

Southport and Ormskirk Hospital NHS Trust

**Annual Report and Accounts for the Year Ended
31 March 2020**

**In Accordance with the Department of Health and
Social Care**

**Group Accounting Manual
2019-2020**

Annual Report 2019-2020

Contents		Page
1	PERFORMANCE REPORT	5
	Overview of Performance	5
1.1	Introduction (explaining the purpose of the Performance Overview)	5
1.1.1	Chief Executive Statement on the Trust's performance	5
1.1.2	Chair's Statement Looking Ahead to 2020/21 Year	7
1.1.3	Statement on the Purpose and Activities of the Trust	9
1.1.4	History of the Trust	9
1.1.5	Key Risks and Issues That Could Have Affected Delivery of the Trust's objectives	9
1.1.6	Going Concern Disclosure	10
1.2	Performance Analysis	11
1.2.1	Performance Indicator Set by Our Commissioners Against Key Contractual Targets	11
1.2.2	Financial Performance	11
1.2.3	Clinical Performance	15
1.2.4	Key Performance Measures	18
1.2.5	External Audit	19
1.2.6	Anti-Fraud Activities	19
1.2.7	Related Parties	19
1.2.8	Charitable Funds	19
1.2.9	Cost Allocation and Charging Requirements	20
1.3	Information about Social, Community and Human Rights Issues including E&D, The Modern Slavery and Human Trafficking Act 2015	21
2	THE ACCOUNTABILITY REPORT	23
2.1	CORPORATE GOVERNANCE REPORT	23
2.1.1	Annual Governance Statement (AGS) 2018/19	23
2.1.1	Scope of Responsibility	23
2.1.2	The Purpose of the System of Internal Control	23
2.1.3	Capacity to Handle Risk	24
2.1.4	The Risk and Control Framework	29
2.1.5	Board Assurance Framework	29
2.1.6	Trust's Risk Monitoring Escalation and Assurance Process	36
2.1.7	Local and Directorate Risk Registers	37
2.1.8	Statutory and Assurance Committees	39
2.1.9	Equality, Diversity and Human Rights	43
2.1.10	Workforce Strategies and Compliance	44
2.1.11	Register of Interests	45
2.1.12	Pension Scheme	45
2.1.13	Climate Change and Carbon Emission	45
2.1.14	Review of Economy, Efficiency and Effectiveness of the Use of Resources	46

2.1.15	Information Governance	52
2.1.16	Data Quality and Governance	53
2.1.17	Key Financial Governance Policies and Processes	54
2.1.18	Review of Effectiveness	56
2.1.19	Head of Internal Audit Opinion	57
2.1.20	Conclusion	58
2.2	Board Statutory and Assurance Committees	59
2.2.1	Work of the Audit Committee during 2019/20	59
2.2.2	Board Governance Arrangements	60
2.2.3	Business of the Audit Committee	60
2.2.4	Risk Management, Assurance and Governance	60
2.2.5	Other issues and concerns address	61
2.2.6	Raising Concerns (Whistleblowing) Processes	62
2.2.7	Internal Audit	62
2.2.8	Anti-Fraud, Bribery and Corruption	62
2.2.9	External Audit, Review of Financial Statements and Annual Reports	62
2.2.10	Non-Audit Work	63
2.2.11	Planned 2020/21 Work Programme	63
2.2.12	Evaluation and Assessment and Briefings	63
2.2.13	Conclusion	63
2.2.2	Business of the Quality and Safety Committee	64
2.2.3	Business of the Finance, Performance and Investment Committee	64
2.2.4	Business of the Workforce Committee	65
2.2.5	Business of the Charitable Funds Committee	65
2.2.6	Business of the Remuneration and Nominations Committee	66
2.3	The Directors' Report	67
2.3.1	The Trust Board	67
2.3.2	Changes to our Board	70
2.3.3	Attendance by the Directors at Board and Committee meetings	70
2.3.4	Details of Company Directorships and Other Significant Interest Held by Directors	72
2.3.5	Statement of Compliance with Cost Allocation and Charging Guidance	78
2.3.6	Details of Political Donations	78
2.3.7	How the Trust Has Regard to the Quality Governance Framework	79
2.3.8	Material Inconsistencies in Reporting	78
2.3.9	Summary of Stakeholder Relations	78
2.3.10	Income Disclosures	78
2.3.11	Statement of Disclosure of Information to Auditors	78
2.4	The Remuneration and Staff Report	80
2.4.1	The Remuneration Report	80
2.4.2	Annual Statement on Remuneration	80
2.4.3	Senior Managers' Remuneration Policy	80
2.4.4	Annual Report on Remuneration	80
2.4.5	Disclosures Required by the Health and Social Care Act	81
2.4.6	Remuneration Policy	88
2.4.7	The Staff Report	88
2.4.8	Staff Composition	90
2.4.9	Sickness Absence Data	90
2.4.10	Staff Policies Applied During the Financial Year	90

2.4.11	Expenditure on Consultancy	90
2.4.12	Off-payroll Engagements	90
2.4.13	Exit Packages	91
2.4.14	Staff Survey Results	93
2.4.15	NHS Staff Survey 2019, Response Rate	93
2.4.16	Overall Staff Engagement	94
3	ACCOUNTABLE OFFICER'S APPROVAL	97
4	AUDITORS' REPORT AND CERTIFICATE	98
5a	FOREWORD TO THE ACCOUNTS	103
5b	THE FINANCIAL STATEMENTS	104

1. PERFORMANCE REPORT

Overview of Performance

1.1 Introduction

1.1.1 Chief Executive's Statement on the Trust's Performance

After joining the Trust in the last quarter of the financial year 19/20, this is my first annual report as Chief Executive at the Trust.

Each year the Annual Report provides an opportunity to look back and reflect on the achievements and challenges we have faced and to consider the opportunities and risks ahead of us.

Like every trust in the UK, we face the pressures of an ageing population, rising demand, staff shortages and limited funds but we have made considerable progress despite these challenges.

This report shows we continue to make significant progress in 2019/20 moving on from the challenges of previous years:

-
- The Trust is now organisationally stable
- We have demonstrated improvements in key quality areas underpinned by our four quality priorities, and Quality Improvement Strategy published in May. Most notable of these was mortality where the dramatic impact of our methodology attracted the interest of our regulator and other trusts
- 150 staff took part in the Southport and Ormskirk Quality Improvement Way, a 13-week programme delivering 17 "inch-wide, mile-deep" projects
- The Orthopaedic team won praise for delivering on their Getting It Right First Time (GIRFT) programme from national champion Prof Tim Briggs
- The Trust was regularly among the top-performing North West non-specialist trusts for the four-hour A&E standard and maintained its position as one of the best-performing nationally against the 18-week Referral to Treatment Standard
- Investments included the opening of a £260,000 clinic for Sefton Sexual Health Services in Bootle
- Workforce improvements saw an annual fall in staff sickness against 2018/19 and staff mandatory training remains above the 85% target
- There was a 7% improvement in engagement with the annual NHS Staff Survey which also recorded a significantly better than sector score for equality, diversity and inclusion
- We were a top recruiter for a number of research studies with two orthopaedic surgeons winning a national award for their work. Staff were supporting a number of early Covid-19 studies as the period for this report closed
- Our second new-style annual open days, this year at Ormskirk, and the relaunch of our hospitals charity helped demonstrate our desire to have greater engagement with our community

During the year the Trust was inspected by the Care Quality Commission who could clearly see the improvements that had been made since the last inspection. The inspectors recognised improvements to care and leadership across many core services. Eight areas of inspection were rated as improving

The inspectors found staff to be kind, treated people with compassion and respected their privacy and dignity.

They said leaders were approachable, experienced, and capable, and were helping staff to develop their skills. There was active engagement between patients, staff and leaders alongside external stakeholders and equality groups to further develop collaboration and improve services.

They also recognised the impact of more stable leadership at the Trust – stability that gave the Board the confidence to invest strategically and significantly in staffing and our estate, directing our resources to where they were most needed.

These investments have included a commitment of £1m to recruit more than 100 additional nurses and £900,000 for a refurbishment programme of eight wards at Southport hospital. We also committed to invest a further £1.4m in electronic prescribing and medicines safety.

The coming year will undoubtedly be challenging, however, over the past year the organisation has started to develop some firm foundations for us to continue on our improvement journey. This will ensure we are able to provide the best care and services possible for the local people that we serve.



Trish Armstrong-Child

Chief Executive
17 June 2020

1.1.2 Chair's Statement Looking Ahead to 2020/21 Year

We live in unprecedented times and they are reflected in the many changes to how we live our lives since Board members gathered for their final meeting of 2019/20.

With members of the public in attendance, the Chief Executive updated us on planning for a potential pandemic at a time when there were just 13 recorded UK Covid-19 cases. As I write, infections have topped a quarter of a million of which more than 600 have passed through our hospitals.

