St Helens and Knowsley Teaching Hospitals NHS Trust

ANNUAL REPORT 2017/18

Index

3. FINANCIAL STATEMENTS

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SECTION 1- PERFORMANCE REPORT

This section provides the reader with information on the organisation, its purpose, how it has performed in 2017/18, and the key risks to the achievements of its objectives.

1. Statement from the Chief Executive

2017/18 was an extremely challenging year for the NHS as a whole and for the health and care sector locally, and yet despite this, there were many successes for the Trust.

The Trust's vision is to deliver 5 Star Patient Care by providing high quality health services and an excellent patient experience. The following bullet points highlight some of the exceptional achievements of the Trust and its staff:

- Patients received above 98.9% new harm-free care (NHS Safety Thermometer)
- There was a 10% reduction in falls resulting in severe harm.
- Maintained a low rate of Clostridium difficile infections, performing significantly better than the threshold set by NHS Improvement (20[1] reported compared to the threshold of 41)
- The Trust was able to sustain an overall registered nurse fill rate (a measure of safe staffing) of 93.9% for the year despite the national recruitment and retention challenges for nursing staff
- In the Patient Led Assessments of the Care Environment (PLACE) the Trust had the highest scores in the country in all categories of the assessment; cleanliness, food, privacy and dignity, facilities for patients living with dementia and disability, condition, appearance and maintenance of the hospital buildings
- Leading national performer for frontline staff receiving flu vaccination (87.1%)
- 95.8% of inpatients would recommend our services, as recorded by the Friends and Family Test
- Once again performance in the Sentinel Stroke National Audit Programme was excellent, and 90.3% of stroke patients spent at least 90% of their hospital stay on a stroke unit
- Sustained achievement of referral to treatment (RTT) pathway waiting times with 94%of pathways completed within 18 weeks
- The Trust continued to meet all the national cancer performance targets.
- Extremely positive national staff survey results with the Trust rated as the best place to work or receive treatment across the whole NHS, and having the best score nationally for 10 out of the 32 key findings and scoring above the national average in 27 indicators.

Whilst not every target that we set ourselves was achieved in full, the Trust continues to learn from these experiences and uses them to improve performance going forward.

[1] One case is still subject to appeal which is being heard after the deadline for submission of the annual report and accounts. The published accounts will include the final figure, reflecting the outcome of the appeal.

During 2017/18 the Trust has experienced unprecedented demand for services and responded to extreme winter pressures. There have been more A&E attendances and non-elective admissions than any previous year, and more cases of Flu and patients unable to leave hospital because of similar pressures on primary and social care services and in the care home sector. The percentage bed occupancy (for general and acute beds) within the Trust throughout winter was over 96.3% meaning that frequently patients attending A&E and requiring admission could not be accommodated until other patients were discharged. In spite of these pressures the Trust was able to avoid any 12 hour trolley waits, cancelled less than 0.6% of planned operations (of which 99% were re-booked within 28 days), and less than 2.3% of medical patients had to be accommodated in another area (medical outliers).

The ongoing national shortage of clinical staff and the need to respond to the increased demand meant that the Trust had to utilise bank and agency staff, and overtime to maintain patient safety. However, despite these pressures the Trust did achieve a 12% reduction in agency expenditure compared to 2016/17 (£9.4m compared to £10.7m in 2016/17). The Trust has continued to explore all avenues to increase recruitment, of medical and nursing staff, including overseas recruitment from a number of countries where training is undertaken using the English language. Maintaining safe levels of staffing and patient safety standards are constant challenges being managed by the Trust. During 2017/18 there has been a fall in the number of formal complaints made to the Trust and an increase in the informal concerns raised with our ward managers and Patient Advice and Liaison Service (PALS) team that have been successfully resolved locally.

Following this exceptionally challenging year, I would like to formally record my gratitude for the dedication of all our staff, who have worked tirelessly and flexibly to ensure the best possible care for our patients. They are supported by our team of volunteers and carer groups whose involvement and time is generously provided and always gratefully received.

1.1 The purpose and activities of the Trust

The Trust provides acute healthcare services at St Helens and Whiston Hospitals, both of which are modern, high quality facilities. During 2017/18 the Trust has also started to deliver adult community nursing services (in partnership with North West Boroughs Healthcare NHSFT) and a primary care practice. Community Intermediate Care services are now delivered from Newton Community Hospital in Newton le Willows, which is also a modern purpose-built facility.

The Trust has an excellent track record of providing high standards of care to a population of approximately 360,000 people principally from St Helens, Knowsley, Halton, and Liverpool, but also from other neighbouring areas such as Warrington, Ormskirk and Wigan. In addition, the Mersey Regional Burns and Plastic Surgery Unit provides treatment for patients across Merseyside, Cheshire, North Wales, the Isle of Man and other parts of the North West, serving a population of over 4 million.

The Trust employed an average of 5,014 whole time equivalent (WTE) staff during 2017/18 (including 372 temporary staff).

The Trust's income in 2017/18 was c£384m.

Our catchment population

The communities served by the Trust are characterised by their industrial past, with local people being generally less healthy than the rest of England, and a higher proportion of people suffering from a long-term condition.

Rates of smoking, cancer, obesity, and heart disease, related to poor general health and nutrition, are significantly higher than the national average.

Many areas also have high levels of deprivation, which in turn is linked to health inequalities.

The population in our catchment area is growing as a result of new housing developments and regeneration, but is also aging faster than the general population of the UK. This means there are proportionally more older people in this area who are living in poor health.

All of these factors give rise to a population with greater health needs that require increased access to both health and social care

Collaborative working

In order to help create both clinically and financially sustainable services, the Trust is working in several different collaborations with other partners in the local health system.

The Trust is a member of the Cheshire and Merseyside Health and Care partnership (formerly known as the STP), which is made up of all NHS Commissioners, Provider Trusts and Local Authorities in Cheshire and Merseyside. The objective is to transform services locally to achieve the ambitions set out in the NHS Five Year Forward View that was published in 2014.

During 2017/18 the structure of the Cheshire and Merseyside Health and Care Partnership was revised to focus on a number of cross cutting themes, for example; Urgent and Emergency Care and Prevention at Scale and nine areas where local “place based” care could be developed.

The Trust is actively involved in a number of the cross cutting work streams e.g. Cancer Services, Women’s and Children’s, clinical support services and corporate services collaboration. The Trust’s Chief Executive is the Senior Responsible Officer for the Cancer work stream.

The Trust is also working in partnership with Clinical Commissioning Group and Local Authority partners and other provider Trusts, to develop opportunities for integrated care systems in St Helens, Knowsley and Halton. Although each borough is at a different stage of development, there is a strong commitment in each to achieve greater integration of services.

The Trust continues to provide services to other NHS organisations. The Health Informatics Service (HIS) which provides information systems and expertise to several CCGs and Trusts in Mid- Mersey and our Human Resources and Payroll teams have secured contracts to deliver the payroll service to a large proportion of the Trusts in Merseyside. The Trust also acts as the lead employer for Junior Doctors in training on behalf of a number of Deaneries, across the country.

There is also work in progress to create pathology and diagnostic imaging networks across the North Mersey area and the Trust is an active member of both these groups.

The Chief Executive is chair of the local A&E delivery board, which coordinates the urgent care response across St Helens, Knowsley, Halton and Warrington.

1.2 The Trust's objectives

The Trust's vision is to deliver 5 Star Patient Care by providing an excellent patient experience through high quality health services. This is captured in the "Star Chart" which is used in Trust publications and displayed on noticeboards throughout the Trust.

This vision underpins the Trust objectives which set out plans for improving safety, care, systems, communication and pathways of treatment, supported by robust operational and financial performance and strategic developments.

The objectives are refreshed each year, reflecting national and local goals, the views of our stakeholders, carers, patients and staff as well as the Trust's own development plans.

The use of a familiar format for displaying the objectives since 2005 has ensured that staff throughout the organisation are able to recognise the Trust's high-level aims and understand how they individually can contribute towards their achievement.

The objectives are launched each year at a "Start of Year" Conference in which the Chief Executive summarises performance and achievements from the previous year and gives an overview of plans for the year to come.

Each objective is owned at a senior level by a director and they are cascaded to teams and individuals to form the basis of personal objectives for all staff.

Twice a year the Trust Board formally reviews progress against these objectives and initiates mitigating actions, where necessary, to ensure success and compliance.

The objectives for 2018/19 are publicised in poster form throughout the Trust buildings and are available on the Trust web site at:

http://www.sthk.nhs.uk/about/trust-publications/trust-objectives

A summary is provided in the following table:

5 STAR PATIENT CARE - Care
We will deliver care that is consistently high quality, well organised, meets best practice standards and provides the best possible experience of healthcare for our patients and their families
1. Improve the effectiveness of discharge planning 2. Maintain effective assessment and monitoring of all patients in the Emergency Department 3. Achieve the national seven day services clinical standards across the Trust
5 STAR PATIENT CARE - Safety
We will embed a culture of safety improvement that reduces harm, improves outcomes and enhances patient experience. We will learn from mistakes and near-misses and use patient feedback to enhance delivery of care
1. Reduce further the rate of avoidable harm from falls, pressure ulcers and medication incidents 2. Implement changes as a result of lessons learned from incidents and complaints 3. Fully establish the systems for reviewing hospital deaths, identifying and sharing learning and reporting the outcomes, in line with best-practice national guidance.
5 STAR PATIENT CARE - Pathways
As far as is practical and appropriate, we will reduce variations in care pathways to improve outcome, whilst recognising the specific individual needs of every patient
1. Increase the percentage of e-discharge summaries sent within 24 hours to 85% 2. Maximise the benefits of the adult community nursing services in St Helens 3. Develop Integrated pathways across community and acute settings for adult continence, heart failure and respiratory conditions 4. Implement solutions to increase Car Parking capacity to improve the experience and access for staff, patients and visitors.
5 STAR PATIENT CARE - Communication
We will respect the privacy, dignity and individuality of every patient. We will be open and inclusive with patients and provide them with more information about their care. We will seek the views of patients, relatives and visitors, and use this feedback to help us improve services
1. We will improve the systems used to investigate and respond to complaints and to respond to 90% of complaints within the agreed timescale. 2. We will fully implement the action plans developed in response to the results of all national patient surveys, including; 3. Use patient feedback to shape future service developments – identifying themes from all sources of feedback e.g. F&FT, Healthwatch, patient surveys, ask Ann, complaints, PLACE
STAR PATIENT CARE - Systems
We will improve Trust arrangements and processes, drawing upon best practice to deliver systems that are efficient, patient-centred, reliable and fit for their purposes
1. Implement the new Patient Administration System with minimal disruption to contractual or operational performance. 2. Make the most effective use of the skills of the nursing workforce by implementing an electronic system (SafeCare) to ensure optimal deployment of nursing resources. 3. Implement phase 1 of the Shared Care Record with partners in St Helens.
DEVELOPING ORGANISATIONAL CULTURE AND SUPPORTING OUR WORKFORCE
We will use an open management style that encourages staff to speak up, in an environment that values, recognises and nurtures talent through learning and development. We will maintain a committed workforce that feel valued and supported to care for our patients.
1. Implement innovative approaches to recruitment and retention 2. Act on feedback from staff survey to include an increase in rate of appraisals, staff satisfaction in care

they provide and reduction in staff experiencing physical violence from patients 3. Optimise the apprenticeship levy to support staff in realising their potential. 4. Expand the implementation of e-rostering to allied health professionals to support effective use of resources across all staff groups
OPERATIONAL PERFORMANCE
We will meet and sustain national and local performance standards
1. Plan to achieve national performance access standards 2. Plan to achieve local performance indicators 3. Use benchmarking and comparative data e.g. GIRFT and Model Hospital to increase productivity
FINANCIAL PERFORMANCE, EFFICIENCY AND PRODUCTIVITY
We will achieve statutory and other financial duties set by regulators within a robust financial governance framework, delivering improved productivity and value for money
1. We will use benchmarking and comparative data to increase productivity 2. We will continue to work with partners across Cheshire and Merseyside and in local Integrated care systems to improve the efficiency and sustainability of services 3. We will collaborate to provide non-clinical back-office services, where cost improvement opportunities can be demonstrated
STRATEGIC PLANS
We will work closely with NHS Improvement (NHSI) and commissioning, local authority and provider partners to develop proposals to improve the clinical and financial sustainability of services
1. Transform community services by working closely with community, primary and social care to support. 2. Collaborate with partners in the development and implementation of integrated care partnerships in order to benefit patient experience through the provision of integrated high quality, safe, efficient and effective services. 3. Meet all the compliance requirements set by NHSI in the Single Oversight Framework to maintain the long-term sustainability of clinical services for local people, collaboratively with partners where appropriate.

Our 2018/19 objectives cover all aspects of patient care, our staff, use of resources and our longer-term plans for sustainability. These objectives are demanding but despite the pressures being faced across the NHS, the Board remain confident that our staff will continue to improve services and achieve positive results for the benefit of patients, visitors and work colleagues.

1.3 Key issues and risks

The Chief Executive's opening statement highlights the key pressures that the Trust has experienced during 2017/18, and it is expected that they will continue to be the key risks facing the Trust in the next year. These include recruitment and staff shortages, increasing demand for services and NHS financial pressures.

The Trust's approach to managing risks is covered in detail within the Governance Statement later in this document. However, in summary, it is founded on an effective IT recording and reporting system which all senior managers can use to document risks; gauge their potential impact; capture appropriate plans in mitigation; and share across the organisation.

1.4 Going concern

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. This approach has been approved by the Audit Committee. (See also note 1 accounting policies, in the Trust's accounts for more detail.)

