement, in exercise of power conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountable Officer Memorandum. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the Trust;
- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

Signed:

Kevin McGee, Chief Executive

24 May 2018

Statement of Directors' Responsibilities

East Lancashire Hospitals NHS Trust - Annual Accounts 2017/18

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

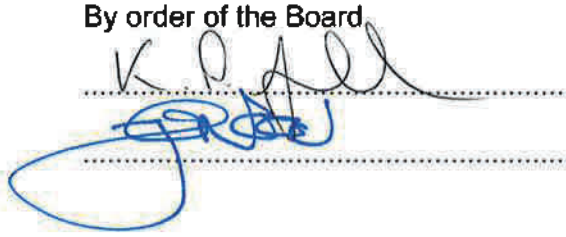
- make judgements and estimates which are reasonable and prudent;

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

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

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

By order of the Board



..... Chief Executive 24 May 2018

..... Director of Finance 24 May 2018

Annual Governance Statement 2017/18

Scope of responsibility

1. As Accountable Officer and Chief Executive of East Lancashire Hospitals NHS Trust, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also have responsibility for safeguarding the Trust's quality standards. In carrying out these obligations I and the Trust Board adhere to the NHS Codes of Conduct and Accountability and I am guided by the responsibilities set out in the Accountable Officer Memorandum.

   These include:

   a) Ensuring that the accounts of the Trust that are presented to the Board for approval are prepared under principles and in a format directed by the Secretary of State with the approval of the Treasury

   b) Ensuring that the accounts disclose a true and fair view of the Trust's finances

   c) Ensuring that managers at all levels have a clear view of their objectives and the means to assess achievements in relation to those objectives, have well defined responsibilities for making the best use of resources, have the training, information and access to expert advice they need to exercise their responsibilities effectively and are appraised and held to account for the responsibilities assigned to them

   d) Ensuring the Trust achieves value for money from the resources available to it, avoiding waste and extravagance in the Trust's activities

   e) Ensuring the implementation of any recommendations affecting good practice

   f) Ensuring the National Audit Office is provided with information it requests and that the Trust co-operates with external auditors in their enquiries

   g) Ensuring internal audit arrangements comply with the NHS Internal Audit Manual

   h) Ensuring prompt action is taken in response to concerns raised by internal or external audit

   i) Ensuring the Acting Director of Finance properly discharges her responsibilities for the effective and sound financial management and information and that the Trust meets the financial objectives set by the Secretary of State for Health and the assets of the Trust are properly safeguarded

   j) Ensuring that the Codes of Conduct and Accountability are promoted to and observed by staff

   k) Ensuring appropriate advice is tendered to the Board on all matters of financial probity and regularity and all considerations of prudent and economical administration, efficiency and effectiveness.

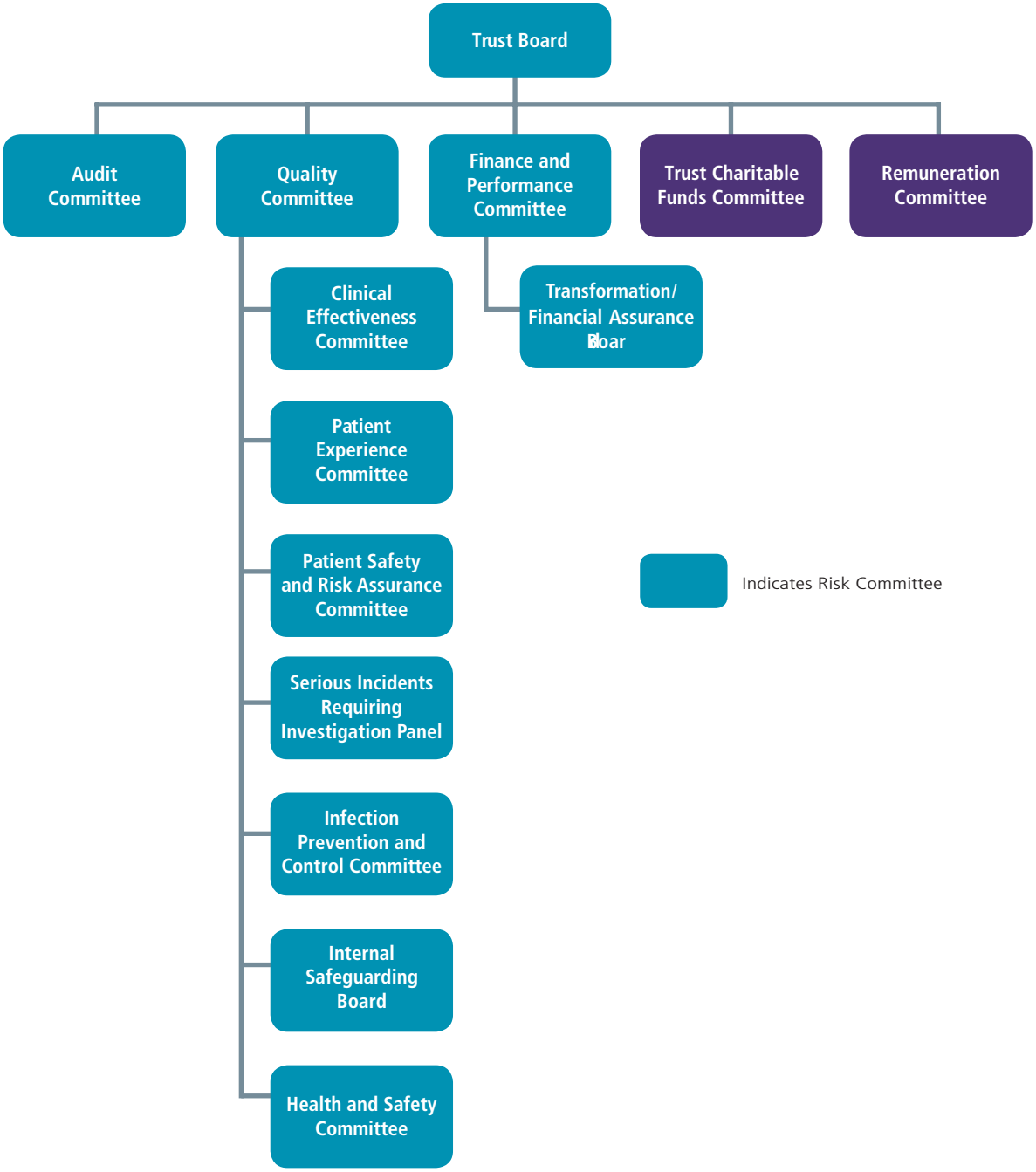
   l) Ensuring that the appropriate action is taken if the Board or Chairman contemplates a course of action which I consider would infringe the requirements of propriety and regularity or adversely affect my responsibility for obtaining value for money from the Trust's resources.

2. As Accountable Officer I have fulfilled these duties by:
   a) Continuing to review and realign the responsibilities of the Executive Directors
   b) Chairing the Operational Delivery Board which provides a forum for clinicians and managers to oversee delivery of the transformational, corporate and strategic agendas of the Trust
   c) Chairing the Executive Management Team weekly meeting enabling executive directors, clinicians and very senior managers the opportunity to challenge and hold each other to account for delivery of strategic and operational objectives and develop the preliminary thinking for emergent strategies and business cases
   d) Being a member of the Finance and Performance Committee which provides assurance on the delivery of the finance and performance requirements of the organization.
   e) Maintaining the Board focus, through my Chief Executive Report, on actions taken to address any areas of slippage on performance and advise the Board of emergent national and regional priorities
   f) Ensuring there is effective partnership between the Trust and the wider health economy and beyond and establishing processes to ensure that I and the senior management team have effective working relationships with our partner organizations', the Care Quality Commission, local commissioners and social care providers, local and regional education partners, local councils and MPs, other NHS providers including Trusts and GPs and the public. I also chair the system wide Accident and Emergency Delivery Board.
   g) Attendance at Chief Executive Forums and other appropriate local, regional and national conferences.
   h) Attendance and pro-active participation at the meetings in relation to the Pennine Lancashire Integrated Care Partnership and the Lancashire and South Cumbria Sustainability and Transformation Partnership.

The Governance Framework of the Trust

3. The Trust Board has overall responsibility for setting the strategic direction of the Trust and managing the risks to delivering that strategy. All committees with risk management responsibilities have reporting lines to the Trust Board.

Board Committee Structure



Board and Committee Attendance Records and Scope of Work

4. The Trust Board is responsible for monitoring the overall programme for management of risk across the organisation and its activities and decides the risk appetite of the Trust. The Trust Board sets the strategic direction of the Trust and receives regular reports on the performance of the Trust in meeting its objectives.

Name	Role	2017/18				
		May	July	Sept	Dec	Mar
Professor Fairhurst	Chairman	Y	Y	Y	Y	Y
Mr McGee	Chief Executive	Y	Y	Y	Y	Y
Mrs Anderson	Associate Non-Executive Director	N/A	N/A	N/A	N/A	Y
Mr Bannister	Director of Operations	Y	Y	Y	Y	Y
Mr Barnes	Non-Executive Director	Y	Y	Y	Y	Y
Mr Griffiths	Director of Sustainability	Y	Y	Y	Y	Y
Mr Hodgson	Director of Service Development	A	Y	Y	Y	Y
Mrs Hughes	Director of Communications and Engagement	Y	Y	Y	Y	Y
Miss Malik	Non-Executive Director	Y	Y	Y	Y	Y
Mr Moynes	Director of HR and OD	Y	Y	Y	Y	Y
Mrs Pearson	Director of Nursing	Y	Y	Y	Y	Y
Dr Riley	Medical Director	Y	Y	A	Y	Y
Mr Slater	Non-Executive Director	Y	A	A	A	A
Mr Smyth	Non-Executive Director	Y	Y	Y	Y	Y
Professor Thomas	Non-Executive Director	A	A	Y	Y	Y
Mr Wedgeworth	Associate Non-Executive Director	Y	Y	Y	Y	Y
Mr Wharfe	Non-Executive Director	A	Y	Y	Y	A
Mr Wood	Director of Finance	Y	Y	Y	Y	Y

5. The Audit Committee is the high level risk committee operating on behalf of the Board and concerns itself with the function and effectiveness of all risk committees. It is charged with ensuring that the Board and Accountable Officer gain the assurance they need on governance, risk management, the control environment and the integrity of the financial reporting.

Name	Role	2017/18				
		May	July	Sept	Dec	Mar
Mr Smyth	Non-Executive Director (Committee Chair)	Y	Y	Y	Y	Y
Mr Barnes	Non-Executive Director	Y	N/A	N/A	N/A	N/A
Mr Wharfe	Non-Executive Director	A	Y	Y	Y	Y
Mr Wedgeworth	Associate Non-Executive Director	N/A	Y	Y	Y	Y

6. The Quality Committee provides assurance to the Board that all aspects of the delivery of safe, personal and effective care are being appropriately governed and that the evidence to support that assurance is scrutinised in detail on behalf of the Board.

Name	Role	2017/18					
		May	July	Sept	Nov	Jan	Mar
Miss Malik	Non-Executive Director (Committee Chair)	Y	Y	Y	Y	Y	Y
Mrs Anderson	Associate Non-Executive Director	N/A	N/A	N/A	N/A	A	A
Mr Bannister	Director of Operations	Y	A	Y	A	Y	A
Mr Moynes	Director of HR and OD	Y	Y	Y	Y	Y	A
Mrs Pearson	Director of Nursing	Y	A	Y	Y	Y	Y
Mr Slater	Non-Executive Director	Y	Y	Y	Y	A	Y
Dr Riley	Medical Director	Y	Y	Y	Y	A	Y

7. The role of the Finance and Performance Committee is to provide assurance on the delivery of the financial plans approved by the Board for the current year, develop forward plans for subsequent financial years for consideration by the Board and examine in detail risks to the achievement of national and local performance and activity standards. It maintains an overview of the financial and performance risks recorded on the Board Assurance Framework.

Name	Role	2017/18						
		April	June	Oct	Nov	Jan	Feb	Mar
Mr Wharfe	Non-Executive Director (Committee Chair)	Y	Y	A	Y	Y	Y	Y
Mr McGee	Chief Executive	A	A	Y	A	Y	A	Y
Mr Bannister	Director of Operations	Y	Y	Y	Y	Y	A	Y
Mr Barnes	Non-Executive Director	Y	A	Y	Y	A	Y	Y
Mr Griffiths	Director of Sustainability	Y	A	Y	Y	Y	Y	A
Mr Hodgson	Director of Service Development	Y	Y	Y	Y	A	Y	Y
Mr Moynes	Director of HR and OD	A	A	Y	Y	Y	A	Y
Mr Wedgeworth	Associate Non-Executive Director	Y	Y	Y	Y	Y	Y	Y
Mr Wood	Director of Finance	Y	A	Y	Y	A	Y	Y

Board Performance and Effectiveness

8. The Board is committed to continuous improvement and development. The Trust first commissioned in March 2015 an independent review of the Board's performance and effectiveness by the Good Governance Institute. A governance action plan was put in place following the review, which covered the well-led framework and other governance matters to ensure that the organisation continues to improve on corporate and clinical governance. Part of the work focused on a measurement of the Board against the Good Governance Institute Matrix of Board Maturity and the action plan was developed to promote and evidence evolution of behaviours and processes. A follow up review conducted at the end of the financial year 2015/16 indicated that there has been progress in all areas with significant progress in some areas. Work continued on implementation during the year and the Audit Committee received a report in December 2016 that evidenced the completion of the recommendations from the initial action plan. During 2017/18 the Board continued to work with the Good Governance Institute and had several strategy sessions discussion the challenges of the evolving health sector landscape and the opportunities for the organization to continue on its journey of delivering safe, personal and effective care to the population of East Lancashire whilst improving our governance systems and processes and providing increasingly robust assurance.

9. The Trust Board considers the success of each Trust Board meeting in public at the conclusion of the meeting with particular focus on whether Board members have had sufficient focus on aspects such as patient experience, quality, risk and partnership working.

10. The Care Quality Commission (CQC) carried out a Well Led Review of the Trust on the 20 and 21 September 2016. The outcome of the review has resulted in the Trust being awarded an overall rating of "Good" by the regulator.

11. The Trust has a clear vision, objectives, values, operating principles and improvement priorities. The hospital services are supported by strong governance processes including well managed risk registers and processes feeding into the Trust Board. This ensures a robust overview of the risks within the hospital. There is on-going work to enhance the Board Assurance Framework and risk management in the Trust and this is included in the action plan from the CQC Well Led Review. The Trust has a Clinical Strategy in place. The Trust Board has undertaken a programme of Board development with an external partner since 2015 and this has elements of both self and external assessment. The Trust Board ensures that it actively engages with its patients, staff and its shadow governors and other stakeholders as appropriate on quality, operational and financial performance. Reports are taken to the Trust Board each month on matters of performance and through the assurance committees of the Trust.

Highlights of Board Committee Reports

12. The Audit Committee has been active throughout the year in providing assurance on governance, risk management, the control environment and the integrity of the financial statements. Reports have been considered in detail from management representatives where "limited assurance" opinions have been given by the internal audit service. Audit Committee members assess the strength of assurances received from a number of sources over the course of the year. These sources include but are not limited to:

    a) Internal Audit Reports
    b) External Audit Reports
    c) Anti-Fraud Service Reports
    d) The Quality Committee
    e) External reviews and self-assessments against best practice guidance
    f) External reviews commissioned by the Trust
    g) Stakeholder feedback
    h) Media reports
    i) Learning from other organisations
    j) Reports from internal service providers.

13. The Trust Board has additionally considered the annual reports in relation to Infection Control, Emergency Planning, Winter Planning, Medicines Management, and the recommendations of national reports. The Trust Board has engaged proactively in the development of a five year Clinical Strategy for the Trust and the wider health and social care economy that was approved in April 2016.

Quality Governance

14. The Trust is committed to the continuous improvement of the quality of care given to local people and, in so doing, achieving our organisational aim 'to be widely recognised for providing safe, personal and effective care'. All Executive Directors have responsibility for Quality Governance across their particular spheres of activity and the Medical Director is the delegated lead for Quality on the Board overall.

15. Quality monitoring occurs through our clinical governance structure, reporting to the Board via the Quality Committee. The Quality Committee is informed by the Patient Safety and Risk Assurance Sub-Committee, Serious Incidents Requiring Investigation Panel, Clinical Effectiveness Sub-Committee, Patient Experience Group Sub-Committee, Health and Safety Committee, Internal Safeguarding Board and Infection Prevention and Control Sub-Committee. Divisional Directors or their agreed deputies attend and report at these committees. Reporting in Divisions replicates this corporate structure to ensure consistent reporting from 'floor to Board'.

16. In order to ensure that we are delivering safe, personal and effective care we have a robust process for the identification and agreement of key quality priorities. Those that require quality improvement are consolidated into our Quality Improvement Plan including Harms Reduction Programme, Clinical Effectiveness (reliability) and Patient Experience, and monitored for progress through this structure.

17. Our Quality Improvement methodology is the 7 Steps to Safe Personal Effective Care. This is based on the Model for Improvement and also incorporates Lean and other tools. For large multi team improvements we run Breakthrough Series Collaboratives.

18. We have a small and developing quality improvement team of facilitators and analyst as part of the Quality and Safety Unit, linking with the Quality Committee structure. A staff development programme in quality improvement skills is in place both internally and through our membership of Advancing Quality Alliance (AQuA). Professionals in training are supported to develop and participate in quality improvement projects, and support for projects is agreed at the Quality Improvement Projects Triage group.

19. Our Harm Reduction Programme now has a standardised approach to identifying high risk areas through review of incident reports and proactive identification of risk. Once identified, a number of different tools are used to drive improvement. Specific notable areas of improvement include the reduction in pressure ulcers and falls through a collaborative approach, and the reduction of medication safety incidents.

20. The Trust has adopted the Chief Inspector of Hospitals methodology of assessment to use on a regular basis to understand how quality governance arrangements are working across all spheres of activity by undertaking mini assessments. Regular meetings with the Care Quality Commission enhance a wider understanding of our progress and ensures we are able to access learning from other organisations. The Trust was last inspected by the Care Quality Commission in September 2016 with a particular focus on well led and the outcome of the inspection was that the Trust was awarded a 'good' rating overall for the organisation.

Quality Account

21. The Trust publishes an annual Quality Account which is subject to a review by the Trust's External Auditors, Messrs Grant Thornton, who are able to provide independent assurance on the data that is published and the systems that are used to collate the information presented in the Quality Account and in reports to the Board and its Committees on a regular basis. The Quality Account is reviewed by the Audit Committee, the Quality Committee and the Operational Delivery Board prior to a recommendation being made to the Trust Board that the Annual Quality Report should be released for publication. The Quality Account is also reviewed and commented upon by our health and social care partners to ensure that there is a consistent view on the quality both of the data that is published and the quality of the patient experience of our services.

22. Among the controls in place to ensure the accuracy of data used in both the Quality Account and on-going internal and external reporting of data are:

    a) Specific policies on the recording of data and quality indicators including:

        i. Root Cause Analysis Policy
        ii. Risk Management Policy
        iii. Clinical Records Policy
        iv. Production of Patient Information
        v. Information Governance Policy

    b) Continued development and expansion of near real time dashboard reporting systems with reporting of quality indicators at every level from ward to Board

    c) Training programmes to ensure staff have the appropriate skills to record and report quality indicators including training on particular software and hardware systems, Information Governance Toolkit training and corporate and departmental induction and mandatory training

    d) A rolling programme of audits on quality reporting systems and metrics

    e) Alignment of the internal audit, clinical audit and counter fraud work plans on a risk based approach linked to the Board Assurance Framework and the Corporate Risk Register.

23. The Trust utilises its quality and risk associated committee structure to routinely review the data and information that is included within the Quality Report. This provides the Board with assurance that the Quality Report presents a balanced view of the action taken by the Trust in year to ensure the provision of high quality, safe and effective services.