On the one-hand these are motivating times to be a part of the NHS. Our staff are more valued by society than ever before but, simultaneously, workplace stress, anxiety and concern over health, safety and wellbeing has never been greater.

By April, the start of the new financial year, we had changed the way we all work in ways that would have been unimaginable a few short months ago. We have coped through personal illness and tragedies; been there at the time of people's greatest need; and everyone I have seen and spoken to has risen to the challenge with great professionalism and care.

I have also felt it personally important to find out more about life in different parts of the hospitals and how those working in the front line are feeling and coping.

As the pandemic developed, I volunteered with the porters and our catering staff, joined the team in X-ray and scanning, emptied clinical waste bins and helped in A&E.

Not only did this give me a snapshot of different areas but also an insight into how staff felt and what their concerns were.

I have experienced first-hand the initial worry people have had about the use of personal protective equipment (PPE), whether we would have enough and how it should be deployed. I have also seen the results of some of the incredible community support we have received, from many thousands of Easter eggs to hand-made headbands that make wearing face masks more comfortable.

Some of the concerns I have reported back to the Board and I hope this has helped in the Trust achieving things it can be truly proud of: becoming a leader in staff testing for Covid-19; uninterrupted provision of PPE; and an outstanding approach to staff well-being and welfare. These are also magnificent foundations from which to maintain the support and confidence of staff as the pandemic develops in the months ahead.

It is not just on the frontline of care that things have changed. Almost everyone in the Trust is either doing things in a different way, or even doing completely different jobs having been redeployed.

This includes the Board where members' roles have also changed. The national emergency meant much greater central "command and control" and the Board's role changed to one of support while at the same time ensuring we did not lose sight of shaping the Trust for the future as well as monitoring services that need to continue unchanged.

Irrespective of how the Covid-19 pandemic plays out, the Trust still faces three fundamental challenges:

- Attracting and retaining an effective workforce in a highly competitive market for staff
- Improving and sustaining quality clinical care for patients
- Moving to a sound financial footing

We have, and continue to, address these challenges through the strategy we launched in autumn 2018. It has been refined and adjusted as circumstances have changed but the fundamentals remain the same. It is a road map that sets out how we will become a successful and sustainable provider of healthcare for local people.

I have also been greatly encouraged by the support of health economy partners to support us on that journey. In addition, the Government's spring announcement to restructure English NHS trusts' debts was most welcome.

The Board will also need to consider the impact of Covid-19 when reshaping services. Necessity being the mother of invention, some changes have arrived at lightning speed such as the roll out of telephone and video consultations. As well as minimising face-to-face contact, these appointments when appropriate mean more convenient, faster care for patients.

To me, everyone in the Trust is on the frontline in one way or another, whether they are support staff, the executive team, cleaners, porters, doctors or nurses. We all work as one team, one family, to ensure that we deliver the best possible care for those who need our services.

The months ahead will be hard and sometimes uncertain, but I am confident we have the right team in place to meet the challenge.



Neil Masom

Trust Chair
17 June 2020

1.1.3 Statement on the Purpose and Activities of the Trust

The Trust is commissioned to provide acute hospital services to a community of approximately 258,000 across Southport, Formby and West Lancashire. Acute care is provided from two hospitals, Southport and Formby District General and Ormskirk District General. Women's and children's services, including obstetric-led maternity care, are provided at Ormskirk. Acute services include accident and emergency, intensive care and a range of medical and surgical specialities.

The Trust hosts the North West Regional Spinal Injuries Centre at Southport hospital. Sexual health care in the Metropolitan Borough of Sefton is provided by Sefton Sexual Health Services. A small number of community services are also provided including a wheelchair service for people in Chorley and South Ribble, and West Lancashire.

1.1.4 History of the Trust

Southport and Ormskirk Hospital NHS Trust (the Trust) is a body corporate which was established under the Southport and Ormskirk Hospital NHS Trust *National Health Service Trust* (Establishment) Order 1999 No. 890 (the Establishment Order). The principal place of business of the Trust is Southport District General Hospital, Town Lane, Kew, PR8 6PN.

1.1.5 Key risks and issues that could have affected delivery of the Trust's objectives

Strategic objectives for 2019/20 and the associated principal risks are set out below:

Key Priority Area	Strategic Objective	Principal Risk
Aspects of Clinical Quality, e.g. mortality figures	<i>Improve clinical outcomes and patient safety</i>	Poor clinical outcomes and safety records
Performance on statutory targets	<i>Deliver high quality, well-performing services</i>	Failure to meet key performance targets leading to loss of services
Financial Performance	<i>Provide care within agreed financial limit</i>	Failure to live within resources leading to increasingly difficult choices for commissioners
Staffing issues, including morale, sickness levels and meeting safe staffing levels	<i>Ensure staff feel valued in a culture of open and honest communication</i>	Failure to attract and retain staff
Managerial capacity and capability	<i>Establish a stable, compassionate leadership team</i>	Inability to provide direction and leadership
Strategic Direction	<i>Agree with partners a long term acute services strategy</i>	Absence of clear direction leading to uncertainty, drift of staff and declining clinical standards

Table 1

1.1.6 Going Concern Disclosure

In accordance with IAS 1, management has made an assessment of the Trust's ability to continue as a going concern. This is based on the fact that the Trust Board has agreed to the Financial Improvement Trajectory for 2020/21 set by NHS England and NHS Improvement. The expected outturn is a breakeven position after a contribution of £25.085 million from the Financial Recovery Fund.

The Trust revenue loans from the Department of Health and Social Care (DHSC) will be converted to equity (public dividend capital) by September 2020. In effect this removes the obligation that the Trust needs to repay its loans.

With this alteration above the Statement of Financial Position will change significantly to a positive position and this will also improve the Trust's liquidity days metric.

NHS England and NHS Improvement have sought to ensure that all NHS organisations can continue to operate in light of the significant demands from the global pandemic. This includes simplification of contractual arrangements and pre-payments of monthly block contracts for at least the first four months of the financial year.

Additional funding support for specific covid-19 revenue and capital expenditure has been made available. All this support helps to ensure that the money flows particularly to our key suppliers of personal protective equipment.

It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and Clinical Commissioning Group (CCG) allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCGs that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this.

Although these factors represent material uncertainties that may cast significant doubt about the Trust's ability to continue as a going concern, the Directors, having made appropriate enquiries, still have reasonable expectations that the Trust will have adequate resources to continue in operational existence for the foreseeable future. As directed by the 2019/20 Group Accounting Manual, the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the financial statements and has not included the adjustments that would result if it was unable to continue as a going concern.

1.2 Performance Analysis

Performance Indicator set by our Commissioners against Key Contractual Targets

1.2.1 Financial Performance

Key Financial Targets

At the beginning of the year, the Trust Board was able to agree the Regulator's (NHS England/Improvement) control target of a gross deficit of £26.567m. The agreement gave the Trust the opportunity to earn non-recurrent funding (PSF/FRF – Provider Sustainability Fund/Financial Recovery Fund). However, this non-recurrent funding was dependant on the Trust achieving its financial performance targets at the end of each quarter.

As the year progressed, the Trust and the wider NHS faced many financial challenges. It was therefore agreed with the Regulator that the Trust's revised target was to be no more than £3.6m away from plan. This is explained in **Table 2** below:

NHSE/ target	£
Gross Deficit	-£26,567,000
PSF/FRF earned Q1 & Q2	£6,394,000
Allowance	-£3,600,000
Revised target	-£23,773,000

Table 2

There were no major changes to the Trust's business model for the majority of the year; however, towards the end of the financial year, urgent changes were required both at the Trust and national levels in light of the coronavirus global pandemic. Below is a list of factors that affected the financial performance in 2019/20:

- Trust quality investments of £2.3m include an additional £1m in nursing staff and others such as the critical care outreach team, orthopaedic consultants, frailty and home care, discharge lounge, acute paediatrician, urgent care SAS doctors/Clinical Fellows..
- Additional income for activity over-performance and casemix changes due from the Clinical Commissioning Groups was reduced due to the contract being based on a blended tariff.
- Reliance on temporary staff to fill gaps in medical and nursing rotas due to vacancies and sickness.
- Only 55% of the Trust's efficiency programme to save £6.3m was achieved with the majority of the shortfall relating to pay savings schemes.

NHS Trust financial targets and performance against those targets extracted from the audited accounts are shown in **Table 3** below:

Performance indicator	Target 19/20	Actual 19/20	Variance	Achieved
Adjusted financial performance	-£23,773,000	-£23,757,000	£16,000	Yes
External Financing Limit	£27,608,000	£27,477,000	£131,000	Yes
Capital Resource Limit	£8,134,000	£8,130,000	£4,000	Yes
Better Payment Practice Code (non NHS) by no. of invoices	95%	84%	-11%	No
Better Payment Practice Code (NHS) by no. of invoices	95%	55%	-40%	No

Table 3

The adjusted financial performance is set out on the face of the Statement of Comprehensive Income and is after the adding back of impairments and technical adjustments. The Trust achieved a favourable variance of £16k against its target.