2. PERFORMANCE ANALYSIS

2.1 Key performance measures

Each month the Trust produces an Integrated Performance Report (IPR) which charts performance against over 800 measures. Some of these reflect national and constitutional targets, some are local to this health economy, and some are internally generated to help monitor achievement of the Trust objectives. Summaries of these reports can be accessed on the Trust's website within regular Board papers at:

http://www.sthk.nhs.uk/about/trust-board/trust-board-papers-2017

Whilst this section provides some indicators of the Trust's performance in 2017/18, more detailed data on quality achievements is presented in the Trust's Annual Quality Account available on our website at:

http://www.sthk.nhs.uk/about/trust-publications/quality-accounts

The level and types of clinical activity for 2017/18 compared to 2016/17 are detailed in the following table:

	2016/17	2017/18	Variation
Activity Type	**(000's)**	**(000's)**	**%**
Outpatient 1st attendances	140.6	138.1	(1.8)
Outpatient follow-up attendances	314.9	314.8	0
Ward attenders	17.3	19.1	10.4
Outpatient procedures	100.5	102.5	2.0
Elective inpatients	7.3	7.0	(4.0)
Day case	41.5	42.8	3.1
Non-elective inpatients (less Obstetrics)	51.6	54.4	5.4
A&E attendances	103.3	111.3	7.8
Births	4.1	4.1	0

During 2017/18 the Trust has experienced a significant increase in A&E attendances and Non-Elective admissions, above commissioned levels. However, in relation to elective care there has been a reduction in the rate of growth as a result of the Referral Management Schemes (RMS) introduced by all three of our main commissioning CCGs, during 2016//17. There has also been a shift as more elective procedures are undertaken as day cases.

2.2 Performance in 2017/18

Key performance against national targets in 2017/18 is provided in the following table:

Summary of key national targets 2017/18	Target	Perform.
Emergency Department waiting times within 4 hours (all types mapped)	95.0%	88.0%
% of patients first seen within two weeks when referred from their GP with suspected cancer	93.0%	95.1%
% of patients receiving first treatment within 31 days from diagnosis of cancer	96.0%	97.6%
% of admitted patients treated within 18 weeks of referral	92.0%	94.0%
% of patients treated within 28 days following a cancelled operation	100.0%	99.3%
Number of Hospital Acquired MRSA bacteraemia incidences	0	1 (1)*
Number of Hospital Acquired C. Difficile incidences	41	19
% of patients admitted with a stroke spending at least 90% of their stay on a stroke unit	83.0%	90.3%
Staff sickness	4.5%	4.7%

*1 MRSA and 1 contaminant

It is testament to the hard work of Trust staff that, despite escalating activity in our hospitals and operating at full capacity for much of the year, the Trust performed exceptionally well against the majority of the national access targets.

2.3 Financial Performance

For the financial year 2017/18 the Trust received £384m of income. At the start of the year the Trust submitted a plan for a £8.5m surplus which was predicated on receiving the full allocation of £9.1m from the Sustainability and Transformation Fund (STF). The Trust actually received £7.9m STF.

Further cash support of £5.105m was provided by the Department of Health and Social Care (DHSC) in the last four months of the financial year, which relates to delayed STF payments from NHS England and brings the total cash support balance to £7.63m. These loans are in the form of a revenue support loan facility which attracts 1.5% interest each year with the principal amount being re-payable between January 2020 and March 2021 (although £5.105m is anticipated to have been repaid by July 2018).

In responding to the unprecedented demand for services over the winter period and opening additional capacity (escalation beds), combined with increased staff shortages the Trust has maintained patient safety, but this also resulted in increased expenditure, often at premium rates. Additionally, these pressures have meant that the Trust was unable to achieve the 95% target of 4 hour A&E waiting times and therefore also lost a significant element of the STF funding that had been assumed in the financial plans. The resulting financial outturn position is therefore a performance surplus of £5m, which is an underlying deficit of (£2.9m) if the final STF income of £7.9m is excluded.

The Trust has an effective financial governance framework in place, supported through independent external and internal scrutiny. In 2017/18 Grant Thornton UK LLP provided

independent external assurance that the Trust is properly accounting for public money; that it is efficient and effective in its use of resources.

Income

Of the income received by the Trust £310m (80%) came from patient-related activities. The largest contribution of £132m was from St Helens Clinical Commissioning Group (CCG).

The remaining 20% came mainly from three sources: NHS North West Deanery for the education and training of junior doctors; services provided to other organisations; and Private Finance Initiative (PFI) support funding.

Expenditure

The Trust strives to secure better value and become more efficient each year, thereby freeing up resources for direct patient care. In this regard the Trust delivered £12m of savings through its cost improvement programme in 2017/18.

A robust Quality Impact Assessment is undertaken for all proposed saving initiatives to ensure they do not inadvertently impact on the quality of the care provided, the clinical outcomes, or patient experiences. It is only following a successful conclusion of this process that approval to proceed is provided by the Trust's Medical and Nursing Directors.

In 2017/18 the Trust's capital expenditure was £9.2m primarily for the provision of new and replacement equipment.

2.4 Collaboration and partnership working

In addition to the Trust's collaborative working with other providers and the Cheshire and Merseyside Health and Social Care Partnership, the Trust also has an excellent track record of good relationships with patient groups and representatives, such as Healthwatch.

The Trust is a provider of services for other NHS organisations, via our shared Health Informatics Service (HIS), the provision of payroll services to the majority of Trusts in Merseyside and being the Lead Employer for junior Doctors in Training on behalf of the Deanery.

The Trust works in partnership with recognised trade unions and has effective and productive employee relations.

There is regular contact with the Local Authorities and the Trust attends the Health and Well Being Boards in St Helens, Knowsley and Halton.

SECTION 2 - ACCOUNTABILITY REPORT

This section provides the reader with information on the composition and organisation of the Trust's governance structures and how they support the achievement of objectives.

3 DIRECTORS REPORT

3.1 The Board of Directors

The Trust is managed by a Board of Directors that consists of both Executive and Non-Executive Directors (NED) with a Non-Executive Chairman. The composition of the Board during 2017/18 was as follows:

	Position	Name	Term of Office	Committee Membership
Non-Executive Directors	Chairman	Richard Fraser	Appointed May 2014 & 2016	Remuneration
	Deputy Chairman / SID	Denis Mahony	Appointed August 2012 & 2016	Charitable Funds Audit Finance & Performance Remuneration
	Non-Executive Director	Val Davies	Appointed July 2017	Charitable Funds Quality Remuneration
	Non-Executive Director	Su Rai	Appointed September 2012, 2014 & 2016	Audit Finance & Performance Remuneration
	Non-Executive Director	George Marcall	Appointed April 2013 Left December 2017	Audit Finance & Performance Quality Remuneration
	Non-Executive Director	David Graham	Appointed December 2014 & 2016	Quality Remuneration
	Non-Executive Director	Jeff Kozer	Appointed January 2018	Finance & Performance Audit Remuneration
Executive Directors	Chief Executive	Ann Marr	Appointed January 2003	Executive Quality
	Director of Human Resources/Deputy CEO	Anne-Marie Stretch	Appointed July 2003	Executive Quality
	Medical Director	Kevin Hardy	Appointed November 2012 (Retired Feb 2018 to return part time in April 2018)	Executive Finance & Performance Quality
	Director of Nursing Midwifery and Governance	Sue Redfern	Appointed May 2013	Executive Quality
	Director of Finance	Nik Khashu	Appointed October 2015	Executive Finance & Performance Quality

Associate Directors	Director of Transformation	Tiffany Hemming	Appointed May 2017	Executive
	Director of Corporate Services	Peter Williams	Appointed August 2006 Retired July 2017	Executive Finance & Performance Quality
		Nicola Bunce	Appointed as interim (internal secondment) July 2017 and substantive January 2018	
	Director of Informatics	Christine Walters	Appointed September 2015	Executive
	Director of Operations and Performance	Rob Cooper	Appointed January 2017	Executive Finance & Performance Quality
	Director of Estates and Facilities	Peter Williams	Took up part time post August 2017	Executive
	Associate NED	Jeff Kozer	Appointed August 2017 Became substantive NED in January 2018	Finance & Performance

The six Non-Executive Directors and five Executive Directors detailed in the table above are voting members ensuring that in the event of a vote the non-executive directors always have the majority.

Directors are appraised each year to review their contribution over the previous twelve months and to set objectives linked to those of the Trust for the following year. The Chairman is appraised by an officer of NHS Improvement.

Any skills gaps and training and development requirements are also reviewed annually against the NHS Improvement Well Led Framework to ensure continuous development and optimum functioning as a unitary board.

Under the Trust's standards of business conduct, Directors and senior staff are required to declare any interests which are published annually on the Trust's website. Those declared for 2017/18 are available through the following link:

http://www.sthk.nhs.uk/about/trust-board

3.2 Fit and Proper Persons Requirement (FPPR)

The 2014 Health and Social Care Act imposed additional requirements on the posts of Directors to be '*Fit and Proper Persons'*. In assessing whether a person is of good character, the matters considered must include convictions, whether the person has been struck off a register of professionals, bankruptcy, sequestration and insolvency, appearing on barred lists and being prohibited from holding directorships under other laws. In addition, Directors should not have been involved or complicit in any serious misconduct, mismanagement or failure of care in carrying out an NHS regulated activity.

The Trust requires all Directors to make an annual declaration of compliance with the FPPR standards. In 2017/18 all Board members were required to complete a self-certificate to confirm compliance with these standards, and where appropriate external assessments, including Disclosure and Barring Service (DBS) checks were undertaken. The results were scrutinised by the Trust Chairman who concluded that the Board members were, and remain, fit to carry out the roles they are in.

3.3 Statement on disclosure to auditors

So far as the Directors are aware, at the time of approving this Annual Report there is no relevant audit information of which the Trust's auditor is unaware. In addition, the Directors have taken steps to make themselves aware of any relevant audit information to establish that the Trust's auditor is aware of that information.

This information has been shared with the Trust's Auditors who have supported the conclusions reached and confirmed that they could find no relevant audit information to the contrary.

The Trust has a duty to report any incident regarding the loss of personal data to the Information Commissioners Office, and the one such incident occurring in 2017/18 is covered in the Governance Statement of this Annual Report.

4. ANNUAL GOVERNANCE STATEMENT

4.1 Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS 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 NHS Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Trust Accountable Officer Memorandum*.

4.2 The Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of St Helens and Knowsley Teaching 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 St Helens and Knowsley Teaching Hospitals NHS Trust for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

4.3 Capacity to handle risk

The Trust supports staff to identify and plan for potential risks to the delivery of the Trusts objectives. All risks are owned by an appropriate manager and reviewed regularly to ensure the mitigation plans are effective in reducing the level of risk exposure. There is a Risk Management Council that is part of the Trust's governance arrangements.

The Trust risk profile is reviewed by the Risk Management Council each month, which includes representation from each care group and corporate service and members of the Executive Team. A report is then drafted by the chair for presentation to the Executive Committee. There are also regular updates to the Trust Board.

The involvement of the Executive Committee and the Board in regularly reviewing risks ensures that the level of exposure that the Trust is willing to tolerate (the risk appetite) is regularly tested.

Training in undertaking clinical risk assessments, and of identifying and reporting risks and incidents using the DATIX is part of the induction process for all staff joining the Trust. Regular training is also available to staff and risk management is included as part of management development programmes. Guidance on the risk management process and use of the DATIX system is also available to staff via the Trust intranet.

4.4 The risk and control framework

The Trust promotes a culture of openness and encourages all staff and service users to actively report any issues, incidents or near misses, where they feel inappropriate action may have occurred, or systems and practices could be improved.

Clinical risk assessments, incidents, complaints, claims, learning from staff views, and social media channels are other sources of information which support the Trust in identifying and responding to any underlying themes. These are reviewed by the Patient Safety Council.

The Trust has an electronic risk and incident recording system (DATIX) and all senior managers within the organisation have access to it. Potential risks are identified and assessed (using the recognised NPSA 5 x 5 matrix of likelihood and consequence) and added to the register. The risk owner details controls and assurances that are within their remit and then re-asses the risk to see whether these measures have been beneficial in reducing the current risk score. The risk owner also identifies the relevant line manager who will also have sight of the risk and be able to review the actions in mitigation.

Risks with a score below 15 are controlled locally within care groups or corporate departments. Each risk is allocated an appropriate review date and on a monthly basis local governance meetings are held with appropriate representation and senior management to consider the risk profile, any missing risks, and to evaluate those requiring review. Frequent evaluation of risks takes place to ensure that the plans in mitigation are updated and accurately recorded on the Datix system.

If, following review and mitigating action within the care group or corporate department, the risk score is 15 or above, it is automatically escalated to the relevant Executive Director to see if more senior intervention can further reduce the potential risk to the organisation. All such risks are captured on the Corporate Risk Register (CRR).

As at 31st March 2018 there were a total of 765 risks recorded on DATIX. The table below shows the profile of the risk scores (between 1 and 25):

Very Low Risk			Low Risk			Moderate Risk				High/ Extreme Risk			
1	2	3	4	5	6	8	9	10	12	15	16	20	25
61	**53**	**29**	**112**	**11**	**149**	**51**	**141**	**34**	**108**	**4**	**6**	**6**	**0**
143 = 18.69%			**272 = 35.56%**			**334 = 43.66%**				**16 = 2.09%**			

As can be seen, 16 of these risks were scored at 15 or above and captured on the CRR. In summary these related to:

- Cyber security
- Delivery of national access standards whilst operating at maximum capacity
- Staffing levels in a number of areas due to the difficulty in being able to recruit permanent or temporary staff due to national staff shortages (particularly in Nursing)
- The challenges of meeting the Trust's financial targets
- The impact of the apprenticeship levy

In addition to CRR risks which can be escalated to the Trust Board, the Board has identified its own strategic risks that in theory could be catastrophic to the delivery of the organisations strategic goals, and these are captured in the Board Assurance Framework (BAF) which is considered by the Board three times per year. Strategic concerns on the BAF as at 31st March 2018 were:

- Systemic failures in the quality of care,
- Failure to develop or deliver long term financial sustainability plans for the Trust and with system partners
- Sustained failure to maintain operational performance/deliver contracts,
- Failure to protect the reputation of the Trust,
- Failure to work in partnership with stakeholders,
- Failure to attract and retain staff with the skills required to deliver high quality services
- Major and sustained failure of essential assets, infrastructure ,
- Major and sustained failure of essential IT systems.

