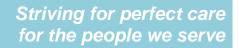


Community and Mental Health Services

# Mersey Care NHS Foundation Trust

# Annual Report 2019/20 Annual Accounts 2019/20



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Community and Mental Health Services

# Mersey Care NHS Foundation Trust

# Annual Report and Accounts 2019/20

Presented to Parliament pursuant to Schedule 7, paragraph 25(4)(a) of the National Health Service Act 2006

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Community and Mental Health Services

# Mersey Care NHS Foundation Trust

# Annual Report 2019/20

Annual Report and Accounts 2019/20

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#### FOREWORD

Welcome to our annual report for the financial year 2019/20.

This report is usually produced by the Trust to provide an opportunity for our many stakeholders to see and celebrate the many achievements, activities and performance throughout Mersey Care services as we *strive for perfect care delivered through a just and learning culture*.

This year however, whilst all of the things have been included, we also need to reflect the significant demands placed on Mersey Care and the whole of the health and social care system as a result of the COVID-19 outbreak. The uncertainty of the long-term impact on people, society and the economy as a result of COVID-19, means that it is difficult for any NHS organisation to be definitive in its planning for the next 12 or 18 months. As an outstanding organisation however, Mersey Care will work tirelessly to deliver the promise embodied in the Trust's values and our focus on continuous improvement, respect for all, enthusiasm in everything we do and accountability for our actions.

At the time of writing this annual report the NHS is in the throes of a major incident, which means they way in which we normally make decisions has needed to change. At present, all NHS organisations are subject to national, regional and local command and control arrangements which influence how we both respond to and plan for recovery from COVID-19. What is clear is that it is no longer about being able to 'cope' with the COVID-19 in the short term; nor is it solely about returning to 'business as usual' in the coming months, rather it is about *living with COVID-19*. The NHS, like the rest of society, needs to change permanently as a result of COVID-19 and the way we do things. At Mersey Care, we believe that our recovery needs to focus on business better than usual and how we develop systems and processes that allow the Trust to learn from what has worked well over the last few months. We want to embrace the learning from the pandemic and we also want our Trust to be able to continue to provide its services (sometimes in new ways) whilst maintaining the ability to 'flex' its response to further COVID-19 disease outbreaks should they occur and until a vaccine is available in sufficient quantities to ensure that we are all safe from this global virus.

Many people have been saying thank you to the NHS and key workers over the last few months and we are grateful for this recognition. We also want to take this opportunity to publically thank our staff for the hard work and dedication they have shown and continue to show as we respond and adapt to the demands of COVID-19. They, together with their friends and families, share many of the concerns and fears that we all do during these extraordinary times yet day in and day out they continue to provide care to local people. *Thank you Mersey Care staff*.

Finally, as part of our *zero suicide* ambition, and in conjunction with the Zero Suicide Alliance, we continue to work together with our thousands of partners across the UK and the world to prevent the 6,000 deaths that we see annually from suicide. We make no apology for once again making reference to this training in this foreword - please take just 20 minutes to *save a life and take the training* at <u>www.zerosuicidealliance.com</u> because to us, one life lost to suicide will always be one life too many. Thank you.



Freekl Bertie

Beatrice Fraenkel, Chairman 24 June 2020

poseph

Joe Rafferty CBE, Chief Executive 24 June 2020

# PART A – OVERVIEW

### **CHAPTER 1 – INTRODUCTION**

- 1. Mersey Care is a community mental health and physical health provider which provides a wide range of community health services across Liverpool, Sefton and Kirkby together with specialist mental health services across North West England and beyond. Our vision is to be an organisation that is *striving for perfect care and a just culture* to the people we provide services to, their carers and our staff.
- 2. For the people of Liverpool, Sefton and Kirkby we provide specialist mental health inpatient services and community physical health, mental health, learning disabilities, addiction services together with acquired brain injury services. We also provide secure mental health services for the North West of England, the West Midlands and Wales and specialist learning disability services across Lancashire, Greater Manchester, Cheshire and Merseyside. We are one of only three trusts in the country that provide high secure mental health services.
- Our teams are supported by a corporate team based at our offices in Prescot, Merseyside and Liverpool Innovation Park. Around 8,000 staff serve a population of almost 11 million people.
- 4. Throughout 2019/20 the Trust was *striving to provide perfect care and a just culture* for the people we serve and make a positive difference to the lives of service users and carers. We also aim to play a full part in the local health and social care economies we serve by promoting and driving greater integration between mental and physical health and social care. Our ongoing plans are based around four aims underpinning objectives of our strategy:
  - *Our services* we will improve the quality of our services, and strive to provide safe, timely, effective, equitable and person-centred care every time, for every service user. As we strive for continuous improvement in quality, we will also strive to find ways to save time and money;
  - b) Our people we will have a productive and high performing workforce that work in great teams, and we will work side by side with service users and carers;
  - *Our resources* we will make full use of our resources, ensuring our buildings work for us, and using technology to help improve our care;
  - d) Our future we will create opportunities for improvement and grow in the future, by working more closely with primary care and other organisations, delivering the benefits of research, development and innovation, and by growing our services.
- 5. The Trust is delivering a programme of organisational and service transformation in order to significantly improve the quality of the services we provide and safely reduce cost as we do so. We call this continuous improvement in quality and cost, striving for perfect care. We also aim to play a full part in the health and social care economies

we serve by promoting and driving greater integration between mental and physical health and social care.

- 6. In 2019/20 we set six key priorities as we *strive to provide perfect care and a just culture*, namely
  - Priority 1 reducing restraint through full compliance with the Reducing Restrictive Practice Guide by March 2020 and reducing restraints in specialist learning disability services by 20% in 2019/20;
  - b) Priority 2 Towards Zero Suicide through zero inpatient suicides in 2019/20 and by developing world leading practice guidance on reducing self harm in people with personality disorders b October 2019;
  - Priority 3 Improving the Physical Health of our mental health service users by identifying innovation in the physical health offer to mental health service users by July 2019 with implementation proposals to follow;
  - Priority 4 continuing to embed a Just and Learning Culture through developing tolls / frameworks to support restorative conversations and civility in practice so that every team can have a Just and Learning conversation;
  - e) Priority 5 zero deterioration of pressure ulcers for people within our care in 2019/20;
  - f) Priority 6 Learning from Deaths through producing a high impact plan to reduce mortality in our services, incorporating learning and best practice, by October 2019.

Details about the Trust's progress against these priorities can be found in the Quality Account for 2019/20 when it is published in December 2020.

- 7. Some of the other achievements for the Trust for 2019/20 are outlined below:
  - a) the Trust was subject to its third *Care Quality Commission (CQC) inspection*, which took place from October to December 2018. The CQC issued its inspection report at the beginning of April 2019, with the Trust being rated as *GOOD* overall. For the first time the Trust was rated a 'good' for the safety domain and also improved its score for the well led domain to 'outstanding'<sup>1</sup>;
  - b) in December 2019 the Trust opened phase 1 of *Hartley Hospital*. This is a new 40 bed acute mental health hospital and integrated community mental health hub in Southport which marks the next step in our aim to eliminate dormitory wards across the trust by 2023. This has replaced the old Boothroyd Hospital and phase 2, in summer 2020, will see the closure of the Hesketh Centre as those services transfer to Hartley Hospital, although some of these services have already transferred in April 2020 as part of the Trust's COVID-19 response, in order to create additional general acute beds capacity to treat COVID-19 recovering patients in Southport (should they be required);

<sup>&</sup>lt;sup>1</sup> Further information about the CQC's Inspection Report can be found on the Trust's website by <u>clicking here</u>.

- c) the Trust has continued to build *Rowan View*, its new 123-bed medium secure unit at the Maghull Health Park which is due to open in autumn 2020. The Trust won an award for this work at the *Design in Mental Health* awards in May 2019 for service user engagement;
- d) having secured recurrent commissioned funding to expand its *Life Rooms* social model of health, the Trust opened satellite Life Rooms provision within the South Liverpool Treatment Centre in December 2019 and within The Playhouse Theatre at the heart of Liverpool City Centre in January of 2020. The Life Rooms provide centres for learning, recovery, health and wellbeing as well as a base for our Recovery College and Social Prescribing Service. A significant development for The Life Rooms during this last year has been its expansion into a physical health offer as well as a mental health offer aimed at supporting prevention and population health. Within our Secure services we successfully launched a Life Rooms offer within Ashworth Hospital and we plan to expand this model to our brand new Medium Secure facility, Rowan View, in the coming 12 months;
- e) as a founding member of the **Zero Suicide Alliance (ZSA)** the Trust now hosts the ZSA and employs its support team. On behalf of the ZSA the Trust has negotiated a 2-year contract with the Department of Health and Social Care designed to reduce the national suicide rate and rapidly enhance mental health provision across the NHS and its associated stakeholder community. The Trust has help recruit over 500 organisations to sign up as stakeholders and through its online e-learning package, which just takes 20 minutes, has helped over 750,000 people take the training to save a life and take the training (available at www.zerosuicidealliance.com);
- f) within the *Community Services Division* examples include:
  - i) *Integrated Care Teams* have been established across Liverpool and Sefton. These teams incorporate staff from community, mental health, social care and the voluntary sector. They have improved their effectiveness by over 70% in all areas (16 teams) against a set of key areas (e.g., people, principles, processes, projects, digital),
  - ii) the Integrated Mersey Palliative Care Team (ImPACT) is a collaborative service model that has been developed which will ensure the Trust provides high quality, integrated and responsive end of life care to patients and those important to them across Liverpool, Sefton and Knowsley. The model takes a 'one team approach' with acute hospital, hospice, and community providers to work as multi-professional services. This provides a single point of access to the service and ensures the needs of patients are assessed by specialist palliative care professionals to ensure timely intervention by appropriate services. Care is coordinated using a hub approach and a single point of access, removing the need for further referrals,
  - iii) Integrated Community Nursing (ICN) Service the following
    - *Paper-Light* the ICN Service has implemented *Paper-Light* which involves the change over from paper to electronic patient records. It

maximises time for care delivery within the patient's home whilst supporting the standardisation of patient's records and since the introduction of Paper-Light the service reports a reduction in community acquired pressure ulcers,

- Recruitment the ICN Service has successfully recruited to all vacancies which contributes to the delivery of high quality patient care through the achievement of safer staffing levels and reduction in the need for bank and agency staff,
- Referral Management the ICN has streamlined its referral management processes via the more effective use of Single Point of Contact (SPC). This has reduced duplication, patient hand offs and supported the development of integration whilst ensuring all referrals receive timely and appropriate outstanding care,
- *Contacts* nearly half a million (490,000) contacts by District Nurses were made during the year 24% more than the previous year,
- iv) Children and Families Service Electronic Health Questionnaire for Year 6 Pupils - the service has ensured the completion of all Year 6 pupils' electronic health questionnaires as part of the nationally required Healthy Child Programme (HCP) contract. For the first time in 11 years, since the introduction of the HCP in 2009, School Nurses achieved contact and received feedback from 4,600 Year 6 children (97% of cohort) relating to their general / emotional health and well-being. Thematic analysis of questionnaires was undertaken to support interventions as required. 3,084 of the 4,600 (67%) also completed a survey to say they enjoyed undertaking the questionnaire in this format and its content and would participate again,

#### v) Urgent Care

- the Integrated Community Reablement and Assessment Service (ICRAS) managed 6233 step down referrals facilitating discharge form hospital and 3563 step up referrals, potentially avoiding an admission,
- *Ward 35*, based at Aintree Hospital, achieved a significant 59% reduction in falls per occupied bed days during the last 3 months of 2019/20 compared to the first 3 months,
- *Walk-in Centres* there were 141,000 attendances at the Trust's Walkin Centres, with around 20% of those being seen at Smithdown Children's Walk-in Centre,
- vi) **Specialist Services** over 40,000 items of equipment was delivered by the Community Equipment Service during 2019/20,
- vii) **Telehealth** over 2000 new installations of Telehealth during 2019/20 resulting in 107% increase in the number of patients monitored,
- viii) Pressure Ulcers the Community Division achieved 86% and 37% reductions in Category 4 and 3 serious incidents reportable through the national Strategic Executive Information System (StEIS) for pressure ulcers respectively during 2019/20 compared to previous year;

- g) within the *Local Division* examples include:
  - i) in 2019, through effective case and bed management of the Trust's mental health inpatient beds, no service user requiring an inpatient bed was transferred *out of area* for a bed (excluding psychiatric intensive care beds). In a time when it is being widely reported that mental health patients are being transported the length and breadth of the country for an inpatient bed, this is something both the Division and Trust are rightly proud of. However the Division continues to keep a focus on this each and every day in order to ensure the best care for our patients and their carers to ensure a speedy recovery,
  - ii) Community Mental Health Team (CMHT) Transformation Fund Tender Bid – the Division was successful as an early implementer for the CMHT Transformation Fund, being awarded funds for 12 months to support data, intelligence and analytics to support the evaluation of our pilot site, as well an early implementer for the Community Crisis Care Transformation Fund
  - iii) together with North West Ambulance Service NHS Trust (NWAS), the Local Divisions host a *mental health response car* operating across Merseyside. This is on top of the *mental health triage car service* operated by the division with Merseyside Police over the last few years and the more recent car service established with the British Transport Police and Merseytravel,
  - iv) our *Brain Injury Rehabilitation Unit (BIRU)* provides cognitive, emotional, behavioural and physical rehabilitation to adult individuals who have experienced a moderate to severe acquired brain injury after the age of 18 years. BIRU provides evidence based, person centred, specialist brain injury assessment and rehabilitation which led to the unit obtaining Headway accreditation. Headway accreditation is recognition of the quality provided and demonstrates commitment to continuous service improvement and ensuring a workforce skilled in working with people who have sustained a brain injury. The *Headway Approved Provider* scheme provides an accredited sign of quality by assessing services on six standards, which include:
    - culture,
    - systems and processes,
    - workforce development,
    - service delivery,
    - governance, leadership and management, quality and
    - environment.

To become accredited the unit had to undergo a robust and detailed onsite inspection, including an unannounced interim review. Every two years the accreditation is reviewed by headway. In the most recent interim review (December 2019), the unit scored good-excellent in one domain, and excellent in all other domains (five domains). BIRU is the only NHS brain injury rehabilitation unit in the UK with this status;

- h) within the Secure and Specialist Learning Disabilities Division examples include:
  - in October 2019 the *amalgamation of the Secure Division and the Specialist LD Division* into a single division was initiated under the leadership of a new single Chief Operating Officer. This has involved the review and streamlining of the senior leadership teams together with the governance and assurance systems for this new division;
  - ii) in April 2018 the Trust took over the *mental health services in HMP Liverpool* at a time when the Care Quality Commission (CQC) and HM Inspectorate of Prisons (HMIP) had both published negative reports about the prison, and it was under the national spot light. The HMPIP and CQC re-inspected in August / September 2019 and the outstanding work of the mental health team in the prison was recognised with very positive comments reflecting the excellent contribution from the mental health services in the prison,
  - iii) the PROSPECT Partnership, where the Trust is the Lead Provider of this New Care Pilot which helps inform NHS England's commissioning intentions in respect of local mental health secure commissioning, went live on the 1 July 2019. The Partnership has secured £1.2m annually for 18 months from NHS England for a specialist forensic community team for Cheshire and Merseyside. This community team will be in place in 2020/21 and will provide an enhanced community service, including a housing offer, to support the flow of patients out of secure services,
  - iv) support provided by the Division to the *Breightmet Centre for Autism*, an 18-bed service for men and women owned by ASC Healthcare Limited that offers assessment, care and treatment to people with autism and/or a learning disability in Bolton, which had its CQC registration removed.
     Following an urgent appeal for assistance from NHS England / Improvement the Trust took on the CQC registration for this service, the Division providing the leadership and operational support to maintain this service so as to ensure the safety of patients – further details are available in paragraphs 339 to 343 below,
  - v) at the request of NHS England a *security audit* was undertaken in October 2019 at Ashworth Hospital using self-audit methodology with oversight by the Government Internal Auditor. The outcome from the audit was substantial compliance with the overall hospital security framework of governance, risk management and control being adequate and effective. This is the highest rating that can be achieved and the feedback from the auditors was extremely positive;
- i) within our Corporate Services examples include:
  - i) our occupational health team, which is a joint service with North West Boroughs Healthcare NHS Foundation Trust, was in April 2019 was successful in renewing its accreditation with SEQOHS (Safe Effective Quality Occupational Health Services) and the service continues to monitor and review its provision to ensure it is proactive and accredited to support staff, managers and the organisation;

- ii) our *communications team* has won the following awards in recognition of the work it does on behalf of the Trust:
  - Public Sector Content Campaign of the Year, UK Content Awards,
  - Forward Healthcare Awards *Excellence in Communication and Engagement*,
  - The International Brand Film Awards Silver for our film Sarah's Story;
- iii) our **organisational effectiveness and learning team** was shortlisted for two HPMA awards this year:
  - *Excellence in Organisational Development* for the ongoing support provided to HM Prison Liverpool,
  - *Excellence in Employee Engagement* for the implementation of the Culture of Care Barometer, providing a way routinely measuring staff experience and using the results to directly impact on patient care;
- iv) our *human resources team* has continued to improve the Trust's people practices, including
  - in partnership with staff side colleagues and operational managers the team developed Supporting Just and Learning Culture a four step process for managing our people processes in a supportive way using restorative approaches to supporting staff and managing people practices in a supportive way. The four step process is the intellectual property of the Trust and Northumbria University and in collaboration now provide a four day accredited programme on Transforming Organisational Culture Principles and Practice of Restorative Just Culture' which is being delivered to the wider NHS<sup>2</sup>,
  - the Just and Learning approach has continued to see the trust's employee relation activity reduce, in 2019/20 by 83%. The Trust's work has been shared extensively in a number of national NHS England / Improvement and NHS Resolution best practice guidance. The trust has also developed and shared two e-learning resources on Restorative Just Culture which are available on the Trust's website by <u>clicking here</u> and also by <u>clicking here</u>,
  - the Respect and Civility Group launched the Trust's *Civility and Respect Framework* in June 2019, aligned to the Trust's values, fostering and supporting civility in practice. The Group where a finalist for the HPMA North West Awards for *We Improve the Culture* and have also shared their work through the Social Partnership Forum as best practice,
  - the Trust was proud to receive approval from the Bergen Bullying Group on their internationally recognised and validated Negative Acts Questionnaire and this was conducted within the Trust in July and August 2019. The Trust received a well-respected return rate, the analysed results culminating with divisional plans now being in place,

<sup>&</sup>lt;sup>2</sup> Details about this programme can by found on Northumbria University's website by <u>clicking</u> <u>here</u>

- in this year's national staff survey results the Trust was extremely
  proud to move to a joint first position, seeing a statistically significant
  improvement in relation to the reporting of harassment or bullying in
  work. A great achievement and recognition of the work of the Respect
  and Civility Group, particularly highlighting the important role of the
  bystander through the tool/ framework and the #IWillSpeakUp
  campaign,
- at the beginning of this financial year the Team also developed a Workforce Dashboard to provide the clinical divisions with detailed information to support Operational Management Group meetings - this format has also been welcomed by both Liverpool and South Sefton Clinical Commissioning Groups,
- over the last 12 months, the Trust's recruitment team have worked in collaboration with operational managers in hosting a large number of recruitment events which has been extremely well received by all divisions. To further support a more strategic approach to recruitment and drive further improvement the trust has established a Recruitment and Retention Group to support our workforce plans now and in the future and to enable the trust to achieve its ambition of values based recruitment for every interview by March 2021, improve levels of BAME recruitment across the organisation so that our workforce is, as a minimum, representative of the communities we serve, and improving recruitment practices and process,
- in January 2020 the Trust secured funding from NHS Improvement to support the Roster Team with the implementation of the cloud based Health Roster System which will support the deployment of staff in a more efficient and effective way.

## **CHAPTER 2 – RISK MANAGEMENT**

- 8. Risk management enables individuals and the Trust as a whole to deal competently with all key risks, clinical and non-clinical, providing confidence that the Trust will achieve its objectives. Mersey Care's Board of Directors has overall responsibility for:
  - a) ensuring robust systems of internal control are in place and are appropriately resourced;
  - b) encouraging a culture whereby risk management is embedded across the Trust;
  - c) routinely considering risks and collectively being assured that risks are being effectively managed;
  - d) through its plans, set out its appetite and priorities in respect of the mitigation of risk when delivering a safe and high quality service.
- 9. The Board of Directors and its supporting Board committees are detailed in the Annual Governance Statement (see Chapter 16).
- 10. The Medical Director is the Executive Lead for risk management, supported by the Director of Patient Safety and a dedicated risk manager who are responsible for implementing effective systems and processes of risk management across the organisation including the identification, management and monitoring of risks; and providing reports, information and training as appropriate.
- 11. As well as the Board of Directors, other senior Trust staff, managers and individual staff members, clinical leads and other senior managers, are responsible for ensuring that they engage with risk management objectives in order to ensure that their clinical and managerial responsibilities for risk management are met.
- 12. Risks that were listed in the Board Assurance Framework as at March 2020 are shown in the following table and the Board Assurance Framework (March 2020) in the Annual Governance Statement further on in this document. Embedding risk management as a core activity within the organisation is achieved through multiple systems and processes and 2019/20 has seen:
  - a) approval by the Board of Directors of a revised Risk Management Strategy in January 2020;
  - b) increased use of tagging and grouping of risks on the system to identify trends and themes;
  - c) improved standardisation of the Safety Huddle Model across the Trust, based on a "deep dive" review of risks;
  - d) piloting of the (Impact x likelihood) risk review of incidents in the Local Division;
  - e) improved alignment with the Strategy Team to align the Board Assurance Framework risks for 2019/20 and developing the risks for 2020/21 to the Trust objectives noted in the Operational Plan;

- the Risk Management Group continuing to meet on a monthly basis, considering risks from teams / divisions, liaising with them and reporting to the Board Committees on these risks (and through these Board Committees to the Board of Directors);
- g) ongoing work to improve the monthly risk report, with better visual tracking of the risk score and risk trends across the Trust.
- 13. The continued development of the Board Assurance Framework has enabled the Trust to systematically identify, record and action the key risks it faces in relation to the achievement of its overarching strategic objectives. An opinion on the assurance framework has been provided by the Head of Internal Audit at Mersey Internal Audit Agency. The opinion (review) states that:
  - a) "structure the organisation's Assurance Framework is structured to meet the NHS requirements
  - b) engagement the Assurance Framework is visibly used by the organisation
  - c) quality and alignment the Assurance Framework clearly reflects the risks discussed by the Board'.
- 14. The Board Assurance Framework discussed by the Board of Directors at its meeting in March 2020 can be found in Table 16 (see paragraph 315 of Chapter 16 Annual Governance Statement.

# **PART B – PERFORMANCE REPORT**

#### **CHAPTER 3 – EXECUTIVE PERFORMANCE REPORT**

- 15. The Executive Performance Report provides the Board of Directors and Board Committees with high level information relating to Trust performance across a number of key areas.
- 16. The Trust's Strategic Priorities for 2019/20 are related to the underpinning objectives linked to the strategy which are to improve the quality of our services, and strive to provide safe, timely, effective, equitable and person-centred care every time, for every service user.
- 17. The breakdown of the key areas is:
  - Regulatory this includes information relating to the Trust's compliance with Care Quality Commission requirements and performance against indicators in NHS England's and NHS Improvement's NHS Oversight Framework;
  - b) Our services this looks at saving time and money and improving quality (safe, timely, effective, equitable, efficient and patient centred);
  - c) Our people this looks at whether we have great managers and teams, a productive workforce with the right skills and the extent to which we are working side by side with service users and carers
  - d) Our resources this looks at our investment in technology to help us provide better care and ensure that we have buildings that work for us;
  - e) Our future this includes measures that show the benefits of research and innovation, our progress in growing our services and how we work effectively with primary care and other organisations.
- 18. The Executive Performance Report provides the Board of Directors and Board Committee members with information about the Trust's performance. The Executive Performance Report is a standing item on the agendas of the:
  - a) Board of Directors;
  - b) Performance, Investment and Finance Committee chaired by a Non-Executive Director and reporting to the Board of Directors;
  - c) Quality Assurance Committee chaired by a Non-Executive Directors and reporting to the Board of Directors;
  - d) Executive Committee chaired by the Chief Executive and reporting to the Board of Directors.
- 19. A summary of the performance issues facing the Trust is also shared with the Council of Governors through a report to each of their meetings.

- 20. The Executive Performance Report is supported by a number of detailed documents and considered at other meetings:
  - a) performance is regularly reviewed at the Operational Management Groups (which oversee the delivery of the Trust's clinical services) that report to the Executive Committee, a committee of the Board. Reviews identify areas of performance improvement and actions either required or being undertaken to achieve targets;
  - b) each of the three clinical divisions within the Trust is subject to a Quarterly Performance Review, a quarterly meeting with executive level membership, where performance is both presented and scrutinised. The group's primary purpose is to provide assurance on the delivery of all aspects of operational, quality and financial performance, alongside risks and mitigating actions affecting the organisation. Additionally, service-specific deep dives are undertaken in order that the group gains a comprehensive understanding of all aspects of service delivery performance requirements
- 21. As **Table 1A** shows, during 2019/20 Mersey Care in its Mental Health, Secure and Specialist Learning Disability Services provided care, treatment and support to 40,871 service users, broken down as follows for each of the following three clinical divisions

# Table 1A: Number of Service Users – Local, Secure and Specialist Learning Disabilities Divisions – 2019/20

Clinical Division	No. of Service Users
Local Services Division	37,125
Secure & Specialist Learning Disability Division	3,746

22. As **Table 1B** shows, during 2019/20 Mersey Care in its Community Services Division received 162,814 distinct referrals, broken down as follows for each geographical area.

#### Table 1B: Number of Referrals to the Community Division, 2019/20

Community Services Division	No. of Referrals
South Sefton services	41,844
Liverpool services	120,970

23. During 2019/20 Mersey Care provided services from 130 sites (freehold - 81, Leasehold – 49) and, as at 31 March 2020, had 765 inpatient beds. The Trust also had 1,933,534 outpatient attendances, community contacts or domiciliary visits. A breakdown of this activity by service line is provided in the **Table 1C** below.

Service line	Activity Type	2019/20
Adult mental health services	Outpatient	7,499
Addit mental health services	Community	216,090
Assessment services	Outpatient	-
Assessment services	Community	29,428
Complex care services	Outpatient	2,594
Complex care services	Community	95,660
Specialist convises	Outpatient	1,383
Specialist services	Community	58,490
	Outpatient	-
Low secure services	Community	2,763
Medium secure services	Outpatient	-
wedium secure services	Community	1,498
Offender health	Outpatient	-
Ollender health	Community	4,198
Community Division	Outpatient	141,862
(South Sefton)	Domiciliary	250,862
Community Division	Outpatient	619,312
(Liverpool)	Domiciliary	498,434
Other service lines	Outpatient	141
Other service lines	Community	3,320
Total		1,933,534

#### Table 1C: Outpatient, Community Contacts, Domiciliary Visits by Service Line, 2019/20

- 24. The Trust has a performance management system that measures performance monthly against the Trust's key strategic objectives, which ensures that the risk management processes are embedded. Alongside these reports and the regular quality reports, the Trust also produces regular comprehensive risk reports.
- 25. Further information on the Trust's performance against the NHS Oversight Framework can be found in Chapter 15, with a list of the strategically significant risks available in Table 16, (paragraph 315 of the Annual Governance Statement).

Joseph Alefter	24 June 2020
Joe Rafferty CBE	Dated
Chief Executive	

## **CHAPTER 4 – ENVIRONMENT & SUSTAINABILITY**

#### **Sustainability and Carbon Management**

- 26. The Trust has developed a Sustainable Development Management Plan (SDMP) and an associated delivery plan that has been approved by the Board of Directors.
- 27. Through the implementation of the SDMP a more holistic view of the Trust's carbon footprint will enable an extension of the carbon reductions beyond just energy consumption but into areas such as business travel by road, in order to meet national NHS carbon reduction targets.
- 28. As can be seen by **Table 2B** below this year has seen a slight increase in carbon emissions relating to Scope 1 and Scope 2 emissions from the previous year, this is likely to be attributable to the construction of 2 new build developments and the requirement for double running. Once the new builds are fully operational and the old properties disposed of there should be a reduction in consumption levels which should be seen next year.
- 29. It is recognised that there is a need for significant capital investment in carbon reduction projects going forward if the Trust is to maintain the momentum needed to achieve the increasingly tough targets being imposed throughout the NHS.
- 30. **Table 2A** provides a summary of the carbon emissions for the past 5 years as compared to the base line year is provided below

Carbon Emissions (electricity & gas) - CO <sub>2</sub> e tonnes							
2009/10 (Base Year)							
11,222	11,222 9,748 9,835 8,684 6,894 7,220 <b>8,038</b>						

#### Table 2A: Summary of Carbon Emissions over 5 Years compared to the Baseline

31. The energy consumption and carbon emission figures for the current year along with a comparison of the previous year are detailed in the **Table 2B** below.

#### Table 2B: Energy Consumption & Carbon Emission Figures (2018/19 – 2019/20)

Greenhouse Gas Emissions Indicator		Consumption <i>(MWh)</i>		Emissions (CO <sub>2</sub> e tonnes)	
		2018/19	2019/20	2018/19	2019/20
Scope 1 (Direct) Emissions - gas consumption		24,876	27,349	4,576	5,028
,	Scope 2 (Indirect) Emissions - electricity consumption		11,775	2,643	3,010
			Distance Travelled (Miles)		ssions <i>tonnes)</i>
		2018/19	2019/20	2018/19	2019/20
Scope 3 – official business travel	Air travel	119,868	72,383	20.82	11.55
emissions	Road travel	3,989,514	5,262,909	1,078.70	1,413.87
	Rail travel	239,573	215,116	17.35	14.50

- 32. Emissions related to road travel have increased dramatically (by some 128%).
- 33. However, it should be noted that travel by means of Hybrid or Electric vehicles has increased from 18,000 miles in 2018/19 to 67,000 miles in 2019/20. This increase in mileage from hybrid / electric vehicles demonstrating the switch by the trust and its staff to more sustainable modes of transport away from the traditional diesel or petrol powered vehicles.
- 34. Furthermore, the patient transport fleet have introduced five new fully electric vehicles over the past year replacing its old diesel powered vehicles.
- 35. The Trust has worked with the Energy Saving Trust who performed a review of its grey fleet mileage and has made a number of recommendations that should help manage and reduce road travel emissions and these will be embedded within the SDMP during the next financial year.
- 36. Emissions related to Rail travel and Air travel have decreased significantly from the previous year.

#### Table 2C: Financial Indicators for Energy (2018/19 – 2019/20)

Financial Indicator for Energy	2018/19	2019/20
Cost of Scope 1 & Scope 2 consumption (£)	2,971,980	2,608,802

- 37. Capital Projects successfully implemented in the current year have included the construction of brand new hospital buildings at Southport and Maghull both achieving a BREEAM 'Good' standard and incorporating the latest energy saving technology.
- 38. Through the Backlog Maintenance budget further energy saving schemes have been completed during this year including boiler replacements and various other associated plant and equipment upgrades across the Trust's estate.

#### Water Consumption and Management

- 39. The Trust in considered a major user of water for domestic purposes and as such the Trust aims to manage its water consumption in the most responsible and sustainably ways possible.
- 40. Water consumption is being continually monitoring across all Trust sites and night usage baselines established and wherever practical reduced or removed in order to eliminate unnecessary water usage.
- 41. **Table 2D** shows that water consumption for the current year has shown a decrease on the previous year.

Finite Resource Consumption Indicator	2017/18	2018/19	2019/20
Water consumption (m <sup>3</sup> )	153,986	172,464	151,530
Total expenditure – Water (£)	738,401	871,313	674,718

#### Table 2D: Water Usage & Costs (2017/18 – 2019/20)

#### Waste Management

- 42. The Trust currently has an integrated waste and recycling contract across all of its sites, operated by independent waste contractors. The general waste stream is comingled and separated out into recyclable fractions at an off-site material recovery facility (MRF). By placing all non-clinical waste streams into a single general waste bin, it is easier to engage both service users and staff in recycling activity. Over 93% of general waste collected from Trust sites is now sent for recycling or energy recovery (via incineration). As a result of this service, the Trust has seen significant increases in the levels of waste recycled year-on-year and proportionately less waste sent to landfill.
- 43. The generation of clinical and hazardous wastes by the Trust necessitates the commitment of significant financial resources to ensure statutory responsibilities are met. As a result we are working towards moving wastes up the waste hierarchy and placing more emphasis on the prevention of waste and increasing reuse and recycling. Where it is not possible to recover resources, landfill and incineration without energy recovery are viewed as a last resort option. By considering the life cycle of materials in such a way, the Trust will in turn reduce its carbon footprint and maximise cost savings.



MOST PREFERRED OPTION

LEAST PREFERRED OPTION

#### Table 2E: Waste Management (2017/18 - 2019/20)

Waste minimisation and	2017/*	18	2018/19		2019/2	2019/20	
management indicators (tonnes)	Tonnes	%	Tonnes	%	Tonnes	%	
Waste recycled/reused	213	32	242	34	346	32	
Waste incinerated (clinical waste)/energy from waste	430	65	468	65	726	67	
Waste to landfill	16	3	4	1	11	1	
Total waste arising (tonnes)	659	100	714	100	1,083	100	

#### Table 2F: Cost of Waste Management (2017/18 – 2019/20)

	(		
Financial indicators on waste	2017/18	2018/19	2019/20
Cost of waste incinerated/energy from waste (clinical waste)	£33,285.30	£44,484.02	£52,653.04
Total expenditure on waste arising	£168,858.09	£170,881.36	£205,052.23

- 44. Although overall waste volumes and expenditure have increased in the last year, this is largely attributed to the large-scale clearances of older building stock before moving into new premises. Also during this period, the Trust has also continued to grow its services following the acquisition of the former Liverpool Community Health NHS Trust, hence marginal increases across all waste streams.
- 45. Challenges remain in minimising the overall production of waste at source and reducing the amount of non-clinical waste being disposed of through clinical waste receptacles. Audits covering all aspects of waste are periodically undertaken across the Trust to ensure the appropriate segregation is happening and suitable receptacles are in place.
- 46. Emphasis in the last year has been placed on the sorting of waste at source where possible. Although this has not reduced the overall volumes of waste, it has reduced the volumes of residual waste and tonnages landfilled to less than 1%. Newly agreed contracts for the forthcoming financial year will look again to reduce residual and incinerated waste tonnages and strive to improve reuse and recycling rates. A by-product of this should facilitate some cost savings across all waste streams in the forthcoming 12 months.

## **CHAPTER 5 – EQUALITY AND INCLUSION**

- 47. Equality and inclusion continue to be an important element for Mersey Care in its provision of services to the people we serve and for the people it employs. The expansion of Mersey Care, as a result of taking responsibility for Liverpool and South Sefton's community physical health services over the last two years, has led to the Trust developing and engaging on a new strategic approach to embedding equality and inclusion across everything the Trust does.
- 48. Our strategy has identified the following equality objectives for 2019 to 2021:
  - a) to improve year on year the reported employee experience for protected groups;
  - b) to embed high quality analysis through the use of data into the design, delivery of services including our decision-making processes;
  - c) to reduce health inequalities for protected groups by improving access to all services (includes accessible information standard);
  - d) to improve year on year the reported patient / service user experience for protected groups.
- 49. In order to deliver these equality objectives the Trust identified the following equality milestones and key measures for 2019/20:
  - a) delivering an Equality and Inclusion Action Plan to improve experience for staff and service users by March 2020;
  - maintaining a focus on the recording of protected characteristics within our clinical services, with a particular focus on Community Division where there is a lower baseline position;

- c) commissioning health needs analysis, reporting by October 2019, focussing on access, experience and outcomes for people who share protected characteristics within our services to allow the development of a focussed improvement plan;
- d) improving equality, diversity and inclusion staff experience to above average levels for 2019/20, as measured by the national staff survey;
- e) improving the five workforce race equality scheme key questions, as measured by the national staff survey by March 2020.
- 50. Progress against delivery was monitored by the Equality & Inclusion Group, which reports to the Board of Directors via the Quality Assurance Committee. The Group is chaired by a Non-Executive Director (Aislinn O'Dwyer). The Board of Directors receives a number of key equality driven performance reports within its routine business alongside equality and inclusion specific reports.

#### **CHAPTER 6 – COMPLAINTS AND COMPLIMENTS**

- 51. The Trust uses learning from complaints and compliments as a further means of measuring performance. From 1 April 2019 to 31 March 2020, a total of 209 formal complaints were received, compared with 338 for the same period in 2018/19. Overall the Trust has seen a reduction of approximately 38% in the number of complaints received during 2019/20 which continues to reflect the work undertaken with our services on learning from complaints, addressing themes and trends and working closely with the Patient Advice and Liaison team to resolve concerns quickly without the need for formal investigation.
- 52. As a Trust, we welcome all types of feedback. This enables us to continually improve our services for the communities which we serve. We recorded 1,723 compliments in 2019/20 through a mix of verbal, written and face to face from service users, carers, families and external organisations. This figure has increased from 2018/19 when we recorded 1,405 compliments. It has now been made accessible for all teams to log compliments on Datix and the complaints team have encouraged wards/teams to ensure all positive feedback is recorded.