The External Financing Limit (EFL) is a cash-based control for NHS Trusts; it is shown in note 35 of the accounts. Although no longer a statutory duty the Trust has achieved this target with an undershoot of £131k.

The capital resource limit (CRL) is a control on capital expenditure in full accruals terms. All NHS bodies have capital resource limits which they are not permitted to overspend. The Trust marginally underspent against its CRL in 2019/20 by £4k. This is shown in note 36 of the accounts.

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. Performance was similar to last year and it was not possible to obtain additional working capital to improve performance. The Trust did not meet its target in 2019/20.

NHSE/I measures the Trust's financial performance using 5 metrics which are consolidated into a use of resources risk rating from 1 (best rating) to 4.

Metric	Value		Risk rating	
	Plan	Actual	Plan	Actual
Capital service cover rating	0.20	-1.20	4	4
Liquidity rating	-105.70	-142.10	4	4
I&E margin rating	-4.20%	-12.30%	4	4
I&E margin: distance from financial	0.00%	-8.10%		4
Agency rating	4,891	13,076		4
Overall				4

Table 4

The rating of 4 is caused by the Trust's significant annual deficit position, associated impact on cash and extremely high vacancy rates generating high levels of agency spend, The Trust recognises that significant improvements in a number of areas, not least recruitment and retention of staff is essential in addressing the deficit and delivering an improved risk rating.

The Metric definitions are as follows:

- *Capital service capacity* - this metric assesses the degree to which the organisation's generated income covers its financing obligations.
- *Liquidity (days)* - this metric measures the days of operating costs held in cash or cash equivalent forms. This reflects the provider's ability to pay staff and suppliers in the immediate term. Providers should maintain a positive number of days of liquidity.
- *Income and Expenditure (I&E) margin* - this metric measures the degree to which an organisation is operating at a surplus or deficit. Operating at a sustained deficit indicates that a provider may not be financially viable or sustainable.
- *Distance from financial plan* - this metric measures the variance between the trust's annual financial plan and its actual performance. Trusts are expected to be on, or ahead, of financial plan, to ensure the sector achieves, or exceeds, its annual forecast. Being behind plan may be the result of poor financial management, poor financial planning or both.

Agency spend - over reliance on agency staff can significantly increase costs without increasing productivity. Organisations should aim to reduce the proportion of their pay bill spent on agency staff.

Financial analysis

Table 5 below gives a high level comparison between the two financial years:

Accounting heading	2019/20	2018/19	Variance	Variance %
	£'000s	£'000s	£'000s	%
Turnover	193,022	168,112	24,910	14.8%
Operating expenses	224,880	192,666	32,214	16.7%
Non-current asset base	104,563	123,067	(18,504)	-15.0%
Total assets employed	(47,150)	(4,902)	(42,248)	861.9%

Table 5

Turnover

Income has increased by £24.9m from 2018/19 levels. This is due to the following:

- Central funding of additional 6.3% pension contribution, £5.1m.
- Inflation uplifts, £5.1m.
- Activity over-performance, £1.6m
- Sanctions removed in 2019/20, £2.9m.
- Winter funding, £1.1m
- Marginal Rate Emergency Tariff (MRET), £2.9m.
- Growth £0.5m
- Investments – assessment areas, community paediatrics, discharge planners and stroke, £1.3m.
- Quality improvements, £0.4m.
- PSF/FRF non-recurrent funding, £6.4m
- Reduction in Department of Health and Social Care (DHSC) income of £2m. This was given in 2018/19 for the pay award.
- Other reductions in income – Local authorities, Compensation Recovery Unit, £0.5m

Operating expenses

This shows an increase of £32.2m from 2018/19. Of this increase, £17.9m relates to pay and £13.9m on non-pay. This is due to the following:

Pay

- Pay award £2.2m
- Business case investments in pay, £1.8m.
- Human Resources staff brought back in house, £1.8m
- Winter planning support, £0.8m.
- Increased Medical and nursing bank costs, £1.8m.
- Increased agency costs, £4.2m.
- Costs of central funding of additional 6.3% pension contributions, £5.1m

Non-pay

- Impairment due to reduction in buildings valuation, £13.2m
- Reduction in outsourced Human Resources costs, £1.8m.
- Increase in clinical supplies costs driven by activity, £1m.
- Purchase of healthcare both NHS and non NHS up on last year by £0.9m.
- Increase in depreciation compared to last year due to changes in asset lives, £0.3m.
- Other cost increase – premises, £0.6m and education £0.3m.

Non-current asset base

The overall value of capital assets has decreased in 2019/20 by £18.5m. This is a combination of the revaluation exercise on land and buildings which resulted in a fall in value of £20.1m together with investments funded by public dividend capital and capital loans.

These investments included winter planning, e-prescribing, backlog maintenance and IT systems.

Total assets employed

The total value of the Statement of Financial Position has reduced by £42.2m and the Trust continues to operate with a negative balance sheet. The reduction is a combination of the in-year deficit position (£37m – note this includes an impairment of £13.2m), reduction in the revaluation reserve (£7m) offset by an increase in public dividend capital (£1.8m).

1.2.3 Clinical Performance

The Trust’s clinical performance will be described in detail in the annual Quality Account to be published in December 2020.

An inspection by the Care Quality Commission, (CQC) reporting in November, rated the Trust **Requires Improvement** (RI) overall. Eight areas were rated as improving: six at Southport hospital in urgent and emergency care, surgery and end of life care, and two in the children’s and young people’s services at Ormskirk.

Safe	Effective	Caring	Responsive	Well-led	Overall
Requires improvement ↔ Oct 2019	Requires improvement ↔ Oct 2019	Good ↔ Oct 2019	Requires improvement ↔ Oct 2019	Requires improvement ↑ Oct 2019	Requires improvement ↔ Oct 2019

Table 6

The inspectors particularly praised:

- Outstanding practice in physiotherapy, including personalised rehabilitation plans for critical care patients
- A teamwork approach in the A&E Observation Ward to patient care and rehabilitation and rapid assessment services
- The plaster technicians’ “stop the pressure” initiative to reduce pressure ulcers with plaster casts
- Creation of the Thoracic Wall Injury Support (Twist) service to reduce death and deterioration following discharge of elderly patients who have suffered rib fractures. Their pathways had been recognised and shared nationally

The core service and overall ratings for both Southport and Formby and Ormskirk District General Hospitals are shown in **Table 7 and Table 8** below and reflect the impact of service configuration and non-elective service pressures across all domains included in the inspection.

The Trust also developed an action and improvement plan in response to the 2019 inspection. This is presented monthly to the Quality and Safety Committee and quarterly to the Board of Directors.

Ratings for Southport and Formby District General Hospital

	Safe	Effective	Caring	Responsive	Well-led	Overall
Urgent and emergency services	Requires improvement ↑ Nov 2019	Requires improvement ↔ Nov 2019	Good ↑ Nov 2019	Requires improvement ↔ Nov 2019	Good ↑ Nov 2019	Requires improvement ↔ Nov 2019
Medical care (including older people's care)	Requires improvement ↔ Nov 2019	Requires improvement ↔ Nov 2019	Requires improvement ↓ Nov 2019	Requires improvement ↔ Nov 2019	Inadequate ↔ Nov 2019	Requires improvement ↔ Nov 2019
Surgery	Requires improvement ↔ Nov 2019	Good ↑ Nov 2019	Good ↔ Nov 2019	Requires improvement ↔ Nov 2019	Requires improvement ↑ Nov 2019	Requires improvement ↔ Nov 2019
Critical care	Good ↔ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019	Requires improvement ↔ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019
End of life care	Good ↔ Nov 2019	Good ↑ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019
Outpatients	Requires improvement Mar 2018	N/A	Good Mar 2018	Good Mar 2018	Good Mar 2018	Good Mar 2018
Spinal injuries	Requires improvement ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018	Requires improvement ↔ Mar 2018	Requires improvement ↔ Mar 2018
Overall*	Requires improvement ↔ Nov 2019	Requires improvement ↔ Nov 2019	Good ↔ Nov 2019	Requires improvement ↔ Nov 2019	Requires improvement ↑ Nov 2019	Requires improvement ↔ Nov 2019

Table 7: There was no change in rating for Outpatients and North West Spinal Injuries Centre as they were not inspected on the Southport site.