The Trust's Internal Auditors undertook a review of the BAF in 2016/17 and concluded that it is structured to meet the NHS requirements; is visibly used by the Board; and reflects the risks discussed by the Board. They concluded that the required assurance level was fully met.

In developing its plans for 2018/19 the Board has assessed the future risks that will need to be managed, these remain similar to the key risks in 2017/18 and include recruitment and staff shortages, increasing demand for services and financial pressures including the significant level of efficiency and productivity savings required to achieve the cost improvement programme, particularly as a significant proportion of this is dependent on plans for collaborative working across the health and care system and not wholly within the control of the organisation.

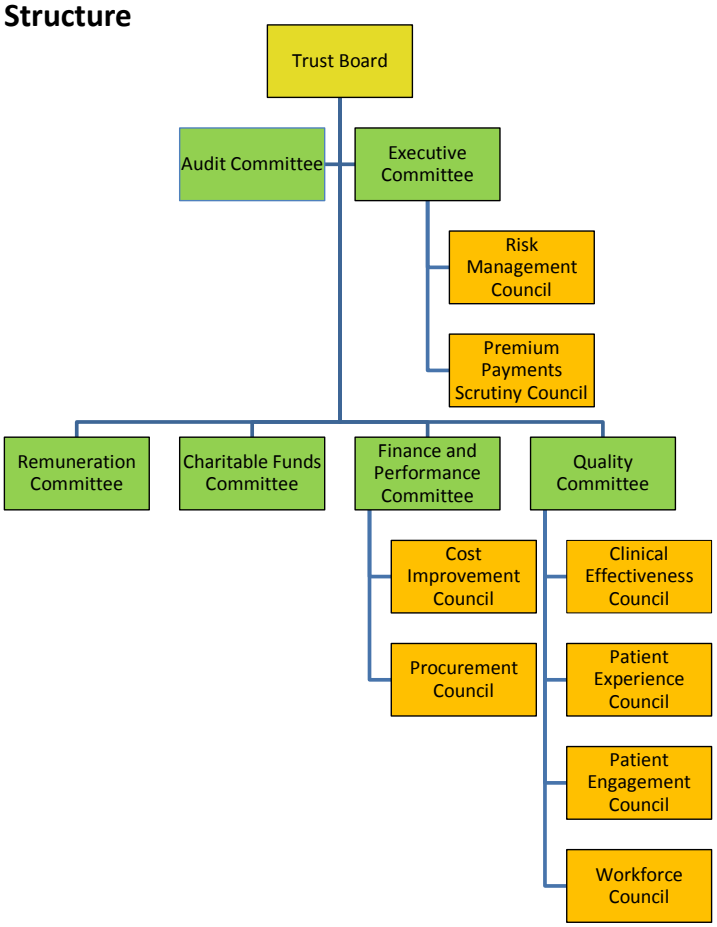
Copies of reports to the Board are readily available on the Trust web site within regular Board papers:

http://www.sthk.nhs.uk/about/trust-board/trust-board-papers-2017

Governance structure

The Trust has six Committees, some with supporting Councils, reporting to the Board in line with the following structure:

Governance Structure



With the exception of the Executive Committee, chaired by the Chief Executive, each is chaired by a NED. After each meeting the respective chair prepares a report to the Trust Board on matters considered on the agenda, the areas where assurance is being provided, and any issues requiring escalation for Board intervention or decision.

Remuneration Committee

The Remuneration Committee is comprised of the Chairman and all five NEDs.

Its duties include approving the remuneration and terms of service for the Chief Executive and Executive Directors, and to consider the appointment of Executive Directors and other very senior managers.

The Committee met 5 times during the year in June 2017, October 2017, November 2017 (twice) and January 2018.

Audit Committee

The Audit Committee has a membership of three NEDs, one of whom is a qualified accountant, and the others have commercial and business experience at a senior level.

In addition, the Trust's external and internal auditors along with the Director of Finance are regularly invited to attend. In 2017/18 the Committee met on five occasions.

The Audit Committee provides the Trust Board with independent and objective scrutiny of the financial systems and processes, risk management, and compliance with relevant legislation. The Committee also monitors and reviews clinical audit effectiveness.

Through the agreement of an annual programme of independent audits, the Committee gains assurance that the data being provided to the Board, on which decisions are based, is accurate and complies with guidance.

This programme included audits of the quality spot checks including medicines storage, third party access to critical IT applications, combined financial systems, workforce data and systems, discharge planning and data quality. These audits provide independent assurance to the Board that the quality and accuracy of the information reported is sufficiently robust to be relied on.

Quality Committee

The Quality Committee oversees quality governance. Performance within the Trust is measured against a range of parameters, including those related to activity levels, quality of care, staffing and finance. This is captured each month in an Integrated Performance Report (IPR), which incorporates commentary from senior management to aid understanding of the performance data. This commentary also seeks to identify links between factors such as staffing numbers, quality of care, costs, activity levels and performance against national targets to turn raw data into information that can be used to support decision making.

The Quality Committee meets each month (excluding August and December) to review all aspects of quality, including the relevant sections within the IPR.

The Quality Committee is supported by a number of Councils that consider in great detail issues around patient safety and experience as well as clinical effectiveness and workforce matters. Chairs reports from each of these Councils are reported to the Committee which include any matters for escalation.

Finance and Performance Committee

Like the Quality Committee, this Committee meets each month (excluding August and December) and reviews the IPR in detail, however their focus is on performance against the financial and activity targets.

Deep dives into the Trust's Cost Improvement Programme, to ensure that there are no unintended consequences from efficiency savings is a key role, along with exploring Service Line costs and benchmarking to assess the relative productivity and efficiency of different services.

The Committee is also supported in its work by a number of Councils that undertake detailed reviews to ensure that the data received by the Committee is robust, and provides the appropriate basis for management decision making.

Charitable Funds Committee

The Trust's Charitable Funds Committee meets at least three times a year and is responsible for managing the income and expenditure of any charitable and donated monies and assets held by the Trust.

The Committee actively promotes fundraising and regular expenditure from funds and also ensures that the Trust receives a reasonable rate of interest from investments made of the funds held in trust.

Executive Committee

The team of Executive and Associate Executive Directors, led by the Chief Executive, is the senior management decision making group within the Trust and is responsible for planning, organising, directing and controlling the organisation's systems and resources to achieve objectives and targets set by the Board.

The Executive Committee meets each week, and exercises the authority delegated to the Chief Executive and Directors to ensure that the organisation is effectively managed and that individual managers are held to account.

The Committee is supported in its work by the Risk Management Council which meets on a monthly basis to ensure that risks to the organisation are appropriately managed, and where necessary escalated for more senior intervention.

The Trust has an active Information Governance Steering Group reporting to the Risk Management Council, and chaired by the Trust's Caldicott Guardian. This Group ensures that the information the Trust holds, in particular personal information on behalf of patients and staff, is safeguarded at all times.

Governance framework of the organisation

The Board is collectively responsible for establishing a system of internal control and for putting in place arrangements for gaining assurance about the effectiveness of that system.

The Board of Directors consists of a non-executive Chair, five Non-Executive Directors, a Chief Executive and four Executive Directors. A further four non-voting Associate Directors regularly attend Board meetings. The Board also aims to include 1 associate Non-Executive Director, to support succession planning.

The Board has a suite of documents (the Corporate Governance Manual) which contains the Trust's standing orders, standing financial instructions, and scheme of reservation and delegation of powers, which set out the regulatory framework for the business conduct of the Trust.

High standards of governance are maintained through the independence of the Non-Executive Directors (NEDs), achieved by the following:

- All NEDs are appointed for fixed terms ensuring a regular turnover and the introduction of new skills and experience,
- The non-executive membership of the Board outnumbers the executive element for all issues requiring a vote,
- The NEDs (including the Trust Chairman) regularly meet separately from the Executive Directors to discuss Trust business,
- The composition of the Board is managed to ensure that the NEDs have a range of skills and experience that enables them to provide constructive challenge, fully

understand the business of the Trust and participate in the Trust's governance arrangements. They are therefore able to hold the Executive Directors to account for the performance and delivery of the strategic agenda set by the Board,

- NEDs chair the Board and appropriate Board Committees, and through chairman reporting, provide assurance to the Trust Board that the Trust is effectively governed.

Changes to the Board

2017/18 saw the following changes in the Board of Director membership:

- Richard Fraser, Chairman, continued to be interim Chair at Southport and Ormskirk Hospitals NHS Trust; an arrangement that started in 2016 and is planned to end when a permanent Chair is appointed.
- George Marcall, Non-Executive Director left the organisation in December 2017
- Val Davies, Non-Executive Director was appointed in July 2017 (replacing Bill Hobden whose term of office ended in March 2017)
- Jeff Kozer was appointed as an Associate Non-Executive Director in August 2017 and then as a substantive Non-Executive Director in January 2018, replacing George Marcall.
- Denis Mahoney, Non-Executive Director was appointed as the Deputy Chair and Senior Independent Director (SID) in September 2017.
- Professor Hardy retired on 28 February 2018 and returned part-time on1st April, resuming his role as Medical Director. In the interim period, Dr Terry Hankin acted up in the role.
- Tiffany Hemming was appointed as the Director of Transformation in May 2017.
- Peter Williams retired from the post of Director of Corporate Services in July 2017, but returned to the Trust in a part time capacity as the Director of Estates and Facilities in August 2017.
- Nicola Bunce was appointed to the substantive position of Director of Corporate Services in January 2018.

All new Directors are provided with tailored induction programmes on their commencement and this was the case in 2017/18.

Board Meetings

The Trust Board held ten meetings in public during 2017/18. Part 2 of these meetings are held in private to discuss confidential issues such as the details of serious untoward incidents relating to patients, confidential staff matters, or commercial decisions such as bidding to provide new services.

All Trust Board meetings were quorate, with the target levels of attendance from all but one Associate Director. Attendance by the Directors is summarised in the following table:

Board Members		Trust Board	Audit Committee	Quality Committee	Finance and Performance Committee	Charitable Funds Committee	Executive Committee	Total	% Attendance
Name	**Position**	**10**	**5**	**10**	**10**	**3**	**49**	**87**	**%**
Richard Fraser	**Chair**	9						9/10	90%
Denis Mahoney	**NED**	9			7	2		18/23	78%
Su Rai	**NED**	10	5		10			25/25	100%
George Marcall (until December 2017)	**NED**	7 (of 7)	2 (of 4)	5 (of 7)	5 (of 7)			19/25	76%
David Graham	**NED**	8		6				14/20	70%
Val Davies (from July 2017)	**NED**	7 (of 7)		6 (of 7)				13/14	93%
Jeff Kozer (from January 2018)	**NED**	2 (of 3)	2 (of 3)		7 (of 7)			11/13	92%
Ann Marr	**Chief Executive**	10		7			42	59/69	85%
Anne-Marie	**Director of HR/Deputy CEO**	10		6			39	59/69	80%
Nikhil Khashu	**Director of Finance and Information**	9	5	10	10	3	33	70/87	80%
Kevin Hardy	**Medical Director**	8 (of 9)		7(of 9)	6 (of 9)		32 (of 44)	53/71	75%
Sue Redfern	**Director of Nursing, Midwifery and Governance**	9		10			35	54/69	78%
Peter Williams	**Director of Estates and Facilities**	7 (of 9)					35 (of 44)	42/53	79%
Rob Cooper	**Director of Operations and Performance**	8		7	8		36	59/79	75%
Tiffany Hemming	**Director of Transformation**	7 (of 9)					28 (of 45)	35/54	65%
Christine Walters	**Director of Informatics**	10					39	49/59	83%
Nicola Bunce (from July 2017)	**Director of Corporate Services**	6 (of 7)					28 (of 36)	34/43	79%
Meetings quorate		Yes	Yes	Yes	Yes	Yes	Yes	79%	

In order to discuss in detail key issues affecting the organisation; longer term strategic plans to ensure sustainability; and wider partnership working across the local health economy, four strategy meetings were held in 2017/18. Board Development sessions were

also held throughout the year and the topics covered are summarised in the following table:

Purpose	Provider / Lead	Date
Next Steps Five Year Forward View and implications for the Cheshire and Merseyside Sustainability and Transformation plans	Nik Khashu, Director of Finance and Information Executive	April 2017 Strategy Board
Trust Informatics Strategy	Christine Walters, Director of Informatics	June 2017 Strategy Board
Winter Preparedness and A&E Improvement Plans	Rob Cooper, Director of Operations and Performance	October 2017 Strategy Board
CQC New Well Led Inspection Regime	Sue Redfern, Director of Nursing, Midwifery and Governance	
Legal and Regulatory Update	Hill Dickinson LLP	
Integrated Care Strategy Development	Ann Marr, Chief Executive	November 2018 Board Time Out
Strategic Developments – Health System Shared Care Records	Christine Walters, Director of Informatics	
Operational Plan 2018 -19	Nicola Bunce, Director of Corporate Services	February 2018 Strategy Board
Dementia Awareness Training	Lauren Hanson, Specialist Dementia Nurse	

To effectively carry out their duties Board members need to be able to probe the data conveyed in formal reports to the Board and its Committees and triangulate that with the softer intelligence gained through attendance at events, staff and carer listening sessions, and ward and department visits. NEDs are encouraged to test out material provided when speaking to staff to gain that further assurance of accurate reporting of information throughout the Trust.