24. Our quality priorities for 2017-18 are:

    a) Support safe discharges to continuing care

    b) Ensure safe transfers of Care between providers

    c) Continue the work commenced in 2015/16 around deteriorating patients

    d) Continue the work reducing the number of patients who fall in our care.

Data Quality

25. The Trust has a Data Quality and Definitions Group which reports to the Trust Contracting and Data Quality Group. The group reviews the Secondary Uses Service data quality dashboards and the Dr Foster data quality summary dashboard. We have an online report for key data quality risks which has named leads for each data quality risk and an overall data quality log including risk scoring.

26. We work closely with the local Clinical Commissioning Groups and Commissioning Support Unit including a monthly Contract Performance and Delivery Group where we discuss data quality issues and Access and Choice meetings with East Lancashire and Blackburn with Darwen Clinical Commissioning Groups and Midlands and Lancashire Commissioning Support Unit take place which will also pick up data quality issues.

27. East Lancashire Hospitals NHS Trust submitted records during 2017-18 to the Secondary Uses Service for inclusion in the Hospital Episode Statistics which are included in the latest published data.

28. The Trust undertakes a weekly review at specialty level of all patients which includes Quality and accuracy of elective waiting time data.

CQC Registration

29. The Trust remains registered unconditionally with the Care Quality Commission to provide the following regulated activities:
    a) Diagnostic and screening procedures
    b) Family planning services
    c) Management of supply of blood and blood derived products
    d) Maternity and midwifery services
    e) Nursing care
    f) Surgical procedures
    g) Termination of pregnancies
    h) Treatment of disease, disorder or injury

30. The Trust is rated as "Good" following the Well Led Review by the CQC in September 2016.

Risk Management Strategy, Policy and Plan

31. The Trust is presently reviewing it's risk management arrangements and updates to the Risk Management Strategy, Policy and Plan through the Patient Safety and Risk Management Sub-Committee. The document will be available for staff to access on the Trust intranet site in July 2018.

Clinical Effectiveness

32. The Trust has a Clinical Effectiveness Team which reports regularly to the Clinical Effectiveness Committee Sub-Committee via assurance reports which measure the quality and safety of care against national best practice indicators. Having identified areas for improvement, the Quality Effectiveness team supports clinical teams in the implementation of improvement and action plans and measuring the effectiveness of tests of change on an on-going basis. A summary of the work of the Clinical Audit and Effectiveness Department is reported to the Quality Committee and it is provided in the Annual Report of the Trust.

Never Events and Serious Incidents Requiring Investigation (SIRI)

33. The Trust has robust systems to manage and learn from incidents. The Board receives a regular written report on serious incidents requiring investigation at each Part 1 meeting where new incidents are reported and an update is given in relation to the progress of the management of incidents, Duty of Candour section on what lessons have been learnt and how the lessons have been translated to deliver improvements in the quality and safety of services. The Trust also has a Serious Incident Requiring Investigation (SIRI) Panel which is chaired by a Non-Executive Director. The Panel reviews the investigations undertaken as a result of never events and serious incidents to ensure that a thorough review is completed, Duty of Candour is observed and that learning from incidents is circulated appropriately across the organisation. The Panel has representatives from local commissioners and provides assurance to the Quality Committee on the matters within the remit of its Terms of Reference.

34. Incidents are reported in accordance with the NHS England Serious Incident Framework and no significant control issues have been identified as a result of the incidents investigated during the course of the year.

35. Sharing the learning through risk related issues, incidents, complaints and claims is an essential component to maintaining the risk management culture within the Trust. Learning is shared in a wide variety of ways at departmental, divisional and corporate levels through a number of face to face meetings and bulletins and the publication of the Trust's Share to Care newsletters. Learning is acquired from a variety of sources including:

    a) Analysis of incidents, complaints and claims and identification of trends with appropriate mitigating actions
    b) External inspections
    c) Internal and external audit reports
    d) Clinical audits
    e) Outcome of investigations and inspections relating to other organisations
    f) Quality Improvement Programmes

Discharge of Statutory Functions

36. As Accountable Officer my enquiries have confirmed that there are arrangements in place for the discharge of statutory functions and that the arrangements have been checked for irregularities and they are legally compliant. Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with. The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

37. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to: identify and prioritise the risks to the achievement of the policies, aims and objectives of East Lancashire Hospitals NHS Trust; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in East Lancashire Hospitals NHS Trust for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

38. All members of the Trust Board have signed up to the Trust Risk Management and Governance plans which clearly identify the Board's responsibilities and accountability arrangements. These are reflected in the Trust's Standing Orders and Standing Financial Instructions, the Scheme of Reservation and Delegation and the Trust's Performance Accountability Framework. These are, in turn, repeated in the internal guidance and policies of the organisation.

39. Scrutiny by the Trust's Non-Executive Directors and internal and external auditors provide assurance on the systems and operation of the processes for internal control across the whole of the Trust's activities including probity in the application of public funds and in the conduct of the Trust's responsibilities to internal and external stakeholders.

40. In addition to the Committees outlined in the diagram on page 4 which have Non-Executive Director membership, the Trust also has the Operational Delivery Board. The function of this committee is: to provide a forum by which the senior staff in the organisation can assist in the development of strategies to present to the Board; monitor operational delivery against the Trust's strategic objectives and policies; advise the Board on the emerging risks to operational and strategic objectives; and the mitigation plans being deployed to ensure the delivery of safe, personal and effective care.

41. There are divisional and corporate risk committees where divisional risk registers are reviewed and discussed to ensure that risks are managed and controlled at the lowest appropriate level and do not escalate into greater threats. The risks are reviewed on an on-going basis and bi-monthly discussed with divisional leads to agree the approach for the management of risks that have the ability to affect the organisation at a corporate level.

42. The Board has in place established risk management groups and supporting governance structures that together are responsible for identifying, assessing, managing and reporting the risks associated with clinical, corporate, financial and information governance. The Medical Director has the lead responsibility for the risk management processes including the development and implementation of the Board Assurance Framework, Risk Management Strategy Policy and Plan and associated learning and development to ensure all staff are appropriately trained and supported thereby ensuring our risk management processes are thoroughly embedded across the organisation.

43. The Medical Director is supported by the members of the Executive Team in providing leadership to the risk management process. Executive Directors are lead directors for the strategic risks on the Board Assurance Framework. In this way the senior leaders in the organisation have an operational and strategic oversight of the key risks to achieving the Trust's strategic objectives. Each area of risk is mapped to the Care Quality Commission's Core Outcomes and risks contained in the Corporate Risk Register. The Trust Board receives a regular update on recommended changes to the Board Assurance Framework taking into account the progress of mitigation plans, positive assurances received since the last report to the Trust Board, and gaps in assurance identified in the period. In addition, the Board has delegated the review and deep-dive of the risks to two of its sub-Committees; the Finance and Performance Committee and Quality Committee. The format of the BAF has been revised in line with internal audit recommendations.. Work is continuing on refining the Board Assurance Framework and the Corporate Risk Register. This work is described in the CQC action plan following the last inspection and the plan is regularly monitored.

44. The Medical Director, as Responsible Officer, reports directly to the Chief Executive Officer. The Medical Director has oversight of the systems and processes to ensure there is strong clinical education across the whole of the organisation, that medical revalidation arrangements are robust and effective and that the professional standards required of our medical staff are met, addressing any shortcomings effectively within the guidance issued by the General Medical Council. The Caldicott Guardian, who reports to the Medical Director, is the senior person responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information-sharing.

45. The Director of Nursing provides professional leadership to nursing and midwifery staff within the organization and provides senior leadership along with the Medical Director, to the organisation in relation to patient safety and quality of service delivery. She is supported by the Deputy Director of Nursing and Divisional Directors of Nursing within the clinical divisions, who ensure there is a continuing focus on the delivery of safe, personal and effective care. As a senior leadership team they ensure that there are sufficient appropriately qualified nursing and midwifery staff deployed on a daily basis to meet the levels of capacity and acuity and to meet safe staffing requirements.

46. The Director of Finance is accountable to the Trust Board and Chief Executive for the Trust's financial risk management activities. They are responsible for ensuring that the Trust carries out its business of providing healthcare within sound Financial Governance arrangements that are controlled and monitored through robust audit and accounting mechanisms that are open to public scrutiny on an annual basis. He also has delegated responsibility for 'Registration Authority'. The Director of Finance is the Board lead for Information Security and the Senior Information Risk Officer (SIRO).

47. The Director of Operations is responsible for the overall management of all patient services, ensuring that all key access targets are met. He is the Accountable Emergency Officer under the 2004 Civil Contingencies Act. The Trust Lead for Emergency Preparedness, Resilience & Response is the Deputy Director of Operations. The Trust also has a nominated Non-Executive Director with oversight of EPRR within their specific duties.

48. The Director of HR and OD is responsible for the management of risks within his areas of operational responsibility, especially those risks associated with sickness absence, bullying and harassment. He is responsible for ensuring provision of employment services across the Trust and ensuring that there is a systematic approach to managing the risks of employment checks and professional clinical registration.

49. Each clinical division is further supported by Quality and safety Leads working with the divisions and reporting to the Associate Director of Quality and Safety.

50. The Trust supports the whole workforce to ensure they are appropriately trained and equipped to manage risk relevant to their role and requirements.

51. All staff are required to complete Core Skills Training (CST) and any essential to role training identified by their line manager. All managers have access to live CST compliance reports via the Learning Hub. Staff and their managers will receive 90, 60 and 30 day reminders of any CST due, enabling them to schedule this in.

52. As part of the Appraisal process all staff have the opportunity to contribute to their development via the Learning and Development Journey and are able to further support their personal and professional development using the e-portfolio area of the Learning Hub.

53. The Medical Agency Group and the Non-Medical Agency Group each meet monthly to review the detail and identify appropriate actions to ensure maximum use and productivity of our workforce. These groups report into the Executive Oversight Committee that meets monthly to review agency spend and receive assurance that risks and hotspot areas are being addressed in order to reduce agency spend in line with the target set by NHS Improvement. There are multiple workstreams which underpin our programme to reduce agency spend and ensure the most effective use of our resources.

The risk and control framework

54. The risk management process involves layers of risk identification and analysis for all management areas, significant projects and for the organisation as a whole. Analysis of the severity and likelihood of the risk occurring determines the overall risk rating of the risk identified. This provides the organisation with a common currency and methodology in the assessment of all types of risk. The overarching performance management framework within the organisation endeavours to ensure that controls are in place to identify and manage any risks to the delivery of key performance targets. National priorities highlighted either by NHS Improvement, NHS England or the Care Quality Commission has been systematically reported to the Trust Board and risks to achievement are monitored through the Board Assurance Framework.

55. The objective of the Risk Management Strategy is to support the development of a culture that not only embeds an awareness of safety and risk across all levels of the organisation, but ensures the application of a consistent approach to a risk management process, thus allowing risks to be ranked and graded in order so that they may be prioritised. This

minimises and mitigates risk to acceptable levels. Where significant risks remain, we can openly accept and monitor those risks, systematically addressing any gaps in control measures and reducing their impact to both individuals and the organisation so far as reasonably practicable.

56. The identification of risk to the organisation achieving its objectives is undertaken by staff at all levels of the organisation. There are four methods of risk identification that the Trust uses;
    a) Known on-going inherent risks that the Trust is aware of which are controlled and managed.
    b) Foreseeable local risks which are inherent and identified by competent people.
    c) Strategic risks to the Trust.
    d) Risks from the sources identified below:
        i. Non Clinical Risk Assessments (security moving and handling etc)
        ii. Incident reports
        iii. Complaints / Patient Experience or Claims Audits and work place surveys
        iv. Clinical risk assessments
        v. Patient satisfaction surveys
        vi. External/Internal Audits
        vii. Regulatory Agency notices
        viii. Financial

57. An acceptable risk is one which the Trust Board or the Operational Delivery Board and the Divisions feel comfortable in facing and which, if the worst happened, would not threaten the organisation's survival or its capability to meet its objectives. Deciding what is an acceptable risk involves identifying and assessing risks in relation to the impact. A risk is deemed acceptable when there are adequate control mechanisms in place and the risk has been mitigated and managed, as far as is considered to be reasonably practicable.

58. As a general principle the Trust will seek to eliminate or control all risk which has a potential to harm its patients, staff, and other stakeholders, which would result in loss of public confidence in the Trust and/or its partner agencies and/or would prevent the Trust from carrying out its functions on behalf of its local residents. However, the following list identifies areas which would never be deemed to be acceptable:

59. Any act, decision or statement which;
    a) would result in death
    b) would contravene Trust Standing Orders or Standing Financial Instructions
    c) would be illegal and/or breach of legislation
    d) would result in significant loss of Trust assets or resources
    e) would constitute willful contravention of Trust policies or procedures
    f) would fail to observe key targets and objectives

60. The risk grading system in use is adapted from the National Patient Safety Agency "Risk Matrix for Risk Managers" and uses a scoring mechanism of a 5x5 grid approach to grade risks in respect of consequence and likelihood. The Trust uses DATIX to record incidents and risks and access to this system is via the Trust intranet, a web based package and an application for mobile users.

61. Each entry onto the DATIX system is allocated a manager to review and action the risk and monitor the effectiveness of the risk mitigation plan. Low and moderate risks are managed at a local level by wards and teams and the department manager using appropriate controls. These are recorded on the local risk register. Significant risks are managed at a divisional level with assurance being sought through divisional structures and recorded on divisional risk registers. Extreme risks scoring 15 or above are notified to the Quality and Safety Unit accountable to the Associate Director of Quality and Safety. The Quality and Safety Unit staff will discuss, challenge and where necessary moderate the risk identification and scoring. These risks will be included on the corporate risk register and escalated to the Operational Delivery Board, Quality Committee and the Trust Board for inclusion on the Board Assurance Framework as appropriate.

62. Divisional risks registers are reviewed and discussed at divisional and corporate risk committees to ensure they are regularly reviewed and updated and the Trust continues to work to ensure there is consistency of assessment, identification and mitigation of risks and risk management plans across divisional structures.

63. The Trusts key strategic risks in 2017/18 were:

    a) Transformation schemes fail to deliver the clinical strategy, benefits and improvements (safe, efficient and sustainable care and services) and the organisation's corporate objectives

    b) Recruitment and workforce planning fail to deliver the Trust objective

    c) Alignment of partnership organisations and collaborative strategies/collaborative working (Pennine Lancashire local delivery plan and Lancashire and South Cumbria STP) are not sufficient to support the delivery of sustainable, safe and effective care through clinical pathways

    d) The Trust fails to achieve a sustainable financial position and appropriate financial risk rating in line with the Single Oversight Framework

    e) The Trust fails to earn significant autonomy and maintain a positive reputational standing as a result of failure to fulfil regulatory requirements

64. The consistently high scoring risks in 2017/18 related to risks 'a', 'c' 'd' and 'e' above. As a result of the gaps in assurance for these particular risks the Finance and Performance Committee and Quality Committee agendas were structured to specifically focus on these elements. Summary reports from the Committees were provided to the Trust Board covering each of these elements to ensure that the Trust Board, both through the Board Assurance Framework, and the reports of sub-committees were continually sighted on the risks and the actions being taken to mitigate them and the positive assurances being received in a timely manner.

65. The Trust tests for gaps in assurance via the following actions:

    a) Independent assurance provided to or requested by the Audit Committee from internal and external auditors

    b) Independent assurance provided to the Quality Committee and supporting subcommittees from external reviews, inspections and assessments and monitoring of subsequent action plans to address any gaps identified

    c) Review by internal departments such as the Quality and Safety Unit with Clinical Effectiveness, Clinical Audit and Divisional teams and Directorates reporting to Board sub-committees and the Operational Delivery Board

    d) Rapid responsive reviews of areas of clinical practice in response to incidents, complaints and concerns whether these are raised internally by staff or externally by stakeholders such as Coroners and Commissioners.

66. A range of other actions designed to address identified gaps in controls and assurances have been implemented throughout the year including:
    a) Deteriorating Patients: Implementation of a Trust-wide approach to improve the recognition and the response to the deteriorating patients
    b) End of life care: Optimise learning from complaints to improve end of life care
    c) Hand Hygiene: Increase compliance with hand hygiene and infection prevention guidance through "Prompt to Protect" improvement package

67. Risk management is embedded in the activity of the organisation and the Trust has continued to take significant steps to encourage incident reporting. The Trust has signed up to and promotes the 'Speak Out Safely' campaign to encourage an open culture both of raising concerns and learning from them across the organisation. The Trust uses safety huddles across all clinical areas and Share to Care meetings where staff meet on a weekly basis to share good practice and learn from areas of improvement identified in their own practice and from other services across the organisation.

68. The Trust seeks to actively engage with a wide variety of stakeholders including the Shadow Governors and Trust members to consult and communicate with them on issues of mutual concern. The Trust recognises that there are significant benefits to be gained from this engagement. The Trust also proactively engages with statutory and other stakeholders on a regular basis including staff, Healthwatch, Clinical Commissioning Groups, Local Overview and Scrutiny Committees and local education providers. The Trust has held regular stakeholder events throughout the year and invited stakeholders to meet with the senior leadership teams to ensure transparency of decision making processes and appropriate consultation takes place.

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

69. The Audit Committee is charged with reviewing the economy, efficiency and effectiveness of the use of resources throughout the course of the year and ensuring that there is a robust system of integrated governance and internal control across all spheres of the Trust's activity. Having reviewed the regular reporting of the Audit Committee on its activities presented to the Trust Board I am satisfied that it has met these requirements during the course of the year and assisted in the further development and improvement in the embedding of internal control systems. Together with the comprehensive programme of quality improvement work for the care of patients reporting to the Quality Committee and the Trust Board I am satisfied that there are clear lines of governance and accountability within the Trust for the overall quality of clinical care and these are reflected in the achievements highlighted in the Trust's annual Quality Account.

Information governance

70. The Trust has an Information Governance Steering Group charged with ensuring the effective operation of safeguards for, and appropriate use of, patient and personal information and compliance with the NHS Information Governance Toolkit. The Trust has a policy of proactively reporting incidents and near misses to the Information Commissioner in relation to information governance breaches. The Trust has self-reported eight incidents in year. The Information Commissioner was satisfied that appropriate action was taken in seven of these cases in relation to remedying the breach, process and mitigating the risks of further breaches. The Information Commissioner has taken no action in relation to these incidents and near misses. The Trust is awaiting final reports from the Information Commissioner on one incident. The Trust also reported one cyber security incident relating to the national "wannacry" ransomeware attack. No further action is required for this incident.

71. The Trust has undertaken a comprehensive review of its declaration of compliance with the requirements of the NHS Information Governance Toolkit and has declared an overall pass against all Information Governance standards at Level 2 or above for 2017/18 with an overall score of 81%. This has been monitored at the Finance and Performance Committee and Quality Committee during the course of the year and reported to the Trust Board. The IG Steering Group reports to the Quality Committee through the Clinical Effectiveness Sub-Committee and reports are provided to the SIRO on an on-going basis.

72. Information Governance (data protection) incidents escalated to the ICO 2017/18 are detailed below:

ID	Clinical Safety Aspect	Status	Start Date/ Time of Incident	Local SIRI ID	Breach Type	IG SIRI Level	Volume	ICO Action
IGI/18143	No	Open	26-Feb-18	eIR1141405	Lost or stolen paperwork	2	3 sheets, 40 patients	Awaiting response from ICO
IGI/16693	No	Closed	25-Jan-18	eIR1139705	Lost or stolen paperwork	2	20 patients	No Further Action
IGI/15080	No	Closed	10-Nov-17	eIR1133617	Disclosed in Error	2	1	No Further Action
IGI/15019	No	Closed	24-Oct-17	eIR1134740	Unauthorised Access/Disclosure	2	8 patients	No Further Action
IGI/13980	No	Closed	24-Oct-17	eIR1134652	Unauthorised Access/Disclosure	2	1	No Further Action
IGI/13936	No	Closed	05-Oct-17	eir1133503	Lost In Transit	2	3 sheets	No Further Action
IGI/12326	No	Closed	29-Jun-17	eir1128733	Unauthorised Access/Disclosure	2	one person	No Further Action
IGI/12145	No	Closed	22-Jun-17	eIR1 127858	Lost In Transit	2	one sheet	No Further Action

73. Cyber Security Incidents escalated to the ICO 2017-18

ID	Clinical Safety Aspect	Status	Start Date/ Time of Incident	Local SIRI ID	Breach Type	IG SIRI Level	Volume	ICO Action
CSI/11874	No	Closed	12-May-17 12:00	none	ransomware attack	n/a	n/a	n/a

NHS Pension Scheme – Statement of Compliance

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

Review of Effectiveness

75. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the quality report attached to the Annual Report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Trust Board, the Audit Committee and the Quality Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

76. The overall level of the Head of Internal Audit opinion is: "Substantial Assurance, can be given that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently."