Ratings for Ormskirk District General Hospital

	Safe	Effective	Caring	Responsive	Well-led	Overall
Urgent and emergency services	Good ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018
Surgery	Requires improvement ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018	Requires improvement ↔ Mar 2018	Requires improvement ↔ Mar 2018
Maternity	Requires improvement ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018	Good ↔ Mar 2018	Requires improvement ↔ Mar 2018	Requires improvement ↔ Mar 2018
Services for children and young people	Requires improvement ↓ Nov 2019	Good ↑ Nov 2019	Good ↔ Nov 2019	Good ↑ Nov 2019	Good ↔ Nov 2019	Good ↑ Nov 2019
Outpatients	Good Nov 2019	N/A	Good Nov 2019	Good Nov 2019	Good Nov 2019	Good Nov 2019
Overall*	Requires improvement ↔ Nov 2019	Good ↑ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019	Requires improvement ↔ Nov 2019	Requires improvement ↔ Nov 2019

Table 8:

There was no change in rating Urgent and Emergency Care, Surgery and Maternity as they were not inspected on the Ormskirk site

Ratings for Community Health Services

	Safe	Effective	Caring	Responsive	Well-led	Overall
Community health sexual health services	Good ↔ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019	Good ↔ Nov 2019
Overall*	Good Nov 2019	Good Nov 2019	Good Nov 2019	Good Nov 2019	Good Nov 2019	Good Nov 2019

Table 9

Mortality

Patient mortality is significant indicator of quality of patient care - and by December the Trust was performing better than expected. The Standardised Hospital Mortality Indicator (SHMI) stood at 99.62 where 100 is the baseline for all trusts. The result is particularly pleasing given the Trust was a national outlier for SHMI less than a year previous. SHMI is the ratio between the actual number of patients who die following hospitalisation and number who would be expected to die on the basis of average England figures. It also includes deaths in hospital and deaths 30 days after discharge.

A&E Performance

Attendances for emergency care at both Southport (adults) and Ormskirk (children) rose again this year in line with a national trend. Despite this, the Trust was regularly one of the best non-specialist acute performers in the North West and frequently among the top third of trusts in England.

Referral to Treatment (RTT)

The Trust also maintained its position as one of the best performing trusts against the 18-week Referral to Treatment Standard.

62-Day Cancer Standard

In December the Trust achieved 92.1% compliance against the 62-Day Cancer Standard (85%). This was the first time it had been met since October 2018 and helped put us on track to maintain the standard by June 2020 as planned.

Complaints

We have continued to reduce the numbers of formal patient complaints. As the period for this report ended, an end to the historic backlog of overdue complaints was within sight.

Workforce Improvements

The Trust saw a number of workforce improvements, including in staff sickness. In January, absences had fallen from 5.68% in December to 4.32% which was significantly lower than the 6.39% of January 2019. Mandatory staff training also remains above the 85% target.

More staff than ever took the opportunity to have a free flu vaccination. With a 91% vaccination rate for frontline staff, the Trust was the second-best performer among English trusts.

1.2.4 Key Performance Measures

Key clinical targets	Target	2018/19	2019/20
% of urgent care patients seen within 4 hours	95	87.8%	85.38%
% of patients first seen within two weeks when referred from their GP with suspected cancer	93	94.6%	95.24%
% of patients receiving cancer treatment within 62 days of GP referral (<i>to end Feb</i>)	85	78.75%	80.15%
% admitted patients treated in 18 weeks of referral	92	94.5%	92.97%
% waiting more than 6 weeks for diagnostic test	1%	3.37%	3.06%
Hospital-acquired MRSA bacteraemia	0	0	1
C Difficile cases attributed following appeal	<36	12	31

Table 10

Key clinical activity data	2018/19	2019/20
Outpatient 1st attendances	67,172	68,234
Outpatient follow-up attendances	182,603	187,385
Elective inpatients	2,438	2,264
Day cases	22,518	21,859
Non-elective inpatients (<i>excluding maternity</i>)	30,254**	31,678**
Adult A&E attendances*	54,597	57,174
Adult A&E admissions	24,334**	25,533**
Child A&E attendances*	28,567	28,963
Child A&E admissions	4,809	4,626
All births	2,250	2,337

Table 11

* *Planned attendances excluded*

** *New assessment wards introduced*

1.2.5 External Audit

The annual accounts were reviewed by our independent external auditors, Mazars, who issued an unqualified opinion. So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware

The total external audit fee for 2019/2020 was £47,000 comprising statutory audit work. Non-audit work relating to the Quality Account had originally been estimated at £9,000. However, this was subsequently revised down to £3,522 to reflect the work undertaken prior to the change in requirements as the Trust is no longer required to obtain assurance from external audit on the quality account / quality report for 2019/20.

1.2.6 Anti-Fraud Activities

In order to counter fraud and corruption, the Trust engages a dedicated local Anti-Fraud Specialist (AFS) through MIAA. We have an Anti-Fraud, Bribery and Corruption Policy and work plan approved by the Board of Directors' Audit Committee, reflecting the NHS Counter Fraud and Security Management Services framework, with regular reports received throughout the year by the Audit Committee. The Trust's *Standards of Business Conduct and Managing Conflict of Interests Policy* has been at the forefront in ensuring that senior staff are aware of their responsibilities in relation to declaration of interests and outside work. The Policy is accessible from the Company Secretary.

1.2.7 Related Parties

During the year there were two related party declarations, which were not a related party in 2018/19, and are recorded on the Declaration of Interests Register, between Trust Board members and a current supplier. These were:

- The University of Liverpool - value of invoices in 2019/20 was £2,939
- The Care Quality Commission - value of invoices in 2019/20 was £111,605

1.2.8 Charitable Funds

As an NHS Trust we make no political or charitable donations. We do, however, continue to benefit from the receipt of charitable funds arising from donations and fund raising activities and are extremely grateful to fundraisers and members of the public for this continued support. The Trust Board acts as Trustees ensuring appropriate stewardship for these funds which are used for the purchase of equipment or services according to the purpose of the funds. Where funds are for 'general purpose', these are used more widely for the benefit of service users and staff. Further financial information on our charitable funds for the financial year 2019/2020 is available on request from the Executive Director of Finance. There is no charge for the provision of this.

The Southport and Ormskirk Hospital NHS Trust's Charitable Fund falls within the definition of a subsidiary. The Trust has chosen not to consolidate the charitable funds into these

financial statements as the amounts of the charitable funds are not material and would not provide additional value to the reader of the Trust's Financial Statements.

This year the Southport and Ormskirk Hospital NHS Trust Charitable Fund rebranded as Southport and Ormskirk Hospitals Charity. It also recruited its first charity fundraising manager to improve fundraising and enhance the status of the charity in the local community.

1.2.9 Cost Allocation and Charging Requirements

We have complied with the cost allocation and charging requirements set out in the HM Treasury and Office of Public Sector Information Guidance.

1.3 Information about social, community and human rights issues including EDI, The Modern Slavery and Human Trafficking Act 2015

The work of Equality, Diversity and Inclusion team is based on the Trust's wider inclusion and engagement policy and assists with mainstreaming the Equality and Diversity agenda. The inclusion and engagement agenda comprises:

- Equality and Human Rights
- Patient Involvement
- Spiritual Care and Chaplaincy

Summary of activities through the year

The Trust's work around Equality, Diversity and Inclusion (EDI) is centred on ensuring we comply with the Public Sector Equality Duty and are delivering best practice as a lead for equality and diversity. The sections below provide an overview of this activity.

The Trust has a substantive Equality and Diversity Manager and a Freedom to Speak-Up Guardian. There is also a Chaplain in the Trust, who leads on provision of spiritual services.

Overview of activity to eliminate unlawful discrimination

Southport and Ormskirk NHS Trust has processes in place to ensure that any unlawful discrimination is prevented or eliminated. The Trust does not tolerate any action of unlawful discrimination and such acts or behaviour would be subject to disciplinary proceedings and referral to Anti-Fraud to progress criminal proceedings.

The Trust is committed to the promotion of Equality, Diversity and Inclusion for both patient experience and in the workplace. An Equality and Inclusion Strategy, which is updated on an annual basis, is in place.

All staff are required to complete the mandatory Equality Training module and communications have been provided with regards to unconscious bias for all existing staff and new recruits. The Trust completed a Workforce Race Equality Standard (WRES) action plan for 2019/20 and will have a similar action plan for the Workplace Disability Equality Scheme. The Equalities Lead is involved with patient groups, staff groups and the development of training and communications with regards to Equality, Diversity and Inclusion.

The Modern Slavery and Human Trafficking Act 2015

Southport and Ormskirk Hospital NHS Trust is committed to maintaining and improving systems, processes and policies to avoid complicity in human rights violation. We realise that slavery and human trafficking can occur in many forms, such as forced labour, domestic servitude, sex trafficking and workplace abuse.

Our policies and governance and legal arrangements are robust, ensuring that proper checks and due diligence take place in our employment procedures to ensure compliance with this legislation.

Important events since the end of the financial year affecting the Trust

The key priorities of the Trust for 2019/2020, which informed the strategic objectives and principal risks for 2019/20, remained in place throughout the year following approval by the Board in April 2019.