All Directors participate in a schedule of Quality Ward Rounds (QWRs) during the year, which supports them to gain a greater understanding of the work in each speciality and the achievements and issues that each ward is managing.

Hearing first-hand experiences from patients, learning from the results of patient and staff surveys, and being conscious of the themes of incidents and complaints is important to the overall effectiveness of the Board, and these topics remain regular agenda items.

In 2017-18 the top five causes of complaints, accounting for 81% of all first stage complaints received, were clinical treatment (42%), admission and discharge (11%), values and behaviours (11%), communications (9%) and patient and nursing care (8%). This reflects a similar picture to the previous year, although there were significantly fewer complaints (a decrease of 44% in first stage complaints received, from 338 in 2016-17 down to 224 in 2017-18). The source of the highest number of complaints was the Emergency Department, which is the department that see's the highest volume of patients.

The Board remains committed to improvement by reducing the overall numbers of complaints; ensuring complaints are responded to in a timely manner; and making sure that lessons are learned.

Care Quality Commission

The Care Quality Commission (CQC) is the independent regulator for health and social care in England and through inspection makes sure that the public are provided with safe, effective, compassionate and high-quality care, and encourages services improvement. Their report on the Trust, published in early 2016, provided significant assurance to the Board of the quality of services being delivered. The overall 'Good' rating they provided remained in place throughout 2017/18.

The Trust is required each year to register with the CQC and has a legal duty to be compliant with the fundamental standards set out in the Health and Social Care Act. This ongoing compliance was confirmed to the Board in March 2017 and the Trust remains registered with the CQC without conditions.

NHS Improvement (NHSI) and the Provider Licence Conditions

The Trust works closely with NHSI (the Trust's regulating body) in pursuing the national priorities detailed in the NHS Mandate and Single Oversight Framework (SOF). This framework sets out the key policies and processes which govern the relationship between NHS Trusts and NHSI in terms of oversight and escalation mechanisms, development and support. All requirements for both short and longer-term plans were appropriately met by the Trust.

During 2017/18 the Trust self-certified that it complied with the licence, NHS acts and NHS Constitution (Condition G6 (3)) and with the required governance arrangements (Condition FT4 (8)), as required for the SOF.

During 2017/18 the Trust undertook a self –assessment against the updated Well Led Framework developed jointly by the CQC and NHSI. The resulting action plan will be fully implemented during 2018/19 and the Trust will then commission an independent Well Led review.

NHS Pensions

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.

Equality and Diversity Obligations

The Trust is an equal opportunity employer and has control measures in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

Appropriate policies are maintained to ensure that the required standards are met; examples being:

- The Recruitment and Selection Policy is designed to inform management and staff how to conduct employment in an objective, fair and effective manner.

- The Equality and Diversity Policy is designed to provide employment equality. This ensures that no applicant or employee will receive less favourable treatment on the grounds that they possess a “protected characteristic” as defined by the Equality Act, or any other individual characteristic, for example, social class or carer status.

Modern slavery and human trafficking statement

The Trust is fully aware of the responsibility it bears toward its customers, employees and the communities which it serves. The Trust has created a set of ethical values to guide employees and suppliers in its business dealings.

The Trust expects that all its suppliers of goods and services adhere to similarly high ethical principles, and in compliance with the requirements of the Modern Slavery Act 2015 the Trust has reviewed its supply chains to seek assurance that suppliers can demonstrate the appropriate behaviour. The Trust has also identified potential areas of greater risk including those contractors dealing with the provision of food, construction, cleaning, and clothing.

The Trust has a ‘Supplier Code of Conduct’ that requires all existing and new suppliers to confirm their compliance with the Act. Evidence gathering questions are also used during our tendering procedures.

Advice and training on slavery and human trafficking is available to staff through the Safeguarding Team.

Board Assurance

Through the systems outlined in this report the Directors are able to provide the necessary assurances to the Board that its annual and longer-term objectives can be met and risks to their achievement are being appropriately managed.

To support this view the Trust also receives a significant amount of independent and external feedback from a range of sources that provides the Board with further assurance. Examples are summarised in the following paragraphs.

In accordance with Public Sector Internal Audit Standards, the Director of Internal Audit (DoIA) is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes (i.e. the organisation’s system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which can provide assurance covering:

- Financial systems,
- M&T and Information Governance,
- Performance and Board reporting systems,
- Processes to ensure service quality,
- Processes underpinning management of the workforce,
- Governance risk and legal compliance of statutory functions.

For 2017/18 the DoIA concluded that 'Significant Assurance' can be given that that there is a generally sound system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.'

The basis for that opinion was:

- An assessment of the design and operation of the underpinning Assurance Framework and supporting processes.
- An assessment of the range of individual assurances arising from risk-based internal audit assignments throughout the period.
- An assessment of the Trust's response to Internal Audit recommendations, and the extent to which they have been implemented.

Within the accompanying commentary the following points were included:

- The Trust Board has taken action to improve the financial position of the Trust with regular reporting at Board meetings.
- Senior management within the Trust has largely remained stable during 2017/18.
- Operationally the Trust has continued to regularly report its performance against a range of targets. It has continued to meet the national Referral to Treatment (RTT) and cancer targets.
- The Trust is working with its partners across Cheshire and Merseyside looking at ways to make services more sustainable in the future, with the aim of helping people live longer and healthier lives.

The Trust's external Anti-Fraud advisors report for 2017/18 confirmed that the Trust remained compliant against anti-fraud standards, and was strong with respect to ensuring that NHS resources are protected against fraud, bribery or corruption.

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

Use of Resources Rating (URR)

With effect from October 2016 the Financial Sustainability Risk Rating was amended and renamed the Use of Resources Rating. There are now five equally-weighted metrics: liquidity ratio; capital servicing capacity; I&E margin; I&E margin variance from plan; and performance against the planned agency ceiling.

The overall risk rating ranges from 1 to 4, where 4 represents the highest level of financial risk. The rating also has an override methodology which means:

- Scoring a 4 on any metric returns an overall rating no better than 3
- A provider in financial special measures will score a 4 overall
- A provider without an agreed control total can score no better than a 3 for a planned deficit or 2 for a planned surplus.

The Trust is currently at level 3, primarily reflecting our assets and liabilities from our two PFI funded hospital sites.

Going forward the Trust's longer-term plans will focus on improving this rating by increasing financial surpluses through greater efficiency, and by creating larger cash balances.

Economy, efficiency and effectiveness

The utilises as range of benchmarking to ensure it is operating effectively, including the Model Hospital, Carter Metrics and Reference Costs, which are reviewed by the Finance and Performance Committee and support the development of improvement plans.

4.6 Information governance

Information Governance is the standards and processes for ensuring that organisations comply with the laws and regulations regarding handling and dealing with personal information. The Trust has clear policies and processes in place to ensure that information, including patient information, is handled in a confidential and secure manner.

The Trust continues to benchmark itself against the Information Governance Toolkit. The toolkit is an online system which allows NHS organisations and partners to assess themselves against NHS Digital Information Governance policies and standards. It also allows members of the public to view our commitment to information governance standards. St Helens and Knowsley Teaching Hospitals NHS Trust Information Governance Assessment Report overall score for 2017-18 was 82% which was graded 'green'. This means that the Trust is compliant in all sections of the Information Governance Toolkit. The Information Governance Toolkit is being replaced by the Data Security and Protection Toolkit in 2018 and the Trust has a plan in place to ensure it achieves or is working towards the achievement of all the new standards.

The Trust has a robust Information Governance Framework in place headed up by Craig Walker – Head of Information Governance and Quality Assurance. Dr Francis Andrews – Assistant Medical Director as Caldicott Guardian is the designated individual within the Trust who is responsible for ensuring confidentiality of personal information. The Trust also has a Senior Information Risk Owner (SIRO); Christine Walters – Director of Informatics, who is responsible for reviewing and reporting on the management of information risk to the Board. These employees are appropriately qualified, trained, registered and accredited.

Work is underway to ensure that the Trust is working towards compliance with the upcoming General Data Protection Regulations and there is a detailed action plan in place which is monitored on a monthly basis at the Trust's Information Governance Steering Group.

The Trust has a duty to report any incident regarding the loss of personal data to the Information Commissioners Office (ICO) and for the financial year 2017/18 there was one such incident. The reported incident was reviewed by relevant members of staff and members of the Information Governance Team, with actions taken to minimise the likelihood of any recurrence. The ICO stated that "the incident warranted no further action from them in their role as the regulatory body for data protection" and was subsequently closed with no action taken against the Trust.

4.7 Annual Quality Account

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year.

The Trust assures itself of the quality and accuracy of the data reported in the Quality Account, including the national elective access targets, via the Patient Tracking List (PTL) process. PTL reports are used by the Care Groups to manage the elective waiting list (i.e. issuing appointments) and the validation of individual waiting list entries by Data Quality officers. There is a weekly PTL meeting which provides continuous scrutiny of the waiting list position.

Daily Referral to Treatment (RTT) reports allow continuous review of the number of patients on the elective waiting list and the time each has waited. The information department has a number of standard operating procedures and review protocols in place to identify any anomalies which are then escalated to the Data Quality team.

The Quality Committee provides oversight to ensure that the Trust produces the annual Quality Account for presentation to the appropriate Local Authority Overview and Scrutiny Committees established to review and analyse decisions which affect their residents. The annual Quality Account is audited and the 2017/18 account will be published in June 2018.

Sustainable Development

The NHS contract requires providers to take all reasonable steps to minimise their adverse impact on the environment, and demonstrate their progress on climate change adaptation, mitigation and sustainable development. To deliver this obligation the Trust has a Board approved Sustainable development Plan, covering the organisation's vision, its action plan, monitoring arrangements and accountability.

The 2008 Climate Change Act requires an 80% reduction in carbon emissions throughout the UK by the year 2050. The Trust is actively pursuing this target across its key components which include energy (21%), medical equipment (19%), paper products (12%), and waste disposal (6%).

The Trust's Sustainability Action Group meets bi-monthly to share sustainable practice, explore opportunities for savings and implement initiatives that promote sustainable development. Over the last year the group has focused on travel, carbon hotspots, community engagement, waste and recycling, as well as ideas to change the behaviour of users. The following paragraphs summarise some initiatives delivered over the last year:

- Investment in external car park LED lighting scheme. By highlighting the mutual benefits of the scheme the Trust was able to gain partner investment, thereby reducing the schemes payback period. The installation is on target to deliver 50% carbon and energy savings.
- The Trust switched to a Smart Print Policy and since its introduction over 216,000 documents were printed double sided saving over half a million sheets of paper, equivalent to 808 trees.

- Installation of Climateq attendant controls on air-conditioning units. These controls use movement sensor technology to shut air conditioning units down when the area is unoccupied, saving 6,680kg of CO2 each year.
- In collaboration with the Local Authority's Healthy Living Team the Trust ran a sustainability event to encourage exercise and healthy eating with staff, patients and visitors. Smoothie Bikes were used to produce health drinks through pedal power.
- The Trust partnered with two local primary schools and a local hospice to set up a battery reuse and recycle scheme. Currently the Trust exchanges hundreds of AA batteries each month in critical medical devices that are still 50- 70% charged. Many of these batteries are now able to be reused and then recycled at the end of their life.

The scheme to install a Combined Heat and Power and heat Recovery System in Whiston Hospital will be completed by mid-2018/19, which will reduce annual carbon emissions by 3,000 tonnes and save the Trust as much as £480k per year.

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 UKCP09 climate projections, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

4.8 Review of effectiveness

Annual meeting effectiveness review

Each year the Board and each of its Committees undertakes an effectiveness review each comprising of:

- A review by the Chair and lead Director
- A review of the meeting structure, membership and reporting arrangements,
- A review of attendance,
- A members effectiveness survey questionnaire,
- A review of the Terms of Reference and annual work plan.

The conclusion of the reviews, reported to the Audit Committee, is that the purpose, remit and organisation of the Trust Board and its Committees remains appropriate and provides the necessary assurance that the Trust is effectively and appropriately managed. The review is also used to inform a skills audit, succession planning and the future board development priorities.

As Accountable 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 NHS Trust that have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this 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 Board, the audit committee, finance and performance committee, and the quality committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

4.9 Conclusion

There are no significant internal control issues have been identified or reported in the annual governance statement for 2017/18.

Signed……..

Ann Marr

Chief Executive Date: 23rd May 2018

SECTION 3 - REMUNERATION AND STAFF REPORT

This section provides the reader with information on the staff within the Trust and where further workforce data can be found within the financial statements.

5 The Trust's approach to its workforce and staffing

The HR & Workforce Strategy supports the Trust's vision by developing a management culture and style that:

- Empowers staff, builds teams and recognises and nurtures talent through learning and development
- Is open and honest with staff, and provides support throughout organisational change and invests in staff Health and Well Being
- Promotes standards of behaviour that encourage a culture of caring, kindness and mutual respect.

5.1 Trust employees

At the end of 2017/8 the Trust directly employed over five thousand FTE staff of which 42% are doctors and nurses; 35% are clinical support staff; and the remaining 23% are non-clinical support staff.

Turnover of staff is circa 11% which has increased in the past year, reflecting the national labour market for healthcare staff and increasing staff shortages. There are variations in turnover rates between disciplines and significant recruitment challenges exist for medical, nursing and scientific staff.

The number of senior managers employed by the Trust at 31st March 2018 was 20, this includes Directors who are part of the Executive Team and attend the Trust Board and also the other senior managers at the Trust who have responsibility for controlling major activities and other statutory responsibilities e.g. Chief Pharmacist. All the senior managers are employed on the NHS Agenda for Change pay and contractual conditions.