77. The Assurance Framework and the internal auditor's opinion on the effectiveness of the systems and processes supporting the Assurance Framework provide me with evidence that the effectiveness of controls that manage the risks to the organisation in achieving its principal objectives have been reviewed.

78. My review is also informed by internal and external information including:

    a) Detailed reports from the Trust's internal auditors (Mersey Internal Audit Agency) and external auditors (Grant Thornton)
    b) Performance and financial reports to the Trust Board and its subcommittees
    c) NHS Improvement performance management reports
    d) NHS England Area Team performance management reports
    e) Clinical Commissioning Groups performance management reports
    f) Governance reports to the Quality Committee, Audit Committee and Trust Board
    g) Compliance with action plans as part of our performance management arrangements
    h) Patient Led Assessments of the Care Environment
    i) Care Quality Commission Report
    j) Reports from external inspections and assessments during the course of the year from bodies such as Royal Colleges, Health Education North West etc.
    k) Information Governance risk assessment against the Information Governance Toolkit
    l) Information Commissioners Office Audit (October 2017)
    m) Feedback from local and national staff and patient surveys
    n) The work of the Executive team within the organisation who have responsibility for the development and maintenance of the internal control framework within their portfolios.

79. Where reports have identified limitations in assurance these have been acted upon and in relation to auditors' reports have been monitored by the Audit Committee. The Trust Board and its subcommittees have been actively engaged in the on-going development and monitoring of the Assurance Framework and will continue to shape the iterative development of the Assurance Framework and its associated risk management systems and processes throughout 2017/18.

Significant Issues

80. The following issues have prejudiced the achievement of the priorities set during 2017/18 for the Trust:

a) Emergency Department Staffing

i. Mitigating actions taken include:

- Refreshed Job Descriptions, Personal Specifications and adverts
- Open ended adverts for all vacancies so applicants can apply at any time
- Improved recruitment and retention packages to incentivise doctors to work at the Trust
- International Recruitment campaign undertaken
- Partnership working with a number of permanent recruitment agencies
- On line advertising using Global Medical Careers, who take all our adverts from NHS jobs and then advertise on their platform, Facebook, Twitter and Linkedin in a number of countries, allowing for applications to be made directly to the Trust.
- Increased internal bank offering reducing reliance on agency supply
- Review current rota templates to ensure maximum deployment of medical staff
- Process redesign for non-admitted pathways
- Expansion of ambulatory emergency care facilities
- Redesign of clinical flow arrangements within the Trust

b) Financial Position: The Trust was able to meet its financial objectives for 2017-18 delivering a surplus of £3,000,000 and living within its Capital Resource Limit. The Trust anticipates a financial deficit in 2018-19 of £19m after delivering its cost improvement programme. In delivering this position the Board has committed to delivering a 4% cost improvement to the value of approximately £18m. The following measures are in place:

i. Mitigating actions taken include:

- A revised approach to programme management
- Working with a partners across Pennine Lancashire to develop 'one plan' to deliver financial sustainability
- Use of Model Hospital and Getting it Right First Time analysis and other bench marking sources to identify efficiency opportunities.
- Working with NHSI as part of the first cohort of organisations in the NHSI 'Lean' programme. Reviewing and improving our current processes for improving quality and finances.
- Strengthening our cash management and planning processes to reduce the risk of failure.
- Strengthening our financial controls and the financial knowledge of our staff

c) Agency staffing

i. Mitigating actions taken include:

- Refreshed Job Descriptions, Personal Specifications and Adverts
- Open ended adverts for all vacancies so applicants can apply at any time
- Improved recruitment and retention packages to incentivise doctors to work at the Trust

- International Recruitment campaign undertaken
- Partnership working with a number of permanent recruitment agencies
- On line advertising using Global Medical Careers, who take all our adverts from NHS jobs and then advertise on their platform, Facebook, Twitter and Linkedin in a number of countries, allowing for applications to be made directly to the Trust.
- Increased internal bank offering reducing reliance on agency supply
- Review current rota templates to ensure maximum deployment of medical staff

d) Patient Flow

i. Mitigating actions taken include:

- The Trust's plans for the development of a new medical ambulatory and emergency care unit.
- In addition the Trust plans to redevelop its existing Acute Medical Unit (AMU) to be sited together and closer to the emergency department.
- The Trust is also in the process of improving its discharge processes including DSTOC and SAFER work.
- Implementation of Home First (Discharge to Assess) model
- Senior level Multi-disciplinary Accelerated Discharge Events (MADE) continue to review the 'trigger list'. These events take place on a regular basis with CCG presence to assure the wider system that all cases are being dealt with in an effective and timely manner.
- Redesign of clinical flow arrangements within the Trust

e) Information Management and Technology

i. Following the Wannacry cyber-crime early in 2017-18 the Trust has supported considerable investment to improve cyber security. The Trust has also introduced additional measures in 2017-18 to reduce the risk of cyber-crime. Action plans are assured by third parties and reported through to the Audit Committee. The Trusts operates a rolling plan for staff awareness in line with the Information Governance Toolkit.

Conclusion

81. In line with the guidance on the definition of the significant control issues I have no significant internal control issues to declare within this year's statement.

82. My review confirms that East Lancashire Hospitals NHS Trust has a generally sound system of governance and stewardship that supports the achievement of its policies, aims and objectives.

Signed:

Kevin McGee, Chief Executive

Date: 24 May 2018

Directors' Report

Our Trust Board comprises the Chairman, six Non-Executive Directors and five Executive Directors as detailed in the Board profile below. In addition the Trust has two Associate Non-Executive Directors. The Director of Human Resources and Organisational Development, the Director of Operations, Director of Sustainability, Director of Communications and Engagement and the Associate Director of Corporate Governance/Company Secretary also attend the Trust Board to give advice within their professional remits. The Trust Board functions as a corporate decision-making body and Executive and Non-Executive Directors are full and equal members.

The Trust Board provides strategic leadership to the Trust and ensures that the Trust exercises its functions effectively, efficiently and economically. The Board monitors the arrangements to maintain the quality and safety of the Trust's services, including ensuring processes are in place for managing risks.

Non-Executive and Associate Non-Executive Directors have a particular role in scrutinising the performance of the Trust's management in meeting agreed objectives, and ensuring that robust systems of financial control and risk management are in place. The Non-Executive Directors of the Trust are appointed by NHS Improvement, acting on behalf of the Secretary of State for Health. They are each appointed for a four-year term which may be renewed subject to satisfactory performance. Non-Executive Directors are not employees of the Trust and do not have responsibility for day-to-day management; this is the role of the Chief Executive and Executive Directors but as a 'unitary Board', Executive and Non-Executive Directors share equal responsibility for the Board's decisions, and all share responsibility for the direction and control of the organisation.

The Trust Board meets 6 times a year and meetings are open to the public except when confidential information is being discussed. Details of public Board meetings are available, including minutes and papers from previous meetings, on the Trust Board section of our website (www.elht.nhs.uk).

The Trust Board delegates its authority to take decisions about the Trust and its services in accordance with a Scheme of Delegation which is available on our website within the publication section in our Standing Orders and Standing Financial Instructions.

The Executive Directors are appointed by a Committee comprising the Chief Executive and Non-Executive Directors following a competitive interview process.

Professor Eileen Fairhurst, Chairman February 2014 to present

Experience

Eileen Fairhurst was appointed to East Lancashire Hospitals Trust in February, 2014. She is a highly experienced Chairman and has chaired a number of large, complex public and third sector organisations, including Acute, Specialised Mental Health and Primary Care Trusts. Within six months of being appointed, she led the Trust out of Special Measures and the Trust now has a CQC rating of 'Good' She established Salford PCT in 2001 which became one of the highest performing PCTs in the country. Subsequently, she was Chairman of NHS Greater Manchester, the largest PCT cluster in England.

She has a national profile for partnership working and the governance of organisations. Her partnership working in health has involved regeneration of localities. Her expertise in the practice of regeneration is mirrored in her academic profile with a number of publications and conference presentations. Eileen has always ensured that perspectives of patients and communities contribute to service developments. She has championed a number of whole systems innovative service re-design programmes, including mental health, children's and women's health, urgent care and the Greater Manchester Healthier Together programme.

Over the years she has been a regular contributor to development programmes for NEDs and Aspirant Executive Directors and to national conferences on Governance and leadership. Eileen has been awarded an MBE in recognition of her contribution to the NHS. Until recently, she was Professor in Public Health at the University of Salford and she has an international research profile. She is a Founding Fellow of the British Society of Gerontology.

Qualifications

BA (Econ)

PhD

DSc

Fellow of the Royal Society of Medicine

Mr Kevin McGee, Chief Executive, September 2014 to present

Experience

Kevin is a qualified accountant with over 32 years' experience of working within healthcare and with 20 years' experience at executive level. Prior to joining East Lancashire Hospital NHS Trust, Kevin held a range of roles including Chief Executive of George Eliot Hospital NHS Trust and Chief Executive of Heart of Birmingham Primary Care Trust. He has also held a range of Director portfolios including Director of Finance and Chief Operating Officer in large acute hospitals and Director of Commissioning and Performance Management at a Teaching Primary Care Trust. Kevin sits on the North West Leadership Academy Board and is a passionate advocate of Compassionate Leadership. Kevin also sits on the Senior Leadership Forum for Pennine Lancashire and chairs the Lancashire and South Cumbria Chief Executives' Provider Forum.

Qualifications

BA (Hons)

MSc

Member of the Chartered Institute of Public Finance and Accountancy

Mr Stephen Barnes, Non-Executive Director, January 2015 to present

Experience	Qualifications
Stephen Barnes was appointed to the Trust Board on 1 January 2015. He has been a local government chief executive in Lancashire for the past 22 years and prior to that was a director of finance in local government for six years. Stephen is an accountant by profession, a past President of the North West and North Wales region of the Chartered Institute of Public Finance and Accountancy and a past Examiner of the final part of the Professional Accountancy Examination. During his time in Local Government, Stephen has gained broad experience in strategic leadership, partnership working and joint venture initiatives across the private sector, including economic development and regeneration services and community development and engagement. Stephen was reappointed for a further four years in January 2017.	Member of the Chartered Institute of Public Finance and Accountancy

Miss Naseem Malik, Non-Executive Director, September 2016 to present

Experience	Qualifications
Naseem started her public sector career in Local Government. She is a former Commissioner at the IPCC and has held NED roles at Blackburn with Darwen Primary Care Trust and Lancashire Care NHS Foundation Trust. Naseem is also a qualified (non-practicing) solicitor.	Qualifications BA (Hons) Member of the Law Society

Mr Richard Slater, Non-Executive Director, January 2015 to present

Experience	Qualifications
Richard leads the Blackburn-based Northpoint Media group of businesses. Among its brands are Lancashire Business View magazine, Red Rose Awards, Fettle Events and Limitless PR & Marketing. He has previously served as a Non-Executive director at East Lancashire Chamber of Commerce and charity Curious Minds. Richard was reappointed for a further two years in January 2017.	BSc (Hons) Cert Ed. Member of the Professional Publishers Association Member of the Chartered Institute of Public Relations

Mr Richard Smyth, Non-Executive Director, March 2017 to present

Experience	Qualifications
Richard is a solicitor with 40 years' experience of regulatory issues and criminal litigation. He has had a highly successful career as a criminal lawyer and held senior positions in well-known law firms representing a wide range of clients including global corporations and professional individuals. His work has included compliance, governance and risk management advice as well as conducting serious and complex cases mainly within the context of business and finance. Richard is the Chair of the Audit Committee.	BA (Hons) Member of the Law Society

Professor Michael Thomas, Non-Executive Director, 15 January 2018 to present

Experience	Qualifications
Professor Thomas joined the Trust in September 2016 as an Associate Non-Executive Director and was appointed as a Non-Executive Director on 15 January 2018. He is a graduate of the University of Manchester where he studied healthcare. He holds a Masters in Law from John Moore's University, gained a PhD in Psychotherapy from the University of Nottingham and is an alumnus of the Said Business School, University of Oxford. Mike has served on a number of national committees, has led three social enterprise companies and continues to act as an advisor to third sector organisations and start-ups. An ex-submariner Mike has worked on projects for many years that support military discharged service personnel to find new life and career opportunities. He works with a team of active ex-service academics and those with a special interest or specialism in the field of transition support and is the Director of the College for Veterans and Emergency Services. Professor Thomas became a Non-Executive Director on 15 January 2018.	Fellow of the Higher Education Academy Fellow of the Royal Society for the Arts Member of the British Psychological Society

Mr David Wharfe, Non-Executive Director, 2013 to present

Experience	Qualifications
David was appointed in May 2013. He is an experienced Finance Director, having held a number of senior and Board level posts in NHS across the country since 1990. In 2002 he joined the newly-established Ashton, Leigh and Wigan Primary Care Trust as Director of Finance and Deputy Chief Executive, before being appointed to the post of Director of Finance and Contracting at NHS Lancashire in June 2011, a post he held until his retirement in March 2013. David is a member of the Audit Committee.	BA (Hons) Member of the Chartered Institute of Management Accountants

Mr Martin Hodgson, Director of Service Development and Deputy Chief Executive, November 2009 to present

Experience	Qualifications
Martin Hodgson joined the Trust in November 2009, from Central Manchester University Hospitals NHS Foundation Trust, where he was Executive Director of Children's Services. He has considerable operational management experience and of implementing major strategic change, including the reconfiguration of children's services across Manchester. Martin takes a lead role in the service development, planning and contracting agenda.	BA (Hons) Postgraduate Diploma in Human Resource Management

Mrs Christine Pearson, Director of Nursing, January 2014 to present

Experience	Qualifications
Chris trained at North Manchester General Hospital and qualified as a Registered General Nurse in 1984. In 1986 she decided to undertake district nurse training and, following completion of this, practiced in Rochdale until 1997. Following positions in education, professional development and locality management, she moved to North Manchester Primary Care Trust as Associate Director of Nursing. In 2006 she took up post as Associate Director of Quality & Professional Practice in Manchester Community Health. She moved to Salford Royal Hospitals NHS Trust in April 2011 as Deputy Director of Nursing.	BA (Hons) MSc

Dr Damian Riley, Medical Director, July 2015 to present

Experience	Qualifications
Damian was formerly Regional Medical Director at NHS England (North) where he led a number of service and quality reviews for hospitals in the north of England. He also championed improvements in dementia, stroke and cancer care for patients. In a previous role as Medical Director of West Yorkshire PCTs, he led in a number of areas including extending access to general practice, leading the turnaround programme for West Yorkshire and urgent care, leading service redesign programme for diabetes care in Leeds, and was the clinical lead during the establishment of NHS 111 services in Yorkshire and Humber. Damian is a clinical assessor and trainer for the National Clinical Assessment Service. Damian studied medicine at the University of Manchester and also has over 20 years' experience as a GP in diverse and challenging communities.	MBChB BSc (Hons) DCH Docc Med MRC GP

Mr Jonathan Wood, Deputy Chief Executive and Director of Finance, 2009 to present

Experience	Qualifications
Jonathan Wood started at the Trust in September 2009, and was previously Director of Finance at North Cumbria University Hospitals Trust, having joined there from NHS North West. Prior to this he worked with Salford Royal Hospital NHS Trust. He joined the NHS in 1992 on the North Western Regional Finance Training Scheme and qualified as an accountant in 1996.	BA (Hons) Member of the Chartered Institute of Public Finance and Accountancy

Mr John Bannister, Director of Operations (Non-Voting), December 2016 to present

Experience	Qualifications
John joined the Trust in September 2016. He qualified as a Chartered Physiotherapist in 1986 and worked in a number of clinical roles across different organisations before moving into General Management in 2001. Since then, he has undertaken roles as Divisional Manager in Therapy and Diagnostics, Surgery and Critical Care and most recently Deputy Chief Operating Officer before joining ELHT.	Graduate Diploma in Physiotherapy Member of the Chartered Society of Physiotherapy MA in Change Management

Mr Keith Griffiths, Director of Sustainability (non-Voting), November 2016 to present (Currently on secondment to University Hospitals Morecambe Bay)

Experience	Qualifications
Keith has worked as a Director of Finance in specialist and acute NHS providers for over 20 years across the north of England. Keith has significant experience of working across complex political health systems and has ensured Trusts deliver financial surpluses.	BSc (Hons) Member of the Chartered Institute of Public Finance and Accountancy

Mrs Christine Hughes, Director of Communications and Engagement (Non-Voting), June 2016 to present

Experience	Qualifications
Christine has a long and successful career in communications in the NHS including at Preston Primary Care Trust and Mersey Care NHS Trust, where she was director of communications for 10 years. Following a highly productive interim period here in ELHT, she became a permanent member of the team in June 2016.	BA (Hons) MA

Mr Kevin Moynes, Director of HR & OD (Non-Voting), October 2013 to present

Experience	Qualifications
Kevin joined the Trust on 1st October 2013 as the Interim Director of HR and Organisational Development. He joined the NHS in 1978, qualifying as a Registered Nurse (RGN) in 1981 and later as a Registered Sick Children's Nurse (RSCN) in 1986. He obtained his Master's Degree in Nursing from the University of Bradford in 1993. In addition to his NHS experience, Kevin has worked in the USA and the Middle East and has held a Director of Nursing post within the hospice sector. Kevin leads the Trust's agenda relating to HR and OD with a key focus on Staff Engagement, Staff Health and Well-being, Recruitment and Retention, Learning and Development and Leadership and Talent Management.	RGN RSCN MSc MCIPD

Mrs Patricia Anderson, Associate Non-Executive Director (Non-Voting), January 2018 to present

Experience	Qualifications
Patricia has over 30 years' experience working in health and social care services and has enjoyed roles across a wide range of settings, including executive Board appointments. She has a proven ability in both provision and commissioning of services, strong negotiation and influencing skills in addition to a strong working knowledge of the key challenges facing the current NHS system. In addition Patricia is skilled in identifying and managing risks within and across organisations. She is clear that the overall goal is to improve health outcomes for the local population and the Trust will be judged on that delivery. Patricia is currently the Accountable Officer for Wigan Borough CCG but will be retiring from the post in the coming months to allow the development of a Strategic Commissioning Function which consolidates the CCG and Local Authority. She is keen to maintain her links to the NHS and to continue to make a contribution to the quality of patient services. Patricia intends to work in a supportive capacity as a Non-Executive Director at the Trust and to provide a constructive perspective as a member of the Board.	