#### **CHAPTER 7 – FREEDOM TO SPEAK UP**

- 53. Oversight and assurance in respect of the Trust's Freedom to Speak Up (FTSU) activities is undertaken by the Audit Committee, reporting to the Board of Directors (each receiving a bi-annual report on FTSU activities). The Lead Non-Executive Director overseeing FTSU is the Senior Independent Director (Gerry O'Keeffe). The Lead Executive Director is the Executive Director of Communications, Corporate Governance and Estates, supported by the Director of Patient Safety who oversees the FTSU Guardians.
- 54. A small team of FTSU Guardians are now employed by the Trust, each working parttime, who provide cover across the Trust. They work closely and flexibly together across services to meet staff shift patterns and working arrangements. The FTSU Guardians visit staff on and off Trust premises and, when required, provide unsocial

hours cover. The FTSU Guardians work closely with the Just and Learning Culture and Respect and Civility programmes.

- 55. In 2019/20 a total of 129 concerns have been raised by staff via the FTSU process. The majority of staff speaking up have either done so in confidence or 'owned' (i.e. they have identified themselves).
- 56. The issues raised were from staff across the Trust, divisions have had shared issues of concern but also specific ones related to their own services. The following number of concerns were raised by each division in 2019/20::
  - a) Community Division 54;
  - b) Corporate Division 20;
  - c) Local Division 36;
  - d) Secure and Specialist Learning Disability Division 19.
- 57. Whilst the majority of cases are reviewed and effectively dealt with by the FTSU Guardians to the satisfaction of the staff raising them, there have been cases where it has been necessary for an independent review to be commissioned. These are cases that are complex and have involved:
  - a build up of concerns were raised with the FTSU Guardian from a single service which related to the management of staff and the perceived lack of support, bullying and stress experienced. The review has been completed, shared with staff and improvement actions are being implemented;
  - b) a concern was raised with the Trust's Chief Executive expressing a concern that data regarding the use of restraint was being manipulated to look more positive than it was. The letter also raised concerns that trainers currently facilitating sessions on personal protection were not qualified to do so. An independent review was conducted which concluded that the concerns raised were not upheld and that the processes used were identified as being appropriate. The person who raised their concerns was thanked for raising them with the organisation;
  - concerns had been raised by a whistle-blower regarding the safety of an inpatient unit. An independent review has been completed and shared with the ex-member of staff raising their concerns and the division's senior leadership team. An action plan is in place and its implementation is being monitored by the division's governance structure;
  - an anonymous concern was raised about alleged abuse to an individual patient. This concern was initially made to the Care Quality Commission (CQC) and shared with the Trust. An independent report was commissioned in association with safeguarding, key concerns raised were upheld and remedial safety/quality measures put in place. A response was provided to the CQC.

- 58. The underpinning themes that have emanated from staff raising FTSU concerns have included:
  - a) communication, i.e., staff feeling they are not being listened too;
  - b) poor response times and consistency, i.e., staff feeling that Trust policies and procedures are not consistently applied;
  - c) bullying and lack of respect shown;
  - d) lack of confidence in management;
  - e) staff feeling unsafe;
  - f) patient safety concerns.
- 59. Reviewing the first full three years of FTSU data indicates that staff are increasingly using the FTSU service for employment concerns issues rather than patient safety issues. This is also a national issue, with FTSU Guardians in many other organisations supporting and working with staff who have concerns that relate to perceived unfairness, injustice and employment issues.
- 60. A business case has been developed to maintain and enhance the current staffing structure of the FTSU Team. The bid has requested further permanent funding to raise the number of FTSU Guardians to two whole time equivalents with funding for administrative support.
- 61. It is worth noting that some staff are very supportive of the service and have shared their feelings, please see recent example below:
- 62. "Many thanks for your help with this matter. You listened, advised and were sympathetic towards the situation. You also gave realistic possible outcomes. The service is invaluable as it feels like someone is actually listening and not being passed from pillar to post. I was impressed with the way follow up emails and calls were done as it can often feel like you chase people for help. I have recommended the service to colleagues as it is quite obvious a lot of people don't know what the service actually offers."
- 63. The FTSU Guardians can meet with the Chief Executive at short notice to raise a concern if it is felt this level of intervention is required. They can also escalate any concerns to the Non-Executive Director Lead and / or the Executive Lead for FTSU for intervention and oversight.
- 64. In order to promote speaking up positively the FTSU Guardians visit wards and teams formally and informally during training sessions, team meetings, and reflective practice sessions to raise awareness of their role, discuss any concerns they may have and to gain an understanding of the general experiences of staff on those departments. The FTSU Guardians vary theses visits between both day and night shifts to increase visibility.
- 65. The Trust is continuing to implement the actions that were included in the independent report that was conducted during 2019 into the management of FTSU within the Trust. As part of this process two team away days have been externally

facilitated with a focus on creating a team approach and understanding referral pathways and how FTSU Guardians link in with other services to create a more seamless approach to answering the questions and concerns of staff.

- 66. The FTSU Guardians and Associate Director of Nursing review the number and type of issues raised via the FTSU process. These are shared via the new FTSU Governance Group which also has workforce, staff side and clinical colleagues as members. Issues raised are triaged with other related data and appropriate improvement action put in place.
- 67. The FTSU Guardians continue to work closely with the Just & Learning Committee to dovetail FTSU and just and learning messages. Some staff have said that have experienced detriment due to them raising their concerns. The negative experiences of staff associated with them raising concerns are raised at a senior level within the Trust and actions taken to stop /minimise this occurring.

### CHAPTER 8 – EMERGENCY PREPAREDNESS, RESILIENCE AND RESPONSE (EPRR)

- 68. The Trust ensures that robust arrangements are in place to prepare for, respond to and recover from any incidents and emergencies that threaten health and patient safety within the services it provides.
- 69. The Trust's EPRR Framework focuses on the compliance with the following statutory requirements which are underpinned by the Civil Contingencies Act 2004:
  - a) assess the risk of emergencies occurring and use this to inform contingency planning
  - b) put in place emergency plans
  - c) put in place business continuity management arrangements
  - d) put in place arrangements to make information available to staff, service users and where appropriate the public and maintain arrangements to warn, inform and advise in the event of an emergency
  - e) share information with other local responders to enhance co-ordination
  - f) cooperate with other local responders to enhance co-ordination and efficiency
- 70. During 2019/20, the Executive Director of Nursing and Operations was delegated authority to act as the Trust's Accountable Emergency Officer and was supported by the responsible Associate Director of Nursing.
- 71. The Trust has a Board approved Major Incident Plan together with particular incident response plans and business continuity plans, which are regularly exercised. The Trust has developed and agreed and EPPR strategy that focusses on enhancing the governance and oversight of business continuity planning by strengthening the capacity of the central EPPR team.
- 72. The Trust's EPRR Framework is subject to the NHS England core standards assurance process on an annual basis. Following last year's process, NHS England

provided positive feedback regarding Mersey Care NHS Foundation Trust's arrangements.

- 73. The Trust contributes to the health sector's multiagency planning via the Local Health Resilience Partnership.
- 74. Since March 2020 the Trust has activated its major incident plans in response to the COVID-19 outbreak, which has been declared as a major incident across the whole of the NHS and our principal multi-agency partners. At the time of writing this annual report, the Trust is still heavily engaged in both our own response, which is leading to the rapid introduction of new ways of working across the whole of the organisation, together with working with NHS and social care partners not only across Liverpool, Sefton and Knowsley, but also across Cheshire and Merseyside through the work of the Out of Hospital Call (which is chaired by our Chief Executive) and the Hospital Cell. Information about the Trust's response is regularly communicated to our staff and partners, as well as through regular reporting to the Board of Directors and the Council of Governors.

## **CHAPTER 9 – FINANCE DIRECTOR'S REPORT**

#### Summary

- 75. The financial year has seen the Trust build on the strong financial performance of previous years with turnover increasing to £409.7 million. The 2019/20 financial plan was delivered successfully whilst positively responding to key areas of risk and seeking to effectively enable strategic plans across front line clinical services and corporate support functions.
- 76. Delivery of the financial plan has been achieved whilst seeking to maximise capacity for new investments to enhance service user and our staff experience and continue to improve quality of care. Those investments have been supported whilst delivering a financial surplus of £5.9 million for the year.
- 77. The Finance and Investment Strategy has been developed during the year that describes how the Trust will seek to align investment in support of our commitment to clinical excellence, prevention and integration over the next 4 years

#### **Financial Overview**

- 78. In 2019/20, the Trust has delivered a £5.9 million surplus and a Use of Resources rating of 1. The financial position has been supported by £409.7 million operating income, which included a £3.7 million Provider Sustainability Fund allocation. The £5.9 million surplus reflected an improvement against the NHS England and Improvement control total of £4.3 million.
- 79. The financial year has seen significant levels of investment across clinical services. Most notable has been the investment in the development of Integrated Community Teams and the quality improvement journey of community services in Liverpool.

- 80. A strong cash position has been successfully managed during the year with a balance of £50.8 million at 31<sup>st</sup> March 2020. This was after trust capital investments of £48.9 million to support digital developments and the development of our building estate.
- 81. The financial impact of the Trust response to COVID 19 has been managed in line with national guidance with all costs reimbursed in full by NHS England and Improvement. The cost of COVID 19 reported in the accounts for 2019/20 is £1.0 million.
- 82. The Trust successfully delivered a £6.7 million cost improvement programme during the year whilst effectively managing key financial risks associated with elements of the programme. Financial risks highlighted in the plan relating to the cost of medical staffing and drugs have also been mitigated in full during the year with recurrent plans developed that will see costs recover over the next couple of years.

#### **Capital Investments**

83. If the Trust manages resources effectively it will generate a surplus. This surplus can be carried forward year on year and used to invest in capital. Capital expenditure in 2019/20 totalled £48.9m and included the following key areas of investment as shown in Table 3A below.

Scheme	Description	Capital Investment £m
Rowan View	New medium secure facility based at Maghull Health Park	28.7
Hartley Hospital	New mental health facility at the existing Boothroyd Mental Health Unit site.	5.3
Global Digital Exemplar	Delivering improvements in the quality of care, through the world-class use of digital technologies and information.	3.6
Macauley Ward	Refurbishment of this high secure ward.	3.6
Upgrades to the IT infrastructure	Enhancements to the core digital network	1.2
Low Secure Unit	Development of a business case for new Low Secure Unit.	0.5
Expansion of Norris Green Hub	Development of the community services hub at Norris Green, Liverpool	0.5

#### Table 3A: Capital Expenditure in 2019/20

## **Operating Income**

84. The Trust received income of £409.7m in 2019/20 which was generated from a number of sources as set out in **Figure 1** below.

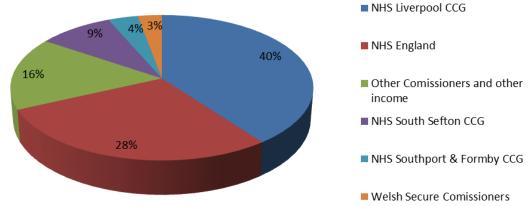


Figure 1: Analysis of Trust Income for 2019/20

#### **Operating Expenditure**

85. The Trust has utilised the operating income received to fund the cost of services provided along with essential investments to support service developments. The major areas of cost are summarised in **Figure 2** below with the majority of the trust's costs relating to staff.

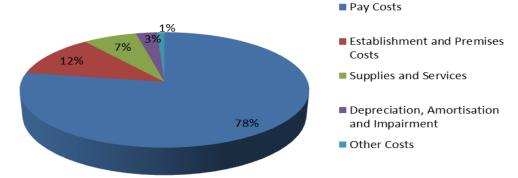


Figure 2: Analysis of Trust Expenditure for 2019/20

#### **Better Payments Practice Code**

86. The Better Payments Practice Code (BPPC) requires the trust to pay a minimum of 95% of all NHS and non-NHS invoices within 30 days of receipt of the goods or valid invoice. **Table 3B** provides a summary of the Trust's performance for 2018/19.

#### Table 3B: Performance against the Better Payment Practice Code 2019/20

	Invoices Paid				
	Within 30 days		Outside 30 days		
	Number	%	Number	%	
NHS	2,900	96.0	122	4.0	
Non NHS	58,139	98.9	638	1.1	

87. During 20/19/20 the Trust made payments of £0.005m under the late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015.

#### **Prompt Payments Code**

- 88. The Prompt Payment Code is a payment initiative developed by Government with the Institute of Credit Management (ICM) to improve liquidity for small businesses.
- 89. The Trust has signed up to the code and is committed to pay all invoices relating to small and medium businesses and individuals within 10 days.

#### **Going Concern**

- 90. The Board of Directors have considered the key issues and risks to support the preparation of these accounts on a going concern concept.
- 91. The Board of Directors have found that there are no material uncertainties that may cast significant doubt on its ability to continue as a going concern. There is a reasonable expectation that the trust has adequate resources to continue in operational existence for the foreseeable future with no necessity of liquidation or ceasing operations. Accordingly, the Trust's assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business.

#### **Trust Auditors**

92. The Trust's external auditor is Grant Thornton UK LLP. They provide audit services in relation to the statutory audit duties as required by the Department of Health and Social Care in providing an independent audit opinion. The audit fee received for work carried out during 2019/20 on the financial statements is detailed in **Table 3C** below.

# £ Financial statements and value for money 66,780 TOTAL 66,780

# Table 3C: External Audit Fees for 2019/20

#### Longer Term Outlook – 2020/21 and beyond

- 93. The Trust continues to work to the national guidelines following the outbreak of COVID-19. This includes the block payment mechanism for April July 2020, reimbursement for costs associated with the trust response and the suspension of the 2020/21 operational planning round.
- 94. Prior to the suspension of the 2020/21 operational planning round the Trust had set a breakeven plan for the year and agreed supporting budgets. The plan focused on maximising funding allocations, consistent with the national commitment to the

Mental Health Investment Standard and further commitments to prioritise investment in community settings.

- 95. The 2020/21 financial plan was produced as part of the wider development of the Finance and Investment Strategy. The strategy represents a major opportunity for the trust to access new resources that will improve the quality of care for our patients and the work experience of our staff.
- 96. The Finance and Investment Strategy responds positively to the requirement for organisations to manage resources economically, efficiently and effectively. The strategy also highlights the financial challenge and subsequent plans to address cost pressures and improve efficiency which is paramount if the Trust is to maximise the opportunity for investment.
- 97. The Finance and Investment Strategy describes how the Trust will seek to align investment in support of the commitment to clinical excellence, prevention and integration over the next 4 years. The strategy is focused on achieving this through contractual settlements that deliver on nationally recognised priorities, delivery of safe efficiency programmes and through the effective management of key financial risks.
- 98. The strategy confirms how the Trust will ensure that the strong financial performance over recent years continues into the future. However it is likely that the trust will need to reflect on financial plans as further guidance in relation to the response to COVID-19 is made available to all trusts.

#### Conclusion

- 99. The Trust continues to deliver a strong financial position during a challenging economic climate. In addition, it's been an absolute priority to ensure financial resources have been made available to support the Trust response to COVID-19. This has been achieved whilst still delivering financial targets for the year.
- 100. This can only be achieved with a collective effort across the Trust. As such I would like to thank all the members of staff who have worked hard to manage local budgets, deliver the planned surplus and who have supported programmes of investment.
- 101. During the year we have opened Hartley Hospital, continued to develop Rowan View and further progressed our digital strategy as a Global Digital Exemplar. Such investment commitments will continue in 2020/21 with the trust planning to spend £39.8 million on all capital schemes. This would not be possible without our commitment to delivering the financial plan each year.

## PART C – ACCOUNTABILITY REPORT

## **CHAPTER 10 – DIRECTORS' REPORT**

- 102. The Directors' Report has been prepared under direction issued by Monitor<sup>3</sup>, the independent regulator for NHS foundation trusts acting under the auspices of NHS Improvement, as required by Schedule 7 paragraph 26 of the NHS Act 2006 and in accordance with:
  - a) Sections 415, 416 and 418 of the Companies Act 2006 (section 415(4) and
    (5) and section 418(5) and (6) do not apply to foundation trusts);
  - b) Regulation 10 and Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('the Regulations');
  - c) Additional Disclosures as required by the Financial Reporting Manual (FReM);
  - d) Additional Disclosures as required by NHS Improvement.

## **Membership**

3

103. As a Foundation Trust, Mersey Care is required to have a membership which is representative of the population that it serves - which is reflected in the three main constituencies shown in **Table 4A** below.

Constituency	Description	Areas / Classes
Service User and Carer	Those individuals (aged 14 and over) who at the time of applying to be a member are currently accessing, or have accessed any of the clinical / care services provided by the Trust in the last three years (and who consider themselves a service user) as well as those individuals who are caring for a current service user, or have cared for an individual who has accessed Mersey Care services in the last three years (and who consider themselves a carer).	This constituency has no areas or classes
Public	Any individual who apples to be a member (aged 14 or over) who resides in one of the three areas specified as an area for public constituency (see next column)	<ol> <li>Liverpool, Sefton or Knowsley</li> <li>Ribble Valley</li> <li>The rest of England and Wales</li> </ol>
Staff (Note – whereas other constituents apply to be members, staff are automatically members unless they opt out.)	Staff membership is open to anyone who is employed by the Trust under a contract of employment which has no fixed term, or who has been continuously employed by the Trust under a contract of employment for at least 12 months. Staff are eligible to join one of four classes of staff (see next column)	<ol> <li>Medical Staff</li> <li>Nursing Staff</li> <li>Other Clinical / Clinical Support Staff</li> <li>Non-Clinical Staff</li> </ol>

#### Table 4A: Membership Constituencies

Monitor is commonly referred to as NHS Improvement.

- 104. The membership help the Trust build and maintain effective links with the community that it serves.
- 105. The Council of Governors is responsible for reviewing, contributing to and supporting the *Membership Strategy* and making recommendations to the Board of Directors, for approval of revisions to the strategy. The implementation of the Membership Strategy is monitored by the Membership and Engagement Working Group of the Council of Governors, which is chaired by a Governor.
- 106. The Trust expects its membership to grow in line with the targets. To achieve this growth, the Trust will keep under review changes to its membership profile, as members leave and new members are recruited, as well as the demographics of the population for the areas that it serves. Any gaps in its membership profile shall be considered and targeted recruitment activities undertaken to address such gaps.
- 107. The introduction of General Data Protection Regulation<sup>4</sup> has resulted in some reduction in public and service user / carer members as the Trust has had to contact members to inform them that should they no longer wish to be a member of Mersey Care to advise the Membership office, this has seen a small fall in public and service user and carer member numbers.
- 108. The Trust reviews the membership profile as well as the demographics of the population for the areas that it serves. Any gaps in its membership profile shall be considered and targeted recruitment activities undertaken to address such gaps.
- 109. The Trust's plans for its membership in 2019/20 included:
  - a) holding Members Meetings in addition to the Annual Members Meeting (in future we plan to hold two Members Meeting, including the Annual Meeting, each year), which provide an opportunity for the Trust and its Governors to engage with its members;
  - b) participation in community projects to promote the Trust as a membership organisation, with the support of the Council of Governors;
  - c) promoting the membership at all Mersey Care events (e.g., opening of new services / buildings, consultation events);
  - d) directly targeting those groups identified in the Membership Strategy as under-represented across the Trust's membership; and
  - e) continuing the checking exercise to ensure the Trust's existing membership information was up-to-date.
- 110. Communications with members is through the Trust's dedicated membership magazine – MC Magazine – which is either sent to members electronically or by post (based on the members' preference). In addition, staff are updated on issues via the weekly newsletter – yourNews – which is emailed to all staff. The Trust's

<sup>&</sup>lt;sup>4</sup> The General Data Protection Regulation is a European-wide law, which governs how organisations can collect, use and transfer personal data. It came into force on 25 May 2018 alongside the new Data Protection Act 2018

stakeholders are also emailed a monthly newsletter providing a monthly roundup of all the news involving Mersey Care.

111. **Table 4B** below provides a breakdown of the membership by constituency, providing a comparison between the end of March 2019 and the end of March 2020.

Constituency	As at 31 March 2019	As at 31 March 2020	Increase/ Decrease (%)
Public	4,639	4,348	(6.27)%
Service User/ Carer	2,151	2,040	(5.16)%
Staff	6,940	8,111	16.87
Membership	13,730	14,499	5.6%

#### Table 4B: Breakdown of Membership by Constituency

112. If you wish to become a member of Mersey Care then please:

- a) go the Trust's website at <u>https://www.merseycare.nhs.uk/getting-involved/become-a-member/;</u>
- b) email the Membership Office at <u>membership@merseycare.nhs.uk;</u>
- c) ring the Membership Office on 0151 471 2303 for further information; or
- d) write to: The Membership Office c/o the Executive Office Mersey Care NHS Foundation Trust V7 Building Kings Business Park Prescot Merseyside L34 1PJ

## The Council of Governors

- 113. Upon becoming a Foundation Trust on 1 May 2016, the Trust established its first Council of Governors. The Constitution of the Trust was amended, together with the composition of the Council of Governors, to take account of the acquisition of Calderstones Partnership NHS Foundation Trust on 1 June 2017. Further amendments to the Constitution have been agreed from time to time by the Board of Directors and the Council of Governors, including changes to the membership of the Council of Governors associated with the acquisition of the former Liverpool Community Health NHS Trust on 1 April 2018.
- 114. The role of the Council of Governors is set out in the NHS Act 2006 and as amended by the Health and Social Care Act 2012. It includes:
  - a) appointing and, if appropriate, removing the Trust chairman and other nonexecutive directors
  - b) deciding the remuneration and allowances and other terms and conditions of office of the chairman and the other non-executive directors
  - c) approving (or not) any new appointment of a chief executive

- d) appointing and, if appropriate, removing the Trust's auditor
- e) receiving the Trust's annual accounts, any report of the auditor on them and the annual report, at a general meeting of the council of governors
- f) providing views on the Trust's forward plan
- g) holding the non-executive directors, individually and collectively, to account for the performance of the board of directors
- h) representing the interests of the members of the Trust as a whole and the interests of the public
- i) approving significant transactions
- j) approving an application by the Trust to enter into a merger, acquisition, separation or dissolution
- deciding whether the Trust's non-NHS work would significantly interfere with its principal purpose, which is to provide goods and services for the health service in England, or performing its other functions
- I) approving amendments to the Trust's Constitution
- 115. The Council of Governors operates in accordance with it statutory powers which are described in the Trust's Constitution which is regularly reviewed. The Constitution also provides the Standing Orders for the operation of the Council and its meetings, including information as to how any disagreements between the Council of Governors and the Board of Directors can be managed. No such disagreements took place in 2019/20.
- 116. In 2019/20 the Council of Governors met four times on the following dates:
  - a) Thursday 25 April 2019;
  - b) Wednesday 7 August 2019;
  - c) Thursday 17 October 2019;
  - d) Monday 27 January 2020.
- 117. The meetings are supported by an annual cycle of business to help inform meeting agendas and are supported by a Nominations and Remuneration Committee and a Membership & Engagement Working Group, although these groups may only make recommendations which need to be approved by the full Council. Key decisions made by the Council of Governors in 2019/20 include:
  - a) election by the Governors of a new Lead Governor (Matt Copple) and, following changes to the Constitution, election by the Governors to the new post of Deputy Lead Governor (Dr Alex Till);
  - b) extending the terms of office of the Chairman (Beatrice Fraenkel) and an existing Non-Executive Director (Nick Williams), both until 30 April 2022;
  - approving commencement of the recruitment process to appoint two new Non-Executive Directors (Murray Freeman and Aislinn O'Dwyer) for 3-year terms;

- d) considering the Operation Plan for 2019/20 and the Quality Report;
- e) selecting the indicator for testing by External Auditors as part of the Quality Report for 2018/19;
- f) receiving the Annual Report and Accounts for 2018/19 and external audit opinion;
- g) approving changes to the Trust's Constitution;
- h) approving the process for and considering the outcome of the Chairman's and Non-Executive Directors appraisal process.
- 118. The last Governor elections were held in 2018 and 2019 (the results being issued on 12 September 2018 and 22 March 2019) and then a process was undertaken to ensure the eligibility of Governors. An induction and training programme was undertaken for new and existing Governors in 2018 and 2019, taking into account the experience of existing Governors of the induction programme undertaken in 2016 and 2017.
- 119. A list of Governors can be found in **Table 4C** below, which shows those Governors who have left or joined the Council of Governors over the 2019/20 reporting period. Details of Governors attendance at Council meetings can be found in **Appendix A**.

Constituency (as at 1 April 2019)	Notes	Governor	Term of Office		
Constituency (as at 1 April 2019)	NOLES	Governor	From	То	
Public Constituencies (Elected Governors	•				
Liverpool, Sefton and Knowsley		Helen Casstles	01/10/18	30/09/21	
(5 posts)		Susan Martin	01/10/18	30/09/21	
	4	Jayne Moore	01/05/16	30/04/22	
		Paul Smith	01/10/18	30/09/21	
		Mary Sutton	01/10/18	30/09/21	
Ribble Valley (1 post)		Vacant	-	-	
Rest of England (2 posts)		Garrick Prayogg	01/11/17	30/09/20	
		Alex Till	01/10/18	30/09/21	
Staff Constituencies (Elected Governors	- 8)				
Medical (1 post)		Sayed Ahmed	01/11/17	30/09/20	
Nursing Staff (3 posts)		Tracey Cummins	01/11/17	30/09/20	
		Gillian Davies	01/05/19	30/04/22	
		Vacant	-	-	
	3	Cheryl Barber	01/10/18	14/01/20	
	1	Maria Tyson	01/05/16	30/09/19	
Other Clinical, Scientific, Technical and		Paul Allen	01/11/17	30/09/20	
Therapeutic Staff (3 posts)		Dean Hegarty	01/05/19	30/04/22	
		Gie Peneche	01/10/18	30/09/21	
	1	Sara Finlayson	01/05/16	30/04/19	
	/ continued on the next page				

Table 4C: Council of Governors in Post during 2019/20

Constituency (as at 1 April 2019)	Notes	Governor	Term of Office	
Constituency (as at 1 April 2019)	NOLES	Governor	From	То
Staff Constituencies (Elected Governors -	- 8)	/continue	ed from the pre	evious page
Non Clinical Staff (1 post)		Karen Elliott	01/05/19	30/04/22
	1	Mike Jones	01/05/16	30/04/19
Service User and Carer Constituencies (E	lected Gov	ernors – 8)	•	
Service Users and Carers (8 posts)		Matt Copple	01/10/18	30/09/21
	-	Julie Dickinson	01/10/18	30/09/21
	4	Mark McCarthy	01/05/16	30/04/22
		Andrew Naylor	01/05/19	30/04/22
		Debbie Riozzie	01/10/18	30/09/21
		Hilary Tetlow	01/05/19	30/04/22
		Tashi Thornley	01/05/19	30/04/22
		Vacant	-	-
	1	Johanna Birrell	01/05/16	30/04/19
	1	Debra Doherty	01/05/16	30/04/19
	1	Martin Murphy	01/05/16	30/04/19
	3	Paul Taylor	01/11/17	05/08/19
Appointed Governors - 5	I		<u> </u>	
The Unions and Other Staff Representative		Mandi Gregory	01/04/18	31/03/21
Bodies formally recognised by the Trust				
Local Authority (Sefton Council)		Veronica Webster	01/04/18	30/03/21
Local Authority (Ribble Valley Council)		David Peat	01/10/19	30/09/22
Voluntary Sector (Sefton Carers)		Vicky Keeley	1/08/2017	31/07/20
University / Academic (Edge Hill)	2	Clare Austin	01/05/16	01/06/19
University / Academic (Edge Hill)	5	Julie Williams	01/10/19	31/09/22

Notes Table shows Governors in post on 31 March 2020 and:

- 1 Elected Governors whose term of office ended on 30 April 2019.
- 2 Appointed Governor who stood down on 1 June 2019.
- 3 Elected Governors who stood down during 2019/20.
- 4 Elected Governors re-elected for a second term which commenced 1 May 2019.
- 5 Appointed Governor whose term started on 2 June 2019.
- 120. Further details about the Trust's Governors can be found on the Trust's website at <a href="https://www.merseycare.nhs.uk/council-of-governors/">https://www.merseycare.nhs.uk/council-of-governors/</a>. Information about Governors' interest can be found on the following website at <a href="https://merseycare.mydeclarations.co.uk/home?AspxAutoDetectCookieSupport=1">https://merseycare.mydeclarations.co.uk/home?AspxAutoDetectCookieSupport=1</a>), and for those without access to a computer via application to the Trust Secretary.
- 121. Governors can be contacted via one of the following methods by emailing <u>MerseycareCoG@merseycare.nhs.uk</u> and clearly state the name of the Governor you wish to contact.

## The Board of Directors

- 122. The Board of Directors is a unitary board, which means that the both the Non-Executive Directors and the Executive Directors are jointly and severally responsible for the actions they take. In compliance with the *NHS Foundation Trust Code of Governance*, the Trust's Constitution provides for the composition of the Board of Directors as follows;
  - a) a Chairman;
  - b) up to seven Non-Executive Directors;
  - c) up to seven Executive Directors, including the Chief Executive;
  - d) one other director attends the Board in a non-voting capacity (the Director of Strategy).
- 123. The role of the Board of Directors is to:
  - a) establish the Trust's vision, mission and values;
  - b) set the Trust's strategy and structure;
  - c) provide leaders to the Trust;
  - d) agree those matters that should be delegated to management;
  - e) exercise accountability to regulators, members and stakeholders.
- 124. How the Board of Directors exercises it powers is described in the Trust's Constitution, including the Standing Orders for the operation of its meetings and how the Board, through its Chairman and Non-Executive Directors (who are independent), are accountable to the Council of Governors. The agendas for meetings of the Board and its Board Committees are informed by annual cycle of business which are approved by the Board. Details of these Board Committees can be found in 405 (Table 17) below and their Board approved terms of reference can be found in the Trust's Scheme of Reservation and Delegation of Powers (available in the policies and procedures section of the Trust's website. Details about Board members can be found below and details of member's attendance at Board and Board Committee meetings can be found in the appendices supporting Chapter 16 – Annual Governance Statement.
- 125. The Board of Directors regularly reviews and approves a *Scheme of Reservation and Delegation of Powers* which details those matters which are reserved for decisions by the Board only and those matters delegated to management. In accordance with the *Foundation Trust Code of Governance* matters are only delegated to executive (i.e., voting) members of the Board, unless statue allows delegation to another officer of the Trust.
- 126. Details about the membership of the Board may be found in **Table 4D** (see paragraph 128) below.
- 127. During the reporting period of this Annual Report, 2019/20, their have been no changes to the Non–Executive Director membership of the Board and the following changes to the Executive Director membership:

- a) David Fearnley resigned as Executive Medical Director on 31 July 2019;
- b) Arun Chidambaram assumed the role of Interim Executive Medical Director from 1 August 2019 to 5 March 2020;
- c) Noir Thomas appointed as Executive Medical Director on 6 March 2020.
- 128. A full list of the Board of Directors is provided in **Table 4D** overleaf. Further details regarding the directors' skills, expertise and experience is available from in paragraph 130 below.

Table 4D: The Board of Directors	for the Year Ending 31 March 2020

	Name Title			f Office
			From	То
Chairman and No	n-Executive Directors	Time in Office (at end of current term)		
Beatrice Fraenkel	Chairman	6 years	01/04/08	30/04/22
Murray Freeman	Non-Executive Director	3 years	08/05/18	07/05/21
Gaynor Hales	Non-Executive Director	6 years	23/05/17	22/05/23
Aislinn O'Dwyer	Non-Executive Director	3 years	11/10/18	10/10/21
Gerry O'Keeffe	Non-Executive Director	6 years	18/04/13	30/04/22
Nick Williams	Non-Executive Director	6 years	01/01/14	30/04/22
Pam Williams	Non-Executive Director	6 years	15/06/15	30/04/22
Care became a Foundati in post at the end of their <b>Executive Team N</b>	-	umn shows how long a	Non-Executive	<i>will have</i> been
<b>Executive Directors</b>	s (Voting)			
Executive Directors Joe Rafferty CBE	s (Voting) Chief Executive		01/09/12	N/A
		ng & Operations	01/09/12 01/03/18	N/A N/A
Joe Rafferty CBE	Chief Executive	<b>e</b>		
Joe Rafferty CBE Trish Bennett	Chief Executive Executive Director of Nursi	Director nunications,	01/03/18	N/A
Joe Rafferty CBE Trish Bennett Arun Chidambaram	Chief Executive Executive Director of Nursi Interim Executive Medical I Executive Director of Comr	Director nunications,	01/03/18 01/08/19	N/A 31/03/20
Joe Rafferty CBE Trish Bennett Arun Chidambaram Elaine Darbyshire	Chief Executive Executive Director of Nursi Interim Executive Medical I Executive Director of Comr Corporate Governance and	Director nunications, I Estates	01/03/18 01/08/19 01/06/13	N/A 31/03/20 N/A 31/07/19
Joe Rafferty CBE Trish Bennett Arun Chidambaram Elaine Darbyshire David Fearnley	Chief Executive Executive Director of Nursi Interim Executive Medical I Executive Director of Comr Corporate Governance and Executive Medical Director	Director nunications, I Estates	01/03/18 01/08/19 01/06/13 03/08/05	N/A 31/03/20 N/A 31/07/19 (Resigned)
Joe Rafferty CBE Trish Bennett Arun Chidambaram Elaine Darbyshire David Fearnley Amanda Oates	Chief Executive Executive Director of Nursi Interim Executive Medical I Executive Director of Comr Corporate Governance and Executive Medical Director Executive Director of Work Executive Director of Finan	Director nunications, I Estates	01/03/18 01/08/19 01/06/13 03/08/05 01/08/13	N/A 31/03/20 N/A 31/07/19 (Resigned) N/A
Joe Rafferty CBE Trish Bennett Arun Chidambaram Elaine Darbyshire David Fearnley Amanda Oates Neil Smith	Chief Executive Executive Director of Nursi Interim Executive Medical I Executive Director of Comr Corporate Governance and Executive Medical Director Executive Director of Work Executive Director of Finan Executive	Director nunications, I Estates	01/03/18 01/08/19 01/06/13 03/08/05 01/08/13 04/05/04	N/A 31/03/20 N/A 31/07/19 (Resigned) N/A N/A
Joe Rafferty CBE Trish Bennett Arun Chidambaram Elaine Darbyshire David Fearnley Amanda Oates Neil Smith Noir Thomas	Chief Executive Executive Director of Nursi Interim Executive Medical I Executive Director of Comr Corporate Governance and Executive Medical Director Executive Director of Work Executive Director of Finan Executive Executive Medical Director Executive Director*	Director nunications, I Estates	01/03/18 01/08/19 01/06/13 03/08/05 01/08/13 04/05/04 01/04/20	N/A 31/03/20 N/A 31/07/19 (Resigned) N/A N/A N/A
Joe Rafferty CBE Trish Bennett Arun Chidambaram Elaine Darbyshire David Fearnley Amanda Oates Neil Smith Noir Thomas Ray Walker	Chief Executive Executive Director of Nursi Interim Executive Medical I Executive Director of Comr Corporate Governance and Executive Medical Director Executive Director of Work Executive Director of Finan Executive Executive Medical Director Executive Medical Director	Director nunications, I Estates	01/03/18 01/08/19 01/06/13 03/08/05 01/08/13 04/05/04 01/04/20	N/A 31/03/20 N/A 31/07/19 (Resigned) N/A N/A N/A

Name	Title	Term of Office	
		From	То
Andy Meadows	Trust Secretary	21/03/14	N/A

Ray Walker resigned from his post as Executive Director of Nursing at the end of February 2018 but retained Executive Director status whilst he was on secondment to Health Education England for 2 years from March 2018 to 26 February 2020. Although Ray retained Executive Director status with the Trust, he was not a member, attended or voted at Mersey Care Board meetings. Upon returning the Mersey Care at the end of his secondment in February 2020, Ray resigned as an Executive Director of the Trust.

## **Register of Interests**

129. The Trust maintains a Register of Interests and all Board of Directors and Council of Governors members are asked to declare any potential conflicts of interest prior to the commencement of meetings. The Register of Interests for the Board of Directors and the Council of Governors is held via a dedicated Trust website used for the recording of all interests – the Staff Declarations Website - which is available at <a href="https://merseycare.mydeclarations.co.uk/home?AspxAutoDetectCookieSupport=1">https://merseycare.mydeclarations.co.uk/home?AspxAutoDetectCookieSupport=1</a>) and, for those without access to a computer, via application to the Trust Secretary.

## **Skills, Expertise and Experience of Board of Directors**

130. The individual members of the Board of Directors bring a wealth of varied skills, knowledge, expertise and experience to the Trust which ensures balance and provides completeness and appropriateness to the requirements of the Trust. A summary of their individual skills and experience is provided below:

#### **Non-Executive Directors**

Note – Non Executive Directors are regarded as independent members of the Board and are not employees of the Trust. Their appointment / terms of office are subject to approval by the Council of Governors

#### Chairman: Beatrice Fraenkel

Appointed 1 December 2008, Beatrice's terms ends 30 April 2022. She is Chair of the Board of Directors, the Council of Governors, and the Remuneration and Terms of Service Committee.

Beatrice is an ergonomist and industrial designer. She is Director of Sandown Property Company Ltd and Sandown Property Holding Company Ltd (1973 to date) Beatrice is a Trustee of the Design Council (Dec 2018 to date), a Trustee of NHS Providers and a board member of the Mental Health board of the NHS Confederation. She has an honorary fellowship of the Royal Institute of British Architecture and sits on Design review panels. Beatrice was Chair of the Architects Registration Board (until Aug 2016) and Liverpool City Councillor from 1986 to 2017 specialising in regeneration and economic development; Beatrice was previously Chair of the Ropewalks Partnership (Liverpool), Independent Chair of the North West Regional Centre of Excellence and Chair of South Liverpool PCT, Cosmopolitan Housing Association. She also was a Non-Executive Director on the Standards Board for England (DCLG appointment).