	Male		Female		All Staff	
	Headcount	**FTE**	**Headcount**	**FTE**	**Headcount**	**FTE**
Directors	2	1.80	3	3.00	5	4.80
Non-Exec Directors	5	1.20	2	0.40	7	1.60
Other VSM	10	9.61	10	10.00	20	19.61
All Other Staff	897	845.48	4369	3724.62	5266	4570.01
Trust Total	**914**	**858.09**	**4384**	**3738.02**	**5298**	**4596.02**

The above tables include staff on the Trust's payroll but exclude temporary staff (including agency and bank staff), junior doctors in training recharged from other payrolls and other staff recharged from other organisations. This information is a snap shot rather than the average across the year.

83% of the workforce is female.

Information on 2017/18 staff costs and average FTE's is provided in the tables below:

Staff costs			
			2017/18
	Permanent	Other	Total
	£000	£000	£000
Salaries and wages (including bank and locum temporary staff)	166,957	9,477	**176,434**
Social security costs	16,017	-	**16,017**
Apprenticeship levy	886	-	**886**
Employer's contributions to NHS pensions	19,380	-	**19,380**
Pension cost - other	18	-	**18**
Temporary staff (agency)		9,397	**9,397**
Total staff costs	**203,258**	**18,874**	**222,132**

Average number of employees (WTE basis)			
			2017/18
	Permanent	Other	Total
	Number	Number	Number
Medical and dental	538	72	**610**
Administration and estates	1,051	73	**1,124**
Healthcare assistants and other support staff	764	154	**918**
Nursing, midwifery and health visiting staff	1,449	56	**1,505**
Scientific, therapeutic and technical staff	529	17	**546**
Healthcare science staff	308	-	**308**
Social care staff	3	-	**3**
Total average numbers (exc staff engaged on capital schemes)	**4,642**	**372**	**5,014**

The Trust achieved the annual sickness target of 4.5%, with a year-end cumulative figure of 4.7% (percentage of days lost over days available), which is an improvement upon the previous year.

5.2 Payments for staff and services

Trust expenditure in 2017/18 on consultancy is included under note 5 of the Annual Accounts.

Under HM Treasury guidance the Trust is required to disclose information about off-payroll engagements at a cost of more than £245 per day and lasting more than six months.

Total number of existing engagements as of 31st March 2018	7
Of which…	
No. that have existed for less than one year	2
No. that have existed for between 1-2 years	5
No that have existed for between 2-3 years	0
No that have existed for between 3-4 years	0
No that have existed for 4 years or more	0
Total number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	2
Of which…	
No. assessed as caught by IR35	2
No. assessed as not caught by IR35	0
Of which…	
No engaged directly (via PSC contracted to the entity) and are on the departmental payroll	2
No. of engagements reassessed for consistency/ assurance purposed during the year	0
No. of engagements that saw a change to IR35 status following the consistency review	0

There were no off-payroll engagements relating to the Trust's Executive Board Directors.

There was one compulsory redundancy made in 2017/18 (Cost £231k), this did not relate to a Board Director.

6 Fair Pay Disclosure

The has made the annual disclosure of the relationship between the remuneration of the highest paid director and the median remuneration of the organisations workforce (attachment 1)

Attachment 1 – Pay Multiplier Annual Disclosure

Pay Multiplier Disclosure 2017 – 2018

Year	2017 - 2018	2016 - 2017
Band of Highest Paid Directors' remuneration (£,000)	**190 - 195**	**190 - 195**
Median Total (£)	**25,630**	**25,828**
Ratio	**7.7**	**7.45**

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remuneration of the organisations workforce.

The banded remuneration of the highest paid Director in St Helens & Knowsley Teaching Hospitals NHS Trust in the financial year 2017-2018 was £190,000 to £195,000. This was 7.7 times the median remuneration of the workforce, which was £25,630.

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

The Acting Medical Director is the highest paid member of staff for 2017-2018 and the Medical Director for 2016-2017.

Whilst there is little movement in the ratio, there has been a very slight decrease to the median salary. This is due to the recruitment of new staff that commence their employment on an incremental scale.

Attachment 2 – Directors Remuneration Report

Salaries and Allowances, Table 1: Single Total figure table

	2017-18							2016-17						
	Salary (See note below table) (bands of £5,000) £000	Other Remuneration (See note below table) (bands of £5,000) £000	Expense Payments (taxable)total to nearest £100 £	Performance pay and bonuses (bands of £5,000) £000	Long term performance pay and bonuses (bands of £5,000) £000	All pension-related benefits (See note below table) (bands of £2,500) £000	Total (bands of £5000) £000	Salary (See note below table) (bands of £5000) £000	Other Remuneration (See note below table) (bands of £5,000) £000	Expense Payments (taxable)total to nearest £100 £	Performance pay and bonuses (bands of £5,000) £000	Long term performance pay and bonuses (bands of £5,000) £000	All pension-related benefits (See note below table) (bands of £2,500) £000	Total (bands of £5000) £000
Mr R Fraser, Chairman														
(Started 1 May 2014, second term of office, ends 30th April 2020)	20-25	0	0	0	0	0	20-25	20-25	0	0	0	0	0	20-25
Ms AM Marr, Chief Executive	185 -190	0	0	0	0	45-47.5	230-235	180 -185	0	0	0	0	32.5-35	215-220
Mrs AM Stretch, Director of Human Resources & Deputy Chief Executive	125-130	0	0	0	0	107.5-110	235-240	120-125	0	0	0	0	25 - 27.5	145-150
Mr N Khashu, Director of Finance and Information	125-130	0	0	0	0	57.5-60	185 - 190	120-125	0	0	0	0	40-42.5	160 - 165
Professor K Hardy, Medical Director	25-30	175-180	0	0	0	27.5-30	230 - 235	30-35	185-190	0	0	0	35-37.5	250 - 255
Mrs S Redfern, Director of Nursing, Midwifery & Governance	105 -110	0	**0**	**0**	**0**	55-57.5	165-170	100 -105	0	**0**	**0**	**0**	15-17.5	120-125
Mr D Graham, Non-Executive Director	5-10	0	0	0	0	0	5-10	5-10	0	0	0	0	0	5-10
(Started 1 December 2014, second term of office,ends 30th November 2019)														
Mr D Mahony, Non -Executive Director	5-10	0	900	0	0	0	5-10	5-10	0	600	0	0	0	5-10
(Started 1 August 2012, second term of office, ends 31st July 2018)														
Ms S Rai, Non-Executive Director	5-10	0	0	0	0	0	5-10	5-10	0	0	0	0	0	5-10
(Started 26 September 2012, third term of office, ends 25th September 2018)														
Mr G Marcall, Non-Executive Director	0-5	0	2,000	0	0	0	5-10	5-10	0	2,600	0	0	0	5-10
(Started 1 April 2013, left 31st Deecmber 2017)														
Mrs V Davies, Non-Executive Director	0-5	0	200	0	0	0	0-5							
(Started 6th July 2017, first term of office, two-year term, ends 5th July 2019)														
Mr J Kozer, Non-Executive Director	0-5	0	0	0	0	0	0-5							
(Started 1st January 2018, first term of office, three-year term, ends 31st December 2021)														
Mr W Hobden, Non-Executive Director								5-10	0	0	0	0	0	5-10
(Started 18 June 2009, left 29th March 2017 following fourth term of office)														

Notes:

In the above table only the columns for "salary" and "other remuneration" are deemed to be salary related.

Professor Hardy retired on 28 February 2018 and returned part-time on1st April, resuming his role as Meical Director. In the interim period, Dr Terry Hankin acted up in the role.

For the purposes of this exercise the pension-related benefits are calculated using a national standard formula and effectively reflect the real increase in pension at age 60 in 2017/18 multiplied by a valuation factor of 20 plus the real increase in lump sum at age 60 in 2017/18. The resultant figure represents an estimate of the lifetime benefit of the annual increase. Please note that these figures exclude the estimated impact of employee's own contributions unlike in the pensions benefit table which include the impact of both employee and employer contributions.

The figures in the above table will include all payments in the year including any arrears paid. Also where a director was not a director for all year then only the remuneration for that period the director was in post would be disclosed. This may lead to different from figures stated under the pay multiples disclosure.

The Trust Board oversees the running and direction of the Trust and is accountable for financial and operational performance. The Chair and five non-Executive Directors are initially appointed for a varying terms by the Secretary of State for Health and can be reappointed for further terms. The Chief Executive post is a standard NHS contract with no time element included and is reviewed by the Trust's Remuneration Committee on an annual basis. In attendance at this committee is the Chairman, Chief Executive and at least two non-Executive Directors, except when the CEO's salary is discussed. The Human Resources Director also serves the Remuneration Committee except when the Human Resources Director's remuneration is discussed. The Finance Director, Human Resources Director and Nursing Director posts are substantive appointments. Along with the Chief Executive their posts would be subject to national competition if they became vacant. The Medical Director is appointed from within the Trust consultant body on a fixed-term contract.

In respect of pay awards for Executive Directors, these are made in line with Department of Health guidance. The Trust has a robust appraisal process in place for Executive Directors but does not operate a performance-related pay framework. All the Trust Executive Directors are employed on a full-time substantive contract with a 6 month contract termination notice period either side. There have been no significant awards made to past Executive Directors for early terminations of contract. None of the directors were remunerated in an off-payroll arrangement.

The Board Director's interests are published annually on the Trust's website.

Please note that elements of the Remuneration Report are subject to audit, namely the salary and pension entitlements of senior managers (ie. the Board), compensation paid to former directors, details of amounts payable to third parties for the services of a director (if made) and the median remuneration of the Trust's staff and the ratio between this and the mid-point of the banded remuneration of the highest paid director.

Attachment 3 – Pension Benefits

Table 2: Pension Benefits

Name and title	Real increase/ (decrease) in pension at pensionable age	Real increase/ (decrease) in lump sum at pensionable age related to real increase/ (decrease) in pension	Total accrued pension at pensionable age at 31 March 2018	Lump sum at age 60 related to accrued pension at 31 March 2018	Cash Equivalent Transfer Value at 31 March 2018	Cash Equivalent Transfer Value at 31 March 2017	Real increase/ (decrease) in Cash Equivalent Transfer Value	Employers Contribution to Stakeholder Pension
	(bands of £2500) £000	(bands of £2500) £000	(bands of £5000) £000	(bands of £5000) £000	£000	£000	£000	£000
Ms AM Marr, Chief Executive	2.5 - 5	7.5 - 10	85 - 90	260 - 265	2,011	1,832	133	0
Mrs AM Stretch, Director of Human Resources & Deputy Chief Executive	5 - 7.5	10 - 12.5	55 - 60	150 - 155	1,035	885	127	0
Mr N Khashu, Director of Finance	2.5 - 5	2.5 - 5	30 - 35	80 - 85	469	396	52	0
Professor K Hardy, Medical Director	0 - 2.5	5 - 7.5	60 - 65	190 - 195	1,407	1,306	66	0
Mrs S Redfern, Director of Nursing, Midwifery & Governance	2.5 - 5	7.5 - 10	50 - 55	160 - 165	1,198	1,065	107	0

Please note that the above information has been provided by the NHS Business Services Agency - Pensions Division. The Trust's accounting policy on pensions is shown in Note 7.3 of the Trust's published accounts.

Please note that Dr Hardy's figures are as at 28 February 2018.

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

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 (or other allowable beneficiary's) pension payable from the scheme. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 200823.

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.

ST HELENS AND KNOWSLEY TEACHING HOSPITALS NHS TRUST

ANNUAL ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2018

NHS

Contents

GLOSSARY OF TERMS AND ABBREVIATIONS

CCG	Clinical Commissioning Group
Current assets/liabilities	Assets or liabilities due to be received/paid over within one year of the SOFP date
DHSC	Department of Health and Social Care
FReM	Financial Reporting Manual
GAM	Group Accounting Manual (of the DHSC)
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
MEA	Modern equivalent asset basis, a basis on which to value land and property assets
Non-current assets/liabilities	Assets or liabilities due to be received/paid over after one year from the SOFP date. In terms of property, plant, equipment and intangible assets this would indicate assets from which would ensue a financial benefit beyond one year
Payables	Amounts owed to suppliers and other organisations, etc. (creditors)
PDC	Public dividend capital
PDC dividend	Public dividend capital dividend payable by the Trust to the Department of Health,
PFI	Private Finance Initiative
PPE	Property, plant and equipment
Receivables	Amounts owed by customers, etc. (debtors)
R&D	Research and development
Statement of Changes in Equity (SOCIE)	Formerly known under UK GAAP as Movements on Reserves
Statement of Comprehensive Income (SOCI)	A combination of the Income and Expenditure Account and Statement of Total Recognised Gains and Losses shown under UK GAAP
Statement of Financial Position (SOFP)	Formerly known under UK GAAP as the Balance Sheet
TFA	Tripartite Formal Agreement
UK GAAP	Generally Accepted Accounting Practice in the United Kingdom

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

The Chief Executive of NHS Improvement, in exercise of powers 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 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.

Ms A Marr , Chief Executive
23rd May 2018

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 judgments 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

Ms A Marr , Chief Executive
23rd May 2018

Mr N Khashu, Director of Finance
23rd May 2018

Independent auditor's report to the Directors of St Helens and Knowlsey Teaching Hospitals NHS Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St Helens and Knowsley Teaching 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 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 3 to 31, 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 St Helens and Knowsley Teaching Hospitals NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

John Farrar
Associate Director
for and on behalf of Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
25th May 2018

FOREWORD TO THE ACCOUNTS

ST HELENS AND KNOWSLEY TEACHING HOSPITALS NHS TRUST

These accounts for the year ended 31 March 2018 have been prepared by the St Helens and Knowsley Teaching Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

Statement of Comprehensive Income

	Note	2017/18 £000	2016/17 £000
Operating income from patient care activities	2	310,386	280,045
Other operating income	4	73,201	69,889
Operating expenses	5	(357,755)	(318,230)
Operating surplus/(deficit) from continuing operations		**25,832**	31,704
Finance income	9	86	49
Finance expenses	10	(16,290)	(16,207)
Net finance costs		**(16,204)**	(16,158)
Surplus / (deficit) for the year		**9,628**	15,546
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Net Impairments/reversals	6	4,721	694
Total comprehensive income / (expense) for the period		**14,349**	16,240

Note that prior year performance is not re-assessed following accounting restatements.