External Reviews

During the period an external Financial Governance Peer Review was conducted. The overall conclusion was that significant improvements could be made across four key lines of enquiry; leadership; organisational engagement; financial planning and financial plan implementation.

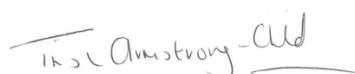
- The Trust needs to address the limited clinical and wider organisational engagement on financial issues and cost improvement. An effective clinical and organisational engagement strategy is required to address these issues
- Confirm the Executive leadership of the cost improvement programme and whether there is a need for a Turnaround Director and if it is agreed that one is required ensure that they can work in a collaborative and empowering way.
- The organisation needs to free staff time up so that significantly more time can be spent on identification and implementation of the CIP Programme
- The Trust should implement improvements to the financial management process to promote *real* accountability for the money
- Trust should really commit to a system approach to collaborate on the significant cost reduction opportunities not easy to operate under the PbR System.
- Develop a long term plan that is affordable in the context the resource envelope available to the system.
- There is an opportunity for greater assurance to be obtained through the board committees by taking a more strategic view with much more succinct and informative papers that focus in on the key strategic issues.
- Finance Team continue to engage with Future Focused Finance and develop a Finance Skills Development Plan

Accountable Officer's Approval

Signed as Accountable Officer of the Trust

Chief Executive: Trish Armstrong-Child

Signed:

Handwritten signature of Trish Armstrong-Child in black ink, written over a horizontal line.

Date:

17 June 2020

2 THE ACCOUNTABILITY REPORT

Corporate Governance Report

2.1. Annual Governance Statement (AGS) 2019/20

2.1.1 Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Trust Accountable Officer Memorandum*.

2.1.2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Southport and Ormskirk Hospital NHS Trust, to evaluate the likelihood of those risks being realised and the impact, should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Southport and Ormskirk Hospitals NHS Trust for the year ended 31 March 2020 and up to the date of approval of the Annual Report and Accounts.

The Trust's Strategic Objectives remained unchanged for 2019/20. They are shown below at **Table 12**.

	Strategic Objective	Principal Risk
SO1	<i>Improve clinical outcomes and patient safety to ensure that we deliver high quality services</i>	Poor clinical outcomes and safety records
SO2	<i>SO2 Deliver services that meet NHS constitutional and regulatory standards</i>	Failure to meet key performance targets leading to loss of services
SO3	<i>Efficiently and productively provide care within agreed financial limits</i>	Failure to meet financial regulatory standards and operate within agreed financial resources the sustainability of services will be in question
SO4	<i>Develop a flexible, responsive workforce of the right size and with the right skills who feel valued and motivated</i>	Failure to attract, develop, and retain a resilient and adaptable workforce with the right capabilities and capacity there will be an impact on clinical outcomes and patient experience with the following outcomes
SO5	<i>Enable all staff to be patient-</i>	If the Trust does not have leadership at all

	<i>centred leaders building on an open and honest culture and the delivery of the Trust values</i>	levels patient and staff satisfaction will be negatively impacted with the following outcomes
SO6	<i>Engage strategic partners to maximise the opportunities to design and deliver sustainable services for the population of Southport, Formby and West Lancashire</i>	<i>Absence of clear direction, engagement and leadership across the system is a risk to the sustainability of the Trust and will lead to declining clinical standards.</i>

Table 12

The means by which strategic and operational risks are managed, monitored and reported in the Trust are set out below.

2.1.3 Capacity to Handle Risk

As Accountable Officer I am accountable for the quality of the services provided by the Trust and have overall responsibility for risk management within the Trust. This responsibility is incorporated within the Risk Management Strategy. To support this role, there are clear systems of accountability within the organisation with elements of risk management delegated to members of my Executive Management Team.

Executive Team Member	Responsibility
Executive Director of Nursing	Overall Risk Management
	Clinical Governance
	Compliance with Care Quality Commission (CQC) Regulatory Framework
Executive Medical Director (Caldicott Guardian and Responsible Officer)	Clinical Risk and Medical Leadership
Executive Director of Finance	Financial Risk
Executive Director of Finance and Company Secretary	Compliance with NHSI Regulatory Framework
Executive Director of Finance <i>Senior Information Risk Officer- SIRO</i> Company Secretary <i>Data Protection Officer</i>	Information Risk
Company Secretary	Corporate Governance
	Board Assurance and Escalation

In addition the Deputy Chief Executive/Executive Director of Strategy is responsible for risks related to Acute Sustainability and Strategic Planning; the Chief Operating Officer is responsible for the day-to-day management of risk and performance within the Clinical Business Units. There are designated roles of Assistant Director, Safer Care and Standards and Deputy Director of Nursing providing leadership and support in their respective areas. The Director of Human Resources and Organisational Development is responsible for workforce and organisational development risks.

Our integrated governance structure at **Figure 1** illustrates the robustness and effectiveness of our risk management and performance processes via our governance structure. **Figure 2** gives a snapshot of our assurance framework and shows relationship with external stakeholders including regulators and inspectors.

Integrated Governance Structure

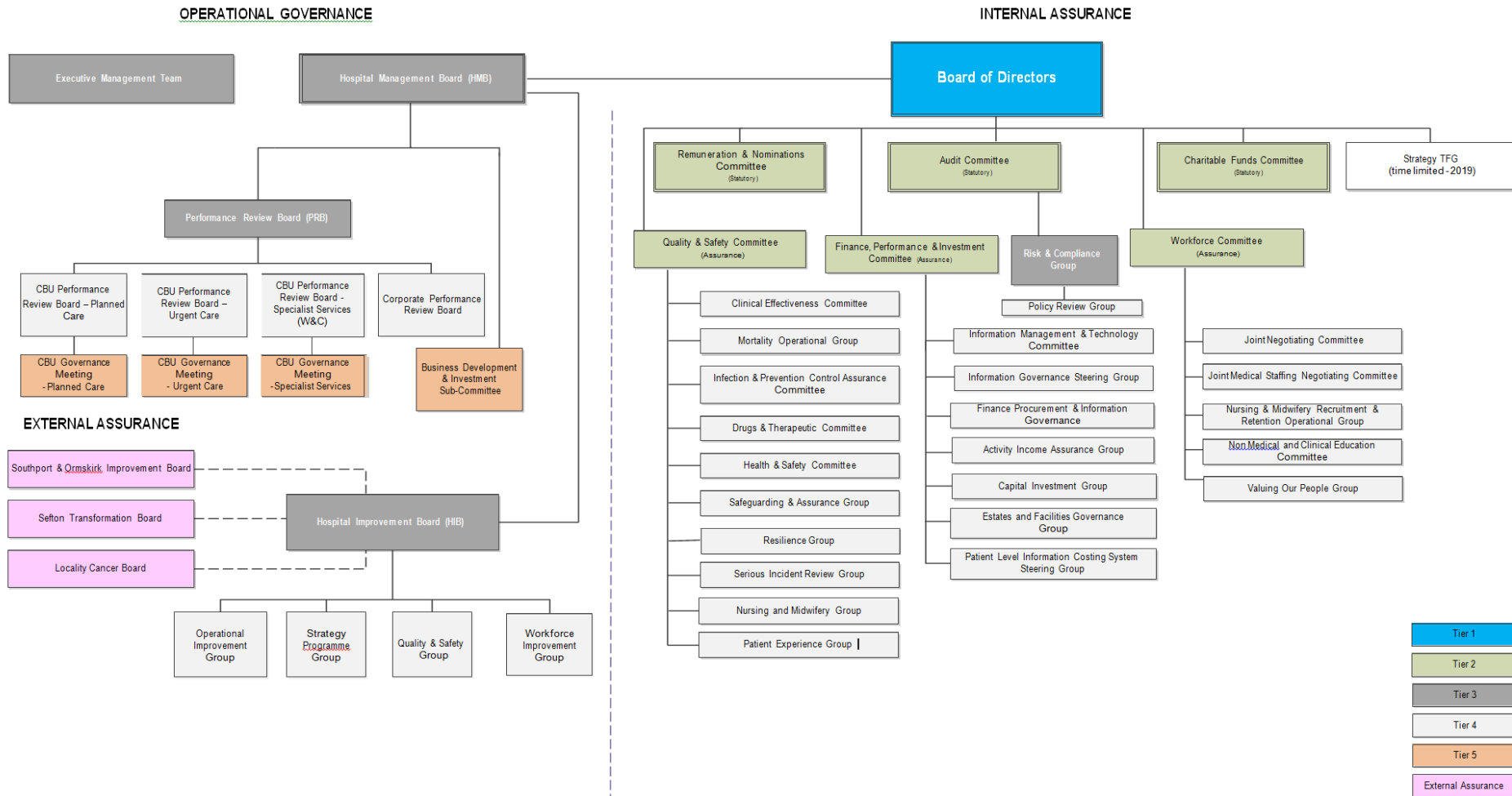


Figure 1: Integrated Governance Structure

Governance & Assurance Framework - Southport & Ormskirk Hospital NHS Trust 2019-2020