**Qualifications:** BA(hons) Industrial Design Engineering (Leicester Polytechnic, now De Montfort University.) Diploma in Technical Science (Industrial Design Technology) The Victoria University of Manchester, faculty of technology. B.Ed. Liverpool John Moores University

#### Non-Executive Director: Murray Freeman

Murray was appointed on 8 May 2018 and his term ends on 7 May 2021. Murray has been a GP in Wirral since 1981. He retired from practice in March 2019. As well as being a GP, he has been involved in a wide range of NHS organisations, committees and activities including:

- Specialist adviser, Care Quality Commission (2014 to present)
- Non-executive director, Wirral Community NHS Foundation Trust (2012 to 2108)
- GP executive board member, Wirral Health Commissioning Consortium (2010 to 2012)
- Lead for cancer and end of life care, NHS Wirral/Merseyside and Cheshire Cancer Network (1999 to 2002)
- Medical Director, Wirral Community Healthcare NHS Trust (1994 to 1996).

He is a Trustee of Autism Together and Make it Happen, both Wirral based charities. He is also a Trustee of Oak Trees Multi Academy Trust on Wirral **Qualifications:** MBChB MSc



#### Non-Executive Director: Gaynor Hales

Gaynor was appointed on 23 May 2017. Now a management consultant, until 2017 Gaynor was Regional Director of Nursing (North) at NHS Improvement and from October 2014 to March 2016 was Nurse Director (North) at the NHS Trust Development Authority. Prior to this she was Director of Nursing & Quality at NHS England's Merseyside Area Team (including a secondment as Portfolio Director for Specialised Commissioning) (2013 – 2014) and from 2002 to 2013 held the roles of Interim Chief Executive, Deputy Chief Executive / Director of Nursing & Quality and Director of Nursing Quality & Environment at the Countess of Chester NHS Foundation Trust. Gaynor is also a member of the Chief Nursing Officer of England's Exeptional Leaders Network to support senior leaders within the NHS.

Qualifications: RGN, BSc (Hons), Masters in Health Service Management

#### Non-Executive Director: Aislinn O'Dwyer

Aislinn was appointed on 11 October 2018.

Aislinn is a public health professional, with a community nursing background, with more than 25 years strategic management experience across the NHS, local government and academia, including as a Consultant in Public Health with North West RHA, North West SHA, Lancashire County Council, and UK Med. Formerly, Aislinn was Director of Public Health (DPH) at West Lancashire PCT and Interim DPH at Blackburn with Darwen PCT. Aislinn is a Fellow of the Faculty of Public Health and is the Vice-Chair of Savera UK, a Liverpool-based charity.

**Qualifications:** RGN, District Nurse, Health Visiting, Masters in Public Health, Diploma in Humanitarian Assistance

## Non-Executive Director: Gerry O'Keeffe (also the Senior Independent Director and Vice Chairman)

Gerry was appointed on 18 April 2013.

Currently retired, he worked for CSC from 2000 until 2014 and was their Chief Operating Officer from 2011, reporting to the CEO for UK & Ireland, responsible for ensuring P&L, Client Satisfaction and revenue growth were delivered by all parts of the business. Other roles at CSC included Head of UK Healthcare Business Unit (2007-11), Vice President of the NHS Account (2006-07), New Business Capture Executive (2005-06) and Chief Operating Officer National Grid Account (2003-05).

He has lifetime experience of working in information technology and consulting businesses, strong business profit and loss experience in many complex global companies, leadership experience managing large teams in both UK and international companies and executive leadership experience of large transformational programmes to meet changing business needs.

Qualifications: MBA Heriot-Watt University







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#### Non-Executive Director: Nick Williams

Nick was appointed on 1 January 2014.

Nick currently has operational responsibility for Group Transformation at Lloyds Banking Group, accountable for the 18,000 workforce and £3 billion investment made annually to drive the technology, data and digital transformation across the organisation. Prior to this role Nick has held numerous leadership roles in commercial banking, retail and running the Digital Bank. Nick is also a Government advisor on Digital Skills, advisory Board member at Digital Leaders UK and founding Board member of Future.now

Qualifications: MEng. Chemical Engineering, Loughborough University (1997)

#### **Non-Executive Director: Pam Williams**

Pamela was appointed on 15 June 2015. Pamela has a degree in Economics and is a qualified accountant and member of the Chartered Institute of Public Finance and Accountancy. Prior to her retirement in 2015, she had over 20 years experience operating at Board level in a wide range of local authorities, most recently as Executive Director of Finance at Tameside Metropolitan Borough Council (2007-2015). Pamela also holds Non Executive Director and Audit Committee Chair positions with Wirral Evolutions and Muir Group Housing Association

Qualifications: Chartered Management Institute (1994), Chartered Institute of Public Finance and Accountancy (CIPFA), University of Wolverhampton (1989), BSc (Hons) Economics, University of Swansea (1981).

#### **Executive Directors**

#### Chief Executive: Joe Rafferty CBE

Joe was appointed Chief Executive in September 2012. During his tenure, he has led a significant expansion of the organisation, almost trebling it in size. This has been accompanied by significant modernisation of the estate and digital infrastructure. The Trust is now one of the largest specialised integrated care providers in the NHS and includes inpatient and community mental health, community physical health, and learning disability and addictions services.

At Mersey Care, he has organised the organisation around the idea of Pursuing Perfect Care using a series of audacious zero based goals such as zero suicides in care, zero restrictive practice, zero pressure ulcers and zero medication errors. Most notably, The trust has become internationally recognised for its work on restorative just practice to support learning in its pursuit of perfect care.

Awarded a Ph.D. in molecular genetics at Queen's University Belfast in 1987, he spent the next 12 years researching drug resistance in cancer and published over 50 peer review articles on this and related areas, before a career change. Before joining the trust, he held a series of senior NHS leadership roles as regional director (NHS North West) of strategy and commissioning and chief executive of a primary care trust where he developed an interest in safety and guality improvement including establishing the influential Advancing Quality programme. For the past 5 years, he has been named one of the top 50 NHS CEOs by







the Health Service Journal (HSJ) and has appeared in the HSJ100 most influential people in healthcare in the UK. He is a founder member of the Zero Suicide Alliance UK and was named a Commander of the Order of the British Empire (CBE) in the New Year's Honours List 2020 for his work on suicide prevention.

Qualifications: PhD in Genetics, BSc (Hons), Diploma in Health Services Management

#### Executive Director of Nursing and Operations: Trish Bennett

Trish took up post on 1 March 2018 first as Executive Director of Nursing, prior to assuming responsibility as Executive Director of Nursing & Operations from 1 April 2018. Prior to this Trish was the Director of Integration with the Trust, a non-voting position on the Board. Trish has worked in the NHS for over 30 years in various nursing leadership positions in Leeds, Liverpool and Manchester in both provider and commissioning roles and joined Mersey Care from NHS England, were she was the Director of Nursing for the Lancashire & Greater Manchester Sub Region responsible for professional nurse leadership, oversight and leadership to safeguarding adults and children, clinical leadership to the transformation service change programmes.



Qualifications: RGN, BA Health Studies

## Interim Executive Medical Director: Arun Chidambaram) (In post from 1 August 2019 to 31 March 2020)

Arun was appointed to this interim position on 1 August 2019 following the resignation of David Fearnley. Arun is a practising forensic psychiatrist. He completed MD Psychiatry in 2004, MRCPsych in 2007, and specialist training in forensic psychiatry in 2010 and obtained a postgraduate certificate in healthcare leadership in 2016. He followed the Nye Bevan course in executive leadership with NHS Leadership Academy in 2017. Arun was appointed deputy medical director at Calderstones NHS Partnership in October 2015. In August 2016, he was appointed deputy medical director for operations in June 2019. He took up the role of interim executive medical director in August 2019. He leads a clinical work stream in the implementation of Just and Learning culture in the organisation and contributed to the serious incident reviews following the recommendations of Kirkup Review. He is a member of the Strategic Partnership Board for local implementation of new secure care models.

Arun divides his clinical job between a community team (forensic PD and ASD) and a community service (multi-systemic therapy) seconded to Knowsley Council. He is a sitting member of Royal College Standard Setting Panel and an approved CASC examiner. He is a trained case investigator for Revalidation Support Team as well as NCAS. He is an approved college assessor for Appointments Committee and a trained lead reviewer for Quality Network for forensic services.

**Qualifications:** M.B., B.S (Madurai Medical College, Madurai, India), M.D Psychiatry (Madras Medical College and Research Institute, Chennai, India. MRCPsych (Royal College of Psychiatrists, UK), CCT in Forensic Psychiatry (Forensic Faculty), Royal College of Psychiatrists, UK.



## Executive Director of Communications, Corporate Governance and Estates: Elaine Darbyshire

Elaine was appointed to the Trust in June 2013 from her previous role with NHS England where she was Director of NHS Communications at (North, Midlands & East England). From 2011-2012 she was the Director of Communications for NHS North of England, covering the North West, North East and Yorkshire and Humber areas of England. From 2009-2011 she was the Director of Strategic Communications of NHS North West. Prior to joining the NHS in 2009, she worked for Guardian Media Group's Regional Division for 22 years in a number of posts including Marketing Director, Communications and Public Affairs Director. She was a Non Executive Director at East Cheshire NHS Trust (2007-2009) and is currently a Trustee of Medcare, a small independent charity running a children's health care service in Uganda

Qualifications: BSc Biology and Chemistry, Chartered Institute of Marketing post graduate diploma

# Executive Medical Director: Dr David Fearnley (Resigned 31 July 2019)

Appointed as the Medical Director in August 2005. Deputy Chief Executive (2007-10). Since 2016, Chair of NHS England's Adult Secure Clinical Reference Group and NHS England's Associate National Director for Secure Mental Health.

David qualified in 1993 (University of Wales College of Medicine), and undertook basic psychiatric training; joined the higher forensic psychiatry training scheme in 1998, working in high and medium secure units. He was appointed as a Consultant Forensic Psychiatrist at Ashworth Hospital in 2001. Clinical Director of Mental Health Services and then Associate Medical Director at Ashworth Hospital. He has been the Royal College of Psychiatrists Special Advisor on Appraisal since 2009 and was awarded Royal College of Psychiatrists 'Psychiatrist of the Year' 2009. David chaired the North West Mental Health Care Pathways Group (2009/10) and has been a Board Member Advancing Quality Alliance (AQuA) since 2011.

Qualifications: MB BCh, MSc, FRC Psych, MBA

## Executive Director of Workforce – Amanda Oates

Amanda was appointed in August 2013, initially as a non voting member of the Board, prior to her appointment in January 2015 as Executive Director of Workforce.

She has previous experience as HR Director at two other NHS trusts and as board director since 2008. Since joining Mersey Care NHS FT she has transformed the way the trust delivers its workforce function and has received endorsement from the highest levels in her profession most recently leading her team to win the Organisational Development Team of the year in 2019, Workforce Well Being in 2018, Best Learning and Development Award from the CIPD in 2018. That same year the trust won the National SPF Award for Partnership Working for the implementation of the Just and Learning Culture at the HPMA Awards. Amanda also won the HPMA Human Director of the year in 2018. In 2016, she led the team to win the CIPD Award for Best Improved HR capability at the HPMA awards.







Amanda has also supported a number of national publications on Just Culture and has worked in partnership with Northumbria University to develop and deliver an accredited transforming culture programme about restorative Just Culture in action. She joined the NHS in 1998 from the private sector as a Graduate Trainee.

Qualifications: BA (hons), MSc Strategic HRD, F.C.I.P.D

## Executive Director of Finance / Deputy Chief Executive: Neil Smith

Appointed September 2004, Neil assumed the Deputy Chief Executive portfolio in 2013. Neil was previously the Executive Director of Finance and Performance, Mersey Care NHS Trust (2004-2013).

He was a Regional Finance Trainee (1985-1989) and his previous roles have been Senior Finance Manager roles in acute and community hospitals (1989-1992), Chief Financial Planner at Liverpool Health Authority (1992-1995), Deputy Director of Finance at Sefton Health Authority (1995-2000), Director of Finance at Sefton Health Authority (2000-2001), National Finance Lead High Secure Services at the Department of Health (2001-2002) and Head of Finance and Performance Management at Ashton, Leigh and Wigan PCT (2002-2004).

**Qualifications:** BA (Hons), Chartered Institute of Public Finance and Accountancy Qualified Accountant.

## **Executive Medical Director: Noir Thomas**

Noir was appointed on 6 March 2020 took up this poist on 1 Apil 2020. Noir is a Consultant Forensic Psychiatrist. He obtained his primary medical degree from UWCM in 2000, Membership of the Royal College of Psychiatrists (RCPsych) in 2005 and completed higher specialist training in 2009. He retains a clinical caseload at Ashworth High Security Hospital, where he has been a practicing consultant since 2009. He is currently working towards completion of a Masters' in Business Administration (MBA). He has held clinical and educational supervisor roles for core and senior trainees alongside undergraduate medical students. He remains an appointed member to the Board of Examiners for the RCPsych membership examinations.

Noir has held a number of leadership and management roles across the trust since 2011. Most recently, as Associate Medical Director and Responsible Officer leading on medical appraisal, revalidation and professional standards. He is a trained case manager and investigator for the Revalidation Support team alongside PPAS. He has trained as Caldicott Guardian. Since late 2019, Dr Thomas held the role of Interim Medical Director. **Qualifications:** MBBCh (UWCM, 2000), MRCPsych (2005), MSc (UCLan, 2011).





## **Executive Director: Ray Walker**

(Note – Ray was on secondment with Health Education England until 26 February 2020, although he retained an Executive Director post from which he resigned on 26 February 2020)

Appointed to the Trust in June 2011, Ray is a Registered Nurse (Adult and Mental Health) and has over 30 years experience of working in the public sector across the UK, 10 years clinical practice, 10 years in academia and more than 10 years in mental health management. He has worked on policy at the Department of Health and as a senior manager in a strategic health authority. He has been an Executive Director since 2006 (which includes experience in achieving foundation trust status) and has served on numerous groups National Mental Health/Nursing Groups. He is a member of the NHS Top Leaders Programme and a member of Prime Minister's Commission on Nursing.



**Qualifications:** MBA University of Northumbria (1997), BA (Hons) Health Studies University of Lancaster (1994), Certificate in Adult Education – Jordan Hill College Glasgow (1990), Dip Nursing University of Wales (1988), Registered Nurse (Adult and Mental Health) (1981 and 1984).

## Non-Voting Member of the Board

#### **Director of Strategy: Louise Edwards**

Louise was appointed in November 2012 and was made a non-voting member of the Board from 1 September 2015.

She is an experienced Board level strategist and leader who has a track record of achievement in leading change in both NHS commissioning and provider organisations, policy development, and service improvement across the public sector. She has extensive experience at both strategic and operational levels in the NHS, having had Board level roles in primary care trusts and NHS trusts with responsibility for strategy and planning, organisational development, communications, patient and public involvement and partnership development. Louise has also worked on strategy and commissioning development for strategic health authorities, and on commissioning assurance for the NHS Commissioning Board (now NHS England).

Prior to joining the NHS in 2005, Louise had leadership roles in the not-forprofit sector and was an academic at Manchester University. This varied experience across health, social care and government has enabled her to develop a strong network and deep insight into strategic change in the health service, in national government and local government, and health care improvement in partnership with other sectors.

Qualifications: BA Hons Combined Studies (Arts), Manchester Univ.; MPhil History; PhD History



#### **Nominations and Remuneration Process**

- 131. Council of Governors the role of the Council's Nominations and Remuneration Group is to review the terms, conditions and remuneration of the Chairman and Non-Executive Directors as well as the appraisal process (see paragraphs 134 and 135 below). The Council of Governors reviewed the remuneration of the Chairman and Non-Executive Directors in September 2016, (assisted by benchmark data and advices provided by an external consultancy) and again in January 2020 (assisted by updated guidance published by NHS England / Improvement in September 2019). More frequently a Nominations Group will be established comprising the Chairman and a few Governors to interview potential Non-Executive Directors. In these circumstances the person specification will have been approved by the full Council before any post is advertised. Any recommendation from the Nominations Group is then taken to be considered by the full Council, who ultimately make the appointment (subject to the necessary checks). Normally any Group will include the Lead Governor as a member.
- 132. The composition of the Board of Directors is informed by regular Board Skills Reviews, the last two undertaken by the Trust's external auditor, Grant Thornton. These Board Skills reviews have been shared with the Council of Governors and are used to inform discussions between the Chairman and the Council of Governors in respect of the development of person specification for new Non-Executive Director posts / the appointment of new Non-Executive Directors (which is the responsibility of the Council of Governors). A further independent Board Skills Review has been commissioned as part of the work being undertaken by the Good Governance Institute.
- 133. Board of Directors the Board of Directors has a Remuneration Committee which is required to meet at least annually. Its membership comprises of the Chairman and all the Non-Executive Directors. Its role is to consider the remuneration and terms of service of those managers on Very Senior Manager Pay, as well as any applications for Mutually Assured Resignation Schemes the Trust may operate or redundancies proposed by the Trust. It has no role in reviewing the remuneration, terms and conditions of service of the Chairman or Non-Executive Directors.

#### **Appraisal of Directors Performance**

- 134. The Council of Governors agreed a framework for the annual performance review of the Non-Executive Directors by the Chairman and the process for the annual review of the Chairman. The performance of the Chairman is reviewed by the Senior Independent Director in conjunction with the Lead Governor. The Council of Governors has a duty to review the performance of the Chairman and Non-Executive Directors, in particular when considering re-appointment, which is undertaken by the Nominations Committee, prior to being reported to the Council of Governors.
- 135. The performance of the Executive Directors is reviewed annually by the Chief Executive with the Chairman undertaking the performance review of the Chief Executive through formal Personal Achievement and Contribution Evaluations (PACE).

#### **Board of Directors Remuneration**

136. Details of the Board of Director's remuneration are provided in the Remuneration Report (see Chapter 13).

#### **Better Payment Practice Code**

137. Details of the Trust's compliance with the Better Payment Practice Code can be found in the Finance Director's Report (see Chapter 9, paragraphs 86 and 87).

#### The Late Payment of Commercial Debts (Interest) Act 1998

138. There were several claims for late payment made against the Trust during the year which totalled £5,150.06.

#### **Cost Allocation and Charging**

139. Mersey Care complies with the cost allocation and charging requirements set out in HM Treasury and Public Sector information guidance.

#### **Financial Instruments**

140. There were no risks arising from the use of financial instruments (see also the Annual Accounts for 2019/20).

#### **Stakeholder Communications**

- 141. The Trust continues to use established methods of communication to engage with service users, patients, staff and carers and has also developed new processes and enhanced our use of social media.
- 142. The main staff communications channels are:
  - a) *yourBrief* which is circulated to all staff to provide an accessible summary of the main issues discussed at the Board of Directors meetings;
  - b) a weekly staff newsletter via email;
  - c) a weekly blog to staff and stakeholders from the Chief Executive;
  - d) yourSpace the staff intranet and yourBrief which is circulated to all staff to provide an accessible summary of the main issues discussed at the Board of Directors meetings;
  - e) *yourSpace* the staff intranet site containing service information, news and numerous microsites for specific work streams including Just and Learning Culture, Flu, Pressure Ulcer Reduction and the Transformation of Community Services;
  - f) yourCovid-19 which is a briefing circulated daily via email to all staff (including bank and substantive staff) to provide the latest information, announcements and changes to practice guidance during the outbreak of corona virus (since late February 2020);

- g) a new staff Facebook Group launched in March 2020 with more than 2,500 members.
- 143. *MC Magazine*, a quarterly magazine, is sent to Trust members, Trust sites, community centres, libraries, council offices, local schools and GP practices and is also available online. In addition a *Stakeholder Briefing* is issued 11 times a year to Governors, GPs, MPs, local councillors and NHS Clinical Commissioning Groups.
- 144. The Trust's website (<u>www.merseycare.nhs.uk</u>) provides information on the Trust's services as well as links to self-help guides and a curated collection of online apps for service users and staff to access. Traffic has doubled on the website over the last year with over 2.280,000 visit
- 145. In addition the communications team has supported the following activities over 2019/20:
  - a) supports the twice-monthly staff induction and deliver a session on the importance of communication and reputation management reaching approximately 720 new staff
  - b) oversees the 'Tell Joe' (direct questions to the Chief Executive) mechanism;
  - runs the trust's social media presence, which means for Twitter over 2,800 posts with 1.8 million opportunities to see and for Facebook nearly 762,000 views;
  - d) produced 134 press briefings;
  - e) supported over 300 trust wide projects campaigns and initiatives with our inhouse designers services; delivering visual impact with items such as posters, leaflets, banners, digital content for website and intranet, staff campaigns including flu and Just and Learning Culture. A number of short films have been produced including a Thank you for nursing staff which has been viewed more than 100,000 times, our in-house designer was awarded employee of the month during the year;
  - f) helped communicate the Trust's estates strategy and the development of the new Hartley Hospital in Southport, Rowan View in Maghull and the Life Rooms expansion and online presence. The team have supported video, online and face to face content for Hartley Hospital and Rowan View and have also delivered early engagement for the proposed Low Secure Unit.

### **Partnership Working**

- 146. The organisation is involved with a multitude of partners including NHS England, Clinical Commissioning Groups, Social Services, Education, Police, Prisons and the voluntary sector, together with the Trust's regulators. The Executive Team and senior managers work closely with the above partners, to provide a local integrated service to our public and stakeholders.
- 147. The Trust has developed a *Partnering Agreement* with North West Boroughs Healthcare NHS Foundation Trust to provide for joint working in respect of clinical and non clinical services together with a framework for both trusts to jointly submit

tenders to bid for new services. In addition, following permission from NHS England / Improvement, the trust entered *Head of Terms* and a *Governance Arrangement* to explore the possibility of Mersey Care formally acquiring North West Boroughs. At the time of writing a *Strategic Case*, the first step in the formal process for one NHS organisation to acquire another, is being developed for consideration by both trust's Boards of Directors.

- 148. The Trust continues to participate in the Cheshire and Merseyside Health and Care Partnership (the new name for the Sustainability and Transformation Partnership), including work the Trust is doing with other mental health providers across Cheshire and Merseyside (i.e., Cheshire & Wirral Partnership NHS Foundation Trust and North West Boroughs Healthcare NHS Foundation Trust).
- 149. The Trust is also involved in a range of multi-agency arrangements to facilitate partnership working and risk management across the wider health and social care system, including:
  - a) the Chief Executive chairing the Liverpool Provider Alliance, a meeting that brings together representatives from NHS providers in Liverpool together with local GPs, social care colleagues from Liverpool City Council and representatives of the voluntary sector to address the integration of health and social care across Liverpool;
  - b) the Chief Executive chairing the Sefton Provider Alliance a meeting that brings together representatives from NHS providers in Sefton together with local GPs, Sefton Council, Clinical Commissioning Groups and representatives of the voluntary sector to address the integration of health and social care across Sefton;
  - c) membership of the Transformation Strategic Partnership Board, chaired by NHS England and with representatives from Clinical Commissioning Groups across Lancashire, Cheshire & Mersey and Greater Manchester, which is looking at the future of Learning Disability Services across the north west of England;
  - working with NHS England and local Cheshire and Merseyside NHS and private sector secure mental health providers, Mersey Care is the Lead Provider for the PROSPECT Partnership, a New Care Model pilot which is collaborating to help inform the commissioning intentions of NHS England in respect of local mental health secure commissioning;
  - e) membership of the Local Health Resilience Partnership.

#### Additional Disclosures Required by the Finance Reporting Manual (FReM)

150. Accounting policies for pensions and other retirement benefits are set out in note 1.6 to the Annual Accounts and details of senior employees' remuneration can be found in the Remuneration Report (see Chapter 13).

#### Income Disclosures Required by Section 43(2A) of the NHS Act 2006

151. The Trust receives the majority of income from the provision of goods and services for the purposes of the health services in England. Other income received has no impact on its provision of goods and services for the purposes of the health services in England.

#### Compliance with UK Corporate Code of Governance

152. Mersey Care NHS Foundation Trust has applied the principles of the *NHS Foundation Trust Code of Governance* on a 'comply or explain basis'. The *NHS Foundation Code of Governance*, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.

#### **Compliance with the NHS Foundation Trust Code of Governance**

- 153. During 2019/20 the Board of Directors can confirm that it has complied with the provisions of the NHS Foundation Trust Code of Governance and that it has in place:
  - a) a clear vision, underpinned by a 5-year Strategy and a 2-year Operational Plan;
  - a regularly reviewed Constitution governing the operation of the Council of Governors (and its working groups) and the Board of Directors (and its committees and their supporting sub committees and work groups), together with a range of regularly reviewed corporate policies including:
    - i) Scheme of Reservation and Delegation of Powers
    - ii) Standing Financial Instructions
    - Standards of Business Conduct (incorporating the Nolan principles, NHS England's model conflicts of interest guidance and Codes of Conduct for the Governors and Directors)
    - iv) Governor's Handbook
    - v) Anti-Fraud, Corruption and Bribery Policy
    - vi) Risk Management Strategy
    - vii) Freedom to Speak Up Strategy
    - viii) Freedom to Speak Up Policy
    - ix) Fit and Proper Persons Policy

together with the Safety Framework in respect of the safety and quality of services;

- c) at least half the Board of Directors, excluding the Chair, comprises independent Non-Executive Directors (with one identified as a Senior Independent Director) (see Table 4D);
- d) regular private meetings between the Chair and Non-Executive Directors;
- e) a robust annual appraisal process for the Chair and Non-Executive Directors that has been developed and approved by the Council of Governors;
- f) a robust recruitment process for the appointment of Non-Executive Directors;

- an induction process for Non-Executive and Executive Directors, together with a comprehensive induction programme and ongoing training programme for Governors;
- h) processes to annually review compliance with the Fit and Proper Persons' criteria for all Directors;
- publicly accessible Register of Interests for Directors, Governors and senior staff (see paragraph 129);
- an effective infrastructure, including the provision of high quality reports (informed by an annual cycle of business) and minutes to support the Council of Governors and its working groups, including a Membership Strategy reported to the Council of Governors;
- an effective infrastructure, including the provision of high quality reports (informed by an annual cycle of business) and minutes to support the Board of Directors and its subcommittees. These allow the Board of Directors to measure and monitor the Trust's effectiveness, efficiency, and economy together with the quality of healthcare safety and delivery;
- mechanisms to regularly review of the effectiveness of the Board of Directors through both independent reviews and independent well-led reviews commissioned by the Trust (see paragraph 411);
- m) an annual process for the election of the Lead Governor by the Governors;
- n) robust Audit Committee arrangements, including the Council of Governors appointing the external auditor;
- separate Remuneration (and where applicable Nominations) Committees to oversee the remuneration / appointment / re-appointment of Non-Executive Directors and Executive Directors, with membership drawn appropriately to ensure nobody is involved in determining their own remuneration / terms and conditions of services;
- 154. The Board of Directors confirms that the Trust has complied with the Code of Governance. Although the Code explicitly calls at least half the Board of Directors, excluding the Chair, to comprise of Non-Executive Directors (Principle B.1.2), Mersey Care also seeks to apply this requirement to its Board Committees, with the exception of:
  - a) the Audit Committee, which the Code (Principle C.3.1) states should draw its membership from Non-Executive Directors;
  - b) the Performance, Finance and Investment Committee which, although the Non-Executive Directors are in a minority, has established a mechanism to ensure an equal number of Non-Executive Directors to Executive Director has a vote; and
  - c) the Executive Committee which did not have any Non-Executive Directors. This is chaired by the Chief Executive and provides a mechanism for the Executive Team to oversee the operational management of the Trust. Assurance is also provided through the Quality Assurance Committee and the

Performance, Investment & Finance Committee to the Board of Directors on operational delivery. The Executive Committee was disbanded in February 2020 as part of planned changes to the Trust's governance arrangements.

#### Directors' responsibility for preparing financial statements

155. The Directors of the Trust consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the Trust's performance, business model and strategy.

#### Statement as to disclosure to auditors

- 156. In accordance with the requirements of the Companies (Audit, Investigations and Community Enterprise) Act 2004, the Trust confirms that for each individual who was a director at the time that the director's report was approved, that:
  - a) so far as each of the Trust Directors is aware, there is no relevant audit information of which the Trust's Auditors are unaware;
  - b) each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information, and to establish that the Trust's Auditor is aware of that information.
- 157. For the purposes of this declaration:
  - a) relevant audit information means information needed by the Trust's auditor in connection with preparing their report and that;
  - b) each director has made such enquiries of his / her fellow directors and taken such other steps (if any) for that purpose, as are required by his/her duty as a director of the Trust to exercise reasonable care, skill and diligence.

### Additional information

158. The Trust has not made any political donations during the year

## CHAPTER 11 – STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

- 159. The NHS Act 2006 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the *NHS Foundation Trust Accounting Officer Memorandum* issued by NHS Improvement.
- 160. NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require Mersey Care NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Mersey Care NHS Foundation Trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year.
- 161. In preparing the accounts and overseeing the use of public funds, the Accounting Officer is required to comply with the requirements of the Department of Health and Social Care's Group Accounting Manual and in particular to:
  - a) observe the Accounts Direction issued by NHS Improvement, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - b) make judgements and estimates on a reasonable basis;
  - c) state whether applicable accounting standards as set out in the *NHS Foundation Trust Annual Reporting Manual* (and the Department of Health and Social Care's *Group Accounting Manual*) have been followed, and disclose and explain any material departures in the financial statements;
  - d) ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance;
  - e) confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Foundation Trust's performance, business model and strategy; and
  - f) prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.
- 162. The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

- 163. As far as I am aware, there is no relevant audit information of which the foundation trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.
- 164. To the best of my knowledge and belief, I have properly discharged the responsibilities set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

Joseph Alefferts	24 June 2020
Joe Rafferty CBE	Dated
Chief Executive	

## **CHAPTER 12 – AUDIT COMMITTEE**

## **Role of the Audit Committee**

- 165. The Audit Committee is a committee of the Board of Directors which undertakes detailed scrutiny of the Trust's governance and assurance processes on behalf of the Board of Directors. The Audit Committee is chaired by a suitably qualified Non-Executive Director (Pam Williams) with, at the end of March 2020, two other Non-Executive Directors (Murray Freeman and Gerry O'Keeffe) as members. The Audit Committee met on nine occasions in 2019/20 and all meetings were quorate, although on one occasion another Non-Executive was made a temporary member of the Committee, as is permitted under the Trust's governance arrangements, to ensure quoracy (details of members' attendance can be found in **Appendix B**).
- 166. The Audit Committee has Terms of Reference which are regularly reviewed, taking account of the NHS Audit Committee Handbook and other guidance, and approved by the Board of Directors. The work of the Audit Committee in 2019/20 has been to review the effectiveness of the organisation and its systems of governance, risk management and internal control through a programme of work involving the scrutiny of assurances provided by internal audit, external audit, local anti-fraud officer, Trust managers, finance staff and the clinical audit team along with reports and reviews from other external bodies.
- 167. The Audit Committee has an annual cycle of business that is informed by the External Audit Plan, the Internal Audit Plan and the Anti-Fraud, Corruption and Bribery Response Plan for the Trust. As the Trust hosts Informatics Merseyside, which provides a range of IT services to local NHS organisations, the annual cycle of business is also informed by the Internal Audit Plan for Informatics Merseyside. The annual cycle of business is approved by the Board of Directors.
- 168. Members of the Audit Committee also hold regular meetings with the Trust's internal and external auditors, where officers of the Trust are not present.

## Main Activities in 2019/20

#### Internal control and risk management

- 169. The Committee, having reviewed relevant disclosure statements for 2019/20 and other appropriate independent assurance, together with the Head of Internal Audit Opinion, external audit opinion (at its May and June 2020 meeting), considers that the 2019/20 Annual Governance Statement is consistent with the Committee's view on the Trust's system of internal control. Accordingly the Committee supported the 2019/20 Annual Governance Statement for approval by the Board of Directors.
- 170. The Audit Committee receives regular assurance on the Trust's risk management processes through the Executive Lead for risk (Medical Director), supported by the Risk Management Group.

- 171. Risk priority areas for 2019/20 included:
  - a) the legal and procedural requirements regarding patient Monies in relation to Losses and Special Payments following concerns identified in respect of divisional practices in recording and monitoring patient monies;
  - b) a range of other issues including *Freedom to Speak Up* issues (whistleblowing), clinical audit arrangements, e-rostering use and statutory and mandatory training.

#### Internal audit

- 172. Throughout the year, the Committee worked effectively with its internal auditors, Mersey Internal Audit Agency (MIAA), to ensure that the design and operation of the Trust's internal control processes are sufficiently robust.
- 173. The Committee has given considerable attention to the importance of follow-up in respect of internal audit work in order to gain assurance that appropriate management action has been implemented. This included regular reports on follow-up actions from internal audit reviews undertaken, including those of the former Liverpool Community Health NHS Trust.
- 174. The Committee has considered the key findings of internal audit and where appropriate has sought management assurance that remedial action has been taken.
- 175. The Committee reviewed and approved the internal audit plan and detailed programme of work for 2019/20 at its April 2019 meeting. This included reviews of combined financial systems, clinical information systems, information governance toolkit, HR procedures, incident reporting and the assurance framework, together with the internal audit work for Informatics Merseyside.
- 176. MIAA has supported the Non-Executive Directors over the year through the provision of networking events, policy advice, and Insight updates.

#### **Anti-Fraud**

177. The Committee reviewed and approved the counter fraud policy and work plan for 2019/20at its April 2019 meeting, noting coverage across all mandated areas of strategic governance, inform and involve, prevent and deter and hold to account. The Committee also during the course of the year regularly reviewed updates on proactive counter fraud work and fraud investigations. In light of the sophisticated fraud the Trust was subject to, the Committee has received assurance on the implementation and effectiveness of those measures put in place to protect to the Trust against such frauds.

#### **External audit**

178. Grant Thornton continued as the Trust's external auditor from 1 April 2018 following a tender exercise overseen by the Council of Governors from September 2016 to January 2017. The Trust had a three-year contract with Grant Thornton for external audit subject to regular effectiveness reviews. The Council of Governors led a further tender exercise in August 2019 – January 2020 to appoint an external audit from 1

April 2020. In January 2020, the Council of Governors approved the direct awarding of the External Audit Services contract to Grant Thornton LLP for a further three contract. The Trust has procedures for considering any non-audit services provided by external audit.

179. The Audit Committee routinely receives a progress report from the external auditor, including an update annual accounts audit timetable and programme of work, updates on key emerging national issues and developments which may be of interest to Committee members alongside a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

#### Management assurance

180. The Committee has frequently assessed the adequacy of wider corporate assurance processes as appropriate and has requested and received assurance reports from executives, managers and wider Committee representation throughout the year. In 2019/20 management assurance outside of the audit action plans was received in respect of the arrangements within the Trust for partnership working and cyber security arrangements.

#### **Financial Assurance**

181. The Audit Committee has reviewed the annual financial statements prior to submission to the Board of Directors and considered these to be accurate. It has ensured that all external audit recommendations have been addressed.

#### **Other Assurance**

182. The Committee has routinely received reports on Losses and Special Payments and Single Source Tender Waivers.

#### **Review of Audit Committee Effectiveness**

183. The Audit Committee undertakes an annual review of its effectiveness using the selfassessment tool provided in the NHS Audit Committee Handbook. A review of committee processes were completed in December 2019. No areas for improvement were identified in this assessment.

P.J. Williams	24 June 2020
Pam Williams Chair of the Audit Committee	Dated

## **CHAPTER 13 – REMUNERATION REPORT**

## What this report covers

- 184. This report to stakeholders:
  - a) sets out the Trust's remuneration process, i.e., it explains the process under which the Chairman, Non-Executive Directors and Executive Directors / Other Board Directors were remunerated for the financial period 1 April 2019 to 31 March 2020;
  - b) provides tables of information showing details of the salary and pension interests of all Directors for the financial period 1 April 2019 to 31 March 2020;
  - c) has been prepared in accordance with Sections 420 to 422 of the Companies Act 2006 (section 420(2) and (3); Regulation 11 and Parts 3 and 5 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) ("the Regulations"); Parts 2 and 4 of Schedule 8 of the Regulations as adopted by Monitor (NHS Improvement) and elements of the NHS Foundation Trust Code of Governance;
  - d) outlines the approach adopted by the Council of Governors when setting the remuneration of the Chairman and Non-Executive Directors;
  - e) outlines the approach adopted by the Board of Directors' Remuneration and Terms of Service Committee when setting the remuneration of the Executive Directors and Other Board Directors who have authority or responsibility for directing or controlling the major activities of the organisation. The following posts have been designated as fitting this criterion and are collectively referred to as the senior managers within this report:
    - i) Executive Directors:
      - Chief Executive
      - Executive Director of Finance (Deputy Chief Executive)
      - Executive Medical Director
      - Executive Director of Nursing and Operations
      - Executive Director of Communications, Corporate Governance and Estates;
      - Executive Director of Workforce;
    - ii) Other Directors (non-voting):
      - Director of Strategy and Planning.

## **Board of Directors' Remuneration and Terms of Service Committee**

185. Role - the Remuneration and Terms of Service Committee is a committee of the Board of Directors. An effective committee is key to ensuring that executive directors' remuneration is aligned with stakeholders' interests and that executive directors are motivated to enhance the performance of the Trust.