Mr Michael Wedgeworth MBE, Associate Non-Executive Director (Non-Voting), April 2017 to present

Experience	Qualifications
Mike Wedgeworth MA, BSc, MBE joined NHS East Lancashire Hospitals Trust in April 2017. Canon Wedgeworth, has been the Chairman of Healthwatch Lancashire, Chief Executive of Hyndburn Borough Council and Chair of Blackburn College, and has held senior executive positions both locally and nationally. He now serves as an assistant priest at Blackburn Cathedral. He is the Non-Executive Director representative for the Lancashire and South Cumbria Integrated Care Systems Board. Mr Wedgeworth was awarded the MBE in 2010 for services to Further Education and the Community of Lancashire and is committed to the values of the NHS, and public services generally, and is very aware of the need to provide safe, personal and effective care to patients.	BSc MA

Directors' Statements and Register of Interests

So far as each Director is aware, there is no relevant audit information of which the Trust's auditor is unaware. Each Director has taken all the 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 Trust auditor is aware of that information, including making enquiries of his/her fellow directors and the auditor for that purpose, and has taken such other steps for that purpose as are required by his/ her duty as a director to exercise reasonable care, skill and diligence. After making enquiries, the Directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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

The Directors believe that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the NHS Trust's performance, business model and strategy.

It is the Board's belief that each Director is a fit and proper person within the definitions in the Health and Social Care Act 2008 (Regulation of Regulated Activities) (Amendment) Regulations 2014.

Each Director is:

- of good character
- has the qualifications, skills and experience which are necessary for carrying on the regulated activity or (as the case may be) for the relevant office or position
- is capable by reason of their health, after reasonable adjustments are made, of properly performing tasks which are intrinsic to the carrying on of the regulated activity or (as the case may be) the office or position for which they are appointed or, in the case of an executive director, the work for which they are employed
- not responsible for, been privy to, contributed to or facilitated any misconduct or mismanagement (whether unlawful or not) in the course of carrying on a regulated activity, or discharging any functions relating to any office or employment with a service provider, and
- not prohibited from holding the relevant office or position, or in the case of an individual from carrying on the regulated activity, by or under any enactment.

There are no company directorships or other significant interests held by directors which may conflict with their management responsibilities other than those disclosed below:

Name and Title	Interest Declared	Date last updated
Professor Eileen Fairhurst Chairman	Professor at Salford University – until 31.12.2016 Trustee, Beth Johnson Foundation – until 31.3.2017 Chairman of Bury Hospice – from 23.1.2017 A member of the Learning, Training & Education (LTE) Group Higher Education Board – until 12.3.2017 Chairman of the NHS England Performers Lists Decision making Panel (PDLP)	6.3.2018
Kevin McGee Chief Executive	Spouse is the Director of Finance and Commercial Development at Warrington and Halton Hospitals NHS Foundation Trust	15.3.2018
Patricia Anderson Associate Non-Executive Director (Appointed 1.1.2018.)	Chief Officer Wigan Borough CCG	7.3.2018
John Bannister Director of Operations	Positive Nil Declaration	7.3.2018
Stephen Barnes Non-Executive Director	Chair of Nelson and Colne College Member of the National Board of the Association of Colleges – from 2.3.2017 Vice Chair of the National Council of Governors of the Association of Colleges – from 2.3.2017	23.2.2018
Keith Griffiths Director of Sustainability	Positive Nil Declaration	23.2.2018
Martin Hodgson Director of Service Development	Positive Nil Declaration	23.2.2018
Christine Hughes Director of Communications and Engagement	Positive Nil Declaration	23.2.2018

Name and Title	Interest Declared	Date last updated
Naseem Malik Non-Executive Director (appointed 1 September 2016)	Independent Assessor – Student Loans Company – Department for Education – Public Appointment Fitness to Practice, Panel Chair: Health & Care Professions Tribunal Service (HCPTS) – Independent Contractor. Investigations Committee Panel Chair – Nursing & Midwifery Council (NMC) – Independent Contractor Member of the Law Society Fellow of The Royal Society of Arts NED and SID at Lancashire Care NHS Foundation Trust – until 29.07.2016. Worked for Blackburn Borough Council (now Blackburn with Darwen Borough Council) in 1995/6. NED at Blackburn with Darwen Primary Care Trust from 2004 until 2010 Relative (first cousin) is a GP in the NHS (GP Practice) Relative (brother-in-law) is a Mental Health Nurse	28.3.2018
Kevin Moynes Director of Human Resources & Organisational Development	Governor of Nelson and Colne College – until 1.2.2018. Spouse works for HEE (NW) as Head of Workforce Transformation.	5.3.2018
Christine Pearson Director of Nursing	Spouse is the Head of Medicines Optimisation, at Heywood, Middleton & Rochdale Clinical Commissioning Group	11.4.2018
Damian Riley Executive Medical Director	National Clinical Assessment Service (NCAS) Clinical Assessor and Trainer – small amounts of work are undertaken in this role and funded by NCAS Member of British Medical Association Registered with General Medical Council Spouse is an employee – GP in Dyneley House Surgery, Skipton Sister is an employee of pharmaceutical company Novartis	23.2.2018
Richard Slater Non-Executive Director	Positive Nil Declaration	6.3.2018
Richard Smyth Non-Executive Director	Consultant Solicitor with DLA Piper UK LLP Law Firm. DLA Piper undertakes work for the NHS (as a consultant solicitor currently undertaking work for Cushman and Wakefield) Spouse is a Lay Member of Calderdale CCG Spouse is a Patient & Public Involvement and Engagement Lay Leader for the Yorkshire and Humber Patient Safety Translational Research Centre, based at Bradford Institute for Health Research, Bradford Royal Infirmary Sister is an advanced clinical nurse practitioner with Pennine Acute Hospitals Trust based at the Royal Oldham hospital. Member of the Law Society	21.5.2018

Name and Title	Interest Declared	Date last updated
Professor Michael Thomas Non-Executive Director	Vice-Chancellor of UCLAN	7.3.2018
Michael Wedgeworth Associate Non-Executive Director	Honorary Canon of Blackburn Cathedral in 2003 Assistant Priest at Blackburn Cathedral since 1995 Member of the Lancashire Health and Well-Being Board from 2011 to 2017 Elected Public Governor at Lancashire Care Foundation Trust and Chair of the Patient Experience Group until April 2017 Chair of Healthwatch Lancashire until December 2017 Healthwatch Representative on NHS governing bodies and Trusts since 2015 Member of the Lancashire and South Cumbria Sustainability and Transformation Programme Board and its work stream on Acute and Specialised Services since 2015 NED Representative for the Pennine Lancashire system on the Lancashire and South Cumbria Sustainability and Transformation Partnership Board (now the Integrated Care Organisation Board)	23.2.2018
David Wharfe Non-Executive Director	Trustee of Pendleside Hospice	21.5.2018
Jonathan Wood Director of Finance	Spouse is the Director of Finance at the Oldham Care Group Hospital, part of Pennine Acute Hospitals NHS Trust. Pennine Acute Hospitals currently form part of the 'hospital chain' with Salford Royal Hospitals Foundation Trust.	27.7.2017

Shadow Governors' Report

Composition of the Shadow Governors

The organisation has Shadow Governors to represent the views of local people. This means discussing matters such as the Annual Report and Accounts as well as keeping members informed. The Shadow Governors were elected by the public and Trust staff.

Our Shadow Council of Governors is currently made up of 10 elected individuals, 7 Public Shadow Governors and three Staff Shadow Governors. A brief biography of our Shadow Council members can be found below.

Mrs Lee Barnes, scientific, therapeutic and technical

Lee has over 10 years' experience as a Physiotherapist in the Trust. She is a former union representative and has championed staff views and campaigned for positive change. She believes that all staff have a significant contribution to make to the success of the Trust. Lee became a Governor so that she could ensure that the ideas, experiences and concerns of staff are communicated and considered. She is also interested in promoting the work which staff are doing to the Board and wider community.

Mrs Vicky Bates, Pendle

Vicky is a retired healthcare professional with over 20 years' experience working as a nurse, midwife and health visitor. In addition she has experience in teaching nurses and health visitors and has worked as a health development worker within the voluntary sector. Vicky is Chair of her local Parish Council where she represents the views of her local community. She believes that the role of Governor will provide a unique opportunity to be involved in the change and development of the Trust for the benefit of the patient.

Mr Karl Cockerill, healthcare assistants and other support staff

Karl has worked as part of the NHS for 18 years; his current role within the Trust is as an Assistant Practitioner within the Community Services Division. He has experience of working on staff engagement and organisational change projects. Karl is also Mediation Co-ordinator for the Trust. His reasons for becoming a Governor include ensuring that the views of staff are represented at Trust Board level and promoting staff engagement throughout the Trust.

Mr Peter Dales, managers, senior managers and others

Peter has worked for the Trust for over 30 years and is currently employed as the Partnership Officer; the link between the unions and Trust management. Before this, Peter was the Procurement Manager for Pharmacy Services. In addition to his day-to-day role within the Trust Peter is the Staff Side Secretary for the Joint Negotiation and Consultative Committee (JNCC). Peter's motivation for becoming a Governor include the need to involve staff in Trust decision-making and ensuring that staff are able to provide the best quality of care to our patients.

Mr Brian Parkinson, Rossendale

Having spent 46 years in the retail motor industry, Brian feels he can bring significant private sector experience to the role of Governor. Brian's reasons for becoming a Governor include the belief that public sector organisations must deliver best practice whilst managing the resource constraints of recent public sector funding reductions.

Mr Graham Parr, Pendle

Having spent 46 years in the retail motor industry, Brian feels he can bring significant private sector experience to the role of Governor. Brian's reasons for becoming a Governor include the belief that public sector organisations must deliver best practice whilst managing the resource constraints of recent public sector funding reductions.

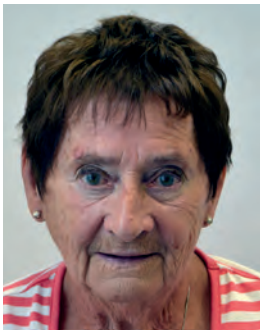
Mrs Feroza Patel, Blackburn with Darwen

Feroza has served as a Governor for her local primary and secondary schools. She has also been a volunteer for Surestart Blackburn West where she developed a parent forum and also sat on the local management board. She has previously worked as a teaching assistant within primary school education where she was the parental involvement leader, managed the parents committee and organised community health events. Feroza's interests as a Governor include working with the community to develop services and improve the overall patient experience.

Mrs Marion Ramsbottom, Blackburn with Darwen

Marion is a former Non-Executive Director of ELHT and is a Trustee of Age UK Blackburn with Darwen Charity Board and also the Chair of Age UK Blackburn with Darwen Trading Board. Marion also works as an Associate Manager for Lancashire Care Foundation Trust, where she comes into regular contact with patients, their carers and family members. Marion's reasons for becoming a Governor include the desire to contribute the views of the population into future plans for the Trust, ensuring the delivery of high quality care to the local population.

Mrs Brenda Redhead, Ribble Valley



Brenda is a retired secondary school science teacher and until recently served as Vice-Chair of her local Parish Council. She has been the parish representative on the Parish Councils Liaison Committee and possesses skills in absorbing and evaluating information in preparation for action. Brenda has previously volunteered as a road safety trainer at her local primary school and has, until recently volunteered as a walks leader for Dales Rail. Her reasons for becoming a Governor include the belief that hospital services should be accountable to their users and consider the views of patients.

Mr David Whyte, Hyndburn

David is a retired manager, who previously worked in the theatre and music industry and is also a qualified English teacher. He has carried out voluntary work for the Trust and is concerned with ensuring that local communities have their views fed into the work of the Trust. His area of interest as a governor is in the monitoring and improvement of services for the benefit of patients.

The Shadow Governors have been very active within the Trust and have been involved in a range of activities over the course of the past year.

These include:

- CQC-style mini-inspections
- PLACE Assessment training and visits
- Dementia Strategy meetings
- Bereavement Strategy Group meetings
- Staff Engagement Sponsor Group meetings
- Employee of the Month selection panels
- STAR Award judging
- Stakeholder events
- Future Hospitals Programme work with the Royal College of Physicians
- Falls Prevention Scheme work
- Trust Signage Group meetings
- Patient Engagement schemes
- Nutrition and Hydration Steering Group meetings
- End of Life Care Steering Group meetings
- Outpatient Department meetings
- Improvements to patient discharge letters
- Frailty Steering Group
- Wayfinding and Accessibility Group
- Review of the Annual Report

Our Membership

Membership of our Trust is open to anyone aged 16 or over who lives in Blackburn, Burnley, Hyndburn, Pendle, Rossendale, the Ribble Valley and the rest of England.

There are two categories of members for our Trust:

- public
- staff

Membership means that local people and those using our services can turn the affinity they have with their hospital and community services into involvement and improved outcomes. Local communities, patients and staff, through their elected representatives, join with the Trust in deciding how we will work to improve services, enhance the experience of our patients and respond to local needs. We aim to have a membership which is representative of the population we serve.

Being a member is a voluntary role and there is no financial benefit or cost.

Remuneration and Staff Report

The Trust's Remuneration Committee has overarching responsibility for the remuneration, arrangements for the appointment and agreement of termination packages for Executive Directors and senior managers. The members of the Committee are the Non-Executive Directors of the Trust. The members are:

- Professor Eileen Fairhurst
- Mr Stephen Barnes
- Mr Richard Slater
- Mr David Wharfe
- Miss Naseem Malik
- Mr Richard Smyth
- Professor Mike Thomas (Associate Non-Executive Director to 14 January 2018, Non-Executive Director from 15 January 2018)
- Mr Michael Wedgeworth (Non-voting-Associate Non-Executive Director from 1 April 2017)
- Mrs Patricia Anderson (Non-voting-Associate Non-Executive Director from 1 January 2018)

The Remuneration Committee is chaired by the Trust Chairman. Information on the term of office of each Non-Executive Director is provided in the Directors Report section of this Annual Report, from page 50 to page 55. The interests and details of the Trust Board are disclosed in the Directors' Register of Interests on pages 57 to 59 of this Annual Report.

The Remuneration Policy of the Trust states that it does not make awards on performance criteria. Performance in the role of Directors is assessed separately by the Chief Executive Officer in relation to an Executive Director's role in leading the organisation and achieving performance objectives and by the Chairman of the Trust in relation to performance as a member of the Trust Board. The Trust will review its remuneration policy within the next three months to ensure that the policy covers the approach on the remuneration of directors for future years.

In assessing any pay awards during the course of the year, the members of the Committee have had due regard both for the average salary of the executive director in peer organisations and the changes in remuneration agreed as part of the Agenda for Change pay scheme. The Executive Directors have received changes in their remuneration only in cases that relate to changes in their executive and operational duties and in line with peer organisations.

The employment contracts of Executive Directors are not limited in term and notice periods are six months. The only provision for early termination is in relation to gross misconduct.

Financial information relating to remuneration can be found on pages 76 of the Financial Statements and Report section of this Annual Report.

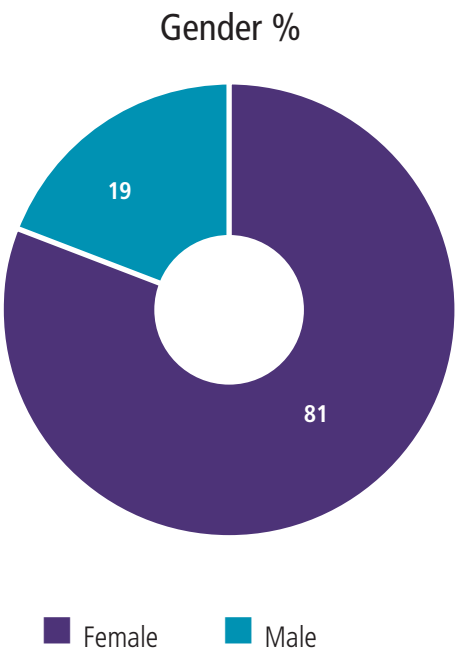

All Wards & Departments
Way Out

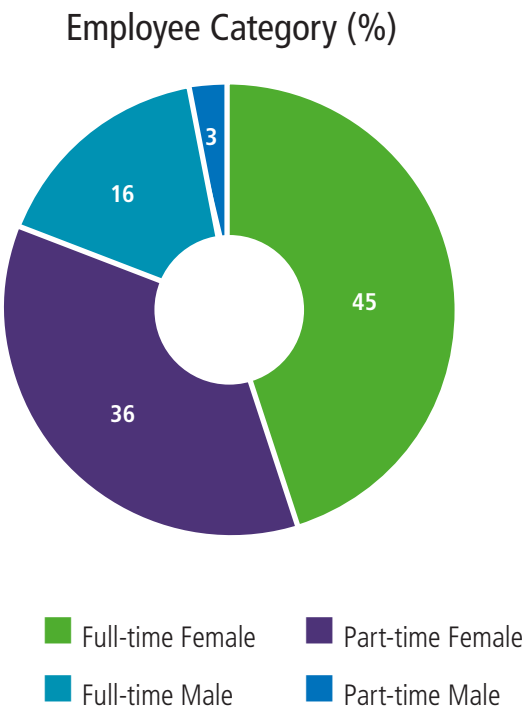
Staff numbers & composition (subject to audit)

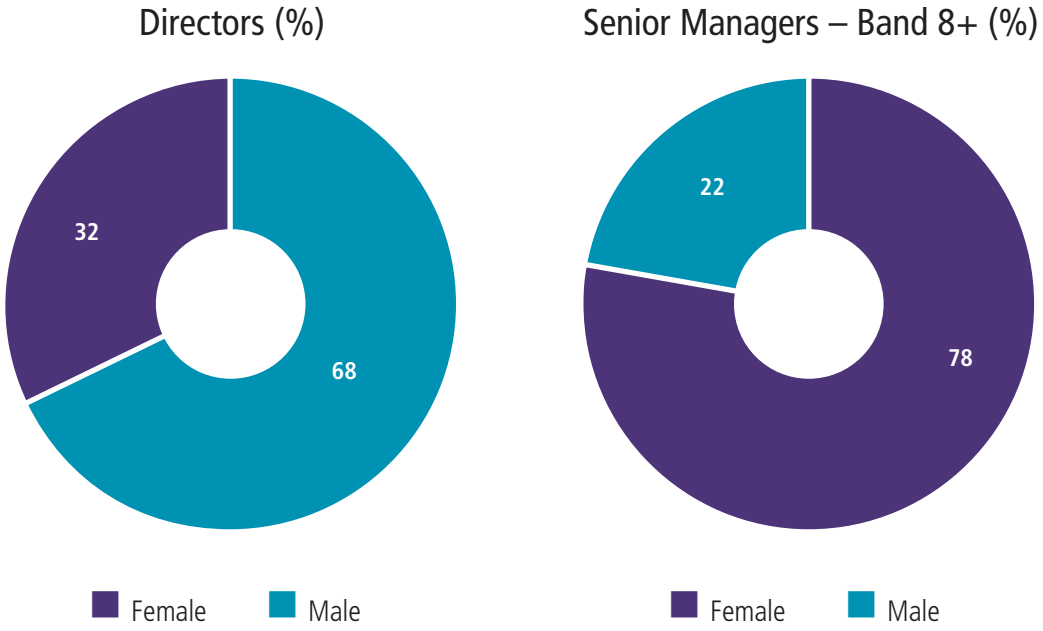
The Trust is a major local employer and we employ over 7,500 people. During the course of the year the Trust has worked hard to recruit and retain staff. The Trust now employs 145 WTE more than at the end of 2016/7. Our workforce consists of the following staff groups:

Staff Group	% Female	% Male
Additional Professional Scientific and Technical	2.20%	0.78%
Additional Clinical Services	15.34%	2.01%
Administrative and Clerical	18.83%	3.84%
Allied Health Professionals	6.18%	1.63%
Estates and Ancillary	5.22%	3.55%
Healthcare Scientists	1.23%	0.57%
Medical and Dental	2.61%	4.52%
Nursing and Midwifery Registered	29.62%	1.74%
Students	0.13%	0.00%
Grand Total	**81.35%**	**18.65%**

The Trust is fully committed to eliminating gender inequality and continues to monitor the gender profile of the workforce. The current profile is typical of other NHS organisations:







Sickness

The Trust continues to work hard to improve the health & wellbeing of its staff and to minimise absence due to sickness. Overall the Trust sickness absence rates have improved when compared with 2016/17 although the number of episodes has remained fairly static.