See also notes 30.4 and 30.5 regarding breakeven duty performance adjusted for technical issues.

Pages 1 to 24 including Note 1 form part of this account.

Statement of Financial Position

	Note	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Intangible assets	11	1,435	1,528
Property, plant and equipment	12	261,236	250,851
Trade and other receivables	14	1,093	1,318
Total non-current assets		**263,764**	253,697
Current assets			
Inventories	13	3,660	3,988
Trade and other receivables	14	25,117	21,570
Cash and cash equivalents	15	11,661	1,777
Total current assets		**40,438**	27,335
Current liabilities			
Trade and other payables	17	(41,089)	(33,132)
Borrowings	19	(6,585)	(5,900)
Provisions	21	(398)	(596)
Other liabilities	18	(691)	(546)
Total current liabilities		**(48,763)**	(40,174)
Total assets less current liabilities		**255,439**	240,858
Non-current liabilities			
Borrowings	19	(252,869)	(253,972)
Provisions	21	(2,452)	(2,481)
Other liabilities	18	(27)	(32)
Total non-current liabilities		**(255,348)**	(256,485)
Total assets employed		**91**	(15,627)
Financed by			
Public dividend capital		65,806	64,437
Revaluation reserve		10,046	5,329
Income and expenditure reserve		(75,761)	(85,393)
Total taxpayers' equity		**91**	(15,627)

Pages 1 to 24 including Note 1 form part of this account.

The financial statements on pages 1 to 4 were approved by the Board on 23rd May 2018 and signed on its behalf by

Name *A Marr*
Position *Chief Executive*
Date *23rd May 2018*

Statement of Changes in Equity for the year ended 31 March 2018

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2017 - brought forward	**64,437**	**5,329**	**(85,393)**	**(15,627)**
Surplus for the year	-	-	9,628	**9,628**
Impairment reversals	-	4,721	-	**4,721**
Transfer to retained earnings on disposal of assets	-	(4)	4	**-**
Public dividend capital received	1,369	-	-	**1,369**
Taxpayers' equity at 31 March 2018	**65,806**	**10,046**	**(75,761)**	**91**

Statement of Changes in Equity for the year ended 31 March 2017

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2016 - brought forward	64,437	4,647	(100,951)	(31,867)
Surplus for the year	-	-	15,546	15,546
Other transfers between reserves	-	(12)	12	-
Impairment reversals	-	694	-	694
Taxpayers' equity at 31 March 2017	64,437	5,329	(85,393)	(15,627)

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 at the time of establishment of the predecessor NHS organisation. Additional PDC may also be issued to trusts by the Department of Health and Social Care. A charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health and Social Care as the public dividend capital dividend.

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 income. 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 is the accumulated surpluses and deficits of the Trust.

Statement of Cash Flows

	Note	2017/18 £000	2016/17 £000
Cash flows from operating activities			
Operating surplus / (deficit)		25,832	31,704
Non-cash income and expense:			
Depreciation and amortisation	5	8,431	8,371
Net impairments	5	(4,822)	(10,763)
Income recognised in respect of capital donations	4	(125)	(126)
Amortisation of PFI deferred credit	18	(5)	(5)
(Increase) / decrease in receivables and other assets		(2,993)	(6,876)
(Increase) / decrease in inventories		328	(148)
Increase / (decrease) in payables and other liabilties		7,553	2,869
Increase / (decrease) in provisions		(233)	204
Net cash generated from / (used in) operating activities		**33,966**	25,230
Cash flows from investing activities			
Interest received		77	50
Purchase of intangible assets		(369)	(167)
Purchase of property, plant, equipment and investment property		(6,354)	(3,484)
Prepayment of PFI capital contributions		(830)	(510)
Net cash generated from / (used in) investing activities		**(7,476)**	(4,111)
Cash flows from financing activities			
Public dividend capital received		1,369	-
Movement on loans from the Department of Health and Social Care	19	2,580	1,593
Movement on other loans		1,612	-
Capital element of finance lease rental payments		(118)	(74)
Capital element of PFI payments	25.3	(5,792)	(6,253)
Interest paid on finance lease liabilities		(28)	(20)
Interest paid on PFI obligations	10.1	(16,176)	(16,101)
Other interest paid		(53)	(50)
Net cash generated from / (used in) financing activities		**(16,606)**	(20,905)
Increase / (decrease) in cash and cash equivalents	15	**9,884**	214
Cash and cash equivalents at 1 April - brought forward		**1,777**	1,563
Cash and cash equivalents at 31 March	15	**11,661**	1,777

Notes to the Accounts

Note 1 Accounting policies and other information

Note 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 and Social Care. 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 the accounts.

Note 1.1.1 Accounting convention
These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

Note 1.1.2 Going concern

In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern although the Trust has required working capital loans to meet its operational cash obligations.

Although these factors represent material uncertainties that may cast doubt about the Trust's ability to continue as a going concern, the Directors, having made appropriate enquiries, still have reasonable expectations that the Trust will have adequate resources to continue in operational existence for the foreseeable future. As directed by the 2017/18 GAM the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the financial statements and has not included the adjustments that would result if it was unable to continue as a going concern.

Note 1.2 Critical judgements in applying accounting policies
The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the NHS Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.
- The Trust's PFI scheme (including the main PFI and Managed Equipment Service) is deemed to fall on the statement of financial position as assessed independently under IFRIC12.

Note 1.2.1 Sources of estimation uncertainty

The only key areas of uncertainty, as at the statement of financial position sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to provisions, ie. early retirement costs, pemanent injury benefit awards, public and employer's liability claims; and the indices and estimated asset lives used in the valuation of the Trust buildings as at 31 March 2018.

Note 1.3 Income
Income in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of income for the Trust is from commissioners for healthcare services. Income relating to patient care spells that are part-completed at the year end is not presently accounted for on the basis of materiality.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Notes to the Accounts

Note 1 Accounting policies and other information cont'd

Revenue grants and other contributions to expenditure
Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

The value of the benefit received when accessing funds from the the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.4 Expenditure on employee benefits

Short-term employee benefits
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements where employees are entitled to receive payment for leave carried forward into the following period.

Pension costs
NHS Pension Scheme
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. Therefore, 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.

Some employees are members of the National Employment Savings Trust (NEST) which is a defined contribution scheme and as such the cost to the Trust of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. (See also Note 7.)

Note 1.5 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, 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.

Note 1.6 Property, plant and equipment

Note 1.6.1 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, or
• 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.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, eg, plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

Notes to the Accounts

Note 1 Accounting policies and other information cont'd

Note 1.6.2 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. An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

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. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. 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.

Property, plant and equipment which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

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 (i) the impairment charged to operating expenses; and (ii) 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.

Notes to the Accounts

Note 1 Accounting policies and other information cont'd

Note 1.6.3 Derecognition
Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable ie:

- management are committed to a plan to sell the asset
- an active programme has begun to find a buyer and complete the sale
- the asset is being actively marketed at a reasonable price
- the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Note 1.6.4 Donated and grant funded assets
Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

Note 1.6.5 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 and/or intangible assets as appropriate.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received
The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'

PFI Asset
The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

PFI liability
A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the initial value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Notes to the Accounts

Note 1 Accounting policies and other information cont'd

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Lifecycle replacement
Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the NHS trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term accrual or prepayment is recognised respectively. However, taking into account the Trust's valuer's approach to assessing asset lives of building assets (which assumes assets are being maintained to original standards), then it is more appropriate for the Trust to treat such expenditure on property assets as a charge to revenue as and when charged through the unitary payment. With regard to the managed equipment service element of the PFI scheme, major lifecycle costs are capitalised.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Trust to the operator for use in the scheme
Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Trust's Statement of Financial Position.

Other assets contributed by the Trust to the operator
Assets contributed (e.g. cash payments, surplus property) by the Trust to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the NHS trust, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

Note 1.6.6 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, excluding dwellings	8	76
Plant & machinery	4	15
Transport equipment	7	7
Information technology	5	8
Furniture & fittings	7	10

Finance-leased assets (including land) are depreciated over the shorter of the useful economic life or the lease term, unless the trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Note 1.7 Intangible assets

Note 1.7.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably.

Notes to the Accounts

Note 1 Accounting policies and other information cont'd

Internally generated intangible assets
Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

• the project is technically feasible to the point of completion and will result in an intangible asset for sale or use
• the Trust intends to complete the asset and sell or use it
• the Trust has the ability to sell or use the asset
• how the intangible asset will generate probable future economic or service delivery benefits, eg, the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
• adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset and
• the Trust can measure reliably the expenses attributable to the asset during development.

Software
Software which is integral to the operation of hardware, eg an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, eg application software, is capitalised as an intangible asset.

Note 1.7.2 Measurement
Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

Amortisation
Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Note 1.7.3 Useful economic lives of intangible assets

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The useful economic life of intangible assets is 5 years.

Note 1.8 Inventories
Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

Note 1.9 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 3 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 the Trust's cash management. Cash, bank and overdraft balances are recorded at current values.

Notes to the Accounts

Note 1 Accounting policies and other information cont'd

Note 1.10 Financial instruments and financial liabilities

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.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

Regular way purchases or sales are recognised and de-recognised, as applicable, using the Trade date.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

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
Financial assets are categorised as loans and receivables. Financial liabilities are classified as other financial liabilities.

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

The Trust's loans and receivables comprise: cash and cash equivalents, NHS receivables and accrued income.

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.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Impairment of financial assets
At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at "fair value through income and expenditure" 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.

For financial assets carried at amortised cost, 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 through the use of a bad debt provision.

Note 1.11. 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.

Notes to the Accounts

Note 1 Accounting policies and other information cont'd

Note 1.11.1 The Trust as lessee

Finance leases
Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property plant and equipment.

The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

Operating leases
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.

Leases of land and buildings
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.

Note 1.11.2 The Trust as lessor

Finance leases
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Trusts' net investment outstanding in respect of the leases.

Operating leases
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.

Note 1.12 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 at note 21 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.

Notes to the Accounts

Note 1 Accounting policies and other information cont'd

Note 1.13 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 22 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 22, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 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.

Note 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 fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.16 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM* .

Note 1.17 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).

The losses and special payments note is compiled directly from the losses and compensations register.

Notes to the Accounts

Note 1 Accounting policies and other information cont'd

Note 1.18 Early adoption of standards, amendments and interpretations
No new accounting standards or revisions to existing standards have been early adopted in 2017/18.

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2017/18. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

● IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
● IFRS 15 Revenue from Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted

● IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

Note 2 Operating income from patient care activities

Note 2.1 Income from patient care activities (by nature)	**2017/18**	2016/17
	£000	£000
Acute services		
Elective income	54,177	54,105
Non elective income	110,602	94,713
First outpatient income	20,548	20,732
Follow up outpatient income	28,642	32,916
A & E income	14,371	12,839
Other NHS clinical income	65,861	61,613
Community services		
Community services income from CCGs and NHS England	12,883	-
All services		
Private patient income	660	637
Other clinical income	2,642	2,490
Total income from activities	**310,386**	280,045

Note 2.2 Income from patient care activities (by source)

Income from patient care activities received from:	**2017/18**	2016/17
	£000	£000
NHS England	19,405	18,783
Clinical commissioning groups	281,461	252,036
Other NHS providers	798	768
Local authorities	2,391	2,386
Non-NHS: private patients	660	638
Non-NHS: overseas patients (chargeable to patient)	83	19
NHS injury scheme*	1,425	1,321
Non NHS: other**	4,163	4,094
Total income from activities	**310,386**	280,045

Note: all income relates to continuing operations

** Injury cost recovery income is subject to a provision for impairment of receivables of 22.84% to reflect expected rates of collection. ** The main component of this is patient care contracts with non-English NHS bodies.*

Note 3 Overseas visitors (relating to patients charged directly by the provider)

	2017/18	2016/17
	£000	£000
Income recognised this year	83	19
Cash payments received in-year	58	8
Amounts added to provision for impairment of receivables	14	8
Amounts written off in-year	3	-

Note 4 Other operating income

	2017/18	2016/17
	£000	£000
Research and development	590	564
Education and training	11,090	10,694
Receipt of capital grants and donations	125	126
Non-patient care services to other bodies*	29,774	25,770
Sustainability and transformation fund income	7,945	11,610
Other income**	23,677	21,125
Total other operating income	**73,201**	69,889

Note: all income relates to continuing operations

** These services also include clinical services provided by the Trust to other organsiations for their patients. In addition, £636,000 of last year's figure has been reclassified as "other" and therefore restated above. **The prinicipal item here is income relating to the Trust's PFI development (£13m) received from the Department of Health and Social Care via NHS England.*

Note re operating segments: The activities of the Trust are all healthcare-related and treated as a single segment for the purposes of the accounts. The Trust's total income for 2017-18 was £383.587m of which 82% related to patient care activities for which clinical commissioning groups and NHS England account for 97% of the income.