- 186. Membership all Non-Executive Directors are members of the Remuneration and Terms of Service Committee. The Chief Executive and the Trust Secretary are normally in attendance at meetings of the Committee, except when their positions are being discussed. The Executive Director of Workforce also attends meeting, as appropriate, to provide advice and expertise and the committee has the option to seek further professional advice as required. Details of member's attendance at this Committee's meetings can be found in the appendices support Chapter 16 – Annual Governance Statement.
- 187. The work of the Remuneration and Terms of Service Committee during 2019/20 has included:
  - approval of the proposed principals and a policy framework in respect of Very Senior Managers (VSM) pay and associated remuneration levels for Executive Directors;
  - b) approval of a non-consolidated performance related pay bonus for the financial year 2018/19 for the Chief Executive;
  - c) approval of a Performance Related Pay Scheme for Board level directors and subsequently approval of a proposal to award Performance Related Pay for Board Level Directors;
  - d) approval of the creation of the VSM level Chief Operating Officer role for the Secure and Specialist Learning Disabilities Division post and recommended remuneration for the role;
  - e) approval of the request to implement a Mutually Agreed Resignation Scheme (MARS) for non-clinical staff and the funding to support the scheme;
  - noting the resignation of Dr David Fearnley as Executive Medical Director with effect from 31 July 2019, together with approve the interim acting up arrangements of Dr Arun Chidambaram for the position of Interim Executive Medical Director with effect from 1 August 2019;
  - g) approval of the appointment of head hunters to support the external recruitment of a new Executive Medical Director;
  - noting the intention to proceed with a penalty payment in respect of the TUPE process of the mental health care provision in HM Prison Liverpool into the Secure Division in April 2018;
  - i) approval of a number of redundancy payments in line with the Trust's Organisational Change Policy;
  - approved of a number of settlement payments for staff members (subject to HM Treasury approval);
  - noting that there was no increase due for 2019/20 for Executive Directors or VSM colleagues; and
  - providing the Executive Director of Workforce with delegated authority to submit the proposed salary for the Trust's new Executive Medical Director to HM Treasury, only with support of NHS England / Improvement and not exceeding the salary outlined to the Committee.

188. The Trust produced an Equality and Inclusion Strategy for 2019-21 and supporting plan which was approved by Board of Directors in May 2019. The strategy sets out our commitment to promoting equality and inclusion. It outlines the key priorities that will support us to drive forward equality and inclusion and to deliver continuous improvement in Mersey Care's ambition to deliver Perfect Care. The Strategy includes The Trust's equality objectives which are aligned to the Equality and Delivery System 2 (EDS 2) improvement framework.

## **Remuneration for the Chairman and Non-Executive Directors**

- 189. The remuneration and terms of service for the Chairman and the Non-Executive Directors are set, in line with statute and the Trust's Constitution, by the Council of Governors and implemented locally by the Trust. The Council of Governors reviewed the remuneration of the Chairman and Non-Executive Directors in September 2016, (assisted by benchmark data and advices provided by an external consultancy) and again in January 2020 (assisted by updated guidance published by NHS England / Improvement in September 2019). The following remuneration was approved
  - a) the Chairman £50,000 per annum;
  - b) the Non-Executive Director also undertaking the role of Senior Independent Director - £15,500 per annum;
  - c) the Non-Executive Director also undertaking the role of Chairman of the Board of Directors' Audit Committee - £16,500 per annum;
  - d) all other Non-Executive Directors £13,000 per annum.

### **Remuneration for Executive Directors / Other Board Directors**

#### **Employment Contracts**

- 190. All Executive Directors / Other Board Directors have employment contracts. Contracts are usually awarded on a permanent basis, unless the post is for a fixed period of time. Executive Directors (including the Chief Executive) have a six-month notice period within their contracts of employment (see **Table 5**).
- 191. Termination payments are made in accordance with contractual agreements.

Table 5: Executive Directors	/ Other Board Directors Contractual Data
------------------------------	------------------------------------------

Name	Title	Contract Date	Term (Notice Period)	Early Termination Provisions
Joseph Rafferty CBE	Chief Executive	01/09/2012	Permanent (6 months)	None
Patricia (Trish) Bennett	Executive Director of Nursing and Operations	01/08/2016	Permanent (6 months)	None
Elaine Darbyshire	Executive Director of Communications, Corporate Governance & Estates	01/06/2013	Permanent (6 months)	None
Louise Edwards	Director of Strategy and Planning	12/11/2012	Permanent (6 months)	None
David Fearnley (1)	Executive Medical Director	03/08/2005	Permanent (6 months)	None
Neil Smith	Executive Director of Finance (Deputy Chief Executive)	04/05/2004	Permanent (6 months)	None

Name	Title	Contract Date	Term (Notice Period)	Early Termination Provisions
Amanda Oates	Executive Director of Workforce	01/08/2013	Permanent (6 months)	None
Ray Walker (2)	Executive Director of Nursing	20/06/2011	Permanent (6 months)	None
Arun Chidambaram (3)	Interim Executive Medical Director	01/08/2019	Permanent (3 months)	None

Notes 1 Resigned as Executive Medical Director on 31 July 2019

2 Although Ray Walker resigned as Executive Director of Nursing on 28 February 2018, he remained employed by the Trust as an Executive Director whilst he was seconded to Health Education England from 1 March 2018. Upon returning to the Trust on 26 February 2020, Ray has subsequently resigned as an Executive Director.

3 Arun Chidambaram held the post of Interim Executive Medical Director from 1 August 2019 to 31 March 2020.

## **Remuneration Process for Executive Directors / Other Board Directors**

- 192. Executive Directors' / Other Board Directors' contracts of employment include a fixed annual salary payment, which is disclosed in the Annual Report and Accounts.
- 193. Starting salaries for Executive Directors / Other Board Directors are determined by the Board of Directors' Remuneration and Terms of Service Committee by reference to independently obtained NHS salary survey information, internal relativities and equal pay provisions and other labour market factors where relevant, e.g. for cross sector, functional disciplines such as human resources. This Committee also considers the notice periods (normally 6 months) as part of the approval of the remuneration package for Executive Directors / Other Board Directors.
- 194. Progression is determined by the Board of Directors' Remuneration Committee for:
  - annual inflation considerations in line with nationally published indices, Department of Health and Social Care guidance and other nationally determined NHS pay settlements;
  - specific review of individual NHS salary survey information, other labour market factors where relevant, e.g. for cross sector, functional disciplines, internal relativities and equal pay provision. Such review is only likely where an individual director's portfolio of work or market factors change substantially.
- 195. Executive Directors / Other Board Directors participate in an annual appraisal process which identifies and agrees objectives to be met. This is supported by a personal development plan where appropriate.
- 196. During the financial year 2019/20 the Remuneration and Terms of Service Committee agreed to a Performance Related Pay Scheme for the Executive Directors / Other Board Members. This related to performance during the 2018/29 financial year..

## Future Process on Remuneration of Executive Directors / Other Board Directors

- 197. The following elements of remuneration are determined as follows:
  - a) salary as determined by the Board of Directors Remuneration and Terms of Service Committee;
  - b) car allowance the Trust operates a 'Trust contribution lease car scheme' which is available to each of the identified senior managers. Alternatively a cash equivalent is offered of £3,600 (Chief Executive) or £3,200 (other senior managers);
  - c) NHS Pension Scheme<sup>5</sup> employer and employee contributions as specified by NHS Pension Agency unless the senior manager opts out;
  - d) Additional benefits<sup>6</sup> tax-free childcare voucher scheme, salary sacrifice lease car scheme, salary sacrifice home electronics scheme, cycle to work scheme.
- 198. There are no senior managers that have tailored arrangements outside of those described above.
- 199. Whilst the benefits and senior manager remuneration offered by the Trust is in line with other NHS Foundation Trusts, it is important to recognise this supports the long-term strategic direction of the Trust during a period of transformation and ensures that a stable senior team is in place to manage the process.

#### Remuneration in excess of £150,000 per Annum

- 200. The Civil Service has set the threshold at £150,000 per annum, above which approval is required by the Chief Secretary to the Treasury, as set out in guidance issued by the Cabinet Office. This currently equates to the Prime Minister's ministerial and parliamentary salary. The Cabinet Office approvals process does not apply to NHS Foundation Trusts. However, the guidance advises that in circumstances where one or more senior managers are paid more than £150,000, the Trust should explain (not necessarily on an individual basis), the steps taken to satisfy itself that this remuneration is reasonable.
- 201. In respect of those senior managers who are paid more than £150,000, the Trust has considered comparable data from other similar organisation in determining the rate that should be paid to attract and retain staff of the calibre required to deliver the Trust's objectives.

**Note:** Please note that elements of the Remuneration Report are subject to audit, namely the salary and pension entitlements of senior managers, 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

<sup>&</sup>lt;sup>5</sup> The NHS pension arrangements are available to all employees of the Trust

<sup>&</sup>lt;sup>6</sup> Additional benefits are available to all employees of the Trust

between this and the mid-point of the banded remuneration of the highest paid director.

## Salaries and Allowances for the Period Ended 31 March 2020

- 202. Guidance requires that when producing its Annual Report, the Trust provides information about the salaries and allowances for members of the Board compared to the information contained in its last Annual Report.
- 203. In compliance with Article 21 of the General Data Protection Regulation (GDPR) each member of the Board, detailed in the tables below, have given their consent for their information to be included.
- 204. Tables 6 to 9 below provide details of the salaries and / or allowances for the Chairman / Non-Executive Directors and the Executive Directors / Other Board Directors for both 2018/19 and 2019/20. Table 10 provides details of the Pension Benefits.

Table 6: Executive Directo	rs / Other Board Directors Salarie	s (April 2019 to March 2020)

	2019-2020						
	Note s	Salary (bands of £5,000) £'000	Expense payments (taxable) to nearest £100 £'00	Performance pay and bonuses (bands of £5,000) £'000	Long Term performance pay and bonuses (bands of £5,000) £'000	All pension- related benefits (bands of £2,500) £'000	(hande of £5 000)
Executive Directors							
Joseph Rafferty - Chief Executive	1	225 - 230	31			0	230 - 235
David Feamley – Medical Director	2	85 - 90	101			22.5 - 25.0	120 - 125
Neil Smith – Executive Director of Finance / Deputy Chief Executive		155 - 160	56	0 - 5		90.0 - 92.5	255 - 260
Elaine Darbyshire - Executive Director of Communications and Corporate Governance.		120 - 125	46	5 - 10		30.0 - 32.5	165 - 170
Amanda Oates - Executive Director of Workforce		120 - 125	39	0 - 5		45.0 - 47.5	175 - 180
Louise Edwards - Director of Strategy and Planning		115 - 120	54	5 - 10		22.5 - 25.0	150 - 155
Trish Bennett - Executive Director of Nursing and Operations	3	150 - 155	27			157.5 - 160.0	315 - 320
Ray Walker - Executive Director (seconded to Health Education England)	4	1 <mark>1</mark> 5 - 120	0			12.5 - 15.0	130 - 135
Arun Chidambaram - Interim Medical Director	5	65 - 70	0			67.5 - 70.0	135 - 140
Mark Hindle - Executive Director of Operations	6	0	0			0	0
Band of Highest Paid Director's Total Remuneration (£'000)	315-320						
Median Total Remuneration of all staff	28,859						
Pay Multiple Ratio	7.9						

a) Benefits in kind are the taxable value attributed to lease cars and salary sacrifice schemes. From April 2019 the trust has registered with HMRC to 'payroll the benefits in kind. This means that the benefits are taxed at source and there is no-longer a requirement to complete a yearly P11d.

Pension related benefits are the total increases in benefits that will be payable by the NHS Pension Scheme from normal retirement age (age 60 for members of the 1995 section, age 65 for member of the 2008 section and age 67 for a member of the 2015 scheme).

Note – explanatory text in support of the notes shown in column 2 above can be found at the end of Table 9 below.

	2019-2020							
		Salary (bands of £5,000)	Expense payments (taxable) to nearest £100	Performance pay and bonuses (bands of £5,000)	Long Term performance pay and bonuses (bands of £5,000)	All pension- related benefits (bands of £2,500)		
	Notes	£'000	£'00	£'000	£'000	£'000	£'000	
Non Executive Directors								
Beatrice Fraenkel - Chairman		45 - 50	16				45 - 50	
Matt Birch	7	0					0	
Gerry O'Keefe		15 - 20					15 - 20	
Catherine Green	8	0					0	
Pamela Williams		15 - 20	9				15 - 20	
Nicholas Williams	9	0					0	
Gaynor Hales		10 - 15	15				10 - 15	
Murray Freeman		10 - 15	9				10 - 15	
Aislinn O'Dwyer		10 - 15					10 - 15	

**Note** – explanatory text in support of the notes shown in column 2 above can be found at the end of Table 9 below.

Table 8:	<b>Executive Directors</b>	/ Other Board Di	rectors Salaries (Ar	oril 2018 to March 2019)

			2018-2019						
		Salary (bands of £5,000)	Expense payments (taxable) to nearest £100	Performance pay and bonuses (bands of £5,000)	Long Term performance pay and bonuses (bands of £5,000)	All pension- related benefits (bands of £2,500)	Total (bands of £5,000)		
	Notes	£'000	£'00	£'000	£'000	£'00	£'000		
Executive Directors									
Joseph Rafferty - Chief Executive	1	210 - 215	30			0	215 - 220		
David Fearnley – Medical Director	2	255 - 260	83			30.0 - 32.5	295 - 300		
Neil Smith – Executive Director of Finance / Deputy Chief Executive		145 - 150	62			0	130 - 135		
Elaine Darbyshire - Executive Director of Communications and Corporate Governance.		125 - 130	29			20.0 - 22.5	150 - 155		
Amanda Oates - Executive Director of Workforce		115 - 120	57			17.5 - 20.0	140 - 145		
Louise Edwards - Director of Strategy and Planning		115 - 120	52			20.0 - 22.5	140 - 145		
Trish Bennett - Executive Director of Nursing and Operations	3	125 - 130	16			47.5 - 50.0	175 - 180		
Ray Walker - Executive Director (seconded to Health Education England)	4	125 - 130	0			7.5 - 10.0	135 - 140		
Arun Chidambaram - Interim Medical Director	5	0	0			0	0		
Mark Hindle - Executive Director of Operations	6	35 - 40	0			0	15 - 20		
Band of Highest Paid Director's Total Remuneration (£'000)		295-300							
Median Total Remuneration of all staff				27,	540				
Pay Multiple Ratio				9	.3				

**Note** – explanatory text in support of the notes shown in column 2 above can be found at the end of Table 9 below.

Table 9: Chairman / Non-Executive Directors Allowances (April 2018 to March 2019)
-----------------------------------------------------------------------------------

				2018-2019			
		Salary (bands of £5,000)	Expense payments (taxable) to nearest £100	Performance pay and bonuses (bands of £5,000)	Long Term performance pay and bonuses (bands of £5,000)	All pension- related benefits (bands of £2,500)	
	Notes	£'000	£'000		£'000	£'00	£'000
Non Executive Directors							
Beatrice Fraenkel - Chairman		45 - 50	11				45 - 50
Matt Birch	7	10 - 15					10 - 15
Gerry O'Keefe		15 - 20					15 - 20
Catherine Green	8	0 - 5	1				0 - 5
Pamela Williams		15 - 20	9				15 - 20
Nicholas Williams	9	0					0
Gaynor Hales		10 - 15	6				10 - 15
Murray Freeman		10 - 15					10 - 15
Aislinn O'Dwyer		5 - 10					5 - 10

#### Notes:

1 Joseph Rafferty CBE (Chief Executive) ceased contributions into the NHS Pension Scheme on 1 April 2017.

2 David Fearnley resigned as Medical Director on 31 July 2019.

3 Trish Bennett received a pay award in 2019/20 which was backdated to April 2018.

4 Although Ray Walker resigned as Executive Director of Nursing on 28 February 2018, he remained employed by the Trust as an Executive Director whilst he was seconded to Health Education England from 1 March 2018. Upon returning to the Trust on 26 February 2020, Ray has subsequently resigned as an Executive Director

5 Arun Chidambaram was appointed Interim Medical Director with effect from 1 August 2019.

6 Mark Hindle resigned as Executive Director of Operations on 30 June 2018.

7 Matt Birch resigned as a Non-Executive Director with effect from 31 March 2019.

- 8 Catherine Green resigned as a Non-Executive Director with effect from 11 July 2018.
- 9 In accordance with his contract of employment, Nicholas Williams (Non-Executive Director) received no remuneration from the Trust.

# **Pension Benefits**

\*

205. The Chairman and the Non-Executive Directors do not receive pensionable remuneration, as such there will be no entries in respect of pensions for the Chairman and the Non-Executive Directors. **Table 10** below shows the pension benefits received by the Executive Directors / Other Board Directors.

Name	Title	Real increase in pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31 March 2020 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31 March 2020 (bands of £5,000)	Cash Equivalent Transfer Value at 1 April 2019	Real increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2020	Employer's contribution to stakeholder pension
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Joseph Rafferty	Chief Executive*	0	0	0	0	0	0	0	0
David Fearnley	Medical Director (to 31 July 2019)	0.0-2.5	2.5-5.0	50-55	145-150	1002	35	1061	7
Neil Smith	Executive Director of Finance/Deputy Chief Executive	2.5-5.0	17.5-20.0	65-70	200-205	1369	140	1542	22
Elaine Darbyshire	Executive Director of Communications and Corporate Governance	0.0-2.5	0	25-30	0	326	41	375	18
Amanda Oates	Executive Director of Workforce	2.5-5.0	2.5-5.0	30-35	60-65	478	55	544	18
Louise Edwards	Director of Strategy and Planning	0.0-2.5	-2.5-0.0	20-25	35-40	329	29	371	17
Trish Bennett	Executive Director of Nursing and Operations	5.0-7.5	32.5-35.0	45-50	135-140	843	189	1052	22
Ray Walker	Executive Director (seconded to Health Education England)	0.0-2.5	2.5- 5.0	25-30	75-80	636	45	634	17
Arun Chidambaram	Interim Medical Director (from 1 August 2019)	25.0-27.5	50.0-52.5	25-30	50-55	0	437	437	10

Joseph Rafferty CBE (Chief Executive) ceased contributions into the NHS Pension Scheme on 1 April 2017.

**Note**: The method used to calculate Cash Equivalent Transfer Values (CETVs) changed, to remove the adjustment for Guaranteed Minimum Pension (GMP) on 8 August 2019. This change is reflected in the calculations used in the above table. The benefits and related CETVs do not allow for a potential adjustment arising from the McCloud judgement.

# Cash Equivalent Transfer Values (CETV)

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

# **Real Increase in CETV**

207. This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

# **Pay Multiples**

- 208. 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 organisation's workforce.
- 209. The banded remuneration of the highest paid director in Mersey Care NHS Foundation Trust in the period April 2019 to March 2020 was £228,063 (2018/2019, £257,739). This was 7.90 times (2018/2019, 8.57) the median remuneration of the workforce, which was £28.859 (2018/2019, £30,070).
- 210. For the period April 2019 to March 2020, 0 (zero) employees (2018/2019, 0) received remuneration in excess of the highest-paid director. Remuneration ranged from £17,652 to £228,063 (2018/2019, £17,460 to £257,739).
- 211. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include employer pension contributions, severance payments and the cash equivalent transfer value of pensions.
- 212. The average number of full-time equivalent staff for the period April 2019 to March 2020 was 6,800 (2018/2019, 6,589) which generated a pay multiple of 7.90 (2018/2019, 8.57). The reduction in the pay multiple is mainly driven by the resignation of the Medical Director on 31 July 2019, the post being covered by an

Interim until 31 March 2020. The highest earning director's salary was then that of the Chief Executive.

# **Reporting of Other Compensation Schemes – Exit Packages**

213. NHS Foundation Trusts are required to disclose summary information of their use if exit packages in the year.

#### Exit Packages

- 214. The exit payments were calculated in accordance with contractual terms based on length of service.
- 215. **Table 11A** discloses details of all exit packages, analysed between compulsory redundancies and other non-compulsory departures. The values of these exit packages are analysed by cost band. Comparative information for 2018/19 is included.

	Payn	nents for 201	19/20	Payments for 2018/19			
Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	
Less than £10,000	1	19	20	0	24	24	
£10,000 to £25,000	0	5	5	2	13	15	
£25,001 to £50,000	2	0	2	14	6	20	
£50,001 to £100,000	0	4	4	3	4	7	
£100,001 to £150,000	0	0	0	0	0	0	
£150,001 to £200,000	1	0	1	1	0	1	
Total number of exit packages by type	4	28	32	20	47	67	
Total resource cost	£245,000	£460,000	£705,000	£886,000	£819,000	£1,706,000	

#### Table 11A: Exit Payments by Type and Cost Band for 2019/20 and 2018/19

- 216. Redundancy costs have been paid in accordance with the provisions of the NHS Scheme. Other departure costs have been paid in accordance with the provisions of the NHS Scheme/Trust's Mutually Agreed Redundancy Scheme (MARS). Exit costs in this note are the full costs of departures agreed in the year. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS Pensions Scheme. Ill-health retirement costs are met by the NHS Pensions Scheme and are not included within this table.
- 217. In respect of **Table 11A** above, please note:
  - a) this table reports the number and value of exit packages agreed in the year;
  - b) the expense associated with these departures may have been recognised in part or in full in a previous period.

# Non-Compulsory Departures

218. **Table 11B** discloses details the number of non-compulsory departures which attracted an exit package in the year and the values of the associated payment(s) by individual type. Comparative information for 2018/19 is included.

	For 20	019/20	For 2018/19		
	Number of agreements	Total value of agreements	Number of agreements	Total value of agreements	
Voluntary redundancies including early retirement contractual costs	0	£0	0	£0	
Mutually agreed resignations (MARS) contractual costs	11	£386	25	£718,000	
Early retirements in the efficiency of the service contractual costs	0	£0	0	£0	
Contractual payments in lieu of notice	17	£74	42	£102,000	
Exit payments following Employment Tribunals or court orders	0	£0	0	£0	
Non-contractual payments requiring HM Treasury approval	0	£0	0	£0	
Total	28	£460,000	67	£819,000	

Table 11B: Non-Compulsory Departures attracting Exit Payments for 2019/20 and 2018/19

- 219. As a single exit package can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in **Table 11B** which will be the number of individuals.
- 220. In respect of Table 11B above, please note:
  - a) any non-contractual payments in lieu of notice are disclosed under "noncontractual payments requiring HM Treasury approval";
  - b) includes any non-contractual severance payment made following judicial mediation, and relating to non-contractual payments in lieu of notice;
  - c) Nil non-contractual payments (£0) were made to individuals where the payment value was more than 12 months' of their annual salary;

#### Approved by:

septe

24 June 2020
Dated

Joe Rafferty CBE Chief Executive

# **CHAPTER 14 – STAFF REPORT**

# Analysis of Average Staff Numbers and Staffing Costs

221. Table 12A below shows information on the number of staff employed by the Trust by whole time equivalents (WTE).

#### Table 12A: Average Staff Numbers (WTE)

Staff Group	Permanent (wte)	Other (wte)	<b>Total</b> (wte)
Medical and Dental	167.71	-	167.71
Nursing	2,082.64	-	2,082.64
Scientific, Therapeutic & Technical	942.88	-	942.88
Health Care Support staff	1,543.56	-	1,543.56
Admin and Estates	1,819.61	-	1,819.61
Agency and contract staff	-	247.12	247.12
Bank Staff	-	576.80	576.80
All Staff Groups	6,556.40	823.92	7,380.32

222. Table 12B below shows the total staffing costs for staff employed by the Trust by payment category.

Table 12B: Staff Costs by Payment Category								
Staff Cost Payment Categories	Permanent (£000's)	Other (£000's)	Total					
Salaries and Wages	238,456		238,456					
Social Security Costs	21,106		21,106					
Apprenticeship Levy	1,114		1,114					
Pension Cost – NHS Pension Scheme	27,560		27,560					
Pension Cost – contributions paid by NHS England (6.3%)	12,078		12,078					
Pension Cost – Other	85		85					
Temporary Staff – Agency		12,711	12,711					

313,110

# **Staff Breakdown by Gender**

**Total Staff Costs** 

Table 12C below shows information, as a head count, on the number of staff by 223. gender and the role they undertake. This table does not include information on Bank Staff.

#### Table 12C: Staff by Gender and Role as at 31 March 2020

Title	Female	Male	Total
Non-Executive Directors	4	3	7
Executive Directors (voting)	3	3	6
Other Employees	4,644	1,934	6,578
Total	4,651	1,940	6,591

300,399

12,711

# Staff Breakdown by Disability

224. **Table 12D** below shows information, as a head count, on the number of staff by gender and the role they undertake. This table does not include information on Bank Staff.

#### Table 12D: Staff by Disability and Role as at 31 March 2020

Title	Yes	No	Not Stated	Total
Non-Executive Directors	-	7	-	7
Executive Directors (voting)	-	6	-	6
Other Employees	371	5,754	453	6,578
Total	371	5,767	453	6,591

# **Staff Breakdown by Ethnicity**

225. **Table 12E** below shows information, as a head count, on the number of staff by ethnicity and the role they undertake. This table does not include information on Bank Staff.

Title	Asian or Asian British	Black or Black British	Chines or Any Other Ethnic Group	Mixed	Not Stated / Disclosed	Undefined	White	Total
Non-Executive Directors	-	-	-	-	-	-	7	7
Executive Directors	1	-	-	-	-	-	5	6
Other Employees	122	115	42	91	131	80	5,997	6,578
Total	123	115	42	91	131	80	6,009	6,591

#### Table 12E: Staff by Ethnicity and Role as at 31 March 2020

# **Staff Breakdown by Sexual Orientation**

226. **Table 12F** below shows information, as a head count, on the number of staff by gender and the role they undertake. This table does not include information on Bank Staff.

#### Table 12F: Staff by Sexual Orientation and Role as at 31 March 2020

Title	Bisexual	Gay or Lesbian	Heterosexual or Straight	Not stated (person asked but declined to answer)	Undefined	Total
Non-Executive Directors	-	-	7	-	-	7
Executive Directors	-	-	5	1	-	6
Other Employees	40	128	5,630	524	256	6,578
Total	40	128	5,642	525	256	6,591

# Sickness Absence

227. **Figure 3** below shows information on staff sickness as a percentage of the whole time equivalent (WTE) employed by the Trust, showing information for each of the four clinical divisions.

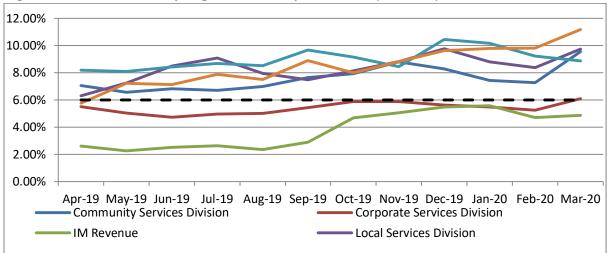


Figure 3: % of Sickness Days against WTE Days Available (In-Month)

228. To support the reduction of sickness absence, the Trust has developed a Sickness Absence Reduction Plan which is centred around the Department of Health & Social Care's 5 High Impact Changes. Training for managers on the application of the Supporting Attendance Policy (HR07) has taken place during 2019/20. Throughout 2019/20 the Trust has been working with NHS Improvement, together with several other NHS organisations in the surrounding area, to reduce absence in the NHS.

# **Staff Policies and Actions Applied**

For giving full and fair consideration to applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities.

- 229. Mersey Care is recognised as a 'Disabled Positive' organisation. This means that we actively encourage applications from disabled individuals in accordance with the Equality Act 2010. As an organisation we are committed to employ, keep and develop the abilities of disabled staff and this is reflected in the Trust's Recruitment and Selection Policy (HR21). During the recruitment process, we are committed to making adjustments where necessary. Candidates who have declared a disability need only to meet the essential criteria to be guaranteed an interview.
- 230. The Trust is also signed up to the charter on being a Mindful Employer which aims to put good practice into place to ensure employees and job applicants who declare a mental health issue receive the right level of support.
- 231. Managers ensure that all adverts, job descriptions and person specifications provided to the Recruitment Team do not include statements which could be deemed discriminatory.

232. The Recruitment Team ensure that any direct or indirect reference to discrimination is removed from all application forms and that equality and inclusion information (Part A of the application form) is removed from the shortlisting process.

# For continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company.

- 233. The Trust is committed to supporting staff to remain in work and have a Supporting Staff with Mental or Physical Disabilities Policy (HR27) which is used for both newly recruited employees with a disability who make their needs known at the recruitment stage and those staff who are currently employed by the Trust who become disabled whilst in employment. This Policy ensures that NHS guidance, advice and necessary training is provided to managers.
- 234. The Supporting Attendance Policy is used in conjunction with the Supporting Staff with Mental or Physical Disabilities Policy and provides flexibility for employee's where their disability may increase their levels of sickness. Time off for treatment or rehabilitation, which may be categorised as disability leave may be given as a reasonable adjustment. In addition, where an employee's disability will increase the levels of disability related sickness the Trust may, as a reasonable adjustment, allow a greater level of sickness absence before progressing through the stages of the policy.

# Otherwise for the training, career development and promotion of disabled persons employed by the company.

235. The Trust's Learning and Development Policy (HR05) acknowledges that "no one size fits all" with regards to training and supports access to a range of learning and development opportunities that meet individuals' learning styles and are appropriate to the individuals' circumstances. Access to education, training and development is as open and flexible as possible, with no discrimination in terms of the protected characteristics and available to part-time/full time staff irrespective of working pattern and geographical location. Courses are advertised in the Learning and Development prospectus and are available to all.

# Informing and Consulting with our Staff

- 236. Mersey Care has a number of formal vehicles where management and staff side meet to deal with employee relations issues, namely:
  - a) the Joint Negotiation and Consultative Committee (JNCC), which meets quarterly;
  - b) the clinical divisions have collaborative meetings which meet monthly and deal with pressing local issues within the divisions that can be dealt with quickly to enable good working relationships;
  - c) the Local Negotiating Committee (LNC), which meets quarterly with local and regional medical representatives to discuss the strategic overview for the

medical workforce, policies, workloads, clinical excellence awards, rotas, recruitment and junior doctors.

We continue to meet in these forums to discuss and consider the impact on the quality of service in relation to the quality and transformation of services.

- 237. The Trust also actively engages with staff in local meetings and holds additional extra meetings to consult, discuss, debate and inform staff where changes are planned that impact on them directly.
- 238. During periods of transition, communication with staff is seen as a priority to ensure that all staff are fully informed at each step of the development, as well as being part of the on-going consultation process. The Trust has in place a range of communication channels including the Chief Executive's blog, *yourNews* (a weekly email update), Birthday Breakfasts with the Chief Executive, bi-annual divisional road shows and leadership forum meetings where the Chief Executive updates his managers and senior leaders.
- 239. These meetings have proved extremely popular with staff as a means of both raising issues and keeping up to date with relevant information. Feedback has featured prominently on the board agenda and Board members are well briefed on issues affecting staff and staffing.
- 240. The Trust's appraisal process (Personal Achievement and Contribution Evaluation-PACE) continues to be enhanced and embeds the Trust values, helping staff to understand their role in delivering the Trust's performance and also encouraging and empowering 'leadership' at every level.
- 241. The Trust will continue to engage, consult and work positively with staff side to foster true partnership working and ensure that the Trust and its employees are able to move forward and meet the challenges ahead.

# Staff Survey

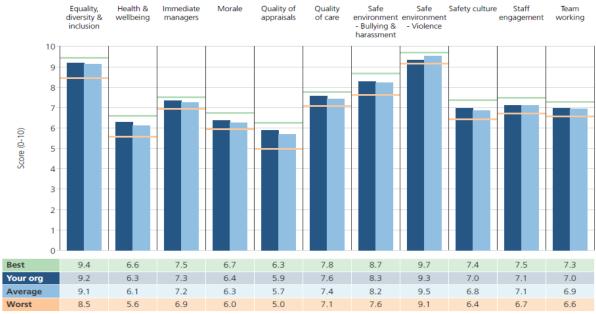
- 242. The 2019/20 National Staff Survey for Mersey Care was conducted largely on line and was sent to all staff.
- 243. The National Staff Survey is conducted independently from the Trust so as to assure staff regarding the confidentiality of their responses. The Trust always provides feedback to staff on both the results and how the Trust intends to address any issues raised via divisional actions plans.
- 244. Mersey Care's response rate for the National Staff Survey for 2019 was 44%, which was below the national average of 48%.
- 245. The results are presented in 11 themes which are scored on a 01 to 10 point scale, where 10 is always more positive. Mersey Care has met or exceeded the national average in 10 out of these 11 themes
- 246. The Trust's results for this year are encouraging in terms of comparison against national average and against 2018's results. The Trust is either meeting or above

average in 10 out of the 11 key themes. When the Trust compares our results by question with the previous year, the results are shown in **Table 13** below.

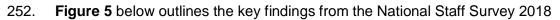
, i 5	
Number of questions where the Trust has improved	103
Number of questions where the results are the same as the	1
previous year	1
Number of questions where the Trust has seen a slight	34
deterioration	- 54

 Table 13: 2019 National Staff Survey compared against 2018 Survey

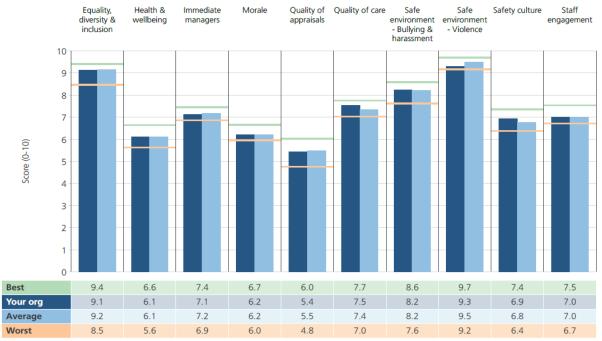
- 247. In relation to Overall Staff Engagement the Trust has achieved a score of 7.1 which meets the national average for our comparator group. Previously identified as areas of concern both Corporate Division and Community Services have seen a marked improvement in relation to overall staff engagement.
- 248. For the second consecutive year, the Trust has also seen notable improvements in the Safety Culture theme, which has been a key area of focus for the Trust in line with the Just and Learning Culture work. Particular improvements were noted in relation to reporting concerns, errors or near misses and feeling like the trust will act on these concerns. These results are indicative of the Trust's continued investment in establishing psychological safety and the alignment of this to patient safety and clinical excellence.
- 249. These results were presented to the Board of Directors in March 2020, as well as cascaded through divisional workforce groups. Results will be shared with front line staff through ongoing communication. Team level results are available on the Trust's BIT platform and can be used to generate discussion at team level about staff experience at work.
- 250. The Trust's People Plan focusses on 5 key priorities that will improve staff experience and ensure Mersey Care is an employer of choice. These 5 areas directly link to the 11 themes of the Staff Survey; on-going progress of actions will be monitored by the Board and by the Strategic Workforce Group. Divisional action plans in response to findings are being developed and will be presented to the relevant Operational Management Groups (which oversee the work of the clinical divisions).
- 251. **Figure 4** overleaf outlines the key findings from the National Staff Survey 2019











# **Staff Survey Action Plans**

253. Each division has been tasked with the creation of a tailored Staff Survey Action Plan in response to the 2019 National Staff Survey, which will be presented to the Trust's Operational Management Groups in May 2020.

# A Just and Learning Culture

- 254. The launch of the Trust's commitment to a Just and Learning Culture in February 2017 ensures balanced accountability for both individuals and our Trust; a culture that fosters openness and a willingness to report errors without concern so that we can learn. The emphasis is to learn and share, and ask what happened, and not who is responsible. Reporting when things do not go as planned is not something to be feared but rather, something to inspire us to learn. This remains a key priority for the Trust.
- 255. During 2019/20 the Trust set the following objectives:
  - a) Develop a tool / framework to support restorative conversations in Practice.
    - i) We have developed a four step framework in collaboration with staff side, just and learning ambassadors and operational managers for restorative conversations in practice in July.
    - ii) The four step process was approved at Executive Committee in July 2019 for piloting. Training has been developed and commenced across all Divisions from 23 August 2019. An update to Trust Board was provided in September 2019 on improving our people practices of which the four step process will feature.
    - iii) One day training has commenced for managers on Just and Learning featuring restorative conversations and the four step framework and this is on-going.
  - b) Develop a tool/framework (aligning to our organisational values) that supports civility in practice.
    - i) The Respect and Civility Questionnaire (Negative Acts Questionnaire) has now been completed within the Trust. We received 928 returned questionnaires from an anticipated 500 target. The information has now been analysed and a representative from the Respect and Civility Group attended each Divisional Senior Leadership Team Meeting to provide their feedback. The full results along with a communication piece have also been provided to staff via the Trust's microsite and weekly communication bulletin.
    - ii) The Trust's Respect and Civility Group along with Divisional representations took part in a planning event (held on 7 January 2020) to assess, analyse and complete an action plan against the Respect and Civility Questionnaire and other items including anti bullying week for the groups forthcoming work.
    - iii) Hard copies of the Respect and Civility leaflet have now been received and will be disseminated across the Trust in the forthcoming months and events.
    - iv) The Respect and Civility Jigsaw and #IWillSpeakUp campaign targeting the 'bystander' within the Trust is still receiving promotion and further videos are scheduled for the forthcoming year to increase the awareness of this agenda and to empower staff to speak up if they see poor behaviour.

- v) The Respect and Civility Group supported a full and busy anti bullying week in November 2019 promoting the topic and agenda including supporting Trust-wide the 'odd socks campaign'. The week was a success and saw colleagues across the Trust get involved in this fun but serious topic.
- vi) During November and December a pilot took place in Secure Division to facilitate a Respect and Civility session with a specific team. Evaluations from the day have been positive and since then even further informal evaluations have also been positive and informed the discussion at the planning event held on the 7 January 2020.
- c) Every team to have Just and Learning conversations about learning from routine and what goes right, as well as when something doesn't go to plan.
  - i) Team conversations framework will be piloted with the Moss House Community Mental Health Team during November 2019 and launched across the organisation in January 2020. It will link to the Four Step Framework and all delegates from the One Day Restorative Culture sessions will be asked to pledge to have such conversations within their team. Impact of team conversations will be measured via the *Culture of Care Barometer* and NHS Staff Survey and will be embedded in Personal Achievement and Contribution Evaluations (PACE) from April 2020.