Staff sickness absence	2017-18	2016-17
	Number	Number
Total days lost	**75,388**	76,025
Total staff years	**7,109**	6,926
Average working days lost	**10.6**	11.0

The Trust monitors sickness absence rates on a monthly basis in the workforce scorecard element of the integrated performance report.

Staff policies

The Trust has employed a Staff Guardian since 2014 and has successfully introduced the "If you see something say something" campaign which encourages all of our staff to speak out safely if they have any concerns. The guardian works independently alongside Trust leadership teams to support our organization in becoming a more open and transparent place to work, where all staff are actively encourages and enabled to speak up safely.

The Trust recognises a number of trade unions, with whom we consult on workforce training and development issues. In 2017/18 we continued our commitment to a systematic approach to engage and empower our employees in order to support our vision 'to be widely recognised for providing safe, personal and effective care'.

All our policies are consistent with our responsibilities under the Equality Act 2010 and are reviewed on a regular basis to ensure compliance and that they adhere to best practice.

The Trust has a strong commitment to the delivery of education, training, and learning and development opportunities to ensure all our staff have the skills necessary to fulfil their role and contribute to excellent patient care. In addition to our ongoing mandatory training programmes, which are tailored for staff groups, we offer coaching and mentorship for personal and professional development.

Staff Engagement Indicators

The 2016 National Staff Survey demonstrated that ELHT has achieved its best ever ranking for staff engagement.

The results showed that for the second year in a row, staff ratings have improved which has helped ELHT maintain its position in the top 20 per cent of hospital Trust's for staff satisfaction and engagement.

The results show that as an organisation we continue to improve the support we provide for our most important asset, our staff. The results are also excellent news for patients as we know that high levels of employee engagement and satisfaction directly and indirectly influence the quality of patient care and customer satisfaction in our hospitals and clinics.

Likewise our quarterly Staff Friends and Family Test scores continue to improve and at Quarter four 82% of respondents recommended ELHT as a place for care/treatment and 75% recommended the Trust as a good place to work.

It is a testimony that so many staff would recommend the Trust as a place for care/treatment and as a good place to work and these are ELHTs highest scores since the implementation of the Staff Friends and Family Test.

Staff costs (subject to audit)	2016-17			2015-16
	Permanently employed £000s	Other £000s	Total £000s	Total £000s
Salaries and wages	**241,644**	**12,835**	**254,479**	243,451
Social security costs	**26,485**	**0**	**26,485**	24,541
Apprentice Levy	**1,245**	**0**	**1,245**	0
NHS Pensions Scheme	**30,118**	**0**	**30,118**	28,234
Other pension costs	**6**	**0**	**6**	3
Temporary staff	**0**	**12,565**	**12,565**	15,031
Total employee benefits	**299,498**	**25,400**	**324,898**	311,260
Employee costs capitalised	**651**	**0**	**651**	588
Gross employee benefits excluding capitalised costs	**298,847**	**25,400**	**324,247**	310,672

Staff numbers	2016-17			2015-16
	Permanently employed Number	Other Number	Total Number	Total Number
Average staff numbers				
Medical and dental	**546**	**239**	**785**	759
Administration and estates	**2,155**	**124**	**2,279**	2,222
Healthcare assistants and other support staff	**1,279**	**295**	**1,574**	1,545
Nursing, midwifery and health visiting staff	**2,321**	**187**	**2,508**	2,430
Scientific, therapeutic and technical staff	**659**	**15**	**674**	658
Healthcare Science Staff	**194**	**0**	**194**	190
Other	**7**	**0**	**7**	6
Total average staff numbers	**7,161**	**860**	**8,021**	7,810
Of the above – staff engaged on capital projects	**17**	**0**	**17**	17

Off-payroll engagements

The Trust employs the services of some staff through invoicing arrangements, rather than through payroll. The numbers of these staff falling under the following criteria are shown below.

All off-payroll engagements as of 31 March 2018, for more than £245 per day and that last longer than six months are:

	Number
No. of existing engagements as of 31 March 2018	6
Of which, the number that have existed:	
for less than one year at time of reporting	1
for between one & two years at time of reporting	2
for between two and three years at time of reporting	2
for between three and four years at time of reporting	1
for four or more years at time of reporting	0

All staff paid through this arrangement are assessed for compliance with IR35.

All off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months:

	Number
No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	2
No. assessed as caught by IR35	0
No. assessed as not caught by IR35	2
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year.	1
No. of engagements that saw a change to IR35 status following the consistency review	0

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year. (1)	0
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure includes both off-payroll and on-payroll engagements. (2)	9

No payments have been made during 2017/18 to former senior managers and no compensation on early retirement or loss of office or other exit packages have been made during this period.

Signed:

Kevin McGee, Chief Executive

24 May 2018

Audit Report

Independent auditor's report to the Directors of East Lancashire Hospitals NHS Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of East Lancashire Hospitals NHS Trust (the 'Trust') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2017-18; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Directors of the Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Trust's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

Material uncertainty related to going concern

We draw attention to note 1.3 in the financial statements, which indicates that the Trust has a planned deficit of £19.1m for 2018/19 and as a result, the Trust expects to receive revenue support loans from the Department of Health and Social Care of £14 million during 2018-19. As stated in note 1.3, as at the date of our opinion, these loans have yet to be approved as they will be requested as and when required so the Trust can continue to meet its financial obligations while maintaining a positive cash balance. These events or conditions, along with the other matters explained in note 1.3, indicate that a material uncertainty exists that may cast significant doubt about the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of our work including that gained through work in relation to the Trust's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resource or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the guidance issued by NHS Improvement or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration Report and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have referred a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we had reason to believe that the Trust, or an officer of the Trust, was about to make, or had made, a decision which involved or would involve the body incurring unlawful expenditure, or was about to take, or had begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we have made a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Directors and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Director's Responsibilities, the Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for

being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trust lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Trust.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS – CONCLUSION ON THE TRUST'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES

Matter on which we are required to report by exception – Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice we are required to report to you if, in our opinion we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We have nothing to report in respect of the above matter.

Responsibilities of the Accountable Officer

As explained in the Statement of the Chief Executive's Responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibilities for the review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 21(3)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of East Lancashire Hospitals NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Gareth Kelly

Gareth Kelly Associate Director
for and on behalf of Grant Thornton UK LLP
110 Queen Street Glasgow
G1 3BX

25 May 2018

Finance Report

Financial review for the year ending 31 March 2018

Financial duties

The Trust reported a £3.0 million adjusted financial performance surplus for the 2017-18 financial year, which equates to 0.6% of turnover. The surplus includes a £14.5m allocation from the Sustainability and Transformation Fund (STF), approved by the Department of Health and Social Care (DHSC) and HM Treasury. This surplus is retained by the Trust and in the short term will help to improve the Trust's liquidity. The Trust delivered the outturn which continuing to support a significant Safely Releasing Cost Programme (SRCP), improving the way it delivers services. In addition, the Trust achieved all its other financial duties as detailed below.

	2017-18	2016-17
Break-even duty	✓	✓
In year – the Trust must achieve an in-year revenue break-even position (before technical items)	✓	✓
Cumulative – the Trust must deliver a cumulative break-even position (before technical items)	✓	✓
Capital Resource Limit – the Trust must not exceed its resource limit	✓	✓
External Financing Limit – the Trust must not exceed its financing limit	✓	✓

Summary financial position

The Trust's underlying £11.5 million deficit for 2017-18 exceeded the £12.1 million plan by £0.7 million. Including the £14.5 million STF allocation, the Trust has reported a £3.0 million adjusted financial performance surplus.

	2017-18	2016-17
	£000	£000
2017-18 control total	(12.1)	(16.2)
NHSI Tranche 1 income	0.5	0.0
Underspend	0.1	2.5
2017-18 reported deficit prior to STF allocation	(11.5)	(13.7)
Core STF allocation	8.2	9.0
STF incentive scheme allocation	6.3	7.7
Adjusted financial performance surplus for the year	3.0	3.0

Revaluation of land and buildings

Valuation services are provided to the Trust by Cushman & Wakefield, a property services firm whose valuers are registered with the Royal Institute of Chartered Surveyors (RICS), the regulatory body for the valuation services industry. Following a full valuation of land and buildings as at 1 April 2015, Cushman & Wakefield have provided an interim valuation of these assets as at the start and end of this financial year. These valuations reflect the current economic conditions and the location factor for the North West of England.

For 2017-18, the Trust has chosen to adopt an alternative site valuation model, whereby the valuation of the Trust's estate is based on the value of the modern equivalent asset required to deliver the services the Trust currently provides without taking account of the Trust's existing estate and its current utilisation.

As a result of the revaluation at the start of the year, the value of these assets fell by 14.4% with £18.6m of net revaluation losses charged to the revaluation reserve for those assets where a revaluation reserve balance exists. The remaining net reduction of £19.2m for assets where no such balance exists has been charged to operating expenses as a net impairment.

To ensure the carrying amount of land and buildings did not differ materially from its fair value at 31 March 2018, a further £6.8m of net impairments was charged to the operating deficit and a further £3.4m of net revaluations losses charged to the revaluation reserve to reflect the year end valuation. These revaluations further reduced the value of these assets by 4.5%. Note that the effect of these impairments is excluded for the purposes of determining adjusted financial performance.

External Financing Limit

The External Financing Limit (EFL) is used by DHSC to measure how well the Trust manages its cash resources and is a threshold the Trust is not permitted to overshoot. In 2017-18, the Trust undershot its EFL by £1,000 and therefore remained within the overall cash limit set by DHSC.

Capital Resource Limit

The Capital Resource Limit (CRL) is used by DHSC to measure how well the Trust controls its spending on capital schemes with the Trust permitted to spend up to its CRL. In 2017-18, the capital investment made by the Trust represented an underspent by £0.1 million against the CRL set by DHSC of £16.4 million. The cash associated with this underspend will be carried forward to 2017-18.

Better Payment Practice code

Although it is not a financial duty, the Trust met the Better Payment Practice Code target by paying more than 95% of undisputed invoices within 30 days of receipt of the goods or invoice, whichever is the later.

Prompt Payments Code

The Trust continues to support the Department of Health and Social Care's prompt payment code which is an initiative developed by HM Treasury and the Institute of Credit Management (ICM). Details of this code can be found at www.promptpaymentcode.org.uk

Payments made to non-NHS organisations (value)

	2017-18	2016-17
Total invoices paid	£155,135	£160,137
Total invoices paid in target	£147,606	£154,909
Percentage achievement	95.1%	96.7%

Charges for information

The Trust does not make charges for information, save for those required in relation to medical records in line with the relevant legislation. The Trust has complied with HM Treasury's guidance on setting charges for information.

Finance income

The Trust receives income from the interest earned on the management of its cash balances. Finance income in 2017-18 amounted to £0.1 million, compared with £0.2 million earned in 2016-17.

Where our money comes from

In 2016-17, the Trust received income of £495.5 million compared with £477.5 million in the previous year, including £381.2 million for healthcare services provided to people living in East Lancashire and Blackburn with Darwen. Most of the Trust's income comes from Clinical Commissioning Groups (CCGs) who purchase healthcare on behalf of their local populations. The Trust negotiates an annual contract with local CCGs for the payment of services. Much of this contract is driven by a nationally-determined tariff.

Where our money goes

From a total spend of £518.9 million in 2017-18, £324.2 million or 62.5% was spent on salaries and wages. Throughout the year the Trust employed more than 7,500 staff.

At £39.9 million, drugs costs were the next highest area of expenditure with the Trust spending a £33.7 million on other clinical supplies and services and a further £19.9m on clinical negligence premiums.

The Trust has continued to invest in healthcare facilities on all sites including the £3.4 million spent on the new Ophthalmology department at Burnley General Teaching Hospital, £1.9 million of which was funded from Public Dividend Capital (PDC) received from DHSC. Further investment on this capital project of £15.0m is planned in advance of the scheduled opening in October 2019, backed by a further £13.7m of PDC funding. The Trust also received £2.7 million of PDC in 2017-18 to strengthen cyber security safeguards.

In total the Trust invested £16.4 million on new building works, improvements and equipment across all its sites. A summary is provided below:

	£m
Estate infrastructure and environmental improvements	**6.5**
PFI lifecycle costs	**2.1**
Information technology equipment	**5.9**
Medical equipment	**1.2**
Other capital costs	**0.7**
Total	**16.4**

Counter Fraud

The Trust is committed to maintaining high standards of honesty, openness and integrity within the organisation. With this it supports the work of the National Fraud Initiative. The Trust has a designated accredited local counter fraud specialist.

External audit

The Trust appointed Grant Thornton to carry out the external audit of the 2017-18 accounts at a cost of £69,600.

Financial Outlook for 2018-19

The financial outlook for the National Health Service continues to be extremely challenging. The Trust has not been able to accept the 2018-19 control total as it would require a £30.0million efficiency programme to meet the control total. The Trust is and will continue to work closely with our Pennine Lancashire colleagues to try and close the gap. By not accepting the control total the Trust does not have access to the Provider Sustainability Fund (PSF), previously known as Sustainability and Transformation fund (STF). The Trust has committed to deliver a 4% £18m cost improvement programme which will result in a planned deficit of no more than £19.2million.

Annual Accounts

The Trusts auditors have issued an unqualified report on these accounts. A full copy of the Annual Accounts 2017/18 can be found at the end of this document.

Remuneration Report

The remuneration report, which is subject to audit, sets out the amounts awarded to Trust Board members, as the Trust's senior managers, being those persons in senior positions having authority or responsibility for directing or controlling the major activities of the Trust. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments. Since Non-Executive Board members do not receive pensionable remuneration, there are no entries in respect of their pensions.

Salaries and allowances (subject to audit)

Post held	From/ Started	To/Left	2016/17				2017/18			
			Salary	Expense payments (taxable)	All pension-related benefits	TOTAL	Salary	Expense payments (taxable)	All pension-related benefits	TOTAL
			(bands of £5,000)	(to nearest £100)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)	(to the nearest £100)	(bands of £2,500)	(bands of £5,000)
			£000	£00	£000	£000	£000	£00	£000	£000
Executive Directors										
Chief Executive Mr K McGee	01/04/2017	31/03/2018	170 - 175	0	0	170 - 175	170 - 175	0	0	170 - 175
Director of Finance Mr J Wood	01/04/2017	31/03/2018	140 - 145	78	30 – 32.5	180 - 185	25 - 30	70	7.5 - 10	40 - 45
Director of Nursing Mrs C Pearson	01/04/2017	31/03/2018	125 - 130	0	17.5 - 20	140 - 145	125 - 130	0	80 - 82.5	205 - 210
Medical Director Dr D Riley	01/04/2017	31/03/2018	165 - 170	0	37.5 - 40	205 - 210	160 - 165	0	55 - 57.5	220 - 225
Director of Human Resources & Organisational Development Mr K Moynes	01/04/2017	31/03/2018	115 - 120	0	20 - 22.5	140 - 145	115 - 120	0	50 - 52.5	165 - 170
Director of Service Development Mr M Hodgson	01/04/2017	31/03/2018	130 - 135	53	25 - 27.5	160 - 165	125 - 130	46	57.5 - 60	190 - 195
Director of Communications & Engagement Mrs C Hughes	01/04/2017	31/03/2018	105 - 110	0	57.5 - 60	165 - 170	85 - 90	0	185 - 187.5	275 - 280
Director of Sustainability Mr K Griffiths	01/04/2017	31/03/2018	150 - 155	0	27.5 - 30	180 - 185	55 - 60	0	12.5 - 15	70 - 75
Director of Operations Mr J Bannister	01/04/2017	31/03/2018	120 - 125	0	100 - 102.5	220 - 225	40 - 45	0	40 - 42.5	80 - 85

Post held	From/ Started	To/Left	2016/17				2017/18			
			Salary	Expense payments (taxable)	All pension-related benefits	TOTAL	Salary	Expense payments (taxable)	All pension-related benefits	TOTAL
			(bands of £5,000)	(to nearest £100)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)	(to the nearest £100)	(bands of £2,500)	(bands of £5,000)
			£000	£00	£000	£000	£000	£00	£000	£000
Non-Executive Directors										
Chairman Prof E Fairhurst	01/04/2017	31/03/2018	35 - 40	0	0	35 - 40	20 - 25	0	0	20 - 25
Non-Executive Director Mr D Wharfe	01/04/2017	31/03/2018	5 - 10	0	0	5 - 10	5 - 10	0	0	5 - 10
Non-Executive Director Mr S Barnes	01/04/2017	31/03/2018	5 - 10	0	0	5 - 10	5 - 10	0	0	5 - 10
Non-Executive Director Mr R Slater	01/04/2017	31/03/2018	5 - 10	0	0	5 - 10	5 - 10	0	0	5 - 10
Non-Executive Director Mrs N Malik	01/04/2017	31/03/2018	5 - 10	0	0	5 - 10	0 - 5	0	0	0 - 5
Non-Executive Director Prof M Thomas	01/04/2017	31/03/2018	5 - 10	0	0	5 - 10	0 - 5	0	0	0 - 5
Non-Executive Director Mr R Smyth	01/04/2017	31/03/2018	5 - 10	0	0	5 - 10	0 - 5	0	0	0 - 5
Associate Non-Executive Director Mr M Wedgeworth	01/04/2017	31/03/2018	5 - 10	0	0	5 - 10	0	0	0	0
Director of Operations Mr J Bannister	01/04/2017	31/03/2018	120 - 125	0	100 - 102.5	220 - 225	40 - 45	0	40 - 42.5	80 - 85

Fair Pay Disclosure (subject to audit)

No director received performance related pay or bonuses for their director related services. East Lancashire Hospitals NHS Trust is required to disclose the relationship between the remuneration of the highest-paid director in the organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Trust in the financial year 2017-18 was £170,000 - 175,000 (2016-17: £170,000 - £175,000). This was 7.0 times (2016-17 7.1 times) the median remuneration of the workforce, which was £24,607 (2016-17: £24,134). The median pay calculation does not include external agency staff costs. All agency staff are paid via invoices and may include commission charges to the agencies.

In 2017-18, 25 employees (2016-17: 24 employees) received remuneration in excess of the highest-paid director. Remuneration ranged from £74 to £248,368 (2016-17: £205 to £252,464).

Total remuneration for the purposes of the highest paid director calculation includes salary, non-consolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Director's Pensions (subject to audi)

Name and title	Real increase in pension completed at pension age*	Real increase in pension lump sum completed at pension age*	Total accrued pension completed at pension age at 31 March 2018	Lump sum at pension age related to accrued pension at 31 March 2018	Cash Equivalent Transfer Value at 1 April 2018	Real increase in Cash Equivalent Transfer Value*	Cash Equivalent Transfer Value at 31 March 2017
	(bands of £2,500)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)			
	£000	£000	£000	£000	£000	£000	£000
Mr. J Wood	2.5 - 5	0 - 2.5	45 - 50	115 - 120	762	70	685
Mrs. C Pearson	0 - 2.5	2.5 - 5	55 - 60	175 - 180	1,272	97	1,164
Dr. D Riley	2.5 - 5	7.5 - 10	35 - 40	110 - 115	792	75	710
Mr. K Moynes	0 - 2.5	5 - 7.5	35 - 40	105 - 110	815	73	734
Mr. M Hodgson	0 - 2.5	0 - 2.5	40 - 45	110 - 115	748	43	698
Mrs. C Hughes	2.5 - 5	7.5 - 10	35 - 40	105 - 110	714	100	608
Mr. K Griffiths	0 - 2.5	2.5 - 5	60 - 65	175 - 180	1,175	99	1,066
Mr. J Bannister	5 - 7.5	15 - 17.5	45 - 50	140 - 145	969	151	810

Note that the Trust Chief Executive has previously opted out of the NHS Pension Scheme.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Further information on how pension liabilities are treated in the Trust accounts can be found in note 8.3 of the Trust accounts.

Quality Report

The Trust has published its Annual Quality Account in line with Department of Health and Social Care requirements and this is available on our website at www.elht.nhs.uk. This Annual Report should be read in conjunction with our Quality Account which provides further key information about the Trust and our performance against quality requirements. It also highlights our major successes in the financial year.