Note 5 Operating expenses

		Restated*	Original
	2017/18	2016/17	2016/17
	£000	£000	£000
Purchase of healthcare from NHS and DHSC bodies	12,550	4,062	4,062
Purchase of healthcare from non-NHS and non-DHSC bodies	2,760	2,464	2,464
Staff and executive directors costs	219,697	206,231	207,932
Remuneration of non-executive directors	58	64	64
Supplies and services - clinical	28,689	26,249	49,788
Supplies and services - general	1,749	1,896	1,896
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	24,289	23,539	
Consultancy costs	49	117	117
Establishment	3,627	3,355	3,731
Premises (inc business rates)	16,834	12,319	12,531
Transport (including patient travel)	1,019	938	330
Depreciation on property, plant and equipment	7,802	7,685	7,685
Amortisation on intangible assets	629	686	686
Net impairments	(4,822)	(10,763)	(10,763)
Increase/(decrease) in provision for impairment of receivables	15	126	126
Increase/(decrease) in other provisions	(43)	172	
Change in provisions discount rate(s)	24	376	376
Audit fees payable to the external auditor:			
audit services - statutory audit	49	54	54
other auditor remuneration (external auditor only)	7	7	7
Internal audit costs	105	123	123
Clinical negligence	7,265	5,189	5,189
Legal fees	215	187	187
Insurance	201	220	220
Research and development (inc staff costs)	499	448	
Education and training (inc staff costs)	2,403	2,022	693
Rentals under operating leases	546	212	
Early retirement (inc provision movements)	59	(35)	
Redundancy	231	-	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI) on IFRS basis	25,176	24,757	24,757
Hospitality	148	131	131
Other	5,925	5,399	5,844
Total	**357,755**	318,230	318,230

Note: all expenditure relates to continuing operations

**Due to changes in national disclosure requirements some of the categories above have been restated.*

Note 5.1 Other auditor remuneration

This relates to the Audit of the Trust's Quality Account.

Note 5.2 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2m (2016/17: £2m).

Note 6 Impairment of assets

	2017/18	2016/17
	£000	£000
Net impairments charged/(credited) to operating surplus resulting from:		
Changes in market price	(4,822)	(10,763)
Total net impairments charged/(credited) to operating surplus	**(4,822)**	(10,763)
Impairments charged to the revaluation reserve	(4,721)	(694)
Total net impairments	**(9,543)**	(11,457)

The above impairment reversals arose as a result of a formal revaluation of the Trust's buildings in 2017-18. (See also Note 12.5.)

Note 7 Employee benefits

Note 7.1 Employee benefits

	2017/18	2016/17
	Total	Total
	£000	£000
Salaries and wages (including internal bank staff and locum temporary staff)	176,501	164,766
Social security costs	16,017	14,714
Apprenticeship levy	886	-
Employer's contributions to NHS pensions	19,380	17,798
Pension cost - other	18	10
Temporary staff (including agency)	9,397	10,701
Total staff costs	**222,199**	207,989
Total staff costs	**222,199**	207,989
Of which		
Costs capitalised as part of assets	67	57

Note 7.2 Retirements due to ill-health

During 2017/18 there were 4 early retirements from the Trust agreed on the grounds of ill-health (3 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £94k (£144k in 2016/17).

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

Note 7.3 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.

National Employment Savings Trust

The Pensions Act 2008 introduced new duties on employers to provide access to a workplace pension scheme that meets certain legal requirements. As from 1 April 2013 the Trust chose the National Employment Savings Trust (NEST) to fulfil this role for employees who are unable to join the NHS Pension Scheme due to its restrictions. There are currently 277 employees in the NEST scheme which is a defined contribution pension scheme. A defined contribution pension scheme is where the retirement income a member gets depends on how much has been contributed, investment returns and the amount of charges over time.

Note 8 Operating leases

Note 8.1 Operating leases as a lessor

The Trust does not receive any income as a lessor. (Prior year also nil.)

Note 8.2 Operating leases as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where St Helens and Knowsley Teaching Hospitals NHS Trust is the lessee.

	2017/18	2016/17
	£000	£000
Operating lease expense		
Minimum lease payments	546	212
Total	**546**	212

	31 March 2018	31 March 2017
	£000	£000
Future minimum lease payments due:		
- not later than one year;	492	175
- later than one year and not later than five years;	487	336
Total	**979**	511

Note 9 Finance income

Finance income represents interest received on assets and investments in the period.

	2017/18	2016/17
	£000	£000
Interest on bank accounts	86	49
Total	**86**	49

Note 10 Finance expenditure

Note 10.1 Finance costs

Finance expenditure represents interest and other charges involved in the borrowing of money.

	2017/18	2016/17
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	73	53
Finance leases	33	20
Interest on late payment of commercial debt	2	-
Main finance costs on PFI and LIFT schemes obligations	8,963	9,181
Contingent finance costs on PFI and LIFT scheme obligations	7,213	6,920
Total interest expense	**16,284**	16,174
Unwinding of discount on provisions	6	33
Total finance costs	**16,290**	16,207

Note 10.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2017/18	2016/17
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	2	-

Note 11 Intangible assets

Note 11.1 Intangible assets - 2017/18

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2017 - brought forward	**480**	**2,824**	**3,304**
Additions	261	275	**536**
Disposals / derecognition	(47)	(531)	**(578)**
Gross cost at 31 March 2018	**694**	**2,568**	**3,262**
Amortisation at 1 April 2017 - brought forward	**236**	**1,540**	**1,776**
Provided during the year	108	521	**629**
Disposals / derecognition	**(47)**	**(531)**	**(578)**
Amortisation at 31 March 2018	**297**	**1,530**	**1,827**
Net book value at 31 March 2018	**397**	**1,038**	**1,435**
Net book value at 1 April 2017	**244**	**1,284**	**1,528**

Note 11.2 Intangible assets - 2016/17

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2016 - as previously stated	467	2,773	3,240
Prior period adjustments	-	-	-
Valuation / gross cost at 1 April 2016 - restated	467	2,773	3,240
Additions	48	140	188
Disposals / derecognition	(35)	(89)	(124)
Valuation / gross cost at 31 March 2017	480	2,824	3,304
Amortisation at 1 April 2016 - as previously stated	180	1,034	1,214
Prior period adjustments	-	-	-
Amortisation at 1 April 2016 - restated	180	1,034	1,214
Provided during the year	91	595	686
Disposals / derecognition	(35)	(89)	(124)
Amortisation at 31 March 2017	236	1,540	1,776
Net book value at 31 March 2017	244	1,284	1,528
Net book value at 1 April 2016	287	1,739	2,026

Note 12 Property, plant and equipment

Note 12.1 Property, plant and equipment - 2017/18

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2017 - brought forward	**6,500**	**234,364**	**-**	**43,503**	**112**	**3,935**	**6,328**	**294,742**
Additions	-	234	2,597	4,887	-	919	7	**8,644**
Impairments	-	(906)	-	-	-	-	-	**(906)**
Reversals of impairments	-	3,914	-	-	-	-	-	**3,914**
Reclassifications	-	-	(54)	54	-	-	-	**-**
Disposals / derecognition	-	-	-	(3,191)	-	(1,121)	-	**(4,312)**
Valuation/gross cost at 31 March 2018	**6,500**	**237,606**	**2,543**	**45,253**	**112**	**3,733**	**6,335**	**302,082**
Accumulated depreciation at 1 April 2017 - brought forward	**-**	**3,157**	**-**	**33,023**	**86**	**2,078**	**5,547**	**43,891**
Provided during the year	-	3,378	-	3,350	5	782	287	**7,802**
Impairments	-	5,375	-	-	-	-	-	**5,375**
Reversals of impairments	-	(11,910)	-	-	-	-	-	**(11,910)**
Disposals / derecognition	-	-	-	(3,191)	-	(1,121)	-	**(4,312)**
Accumulated depreciation at 31 March 2018	**-**	**-**	**-**	**33,182**	**91**	**1,739**	**5,834**	**40,846**
Net book value at 31 March 2018	**6,500**	**237,606**	**2,543**	**12,071**	**21**	**1,994**	**501**	**261,236**
Net book value at 1 April 2017	**6,500**	**231,207**	**-**	**10,480**	**26**	**1,857**	**781**	**250,851**

Note 12.2 Property, plant and equipment - 2016/17

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2016 - as previously stated	6,500	222,705	-	42,321	112	3,482	6,227	281,347
Prior period adjustments	-	-	-	-	-	-	-	-
Valuation / gross cost at 1 April 2016 - restated	6,500	222,705	-	42,321	112	3,482	6,227	281,347
Additions	-	202	-	2,470	-	558	101	3,331
Reversals of impairments	-	11,457	-	-	-	-	-	11,457
Disposals / derecognition	-	-	-	(1,288)	-	(105)	-	(1,393)
Valuation/gross cost at 31 March 2017	6,500	234,364	-	43,503	112	3,935	6,328	294,742
Accumulated depreciation at 1 April 2016 - as previously stated	-	-	-	30,818	81	1,485	5,215	37,599
Prior period adjustments	-	-	-	-	-	-	-	-
Accumulated depreciation at 1 April 2016 - restated	-	-	-	30,818	81	1,485	5,215	37,599
Provided during the year	-	3,157	-	3,493	5	698	332	7,685
Disposals/ derecognition	-	-	-	(1,288)	-	(105)	-	(1,393)
Accumulated depreciation at 31 March 2017	-	3,157	-	33,023	86	2,078	5,547	43,891
Net book value at 31 March 2017	6,500	231,207	-	10,480	26	1,857	781	250,851
Net book value at 1 April 2016	6,500	222,705	-	11,503	31	1,997	1,012	243,748

Note 12.3 Property, plant and equipment financing - 2017/18

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2018								
Owned - purchased	6,500	11,531	2,543	6,057	21	1,858	501	**29,011**
Finance leased	-	-	-	677	-	130	-	**807**
On-SoFP PFI contracts and other service concession arrangements	-	226,075	-	4,979	-	-	-	**231,054**
Owned - donated	-	-	-	358	-	6	-	**364**
NBV total at 31 March 2018	**6,500**	**237,606**	**2,543**	**12,071**	**21**	**1,994**	**501**	**261,236**

Note 12.4 Property, plant and equipment financing - 2016/17

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2017								
Owned - purchased	6,500	15,148	-	6,852	26	1,717	781	31,024
Finance leased	-	-	-	222	-	133	-	355
On-SoFP PFI contracts and other service concession arrangements	-	216,059	-	2,926	-	-	-	218,985
Owned - donated	-	-	-	480	-	7	-	487
NBV total at 31 March 2017	6,500	231,207	-	10,480	26	1,857	781	250,851

Note 12.5 Property, plant and equipment

Assets at a costs of £125,000 were financed by donations from the Trust's Charitable Funds in 2017/18. (Prior year £126,000.)

For the financial year ending March 2018 the Trust had a formal full revaluation of the Trust's estate. This revaluation was undertaken by professional valuers from the firm Cushman and Wakefield.

Note 13 Inventories

	31 March 2018	31 March 2017
	£000	£000
Drugs	1,504	1,809
Consumables	2,094	2,114
Energy	62	65
Total inventories	**3,660**	3,988

Note: None of the above inventories are held at fair value less costs to sell.

Inventories recognised in expenses for the year were £45,625k (2016/17: £41,977k). Write-down of inventories recognised as expenses for the year were £0k (2016/17: £0k).

Note 14 Trade receivables and other receivables

Note 14.1 Trade receivables and other receivables

	31 March 2018	31 March 2017
	£000	£000
Current		
Trade receivables	9,953	8,435
Accrued income	7,976	7,979
Provision for impaired receivables	(665)	(591)
Prepayments (non-PFI)	2,623	1,872
PFI lifecycle prepayments	830	510
Interest receivable	12	3
VAT receivable	1,212	838
Other receivables	3,176	2,524
Total current trade and other receivables	**25,117**	21,570
Non-current		
Provision for impaired receivables	(312)	(377)
Other receivables	1,405	1,695
Total non-current trade and other receivables	**1,093**	1,318
Of which receivables from NHS and DHSC group bodies:		
Current	14,900	14,206
Non-current	-	-

The majority of trade is with clinical commissioning groups as commissioners (CCGs) for NHS patient care services. As CCGs are funded by Government to buy NHS patient care services no credit scoring of them is considered necessary.

Note 14.2 Provision for impairment of receivables*

	2017/18	2016/17
	£000	£000
At 1 April as previously stated	**968**	851
Prior period adjustments	-	-
At 1 April - restated	**968**	851
Increase in provision	15	126
Amounts utilised	(6)	(9)
At 31 March	**977**	968

**Note that the above also includes a provision in respect of injury cost recovery income.*

Note 14.3 Credit quality of financial assets

	31 March 2018 Trade and other receivables	31 March 2017 Trade and other receivables
Ageing of impaired financial assets	**£000**	£000
0 - 30 days	-	-
30-60 Days	-	-
60-90 days	-	-
90- 180 days	23	15
Over 180 days	233	240
Total	**256**	255
Ageing of non-impaired financial assets past their due date		
0 - 30 days	14,118	13,850
30-60 Days	670	531
60-90 days	793	413
90- 180 days	854	517
Over 180 days	1,238	848
Total	**17,673**	16,159

Note 15 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	2017/18	2016/17
	£000	£000
At 1 April	**1,777**	1,563
Prior period adjustments	-	-
At 1 April (restated)	**1,777**	1,563
Net change in year	9,884	214
At 31 March	**11,661**	1,777
Broken down into:		
Cash at commercial banks and in hand	110	34
Cash with the Government Banking Service	11,551	1,743
Total cash and cash equivalents as in SoFP and SoCF	**11,661**	1,777

Note 16 Third party assets held by the Trust

The Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2018	31 March 2017
	£000	£000
Bank balances	2	27
Total third party assets	**2**	27

Note 17 Trade and other payables

Note 17.1 Trade and other payables

	31 March 2018	31 March 2017
	£000	£000
Current		
Trade payables	5,583	4,966
Capital payables	633	111
Accruals *	16,477	16,388
Social security costs	6,112	3,859
Other taxes payable	5,769	3,683
Accrued interest on loans	34	7
Other payables **	6,481	4,118
Total current trade and other payables	**41,089**	33,132
Non-current		
Total non-current trade and other payables	**-**	**-**
Of which payables from NHS and DHSC group bodies:		
Current	7,053	3,042
Non-current	-	-

**Due to changes in national disclosure requirement for 2017/18, 2016/17 accruals has been restated and £546,000 has been transferred to "other liabilities" (see Note 18).*

***The principal element of this relates to pension payables of which none are related to early retirements.*

Note 18 Other liabilities

	31 March 2018 £000	31 March 2017 £000
Current		
Deferred income	686	541
PFI deferred income / credits	5	5
Total other current liabilities	**691**	546
Non-current		
PFI deferred income / credits	27	32
Total other non-current liabilities	**27**	32

Note 19 Borrowings

	31 March 2018 £000	31 March 2017 £000
Current		
Finance lease obligations	152	108
PFI lifecycle replacement received in advance	735	-
Obligations under PFI, LIFT or other service concession contracts (excl. lifecycle)	5,698	5,792
Total current borrowings	**6,585**	5,900
Non-current		
Loans from the Department of Health and Scoial Care	7,630	5,050
Other loans	1,612	-
Finance lease obligations	642	239
Obligations under PFI, LIFT or other service concession contracts	242,985	248,683
Total non-current borrowings	**252,869**	253,972

Note: further information on the Trust's borrowings can be found in Note 20 (finance lease obligations) and in Note 25 (On-SoFP PFI additional information).