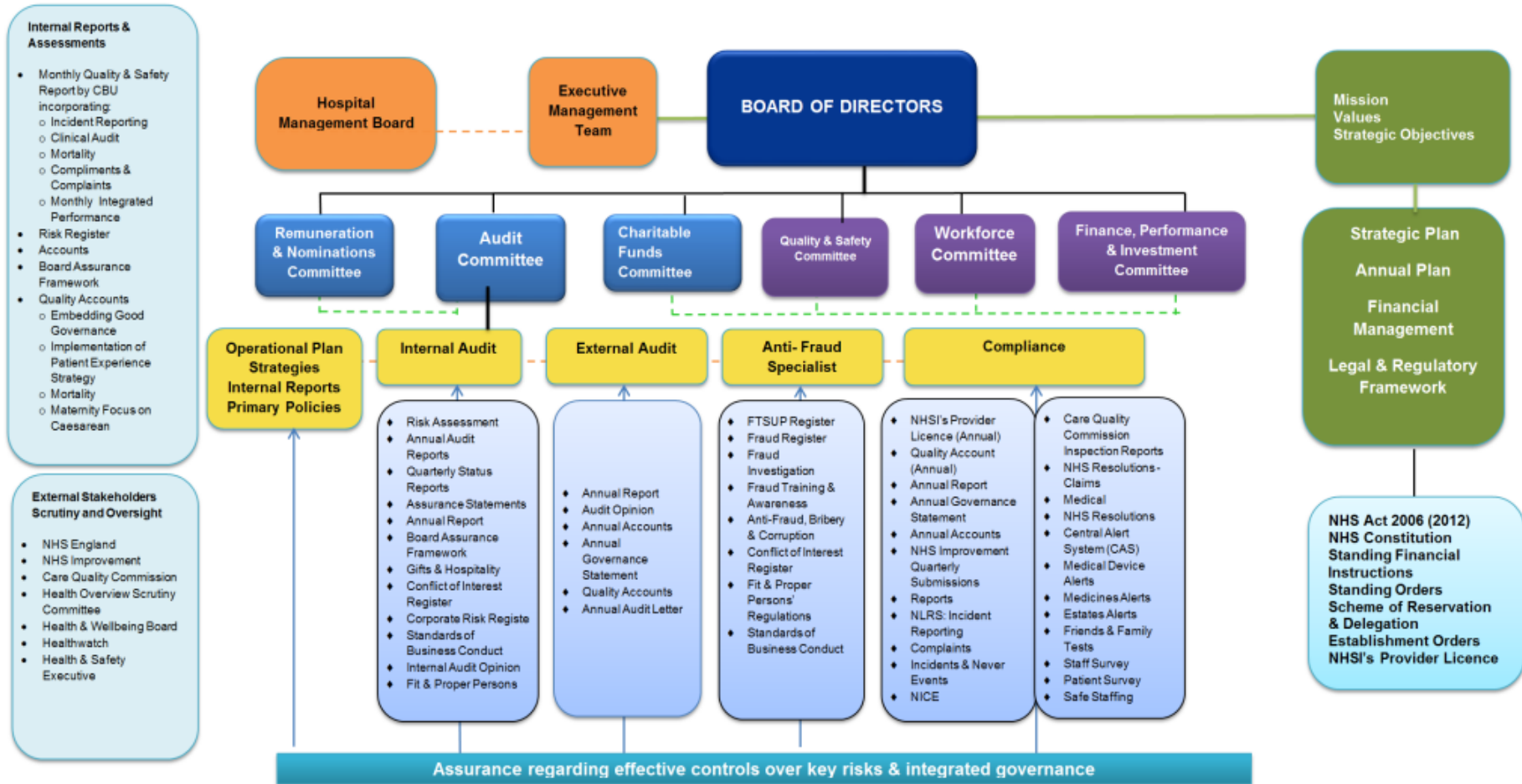


Figure 2

Staff Responsibility

Members of staff have responsibility for handling the management of clinical and non-clinical risks according to their roles and duties within the Trust. Mandatory training on key risk areas is undertaken by all staff at induction into the Trust and on a regular refresh basis. Risk management training is part of the Trust's Induction programme and mandatory training for all staff throughout the Trust which includes health and safety, fire, security, incident reporting, claims and complaints.

In order to support staff with writing responses to complaints, formal training has been provided to support all Clinical Business Units and departments. Training on managing complaints on a face to face basis has been in place to support staff on the wards and departments across the Trust.

To support investigations of serious incidents, *root-cause analysis* training has been provided to all areas of the Trust and was well supported by the clinical teams across the Trust.

Sharing learning through risk related issues, incidents, complaints and claims is an essential component of maintaining the risk management culture within the Trust. Learning is shared through Clinical Business Units' Meetings and Trust wide forums such as the Quality and Safety Committee and Clinical Effectiveness Committee and Serious Incident Review Group (SIRG). Learning is acquired from a variety of sources which include:

- Analysis of incidents, complaints, claims and acting on the findings of investigations.
- External inspections.
- Internal and external audit reports.
- Clinical audits.
- Outcome of investigations and inspections relating to other organisations.

Board Responsibility

In accordance with its *Standing Orders* and as required by the Health and Social Care Act 2006 (amended 2012), the Trust has an Audit Committee. The Audit Committee is tasked with reviewing the establishment, adequacy and effective operation of the organisation's overall system of governance and internal control which encompasses risk management (both clinical and non-clinical) that supports the achievement of the organisation's objectives.

In order to assist both the Board and the Audit Committee, specific risk management is overseen and scrutinised by three Board Assurance Committees:

- *Quality and Safety Committee* which receives reports from the Mortality Operational Group and Clinical Effectiveness Committee, and has the specific purpose of delivering assurance to the Board on the management of clinical risk and operational performance against the CQC domains.
- *Finance, Performance and Investment Committee* provides assurance on management of risks relating to both financial and human resources; performance and accountability.
- *Workforce Committee* provides assurance against safe staffing, workforce and organisational development issues.

2.1.4 The Risk and Control Framework

Risk management by the Board is underpinned by three interlocking systems of internal control:

- The Board Assurance Framework
- Trust Risk Register (informed by Clinical Business Units, Departments and Teams)
- The Risk Management Process

In addition the Audit Committee monitors the risk management systems and processes and receives the Board Assurance Framework on a quarterly basis.

The Annual Governance Statement is a composite report on how risks are managed and how assurances were received in relation to the integrated governance and internal control.

2.1.5 Board Assurance Framework (BAF)

Board assurance is a systematic method of:

- Identifying
- Analysing
- Evaluating, treating, monitoring, reviewing; and
- Communicating all risks; clinical and non-clinical and the integration and management of both types of risks.
- Receiving assurance that the controls in place are effective and mapped against robust actions to close gaps in both controls and assurance.

The Board Assurance Framework details the Trust's strategic objectives and the principal risks associated with the delivery of these objectives. The BAF is a dynamic tool which supports the Chief Executive to complete the *Annual Governance Statement* at the end of each financial year. It is part of the wider '*Assurance and Escalation Framework*' to ensure the Trust's performance across the range of its activities is monitored and managed; resulting in targets being met, objectives achieved, and good outcomes for service users.

The formation and maintenance of the BAF is the responsibility of the Company Secretary and is regularly reviewed on the Trust's risk management system, Datix, by each Principal Risk Owner (Executive Directors). This is to ensure the controls and assurances remain valid, are effective, of the right level and any identified gaps are mitigated by timely implementation of clearly defined actions.

The BAF is a tool for the Board to satisfy itself that risks are being managed and strategic objectives are being achieved. The Board has established a robust BAF so that I, as Chief Executive, can confidently sign the *Annual Governance Statement* which deals with statements of internal control and assurances.

A BAF has been in place throughout the year which is designed and operating to meet the requirements of the 2019/20 *Annual Governance Statement*. The BAF, which is Board-owned, provides a mechanism for the Board to be assured that the systems, policies and procedures in place are operating in a way that is effective and focussed on the key strategic risks which might prevent the Trust's strategic objectives being achieved.

The BAF is robustly discussed and analysed at the Board on a quarterly basis. Each principal risk is assigned to a committee that receives and reviews progress updates at meetings of the Quality and Safety Committee, the Finance, Performance and Investment Committee and the Workforce Committee. The Audit Committee and the Board receive quarterly reports.