Safe | Personal | Effective

Our Highlights

More Robotic Surgery Firsts

After installing the first surgical robot in Lancashire, ELHT continues to lead the way and was the first in the region to use the revolutionary equipment to carry out colorectal surgery.

The Trust installed the £1.3 million Da Vinci robot at the Royal Blackburn Teaching Hospital in 2015 to carry out prostatectomies (removal of the prostate gland) and has continued to grow the number of procedures we can carry out using the robot.

Advances in surgical equipment have also made it possible to remove tumours in the head and neck using robotic technology and minimally invasive techniques. Ms Naseem Ghazali, Consultant Oral and Maxillo-facial Surgeon, performed Lancashire's first mucosectomy, using the Trust's 'Da Vinci Robot' and the patient was given an 'all clear' diagnosis just ten days after surgery.

Cyber Attack Response

The Trust's 130+ Performance and Informatics staff, with support from a number of public service organisations, responded superbly to ensure that May 2017's 'NHS Cyber Attack' did not affect ELHT as badly as it did many other NHS Trusts.

Our response was swift and decisive. We had services back up-and-running the same afternoon and replaced 2,500 computers within a matter of days. And despite the challenge and some disruption, we didn't cancel a single theatre list or outpatient clinic.

New Staff Guardian appointed

The Trust was delighted to appoint Jane Butcher as its new Staff Guardian to speak up for staff who raise concerns.

Jane brings a wealth of experience to the Staff Guardian role having served the NHS in East Lancashire and Blackburn with Darwen for almost two decades.

In 2015, ELHT became only the 3rd NHS Trust in the country to appoint the influential Staff Guardian position, following recommendations by Sir Robert Francis in his review and subsequent report into Mid-Staffordshire NHS Foundation Trust.

Blackburn College Partnership

Blackburn College, the largest College in Pennine Lancashire, and ELHT, the area's biggest employer, have joined forces in an exciting initiative that will benefit the work of both organisations, as well as the wider community.

Both organisations have signed a Memorandum of Understanding (MoU) which supports joint activity to develop skills, create exciting career opportunities and promote the local health economy.

The initiative will enable the College and the Hospitals Trust to develop a Workforce Education and Training Strategy for the Trust and will generate career opportunities for Blackburn College students, enabling them to gain meaningful employment in the largest employer in the Borough. This will include Apprenticeships to underpin both clinical and nonclinical careers of First Choice in the local NHS.

New Children's Outpatients

The new children's outpatients department at Burnley General Teaching Hospital opened its doors in 2017 following a move to improved facilities as part of an ongoing £18 million redevelopment of the hospital.

Located on Level 1 in Area 6 (Wilson Hey), the new children's outpatients department offers nine consultation rooms, two treatment rooms, two weighing rooms and two waiting areas.

It is our absolute priority to provide excellent facilities and outstanding patient care, and the new Children's Outpatient Department will have a major impact on our patients' experience.

Trust Hosts Centre of Excellence

Consultant Physician Professor Iqbal Singh has been commissioned by Health Education England to lead on a programme providing training for safety in the care of older people.

The Centre of Excellence for Safety in the Care of Older People" will be hosted by ELHT and based at the Acorn Primary Health Care Centre in Accrington.

Its objective is to improve safety in hospitals, care homes and the wider community and ensure the values of dignity and respect are always upheld. The Centre will focus on making a major contribution to the training and education of the health and social care sector workforce empowering individuals, teams and organisations to innovate and develop a culture of continuous learning, professionalism and improvement.

Sharing our experience and expertise

ELHT is pleased to have been commissioned by NHS Improvement to work with North Lincolnshire and Goole NHS Hospitals FT (NLaG) to help them improve after the Lincolnshire Trust was placed in special measures for quality and finance earlier in 2017.

The 'buddying' relationship between the two organisations works on a number of levels, offering strategic advice and guidance, peer support, and hands on, practical work based on improving service delivery.

That work includes initiatives to support quality, patient safety, stakeholder engagement and financial performance.

T Garden Opens

A special garden has been created in a hidden space within the Royal Blackburn Teaching Hospital site offering sanctuary for our long term patients.

The garden was commissioned following the death of a young patient who had spent many months on the Critical Care Unit.

This special place not only helps patients in their physical wellbeing, but also with their psychological wellbeing. It will give our long term patients the opportunity to go outside, feel the fresh air on their face, touch the sensory plants and hear the birds singing. All things that many of us take for granted.

ELHT and UCLan strengthen partnership

ELHT has moved to strengthen its position as the region's leading NHS teaching institution by announcing a strategic alliance with The University of Central Lancashire (UCLan).

The 10-year agreement will see the two organisations work together to meet the region's healthcare needs and enable the NHS workforce in Lancashire to work at an optimum level, directly benefitting the patients of East Lancashire.

UCLan already trains doctors in the area, in partnership with ELHT. As an area with acute medical workforce needs, the long-term strategic alliance will deliver clinical placements, joint research programmes across Pennine Lancashire and shared academic and clinical staff posts.

More patients benefitting from ELHT research

Almost 1,500 East Lancashire patients received the most advanced care in the NHS last year, after participating in pioneering studies run by Trust research staff.

The Trust performed extremely well in the national annual league table for clinical research, with 1,487 patients taking part in 79 studies in 2016/17, according to figures published by the National Institute of Health Research.

The number of new studies in the Trust increased by 41% from the previous year and was the largest increase by an acute hospital Trust outside London and South East England.

Birth Centre Celebrates 5,000 Milestone

An Accrington couple are celebrating the birth of their little bundle of joy — the 5,000th baby to be born at Blackburn Birth Centre.

Kinga Foley, 28, gave birth to seven pound four ounce (3.37kg) son Logan at 11.30pm on Saturday 10th June. Proud mum Kinga said finding out her new arrival was the 5,000th baby to be delivered at the birth centre on Park View Road came as a surprise.

The midwife-led centre, which was rated 'Good' in its latest Care Quality Commission inspection, opened in 2010.

World first 'UNICEF Baby Friendly' trust

ELHT became the first organization in the world to achieve the prestigious Baby Friendly Initiative Gold Standard from the United Nations Children's Fund UK (Unicef). This accolade is in recognition of the excellent advice and support families with new babies' in East Lancashire receives around nurturing and feeding their babies.

Families from Blackburn to Barnoldswick, the Ribble Valley down to Rossendale and every town in between today benefit from 'baby' friendly' standards that have been pioneered across East Lancashire for the past 20 years.

Back in the 1970s, only 27 per cent of local mums were breastfeeding eight weeks after birth; today, the breastfeeding figure in Blackburn with Darwen is 76 per cent.

Mrs Rineke Schram, Consultant Obstetrician and ELHT Baby Friendly Guardian, said: "The 'Achieving Sustainability' standard is hugely important for the Trust and, most importantly, for the women, children and families we serve."

Introducing skin-to-skin for caesarean births

Many of the 1,600 mothers who give birth each year via caesarean section at the Lancashire Women and Newborn Centre can now experience the magic of holding their baby skin-to-skin immediately following the birth thanks to a new initiative by maternity staff.

'Immediate skin-to-skin care' is a natural process that involves placing a newborn on the mother's chest directly after the birth. Previously, mothers in East Lancashire could not benefit from immediate skin-to-skin as they were separated from their babies following a caesarean birth.

Immediate skin-to-skin contact offers many benefits including an increase in breastfeeding initiation, decreased time to the first breastfeed, increased bonding and stronger maternal satisfaction.

Respiratory Assessment Unit: A Breath of Fresh Air

After months of planning and preparation, the Trust opened its new Respiratory Assessment Unit (RAU) at the Royal Blackburn Teaching Hospital.

The RAU treats patients from the age of 18 upwards, with a range of respiratory conditions including COPD, asthma and pneumonia.

Managed by a team of specialist respiratory nurses, the RAU focuses on assessing, stabilising and treating patients who require hospital treatment, but can be discharged home the same day.

Patients are referred to the unit via the Emergency Department, Urgent Care Centres and Acute Medical Units. Patients will also transfer from inpatient wards or be referred from their GP.

Lancashire Elective Centre official opening

The Trust hosted the official opening of the Lancashire Elective Centre at Burnley General Teaching Hospital in December.

The new £1.5 million, 46-bedded unit is the latest development to be completed as part of our £18m investment into NHS services at Burnley General Teaching Hospital.

The Worshipful the Mayor and the Mayoress of Burnley, Councillor Howard Baker and Ms Tracey Rhodes were joined by the Elective Centre's first patient, Mrs Rokiya Laher to officially open the new Centre which has the capacity to treat in excess of 12,000 patients per annum.

Chemotherapy and Breast Care Unit Opens

East Lancashire's new £750,000 chemotherapy and breast care facilities at Burnley General Teaching Hospital were officially opened by Chairman Professor Eileen Fairhurst who in January 2018.

The new Primrose Chemotherapy Suite and East Lancashire Breast Clinic are far more spacious than previous facilities, enabling staff to create a calming, relaxed atmosphere enhanced by natural light with views to Pendle Hill.

Partially paid for by £116,000 in public donations following a hugely successful fundraising campaign organised by Rosemere Cancer Foundation, the integrated facility means patients are able to have screening, consultations and any chemotherapy, all within the same area.

Trust Chooses Cerner as Preferred EPR Supplier

ELHT has chosen global health information technology leader Cerner as its Preferred Supplier for a new clinical information system that will help to improve the quality, safety and efficiency of patient care.

The system, commonly known as 'Electronic Patient Record' (EPR), is the intelligent software which brings each patient's key clinical and administrative data together in one place.

Cerner's EPR, selected by senior clinicians at the Trust, will firmly place ELHT at the forefront of NHS health informatics and enable us to introduce further innovation for the benefits of staff and patients.

Among the many patient benefits achieved by NHS Trusts already using Cerner Millennium include improved decision making for clinicians, less time spent searching for information and waiting for paper records, improved patient safety and faster commencement of treatment plans.

Best ever Staff Survey results

ELHT received a strong endorsement as a place to work by achieving its best ever results in the annual NHS National Staff Survey… for the second year in a row.

More than 3,300 staff filled in the survey with the Trust rated highly for having motivated and engaged, 92 per cent benefitting from their annual work performance appraisal, and 80 per cent believing patient care is the Trust's top priority.

Other questions in which rated East Lancashire Hospitals in the top 20 per cent of all NHS Trusts in England were:

- Staff satisfaction with the quality of work and care they are able to deliver
- Staff satisfaction with resources and support
- Effective use of patient / service user feedback
- Low percentage of staff experiencing harassment, bullying or abuse in last 12 months
- Staff able to contribute to work improvements

ELHT was in the highest (best) 20% of Acute Trusts across the country in 16 of the Survey's 32 key findings.

Placenta Clinic significantly reduces stillbirths

A lifesaving initiative by Trust medical staff achieved a remarkable 20 per cent reduction in stillbirths….in just one year!

Consultant Obstetrician Mr Martin Maher and his colleagues at the Lancashire Women and Newborn Centre established the Placenta Clinic in January 2017 to reduce stillbirths by detecting and managing fetal growth restrictions (FGR) caused by problems with the placenta.

And a recent audit has shown the stillbirth rate at the Trust is at its lowest level for years and the Trust's detection rate for fetal growth restriction has increased from around 50 to 98 per cent.

£1 Million Charity Appeal launched

ELHT&Me, the official charity of East Lancashire Hospitals NHS Trust, launched an ambitious £1 Million Appeal in February and is encouraging local businesses, institutions and individuals to support it.

As the NHS celebrates its 70th birthday this year, the £1 Million Appeal is raising much-needed funds to make

more improvements in seven carefully selected areas:

- Children and babies health
- Supporting cancer patients
- Improving equipment
- Women's health
- Men's health
- Making patient areas more friendly, and
- Improving the patient experience.

Green Light for Phase 8 Development

In March, the Trust was delighted to announce approval for major new investment at Burnley General Teaching Hospital.

Construction of the new £15.6 million development – facing the hospital's Casterton Avenue entrance and known officially as 'Phase 8' – began the same month.

The new building will boast a state of the art ophthalmology centre, outpatients department and Maxillo facial facilities.

Construction partner IHP-Vinci is commissioned to handover the new facilities by October 2019.

More organ donors

The Trust welcomed a significant increase in the number of organ donations which is giving 'the gift of life' to more people in need of a transplant.

Between April 2017 and March 2018, 14 patients at the Royal Blackburn Teaching Hospital donated organs following death which made possible 42 organ transplants. The latest organ donation statistics represent a 43 per cent increase from the previous year.

Nationally, a record number of people in the UK have donated their organs after they died, according to NHS Blood and Transplant. Latest figures for the end of the financial year show there were 1,575 deceased donors during 2017/18, an 11 per cent increase on the previous financial year.

Staff Breastfeeding Champions

Seven staff have volunteered to become Staff Breastfeeding Champions and support colleagues returning to work after maternity in their efforts to continue breastfeeding.

Since March 2018, Katy Beck, Donna Butler, Lucy Coulson, Elizabeth Devey, Sue Henry, Dr Ruth Smith and Matron Tracy Thompson have been using their knowledge, training and experience to encourage ELHT mums – including new recruits – to breastfeed their newborns for at least six months or longer if they wish.

Having received specialist training in breastfeeding support, Staff Breastfeeding Champions will offer guidance and support so mothers feel empowered to continue breastfeeding, through the good days and through any difficulties.

England's #1 Flu Fighters

Occupational Health and Wellbeing nurses vaccinated more staff against flu than any other acute NHS Trust in England.

90 of 125 Staff showed real patient safety commitment by backing the campaign. An outstanding 92.3% of staff chose to receive the vaccination, giving ELHT the highest uptake rate ever; ranking them the top Acute NHS Trust in the country.

To encourage staff to be vaccinated, the Trust ran a successful campaign asking them to be 'Flu Fighters'. The campaign dispelled the myths about the flu vaccine and promoted the reasons staff should be vaccinated. The Occupational Health Team worked hard and carried out dozens of 'flu drop in sessions' where staff could get the vaccine, and a 'Flu Line' for staff to book a time and location convenient to them, giving all 8,000+ staff, including night workers, the opportunity to receive their jab.

Award Wins Galore

GRASP Research Team collect the 'Best Debut' prize at the Greater Manchester Clinical Research Awards.

- Zahira Koreja, Advanced Nurse Practitioner was named 'Psoriasis Nurse of the Year' by the British Dermatological Nursing Group.
- Keelie Barrett, Maternity Support Worker wins the Members' Champion Award at the Royal College of Midwifery Annual Awards.
- Royal Blackburn Teaching Hospital received the 'Food for Life' Bronze Award from the Soil Association.
- Trust security and facilities staff triumphed in the 'Hospital Security' category at the Health Business Awards.

Trust's Support for Armed Forces

ELHT continues to show its commitment to staff who are involved with the military by signing the Armed Forces Covenant.

Championed by Armed Forces veteran and Health & Safety Advisor Alan Jones, the Covenant pledges that those who currently or previously served in the Armed Forces, and their families, will be treated fairly and respectfully in the workplace.

At least 18 Trust staff are serving in the Reserve Forces and a large number of veterans also work at the Trust.

Financial Statements

Year ended 31 March 2018

Foreword to the accounts

These accounts for the year ended 31 March 2018 have been prepared by the East Lancashire Hospitals NHS Trust in accordance with schedule 15 of the National Health Service Act 2006

Contents

Statement of comprehensive income

	note	2017-18 £000s	Restated * 2016-17 £000s
Operating income from patient care activities	2	**449,906**	435,430
Other operating income	3	**45,565**	42,089
Operating expenses	4	**(506,234)**	(458,389)
Operating surplus / (deficit)		**(10,763)**	19,130
Finance costs			
Finance income		**129**	168
Finance expenses	9	**(9,007)**	(9,096)
Public dividend capital dividends payable		**(3,623)**	(4,433)
Net finance costs		**(12,501)**	(13,361)
Other gains / (losses)		**19**	(54)
Surplus / (deficit) for the financial year		**(23,245)**	5,715

Other comprehensive income

Amounts that will not be reclassified subsequently to income and expenditure:			
Impairments		**(25,390)**	(1,499)
Revaluations		**3,352**	4,488
Public dividend capital received		**5,676**	82
Public dividend capital repaid		**0**	(41)
Total other comprehensive income / (expense) for the year		**(16,362)**	3,030
Total comprehensive income / (expense) for the year		**(39,607)**	8,745

Adjusted financial performance for the year

Surplus / (deficit) for the year	**(23,245)**	5,715
Add back net impairments / (reversals)	**26,478**	(2,689)
Remove impact of capital donations	**169**	42
Remove impact of STF post accounts reallocation	**(419)**	0
Adjusted financial performance surplus for the year	**2,983**	3,068

* The presentation of comparatives has been restated in accordance with changes to the items of income and expense that the Department of Health and Social Care (DHSC) require to be presented on the face of the Statement of Comprehensive Income. The surplus, total comprehensive income and adjusted financial performance surplus for 2016-17 are unaffected by these presentational changes.

The presentation of comparatives in the other financial statements has also been restated as a result of changes to DHSC requirements, as well as a number of notes to the accounts, all of which have no net effect.

Unless otherwise stated, where notes are marked as restated, they have been restated for this reason.

The changes in DHSC requirements also mean that several notes to the accounts disclosed in previous years are no longer required, although several new notes have been added.

Statement of financial position

	note	31 March 2018 £000s	Restated* 31 March 2017 £000s
Non-current assets			
Intangible assets		**3,632**	4,263
Property, plant and equipment	12	**245,214**	288,841
Trade and other receivables		**1,304**	1,181
Total non-current assets		**250,150**	294,285
Current assets			
Inventories		**3,872**	2,442
Trade and other receivables	13	**33,247**	20,266
Non-current assets for sale		**240**	0
Cash and cash eguivalents	15	**8,156**	23,423
Total current assets		**45,515**	46,131
Current liabilities			
Trade and other payables	16	**(40,214)**	(39,818)
Borrowings	17	**(3,585)**	(3,394)
Provisions	18	**(518)**	(1,097)
Other liabilities		**{3,055**	{4,160}
Total current liabilities		**(47,372}**	(48 ,469)
Total assets less current liabilities		**248,293**	291,947
Non-current liabilities			
Borrowings	17	**(106,260)**	(109,845)
Provisions	18	**(3,726)**	(3,881)
Other liabilities		**0**	{3072
Total non-currentliabilities		**(109,986)**	(114,033)
Total assets employed		**138,307**	177,914
Financed by:			
Taxea ers' eguit			
Public dividend capital		**179,890**	174,214
Revaluation reserve		**20,450**	42,488
Income and exeenditure reserve		**{62,033}**	{38 ,788}
Total taxpayers' equity		**138,307**	177,914

* The presentation of comparatives has been restated in accordance with changes to the categories of asset, liability and equity required by the Department of Health and Social Care to be presented on the face of the Statement of Financial Position. Total assets employed and total taxpayers' equity as at 31 March 2017 are unaffected by these presentational changes.

The notes on pages 5 to 26 form part of these accounts.