# d) Review the Datix pro-forma, process, pathways and guidance.

- i) Datix alignment and standardisation across the Divisions including Secure, Local and Community completed March 2019.
- ii) Team level quality and safety data available through a dashboard will be a pilot in December 2019.
- iii) Root Course Analysis (RCA) process to be reviewed in line with the new guidance and work towards the process of thematic reviews. There will be a pilot of new systems and this will be reviewed by February 2020.
- iv) There is a plan for new safety Dashboards to be rolled out across the Trust by May 2020.

# Friends and Family Test 2019/20

- 256. The staff Friends and Family Test is a regulatory requirement and is carried out during quarters 1, 2 and 4 of each year. It is not carried out in quarter 3 as this is when the National Staff Survey takes place. The two core questions check the likelihood of staff recommending Mersey Care as:
  - a) a place to receive treatment; and
  - b) as a place to work.
- 257. The Trust's average response rate so far for 2019/20 is 14%. The results for both questions fluctuate slightly from quarter to quarter and remain within expected parameters. The "place to work" question always scores less than the "place to receive treatment".

- 258. Our latest results (quarter 4, 2019/20) were as follows:
  - a) recommend as a place to receive care 75% which continues to show an upward trajectory, with an improvement from 78% to 84% for what was Liverpool Community Health (now our Community Division);
  - b) recommend as a place to work 64% which continues to show an upward trajectory, with an improvement from 58% to 70% for what was Liverpool Community Health (now our Community Division).
- 259. During 2018 the Trust launched an in-house staff engagement measuring tool called *The Culture of Care Barometer.* During 2019 this was rolled out across the whole organisation and averages a response rate of 22%. This is based on an NHS England tool and allows us to measure staff engagement quarterly, on a team level basis. This provides Mersey Care with much more useful and dynamic information that allows the Trust to tailor its approach to staff engagement and work proactively with teams who may be at risk of becoming dis-engaged.
- 260. Our work in this area has seen us shortlisted for a prestigious HPMA National Award. From quarter 1 2020 the *Culture of Care Barometer* will include the regulatory Staff Friends and Family Test questions thereby reducing the number of surveys we ask our staff to complete and hopefully increasing the number of responses to the Friends and Family Test questions, especially as staff will be able to complete it using their personal phones via QR codes.

# Staff Engagement Plan 2019/20

- 261. The Trust's *People Plan 2018 21* establishes 5 strategic key priorities within a framework that provides meaningful connections between our staff and our delivery plans. The priorities are interlinked and together deliver the 'Our People' strategic objectives, which supports the delivery of the Trust's strategy and operational plan and continues to embed our values and behaviours. Engaging staff in this work is critical.
- 262. Our values, practices and behaviours are at the heart of this and how our staff do things is as important as what we do. Mersey Care's values and *Staff Charter* were co-produced in 2013/14 through an extensive engagement process with colleagues across the trust, service users and carers. These values are the golden thread within the Trust's aspiration to deliver *perfect care* and have been embedded within all of our people management and development policies and practices. The values were refreshed and updated during 2018 to reflect the changing nature of the Trust following the acquisition of Liverpool Community Health NHS Trust. The values are the basis of all our work around a Just & Learning Culture and are embedded throughout or Employee Recognition Scheme, our Performance Appraisal and our Leadership Development Programmes.
- 263. All staff engagement interventions are outlined in the People Plan and are measured, monitored and governed via the Strategic Workforce Group, which provides assurance to the Board of Directors via the Executive Committee.

264. During 2019 a number of "Mega Conversations" with Executive Director sponsorship were held across the organisation to re-connect with colleagues at scale and gain a greater understanding of what gets in the way for our workforce, stopping them from doing the best job they can. This "floor to board" intervention produced a number of actions that have subsequently been incorporated into the Trusts' Staff Survey Action Plans and are driven and monitored via Divisional governance structures.

# **Organisational Effectiveness and Learning**

- 265. Throughout 2019/20 the Organisational Effectiveness and Learning (OEL) team have been busy taking the development lead to drive, connect and 'team' in order to integrate pathways of care and improve population health and patient outcomes across health, social care and voluntary sector providers in the Integrated Care System. Delivering integration with Just and Learning Culture at the heart, ensuring values led culture and restorative practice are central.
- 266. The team continue to support clinical excellence through development of leaders and high performing teams. This year 190 Mersey Care leaders accessed our bespoke development programmes and 47 teams were supported using team based working methodology.
- 267. Mandatory training across the Trust has exceeded the 95% target for the last 7 months of the year and the leaning and development team continue to support this performance attainment at divisional and individual level.
- 268. During this year Personal Achievement and Contribution Evaluations (PACE) was introduced and rolled out across the Community division with a significant investment in training and mentoring of staff on how to conduct effective PACE sessions. Staff Survey 2019 saw 'quality of appraisal' increase significantly and was one of the Trusts greatest areas of improvement.
- 269. The Trust has established an Education Governance Group which consists of each of the professional leads and divisional reps, the group has responsibility for trust-wide education and training delivery and performance, including allocation of funding.

# **Time Spent on Trade Union Duties**

- 270. In line with the Trust's Partnership Agreement with its recognised staff representative bodies, in 2019/20 the Trust provided the following supported time for its recognised staff representative bodies per week;
  - a) Unison 24.5 days;
  - b) the Royal College of Nursing 9.5 days;
  - c) Unite 4 days;
  - d) the POA (The Professional Trades Union for Prison, Correctional & Secure Psychiatric Workers) 6.5 days.

# **Expenditure on Consultancy**

271. Reporting bodies are required to disclose the expenditure on consultancy. For the purposes of this report, 'consultancy' is defined as in the Department of Health & Social Care's *Group Accounting Manual 2019/20* as "the provision to management of objective advice and assistance to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives". It includes the provision of external advice and assistance in relation to strategy; finance; organisational and change management; IT / information services; property and construction; procurement; legal services; marketing and communications; HR; training and education programme and project management; technical and programme and one-off projects. The expenditure incurred in the period 1 April 2019 to 31 March 2020 was £1,613,000.

# **Off-Payroll Engagements**

- 272. Following the *Review of the tax arrangements of public sector appointees* published by the Chief Secretary to the Treasury in 2012, public sector bodies are required to report arrangements whereby individuals are paid through their own companies (and so are responsible for their own tax and National Insurance arrangements, not being classed as employees).
- 273. **Table 14A** below shows, all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last longer than six months

	Number
Number of existing engagements as of 31 March 2020	2
Of which, the number of staff that have existed:	
for less than one year at the time of reporting	2
for between one and two years at the time of reporting	0
for between 2 and 3 years at the time of reporting	0
for between 3 and 4 years at the time of reporting	0
for 4 or more years at the time of reporting	0

#### Table 14A: Off-Payroll Engagements as at 31 March 2020

274. **Table 14B** below shows all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last longer than six months.

#### Table 14B: All New Off-Payroll Engagements between 1 April 2019 and 31 March 2020

	Number
Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	2
Of which:	
number assessed as caught by IR35	0
number assessed as not caught by IR35	2
number engaged directly (via PSC contracted to department) and are     on the departmental payroll	0
number of engagements reassessed for consistency / assurance     purposes during the year	0
number of engagements that saw a change to IR35 status following the consistency review	0

275. **Table 14C** below shows any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2012.

Table 14A: Off-Payroll Engagements for Board Members / Senior Officials between 1April 2019 and 31 March 2020

	Number
Number of off-payroll engagements of board members, and / or senior officers with significant financial responsibility, during the financial year	0
The total number of individuals on payroll and off-payroll that have been deemed "board members and / or senior officials with significant financial responsibility", during the financial year. This figure must include both on payroll and off-payroll engagements.	7

# **Reporting of Other Compensation Schemes – Exit Packages**

276. NHS Foundation Trusts are required to disclose summary information of their use if exit packages in the year. To avoid duplication this information has been provided in the Remuneration Report included in this Annual Report (see Chapter 13, specifically paragraphs 213 – 217).

# **CHAPTER 15 – NHS OVERSIGHT FRAMEWORK**

### NHS Oversight Framework

- 277. NHS England and NHS Improvement's NHS Oversight Framework provides the framework for overseeing providers and identifying potential support needs. The framework looks at five themes:
  - a) quality of care;
  - b) finance and use of resources;
  - c) operational performance;
  - d) strategic change;
  - e) leadership and improvement capability (well-led).
- 278. Based on information from these themes, providers are *segmented* from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. Foundation Trusts will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

#### **Segmentation**

- 279. As at 31 March 2020, Mersey Care has been assessed as being **SEGMENT 2** (i.e., a provider who is offered targeted support by NHS Improvement as there are concerns in relation to one of more of the themes. Providers are not obliged to take up the support that is offered).
- 280. Current segmentation information for all NHS trusts and foundation trusts is published on NHS Improvement's website

#### Finance and use of resources

- 281. The finance and use of resources theme is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the NHS Oversight Framework, the segmentation of the trust disclosed above might not be the same as the overall finance score here.
- 282. The Trust's Finance and Use of Resources score for the period ending 31 March 2020 is a **1** overall

Area	Metric	2019/20 scores				2018/19 scores				
Alea	Wethe	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Financial sustainability	Capital service capacity	1	2	2	3	1	2	2	2	
	Liquidity	1	1	1	1	1	1	1	1	
Financial efficiency	I&E margin	1	2	2	3	1	1	1	1	
Financial controls	Distance from financial plan	1	2	1	1	1	1	1	1	
controls	Agency spend	3	3	3	2	2	2	2	2	
Overall scoring		1	2	2	2	1	1	1	1	

#### Table 15A: NHS Oversight Framework (Finance & Use of Resources)

# NHS Oversight Framework

#### Table 15B: NHS Oversight Framework (Other Indicators)

Theme	Туре	Measure	Frequency	Latest Threshold/ National Median	Latest Data	Date of Latest data	Position Compared to 2018/19	Source
Quality of Care	Caring	Written Complaints - Rate	Quarterly	National Median: 15.56	7.33	Q3 2019-20	▼	NHS Digital
Quality of Care	Caring	Staff FFT % Recommended	Quarterly	National Median: 80.9%	79.88%	Q4 2019-20	Not Applicable	NHS England
Quality of Care	Safe	Occurrence of Never Events	Monthly (six month rolling)	Green = 0, Red = 1 or more	0	Mar-20		Mersey Care Internal Reporting
Quality of Care	Safe	Patient Safety Alerts not completed by deadline	Monthly	Green = 0, Red = 1 or more	0	Mar-19	•	Mersey Care Internal Reporting
Quality of Care	Safe	Admissions to adult facilities of patients under 16 years old	Monthly	Green = 0, Red = 1 or more	0	Mar-19	•	Mersey Care Internal Reporting
Quality of Care	Safe	Potential under-reporting of patient safety incidents	Monthly	No Threshold/ National Median Applied	-1.27	Sep-19	Not Applicable	NHS Improvement
Quality of Care	Caring	Mental health scores from FFT - % positive	Monthly	National Median: 90.3%	92.50%	Feb-20	Not Applicable	Unify Return
Quality of Care	Caring	Community scores from Friends and Family Test - % positive	Monthly	National Median: 96.9%	97.80%	Feb-20	Not Applicable	Unify Return
Quality of Care	Organisational Health	CQC Community Mental Health Survey	Annual	Lower Limit Range - 6.34 Upper Limit Range - 7.37	6.88%	2019	<b>▲</b> ►	Care Quality Commission

Theme	Туре	Measure	Frequency	Latest Threshold/ National Median	Latest Data	Date of Latest data	Position Compared to 2018/19	Source
Quality of Care	Effective	Care Programme approach follow up within 7 days	Monthly	Green =>95% Red <95%	96.40%	Mar-20	▼	Mersey Care Internal Reporting
Quality of Care	Effective	% clients in settled accommodation	Monthly	National Median: 64%	47%	Jan-20		Mersey Care Internal
Quality of Care	Effective	% clients in employment	Monthly	National Median: 8%	4%	Jan-20		Reporting
Operational	Operational	People with a first episode of psychosis begin treatment with a	Monthly (three	Green =>56%	65% Jan-20 ▼		Mental Health Services Data	
Performance	Performance	NICE recommended care package within 2 weeks of referral (Part B)	month rolling)	Red <56%	0070	5411 20	•	Set Return
Operational Performance	Operational Performance	IAPT – waiting time to begin treatment (from IAPT minimum data set) within six weeks	Monthly	Benchmark 75%	99.22%	Mar-20		NHS Digital
Operational Performance	Operational Performance	IAPT – waiting time to begin treatment (from IAPT minimum data set) within 18 weeks	Monthly	Benchmark 95%	100%	Mar-20	•	NHS Digital
Operational Performance	Operational Performance	Inappropriate out-of-area placements for adult mental health services (OBDS) - External only	Monthly	Q4 2019-20: 72	0	Mar-20	•	Clinical Audit Platform – NHS Digital
Operational Performance	Operational Performance	IAPT - proportion of people completing treatment who move to recovery (from IAPT minimum dataset)	Quarterly	Benchmark 50%	44.03%	Q4 2019-20	▼	NHS Digital
Operational Performance	Operational Performance	Data Quality Maturity Index (DQMI) - MHSDS Dataset Score (36 Items)	Monthly	Green =>95% Red <95%	90.00%	Jan-20	Not Applicable	NHS Digital
Operational	Operational	Ensure that cardio-metabolic assessment and treatment for		Green =>90%				Royal College of
Performance	Performance	people with psychosis is delivered routinely in inpatient wards	Annual	nnual =>90 % 74.00% 2018-19 Red <90%	74.00% 2018-19		Psychiatrists	

Theme	Туре	Measure	Frequency	Latest Threshold/ National Median	Latest Data	Date of Latest data	Position Compared to 2018/19	Source
Operational Performance	Operational Performance	Ensure that cardio-metabolic assessment and treatment for people with psychosis is delivered routinely in early intervention in	Annual	Green =>90% Red <90%	91.75%	2018-19		Royal College of Psychiatrists
Operational	Operational	psychosis services Ensure that cardio-metabolic assessment and treatment for		Green =>65%				Royal College of
Performance	Performance	people with psychosis is delivered routinely in community mental health services (people on CPA)	Annual	Red <65%	20.00%	2018-19		Psychiatrists
Operational Performance	Operational Performance	Accident and Emergency Maximum waiting time of four hours from arrival to admission/ transfer/ discharge	Monthly	Green =>95% Red <95%	100%	Mar-20	<b>▲</b> ►	NHS England
Leadership & Improvement	Leadership & Improvement	NHS Staff Survey - Staff Engagement Theme	Annual	National Median: 7.1	7.1	2019		NHS England
Leadership & Improvement	Leadership & Improvement	Proportion of Temporary Staff	Monthly	National Median: 3.96%	4.1%	Feb-20		Provider Return
Leadership & Improvement	Leadership & Improvement	Staff Sickness	Monthly	National Median: 4.89%	8.90%	Mar-20	▼	Mersey Care Internal Reporting
Leadership & Improvement	Leadership & Improvement	Turnover	Monthly	National Median: 0.92%	1.18%	Mar-20		Mersey Care Internal Reporting

# **CHAPTER 16 – ANNUAL GOVERNANCE STATEMENT**

# SCOPE OF RESPONSIBILITY

281. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Mersey Care NHS Foundation 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 Foundation 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 Foundation Trust Accounting Officer Memorandum*.

# THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

282. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of policies, aims and objectives of Mersey Care NHS Foundation 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 Mersey Care NHS Foundation Trust for the period ending 31 March 2020 and up to the date of approval of the annual report and accounts.

# **CAPACITY TO HANDLE RISK**

# Leadership

- 283. The Board of Directors is ultimately accountable for the management of all risks in the organisation. The Chief Executive, supported by Board Members, has responsibility for the implementation of the Risk Management Strategy. These responsibilities are met in a variety of ways, with the advice of the Executive Lead for risk management, the Executive Medical Director, who is supported by the Risk Management Group.
- 284. I, as Chief Executive, with overall responsibility for risk within the Trust, ensure the work of the Board Committees, including specialist groups, is reviewed by the Board of Directors. The Chief Executive has overall responsibility for having effective risk management systems in place within the Trust, and for meeting all statutory requirements and adhering to guidance issued by NHS Improvement and other regulatory bodies in respect of risk and governance.
- 285. The Board of Directors has overall responsibility for consideration of the Board Assurance Framework and resource allocation relating to the 'significant risks' of the Trust. The recommendations from Board Committees, taking account of advice from the Risk Management Group and relevant sub-committees, are made to the Board of Directors where competing priorities are debated and agreed or accepted.

- 286. The capacity of the Trust to handle risk is achieved through delegated responsibilities in place as defined in the Scheme of Reservation and Delegation of Powers and the Risk Management Strategy, both documents being approved by the Board of Directors. The Strategy outlines the Trust's approach to risk, accountability arrangements and the risk management process including identification, analysis, evaluation and approval of the risk appetite.
- 287. The accountability arrangements for risk management in 2019/20 involved the following:
  - a) the Board of Directors has overall responsibility for ensuring robust systems of internal control, encouraging a culture of risk management, routinely considering risks and defining its appetite for risk;
  - b) the Executive Committee, the Performance, Investment & Finance Committee and the Quality Assurance Committee (which is supported by the Liverpool Community Services Transition Sub Committee, specifically in relation to the services acquired from the former Liverpool Community Health NHS Trust) undertake the detailed scrutiny of those risks that fall within their terms of reference on behalf of the Board of Directors, recommending new or revised risks to the Board as appropriate;
  - c) the Audit Committee on behalf of the Board of Directors ensures that the Trust's risk management systems and processes are robust;
  - the Risk Management Group, although accountable to the Executive Committee, reports and advises all Board Committees on potential / existing strategically significant risks, as well as liaising with the Operational Management Boards to ensure the consistency of risk reporting and also overseeing the Trust's Risk Register;
  - e) the Chief Executive, as the Trust's Accountable Officer, has overall responsibility for the risk management processes and Risk Management Strategy;
  - the Medical Director, as the Lead Executive Director, has responsibility on behalf of the Chief Executive for managing the Trust's risk management processes;
  - g) each member of the Executive Team has responsibility for the identification and management of risks within their executive portfolios;
  - h) the Executive Director of Finance (Deputy Chief Executive) has responsibility for ensuring that the Trust had sound financial arrangements that were controlled and monitored through financial regulations and policies;
  - the Deputy Director of Nursing, as Director for the Prevention and Control of Infection (DIPC), is accountable for the management and prevention of health care associated infection;
  - j) the Deputy Director of Nursing and Quality is the Nominated Individual with the Care Quality Commission (CQC);

- k) the Executive Director of Nursing and Operations is accountable for CQC registration.
- 288. The Board Assurance Framework and Risk Register have been regularly scrutinised and reviewed through the Trust's governance structure and have been subject to various internal and external reviews. The Trust's strategic intentions, policies, procedures, Board Assurance Framework and supporting documentation are openly accessible via the Mersey Care website to internal and external stakeholders for comment, scrutiny and reference.

# Learning and Training

- 289. Learning from risks is embedded into the safety agenda of the Trust and is a standing item in the Safety Huddles. "What we learned and how was it shared?" is asked of each risk. For example at the weekly Executive Safety Huddle a number of the strategic risks are scheduled for discussion on the meeting's agenda throughout the year, to give assurance that controls are being implemented and effective. Identified good practice is referenced and triangulated through a number of governance reports, including the Board Assurance Framework, Monthly Risk Report and Patient Safety Report.
- 290. Risks are triangulated and reviewed with other patient safety indicators in the Patient Safety Strategy group to identify emerging concerns, as well as opportunities for improvement and sharing of best practice.
- 291. Trust policies are available on the Trust's intranet and internet and relevant staff are encouraged to participate in the consultation of new and updated policies. Newly approved policies are published through a network of policy leads and also in the monthly briefing issued to staff.
- 292. To ensure that the Trust's approach to risk management is successfully implemented and maintained, staff of all levels, are appropriately trained in key elements of risk management. All staff are required to regularly update their knowledge and skills and maintain their personal awareness of their responsibilities for risk management via an on-going training programme which includes adverse incidents, Health and Safety, Fire Safety, Infection Control and Prevention, Safeguarding Children and Vulnerable Adults, Information Governance, Moving and Handling, Conflict Resolution, Complaints Handing, Care, Suicide Prevention, Fraud Awareness, and Equality and Inclusion. This training is mandatory for all staff and is identified via a training needs analysis that is reflected in the Trust's Induction and Mandatory Training Policy.
- 293. All new employees of the Trust are required to attend a corporate induction programme that covers key aspects of risk management. In addition, to ensure a consistent approach to root cause analysis and investigation focussed training sessions are provided to relevant members of staff. Emergency resilience training is also delivered to all senior managers who undertake on call duties and table top exercises are conducted to test robustness of the Trust's Major Incident Plan.

- 294. Compliance with mandatory training is reported to the Board of Directors (in addition to the Executive Committee and Performance Investment and Finance Committee) on a bi-monthly basis and monthly reports informing managers of staff who require update training are sent to all Divisional and Departmental Managers.
- 295. Staff across the organisation that have a key role in respect of risk assessment and management have attended bespoke, externally facilitated training sessions in the reporting period which focused on the identification, assessment, mitigation and reporting of risk.
- 296. To further encourage a positive safety culture and to ensure learning, the Trust's internal weekly newsletter, 'Your News', features regular articles on the learning arising from the analysis of claims, incidents and complaints. The newsletter also features regular articles highlighting key risk management areas and promoting the update training that staff are required to complete. In addition, the Trust regularly holds Oxford Model 'Dare to Share' events which focus on the learning from specific incidents across divisions.
- 297. The Risk Management Group have been subject to bespoke, externally led training on risk management processes and are champions for risk management across the organisation, ensuring consistent risk management approaches are utilised.
- 298. The Trust also delivers additional risk management training and development to the Board members (both Executive and Non-Executive Directors), both internally and externally facilitated.

# THE RISK AND CONTROL FRAMEWORK

#### The Risk Management Framework

- 299. The development of effective risk management across the organisation is underpinned by clear processes and procedures which include:
  - a) overarching strategic aims for risk management;
  - b) the Trust's Risk Management Strategy;
  - c) the Trust's Risk Management Policy;
  - d) organisational risk management objectives;
  - e) the organisational process for risk identification and analysis;
  - f) a definition of significant risk and acceptable risk within the organisation;
  - g) organisational risk management structures;
  - h) the development and application of risk registers within the organisation;
  - i) incident reporting;
  - j) the accountability and responsibility arrangements for risk management;
  - k) the Board Assurance Framework.

- 300. Throughout the reporting period the Executive Committee, the Performance, Investment and Finance Committee, the Quality Assurance Committee and the Audit Committee were the Board's overarching committees responsible for scrutinising the arrangements in place for managing risk. These committees are supported by the a number of groups, including:
  - a) Liverpool Community Services Transition Sub Committee;
  - b) Remuneration and Terms of Reference Committee;
  - c) Mental Health Act Managers Sub-committee;
  - d) Operational Management Groups;
  - e) Health & Safety Sub-committee;
  - f) Infection Control Sub-committee;
  - g) Mortality Committee;
  - h) Drugs & Therapeutics Sub-committee;
  - i) Digital Board;
  - j) Joint Information Governance, SIRO & Caldicott Sub-committee;
  - k) Safeguarding Group;
  - I) Risk Management Group;
  - m) Weekly Divisional Safety Huddle meetings;
  - n) Weekly Executive Safety Huddle meetings.

# **Risk Management Strategy**

- 301. The Trust's Risk Management Strategy provides a framework for managing risk within the Trust and outlined the objectives of risk management; the structure in place to support the management of risk across the organisations; and the systems and processes to ensure identification, management and control of risk. The current Risk Management Strategy includes a number of key components and changes, including:
  - a) a clear commitment of the Board of Directors in respect of risk management, including a plan to achieve this from 2017 to 2019<sup>7</sup>;
  - b) a system of risk classification and risk stratification that makes clear who and where risks are to be escalated and reviewed;
  - c) the Trust's appetite for risk, which is regularly reviewed by the Board of Directors;
  - d) a single Trust-wide Risk Register,
  - e) a combined risk report and Board Assurance Framework;

<sup>&</sup>lt;sup>7</sup> The Board of Directors approved an updated Risk Management Strategy, including an action plan for 2019/20, at the March 2019 Board Meeting.

- a process to moderate and standardised the approach to assessing risk (coordinated by the Risk Management Group);
- g) the requirement for all risks to have three risks scores an initial score, a current score and a target risk score;
- h) greater alignment between risk identification and quality improvement;
- i) greater alignment between risks and the assurance in respect of the controls / mitigation that has been put in place.
- 302. Mersey Care NHS Foundation Trust recognises the need for significant and robust focus on the identification and management of risks and therefore places risk within an integral part of our overall approach to quality. Therefore, risk management is an explicit process in every activity the Trust and its employees take part in.
- 303. The Director of Patient Safety who has overall operational responsibility for risk management, is responsible for implementing the effective systems and processes of risk management across the organisation, the identification, management and monitoring of risks; providing reports, information and training as appropriate. As well as the Executive Team and Non-Executive Directors, managers and individual staff members are responsible for ensuring that they engage with risk management objectives in order to ensure that their clinical and managerial responsibilities for risk management are met.
- 304. All members of the Executive Team and managers are responsible for ensuring that within their designated area(s) and scope of responsibility:
  - a) there are appropriate and effective risk management processes in place and that all staff are made aware of the risks within their work environment and of their personal responsibilities;
  - b) there are effective systems in place for the identification, control, monitoring and review of risks and that risks are evaluated using the Trust framework for the grading of risks and that the appropriate level of management action is initiated and completed appropriately;
  - c) they, and all their staff, receive the necessary information, instruction and training to enable them to work safely and comply with appropriate Trust procedures, including incident reporting, risk assessments, fire arrangements and all health and safety procedures;
  - staff are identified and released to attend mandatory training and other appropriate training, adequate attendance records are kept and nonattendance is monitored and followed up;
  - e) staff know and understand their responsibilities and duties under the Trust health and safety policy and have appropriate arrangements to ensure that these are met.
- 305. Each Division has governance arrangements in place with a governance lead responsible for implementing the corporate risk management processes locally and in addition facilitating the sharing of best practice co-ordinated by the relevant Operational Management Board.

- 306. Embedding risk management as a core activity within the organisation is achieved through many systems and processes. 2019/20 has seen:
  - a) a full review of the Board Assurance Framework, along with continued development of the systems and processes that support its production;
  - b) increased use of tagging and grouping of risks on the system to identify trends and themes;
  - c) improved standardisation of the Safety Huddle Model across the Trust, based on a "deep dive" review of risks;
  - d) piloting of the (Impact x likelihood) risk review of incidents in the Local Division;
  - e) improved alignment with the Strategy Team to align the Board Assurance Framework risks for 2019/20 and developing the risks for 2020/21 to the Trust objectives noted in the Operational Plan;
  - the Risk Management Group continuing to meet on a monthly basis, considering risks from teams / divisions, liaising with them and reporting to the Board Committees on these risks (and through these Board Committees to the Board of Directors);
  - g) ongoing work to improve the monthly risk report, with better visual tracking of the risk score and risk trends across the Trust.
- 307. The development of the Board Assurance Framework has enabled the organisation to systematically identify, record and action the key risks faced by the organisation in relation to the achievement of our overarching strategic aims. An opinion on the assurance framework has been provided by the Head of Internal Audit at Mersey Internal Audit Agency. The opinion (review) states that:
  - a) "structure the organisation's Assurance Framework is structured to meet the NHS requirements
  - b) engagement the Assurance Framework is visibly used by the organisation
  - c) quality and alignment the Assurance Framework clearly reflects the risks discussed by the Board'.

# **Risk Appetite**

308. Risk Appetite is the level at which the Board of Directors determines whether an individual risk, or a specific category of risks, is deemed acceptable or unacceptable based upon the circumstances / situation facing the Trust. This determination may well impact on the prioritisation of resources necessary to mitigate or reduce the impact of a particular risk and / or the time the timeframe required to mitigate a risk.

309. The Board of Directors reconsidered its appetite for risk at its board meeting in January 2017 and approved the following statement.

Mersey Care NHS Foundation Trust recognises that its long-term sustainability depends upon the delivery of its strategic objectives and its relationships with its patients, staff the public and strategic partners. As such, Mersey Care will not accept risks that materially provide a negative impact on patient safety. However, Mersey Care has a greater appetite to take considered risks in terms of their impact on organisational issues. Mersey Care has greatest appetite to pursue innovation and challenge current working practices and reputational risk in terms of its willingness to take opportunities where positive gains can be anticipated, within the constraints of the regulatory environment.

Further detail on the statement is provided below. The risk appetite is shown in **BOLD** text

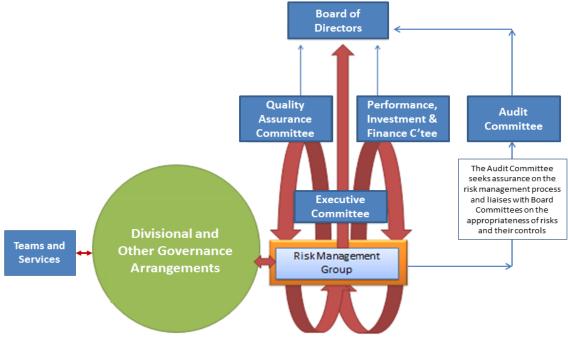
Compliance and Regulatory	• There is a <b>LOW</b> risk appetite for risk, which may compromise the Trust's compliance with its statutory duties and regulatory requirements.
Financial	<ul> <li>Mersey Care has a LOW risk appetite to financial risk in respect of meeting its statutory duties.</li> <li>Mersey Care has a MODERATE appetite for risk to support investments for return and minimise the possibility of financial loss by managing associated risks to a tolerable level.</li> <li>Mersey Care has a MODERATE appetite for investments which may grow the size of the organisation</li> </ul>
Quality, Innovation and Outcomes	<ul> <li>Mersey Care has NO appetite for risk that compromises patient safety.</li> <li>Mersey Care has a LOW risk appetite for risk that may compromise the delivery of outcomes, that does not comprise the quality of care</li> <li>Mersey Care has a SIGNIFICANT risk appetite to innovation that does not compromise the quality of care.</li> </ul>
Reputation	<ul> <li>Mersey Care has a LOW risk appetite for actions and decisions that whilst taken in the interest of ensuring quality and sustainability of the patient in our care may affect the reputation of the organisation.</li> </ul>

310. The Risk Appetite Statement will be reviewed by the Board of Directors in 2020/21.

# **Risk Assessment**

- 311. As has been outlined above, although it is recognised that the Trust had robust arrangements for the management of risks, the trust's risk management processes have been further reviewed and refined with the adoption of a revised Risk Management Strategy, taking account of good practice guidance and external reviews. In the reporting period, the Trust has:
  - a) refined the format of its Board Assurance Framework which is reviewed and approved every two months by the Board of Directors taking account of the views of the Executive Committee, the Performance, Investment and Finance Committee and the Quality Assurance Committee;
  - b) further embedded a single Trust-wide Risk Register and reporting system;
  - c) supporting the Board Committees in overseeing and considering different categories of risk, so they may make recommendations to the Board of Directors as to whether strategically significant risks should be added, revised or removed. All strategically significant risks are categorised as shown below, with particular Board Committee's taking the lead in reviewing these risks:
    - iii) compliance / regulatory risks (Executive Committee),
    - iv) financial risks (Performance, Investment and Finance Committee),
    - v) innovation / quality / outcomes risks (Quality Assurance Committee),
    - vi) reputation risks (Executive Committee);
  - d) clarified the escalation process for risks from wards / teams to the Board, including via the Trust's Safety Framework;
  - e) embedded the arrangements for the Risk Management Group, chaired by the Director of Patient Safety, with senior representatives from every division whose role is to:
    - oversee the Trust's Risk Register (advising on the completeness and standardisation of risks, their controls, mitigation, action plans and assurance through the Trust's governance systems) and ensures the risks recorded take account of the Risk Appetite,
    - take account of the Risk Register, to advise the Board of Directors (via the Board Committees) on the strategically significant risks for inclusion, update or removal on the Trust's Board Assurance Framework (taking account of the Risk Appetite),
    - iii) liaise with the Operational Management Boards on the standardisation of risk descriptions and risk scores an the robustness of the controls to mitigate those risks included in the Trust's Risk Register (and Board Assurance Framework),
    - iv) assist the Medical Director in providing assurance to Audit Committee on the robustness of the Trust's risk management processes;
  - f) ensuring that all risks include:
    - i) an initial, current and target risk rating score
    - ii) the date the risk was added and a date when it will be reviewed
    - iii) an Action Lead, Accountable Manager and Executive Owner so as to ensure clear ownership;

312. The on-going enhancement to the Trust's risk management processes means that the Trust now has a more dynamic approach to risk management, which is reflected in the risks escalated to the Board of Directors and Board Committees to be considered as strategically significant risks by the Risk Management Group.



#### Figure 5: Risk Escalation Process

#### Strategically Significant Risks in 2019/20

- 313. On an annual basis, as part of the Trust's risk management process, the strategically significant risks facing the Trust are comprehensively reviewed, also taking into account the Trust's risk appetite statement. A revised and updated Board Assurance Framework was approved by the Board of Directors in May 2019, taking account of the priorities identified in the 2018/19 Operational Plan. The Board Assurance Framework was reviewed at every Board of Directors meeting.
- 314. As the approach to risk management is dynamic, it is not uncommon for risks to be regarded as strategically significant for a short time, which means that strategically significant risks may be included in the Board Assurance Framework at the request of an Executive Director outside of the normal Board / Board Committee reporting cycles.
- 315. **Table 16** below highlights the 25 strategically significant risks the Board considered at its meeting in March 2020, against the Trust's four main strategic objectives and listed by those risks identified:
  - a) by the Board (13 risks);
  - b) by the divisions (11 risks);
  - c) by specific programmes (1 risks).

#### Table 16: Strategically Significant Risks on the Board Assurance Framework (March 2020)

Risk Description	Score	Exec. Lead
Strategically Significant Risks Identified by the Board of Direc	tors	
The CIP target associated with Corporate services both for Mersey Care and the acquisition of LCH equates to £12m over 3 years (£5m for 2018/19). If this is not delivered recurrently, there is a risk the trusts control total will not be achieved. (Strategy Objective – Our Future)	16	Finance Director
If the organisations' strategic options are not progressed effectively as a partnership with other organisations, then opportunities for achieving efficiencies and delivering care out of hospital will be lost. (Strategy Objective – Our Future)	9	Strategy Director
If the organisation's strategic plans are not informed by the Cheshire and Merseyside Sustainability and Transformation Plan, leading to a loss of influence for the Trust and opportunities for growth and development being compromised. (Strategy Objective – Our Future)	8	Strategy Director
If the organisation does not successfully operationalise Community Services which have transferred into the Trust, leading to mental health and primary care failing to integrate, resulting in non delivery of improvement in the quality of care & performance. (Strategy Objective – Our Future)	12	Nursing & Operations Director
If the Local Division continues to see an overspend in senior medical staffing through the use of locums (£2.8m for 2018/19), there is a risk that Trust's control total will not be achieved. (Strategy Objective – Our People)	16	Medical Director
If the Trust fails to develop a workforce model that is aligned to the clinical delivery model, which takes into account the available workforce supply and existing gaps, then the safety, responsiveness and quality of the care provided may be compromised. (Strategy Objective – Our People)	12	Workforce Director
If the measures used to provide assurance for performance are not valid and reliable then the delivery of high quality care may not be evidenced, resulting in poor decision making, inefficient management and planning and complications with commissioning. (Strategy Objective – Our People)	9	Finance Director
If transformational change takes longer in the Community Division due to higher levels of quality and clinical risks than originally predicted, leading to efficiency assumptions not being met and a £2.6m adverse impact on the Trusts 2019/20 financial position. (Strategy Objective – Our Resources)	16	Nursing & Operations Director
If the Global Digital Exemplar programme is not implemented effectively, then the Trust may face financial and reputational consequences and opportunities to improve care and treatment may be lost. (Strategy Objective – Our Resources)	6	Finance Director
If the organisations' estates strategy is not implemented appropriately, then the delivery of perfect care and transformation programmes may not be effectively supported, resulting in quality of care not improving and financial implications for the Trust. (Strategy Objective – Our Resources)	8	Comms & Corporate Governance Director
If the Trust does not deliver its Action Plan in response to the Kirkup Review recommendations, leading to a deterioration in the quality of care, regulatory action and damage to the Trust's reputation. (Strategy Objective – Our Services)	12	Nursing & Operations Director
If the Trust does not implement the Local transformation programme for clinical services timely and effectively, then the quality of services may be negatively affected including a potential increased use of Out of Area Treatments. (Strategy Objective – Our Services)	8	Nursing & Operations Director

Risk Description	Score	Exec. Lead
If the Life Rooms model is not implemented fully, then increased pressures may be put on services in the form of bed occupancy, increased community attendance with lower recovery, employment and patient satisfaction rates. (Strategy Objective – Our Services)	6	Comms & Corporate Governance Director
Strategically Significant Risks Identified by a Division and Considered by the Board		
If vacancies and sickness means the Sefton Community Diabetes Team can not deliver against commissioned service causing a significant impact on service delivery and patient care.	16	Nursing & Operations Director
If performance issues within Liverpool Clinical Laboratories (LCL) cause delays in results being received by patients, leading to an increased risk of undiagnosed and untreated sexually transmitted infections being transmitted to the wider population.	15	Nursing & Operations Director
If the CEDAS data quality and PPM arrangements with contractor Ross Care lead to patients using un serviced equipment, breaching HSE regulations and putting patient safety at risk.	16	Nursing & Operations Director
If the NWAS delay responding to an incident within the Walk -In Centres with limited emergency equipment and medication, causing the patient's condition to deteriorate and increase stress on staff.	16	Nursing & Operations Director
If service users gain access to an ignition source then there is an increased risk of arson incident, accidental fire occurring, damage to property and disruption to services	20	Nursing & Operations Director
If there are unfilled Consultant Psychiatrist vacancies within the Local Division then there is a risk that the quality and safety of care is being compromised.	16	Nursing & Operations Director
If increased demand in inpatient treatment outstrips capacity and flow then this may lead to delays in treatment, pressures on community and acute services and a risk to patient safety.	16	Nursing & Operations Director
If the ADHD Service is not appropriately funded then service users' clinical needs may not be met due to insufficient resources and delays in assessment	16	Nursing & Operations Director
If Talk Liverpool are unable to recruit to vacancies then service users may encounter delays in obtaining therapy and the service could fail to meet the agreed access target of 19%.	16	Nursing & Operations Director
If a lack of training and standardisation means that clinical staff do not have sufficient competency to carry out a risk assessment this could lead to serious incidents that result in harm to patients including service users taking their own lives.	15	Nursing & Operations Director
If the Trust doesn't have effective and sufficient resources during the Covid19 outbreak to provide priority mental and physical health services, leading to an increased risk of harm to service users and staff.	20	Nursing & Operations Director
Strategically Significant Risks Identified by a Project and Considered by the Board		
Risk that key programme dates for the clinical model implementation will be delayed due to commissioners / NHS England not being able to meet critical deadlines	15	Nursing & Operations Director

- 316. All risks are monitored and managed throughout the year through a series of wellembedded arrangements including:
  - a) monthly scrutiny of risks through the Risk Management Group, which reports to the Executive Committee;
  - b) regular scrutiny and challenge of relevant risks by the appropriate Board Committee (with the Liverpool Community Services Transition Sub-Committee supporting the Quality Assurance Committee in respect of risks associated with the community services acquired from the former Liverpool Community Health NHS Trust);
  - c) receipt of changes to risk review dates and target scores by the Audit Committee on a regular basis;
  - d) Board of Directors' scrutiny, on a bi-monthly basis, of the Board Assurance Framework;
  - e) regular review of each risk by the appropriate Risk Lead to ensure appropriateness of scoring, robustness of controls and mitigations and addressing of actions and gaps in assurance identified;
  - full reviews of all strategic risks by the Board of Directors following approval of the Annual Operational Plan;
  - g) testing of risk controls via the Trust's Internal Auditors.