Note 20 Finance leases

Note 20.1 Finance lease obligations as a lessee

Obligations under finance leases where St Helens and Knowsley Teaching Hospitals NHS Trust is the lessee.

	31 March 2018 £000	31 March 2017 £000
Gross lease liabilities	**1,030**	407
of which liabilities are due:		
- not later than one year;	230	133
- later than one year and not later than five years;	699	274
- later than five years.	101	-
Finance charges allocated to future periods	(236)	(60)
Net lease liabilities	**794**	347
of which payable:		
- not later than one year;	152	108
- later than one year and not later than five years;	552	239
- later than five years.	90	-

Note 21 Provisions for liabilities and charges

Note 21.1 Provisions for liabilities and charges analysis

	Pensions - early departure costs	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2017	**917**	**406**	**1,754**	**3,077**
Change in the discount rate	6	-	18	**24**
Arising during the year	59	95	72	**226**
Utilised during the year	(76)	(83)	(114)	**(273)**
Reversed unused	-	(210)	-	**(210)**
Unwinding of discount	2	-	4	**6**
At 31 March 2018	**908**	**208**	**1,734**	**2,850**
Expected timing of cash flows*:				
- not later than one year;	76	208	114	**398**
- later than one year and not later than five years;	301	-	455	**756**
- later than five years.	531	-	1,165	**1,696**
Total	**908**	**208**	**1,734**	**2,850**

The provisions classified under "other" include amounts for permanent injury benefit

** The timing of cash flows is based on the expected payments (pensions/permanent injury benefits) and expected settlement date of claims (all other). The latter, due to the nature of legal claims, is particularly subject to change.*

Note 21.2 Clinical negligence liabilities

At 31 March 2018, £170,582k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of St Helens and Knowsley Teaching Hospitals NHS Trust (31 March 2017: £101,176k).

Note 22 Contingent assets and liabilities

	31 March 2018	31 March 2017
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	(42)	(53)
Other*	(19)	(105)
Gross value of contingent liabilities	**(61)**	(158)
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(61)**	(158)
Net value of contingent assets	-	-

** Legal claims dealt with locally.*

Note 23 Contractual capital commitments

There are no contractual capital commitments as at 31 March 2018. (Prior year also nil.)

Note 24 Other financial commitments

There are no other financial commitments as at 31 March 2018. (Prior year also nil.)

Note 25 On-SoFP PFI additional information

Note 25.1 Imputed finance lease obligations

St Helens and Knowsley Teaching Hospitals NHS Trust has the following obligations in respect of the finance lease element of the on-Statement of Financial Position PFI scheme :

	31 March 2018	31 March 2017
	£000	£000
Gross PFI	**628,734**	625,500
Of which liabilities are due		
- not later than one year;	22,459	21,968
- later than one year and not later than five years;	87,887	84,745
- later than five years.	518,388	518,787
Finance charges allocated to future periods	(380,051)	(371,025)
Net PFI	**248,683**	254,475
- not later than one year;	5,698	5,792
- later than one year and not later than five years;	23,302	22,797
- later than five years.	219,683	225,886

Note 25.2 Total on-SoFP PFI

Total future obligations under this on-SoFP scheme are as follows:

	31 March 2018	31 March 2017
	£000	£000
Total future payments committed in respect of the PFI	1,460,586	1,461,897
Of which liabilities are due:		
- not later than one year;	51,670	49,892
- later than one year and not later than five years;	206,605	199,279
- later than five years.	1,202,311	1,212,726

Note 25.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the trust's payments in 2017/18:

	2017/18	2016/17
	£000	£000
Unitary payment payable to service concession operator	49,740	48,728
Consisting of:		
- Interest charge	8,963	9,181
- Repayment of finance lease liability	5,792	6,253
- Service element and other charges to operating expenditure	25,176	24,757
- Capital lifecycle maintenance	1,766	1,107
- Contingent rent	7,213	6,920
- Addition to lifecycle prepayment	830	510
Total amount paid to service concession operator	**49,740**	48,728

The PFI arrangement is between the Trust and New Hospitals, the latter being the special purpose vehicle currently acting for Medirest and Vinci. The main scheme is to build two new hospitals at the Trust's two sites in St Helens and Whiston. All construction was complete in November 2012. The contract term runs to August 2047, the price base being uplifted annually by the Retail Price Index, the base RPI having been set in December 2002. For the duration of the arrangement Vinci will provide hard facilities management (FM) services while soft FM services are currently provided by Medirest and are subject to scheduled market testing, the next being in June 2028.

At the end of the arrangement the ownership of the buildings will pass to the Trust. Under IFRIC12 as interpreted for the public sector, the asset is treated as an asset of the Trust; the substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges.

The PFI arrangement also incorporates a managed equipment service (MES) provided by GE which expires in 2026. In the contract the legal title of equipment remains that of GE for the duration of the contract with the legal title passing to the Trust upon expiry of the MES Contract term when the Trust shall purchase all functioning MES Equipment at a price equivalent to the current net book value.

Note 25.4 Impact of IFRS treatment

The information below is required by the Department of Heath for budget reconciliation purposes	**31 March 2018 Expenditure £000s**	31 March 2017 Expenditure £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12		
Depreciation charges	**4,082**	3,990
Interest Expense	**16,176**	16,101
Impairment charge - AME	**(7,621)**	(10,233)
Other Expenditure	**25,176**	24,757
Other income - amortisation of PFI deferred income / credits	**(5)**	(5)
Impact on PDC dividend payable	**(887)**	(1,481)
Total IFRS Expenditure (IFRIC12)	**36,921**	33,129
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)	**48,734**	47,811
Net IFRS change (IFRIC12)	**(11,813)**	(14,682)
Capital Consequences of IFRS : PFI and other items under IFRIC12		
Capital expenditure	**3,011**	1,107
UK GAAP capital expenditure (Reversionary Interest)	**1,973**	1,821

Note 26 Financial instruments

Note 26.1 Financial risk management

Financial reporting standard IFRS 7 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. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. 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.

The Trust's 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 board of directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Currency risk
The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations and therefore 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. The borrowings are for 1 to 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health and Social Care (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

Credit risk
Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2018 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk
The Trust's operating costs are incurred under contracts with CCGs, which are financed from resources voted annually by Parliament . The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

Note 26.2 Carrying values of financial assets

	Loans and receivables	**Total book value**
	£000	**£000**
Assets as per SoFP as at 31 March 2018		
Trade and other receivables excluding non financial assets	17,929	**17,929**
Cash and cash equivalents at bank and in hand	11,661	**11,661**
Total at 31 March 2018	**29,590**	**29,590**

	Loans and receivables	Total book value
	£000	£000
Assets as per SoFP as at 31 March 2017		
Trade and other receivables excluding non financial assets	16,414	16,414
Cash and cash equivalents at bank and in hand	1,777	1,777
Total at 31 March 2017	18,191	18,191

Note 26.3 Carrying value of financial liabilities

	Other financial liabilities	**Total book value**
	£000	**£000**
Liabilities as per SoFP as at 31 March 2018		
Borrowings excluding finance lease and PFI liabilities	9,977	**9,977**
Obligations under finance leases	794	**794**
Obligations under PFI, LIFT and other service concession contracts	248,683	**248,683**
Trade and other payables excluding non financial liabilities	22,693	**22,693**
Total at 31 March 2018	**282,147**	**282,147**

	Other financial liabilities	Total book value
	£000	£000
Liabilities as per SoFP as at 31 March 2017		
Borrowings excluding finance lease and PFI liabilities	5,050	5,050
Obligations under finance leases	347	347
Obligations under PFI, LIFT and other service concession contracts	254,475	254,475
Trade and other payables excluding non financial liabilities	21,465	21,465
Total at 31 March 2017	281,337	281,337

Note 26.4 Fair values of financial assets and liabilities

Book value (carrying value) has been used as a reasonable approximation of fair value.

Note 26.5 Maturity of financial liabilities

	31 March 2018	31 March 2017
	£000	£000
In one year or less	**29,278**	27,365
In more than one year but not more than two years	**8,611**	5,774
In more than two years but not more than five years	**24,485**	22,312
In more than five years	**219,773**	225,886
Total	**282,147**	281,337

Note 27 Losses and special payments

	2017/18		2016/17	
	Total number of cases	**Total value of cases**	Total number of cases	Total value of cases
	Number	**£000**	Number	£000
Losses				
Cash losses	5	1	12	9
Bad debts and claims abandoned	64	5	58	1
Stores losses and damage to property	29	22	10	32
Total losses	**98**	**28**	80	42
Special payments				
Ex-gratia payments	53	98	64	124
Total special payments	**53**	**98**	64	124
Total losses and special payments	**151**	**126**	144	166
Compensation payments received		-		-

Note that there were no cases exceeding £300,000 in either year.

Note 28 Related parties

During the year none of the Department of Health and Social Care Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with St Helens and Knowsley Teaching Hospitals NHS Trust.

The Trust's Chairman, Mr R Fraser, is also the interim Chairman of Southport and Ormskirk Hospitals NHS Trust, an organisation with which the Trust does have business transactions. (For 2017/18 Income, including lead employer recharges, is c£14m, expenditure is c£1m.)

The Department of Health and Social Care is regarded as a related party. During the year St Helens and Knowsley Teaching 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. The principal entities are:

St Helens CCG
Knowsley CCG
Halton CCG
Liverpool CCG
NHS England
Health Education England
NHS Business Services Authority
HM Revenue and Customs

The Trust has also received revenue and capital payments from the Trust's related NHS charity, the Whiston and St Helens Hospitals Charitable Fund, the corporate trustees for which are also members of the NHS Trust board. Please refer to the separate Trustees Report and Accounts for this charity.

Note 29 Events after the reporting date

The Trust has nothing to report.

Note 30 Financial performance targets

Note 30.1 Better Payment Practice code

	2017/18 Number	2017/18 £000	2016/17 Number	2016/17 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	**48,888**	**162,159**	49,674	153,574
Total non-NHS trade invoices paid within target	**44,703**	**157,055**	46,828	149,842
Percentage of non-NHS trade invoices paid within target	**91.4%**	**96.9%**	94.3%	97.6%
NHS Payables				
Total NHS trade invoices paid in the year	**2,906**	**19,577**	3,063	11,962
Total NHS trade invoices paid within target	**2,723**	**18,010**	2,895	11,290
Percentage of NHS trade invoices paid within target	**93.7%**	**92.0%**	94.5%	94.4%

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 valid invoice, whichever is later.

Note 30.2 External financing limit

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

	2017/18 £000	2016/17 £000
Cash flow financing	**(10,233)**	(4,661)
External financing requirement	**(10,233)**	(4,661)
External financing limit (EFL)	**(601)**	(4,494)
Under / (over) spend against EFL	**9,632**	167

Note 30.3 Capital resource limit

	2017/18 £000	2016/17 £000
Gross capital expenditure	**9,180**	3,519
Less: Donated and granted capital additions	**(125)**	(126)
Charge against Capital Resource Limit	**9,055**	3,393
Capital Resource Limit	**9,057**	3,394
Under / (over) spend against CRL	**2**	1

Note 30.4 Breakeven duty financial performance

	2017/18 £000	2016/17 £000
Retained surplus for the year	**9,628**	15,546
Add back all I&E impairments/(reversals)	**(4,822)**	(10,763)
Adjustments in respect of donated gov't grant asset reserve elimination	**195**	78
Breakeven duty financial performance surplus	**5,001**	4,861

Due to the introduction of International Financial Reporting Standards (IFRS) in 2009-10, the Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring breakeven performance. Other adjustments are made in respect of accounting policy changes (property impairments and the removal of the donated asset and government reserves) to maintain comparability year to year.

Note 30.5 Breakeven duty rolling assessment

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Breakeven duty in-year financial performance		225	296	305	700	1,150	(2,551)	(9,551)	4,861	5,001
Breakeven duty cumulative position	2,807	3,032	3,328	3,633	4,333	5,483	2,932	(6,619)	(1,758)	3,243
Operating income		236,411	252,944	263,864	278,572	288,448	301,674	313,287	349,934	383,587
Cumulative breakeven position as a percentage of operating income		1.28%	1.32%	1.38%	1.56%	1.90%	0.97%	-2.11%	-0.50%	0.85%