The financial statements on pages 1 to 4 and accompanying notes were approved by the Audit Committee on 24 May 2018 and were signed and authorised for issue on its behalf by:

Signed:

Kevin McGee, Chief Executive

Date: 24 May 2018

Statement of changes in taxpayers' equity for the year ended 31 March 2018

	note	Public dividend capital £000s	Revaluation reserve £000s	Income and expenditure reserve £000s	Total reserves £000s
Taxpayers' equity at 1 April 2017		**174,214**	**42,488**	**(38,788)**	**177,914**
Surplus / (deficit) for the year		**0**	**0**	**(23,245)**	**(23,245)**
Revaluations		**0**	**3,352**	**0**	**3,352**
Impairments	6	**0**	**(25,390)**	**0**	**(25,390)**
Public dividend capital received		**5,676**	**0**	**0**	**5,676**
Taxpayers' equity at 31 March 2018		**179,890**	**20,450**	**(62,033)**	**138,307**

Statement of changes in taxpayers' equity for the year ended 31 March 2017

	note	Public dividend capital	Restated * Revaluation reserve	Income and expenditure reserve	Restated * Total reserves
Taxpayers' equity at 1 April 2016		174,173	39,928	(44,932)	169,169
Surplus for the year		0	0	5,715	5,715
Revaluations	6	0	4,488	0	4,488
Impairments		0	(1,499)	0	(1,499)
Transfers between reserves		0	(429)	429	0
Public dividend capital received		82	0	0	82
Public dividend capital repaid		(41)	0	0	(41)
Taxpayers' equity at 31 March 2017		174,214	42,488	(38,788)	177,914

* The presentation of comparatives has been restated to meet changes required by the Department of Health and Social Care. Total taxpayers' equity as at 31 March 2017 is unaffected by these presentational changes.

Information on reserves

Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities. Additional PDC may also be issued to NHS trusts by the Department of Health and Social Care (DHSC). A charge, reflecting the cost of capital utilised by the Trust, is payable to the DHSC, as the annual PDC dividend, in two instalments, the second of which is payable in March based on the estimate dividend payable. Any difference to the actual dividend payable is settled in the following financial year.

Revaluation reserve

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating expenses. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Income and expenditure reserve

The balance of this reserve represents the accumulated surpluses and deficits of the Trust.

Statement of cash flows

	Note	2017-18 £000s	Restated * 2016-17 £000s
Cash flows from operating activities			
Operating surplus / (deficit)		**(10,763)**	19,130
Depreciation and amortisation	4	**11,890**	11,892
Impairments and reversals	4	**26,478**	(2,689)
Income recognised in respect of capital donations		**(103)**	(214)
(Increase) / decrease in inventories		**(1,430)**	8
(Increase) in trade and other receivables		**(12,183)**	(2,520)
(Decrease) in trade and other payables		**(2,393)**	(8,121)
(Decrease) in other liabilities		**(1,412)**	(69)
Increase / (decrease) in provisions		**(734)**	126
Net cash generated from operations		**9,350**	17,543
Cash flow from investing activities			
Interest received		**130**	170
Purchase of intangible assets		**(2,082)**	(1,261)
Purchase of property, plant and equipment		**(11,641)**	(9,119)
Proceeds from sales of property, plant and equipment		**0**	140
Net cash generated (used in) investing activities		**(13,593)**	(10,070)
Cash flows from financing activities			
Public dividend capital received		**5,676**	82
Public dividend capital repaid		**0**	(41)
Movement in loans from the DHSC		**(200)**	(200)
Capital element of PFI payments		**(3,194)**	(3,575)
Interest paid		**(9,007)**	(9,048)
PDC dividend paid		**(4,299)**	(3,433)
Net cash generated (used in) financing activities		**(11,024)**	(16,215)
(Decrease) in cash and cash equivalents		**(15,267)**	(8,742)
Cash and cash equivalents at 1 April		**23,423**	32,165
Cash and cash equivalents at 31 March		**8,156**	23,423

* The presentation of comparatives has been restated to meet changes required by the Department of Health and Social Care. Cash and cash equivalents as at 31 March 2017 is unaffected by these presentational changes.

The Public Dividend Capital (PDC) received in 2017-18 has been used to fund specific capital projects with £2.7m received for cyber security initiatives and a further £1.9m received for the Phase 8 development on the Burnley General Teaching Hospital site.

Notes to the accounts

1. Accounting policies and other information

1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2017/18 issued by the Department of Health. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to accounts.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and certain financial assets and financial liabilities.

1.3 Going concern

While the Trust has met the control total set by NHS Improvement for 2017-18, an underlying financial pressure has been carried forward. In order to meet the revised financial control total set for 2018-19 of an £8.0m deficit, excluding the allocation from the Provider Sustainability Fund, a £29.1m recurrent efficiency programme would have been required. While the Trust Board has taken the view that this is unrealistic, there is a commitment to deliver an £18.0m efficiency programme, which equates to 4% of planned costs and sets the Trust a planned deficit of £19.1m. As a result, the Trust expects to receive £14.0m of revenue support loans from the Department of Health and Social Care during 2018-19, which will be requested as and when required, so it can continue to meet its financial obligations while maintaining a positive cash balance, although these loans have yet to be approved.

Despite the significant doubt that this material uncertainty may cast about the Trust's ability to continue as a going concern, the Trust is unaware of any prospect of dissolution within the next twelve months and so the Trust anticipates the continuation of the provision of services in the foreseeable future from its existing hospital sites, as evidenced by the inclusion of financial provision for those services in published documents and contracts for services with commissioners.

Based on these indications, together with the other evidence gathered by Management, which is considered to provide sufficient assurance that there will be no other material uncertainties related to the events or conditions that may cast significant doubt upon the Trust's ability to continue as a going concern, these accounts have been prepared on a going concern basis. These events and conditions include the need for significant improvements to the Trust's estate, significant concerns raised about finances or the quality of services raised by the Care Quality Commission or an inability to pay suppliers on time.

However, the Trust recognises that sustainable financial balance needs to come through engagement with the wider health economy, requiring not only the Trust to achieve service efficiencies, but also for it to maximise the use of its assets and support wider transformational change in service delivery. The Trust will work with NHS Improvement and its stakeholders to achieve this objective.

1.4 Critical judgements in applying accounting policies

The following are the judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Segmental reporting

The Trust has one material segment, being the provision of healthcare, primarily to NHS patients. Divisions within the Trust all have similar economic characteristics with healthcare activity being undertaken via ward-based hospital care and through a range of primary care and community services. Segmental reporting is not considered necessary for private patient activity on materiality grounds.

Fair value of PFI liabilities
The PFI liability is rebased on an annual basis using the most current applicable RPI indices. On this basis, the Trust does not consider the fair value of these liabilities to differ materially from the reported carrying value.

Non-current asset valuations
For 2017/18, the Trust has chosen to adopt an alternative site valuation model, whereby the valuation of the Trust's estate is based on the value of the modern equivalent asset required to deliver the services the Trust currently provides without taking account of the Trust's existing estate and its current utilisation. Since this is considered to be a change in accounting estimate, rather than a change in accounting policy, prior period adjustments are not required.

1.5 Sources of estimation uncertainty
The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Non-current asset valuations
Valuation services are provided to the Trust by Cushman & Wakefield, a property services firm whose valuers are registered with the Royal Institute of Chartered Surveyors (RICS), the regulatory body for the valuation services industry. Following a full valuation of land and buildings as at 1 April 2015, Cushman & Wakefield have provided an interim valuation of these assets as at the start and end of this financial year to ensure that the carrying amount of these assets does not differ materially from their fair value. These valuations reflect the current economic conditions and the location factor for the North West of England. The valuation for PFI buildings excludes VAT on the basis that the replacement of these assets would be carried out under a special purchase vehicle where VAT would be recoverable.

Private Finance Initiative (PFI) - unitary payment
PFI annual contract payments are split between three elements, the payment for services, payment for property (comprising repayment of the liability, finance cost and contingent rental) and lifecycle replacement. The Trust has adopted the national PFI accounting guidance to determine the split between these elements.

1.6 Income
Income in respect of services provided is recognised when, and to the extent that, performance occurs, regardless of whether payment for the service has been received, and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of health care services. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

1.7 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. There, the schemes are accounted for as though they are defined contribution schemes.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

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

1.8 Expenditure on goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, regardless of whether payment has been made, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- the item has cost of at least £5,000
- collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control, or
- items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Measurement

Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at valuation. Assets held for their service potential that are in use are measured subsequently at their current value in existing use, which is determined as follows:

• Land and non-specialised buildings – market value for existing use.
• Specialised buildings – depreciated replacement cost, modern equivalent asset basis.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period.

Subsequent expenditure
Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Depreciation
Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Assets in the course of construction are not depreciated until the asset is brought into use.

Revaluation gains and losses
Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Impairments
In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of the impairment charged to operating expenses and the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

Private Finance Initiative (PFI) transactions
PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income.

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure.

Useful economic lives of property, plant and equipment
Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

	Min life Years	Max life Years
Buildings	60	90
Plant & machinery	3	25
Information technology	5	7
Other property, plant and equipment	5	15

1.10 Cash and cash equivalents
Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of Trust's cash management. Cash, bank and overdraft balances are recorded at current values.

1.11 Financial instruments
Recognition
Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

De-recognition
All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

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

Classification and measurement
The classification of financial assets and financial liabilities is determined at the time of initial recognition. While this is dependent on their nature and purpose, all Trust financial assets are classified as loans and receivables and all Trust financial liabilities are classified as other financial liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

Trust loans and receivables comprise cash and cash equivalents and accrued income, as well as trade and 'other' receivables.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Impairment of financial assets

At the Statement of Financial Position date, the Trust assesses whether any financial assets are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced directly or through the use of the provision for impaired receivables for trade receivables.

1.12 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. All Trust leases are operating leases.

The Trust as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

The Trust as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

1.13 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed in the provisions note but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

1.14 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

At any time, the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for:

(i) donated assets (including lottery funded assets),
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

1.15 Value added tax

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

1.16 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the Trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

1.17 Charitable funds

Under the provisions of IAS27 'Consolidated and Separate Financial Statements', those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. The Trust has not consolidated the accounts of the East Lancashire Hospitals NHS Charities on the basis of immateriality.

1.18 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been adopted early in 2017/18.

1.19 Standards, amendments and interpretations in issue but not yet effective or adopted

Since the following accounting standards have not yet been adopted by the Treasury FReM, early adoption is not permitted:

- IFRS 9 - Financial Instruments: applicable from 2018/19
- IFRS 15 - Revenue from Contracts with Customers: applicable from 2018/19
- IFRS 16 - Leases: applicable from 2019/20.

While the application of those standards effective from 2018/19 is not expected to be material, the application of IFRS 16, which is expected to bring most leases on-balance sheet, is likely to materially increase the value of property, plant and equipment and associated borrowing.

2.1 Income from patient care activities (by nature)

	2017-18	2016-17
	£000s	£000s
Acute services		
Elective income	**60,874**	59,190
Non-elective income	**113,125**	104,796
First outpatient income	**43,126**	35,805
Follow up outpatient income	**21,495**	30,545
A&E income	**20,557**	18,987
Other NHS clinical income	**135,117**	133,740
Community services		
Income from Clinical Commissioning Groups and NHS England	**41,589**	42,065
All trusts		
Other clinical income	**14,023**	10,302
Total income from patient care activities	**449,906**	435,430

2.2 Income from patient care activities (by source)

	2017-18	2016-17
	£000s	£000s
NHS England	**52,049**	43,488
Clinical Commissioning Groups	**391,796**	387,285
Other NHS bodies	**1,217**	953
Local authorities	**668**	1,285
Injury costs recovery	**1,765**	1,984
Other	**2,411**	435
Total income from patient care activities	**449,906**	435,430

Other income from patient care activities includes £0.3m from private patients (2016-17 £0.3m) and £0.3m from overseas visitors (2016-17 £0.1m).

3. Other operating income

	2017-18	Restated 2016-17
	£000s	£000s
Research and development	**1,378**	1,489
Education and training	**12,302**	11,355
Non-patient care services to other bodies	**12,506**	8,349
Sustainability and transformation fund (STF) income	**14,870**	16,733
Other	**4,509**	4,163
Total other operating income	**45,565**	42,089
Total operating income	**495,471**	477,519

STF income includes a core allocation of £8.1m (2016-17 £12.1m) and incentive funding of £6.3m (2016-17 £4.6m) for achieving the annual financial control total set by NHS Improvement, as well as a prior year post accounts allocation of £0.4m (2016-17 nil).

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

4. Operating expenses

	2017-18	Restated 2016-17
	£000s	£000s
Staff and executive directors costs	**324,247**	310,672
Supplies and services - clinical	**33,734**	34,963
Supplies and services - general	**7,294**	6,052
Drugs costs	**39,918**	35,203
Establishment	**5,668**	5,880
Business rates paid to local authorities	**2,971**	2,543
Premises - other	**10,288**	10,420
Transport (including patient travel)	**1,703**	2,049
Depreciation	**9,604**	10,289
Amortisation	**2,286**	1,603
Impairments and reversals (net)	**26,478**	(2,689)
Clinical negligence premium	**19,938**	18,159
Rentals under operating leases	**7,718**	7,058
PFI charges to operating expenditure	**8,610**	8,184
Other operating expenses	**5,777**	8,003
Total operating expenses	**506,234**	458,389

Other operating expenses include £1.2m for outsourced financial services (2016-17 £1.1m) and £1.2m for healthcare services purchased from other bodies (2016-17 £0.9m).

5. External audit

Audit fees payable to the external auditor for the Trust's statutory audit were £69,600, inclusive of VAT (2016-17 £77,924). Other auditor remuneration in 2017-18 and 2016-17 was £7,200, inclusive of VAT, relating to the review of the Trust's annual quality account.

The limitation on the auditor's liability for external audit work is £1.0m (2016-17 nil).

6. Impairment of assets

	2017-18	2016-17
	£000s	£000s
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	**26,041**	(2,901)
Other	**437**	212
Total net impairments charged to operating surplus / deficit	**26,478**	(2,689)
Impairments charged to the revaluation reserve	**25,390**	1,499
Total net impairments	**51,868**	(1,190)

For 2017-18, net impairment predominantly relate to the interim valuations of land and buildings provided by Cushman & Wakefield, the Trust's external valuer. Net impairments of £19.2m were charged to the operating deficit for the valuation as at the start of the financial year, with £22.0m of impairments charged to the revaluation reserve.

To ensure the carrying amount of land and buildings does not differ materially from its fair value at 31 March 2018, a further £6.8m of net impairments was charged to the operating deficit and a further £3.4m of impairments charged to the revaluation reserve to reflect the year end valuation.

7. Operating leases

Trust as lessee	Property	Other	Total 2017-18	Restated * Total 2016-17
	£000s	£000s	£000s	£000s
Operating lease expense				
Minimum lease payments	5,141	2,577	**7,718**	7,058
Total	5,141	2,577	**7,718**	7,058
Future minimum lease payments due:				
- not later than one year	0	1,536	**1,536**	652
- later than one year and not later than five years	0	3,433	**3,433**	190
- later than five years	0	1,217	**1,217**	0
Total	0	6,186	**6,186**	842

Property related lease arrangements predominantly relate to the occupation of properties by the Trust's community based services, where there is no future commitment. Total future minimum lease payments include £4.3m relating to the seven year managed equipment contract for Pathology services which the Trust entered into in 2017-18.

* Comparatives have been restated to exclude arrangements relating to cars made available to staff through the Trust's car benefit scheme which do not meet the accounting definition of a lease.

Trust as lessor	2017-18	2016-17
	£000s	£000s
Operating lease revenue		
Minimum lease receipts	**349**	341
Total	**349**	341
Future minimum lease receipts due:		
- not later than one year;	**292**	349
- later than one year and not later than five years;	**946**	1,001
- later than five years.	**26,482**	26,719
Total	**27,720**	28,069

Operating lease revenue relates to the long term arrangement with Lancashire Care NHS Foundation Trust for their use of property on the Royal Blackburn Teaching Hospital site.

8.1 Employee benefits

	2017-18	Restated 2016-17
	£000s	£000s
Salaries and wages	**254,479**	243,451
Social security costs	**26,485**	24,541
Apprenticeship levy	**1,245**	0
Employer contributions to NHS Pensions	**30,118**	28,234
Other pension costs	**6**	3
Temporary agency staff	**12,565**	15,031
Total staff costs	**324,898**	311,260
Employee costs capitalised	**651**	588
Total staff costs excluding capitalised costs	**324,247**	310,672

8.2 Retirements due to ill-health

During 2017-18 there were 8 early retirement from the Trust agreed on the grounds of ill-health (2016-17 13 early retirements). The estimated additional pension liabilities of these ill-health retirements is £0.5m (2016-17 £0.7m).

The cost of these ill-health retirements will be borne by NHS Pensions.

8.3 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation
A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation
The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

9. Finance expenses

	2017-18	Restated 2016-17
	£000s	£000s
Interest expenses		
Loans from the Department of Health and Social Care	**20**	23
Main finance costs on PFI obligations	**4,706**	4,840
Contingent finance costs on PFI obligations	**4,272**	4,185
Total interest expenses	**8,998**	9,048
Provisions - unwinding of discount	**9**	48
Total finance expenses	**9,007**	9,096

10. Better Payment Practice code

	2017-18		2016-17	
	Number	**£000s**	Number	£000s
Non-NHS payables				
Total Non-NHS trade Invoices paid in the year	**98,226**	**155,135**	101,029	160,137
Total Non-NHS trade invoices paid within target	**93,297**	**147,606**	97,722	154,909
Percentage of NHS trade invoices paid within target	**95.0%**	**95.1%**	96.7%	96.7%
NHS payables				
Total NHS trade invoices paid in the year	3,515	28,194	3,104	26,174
Total NHS trade invoices paid within target	3,359	27,686	2,974	25,805
Percentage of NHS trade invoices paid within target	**95.6%**	**98.2%**	95.8%	98.6%

The '*Better payment practice code'* requires the NHS body to aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later.

11. Losses and special payments

	2017-18		2016-17	
	Total value of cases	**Total number of cases**	Total value of cases	Total number of cases
	£000s		£000s	
Losses	**22**	**225**	78	237
Special payments	**120**	**78**	131	85
Total losses and special payments	**142**	**303**	209	322

12.1 Property, plant and equipment

2017-18	Land £000s	Buildings £000s	Assets under construction £000s	Plant & machinery £000s	Information technology £000s	Other property, plant and equipment £000s	Total £000s
Cost or valuation:							
At 1 April 2017	**5,831**	**257,011**	**981**	**41,303**	**24,713**	**9,270**	**339,109**
Additions	0	3,167	4,280	2,440	3,663	750	**14,300**
Reclassifications	124	0	0	(124)	0	0	**0**
Transfers (to) / from assets held for sale	(63)	(177)	0	0	0	0	**(240)**
Disposals / derecognition	0	0	0	(136)	0	0	**(136)**
Revaluation gains charged to the revaluation reserve	0	3,352	0	0	0	0	**3,352**
Revaluation losses charged to the revaluation reserve	(180)	(25,210)	0	0	0	0	**(25,390)**
Impairments charged to operating expenses	(324)	(27,167)	0	0	0	0	**(27,491)**
Reversal of impairments credited to operating expenses	860	590	0	0	0	0	**1,450**
Reversal of accumulated depreciation on revaluation	0	(3,510)	0	0	0	0	**(3,510)**
At 31 March 2018	**6,248**	**208,056**	**5,261**	**43,483**	**28,376**	**10,020**	**301,444**
Depreciation							
At 1 April 2017	**0**	**0**	**0**	**26,364**	**16,475**	**7,429**	**50,268**
Disposals / derecognition	0	0	0	(132)	0	0	**(132)**
Provided during the year	0	3,510	0	3,479	2,127	488	**9,604**
Reclassifications	0	0	0	(2)	2	0	
Reversal of accumulated depreciation on revaluation	0	(3,510)	0	0	0	0	**(3,510)**
At 31 March 2018	**0**	**0**	**0**	**29,709**	**18,604**	**7,917**	**56,230**
Net book value at 31 March 2018	**6,248**	**208,056**	**5,261**	**13,774**	**9,772**	**2,103**	**245,214**
Asset financing:							
Owned	6,248	109,075	5,261	12,038	5,260	2,101	**139,983**
Donated	0	16	0	812	5	2	**835**
On-SoFP PFI contracts	0	98,965	0	924	4,507	0	**104,396**
Total at 31 March 2018	**6,248**	**208,056**	**5,261**	**13,774**	**9,772**	**2,103**	**245,214**

12.2 Property, plant and equipment (restated)

2016-17	Land £000s	Buildings £000s	Assets under construction £000s	Plant & machinery £000s	Information technology £000s	Other property, plant and equipment £000s	Total £000s
Cost or valuation:							
At 1 April 2016	**5,624**	**251,994**	**0**	**40,496**	**23,613**	**8,613**	**330,340**
Additions	**0**	**3,915**	**981**	**2,147**	**3,236**	**717**	**10,996**
Reclassifications	0	(230)	0	0	230	0	**0**
Disposals / derecognition	(45)	(145)	0	(1,110)	(50)	(30)	**(1,380)**
Net revaluation gains charged to the revaluation reserve	76	2,913	0	0	0	0	**2,989**
Net impairment reversals charged to operating expenses	176	2,513	0	0	0	0	**2,689**
Gross book value adjustment	0	0	0	(230)	(2,316)	(30)	**(2,576)**
Reversal of accumulated depreciation on revaluation	0	(3,949)	0	0	0	0	**(3,949)**
At 31 March 2017	**5,831**	**257,011**	**981**	**41,303**	**24,713**	**9,270**	**339,109**
Depreciation							
At 1 April 2016	**0**	**27**	**0**	**24,238**	**16,656**	**6,769**	**47,690**
Disposals / derecognition	0	(2)	0	(1,104)	(50)	(30)	**(1,186)**
Provided during the year	0	3,942	0	3,460	2,167	720	**10,289**
Accumulated depreciation adjustment	0	(18)	0	(230)	(2,298)	(30)	**(2,576)**
Reversal of accumulated depreciation on revaluation	0	(3,949)	0	0	0	0	**(3,949)**
At 31 March 2017	**0**	**0**	**0**	**26,364**	**16,475**	**7,429**	**50,268**
Net book value at 31 March 2017	**5,831**	**257,011**	**981**	**14,939**	**8,238**	**1,841**	**288,841**
Asset financing:							
Owned	5,831	147,313	981	13,921	2,503	1,833	**172,382**
Donated	0	366	0	989	0	8	**1,363**
On-SoFP PFI contracts	0	109,332	0	29	5,735	0	**115,096**
Total at 31 March 2017	**5,831**	**257,011**	**981**	**14,939**	**8,238**	**1,841**	**288,841**

12.3 Property, plant and equipment valuation information

For 2017-18, Cushman & Wakefield, the Trust's external valuer, have provided interim valuations of land and buildings as at the start and end of the financial year on an alternative site valuation basis. The value of these assets as at the start of the year, which has been used as the basis for calculating their depreciation charge, fell by 14.4% with net impairments of £19.2m charged to the operating deficit and £18.6m of net revaluation losses charged to the revaluation reserve.