# Public Stakeholders Involvement in Managing Risks

- 317. The Trust continually seeks to improve its risk management arrangements and Board Assurance Framework and further develop mitigations in order to assess the potential risks that threaten the achievement of the Trust's strategic objectives.
- 318. Mersey Care works with a multitude of partners including NHS England, Clinical Commissioning Groups, local Councils (including social care and education), Police, Prisons and the voluntary sector, together with the Trust's regulators. The Executive Team and senior managers work closely with the above partners, to provide a local integrated service to our public and stakeholders.
- 319. In 2019/20 the Trust continues to participate in the Cheshire and Merseyside Health and Care Partnership (the new name for the Sustainability and Transformation Partnership), including work the Trust is doing with other mental health providers across Cheshire and Merseyside (i.e., Cheshire & Wirral Partnership NHS Foundation Trust and North West Boroughs Healthcare NHS Foundation Trust).
- 320. The key ways in which public stakeholders are involved in managing risks which impact on them include:
  - the Council of Governors at quarterly meetings take the opportunity to hold the Board of Directors to account on its performance, including quality and risk;

- b) the Trust's commitment to the commissioners, Chief Officer and Chief Executive meetings and consultation as required with the Overview and Scrutiny Committees and Healthwatch;
- c) consultation for the Quality Report involves key stakeholders, and this is evidenced in our inclusion of their feedback
- d) consultation with key stakeholders regarding key change programmes, service development and capital schemes
- e) Executive Team, senior management and clinician involvement in the Sustainability and Transformation Plan and associated meetings.
- 321. The Trust recognises that risk management is a two way process between healthcare providers across the health economy. Issues raised through the Trust's risk management processes that impact on partner organisations would be discussed in the appropriate forum, so that action can be agreed.
- 322. There is service user and carer representation on a wide range of key committees in the Trust, including representation on the Quality Assurance Committee, Performance, Investment and Finance Committee, Audit Committee, Operational Management Group in addition to representation in Quality Review Visits and Patient Environment Action Team (PEAT) visits.
- 323. In addition the Trust is involved in a range of multi-agency arrangements which assist with the management of risks across wider health and social care systems, including:
  - a) the Chief Executive chairing the Liverpool Provider Alliance, a meeting that brings together representatives from NHS providers in Liverpool together with local GPs, social care colleagues from Liverpool City Council and representatives of the voluntary sector to deliver the One Liverpool Strategy for the integration of health and social care across Liverpool;
  - b) membership of the Sefton Provider Alliance a meeting that brings together representatives from NHS providers in Sefton together with local GPs, Sefton Council, Clinical Commissioning Groups and representatives of the voluntary sector to address the integration of health and social care across Sefton;
  - c) membership of the Transformation Strategic Partnership Board, chaired by NHS England and with representatives from Clinical Commissioning Groups across Lancashire, Cheshire & Mersey and Greater Manchester, which is looking at the future of Learning Disability Services across the north west of England.
- 324. The Trust is subject to quarterly Quality Review Visits with NHS Improvement throughout the year, the process includes a formal letter outlining the conclusion and required actions from NHS Improvement in respect of the issues raised at these meetings.
- 325. Although the Trust hosts Informatics Merseyside (which provides IT services to a range of local NHS organizations), the Trust holds regular contract performance meeting in respect of the services Informatics Merseyside provides to the Trust. The

Trust also holds regular contract performance meetings with its payroll supplier, St Helens & Knowsley Teaching Hospitals NHS Trust.

326. In addition, the Trust has a Major Incident Plan in place which ensures involvement in system-wide emergency planning and business continuity arrangements, including the Local Resilience Forum and the Local Health Resilience Partnership.

#### **Provider License**

327. This Annual Governance Statement provides an outline of the various structures and mechanisms that the Trust has in place to maintain a sound system of governance and internal control, amongst other things, to meet the requirement of the Foundation Trust License Condition 4 (FT Governance). The Trust monitors compliance with the Provider License through a range of mechanisms, including the Executive Performance Report, the Safety Report and a range of reports to various parts of the Trust's governance mechanisms.

#### **Corporate Governance Statement**

328. The Board of Directors, as required under NHS Foundation Trust Condition 4(8)(b), assures itself of the validity of its Corporate Governance Statement. The Board considered and approved its Corporate Governance Statement for 2019/20 in June 2020. In the course of approving the Corporate Governance Statement, the Board has had regard to supporting evidence, in addition to details of the risks and mitigations the statement made.

#### **Quality Governance**

- 329. Over the last four years the Trust has developed a framework to oversee the quality, safety and clinical governance of the services it provides, so as to ensure:
  - a) standards are clearly articulated;
  - b) accountability for the delivery of those standards is clear;
  - c) structures, processes and measures are in place that ensure quality concerns can be identified and addressed promptly, including the escalation of matters from wards / teams to the Board and from the Board to wards / teams.
- 330. The Safety Framework was approved by the Quality Assurance Committee in November 2018. It builds on the lessons the Trust has learnt from implementing these frameworks both to its original core services and the services it has acquired, as well as being updated to take account of the Trust's changing strategic direction, most notably the development of a just and learning culture approach and bring together patient safety and the improvement agenda. The Safety Framework is outlined in **Figure 6** overleaf.

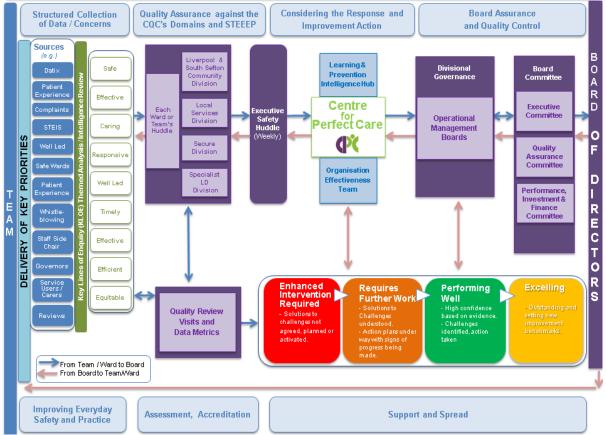


Figure 6: Safety Framework Process

## CARE QUALITY COMMISSION (CQC) REGISTRATION REQUIREMENTS

## **Registration and CQC Ratings**

- 331. The Trust is fully compliant with the registration requirements of the Care Quality Commission (CQC). The *Safety Framework* provides mechanism to regularly and routinely monitor compliance with CQC requirements.
- 332. The CQC last inspected the Trust between October and December 2018, and the report following this inspection visit was published on 5 April 2019. The current CQC rating is *GOOD* following that process of inspection, and the position has strengthened, with the Trust attaining the following ratings for each of the domains:

Overall rating for this trust	Good 🔵
Are services safe?	Good 🔵
Are services effective?	Good 🔵
Are services caring?	Good 🔵
Are services responsive?	Good 🔵
Are services well-led?	Outstanding

- 333. The CQC has not taken enforcement action against the Trust during 2019/20 and the Trust has not been subject to any in-depth enquiries or investigations by the CQC during the reporting period.
- 334. The CQC planned to undertake an announced well-led inspection of the Trust during April 2020 and, in preparation for this, the Trust completed and returned a comprehensive Provider Information Response. However following the COVID-19 outbreak the CQC has placed this inspection on hold and the ratings of the specific services that were published following inspection in December 2018 remain in place until any revised inspections of core services or the above ell-led inspection takes place.
- 335. The ratings for our core services are as follows:
  - acute wards for adults of working age and psychiatric intensive care units Good;
  - b) wards for older people with mental health problems Good;
  - c) wards for people with a learning disability or autism Good;
  - d) long-stay / rehabilitation wards for working age adults Good;
  - e) community-based mental health services for adults of working age Requires Improvement;
  - f) community health services for adults Requires Improvement;
  - g) community health services for children, young people and families Good;
  - h) community dental services- Good
  - i) community end of life care Requires Improvement;
  - j) walk-in centres Requires Improvement.

## **Requirement Notices**

- 336. The Trust was issued with a requirement notice in respect of 13 breaches of legal requirements, under the following 3 Regulations. The areas these relate to are summarised as follows:
  - a) Regulation 12 HSCA (RA) Regulations 2014 Safe care and treatment in community mental health services for adults of working age, in community health services for adults, in walk-in centres and end of life care;
  - b) Regulation 17 HSCA (RA) Regulations 2014 Good governance in end of life care, and walk-in centres;
  - c) Regulation 18 HSCA (RA) Regulations 2014 Staffing in community mental health services for adults of working age, community health services for adults, and walk-in centres;
- 337. These are described in detail in the published inspection report which can be found at <a href="http://www.cqc.org.uk/sites/default/files/new\_reports/AAAJO888.pdf">http://www.cqc.org.uk/sites/default/files/new\_reports/AAAJO888.pdf</a>.

338. The Trust responded as required with a *provider action plan* that was submitted on 1 May 2019. The delivery of this action plan is monitored through the *Safety Framework* outlined above, with reports and assurance provided to the Quality Assurance Committee which undertook the detailed scrutiny on behalf of the Board of Directors.

## Other CQC Activity

#### Breightmet Centre for Autism

- 339. From 18 July 2019 until 1 November 2019 the Trust took over the CQC registration of the Breightmet Centre for Autism in Bolton from its existing provider, ASC Healthcare Limited. The Breightmet Centre is an 18-bed service for men and women owned by ASC Healthcare that offers assessment, care and treatment to people with autism and/or a learning disability informally, or to people who are detained under the Mental Health Act.
- 340. Following a number of CQC inspections in June and July 2019 the CQC issued a Section 31 Notice under the Health and Social Care Act 2008 to remove the CQC registration from the Breightmet Centre due to serious concerns about the care, treatment and welfare of patients and the risk of harm posed. This should have resulted in the immediate closure of the Centre and the urgent transfer of patients to other units, which could have been detrimental to their care and treatment. Following a request by NHS England / Improvement (with the agreement of the CQC), and so as to ensure the safety of patients and avoid the urgent transfer of patients, the Trust offered its assistance which resulted in the Trust assuming the registration for the service.
- 341. A memorandum of understanding was agreed between the Trust and ASC Healthcare (who retained the service contracts, continued to own the premises and employ most of the staff) which enabled the Trust to provide a Senior Manager, a Matron and a Specialist Practitioner to work within the service alongside the ASC Healthcare staff team. Therefore from July 2019 the Trust became accountable for the delivery of care to patients, with governance and oversight through the Secure and Specialist Learning Disability Division.
- 342. During the period of being the registered provider, the Trust undertook a range of assessments and worked with ASC Healthcare, NHS England / Improvement and a number of Clinical Commissioning Groups (who commissioned this service) to develop and implement an action plan to improve both the service provided and the physical environment. ASC Healthcare sought to appeal the Section 31 Notice through the courts during this period and was successful in this appeal at the beginning of November 2019. This resulted in ASC Healthcare assuming registration with the CQC for this service from 1 November. The Trust withdrew from the service on 5 November 2019 as part of a managed handover between the Trust and ASC Healthcare.
- 343. On the 15 October 2019, whilst the Centre was still registered with Mersey Care, the CQC undertook an inspection visit, the report from which was published by the CQC on 6 April 2020. The CQC found that the Trust had made "significant improvements"

in the quality of care and the care environment, making it safe for the remaining patients" since its last inspections in June and July 2019 (which had led the CQC to issue the Section 31 Notice) Given the circumstances which led to this report, it was unrated by the CQC and it only focussed on 2 of the 5 domains, namely are services safe and are services well-led.

#### Mental Health Act Inspection

- 344. The Trust was subject to unannounced CQC / Mental Health Act inspections in 2018/19 of wards within the Local and Secure & Specialist Learning Disability Divisions as part of their programme of inspections for inpatient services registered to provide care to patients under the Mental Health Act (1983)
- 345. These inspections consider the following domains:
  - a) purpose, respect, participation and least restriction;
  - b) admission to the ward;
  - c) tribunals and hearings;
  - d) leave of absence;
  - e) general healthcare;
  - f) other areas such as environment, standard of food, etc.
- 346. The CQC's Mental Health Act reports have all been responded to within agreed timescales and have shown in the vast majority of cases that previous issues raised have been acted upon appropriately. It is notable that in two areas there were no actions identified as provider requirements by CQC this is significant, given the wide remit of these visits.
- 347. Completed *provider action response plans* have been sent to CQC for all ward areas describing the actions to be taken to address these shortfalls in practice. Again the delivery of these action plans is monitored through the *Safety Framework* outlined above, with reports and assurance provided to the Quality Assurance Committee which undertook the detailed scrutiny on behalf of the Board of Directors.
- 348. In relation to wider Trust wide focus, there continues to be a particular focus on mortality reviews within the Trust, developing thematic reviews and undertaking detailed post death reviews following the guidance from the Mazars review report published in December 2015. There is a Trust Wide group that focuses on this area and learning from deaths to improve practice where this is possible.

#### **SERIOUS INCIDENTS**

349. The Board of Directors receives information pertaining to all serious incidents through the Safety Report, with more detailed scrutiny undertaken by the Quality Assurance Committee on behalf of the Board of Directors. In addition the Board receives, in full, all internal and external independent investigations reports into serious incidents, together with actions plans which outline how lessons are learnt and appropriate controls are either refreshed or put in place to prevent / reduce the possibility of reoccurrence. Assurance on the delivery of these action plans is overseen by the Quality Assurance Committee on behalf of the Board of Directors.

## LEARNING FROM DEATHS

350. In light of the National Guidance on Learning from Deaths (published by the National Quality Board in March 2017) a Mortality Review Team was established in the early part of 2017/18 and a Mortality Review Panel meets on a weekly basis. In August 2018 the Trust updated its Learning from Deaths Policy (SA45) and has a Non-Executive Director lead for Learning from Deaths (Dr Murray Freeman). Mortality data is provided to the Quality Assurance Committee and Board of Directors every six months.

## DATA QUALITY AND GOVERNANCE

#### **Governance and Leadership**

- 351. It is recognised that good quality information is vital to enable individual staff and the organisation to evidence they are delivering high quality / perfect care that supports people on their recovery journey, and to reach their goals and aspirations whilst keeping themselves and others safe. It also enables the efficient management of services, service planning, performance management, business planning, commissioning and partnership working.
- 352. The Executive Director of Finance is the Executive lead for the Trust's IT and associated information and clinical systems from which data on the Trust's activities are drawn. He is supported in this role by a Chief Information Officer, which is a joint post between the Trust and North West Boroughs Healthcare NHS Foundation Trust. The Trust also has a Clinical Chief Information Officer. Activities in respect of the Trust's information and data system, including innovations, are coordinated through the Digital Board, which reports to the Board of Directors via the Performance, Investment and Finance Committee. The Trust also has a Digital Strategy in support of its overall Strategy and Operational Plan

#### **Policies and plans**

- 353. The Trust had put controls in place to ensure the quality of care provided and accuracy of data used by the Trust. Key policies include, but are not limited to:
  - a) SA02 Risk Management Strategy
  - b) SA02a Risk Management Policy
  - c) SA03 Reporting, Management and Review of Incidents
  - d) SA06 Management of Complaints / Concerns
  - e) SA41 Performance Indicator Kite-Marking
  - f) IT04 Policy for Records Management
  - g) IT10 Confidentiality & Information Sharing
  - h) IT11 Data Quality

354. All data owners and staff have access to all Trust-wide policies, procedures and guidance documents.

## Systems and processes

- 355. Data is processed by the Business Intelligence Team, which again is a joint team with North West Boroughs Healthcare. Data is reviewed prior to inclusion in reports via the Trust's governance framework to both the Board of Directors, Council of Governors. The main report highlighting delivery of services is the Executive Performance Report which is considered by the Executive Committee, the Quality Assurance Committee, the Performance, Investment & Finance Committee and the Board of Directors at each of their meeting. A version of the report is also taken to the Council of Governors.
- 356. As part of this process the Executive Director of Finance and Chief Information Officer hold quarterly meetings which the senior leadership teams of each of the clinical divisions, together with relevant representatives from the Corporate Division, to review delivery of services against the key performance metrics / indicators identified by the Board of Directors, our commissioners (e.g., clinical commissioning groups, local authorities and NHS England) and our regulators. Commentary and recovery plans (where necessary) are then referenced in the Executive Performance Report
- 357. The Trust agrees a Data Quality Improvement Plan with commissioners on an annual basis, implementation of which is monitored via contract management arrangements. This will include arrangements for agreeing amendments to contract key performance indicator methodology in year (if required). Ad-hoc audits / analysis are carried out to provide assurance of good data quality and / or identify opportunities for improvement. The findings of such audits are also shared with the Audit Committee as required. Internal and external audit are commissioned to undertake audits that assess the quality of data used for internal and external performance reporting e.g. kite-mark indicator testing by Mersey Internal Audit Agency. The findings from internal and external audit are received by the Audit Committee along with any actions agreed.

#### Data use and reporting

- 358. The Trust has implemented a performance indicator kite-mark to provide visual assurance of the quality of the data reported for the performance indicators included in performance reports to the Board of Directors, its Committees and the Clinical Divisions. A prioritisation process and schedule for internal audit has been agreed for completion of indicator testing. Delivery of the schedule for internal audit testing of indicators and the outcomes of this are monitored through the Audit Committee on a biannual basis.
- 359. Mersey Care is subject to monitoring against waiting time and other access targets. These relate to Referral to Treatment (RTT) indicators in relation to its Improving Access to Psychological Therapies (IAPT) service (known locally as Talk Liverpool) and the Early Intervention in Psychosis indicators.

## People and skills

360. Through these systems, reports and policies senior leadership teams are able to highlight areas for improvement to their staff to improve the services delivered; the data capture mechanisms and the data processing tools used by the trust. Where necessary additional advice and training can be provided to staff or new investment prioritised to improve data quality, which in turn can improve services and productivity. A good example over the last 18 months has been the implementation of the *paper-lite programme*, which has involved the roll-out of mobile enabled 2-in-1 laptops to district nurses teams so as to reduce the reliance on paper records and allow staff to update electronic records 'on the move' and without having to return to the base.

## EMBEDDING RISK MANAGEMENT

361. Risk management is embedded within the organisation as is reflected in evidence of appropriate escalation of risk at all levels.

#### **Just Culture**

- 362. In December 2016 the Trust launched the development of a Learning and Just Culture in response to feedback received by staff members which aims to aid the confident use of the incident reporting and courage both accountability and learning. Learning and Just Culture Ambassadors have been identified across the organisation and meet regularly to oversee this initiative.
- 363. Every day in the NHS we expect our staff to deliver high quality, effective care within ever trying conditions. It is acknowledged that staff should expect a compassionate response when things go wrong. The development of a Just and Learning Culture is one of the priorities for the Trust for 2019/20 and therefore will also be reflected in the Trust's annual Quality Account.

## **Performance and Quality Risks**

364. The Trust has a performance management system that measures performance monthly against the Trust's key strategic objectives, which ensures that the risk management processes are embedded. Alongside these reports and the regular quality reports, the Trust also produces regular comprehensive risk reports.

## EQUALITY AND INCLUSION

- 365. Control measures are in place to ensure that all the Trust's obligations under equality and human rights legislation are complied with.
- 366. Equality Impact Assessments are integrated into core business. All Trust-wide policies and procedures must be subject to the equality analysis prior to approval, publication and implementation and for any service implementation and re-design. In addition, where available, quality data is reported by protected characteristic to allow identification and scrutiny of any equality issues.

## **DEVELOPING WORKFORCE SAFEGUARDS (SAFE STAFFING)**

- 367. The Trust continues to follow the National Quality Board (NQB) requirements, endorsed by the Care Quality Commission, and is committed to review in practice against the published guidance for Safe, Sustainable and Productive Staffing.
- 368. Since 2018/19 the Trust has aligned its safe staffing review process against NHS Improvement *Developing Workforce Safeguarding. Supporting providers to deliver high quality care through safe and effective staffing* (October 2018) which articulates for all Trust Board's accountability in respect of Safe Sustainable and Productive Staffing and recommends that the Board should have processes in train to provide assurance that the right staff with the right skills are in the right place at the right time. **Figure 7** below refers:

Safe, Effective, Caring, Responsive and Well- Led Care										
Measure and Improve -patient outcomes, people productivity and financial sustainability- -report investigate and act on incidents (including red flags) - -patient, carer and staff feedback-										
<ul> <li>-implement Care Hours per Patient Day (CHPPD)</li> <li>- develop local quality dashboard for safe sustainable staffing</li> </ul>										
Expectation 1	Expectation 2	Expectation 3								
<b>Right Staff</b> 1.1 evidence based workforce planning	<b>Right Skills</b> 2.1 mandatory training, development and education	Right Place and Time 3.1 productive working and eliminating waste								



- 369. The Trust complies with recommended guidance by presenting two papers a year to the Board of Directors:
  - a) the Annual Strategic Staffing Review determines the required establishment, demonstrated by a systematic approach to determining the number of staff and range of skills required to meet the needs of people using the service and keep them safe at all times; and
  - b) a Comprehensive Staffing Report after six months, to confirm that the workforce plans are still appropriate for the skill mix required.
- 370. The annual safe staffing paper was considered by the Board of Directors in November 2019
- 371. All service change / role change have a Quality Impact Assessment completed and signed off from the Medical Director and the Executive Director of Nursing and Operations.

372. In line with national guidance the Trust also reports via UNIFY (a reporting system to NHS England) each month the Care Hours per Patient Day (CHPPD) data.

## **REGISTER OF INTERESTS**

- 373. As an employer Mersey Care requires all staff in line with the Trust's Standards of Business Conduct (policy F04) - to disclose relevant interests, especially if they are involved in decision-making (i.e., normally the Board of Directors, staff in posts above Agenda for Change Band 8A and those staff working in the procurement team<sup>8</sup>). This policy takes account of the Managing Conflicts of Interests in the NHS guidance published by NHS England.
- 374. The Trust maintains a live Register of Interests using an online website that all members of the Board of Directors and employees are required to use and make declarations. Members of the Board and employees are regularly reminded of the need to maintain their own information on this register. Known at the *Staff Declarations Website*, this online Register of Interests is accessible to the public and staff at <a href="https://merseycare.mydeclarations.co.uk/home">https://merseycare.mydeclarations.co.uk/home</a>. If you have any problems accessing this Register of Interests please do not hesitate to contact the Corporate Governance Team at the Trust's Headquarters.

## **NHS PENSION SCHEME**

375. 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.

## **CLIMATE CHANGE**

376. The Trust has undertaken risk assessments and has a Sustainable Development Management Plan in place which takes account of the UK Climate Projections 2018 (UKCP18). The Trust ensures that its obligations under the Climate Change Act and the Adaption Reporting requirements are complied with.

# REVIEW OF ECONOMY, EFFICIENCY AND EFFECTIVENESS OF THE USE OF RESOURCES

- 377. The Trust has robust arrangements in place for setting financial objectives and targets over the short, medium and long term. These arrangements include:
  - a) approval of the Annual Operational Plan by the Board of Directors in line with the Trust's Five-Year Strategy;
  - b) development and approval by the Board of Directors of an Annual Financial Framework;

<sup>&</sup>lt;sup>8</sup> A definition of decision-making staff is included in chapter 7 of the Trust's Standards of Business Conduct policy.

- c) ensuring the financial plan is affordable;
- d) ensuring the development and delivery of safe cost improvement plan requirements;
- e) compliance with the terms of authorisation;
- f) co-ordination of financial objectives with corporate objectives as approved by the Board of Directors;
- g) regular reporting to the Board of Directors and Executive Committee on the trust's financial position;
- h) regular reporting to the Performance, Investment and Finance Committee in detail on the financial position of the Trust and its divisions.
- 378. Annual budgets are approved by the Board of Directors following sign-off by delegated budget holders. There is comprehensive reporting (e.g., via the Executive Performance Report and the Safety Report) to every meeting of the Board of Directors on key performance indicators, covering quality and safety, finance, activity and human resources targets. In addition, the Executive Performance Report is scrutinised at every meeting of the Performance, Investment & Finance Committee, the Quality Assurance Committee and the Executive Committee. The Performance, Investment and Finance Committee also receive a regular detailed report on financial performance, which allows detailed scrutiny of financial information at a Divisional level as well as delivery of the Trust's statutory financial duties, and the Quality Assurance Committee undertake detailed scrutiny of the Safety Report.
- 379. Cost Improvement Plans, whilst developed by directorates and clinical divisions in conjunction with the Finance Team, are scrutinised by both the Medical Director and Executive Director of Nursing & Operations to ensure such plans will not impact upon quality or safety, prior to approval and implementation. Where concerns regarding the impact of Cost Improvement Plans on quality or safety are identified, alternative plans are requested. These plans are reviewed by both the Quality Assurance Committee and the Performance, Investment & Finance Committee on behalf of the Board of Directors.
- 380. Cost pressures are reviewed prior to the commencement of each financial year and a prioritisation process applied to determine which pressures can be funded. In addition, details of the mitigation plans in place for those pressures which cannot be funded are reported to the Performance, Investment and Finance Committee. In year cost pressures are rigorously reviewed and challenged, and alternatives for avoiding cost pressures are always considered.
- 381. Value for money is an important component of the internal and external audit plans that provides assurance to the Trust regarding processes that are in place to ensure effective use of resources.

## **INFORMATION GOVERNANCE AND DATA SECURITY**

- 382. The Trust utilises the Data Security & Protection Toolkit to identify and manage information risks and reports incidents regularly to the Board of Directors and its Committees. Data Security risks are managed through the risk register as part of a comprehensive framework of risk management concerning IM&T and Information Governance within the Trust.
- 383. The Executive Director of Finance is the Senior Information Risk Officer and the Medical Director is both the Caldicott Guardian and the Chief Clinical Information Officer. They are supported in this role by the Chief Information Officer and teams.
- 384. Specific issues and risks are also raised through the Joint SIRO, Information Governance and Caldicott Committee which reports to Board of Directors via the Executive Committee. Assurance is also provided through a comprehensive programme of internal and external audit which provides assurance on the effectiveness of security controls. Data security risks are further managed through close working with the Informatics Merseyside, hosted by Mersey Care NHS Foundation Trust, and through regular Information Security reviews.
- 385. The Trust experienced the following issues in respect of 10 information governance incidents which occurred in 2019/20 and met the Information Commissioner's Office (ICO) reporting criteria:
  - a service user attending the Sexual Health Clinic alleged that an employee had disclosed their personal identifiable information. A full investigation was undertaken, no evidence to support claim and no further action. Case closed by ICO;
  - an allegation from a service user of unauthorised access by a Trust employee to a relative's clinical record. Privacy audits and an investigation conducted which supported the unauthorised access. The incident was reported to the ICO and closed by the ICO;
  - a clinical letter containing personal identifiable information was sent to an incorrect recipient in error. Operational processes were reviewed and changed. The incident was closed by the ICO;
  - d) a copy letter sent to a service user contained within the envelope a letter relating to another service user. Operational processes within the area were reviewed, the incident was closed by the ICO;
  - a service user reported a breach of confidentiality by a Health Visitor. An investigation was undertaken which concluded there was no case to answer. The incident was closed by the ICO;
  - f) an email was sent to a relative of an inpatient in error. The email contained a list of ward in-patients and their care co-ordinators. Operational practice within the area was reviewed, the member of staff received further training. The incident was closed by the ICO;
  - g) a "single point of access" report was sent to an incorrect recipient who reported this to the Trust. Whilst this incident was reported to the ICO the ICO

advised that it did not require reporting as it only involved two parties who had been contacted and notified of the incident. The incident was closed by the ICO;

- a member of staff had their laptop and diary stolen this crime was reported to the Police, the laptop was encrypted and disabled. The diary contained the names of 10 patients, home telephone numbers and postcode. The clinical team contacted each of the service users and the incident was closed by the ICO;
- a trust laptop and blood pressure monitor was stolen from a member of staff's car. The laptop was encrypted and disabled. The case contained assessment paperwork relating to 23 service users. This crime was reported to the Police. Each service user was contacted and notified of the incident. The Trust awaits the outcome of this investigation by the ICO;
- j) a Trust employee accessed a service user's clinical record without authorisation or justification. A 72 hour report was commissioned and privacy audits confirmed the unauthorised access. The case was referred to Human Resources under the Disciplinary policy. The case has been closed by the ICO due to the management of the incident by the Trust.
- 386. In respect of these incidents, the Trust undertook appropriate internal investigations, including root cause analysis, for each of these incidents. All data loss / data breach incidents were reviewed at meetings of the Joint SIRO Information Governance & Caldicott Sub-Committee (which reports to the Executive Committee), with further reviews undertaken by the relevant service to provide a full report back to the Senior Information Risk Owner. The ICO was satisfied by the action taken by the Trust for each of those incidents which have been reviewed, whilst the Trust is awaiting contact from the ICO in respect of allocating a case worker for one of these incidents.
- 387. The Trust received *substantial assurance* in respect of the Data Security & Protection Toolkit which was submitted at 31 March 2020.
- 388. In May 2017 the NHS was subject to a widespread cyber attack (ransomware). Mersey Care itself was affected by this attack but the Trust also played a key role as the host organisation for Informatics Merseyside. One of the consequences is that the Audit Committee is now in receipt of regular reports so as to provide assurance to the Board of Directors on the adequacy of arrangements in place to protect the Trust's information systems. These reports are shared with the Board of Directors. This is especially important as the Trust hosts Informatics Merseyside which provides IT services to many local NHS organisations and represents the Trust on the Cheshire & Merseyside Health and Social Care Partnership's cyber security work stream. In addition, the Informatics Merseyside annual audit plan is weighted heavily towards Cyber Security and the work completed since the attack has provided much better levels of assurance and mitigation for the trust

## **ANNUAL QUALITY REPORT**

- 389. 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. NHS Improvement (in exercise of the powers conferred on Monitor) has issued guidance to NHS foundation trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the NHS Foundation Trust Reporting Manual.
- 390. Although normally the annual Quality Report is published as part of the Trust's Annual Report, due to the COVID-19 outbreak regulations have been laid to defer submission of the Quality Account for 2019/20 until 15 December 2020. The Quality Account will continue to be developed in accordance with national guidance under the leadership of the Executive Director of Nursing and Operations.
- 391. Despite this delay the Council of Governors have already been consulted on the Trust's draft priorities for 2020/21 and the Quality Assurance Committee has monitored the delivery of the Quality Account priorities for 2019/20 throughout the years on behalf of the Board of Directors The submission of the Quality Account for 2019/20 to both the Board of Directors and the Council of Governors will be deferred until later in 2020, including checks on the robustness of data used to inform this report.

## **REVIEW OF EFFECTIVENESS**

- 392. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the 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 results of the effectiveness of the system of internal control by the Board of Directors, the Audit Committee, the Performance, Investment & Finance Committee, the Quality Assurance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 393. The systems of internal control are overseen by the Board of Directors and therefore the Board utilises a number of systems to assure itself that the systems are working effectively. The formal structure of the Committees reporting through to the Board of Directors, are remitted to maintain effective systems and identify and, where appropriate, escalate all risks emerging from the business transacted.
- 394. The Board of Directors, supported by the Audit Committee, the Executive Committee, the Quality Assurance Committee and the Performance, Investment and Finance Committee have routinely reviewed the Trust's system of internal control and governance framework. The Executive Committee and the Quality Assurance Committee have also regularly reviewed the Trust's approach to maintaining compliance with CQC fundamental standards. As part of its annual cycles of

business the Audit Committee receives assurance on the delivery of the Trust's internal and external audit plans. As with all other Board Committees, it reviews its terms of reference annually and self-assesses its performance (a session that is facilitated by the Trust's internal auditors).

- 395. The Audit Committee plays a key role in receiving assurance on the Trust's systems of internal control. As at the end of March 2020 the Audit Committee has three Non-Executive Director members and receives assurance from officers of the trust, the Trust's internal auditors (Mersey Internal Audit Agency) and the Trust's external auditors appointed by the Council of Governors (Grant Thornton). The Audit Committee meets regularly with both the internal and external auditors without officers present.
- 396. The Assurance Framework provides the Board of Directors with evidence that the effectiveness of controls that manage the risks to delivery of the Trust's strategic objectives and key strategic priorities have been reviewed.
- 397. At the Audit Committee in May 2020, the Head of Internal Audit Opinion and Annual Report 2019/20 from Mersey Internal Audit Agency (the Trust's internal auditor) provided "*substantial assurance*" for the period 2019/20 "*that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently*". This Opinion, based upon the Assurance Framework, states that:
  - a) "structure the organisation's Assurance Framework is structured to meet the NHS requirements
  - b) engagement the Assurance Framework is visibly used by the organisation
  - c) quality and alignment the Assurance Framework clearly reflects the risks discussed by the Board'.
- 398. In respect of clinical audit an annual Quality Improvement and Audit Programme is agreed by the Quality Assurance Committee and reflects national and local audit priories. A quarterly review of progress against the Programme is reported to the Quality Assurance Committee and any significant issues that emerge are escalated to the Audit Committee.
- 399. Internal Audit has reviewed and reported upon control, governance and risk management processes, based on the Annual Audit Plan approved by the Audit Committee. The work included identifying and evaluating controls and testing their effectiveness, in accordance with NHS internal audit standards. Where score for improvement was found, recommendations were made and appropriate actions plans agreed for management.
- 400. The Head of Internal Audit Opinion is that *"substantial assurance, can be given that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently".*

## **Board Committee Structure & Corporate Governance Arrangements**

- 401. The governance framework of the organisation is designed to manage operational and strategic risk and minimise the risk of failure to deliver the Trust's strategic framework.
- 402. The Board of Directors is responsible for providing strategic leadership to the organisation and ensuring that the Trust exercises its functions effectively and efficiently. The Board of Directors monitors the arrangements that are in place to maintain the quality and safety of the Trust's services, including ensuring processes are in place for the management of risk.
- 403. The terms of reference for all Board Committees were reviewed, updated and then approved by the Board of Directors in May 2019, as part of the annual review of terms of reference.
- 404. Both the Board of Directors and its Board Committees have agreed annual cycles of business in place which outlined the area of business to be considered throughout the financial year.
- 405. The committee structure, to support achievement of the Trust's strategic objectives, is outlined in **Table 17** below. Any Board Committee can request that a risk be considered for inclusion on the Trust's risk register in line with the Trust's risk management and risk escalation arrangements set out in the Risk Management Strategy.