To ensure the carrying amount of land and buildings does not differ materially from its fair value at 31 March 2018, a further £6.8m of net impairments was charged to the operating deficit and a further £3.4m of net revaluations losses charged to the revaluation reserve to reflect the year end valuation. These revaluations further reduced the value of these assets by 4.5%.

13. Trade and other receivables

	Current	
	31 March 2018	Restated 31 March 2017
	£000s	£000s
Trade receivables	**14,429**	8,269
Accrued income	**13,029**	8,979
Provision for impaired receivables	**(1,642)**	(3,639)
Prepayments	**3,987**	3,286
VAT receivable	**817**	1,167
Other receivables	**2,627**	2,204
Total	**33,247**	20,266

In total, £23.0m of current trade and other receivables are receivable from NHS and DHSC group bodies (31 March 2017£15.4m).

14. Analysis of financial assets

	31 March 2018	31 March 2017
	£000s	£000s
Ageing of non-impaired financial assets past their due date		
0 - 30 days	**5,870**	2,231
30-60 Days	**3,181**	657
60-90 days	**585**	1,062
90- 180 days	**1,717**	254
Over 180 days	**1,487**	98
Total	**12,840**	4,302

Other than trade and other receivables, no other financial assets are past their due date or impaired.

15. Cash and cash equivalents

As at 31 March 2018, cash and cash equivalents of £8.2m (31 March 2017 £23.4m) were almost entirely represented by cash deposited with the Governing Banking Service with the balance of less than £0.1m represented by cash in hand (31 March 2017 less than £0.1m).

16. Trade and other payables

	Current	
		Restated
	31 March 2018	31 March 2017
	£000s	£000s
Trade payables	**2,625**	7,732
Capital payables	**6,364**	3,362
Accruals	**15,709**	13,970
Social security costs	**3,526**	3,318
Other taxes payable	**2,685**	2,606
NHS Pension contributions payable	**4,032**	3,910
Other payables	**5,273**	4,920
Total	**40,214**	**39,818**

In total, £4.4m of current trade and other payables are payable to NHS and DHSC group bodies (31 March 2017 £4.3m).

Other payables include £2.8m of research and development funds (2016-17 £2.8m).

17. Borrowings

	Current		Non-current	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
	£000s	£000s	**£000s**	£000s
Loans from the DHSC	**200**	200	**1,200**	1,400
Obligations under PFI contracts	**3,385**	3,194	**105,060**	108,445
Total	**3,585**	3,394	**106,260**	109,845

18.1 Provisions

	Pensions	Other	Total
	£000s	**£000s**	**£000s**
Balance at 1 April 2017 (restated *)	**3,963**	**1,015**	**4,978**
Change in the discount rate	**61**	**0**	**61**
Arising during the year	**89**	**311**	**400**
Utilised during the year	**(199)**	**(194)**	**(393)**
Reversed unused	**0**	**(811)**	**(811)**
Unwinding of discount	**9**	**0**	**9**
Balance at 31 March 2018	**3,923**	**321**	**4,244**
Expected timing of cash flows:	**£000s**	**£000s**	**£000s**
Not later than one year	**197**	**321**	**518**
Later than one year but not later than five years	**787**	**0**	**787**
Later than five years	**2,939**	**0**	**2,939**
Balance at 31 March 2018	**3,923**	**321**	**4,244**

* The opening balance has been restated to allow provisions relating to pensions for early employee departures to be separately disclosed.

18.2 Clinical negligence liabilities

At 31 March 2018, £289.4m was included in provisions of the NHS Resolution in respect of clinical negligence liabilities relating to the Trust (31 March 2017 £247.1m).

19. Private Finance Initiative (PFI) schemes

The Trust has two separate PFI schemes in operation on each of its main sites as detailed below:

Royal Blackburn Hospital - Single Site
This scheme has provided a single hospital site within the Blackburn locality and has been operational since July 2006. The contract term is 35 years.

Burnley General Hospital - Phase 5
The phase 5 unit on the Burnley General site has been in operation since May 2006 and accommodates hospital facilities including elective care, radiology, outpatients and renal services. The contract term is 30 years.

The contracts in place for these schemes are for the construction and provision of healthcare facilities. At the end of the agreement term the sites will revert back to the ownership of the Trust without the need for further payments. Both contracts include options for early termination where there has been a event of default by the Project Company. During the term of the contracts there is provision for planned replacement at regular intervals of components included in these facilities. This ensures that the assets are maintained in the required condition throughout the life of the contract. The Trust is charged for these lifecycle costs through the unitary payments although the charges remain fixed irrespective of the actual pattern of lifecycle costs incurred by the operators. Both contracts include provision for performance and availability deductions against the unitary charge. Unitary charges are subject to an annual inflation uplift which is linked to the published retail price index.

Under IFRIC 12, the assets are treated as assets of the Trust; the substance of the contracts is that the Trust has a finance lease and the payments made comprise two elements – imputed finance lease charges and service charges. As well as provision of the infrastructure assets, the contract for the Blackburn PFI also includes facilities management provision both for the PFI asset and parts of the wider estate, and managed equipment services. The contract for the Burnley PFI scheme also includes facilities management but just for the PFI asset.

19.1 Imputed "finance lease" obligations

The Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position (SOFP) PFI schemes:

	31 March 2018	Restated 31 March 2017
	£000s	£000s
Gross PFI obligations of which are due	**172,531**	179,553
- not later than one year	**8,019**	7,900
- later than one year and not later than five years	**29,894**	29,680
- later than five years	**134,618**	141,973
Finance charges allocated to future periods	**(64,086)**	(67,914)
Net PFI obligations of which are due	**108,445**	111,639
- not later than one year	**3,385**	3,194
- later than one year and not later than five years	**12,667**	12,213
- later than five years	**92,393**	96,232

19.2 Total on-SoFP PFI arrangement commitments

The Trust's total future obligations under these on-SoFP schemes are as follows:

	31 March 2018	31 March 2017
	£000s	£000s
Total future payments committed in respect of PFI arrangements	**709,485**	728,051
- not later than one year	**23,594**	22,771
- later than one year and not later than five years	**101,668**	98,122
- later than five years	**584,223**	607,158

19.3 Analysis of amounts payable to PFI operator	2017-18	2016-17
	£000s	£000s
Unitary payment payable to PFI operator	**22,770**	22,056
Consisting of:		
- Interest charge	**4,706**	4,840
- Repayment of finance lease liability	**3,194**	3,575
- Service element and other charges to operating expenditure	**6,565**	6,396
- Lifecycle costs	**4,033**	3,060
- Contingent rent	**4,272**	4,185
Other amounts paid to operator due to a commitment under the service concession contract but not part of the unitary payment	**947**	504
Total amount paid to service concession operator	**23,717**	22,560

20. External financing	2017-18	2016-17
	£000s	£000s
External Financing Limit	**17,550**	5,162
Cash flow financing (from SOCF)	**17,549**	5,008
External financing requirement	**17,549**	5,008
Underspend against the External Financing Limit	**1**	154

The Trust is given an external financing limit against which it is permitted to underspend.

21. Capital Resource Limit	2017-18	Restated 2016-17
	£000s	£000s
Gross capital expenditure		
Property, plant and equipment	**14,300**	10,996
Intangible assets	**2,092**	1,261
Total gross capital expenditure	**16,392**	12,257
Less: disposals of property, plant and equipment	**(4)**	(194)
Less: donated capital additions	**(103)**	(214)
Charge against the Capital Resource Limit	**16,285**	11,849
Capital Resource Limit	**16,386**	13,441
Underspend against the Capital Resource Limit	**101**	1,592

The Trust is given a Capital Resource Limit which it is not permitted to exceed. The Trust has underspent against this limit as a result of slippage in a number of schemes which will be expended in 2018-19.

22.1 Breakeven duty - financial performance	2017-18	2016-17
	£000s	£000s
Adjusted financial performance surplus / (deficit) (control total basis)	**2,983**	3,068
Remove impairments scoring to Departmental Expenditure Limit	**0**	0
Add back income for impact of 2016/17 post-accounts STF reallocation	**419**	0
IFRIC 12 breakeven adjustment	**0**	0
Breakeven duty financial performance surplus / (deficit)	**3,402**	3,068

22.2 Breakeven duty - rolling assessment

	Total (2003-04 - 2008-09)	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Breakeven duty in-year financial performance	380	287	723	3,025	8,011	6,600	1,342	7,887	3,068	3,402
Breakeven duty cumulative position	380	667	1,390	4,415	12,426	19,026	20,368	28,255	31,323	34,725
Operating income	1,677,587	336,952	342,027	389,797	404,986	420,579	435,107	466,767	477,519	495,471
Cumulative breakeven position as a percentage of operating income		0.20%	0.41%	1.13%	3.07%	4.52%	4.68%	6.05%	6.56%	7.01%

The application of breakeven duty means that if a cumulative surplus or deficit is reported (greater than a materiality threshold of 0.5% of operating income), it should be recovered within the subsequent two financial years.

NHS Improvement has provided guidance that the first year for consideration for the breakeven duty should be 2009/10.

While the cumulative breakeven position of 7.0% is above the 0.5% threshold, NHS Improvement uses annual financial control totals for NHS trusts as the primary mechanism for financial control. For 2017/18, the Trust was set a control total of a £12.1m deficit, excluding its Sustainability and Transformation Fund allocation, which the Trust has exceeded by £0.7m.

23.1 Financial instruments - financial risk management

Financial reporting standard IFRS7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with Clinical Commissioning Groups (CCGs) and the way those CCGs are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Financial instruments also play a much more limited role in creating or changing risk than would be typical of listed companies. As an NHS Trust, the Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

Treasury management operations are carried out by the Finance Department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the Trust Board. Treasury activity is subject to review by the Trust's internal auditors.

23.1 Financial instruments - financial risk management (continued)

Currency risk
The Trust is principally a domestic organisation with no overseas operations. As a consequence, the great majority of transactions, assets and liabilities are UK and sterling based meaning the Trust has low exposure to currency rate fluctuations.

Interest rate risk
The Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. Borrowings are typically made for up to 25 years, in line with the life of the associated assets, with interest fixed for the life of the loan at the National Loans Fund rate. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk
Since the majority of income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk
Operating costs are incurred under contracts with CCGs financed from resources voted annually by Parliament. The Trust also finances its capital expenditure from funds obtained within its capital resource limit. As a result, the Trust is not exposed to significant liquidity risks.

23.2 Financial instruments - carrying value

	31 March 2018	Restated 31 March 2017
	£000s	£000s
Financial assets - loans and receivables		
Trade and other receivables excluding non financial assets	**26,688**	14,168
Cash and cash equivalents	**8,156**	23,423
Total	**34,844**	37,591
Financial liabilities - other		
Trade and other payables excluding non financial liabilities	**31,182**	26,667
Obligations under PFI contracts	**108,445**	111,639
Other borrowings	**1,400**	1,600
Total	**141,027**	139,906

The fair value of financial instruments is not considered to differ from their carrying values.

23.3 Maturity of financial liabilities

	31 March 2018	31 March 2017
	£000s	£000s
In one year or less	**34,767**	30,061
In more than one year but not more than two years	**3,051**	3,603
In more than two years but not more than five years	**10,416**	9,410
In more than five years	**92,793**	96,832
Total	**141,027**	139,906

24. Related party transactions

During the year none of the Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with East Lancashire Hospitals NHS Trust.

The Department of Health and Social Care is regarded as a related party. During the year East Lancashire Hospitals NHS Trust has had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent department. Those entities where the value of transactions exceeds £2.5m, ordered alphabetically, are:

Blackburn With Darwen Clinical Commissioning Group
Community Health Partnerships
East Lancashire Clinical Commissioning Group
Health Education England
Lancashire Care NHS Foundation Trust
Lancashire Teaching Hospitals NHS Foundation Trust
NHS England
NHS Resolution
NHS Property Services
Pennine Acute Hospitals NHS Trust

In addition, the Trust has had a number of notable transactions with other government departments and other central government bodies. Most of these transactions have been with Her Majesty's Revenue & Customs (HMRC), the National Health Service Pension Scheme and the National Loans Fund.

The Trust has also received revenue and capital payments from ELHT&ME, the charity for which the Trust is the corporate trustee. The latest set of audited accounts of the Funds Held on Trust relate to the year ended 31 March 2017 and are available on request from Trust Headquarters.

The Trust provides financial and administrative support to the Charity for which it is reimbursed. In 2017-18 this reimbursement amounted to £80,405 (2016-17 £65,227).

25. Events after the end of the reporting period

There are no material events after the end of the reporting period to disclose.

Glossary

Accruals basis
Under the accruals concept, expenses are recognised when incurred, not when the cash is actually paid out, and income is recognised when it is earned, not when the cash is actually received.

AGM
Annual General Meeting

Annual Governance Statement
A statement about the controls the NHS Trust has in place to manage risk.

Amortisation
The term used for depreciation of intangible assets-an example is the annual charge in respect of some computer software.

Annual accounts
Documents prepared by the NHS Trust to show its financial position. Detailed requirements for the annual accounts are set out in the Group Accounting Manual, published by the Department of Health and Social Care.

Annual report
A document produced by the NHS Trust, which summarises the NHS Trust's performance during the year and includes the annual accounts.

Asset
Something the NHS Trust owns-for example a building, some cash, or an amount of money owed to it.

Audit Opinion
The auditor's opinion on whether the NHS Trust's accounts show a true and fair view of its financial affairs. If the auditors are satisfied with the accounts, they will issue an unqualified audit opinion.

Board Assurance Framework/ BAF
The main document that details the strategic risks of the Trust.

Breakeven
An NHS Trust has achieved breakeven if its income is greater than or equal to its expenditure.

Capital Resource Limit
An expenditure limit set by the Department of Health and Social Care for each NHS organisation, limiting the amount that may be spent on capital items.

Cash and cash equivalents
Cash includes cash in hand (petty cash) and cash at the bank. Cash equivalents are any other deposits that can be converted to cash straightaway.

Clinical Commissioning Group
The body responsible for commissioning all types of healthcare services across a specific locality.

Code of Audit Practice
A document issued by the National Audit Office and approved by parliament, which sets out how audits for the NHS Trust must be conducted.

Contingent asset or liability
An asset or liability which is too uncertain to be included in the accounts.

EPRR
Emergency Preparedness, Resilience and Response. The Civil Contingencies Act (2004) required NHS organisations to show that they can deal with such incidents whilst maintaining services.

Group Accounting Manual
An annual publication from the Department of Health and Social Care which sets out the detailed requirements for the NHS Trust accounts.

Intangible asset
An asset that is without substance, for example, computer software.

International Financial Reporting Standards
The accounting standards that the NHS has adopted from April 2009.

International Standards on Auditing (United Kingdom and Ireland)
The professional standards external auditors must comply with when carrying out audit.

Inventories
Stock, such as clinical supplies.

IR35

IR35 legislation, also known as 'intermediaries legislation' is a set of rules that aid in the determination of the tax and national insurance that a candidate working through an intermediary should pay, based on the substance of that working arrangement.

Non-current asset or liability

An asset or liability the NHS Trust expects to hold for more than one year.

Non-Executive Director

Non-executive directors are members of the NHS Trust Board but do not have any involvement in day-to-day management of the NHS Trust. They provide the board with independent challenge and scrutiny.

Operating lease

An arrangement whereby the party releasing the asset is paying for the provision of a service (the use of the asset) rather than exclusive use of the asset.

Payables

Amounts the NHS Trust owes.

Primary Statements

The four main statements that make up the accounts: Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers' Equity and Statement Of Cash Flows.

Private Finance Initiative/PFI

A way of funding a major capital investment, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts typically last for 30 years, during which time the building is leased by the NHS Trust.

Public Dividend Capital

Taxpayers equity or the tax payers stake in the NHS Trust, arising from the Government's original investment in NHS trusts, when they were first created.

Receivables

Amount owed to the NHS Trust.

Remuneration Report

The part of the annual report that discloses senior officers' salary and pensions information.

Reserves

Reserves represent the increase in overall value of the NHS Trust since it was first created.

Senior Information Risk Owner/ SIRO

The establishment of the role of a SIRO within NHS organisations is one of several NHS Information Governance (IG) measures needed to strengthen information assurance controls for NHS information assets.

Sentinal Stroke Audit Programme/SSNAP

The Sentinal Stroke Audit Programme is the single source of stroke data in England, Wales and Northern Ireland.

Statement of Cash Flows

This shows cash flows in and out of the NHS Trust during the period.

Statement of Changes in Taxpayers' Equity

One of the primary statements-it shows the changes in reserves and public dividend capital in the period.

Statement of Comprehensive Income

The income and expenditure account, and the public sector equivalent of the profit and loss account. It shows what income has been earned in the year, what expenditure has been incurred and hence the surplus or deficit for the year.

Statement of Financial Position

Year-end statement prepared by all public and private sector organisations, which shows the net assets controlled by the organisation and how these have been funded. It is also known as the balance sheet.

Those Charged with Governance

Auditors terminology for those people who are responsible for the governance of the NHS Trust, usually the Audit Committee.

True and fair

It is the aim of the accounts to show a true and fair view of the NHS Trust financial position. In other words, they should faithfully represent what has happened in practice.

Notes

Phase 8 development at Burnley General Teaching Hospital (scheduled to open Autumn 2019)

This document is available in a variety of formats and languages. Please contact Trust Headquarters for more details:

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