Committee	Role
Audit Committee	<ul> <li>acts as the central means by which the Board of Directors is assured that effective internal control arrangements are in place as part of its annual cycle of business</li> <li>provides a form of independent check upon the executive arm of the Board of Directors.</li> <li>provides independent verification to the Board of Directors on internal financial controls based on reports from internal and external auditors</li> </ul>
	ensures effective organisational controls and risk management
Performance, Investment & Finance Committee	<ul> <li>provides assurance that the key performance and outcome measures for assessing delivery of the Trust's strategic framework and annual operating plan are appropriate and that performance is consistent with those measures</li> <li>oversees and scrutinises financial strategically significant risks on behalf of the Board of Directors, proposing new or revised risks where necessary</li> <li>ensures that financial plans, investment policy and major investment proposals are robust and that there are measures in place to identify and mitigate the risks and keep under review the management and status of those risks</li> <li>scrutinises in year financial performance (against the trust's budgets and plans), strategic financial plans and the delivery of cost improvement plans in both the short and long term</li> </ul>

#### Table 17: NHS Foundation Trust Board of Directors' Committee Structure

Committee	Role
Quality Assurance Committee	• provides assurance to the Board of Directors that the quality of service provision across the organisation is of the highest standard.
	<ul> <li>oversees the delivery of action plans resulting from independent inquiries into serious untoward incidents</li> </ul>
	<ul> <li>oversees and scrutinises quality strategically significant risks on behalf of the Board of Directors, proposing new or revised risks where necessary</li> </ul>
Executive Committee	<ul> <li>supports the Board of Directors in setting and delivering the organisation's strategic direction and priorities</li> </ul>
	<ul> <li>oversees the effective operational management of the trust and delivery of continuous improvement in quality and to assess and control risk.</li> </ul>
	<ul> <li>oversees and scrutinises regulatory and reputational strategically significant risks on behalf of the Board of Directors, proposing new or revised risks where necessary</li> </ul>
Remuneration and Terms of	<ul> <li>determines the policy on executive and very senior manager remuneration and contracts</li> </ul>
Service	<ul> <li>ensures that appropriate performance management</li> </ul>
Committee	arrangements are in place for Executive Directors and work with the Chief Executive to relate performance judgements to pay
	<ul> <li>advises on the Trust's overarching reward and benefit strategy for all staff, the arrangements in the wider NHS and any relevant guidance from the Treasury and regulators</li> </ul>
Note – the Execu	tive Committee was stood down in February 2020 as part of the

**Note** – the Executive Committee was stood down in February 2020 as part of the arrangements to implement a series of changes to the Trust's governance framework in response to an ongoing well-led review commissioned from the Good Governance Institute.

406. The chairs of the Board Committees routinely present written and verbal reports to the Board of Directors, to highlight any key issues, risks, concerns and decisions. Approved minutes of each Board Committee are also presented at public Board meetings (with the exception of the Remuneration & Terms of Service Committee which instead provides a highlight report to the Board).

## Acquisition of Liverpool Community Health NHS Trust

407. Prior to acquiring the former Liverpool Community Health NHS Trust (LCH) on 1 April 2018 the *Report of the Liverpool Community Health Independent Review*<sup>9</sup>, chaired by Dr Bill Kirkup, was published in January 2018. This independent review was initiated after concerns had been raised about LCH over a number of years. Amongst other things the report concluded that LCH was "dysfunctional organisation"

<sup>9</sup> 

Available on NHS Improvement's website by <u>clicking here</u>

- 408. A series of recommendation were made by this independent review, two of which related to those organisations taking over responsibility for LCH's former services:
  - Recommendation 6.6 organisations taking on former LCH) services should review the handling of previous serious incidents to ensure they have been properly investigated and lessons learned;
  - b) Recommendation 6.7 organisations taking on former LCH staff as part of service transfers should review the handling of disciplinary and whistleblowing cases urgently to ensure that they have been properly and appropriately resolved. These organisations should ensure that staff are not placed back into working relationships previously the subject of bullying and harassment;

which meant the Trust was required by NHS Improvement to review these matters and report back to the regulator.

- 409. As a result in April 2018 the Trust created the Liverpool Community Services Transition Sub-Committee (chaired by a Non-Executive Director and reporting via the Quality Assurance Committee to the Board of Directors) to oversee the embedding of those services it had acquired from LCH together with the Trust's response to recommendations 6.6 and 6.7 above. Although initially it was intended this Sub-Committee would only met for a few months, in the end it was only disbanded at the end of November 2019.
- 410. In June 2019 the Minister of State for Health announced a further investigation into the former LCH, in part because of issues the Trust had identified in reviewing its response to the recommendation above. The resulting *LCH Independent Investigation* will again be chaired by Dr Bill Kirkup and at the time of writing this report we are awaiting the Investigation's terms of reference being laid before Parliament.

## **BOARD AND ORGANISATIONAL REVIEWS**

- 411. The Trust's governance arrangements have been subject to a series of external reviews since 2015, the findings of which have been utilised to inform the ongoing development of the Trust's governance framework. Such reviews included:
  - a) assessment of the Trust's application for Foundation Trust status by regulators.
  - two independent reviews of Board Skills undertaken by External Auditors (both of which have been shared with the Council of Governors in order to inform Non-Executive Director appointments and re-appointments);
  - c) the Chief Inspector of Hospitals Inspections of the Mersey Care in June 2015, in March 2017 (report published in June 2017) and in November / December 2018 (report published in April 2019). The report of the 2018 inspection, which included a well-led inspection, were considered by the Board of Directors at its May 2019 meeting;
  - the NHS Improvement assessment of the Trust's proposal to acquire
     Calderstones Partnership NHS Foundation Trust (acquired 1 June 2016), the
     transfer of South Sefton community physical health services from Liverpool

Community Health NHS Trust (from 1 June 2016) and the acquisition of Liverpool Community Heath NHS Trust (from 1 April 2018);

e) independent well-led reviews undertaken by the Good Governance Institute in 2015 and the ongoing review in 2019/20.

## CONCLUSION

412. The overall opinion is that no other significant internal control issues have been identified during the reporting period and therefore significant assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

Accountable Officer:	Dr Joe Rafferty CBE, Chief Executive
Organisation:	Mersey Care NHS Foundation Trust (RW4)
Signature:	Joseph Aleffet
Date:	24 June 2020

## APPENDICES

## **APPENDIX A – ATTENDANCE AT COUNCIL OF GOVERNORS MEETINGS**

#### Governors

Governor Constituency	Notes	Name	25 Apr 2019	07 Aug 2019	17 Oct 2019	27 Jan 2020
Staff, Medical		Sayed Ahmed	×	~	✓	×
Staff, Other Clinical and Clinical Support		Paul Allen	×	×	$\checkmark$	$\checkmark$
Appointed, University / Academic Partner	3	Clare Austin	×	×		
Staff, Nursing	4	Cheryl Barber	×	×	×	
Service User & Carer	1	Johanna Birrell	×			
Public, Liverpool, Sefton and Knowsley		Helen Casstles	$\checkmark$	~	✓	✓
Service User & Carer		Matthew Copple	$\checkmark$	×	✓	✓
Staff, Nursing		Tracey Cummins	×	×	✓	×
Staff, Nursing	5	Gillian Davies		~	✓	✓
Service User & Carer	1	Debra Doherty	×			
Service User & Carer		Julie Dickinson	$\checkmark$	✓	$\checkmark$	✓
Staff, Non Clinical		Karen Elliot		~	✓	×
Staff, Other Clinical, Scientific, Technical and Therapeutic	1	Sarah Finlayson	×			
Appointed, Unions and Other Staff Representative Bodies	7	Mandi Gregory	×	×	×	×
Staff, Other Clinical and Clinical Support Staff		Dean Hegarty		~	✓	✓
Staff, Non Clinical	1	Mike Jones	×			
Appointed, Voluntary Sector Organisations		Vicky Keeley	✓	×	×	$\checkmark$
Public, Liverpool, Sefton and Knowsley		Susan Martin	$\checkmark$	$\checkmark$	×	$\checkmark$
Service User & Carer	2	Mark McCarthy	$\checkmark$	✓	$\checkmark$	×
Service User & Carer	1	Martin Murphy	×			
Public Liverpool, Sefton and Knowsley	2	Jayne Moore	×	×	×	×
Service User & Carer		Andrew Naylor		✓	×	✓
Appointed, Local Authority	7	David Peat			$\checkmark$	$\checkmark$

Governor Constituency	Notes	Name	25 Apr 2019	07 Aug 2019	17 Oct 2019	27 Jan 2020
Staff, Other Clinical and Clinical Support Staff		Gie Peneche	~	×	×	×
Public, Rest of England and Wales		Garrick Prayogg	~	~	×	~
Appointed, Unions and Other Staff Representative Bodies	8	lan Raven			✓	
Service User & Carer		Debbie Riozzie	~	~	~	×
Public, Liverpool, Sefton and Knowsley		Paul Smith	~	~	~	✓
Public, Liverpool, Sefton & Knowsley		Mary Sutton	✓	×	×	✓
Service User & Carer	4	Paul Taylor	×			
Service User & Carer	5	Hilary Tetlow		~	~	✓
Service User & Carer	5	Tashi Thornley		×	~	✓
Staff, Nursing	1	Maria Tyson	✓			
Public, Rest of England		Alex Till	×	~	~	✓
Appointed, Local Authority		Veronica Webster	×	×	×	~
Appointed, University / Academic Partner	6	Julie Williams			×	$\checkmark$

**Notes** Table shows Governors in post on 31 March 2020 and:

- 1 Elected Governors whose term of office ended on 30 April 2019 and either did not seek re-election or where not re-elected.
- 2 Elected Governors re-elected for a second term which commenced on 1 May 2019.
- 3 Appointed Governor whose term of office ended on 30 September 2019 and did not seek / where not re-appointed.
- 4 Elected Governors who stood down during 2019/20 before their term of office expired.
- 5 Elected Governors who took up post on 1 May 2019.
- 6 Appointed Governor whose term of office started on 2 June 2019.
- 7 Appointed Governor whose term of office started on 1 October 2019.
- 8 Mandi Gregory is the Appointed Governor for Unions and Other Staff Representative Bodies formally recognised by the Trust. During a period of long-term absence it was agreed Ian Raven would deputise as the Appointed Governor for Mandi Gregory until her return to work.

## **APPENDIX B – ATTENDANCE AT THE BOARD OF DIRECTORS AND BOARD COMMITTEE MEETINGS**

## **Board of Directors**

Constituency	Name	May 2019	Jul 2019	Sep 2019	Jan 2020	Feb 2020	Mar 2020
Chairman	Beatrice Fraenkel	✓	✓	✓	✓	✓	✓
Non Executive Director	Murray Freeman	~	✓	✓	~	~	~
Non Executive Director	Gerry O'Keeffe	~	✓	✓	×	×	~
Non Executive Director	Gaynor Hales	~	✓	✓	~	~	~
Non Executive Director	Nick Williams	~	✓	×	~	~	~
Non Executive Director	Aislinn O'Dwyer	~	✓	✓	~	~	~
Non Executive Director	Pamela Williams	~	✓	✓	×	~	~
Chief Executive	Joe Rafferty CBE	~	×	✓	~	✓	~
Executive Director of Nursing & Operations	Trish Bennett	~	~	~	~	~	~
Executive Director of Communications, Corporate Governance & Estates	Elaine Darbyshire	×	×	~	~	~	~
Medical Director	David Fearnley	~	✓		Resigned 3	1 July 2019	
Interim Medical Director	Arun Chidambaram	Not ir	n Post	✓	✓	✓	✓
Executive Director of Workforce	Amanda Oates	~	×	~	~	~	~
Executive Director of Finance / Deputy Chief Executive	Neil Smith	~	~	~	~	~	~
Director of Strategy and Planning	Louise Edwards	$\checkmark$	×	~	~	~	~

## Audit Committee

Members	Apr 2019	May 2019	May 2019	Jul 2019	Aug 2019	Oct 2019	Dec 2019	Jan 2020	Feb 2020
Pam Williams (Chair)	~	×	✓	$\checkmark$	~	$\checkmark$	~	~	✓
Gerry O'Keeffe	~	✓	✓	✓	~	×	~	✓	✓
Murray Freeman	×	✓	✓	$\checkmark$	~	×	~	$\checkmark$	×
Gaynor Hales			Not a member		$\checkmark$		Not a member		

## Executive Committee (Note – this Committee was disbanded after the February 2020 meeting)

Members	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020
Joe Rafferty CBE (Chair)	Meeting Not Held	×	Meeting Not Held	×	✓	~	×	×	×	×	$\checkmark$
Neil Smith (Deputy Chair)	Meeting Not Held	~	Meeting Not Held	✓	×	×	$\checkmark$	$\checkmark$	×	✓	$\checkmark$
Trish Bennett	Meeting Not Held	✓	Meeting Not Held	✓	~	√	✓	×	~	×	~
Elaine Darbyshire	Meeting Not Held	✓	Meeting Not Held	✓	✓	$\checkmark$	×	✓	✓	✓	$\checkmark$
Louise Edwards	Meeting Not Held	✓	Meeting Not Held	✓	×	√	$\checkmark$	✓	×	✓	~
David Fearnley	Meeting Not Held	$\checkmark$	Meeting Not Held	~	Resigned 31 July 2020						
Arun Chidambaram	Not in post			~	$\checkmark$	✓	~	×	~	✓	
Amanda Oates	Meeting Not Held	$\checkmark$	Meeting Not Held	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	✓	$\checkmark$

## Performance, Investment and Finance Committee

Member	Apr 2019	Jun 2019	Aug 2019	Nov 2019	Dec 2019	Feb 2020					
Non Executive Directors											
Nick Williams (Chair)	$\checkmark$	×	✓	$\checkmark$	~	~					
Gerry O'Keeffe	$\checkmark$	~	✓	$\checkmark$	~	×					
Aislinn O'Dwyer	$\checkmark$	~	×	$\checkmark$	$\checkmark$	~					
		Execu	tive Directors		·						
Amanda Oates	$\checkmark$	$\checkmark$	✓	$\checkmark$	~	~					
Elaine Darbyshire	$\checkmark$	$\checkmark$	✓	$\checkmark$	×	~					
Neil Smith	$\checkmark$	×	×	$\checkmark$	×	$\checkmark$					
Trish Bennett	$\checkmark$	~	~	×	✓	~					

## **Quality Committee**

Member	May 2019	Jul 2019	Sep 2019	Nov 2019	Jan 2020	Mar 2020					
Non Executive Directors											
Gaynor Hales (Chair)	$\checkmark$	×	~	$\checkmark$	~	$\checkmark$					
Murray Freeman	$\checkmark$	~	✓	$\checkmark$	~	×					
Aislinn O'Dwyer	~	~	~	~	~	✓					
		Execut	ive Directors								
Trish Bennett	~	×	×	~	~	$\checkmark$					
David Fearnley	~	~		Resigned 3	1 July 2019						
Arun Chidambaram	Not in	n post	~	$\checkmark$	~	✓					
Amanda Oates	$\checkmark$	~	×	$\checkmark$	~	$\checkmark$					
Neil Smith	Not a n	nember	~		Not a member						

Member	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
Beatrice Fraenkel	~	✓	$\checkmark$	$\checkmark$	×	~	×	$\checkmark$	$\checkmark$	✓
Murray Freeman	✓	✓	$\checkmark$	$\checkmark$	~	~	×	✓	$\checkmark$	✓
Gerry O'Keeffe	~	×	$\checkmark$	✓	~	~	✓	×	×	✓
Pam Williams	✓	✓	$\checkmark$	✓	~	~	✓	×	✓	✓
Aislinn O'Dwyer	✓	✓	$\checkmark$	✓	✓	✓	✓	✓	✓	✓
Gaynor Hales	✓	✓	$\checkmark$	✓	×	~	✓	✓	✓	✓
Nick Williams	~	$\checkmark$	$\checkmark$	✓	×	×	$\checkmark$	✓	$\checkmark$	✓

## Remuneration and Terms of Service Committee murphy



Community and Mental Health Services

# Mersey Care NHS Foundation Trust

# Annual Accounts 2019/20

Annual Report and Accounts 2019/20

Presented to Parliament pursuant to Schedule 7, paragraph 25(4)(a) of the National Health Service Act 2006

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**External Auditor Opinion** 

## Independent auditor's report to the Council of Governors of Mersey Care NHS Foundation Trust

## **Report on the Audit of the Financial Statements**

#### Opinion

#### Our opinion on the financial statements is unmodified

We have audited the financial statements of Mersey Care NHS Foundation Trust (the 'Trust') for the year ended 31 March 2020 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Accounts Directions issued under the National Service Act 2006, the NHS foundation trust annual reporting manual 2019/20 and the Department of Health and Social Care Group Accounting Manual 2019 to 2020.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2020 and of its expenditure and income for the year then ended;
- 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 2019 to 2020; 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.

#### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Accounting Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Trust's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Trust's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity associated with these particular events.

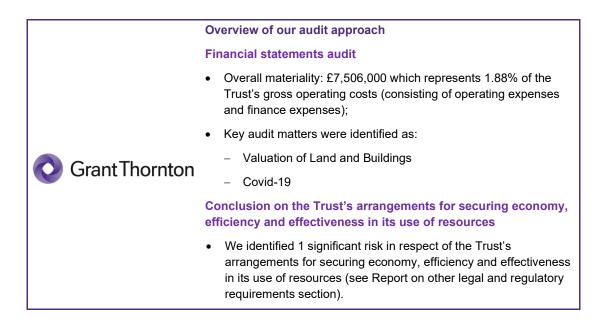
#### Conclusions relating to going concern

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 Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accounting Officer has 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.

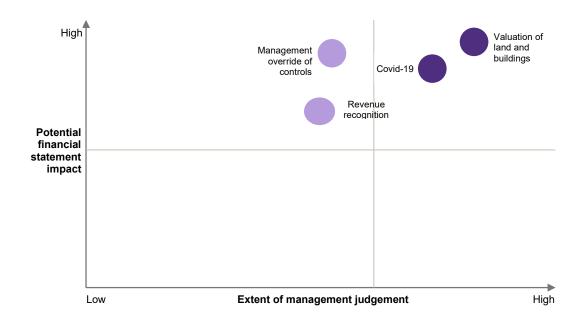
In our evaluation of the Accounting Officer' conclusions, and in accordance with the expectation set out within the Department of Health and Social Care Group Accounting Manual 2019 to 2020 that the Trust's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Trust's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Trust's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.



#### Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit		
<b>Risk 1 Valuation of land and buildings</b> The Trust revalues it's land and buildings on an annual basis to ensure the carrying value is not materially different from current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements.	<ul> <li>Our audit work included, but was not restricted to:</li> <li>Evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> </ul>		
Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of	Evaluating the competence, capabilities and objectivity of the valuation expert;		
Chartered Surveyors (RICS), to estimate the current value of its land and buildings. The last full valuation	<ul> <li>Discussing with the valuer the basis on which the valuation was carried out;</li> </ul>		
was as at 31 March 2017. For 2019-20, a desktop valuation has been undertaken. The valuation represents a significant accounting	<ul> <li>Challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> </ul>		
estimate by management in the financial statements, which is sensitive to changes in assumptions and market conditions.	Evaluating the assumptions made by management for any assets not revalued during the year, including how the impact of market volatility had been considered, and how management had		
The effects of the COVID-19 virus will affect the work carried out by the Trust's valuer in a variety of ways. Inspecting properties could prove difficult and access to	satisfied themselves that the existing valuations were not materially different to current value at 31 March 2020; and		
evidential data, such as values of comparable assets may be less freely available. RICS Regulated Members have therefore been considering whether a material uncertainty declaration is now appropriate in their reports. Its purpose is to ensure that any client relying upon the valuation report understands that it has been	<ul> <li>Testing revaluations made during the year to see if they had been input correctly into the Trust's asset register.</li> </ul>		

prepared under extraordinary circumstances.

#### **Key Audit Matter**

In their 2019/20 valuation report the Trust's valuer, Cushman & Wakefield included a material uncertainty and this was disclosed in note 1 to the financial statements.

We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

#### How the matter was addressed in the audit

The Trust's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates.

The Trust's accounting policy on valuation of property, including land and buildings, is disclosed in note 1.8 to the financial statements and related disclosures are included in note 15.1

As, disclosed in note 1.8 to the financial statements, the valuation exercise was carried out in March 2020 with a valuation date of 31 March 2020. in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a material valuation uncertainty' in their valuation report. This is on the basis of uncertainties in the markets caused by Covid-19. The values in the report have been used to inform the measurement of property assets at valuation in the financial statements. With the valuer having declared this material valuation uncertainty, the valuer in providing the valuation and believes this remains the best information available to the Trust.

#### **Key Observations**

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation of land and buildings was appropriate, and
- the assumptions and processes used by management in determining the estimate of valuation of property were reasonable;
- the valuation of land and buildings disclosed in the financial statements is reasonable.

#### Risk 2 Covid-19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified Covid-19 as a significant risk, which was one of the most significant assessed risks of material misstatement. Our audit work included, but was not restricted to:

- Documenting and understanding the implications that the Covid-19 pandemic has had on the Trust's ability to prepare the financial statements and updates to financial forecasts
- Liaison with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise.

We have evaluated

- the adequacy of the disclosures in the financial statements relating to the impact of the Covid-19 pandemic.
- whether sufficient audit evidence can be obtained in the absence of physical verification of assets through remote technology
- whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances.
- management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

#### Key observations

We obtained sufficient audit assurance to conclude that:

- The Trust's disclosures are in line with the DHSC guidance relating to the impact of the Covid-19 pandemic
- Financial forecasts and the cash flow analysis of the Trust supports the ability for the Trust to prepare the accounts on a going concern basis

**Key Audit Matter** 

How the matter was addressed in the audit

The Trust has appropriately disclosed the material uncertainty regarding the valuation of the Trust's property, plant and equipment which has been emphasised as a Key Audit matter as detailed in risk 1 above.

#### Our application of materiality

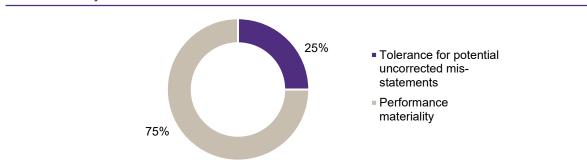
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

•

Materiality was determined as follows:

Materiality Measure	Trust		
Financial statements as a whole	£7,506,000 which is 1.88% of the Trust's gross operating costs. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Trust has expended its revenue and other funding.		
	Materiality for the current year is at the same percentage level of gross operating costs as we determined for the year ended 31 March 2019 as we did not identify any significant changes in the Trust or the environment in which it operates.		
Performance materiality used to drive the extent of our testing	75% of financial statement materiality		
Specific materiality	£5,000 for Executive Director Remuneration, equating to the correct banding disclosure within the Remuneration Report.		
Communication of misstatements to the Audit Committee	£300,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.		

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



**Overall materiality – Trust** 

#### An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Trust's business, its environment and risk profile and in particular included:

- Updating our understanding of and evaluating the Trust's internal control environment, including its IT systems and controls over key financial systems;
- Substantive testing, on a sample basis, of the Trust's material income streams;
- Substantive testing, on a sample basis, of the Trust's gross operating costs; and
- Substantive testing, on a sample basis, of property, plant and equipment.

There were no key changes in the scope of the audit from the prior year.

#### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable as set out on page 59 in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy, is materially inconsistent with our knowledge of the Trust obtained in the audit; or
- The Audit Committee reporting as set out on pages 62 to 64 in accordance with provision C.3.9 of the NHS Foundation Trust Code of Governance the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

#### 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 meet the disclosure requirements set out in the NHS foundation trust annual reporting manual 2019/20 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.

#### Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion:

- the parts of the Remuneration Report and the 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 NHS foundation trust annual reporting manual 2019/20 and the requirements of
  the National Health Service Act 2006<sup>1</sup>; 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 issue a report in the public interest under Schedule 10 (3) of the National Health Service Act 2006 in the course of, or at the conclusion of the audit; or
- we refer a matter to the regulator under Schedule 10 (6) of the National Health Service Act 2006 because we have reason to believe that the Trust, or a director or officer of the Trust, is about to make, or has made, a decision which involves or would involve the incurring of expenditure that was unlawful, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

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

## Responsibilities of the Accounting Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of the Chief Executive's responsibilities as the accounting officer set out on pages 60 to 61, the Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions included in the NHS foundation trust annual reporting manual 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines 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 Accounting Officer is 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 Accounting Officer has been informed by the relevant national body of the intention to dissolve the Trust without the transfer of the Trust's services to another public sector entity.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Trust's financial reporting process.

#### 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: <u>www.frc.org.uk/auditorsresponsibilities</u>. 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 2020.

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

#### Significant risks

Under the Code of Audit Practice, we are required to report on how our work addressed the significant risks we identified in forming our conclusion on the adequacy of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Significant risks are those risks that in our view had the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The table below sets out the significant risks we have identified. These significant risks were addressed in the context of our conclusion on the Trust's arrangements as a whole, and in forming our conclusion thereon, and we do not provide a separate opinion on these risks.

#### Significant risks

#### **Risk 1 Estates Strategy**

The Trust has an extensive capital programme in place with a total investment forecast for 2019/20 of £54m. The Trust has an agreed £60m capital financing facility in place, however the estates strategy requires further investment which may take the Trust beyond its current borrowing limits. The Trust needs to ensure that the operational and service strategies align with the estates strategy so that planned developments continue to be fit for purpose.

We will continue to monitor the strategy development and decisions made to consider the implications this has on the Trust's financial sustainability and borrowing limits How the matter was addressed in the audit

Our audit work included, but was not restricted to:

Review of the estates strategy update reports to the Trust's Performance, Investment and Finance Committee and Board during 2019/20 and linkages into the operational and financial plans for 2020/21.

#### **Key findings**

- The Trust has an approved Estates Strategy in place that is linked to operational and overall strategic plans
- Progress on capital investment has been monitored throughout the year and reported to the Board and Performance Investment and Finance Committee
- The Trust is working closely with colleagues in Cheshire and Merseyside to enable consolidation of estate across two counties and to ensure that the Trust's developments are reflected in their capital planning.
- The Trust has sufficient borrowing capacity to facilitate the capital programme.

On the basis of the work completed we have nothing to report by exception in relation to the Trust arrangements in respect of the identified risk.

#### **Responsibilities of the Accounting Officer**

The Accounting 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 paragraph 1 of Schedule 10 of the National Health Service Act 2006 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 April 2020, 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 2020, 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 Mersey Care NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice.

#### Use of our report

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Trust's Council of Governors 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 Council of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Green

Michael Green, Key Audit Partner for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

24 June 2020

# Foreword to the accounts

# Mersey Care NHS Foundation Trust

These accounts, for the year ended 31 March 2020, have been prepared by Mersey Care NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

Josephale

Signed

Name Job title Date Joseph Rafferty Chief Executive 24 June 2020

# Statement of Comprehensive Income

		2019/20	2018/19
	Note	£000	£000
Operating income from patient care activities	3	381,952	361,639
Other operating income	4	26,759	30,936
Operating expenses	6, 8	(399,239)	(375,308)
Operating surplus from continuing operations	_	9,472	17,267
Finance income	11	321	250
Finance expenses	12	(3,062)	(2,587)
PDC dividends payable		(4,629)	(4,346)
Net finance costs		(7,370)	(6,683)
Other losses	13	(142)	(164)
Gains arising from transfers by absorption	35	<u> </u>	18,095
Surplus for the year from continuing operations		1,960	28,515
Surplus for the year	=	1,960	28,515
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(11,306)	(6,786)
Revaluations	16	5,161	1,470
Total comprehensive income / (expense) for the period	=	(4,185)	23,199

# **Statement of Financial Position**

		31 March	31 March
	N	2020	2019
Non-current assets	Note	£000	£000
Intangible assets	14	6,322	3,284
Property, plant and equipment	15	254,539	230,763
Investment property	13	160	1,375
Receivables	20	240	1,373
Total non-current assets	20 _	240	235,538
	-	201,201	235,536
Current assets	10	500	500
Inventories	19	569	526
Receivables	20 21	18,219	32,254
Non-current assets for sale and assets in disposal groups	21	4,850	-
Cash and cash equivalents	<b>_</b> _	50,782	27,371
Total current assets	_	74,420	60,151
Current liabilities		<i></i>	
Trade and other payables	23	(41,111)	(29,640)
Borrowings	25	(2,100)	(778)
Provisions	27	(7,858)	(5,675)
Other liabilities	24	(958)	(450)
Total current liabilities	_	(52,027)	(36,543)
Total assets less current liabilities	_	283,654	259,146
Non-current liabilities			
Borrowings	25	(76,005)	(49,994)
Provisions	27	(22,280)	(22,112)
Total non-current liabilities		(98,285)	(72,106)
Total assets employed	_	185,369	187,040
Financed by			
Public dividend capital		86,723	84,209
Revaluation reserve		49,314	55,989
Other reserves		59,907	59,907
Income and expenditure reserve		(10,575)	(13,065)
Total taxpayers' equity	-	185,369	187,040

The notes on pages 152 to 204 form part of these accounts.

posephat

Name Position Date Joe Rafferty Chief Executive 24 June 2020

# Statement of Changes in Equity for the year ended 31 March 2020

Taxpayers' and others' equity at 1 April 2019 - brought forward	Public dividend capital £000 84,209	Revaluation reserve £000 55.989	Other reserves £000 59,907	Income and expenditure reserve £000 (13.065)	Total £000 187,040
	04,209	55,969	59,907	( ) )	
Surplus for the year	-	-	-	1,960	1,960
Other transfers between reserves	-	(515)	-	515	-
Impairments	-	(11,306)	-	-	(11,306)
Revaluations	-	5,161	-	-	5,161
Transfer to retained earnings on disposal of assets	-	(15)	-	15	-
Public dividend capital received	2,514	-	-	-	2,514
Taxpayers' and others' equity at 31 March 2020	86,723	49,314	59,907	(10,575)	185,369

# Statement of Changes in Equity for the year ended 31 March 2019

	Public dividend capital £000	Revaluation reserve £000	Other reserves £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018 - brought forward	80,217	58,493	59,907	(38,539)	160,078
Surplus for the year	-	-	-	28,515	28,515
Transfers by absorption: transfers between reserves	229	3,179	-	(3,408)	-
Other transfers between reserves	-	(367)	-	367	-
Impairments	-	(6,786)	-	-	(6,786)
Revaluations	-	1,470	-	-	1,470
Public dividend capital received	3,763	-	-	-	3,763
Taxpayers' and others' equity at 31 March 2019	84,209	55,989	59,907	(13,065)	187,040

# 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.

#### Other reserves

The 'Other reserves' relate to the equity received when Ashworth Hospital Authority was transferred to the trust in April 2002.

#### Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of Mersey Care NHS Foundation Trust, the predecessor trust (Mersey Care NHS Trust), Calderstones Partnership NHS Foundation Trust (acquired 1 July 2016), South Sefton Community Services (acquired 1 July 2017) and Liverpool Community Health NHS Trust (acquired 1 April 2018).

# **Statement of Cash Flows**

		2019/20	2018/19
	Note	£000	£000
Cash flows from operating activities			
Operating surplus		9,472	17,267
Non-cash income and expense:			
Depreciation and amortisation	6.1	8,074	6,546
Net impairments	7	3,927	5,668
(Increase) / decrease in receivables and other assets		13,920	(9,094)
Increase in inventories		(43)	(81)
Increase / (decrease) in payables and other liabilities		12,777	(2,525)
Increase in provisions		2,294	506
Net cash flows from operating activities		50,421	18,287
Cash flows from investing activities		·	
Interest received		321	250
Purchase of intangible assets		(3,715)	(2,721)
Purchase of PPE and investment property		(46,020)	(38,017)
Sales of PPE and investment property		200	-
Net cash flows used in investing activities		(49,214)	(40,488)
Cash flows from financing activities			
Public dividend capital received		2,514	3,763
Movement on loans from DHSC	25.2	27,826	21,767
Capital element of finance lease rental payments		(300)	(278)
Capital element of LIFT and other service concession payments		(385)	(392)
Interest on loans		(408)	(42)
Other interest		(2)	(1)
Interest paid on finance lease liabilities	12.1	(525)	(525)
Interest paid on LIFT and other service concession obligations		(1,878)	(1,904)
PDC dividend paid	_	(4,638)	(3,950)
Net cash flows from financing activities		22,204	18,438
Increase / (decrease) in cash and cash equivalents		23,411	(3,763)
Cash and cash equivalents at 1 April - brought forward		27,371	19,497
Cash and cash equivalents transferred under absorption accounting	35	-	11,637
Cash and cash equivalents at 31 March	22.1	50,782	27,371

#### Notes to the Accounts

## Note 1 Accounting policies and other information

#### Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, 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 2019/20 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

#### 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 1.2 Going concern

The Board of Directors have considered the key issues and risks to support the preparation of these accounts on a going concern basis.

During the COVID 19 pandemic, DHSC has provided assurance that income until July 2020 will be received by block contract to all NHS providers. As the Trust receives the majority of its income under block contract arrangements it does not consider the current pandemic to be a material risk to 2021/22 income and therefore expects to meet its financial obligations for the following financial year.

The Board of Directors have found that there are no further material uncertainties that may cast significant doubt on its ability to continue as a going concern. There is a reasonable expectation that the Trust's assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business and there is sufficient cash resources to meet its obligations as they fall due. Therefore, these accounts have been prepared on a going concern basis.

#### Note 1.3 Interests in other entities

#### Joint ventures

Joint ventures are arrangements in which the trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

#### Note 1.4 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

The majority of contracts with Commissioners are based on block contract values, based on agreed performance obligations. Credit terms are 30 days, therefore invoices are raised prior to the end of each reporting period and payments are made by the 15th of the following month. Therefore the impact of timing of payments has a minimal impact on contract balances.

#### Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

Revenue is recognised to the extent that collection of consideration is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

#### **Revenue from research contracts**

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract.

#### NHS injury cost recovery scheme

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, for instance by an insurer. The Trust recognises the income on a receipts basis.

#### Provider sustainability fund (PSF) and Financial recovery fund (FRF)

The PSF and FRF enable providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

#### Note 1.5 Other forms of income

#### Grants and donations

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. Where the grants is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

#### Apprenticeship service income

The value of the benefit received when accessing funds from 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 from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

#### Note 1.6 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 not material.

#### Pension costs

#### NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care 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 scheme is accounted for as though it is a defined contribution scheme: the cost to the trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The 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.

The trust has one employee who is a member of the Teachers Pension Scheme.

# Note 1.7 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 1.8 Property, plant and equipment

## Recognition

#### 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.

#### 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.

Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

A proportion of the Trust's building estate is made available through lease arrangements. When the Trust commits to capital investment within such properties the value carried within the capital asset register is reflected at the investment cost and depreciated over the lease term. This is deemed the most appropriate way to depreciate the cost of the asset over its useful life and to reflect the current value of the investment over the life of the lease. The value of associated assets is £3.581m at 31 March 2020 (£4.104m 2018/19).

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

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

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided.

Valuation guidance issued by the Royal Institute of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity. This basis has been applied to the trust's LIFT scheme where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for the trust.

The valuation exercise was carried out in March 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020, the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19.

"Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence and published build cost information for comparison purposes, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation[s] than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review." (Cushman and Wakefield - March 2020).

The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees. Assets are revalued and depreciation commences when the assets are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

#### Depreciation

Items of property, plant and equipment are depreciated over their remaining useful 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' cease 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 expenditure.

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.

#### **De-recognition**

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

• 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 abandoned 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 useful life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

# Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions

PFI and LIFT 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 HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services and lifecycle replacement of components of the asset. The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

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

#### Useful lives of property, plant and equipment

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

	Min life	Max life	
	Years	Years	
Buildings, excluding dwellings	1	54	
Plant & machinery	10	10	
Transport equipment	7	7	
Information technology	5	5	
Furniture & fittings	5	5	

Finance-leased assets (including land) are depreciated over the shorter of the useful 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.

In January 2019 revised Royal Institution of Chartered Surveyor's guidance came into effect. The impact of the amended guidance was a reduction to asset lives and, as a result, depreciation increased by £0.946m.

#### Note 1.9 Intangible assets

#### 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.

#### 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.

#### 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 where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

## Amortisation

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

#### Useful lives of intangible assets

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

	Min life Years	Max life Years
Software licences	3	5

#### Note 1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method. Details of inventories held by the trust can be found at note 19.

#### Note 1.11 Investment properties

Investment properties are measured at fair value. Changes in fair value are recognised as gains or losses in income/expenditure.

Only those assets which are held solely to generate a commercial return are considered to be investment properties. Where an asset is held, in part, for support service delivery objectives, then it is considered to be an item of property, plant and equipment. Properties occupied by employees, whether or not they pay rent at market rates, are not classified as investment properties. Investment properties are disclosed at note 17.

#### Note 1.12 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. Cash and cash equivalents can be found at note 22.

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.

#### Note 1.13 Carbon Reduction Commitment scheme (CRC)

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

Allowances acquired under the scheme are recognised as intangible assets.

The scheme will cease on 1 April 2020.

#### Note 1.14 Financial assets and financial liabilities

#### Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS. Further information on the Trust's financial instruments can be found at note 32.

This includes 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 and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

#### Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

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.

Financial assets are classified as subsequently measured at amortised cost,

Financial liabilities classified as subsequently measured at amortised cost.

#### Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

#### Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income where business model objectives are met by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Movements in the fair value of financial assets in this category are recognised as gains or losses in other comprehensive income except for impairment losses. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to income and expenditure, except where the Trust elected to measure an equity instrument in this category on initial recognition.

#### Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

Expected credit losses are determined, distinguishing as necessary between different methods used for different classes of financial asset and the age of the asset.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

## Derecognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the Trust has transferred substantially all the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

#### Note 1.15 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. Details of finance leases held by the Trust can be seen at note 26.

#### The trust as a 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 implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

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 charge 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 in other liabilities on the statement of financial position 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. The Trust's operating leases can be seen at note 10.

#### 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.

#### The trust as a lessor

#### Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the trust's 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 1.16 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 HM Treasury's discount rates effective for 31 March 2020:

		Nominal rate
Short-term	Up to 5 years	0.51%
Medium-term	After 5 years up to 10 years	0.55%
Long-term	Exceeding 10 years	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2020:

	Inflation rate
Year 1	1.90%
Year 2	2.00%
Into perpetuity	2.00%

The total value of provisions recognised in the Trust's accounts is disclosed at note 27.1.

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.5% in real terms.

#### 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 27.2 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.

#### Note 1.17 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 28 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 28, 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 1.18 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.

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 and grant 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 calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

#### Note 1.19 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 1.20 Foreign exchange

The functional and presentational currency of the trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

• monetary items are translated at the spot exchange rate on 31 March

• non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and

• non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

#### Note 1.21 Third party assets

Assets belonging to third parties in which the Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. However, they are disclosed in note 22.2 to the accounts in accordance with the requirements of HM Treasury's *FReM*.

#### Note 1.22 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.

The losses and special payments disclosed in note 33 is compiled directly from the losses and compensations register.

#### Note 1.23 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2019/20.

#### Note 1.24 Standards, amendments and interpretations in issue but not yet effective or adopted

#### **IFRS 16 Leases**

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The trust will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2021, the trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

In preparation for the implementation of IFRS 16 the trust has identified current lease arrangements that are within the scope of the new standard and established arrangements to continue to manage this information in the future. The process to approve new lease arrangements from 2020/21 has been reviewed.

HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity in from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the trust does expect this standard to have a material impact on non-current assets, liabilities and depreciation.

#### Other standards, amendments and interpretations

The DH GAM does not require the following Standards and Interpretations to be applied in 2019/20. These standards are still subject to HM Treasury FReM adoption.

• IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

#### Note 1.25 Critical judgements in applying accounting policies

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

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Board of Directors continue to evaluate the options available for the retraction of services from the Whalley site. Until a final decision has been reached, current services will continue to operate from Whalley. On this basis, the valuation of the assets at the Whalley site as at 31 March 2020 reflect their value in existing use.

#### Note 1.26 Sources of estimation uncertainty

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

#### Accounting for Impairments

The Trust accounts for impairments using an adaption of IFRS as per the *FReM* and Department of Health and Social Care Group Accounting Manual (GAM). Details of impairments are included in note 7.

#### Financial value of provisions for liabilities and charges

The Trust makes financial provision for obligations of uncertain timing or amount at the Statement of Financial Position date. These are based on estimates using as much relevant information as is available at the time the account is prepared. They are reviewed to confirm that the values included in the financial statements best reflect the current relevant information. Where this is not the case, the value of the provision is amended. Details of provisions are included in note 27.

#### Actuarial assumptions for costs relating to the NHS Pension Scheme

The Trust reports as operating expenditure, employer contributions to staff pensions. This employer contributions is based on an annual actuarial estimate of the required contribution to meet the scheme's liabilities. It is an expense that is subject to change.

#### Provisions

The amount recognised as a provision is the best estimate at the end of the reporting period of the expenditure required to settle a present obligation or constructive obligation, taking into account risks and uncertainties. Further clarification of the provisions accounting policy is set out in note 1.16.

#### PPE Leased Properties

A proportion of the Trust's building estate is made available through lease arrangements. When the Trust commits to capital investment within such properties the value carried within the capital asset register is reflected at investment cost and depreciated over the lease term. This is deemed the most appropriate way to depreciate the cost of the asset over its useful life and to reflect the current value of the investment over the life of the lease. The value of associated assets is  $\pounds 3.581$ m at 31 March 2020 ( $\pounds 4.104$ m 2018/19).

#### Accruals

Accruals are largely based on known commitments and are assessed accurately. Where estimates are made, they are based on historical records, precedence and officers' knowledge and experience. In all cases, the Trust adopts a prudent approach to avoid overstating its resources.

# **Note 2 Operating Segments**

The trust has only one material operating segment, that of healthcare.

Financial information for the operating segment is available and regularly evaluated by the chief operating decision maker in deciding how to allocate resources and assessing performance.

The chief operating decision maker for Mersey Care NHS Foundation Trust is the Board of Directors.

# Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4

Note 3.1 Income from patient care activities (by nature)	2019/20 £000	2018/19 £000
Mental health services		
Block contract income	248,246	241,898
Clinical partnerships providing mandatory services (including S75 agreements)	433	351
Community services		
Community services income from CCGs and NHS England	116,272	110,734
Income from other sources (e.g. local authorities)	3,574	3,692
All services		
Agenda for Change pay award central funding*		4,598
Additional pension contribution central funding**	12,078	
Other clinical income	1,349	366
Total income from activities	381,952	361,639

\*Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

\*\*The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

## Note 3.2 Income from patient care activities (by source)

	2019/20	2018/19
Income from patient care activities received from:	£000	£000
NHS England	117,343	108,637
Clinical commissioning groups	235,517	219,789
Department of Health and Social Care	21	4,598
Other NHS providers	5,706	4,725
Local authorities	6,032	6,663
Injury cost recovery scheme	443	366
Non NHS: other*	16,890	16,861
Total income from activities	381,952	361,639
Of which:		
Related to continuing operations	381,952	361,639

\*Non NHS other includes; contractual Secure/Specialised Learning Disability income from Health Commission Wales £11.905m; HMP Liverpool £3.5m; NI income £0.314m; NHS Scotland Income; £0.325m; Other Non NHS NCA Income £0.216m

Note 4 Other operating income		2019/20			2018/19		
	Contract income £000	Non-contract income £000	Total £000	Contract income £000	Non-contract income £000	Total £000	
Research and development	98	-	98	195	-	195	
Education and training	8,316	587	8,903	7,904	-	7,904	
Non-patient care services to other bodies	7,597		7,597	7,942		7,942	
Provider sustainability fund (PSF)	3,888		3,888	10,346		10,346	
Other income*	6,273	-	6,273	2,217	2,332	4,549	
Total other operating income	26,172	587	26,759	28,604	2,332	30,936	
Of which: Related to continuing operations			26,759			30,936	

\*Other income includes; STP Funding £1.320m; Staff Secondments £1.265m; Zero Suicide Alliance £1.000m; Property Rental £0.599m; Research Income £0.364m; Social Inclusion Funding £0.323m; Winter Pressures £0.286m; Patients shop income £0.285m; Catering income £0.248m; Local Authority Inflationary funding £0.184m; Breightmet funding £0.147; Vocational Income (Apprentice Training Provider) £0.127m; LPC Support funding £0.100m; Nurse Training £0.100m; Staff Counselling Service £0.096m.

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the pe	eriod	
	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included in within contract		
liabilities at the previous period end	450	143
Note 5.2 Transaction price allocated to remaining performance obligations	31 March	31 March
Revenue from existing contracts allocated to remaining performance obligations is	2020	2019
expected to be recognised:	£000	£000
within one year		143
Total revenue allocated to remaining performance obligations	-	143

The trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts where the trust recognises revenue directly corresponding to work done to date is not disclosed.

# Note 5.3 Income from activities arising from commissioner requested services

Under the terms of its provider licence, the trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested services. Commissioner requested services are defined in the provider licence and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	2019/20	2018/19
	£000	£000
Income from services designated as commissioner requested services	317,982	309,925
Income from services not designated as commissioner requested services	63,970	51,714
Total	381,952	361,639

## Note 5.4 Profits and losses on disposal of property, plant and equipment

The trust had no profits or losses on disposals of property, plant and equipment during 2019/20. (£nil 2018/19)

## Note 6.1 Operating expenses

	2019/20	2018/19
Purchase of healthcare from NHS and DHSC bodies	<b>£000</b> 110	<b>£000</b> 135
Purchase of healthcare from non-NHS and non-DHSC bodies	2,006	2,195
Staff and executive directors costs*	305,945	2,195
Remuneration of non-executive directors	128	166
Supplies and services - clinical (excluding drugs costs)	12,229	13,290
Supplies and services - general	5,157	5,700
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	4,871	4,585
Consultancy costs**	1,613	4,000 2,704
Establishment	8,915	9,238
Premises***	28,250	26,298
Transport (including patient travel)	505	712
Depreciation on property, plant and equipment	7,539	6,259
Amortisation on intangible assets	535	287
Net impairments	3,927	5,668
Movement in credit loss allowance: contract receivables / contract assets	77	533
Movement in credit loss allowance: all other receivables and investments	295	13
Change in provisions discount rate****	1,631	(417)
Audit fees payable to the external auditor*****	.,	()
audit services- statutory audit	67	59
other auditor remuneration (external auditor only)	_	7
Internal audit costs	218	218
Clinical negligence	676	600
Legal fees	619	480
Insurance	734	715
Research and development	699	736
Education and training	1,374	2,245
Rentals under operating leases	4,173	4,478
Redundancy	2,925	3,000
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	587	537
Car parking & security	1,247	1,102
Hospitality	4	12
Losses, ex gratia & special payments	415	1,581
Other services, eg external payroll	657	532
Other****	1,111	285
Total	399,239	375,308
Of which:		
Related to continuing operations	399,239	375,308

\*Staff and executive directors costs includes; £12.078m additional pensions contributions

\*\*Consultancy costs for 2018/19 included £0.854m for Kirkup Report

\*\*\*Premises includes; additional costs related to the opening of new trust sites in Southport and Maghull

\*\*\*\*Change in provisions discount rate reflects the movement in provisions for early retirements and permanent injury benefits during the year

\*\*\*\*\* Audit fees payable to the external auditor are inclusive of VAT

\*\*\*\*\*\***Other** includes; £0.801m professional fees; £0.248 mental health act appeals.

# Note 6.2 Other auditor remuneration

	2019/20	2018/19
	£000	£000
Other auditor remuneration paid to the external auditor:		
Audit-related assurance services*	-	7
Total		7
*There is no requirement to provide a limited assurance report on the Quality Accoun	ts for 2019/20	

## Note 6.3 Limitation on auditor's liability

The limitation of auditor's liability for external audit work is £2.000m (2018/19: £2.000m)

## Note 7 Impairment of assets

	2019/20	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	5,778	5,929
Other	(1,851)	(261)
Total net impairments charged to operating surplus / deficit	3,927	5,668
Impairments charged to the revaluation reserve	11,306	6,786
Total net impairments	15,233	12,454

The valuation of all specialised property assets is on a Modern Equivalent Asset basis taking into account functional and economic obsolescence. Non specialist assets are valued based on market value of at fair value if not in use. Assets which are held for sale are valued at the lower of the carrying value before classification or fair value.

Five of the trust's properties have been classified as held for sale in 2019/20 (see note 21), the remainder of the trust's lands and buildings were valued by Cushman & Wakefield on 31 March 2020. As a result there were net impairments of  $\pm 15.233m$  in 2019/20.

The key elements of this net impairment are:

a) impairments £21.275m

b) reversal of economic impairments £1.852m

c) reversal of market impairments £4.190m

Impairments are taken to the revaluation reserve to the extent there is a balance available ( $\pounds$ 11.306m) with the remainder ( $\pounds$ 3.927m) charged to operating expenses as seen at note 6.1.

# Note 8 Employee benefits

	2019/20	2018/19
	Total	Total
	£000	£000
Salaries and wages	237,498	227,598
Social security costs	21,106	20,213
Apprenticeship levy	1,114	1,054
Employer's contributions to NHS pensions	39,638	26,298
Pension cost - other	85	40
Temporary staff (including agency)	12,711	12,125
Total gross staff costs	312,152	287,328
Total staff costs	312,152	287,328
Of which		
Costs capitalised as part of assets	2,492	1,948

# Note 8.1 Retirements due to ill-health

During 2019/20 there were 5 early retirements from the trust agreed on the grounds of ill-health (12 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £187k (£666k in 2018/19).

These estimated costs are calculated on an average basis and will be borne by the NHS Pension Scheme.

#### **Note 9 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 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 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 latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

The Trust offers the National Employment Savings Scheme (NEST) as an additional defined contribution workplace pension scheme.

## Note 10 Operating leases

## Note 10.1 Mersey Care NHS Foundation Trust as a lessor

This note discloses income generated in operating lease agreements where Mersey Care NHS Foundation Trust is the lessor.

The trust has no leasing arrangements as a lessor.

#### Note 10.2 Mersey Care NHS Foundation Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Mersey Care NHS Foundation Trust is the lessee.

The trust has standard operating leases in respect of: rental buildings, photocopiers and vehicles without known restrictions.

	2019/20	2018/19
	£000	£000
Operating lease expense		
Minimum lease payments	4,173	4,478
Total	4,173	4,478
	31 March	31 March
	2020	2019
	£000	£000
Future minimum lease payments due:		
- not later than one year;	4,051	4,389
- later than one year and not later than five years;	5,545	8,116
- later than five years.	1,371	3,890
Total	10,967	16,395

# Note 11 Finance income

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

	2019/20	2018/19
	£000	£000
Interest on bank accounts	321	250
Total finance income	321	250

#### Note 12.1 Finance expenditure

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

	2019/20	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	600	135
Finance leases	525	525
Interest on late payment of commercial debt	2	1
Main finance costs on LIFT schemes obligations	1,728	1,759
Contingent finance costs on LIFT scheme obligations	150	145
Total interest expense	3,005	2,565
Unwinding of discount on provisions	57	22
Total finance costs	3,062	2,587

# Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2019/20	2018/19
	£000	£000
Amounts included within interest payable arising from claims made under this		
egislation	2	1
Compensation paid to cover debt recovery costs under this legislation	3	7
compensation paid to cover debt recovery costs under this legislation	3	

# Note 13 Other losses

	2019/20	2018/19
	£000	£000
Losses on disposal of assets	(142)	(164)
Total losses on disposal of assets	(142)	(164)
Total losses	(142)	(164)

# Note 14 Intangible assets - 2019/20

	Software licences	Licences & trademarks	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2019 - brought forward	4,926	-	4,926
Additions	3,573	142	3,715
Disposals / derecognition	(47)	(142)	(189)
Valuation / gross cost at 31 March 2020	8,452	-	8,452
Amortisation at 1 April 2019 - brought forward	1,642	-	1,642
Provided during the year	535	-	535
Disposals / derecognition	(47)	-	(47)
Amortisation at 31 March 2020	2,130	-	2,130
Net book value at 31 March 2020	6,322	-	6,322
Net book value at 1 April 2019	3,284	-	3,284

	Software licences	Licences & trademarks	Total
Voluction / groce cost at 1 April 2019, as providually	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	2,456	-	2,456
Additions	2,557	164	2,721
Disposals / derecognition	(87)	(164)	(251)
Valuation / gross cost at 31 March 2019	4,926	-	4,926
Amortisation at 1 April 2018 - as previously stated	1,442	-	1,442
Provided during the year	287	-	287
Disposals / derecognition	(87)	-	(87)
Amortisation at 31 March 2019	1,642	-	1,642
Net book value at 31 March 2019	3,284	-	3,284
Net book value at 1 April 2018	1,014	-	1,014

# Note 15.1 Property, plant and equipment - 2019/20

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2019 -									
brought forward	27,637	152,041	1,581	43,710	11,093	1,384	4,089	2,604	244,139
Additions	-	10,238	-	33,075	26	-	1,288	595	45,222
Impairments	-	(23,420)	-	-	-	-	-	-	(23,420)
Reversals of impairments	-	4,313	-	-	-	-	-	-	4,313
Revaluations	198	4,261	-	-	-	-	-	-	4,459
Reclassifications	-	21,892	-	(22,068)	-	-	176	-	-
Transfers to / from assets held for sale	(2,021)	(268)	(1,581)	-	-	-	-	-	(3,870)
Disposals / derecognition	-	-	-	-	-	(9)	(126)	(235)	(370)
Valuation/gross cost at 31 March 2020	25,814	169,057	-	54,717	11,119	1,375	5,427	2,964	270,473
Accumulated depreciation at 1 April 2019 - brought forward		2 4 0 4			5 000	4 450	4 600	4 005	40.070
Provided during the year	-	3,104	-	-	5,689	1,158	1,620	1,805	13,376
Impairments	-	5,357	35	-	923	56	715	453	7,539
Reversals of impairments	-	(2,145)	-	-	-	-	-	-	(2,145)
Revaluations	-	(1,729)	-	-	-	-	-	-	(1,729)
Transfers to / from assets held for sale	-	(702)	-	-	-	-	-	-	(702)
	-	-	(35)	-	-	-	-	-	(35)
Disposals / derecognition Accumulated depreciation at 31 March	-	-	-	-	-	(9)	(126)	(235)	(370)
2020	-	3,885	-	-	6,612	1,205	2,209	2,023	15,934
Net book value at 31 March 2020	25,814	165,172	-	54,717	4,507	170	3,218	941	254,539
Net book value at 1 April 2019	27,637	148,937	1,581	43,710	5,404	226	2,469	799	230,763

# Note 15.2 Property, plant and equipment - 2018/19

		£000	£000	£000	£000	technology £000	fittings £000	Total £000
26,597	151,027	1,581	8,624	10,463	1,359	5,164	2,913	207,728
1,040	10,229	-	174	843	-	-	385	12,671
-	5,257	-	35,116	235	25	815	35	41,483
-	(14,690)	-	-	(35)	-	-	-	(14,725)
-	(217)	-	-	-	-	4	-	(213)
-	345	-	-	-	-	-	-	345
-	185	-	(204)	-	-	-	19	-
-	(95)	-	-	(413)	-	(1,894)	(748)	(3,150)
27,637	152,041	1,581	43,710	11,093	1,384	4,089	2,604	244,139
-	659	-	-	4,716	1,103	2,961	1,906	11,345
-	1,873	-	-	464	-	-	194	2,531
-	4,213	35	-	950	55	553	453	6,259
-	(1,085)	(35)	-	(28)	-	-	-	(1,148)
-	(1,336)	-	-	-	-	-	-	(1,336)
-	(1,125)	-	-	-	-	-	-	(1,125)
-	(95)	-	-	(413)	-	(1,894)	(748)	(3,150)
-	3,104		-	5,689	1,158	1,620	1,805	13,376
	- - - - - - -	- 1,873 - 4,213 - (1,085) - (1,336) - (1,125) - (95)	- 1,873 - - 4,213 35 - (1,085) (35) - (1,336) - - (1,125) - - (95) -	- 1,873 - 4,213 35 - - (1,085) (35) - - (1,336) - (1,125) - (95) -	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	-       1,873       -       -       464       -         -       4,213       35       -       950       55         -       (1,085)       (35)       -       (28)       -         -       (1,336)       -       -       -       -         -       (1,125)       -       -       -       -         -       (95)       -       -       (413)       -	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$

# Note 15.3 Property, plant and equipment financing - 2019/20

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2020									
Owned - purchased	25,814	140,066	-	54,717	4,507	170	3,218	941	229,433
Finance leased	-	4,979	-	-	-	-	-	-	4,979
On-SoFP PFI contracts and other service concession									
arrangements	-	20,127	-	-	-	-	-	-	20,127
NBV total at 31 March 2020	25,814	165,172	-	54,717	4,507	170	3,218	941	254,539

Note 15.4 Property, plant and equipment financing - 2018/19

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2019									
Owned - purchased	27,637	123,674	1,581	43,710	5,404	226	2,469	799	205,500
Finance leased	-	5,658	-	-	-	-	-	-	5,658
On-SoFP PFI contracts and other service concession arrangements	-	19,605	-	-	-	-	-	-	19,605
NBV total at 31 March 2019	27,637	148,937	1,581	43,710	5,404	226	2,469	799	230,763

#### Note 16 Revaluations of property, plant and equipment

Five of the trust's properties have been classified as held for sale in 2019/20 (see note 21) and a valued at the lower of the carrying value before classification or fair value. This resulted in impairments of £0.097m.

The remainder of the trust's land and buildings were revalued during 2019/20 by Gian Wong (MRICS), a professionally qualified valuer of Cushman & Wakefield. These values were updated on 31 March 2020 in line with work undertaken by the valuer.

The valuation, and subsequent update, was undertaken in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards - Global and UK, 7th Edition, insofar as these terms are consistent with the requirements of HM Treasury, the National Health Service and the Department of Health and Social Care.

The valuation of all specialist property assets is on a Modern Equivalent Asset basis taking into account functional and economic obsolescence. Non-specialist assets valued based on market value for existing use.

The value of the trust estate decreased by £9.976m from £200.962m on 31 March 2019 to £190.986m on 31 March 2020. This resulted in an impairment of £15.136m and an upward revaluation of £5.160m.

The net impairments in the year were  $\pounds$ 15.233m ( $\pounds$ 15.136m plus  $\pounds$ 0.097m which can be seen at note 7 and upward revaluations were  $\pounds$ 5.160m.

The trust has £6.160m fully depreciated assets in use.

#### Note 17.1 Investment Property

	2019/20	2018/19
	£000	£000
Carrying value at 1 April - brought forward	1,375	1,375
Transfers to assets held for sale	(1,215)	-
Carrying value at 31 March	160	1,375

#### Note 17.2 Investment property income and expenses

	2019/20	2018/19
	£000	£000
Direct operating expense arising from investment property which generated rental		
income in the period	(5)	(7)
Total investment property expenses	(5)	(7)
Investment property income	47	71

### Note 18 Disclosure of interests in other entities

In May 2012 Mersey Care NHS Trust established a subsidiary company, Mersey Care Limited. This company transferred to Mersey Care NHS Foundation Trust on its inception on 1 May 2016. The foundation trust is the sole shareholder of 100 ordinary £1 shares in Mersey Care Limited which is currently registered as a dormant company.

In August 2017 the trust agreed to enter into a formal partnership with Stanford University Medical Network Risk Authority, LLC in the form of a Limited Liability Company called Innovence Augmented Intelligence Medical Systems - Psychiatry (AIMS - Psychiatry).

The partnership is to create and research two apps - SWim and SMile, which are designed to reduce self-harm and suicide.

#### **Note 19 Inventories**

	31 March 2020 £000	31 March 2019 £000
Drugs	406	366
Consumables	72	68
Energy	67	68
Other	24	24
Total inventories	569	526
of which:		

Inventories recognised in expenses for the year were £7,151k (2018/19: £7,836k). Write-down of inventories recognised as expenses for the year were £0k (2018/19: £0k).

### Note 20.1 Receivables

	31 March	31 March
	2020	2019
	£000	£000
Current		
Contract receivables*	14,702	28,173
Allowance for impaired contract receivables / assets	(979)	(902)
Allowance for other impaired receivables	(671)	(382)
Prepayments	2,236	2,923
PDC dividend receivable	297	288
VAT receivable	312	748
Other receivables	2,322	1,406
Total current receivables	18,219	32,254
Non-current		
Other receivables	240	116
Total non-current receivables	240	116
Of which receivable from NHS and DHSC group bodies:		
Current	12,192	24,138
Non-current	45	-

\***Contract receivables** includes; additional mental health funding £1.399m; core Provider Sustainability Funds income £1.302m (2018/19 £7.978m) and COVID19 funding £0.884m.

\*\*Other receivables includes; staff salary sacrifice schemes for cars and home electronics £2.065m (£1.280m 2018/19).

## Note 20.2 Allowances for credit losses

	2019	/20	2018/19		
	Contract receivables		Contract receivables	<b>A</b> 11 - 21 - 2	
	and contract assets	All other receivables	and contract assets	All other receivables	
	£000	£000	£000	£000	
Allowances as at 1 April - brought forward Impact of implementing IFRS 9 (and IFRS 15) on 1	902	382	-	584	
April 2018			369	(369)	
Transfers by absorption	-	-	-	195	
New allowances arising	261	431	533	77	
Reversals of allowances	(184)	(136)	-	(64)	
Utilisation of allowances (write offs)	-	(6)	_	(41)	
Allowances as at 31 Mar 2020	979	671	902	382	

# Note 20.3 Exposure to credit risk

The trust has low exposure to credit risk. The maximum exposure as at 31 March 2020 are in contract receivables invoiced to customers, as disclosed in the trade and other receivables note 20.1.

# Note 21 Non-current assets held for sale and assets in disposal groups

	2019/20	2018/19
	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	-	-
Assets classified as available for sale in the year	5,050	-
Assets sold in year	(200)	-
NBV of non-current assets for sale and assets in disposal groups at 31 March	4,850	-

During 2019/20 the trust classified 5 properties as held for sale, namely:

16a Morley Road, Southport Gisburn Lodge, Gisburn Scott House, Rochdale Bridge Terrace, Whalley Queen Mary Terrace, Whalley

16a Morley Road was sold on 1 November 2019. The trust is actively working to complete these disposals.

### Note 22.1 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.

	2019/20	2018/19
	£000	£000
At 1 April	27,371	19,497
Transfers by absorption	-	11,637
Net change in year	23,411	(3,763)
At 31 March	50,782	27,371
Broken down into:		
Cash at commercial banks and in hand	88	89
Cash with the Government Banking Service	50,694	27,282
Total cash and cash equivalents as in SoFP	50,782	27,371
Total cash and cash equivalents as in SoCF	50,782	27,371

## Note 22.2 Third party assets held by the trust

Mersey Care NHS Foundation Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties and in which the trust has no beneficial interest. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March	31 March
	2020	2019
	£000	£000
Bank balances	1,396	1,501
Total third party assets	1,396	1,501

## Note 23.1 Trade and other payables

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	3,755	8,078
Capital payables	3,149	3,947
Accruals*	23,672	17,287
Social security costs**	5,799	53
Other taxes payable	-	93
Other payables***	4,736	182
Total current trade and other payables	41,111	29,640
Of which payables from NHS and DHSC group bodies:		
Current	3,318	3,571

\*Accruals includes; £1.248m IT equipment and £1.060m community equipment and consumables

\*\*Social Security costs includes; March 2020 deductions due in April 2020 in line with HMRC guidelines

\*\*\* Other payables includes; NHS Pensions £3.695m for March paid in April 2020 in line with HMRC guidelines

## Note 23.2 Early retirements in NHS payables above

There were no outstanding payables in relation to early retirements at 31 March 2020. (£nil 2018/19)

## Note 24 Other liabilities

	31 March	31 March
	2020	2019
	£000	£000
Current		
Deferred income: contract liabilities*	958	450
Total other current liabilities	958	450

\***Deferred income** 2018/19 included revenue received from Clinical Commissioning Groups for podiatry services. In 2019/20 this income is received as block income.

# Note 25.1 Borrowings

	31 March	31 March
	2020	2019
	£000	£000
Current		
Loans from DHSC	1,361	93
Obligations under finance leases	321	300
Obligations under LIFT or other service concession contracts	418	385
Total current borrowings	2,100	778
Non-current		
Loans from DHSC	48,517	21,767
Obligations under finance leases	6,243	6,564
Obligations under LIFT or other service concession contracts	21,245	21,663
Total non-current borrowings	76,005	49,994

# Note 25.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC £000	Finance leases £000	LIFT schemes £000	Total £000
Carrying value at 1 April 2019	21,860	6,864	22,048	50,772
Cash movements:				
Financing cash flows - payments and receipts of				
principal	27,826	(300)	(385)	27,141
Financing cash flows - payments of interest	(408)	(525)	(1,728)	(2,661)
Non-cash movements:				
Application of effective interest rate	600	525	1,728	2,853
Carrying value at 31 March 2020	49,878	6,564	21,663	78,105

# Note 25.3 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC £000	Finance leases £000	LIFT schemes £000	Total £000
Carrying value at 1 April 2018	-	7,142	22,440	29,582
Cash movements:				
Financing cash flows - payments and receipts of				
principal	21,767	(278)	(392)	21,097
Financing cash flows - payments of interest	(42)	(525)	(1,759)	(2,326)
Non-cash movements:				
Application of effective interest rate	135	525	1,759	2,419
Carrying value at 31 March 2019	21,860	6,864	22,048	50,772

### Note 26 Finance leases

## Note 26.1 Mersey Care NHS Foundation Trust as a lessor

During 2019/20, the trust has no finance lease arrangements where Mersey Care NHS Trust is the lessor.

# Note 26.2 Mersey Care NHS Foundation Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	31 March 2020	31 March 2019
	£000	£000
Gross lease liabilities	12,818	13,594
of which liabilities are due:		
- not later than one year;	837	819
- later than one year and not later than five years;	3,516	3,436
- later than five years.	8,465	9,339
Finance charges allocated to future periods	(6,254)	(6,730)
Net lease liabilities	6,564	6,864
of which payable:		
- not later than one year;	321	300
- later than one year and not later than five years;	1,503	1,415
- later than five years.	4,740	5,149
Contingent rent recognised as expense in the period	(150)	(145)

The trust has two finance leases.

- a 25 year lease with Onward Homes Ltd for the Rathbone Rehabilitation Centre, running to 2032. At the end of the lease in 2032 the property will revert to the trust's ownership. The rental amount is based upon paying the loan Contour Housing took out to build the property, plus a management charge.

- a 25 year lease with The Walton Centre NHS Foundation Trust for the Brain Injuries Rehabilitation Centre, running to 2039. At the end of this lease in 2039 the property will revert to the ownership of The Walton Centre NHS Foundation Trust.

#### Note 27.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs £000	Pensions: injury benefits £000	Legal claims £000	Redundancy £000	Other £000	Total £000
At 1 April 2019	4,310	18,013	484	3,719	1,261	27,787
Change in the discount rate	159	1,472	-	-	-	1,631
Arising during the year	287	612	325	2,999	50	4,273
Utilised during the year	(422)	(866)	(242)	(318)	(303)	(2,151)
Reversed unused	(58)	(988)	(204)	(186)	(23)	(1,459)
Unwinding of discount	11	46	-	-	-	57
At 31 March 2020	4,287	18,289	363	6,214	985	30,138
Expected timing of cash flows:						
- not later than one year;	429	847	363	6,214	5	7,858
- later than one year and not later than five years;	1,800	3,560	-	-	937	6,297
- later than five years.	2,058	13,882	-	-	43	15,983
Total	4,287	18,289	363	6,214	985	30,138

**Early Departure Costs** - the amounts are pension costs based on the current payments to former staff and estimated life expectancy of the former staff. The trust uses the tables from the National Office for Statistics to estimate the life expectancy.

**Injury Benefits** - amounts payable by the trust under the NHS Pensions Injury Benefit Scheme. The amounts are based on the current payments and estimated life expectancy of those receiving payments. The trust uses life tables from the National Office for Statistics to estimate the life expectancy.

Legal Claims - these figures are provided by NHS Resolution and the trust's solicitors.

Redundancy - the amount relates to liabilities to staff in post that are no longer required as a result of a reduction to clinical services by the trust.

**Other** - £0.935m relates to dilapidations contained within property leases to return the property to its original state on vacation. £0.050m relates to amounts payable by the Trust in clinical pension tax reimbursement commitments

## Note 27.2 Clinical negligence liabilities

At 31 March 2020, £5,709k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Mersey Care NHS Foundation Trust (31 March 2019: £2,097k).

### Note 28 Contingent assets and liabilities

	31 March	31 March
	2020	2019
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	(248)	(239)
Gross value of contingent liabilities	(248)	(239)
Net value of contingent liabilities	(248)	(239)

The future contingent liabilities of £0.248m relate to potential legal claims. These figures have been provided by NHS Resolution.

#### Note 29 Contractual capital commitments

	31 March	31 March
	2020	2019
	£000	£000
Property, plant and equipment	4,345	39,029
Total*	4,345	39,029

\*Total contractual capital commitments in 2019/20 includes £1.411m for the Low Secure Unit development and £0.983m for Rowan View

# Note 30 Defined benefit pension schemes

The Trust does not operate any material defined benefit pension schemes other that the statutory NHS Pension Scheme.

### Note 31 On-SoFP LIFT or other service concession arrangements

The LIFT Scheme relates to Clock View, situated in Walton, Liverpool that treats local people for a range of mental health issues including depression, anxiety and dementia, providing 80 individual bedrooms all with ensuite bathrooms. It also provides the city's psychiatric intensive care unit for those most in distress and in need of urgent inpatient care.

The LIFT contract ends in December 2044. A monthly unitary payment will be made up to that point. The unitary payment is subject to annual increases in line with RPI. The arrangement requires the operator to deliver services to the Trust in accordance with the service delivery specification. Non delivery of quality or performance can lead to a reduction in the service charge being paid by the Trust. The Trust retains 'step in rights' should the contractor fail to meet minimum standards as set out within the contract. Under IFRIC 12 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.

## Note 31.1 On-SoFP LIFT or other service concession arrangement obligations

	31 March 2020 £000	31 March 2019 £000
Gross LIFT or other service concession liabilities	49,501	51,614
Of which liabilities are due		
- not later than one year;	2,116	2,113
- later than one year and not later than five years;	8,143	8,354
- later than five years.	39,242	41,147
Finance charges allocated to future periods	(27,838)	(29,566)
Net LIFT or other service concession arrangement obligation	21,663	22,048
- not later than one year;	418	385
- later than one year and not later than five years;	1,692	1,767
- later than five years.	19,553	19,896

## Note 31.2 Total on-SoFP LIFT and other service concession arrangement commitments

Total future commitments under these on-SoFP schemes are as follows:

	31 March 2020	31 March 2019
Total future payments committed in respect of the LIFT or other service concession arrangements	£000	£000 86,397
Of which payments are due:		
- not later than one year;	2,908	2,878
- later than one year and not later than five years;	11,964	11,838
- later than five years.	68,572	71,681

# Note 31.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator:

	2019/20	2018/19
	£000	£000
Unitary payment payable to service concession operator	2,877	2,848
Consisting of:		
- Interest charge	1,728	1,759
- Repayment of balance sheet obligation	385	392
- Service element and other charges to operating expenditure	504	493
- Capital lifecycle maintenance	27	15
- Revenue lifecycle maintenance	83	44
- Contingent rent	150	145
Total amount paid to service concession operator	2,877	2,848

#### Note 32 Financial instruments

#### Note 32.1 Financial risk management

Financial reporting standard IFRS7 requires disclose 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 if the continuing service provider relationship that the Trust has with commissioners and the way those commissioners 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, with parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. The Trust's 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's only overseas interest is a partnership with Stanford University Medical Network Risk Authority, LLC as disclosed in note 18. The Trust therefore has low exposure to currency rate fluctuations.

#### Interest rate risk

The Trust borrows from the government for capital expenditure, subject to affordability as confirmed by the Department of Health and Social Care. The borrowing are for 1 - 25 years, in line with the life of the associated assets, and interest is charged at the National Loan Funds rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

#### Credit risk

As 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 2020 are in receivables from customers , as disclose in the trade and other receivables note.

The Trust has loans and LIFT/PFI schemes, with the public and private sector respectively. All financial arrangements are subject to clauses within each individual agreement. The Trust does not consider these arrangements to carry any credit risk.

#### Liquidity risk

The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups (CCG) and NHS England, 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.

#### Fair Value

IFRS 7 requires the Trust to disclose the fair value of financial liabilities. The LIFT scheme is a non current financial liability where the fair value is likely to differ from the carrying value. The Trust has reviewed the current interest rates available on the market and if these were used as the implicit interest rate for the scheme the fair value of the liability would range from £21.664m to £45.428m.

# Note 32.2 Carrying values of financial assets

	Held at amortised	Total
Carrying values of financial assets as at 31 March 2020	cost	book value
	£000	£000
Trade and other receivables excluding non financial assets	15,614	15,614
Cash and cash equivalents	50,782	50,782
Total at 31 March 2020	66,396	66,396
	Held at amortised	Total
Carrying values of financial assets as at 31 March 2019	cost	book value
	£000	£000
Trade and other receivables excluding non financial assets	28,411	28,411
Cash and cash equivalents	27,371	27,371
Total at 31 March 2019	55,782	55,782

# Note 32.3 Carrying values of financial liabilities

	amortised	Total
Carrying values of financial liabilities as at 31 March 2020	cost	book value
	£000	£000
Loans from the Department of Health and Social Care	49,878	49,878
Obligations under finance leases	6,564	6,564
Obligations under LIFT and other service concession contracts	21,663	21,663
Trade and other payables excluding non financial liabilities	35,312	35,312
Total at 31 March 2020	113,417	113,417
	Held at	
	amortised	Total
Carrying values of financial liabilities as at 31 March 2019		Total book value
Carrying values of financial liabilities as at 31 March 2019	amortised	
Carrying values of financial liabilities as at 31 March 2019 Loans from the Department of Health and Social Care	amortised cost	book value
	amortised cost £000	book value £000
Loans from the Department of Health and Social Care	amortised cost £000 21,860	book value £000 21,860
Loans from the Department of Health and Social Care Obligations under finance leases	amortised cost £000 21,860 6,864	book value £000 21,860 6,864

Held at

# Note 32.4 Maturity of financial liabilities

31 March	31 March
2020	
£000	£000
37,412	30,272
2,939	1,211
8,865	5,277
64,201	43,506
113,417	80,266
	<b>2020</b> <b>£000</b> 37,412 2,939 8,865 64,201

## Note 33 Losses and special payments

	2019/20		2018/19	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	16	15	17	906
Bad debts and claims abandoned	28	2	41	39
Total losses	44	17	58	945
Special payments				
Ex-gratia payments	46	31	55	45
Total special payments	46	31	55	45
Total losses and special payments	90	48	113	990
Compensation payments received				230

# Details of cases individually over £300k

In 2018/19, the trust was a victim of fraud resulting in the loss of cash to the organisation ( $\pounds$ 0.904m). The trust recovered  $\pounds$ 0.230m back from NHS Resolution under the Fidelity Guarantee Scheme.

### Note 34 Related parties

During the accounting period none of the Department of Health and Social Care Ministers, Board of Directors or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Mersey Care NHS Foundation Trust.

The Department of Health and Social Care is regarded as the Trust's parent department. During the accounting period Mersey Care NHS Foundation Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as a parent Department. For example:

- Other NHS providers
- CCGs and NHS England
- Other health bodies
- Other Government departments
- Local authorities
- NHS charitable funds

In addition, the Trust has had a number of material transactions with other government department and other central and local government bodies.

### Note 35 Transfers by absorption

On 1 April 2018, the trust acquired Liverpool Community Health NHS Trust.

The following assets and liabilities were recognised in the accounts at the date of acquisition:

	£000
Non Current Assets	10,140
Current Assets	17,956
Current Liabilities	(8,829)
Non Current Liabilities	(1,172)
	18,095

There were no acquisitions in 2019/20.