The significant risks in relation to the Trust's strategic objectives are described in the Board Assurance Framework. The most significant risks monitored by the Trust via the BAF during 2019/20, included:

a) **SO1 - Quality, patient safety and clinical outcomes** - *poor clinical outcomes and safety records, this was addressed by:*

Our quality priorities are built on national and local priorities, and reflect the Trust's vision of 'providing safe, high quality services'. Key milestones and performance indicators related to the priorities are reported to, and monitored by the Quality and Safety Committee and Board. These include:

- Priority 1 - Care of the Deteriorating Patient
- Priority 2 - Care of Older People
- Priority 3 - Infection Prevention and Control
- Priority 4 - Medicines Management

In May 2019, we developed our Quality Improvement Strategy which sets out the quality priorities for Southport and Ormskirk Hospitals NHS Trust and details our continuous approach to improving the quality of care we deliver. Our commitment is to develop a systematic approach to improvement which involves staff across all services and functions. In the last 12 months our staff have delivered a wide range of improvements and demonstrated just how committed they are to delivering the best standards of care and support for our patients, families and carers. This is expected to be refreshed in 2020

During the summer of 2019, NHSI supported the Trust in the development of the 'Southport and Ormskirk Quality Improvement Way' (S&O QIWay). This 13 weeks programme, engaged with over 150 staff across the Trust using Institute of Healthcare Improvement (IHI) improvement methodologies supporting the trusts quality and service improvement priorities delivering on 17 'inch wide mile deep' projects. A celebration event was held in September, with teams presenting back to the Trust the improvements that had been seen over the period of the programme, this was videoed and shared widely across the Trust. Feedback from participants of the programme was that this was a resounding success and that the key learning was staff engagement and empowerment to make small changes that make a real difference.

b) **SO2 - Constitutional Standards** - *Failure to meet key performance targets leading to loss of services*

A new IPR will be introduced in 2020 which has adopted best practice and will enable the Board to measure improvement and understand variation. This is planned to continue through the 2020 with a planned development session by the National Director for Improvement at NHSI.

The Operational Performances & Improvement Group (OPIG) has been developed which enables an integrated approach to Service Improvement against the constitutional standards between corporate, operational and governance teams. The group holds the improvement projects leads to account whilst the forum offers an opportunity for improvement leads to offer assurance, recognise success and formally raise concerns.

The following Improvement Programmes have been introduced in order to improve performance against the Constitutional Standards:

i) Outpatient Improvement Programme:

The focus of this programme was to ensure the Access and Bookings function in the first instance was being maximised. Four main areas were targeted:

- Less than 6 weeks' notice of cancellation – ensure short notice cancellations are minimised through adequate notice of Clinician leave etc.
- Session Utilisation – ensuring that planned clinics actually have patients booked on those clinics.
- Slot Utilisation – ensuring the maximum number of available slots per clinic are filled.
- DNA Rate – through various means ensuring patients turn up to their clinic appointment.
- The overall impact of the programme has led to a significant improvement in slot utilization (an overall improvement of 27% in clinic slots being utilised)

ii) Theatre Improvement Programme:

The focus of this programme was to improve the utilisation of the Elective Theatres across the organisation. There were three main focusses:

- Scheduling – ensuring 6-4-2 processes are in place (average cases per session)
- Starting on time – ensure the Golden patient process is in place (% in-session utilisation)
- On the day cancellations – ensure processes in place to minimise on the day cancellations (% cancellations).
- Calendar Year 2019 compared with 2018 - 61 more cases delivered in 99 less sessions.

iii) Endoscopy Improvement Programme:

- The focus of this programme was to improve the number of sessions offered to patients on a week by week basis and to improve the utilisation and efficiency of those lists. This was done through a combination of organisational change and scheduling.
- This resulted in the average number of scopes delivered in a day increasing from 22.48 per day in FY18/19 delivering an average 507 scopes per month to 26.18 per day in FY19/20 delivering an average 524 scopes per month.

iv) Cancer Improvement Programme

- Early 2019 the Cancer Improvement Group was formed, chaired by Chief Operating Officer, this group aims to have oversight of all improvement works geared towards to general improvement of compliance against the National Cancer Waiting time targets.
- Individual CBU's and tumour groups have been challenged with the action of developing, maintaining and monitoring compliance against individual action plans aimed at improving tumour site performance's against the optimal cancer pathways. Each tumour group operational teams are held to account to report against the action plans on a weekly basis and moves are underway to support both operational and clinical teams to move towards a 7 day pathway.
- The work date has led to gradual and progressive month on month improvement across 2019/20 financial year against the 62 day standard against a backdrop of rising demand.

v) Length of Stay Improvement programme

- The Trust has reduced the % of stranded and super stranded patients that occupy an inpatient bed for 2019/20 against 18/19. The improvement was delivered by focusing on:
 - Weekly 'Grand Round' with Consultant, Head of Patient Flow and Therapy manager to 'check, chase and challenge' at ward level
 - Outcomes from these Rounds have reassured all that the Acute MDTs are knowledgeable of all their patients and there are limited internal delays. The team continue to use these Rounds in a supportive and offer 'expert knowledge' to support swift and safe decision making
 - The bed meetings have been a critical forum to ensure we have the patient in the right bed first time.
 - Development of 'MOFD'(safe to transfer) spreadsheet to ensure monitoring of all patients and new IT solutions were needed to support communication
 - Introduction of the Integrated Discharge Planning Team. This team is led by senior staff from the ASC and community settings.
 - Improved utilisation of Ormskirk capacity for patients requiring further rehabilitation
 - Increased CCG commissioned community beds to support step-down from Acute

vi) A&E Improvement programme

- Despite rising demand the A&E services seen, treated and discharged or transferred 73544 patients within 4 hours in 2019 / 20 (an increase of 500 patients from 2018/19). The improvement was delivered through:
 - Enhancing same day emergency care (SDEC) pathways and processes across medicine and surgical specialities
 - Development of a fully function Clinical Decisions Unit
 - Increasing the senior decision making resources within the department

c) **SO3 - Financial Resources** - *Failure to meet financial regulatory standards and operate within agreed financial resources the sustainability of services will be in question.*

- The Trust remains a challenged provider and the Regulator, NHS England/Improvement, again provided additional support for the quality improvement agenda.
- The 2019/20 CIP plan was £6.3 million, an increase on the initial plan of £3.2million, which equated to nearly 3% of the Trusts cost base and represented a significant challenge. Whilst the 2018/19 schemes were mainly tactical in nature the 2019/20 schemes focused on transformation and efficiency improvements underpinned by the national programmes Get it Right First Time (GIRFT) Model Hospital and Right Care. Therefore the services of the Turnaround Director were retained until end of December 2019. The Trust delivered a CIP of £3.5 million.
- A number of initiatives were taken to improve financial governance including an Independent Financial Governance peer review and a review of the Scheme of Reservation and Delegation which split approvals between new and variations to existing schemes, amended the Chief Executive's powers and transferred them to Capital Investment Group, Hospital Management Board, Finance Performance and Investment Committee and the Board. With limits for each committee and Reservation to reduce budgetary levels of control for operational managers.
- 2020/21 Financial Plan; the Trust submitted draft financial plans to NHS England/Improvement on 5h March 2020. The Trust agreed its Financial Improvement Trajectory (FIT) of £25.085 million deficit which would require £8.0 million CIP to provide an investment reserve of £4.9 million. The Trust would receive non recurrent Financial Recovery Fund (FRF) of £25.085 million.
- On 17th March the 2020/21 Operational Planning process was suspended due to COVID-19 with new financial arrangements introduced for the period 1st April to 31st July. The funding formula is a combination of block and top-up payment to enable the Trust to breakeven.

d) **SO4 - Workforce**-recruitment and retention- *failure to attract and retain staff, addressed by:*

- Having in place a Workforce and Organisational Development Strategy
- Workforce and Organisational Development Action Plan 2018-2020
- Quality appraisal conversations training programme commenced
- Staff Survey Action Plan
- A Shadow Board Programme geared at aspiring Directors
- Enhancement of an extensive range of apprenticeship programmes to recruit and develop clinical and non-clinical staff
- Role re-design supported by new apprenticeship programmes i.e. Nursing Associates
- eLearning to deliver core mandatory training, clinical knowledge and management skills

e) **SO5 - Leadership and culture** - *inability to provide direction and leadership* has been addressed by:

- The appointment of a substantive Board with full complement of Non-Executive and Executive Directors.
- In-house coaching service for staff from a dedicated pool of coaches
- The provision of Level 2-7 Leadership and Management Apprenticeships to all staff

Implementations of recommendations from a commissioned external review on cultural diversity and levels of compliance, for Equality and Diversity. Recognising that compassionate leadership is vital in our organisation now and in the future, we put in place initiatives and strategies to help us to move forward into the future in an open and honest way, ensuring that we listen to our staff and act appropriately. Some of these initiatives include:

- Equality, Diversity and Inclusion Lead in post
- Freedom to Speak Up Guardian in post
- Organisational Development staff in post
- Thanks a Bunch Recognition Scheme
- Grapevine Newsletter
- The Meeting Place Staff Facebook Group

f) **SO6 - Strategic Direction** - *Absence of clear direction leading to uncertainty, drift of staff and declining clinical standards.*

A number of key steps were taken during the year to address this. They include:

- Establishment of a time-limited Acute Sustainability Programme Board
- The Director of Strategy works with systems partners and leads on the Acute Sustainability Programme for the Trust
- Being a key and active member of the Sefton Transformation Board
- The involvement of the Strategic Transformation Partnership (STP) programme of which the Trust is a work-stream
- Acute Sustainability Case for Change Review

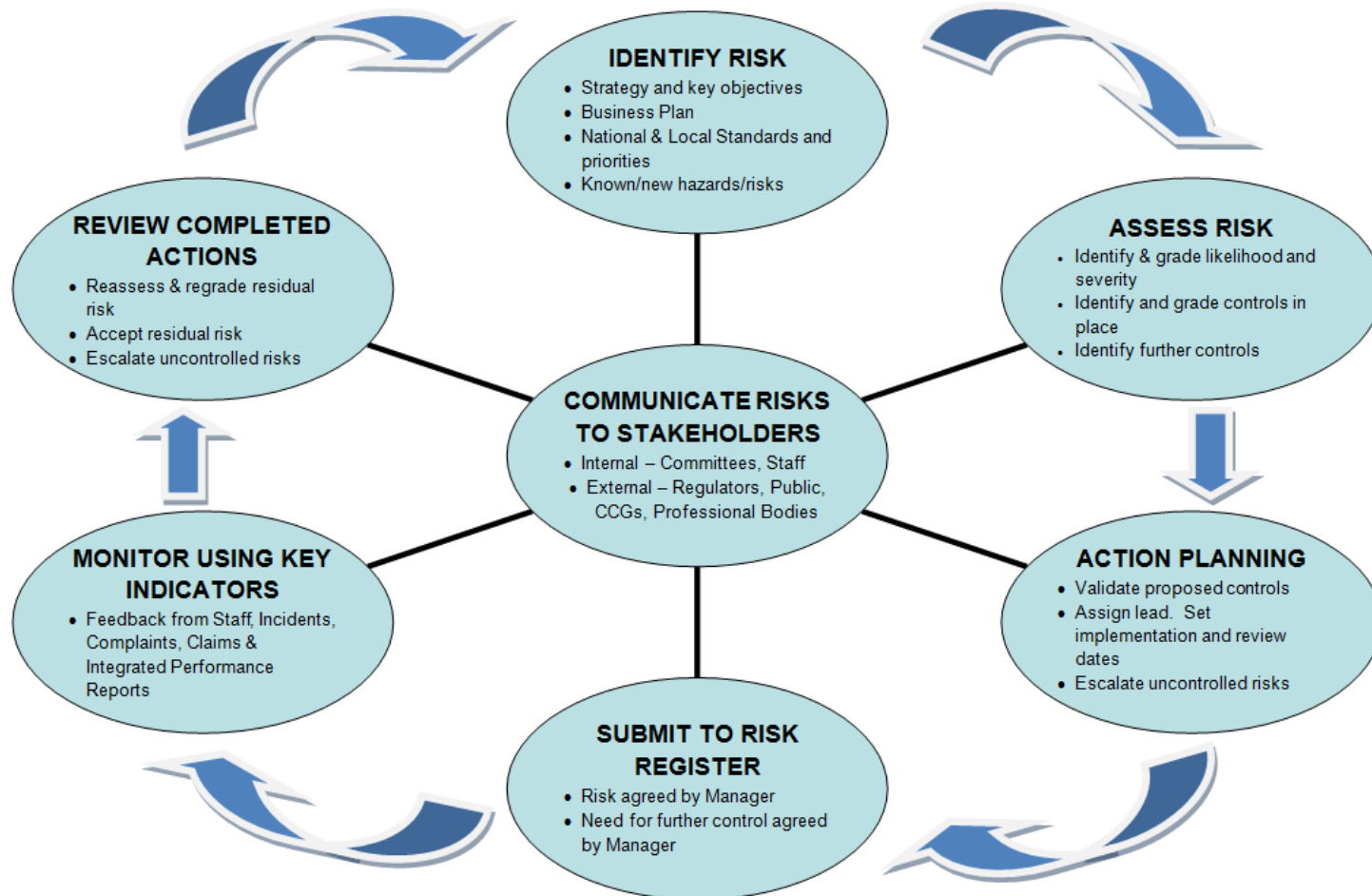
Risk Management

The *Risk Management Strategy* and *Risk Management Policy* continued to work effectively during 2019-20. Our Risk Management System, Datix, has continued to be a source of effective risk management across all levels and a source of *just-in-time* reports when needed. Both the Corporate Risk Register and the Board Assurance Framework are monitored and updated on Datix.

The risk management processes remained the same as defined within the Board Assurance and Escalation Framework. This clearly outlines the leadership, responsibility and accountability arrangements. The responsibilities are then taken forward through the Board Assurance Framework, the Risk Registers, Business Planning and Performance Management processes enabling the coherent and effective delivery of risk management throughout the organisation.

Figure 3 shows how risk management involves the identification, analysis, evaluation and treatment of risks – or more specifically, recognising which events (hazards) may lead to harm and therefore minimising the likelihood (how often) and consequences (how badly) of these risks occurring

Figure 3: Risk Management Process



Risk is managed at all levels, both up and down the organisation and in order to ensure triangulation between the Operational Plan and the Board Assurance Framework (BAF). The Trust produces an Integrated Performance Report for the Board on activity within the Trust's Risk Register which details the risks that have either come onto the Trust risk register or those that the Executive Team has approved to come off the Risk Register. The key performance indicators (KPIs) were incorporated into the BAF to show synergy between the KPIs and controls shown within the BAF.

2.1.6 Trust's Risk Monitoring Escalation and Assurance Process

The Risk Management Strategy sets out how risk is identified and assimilated into the Risk Registers and reported, *monitored and escalated throughout the directorate and corporate governance structures.*

In addition to the Board Assurance Framework (BAF), the Trust operates three tiers of risk management which are all interlinked via an escalation process. The escalation of a risk is dependent upon the level of the risk, or on whether it is felt that the risk needs specialist management at a higher tier, such as the risk requiring a multi-directorate approach to its management. This is illustrated at Figure 4 below.

The registers are recorded using a standardised risk matrix and the severity of each risk is rated according to the Consequence x Likelihood risk assessment matrix within the Risk Management Strategy to establish the risk score which helps guide action at the appropriate level.

The Trust recognises the need for a robust focus on the identification and management of risks and therefore risk is an integral part of our overall approach to quality and the management of risk is an explicit process in every activity in which the Trust and its employees take part.

Risk management in the Trust is discharged through clearly focusing executive responsibility for all clinical and corporate risks with the respective Executive Directors. The Directors, working closely with the Chief Executive, have responsibility for all Trust's clinical services and supporting corporate functions in this context. The management lead for clinical risk rests with the Director of Nursing and Medical Director, who is also the Caldicott Guardian. The lead for corporate risks is the Company Secretary.

The Trust has a good track record in the identification and mitigation of risks, and when there have been untoward and serious incidents, responding to them quickly and ensuring that the lessons learned from them are being implemented swiftly across the organisation. The Serious Incident Review Group (SIRG) convenes every time there is a serious incident or data breach. The processes for these are embedded in the culture of the organisation and through robust processes and procedures such as raising concerns at work and the 'floor to board' assurance and risk escalation processes.

Discussions have taken place at board meetings and workshops concerning the Trust's appetite for risk, the strategic parameters within which decisions involving various types of risks can then be made on a sound and consistent basis. There is a clear process for escalating risks (see **Figure 4**) from Ward to Clinical Business Units and onto the Corporate

Risk Register. There is also a clear process for escalating high or significant risks (see **Figure 4** below).

Risk Appetite is 'The level of risk that an organisation is willing to accept'. The appropriate level will depend on the nature of the work undertaken and the objectives pursued. Precise measurement is not always possible and risk appetite may be defined by a broad statement of approach. The Trust has an appetite for some types of risk and may be averse to others, depending on the context of the risk and the potential losses or gains.

The Trust will develop measures for different categories of risk. For example it may inform a project to know what level of delay or financial loss it is permitted to bear, in the addition to using measures described in the 'Risk Matrix Severity definitions' to define the likelihood and impact of risks; this can be used to define the maximum level of risk tolerable before action should be taken to lower it [Risk Appetite]. By defining its risk appetite, the Trust can arrive as an appropriate balance between uncontrolled innovation and excessive caution. It can be used to guide managers on the level of risk permitted and encourage consistency of approach across the Trust, and ensure that resources are not spent on further reducing risks that are already at an acceptable level.

2.1.7 Local and Directorate Risk Registers

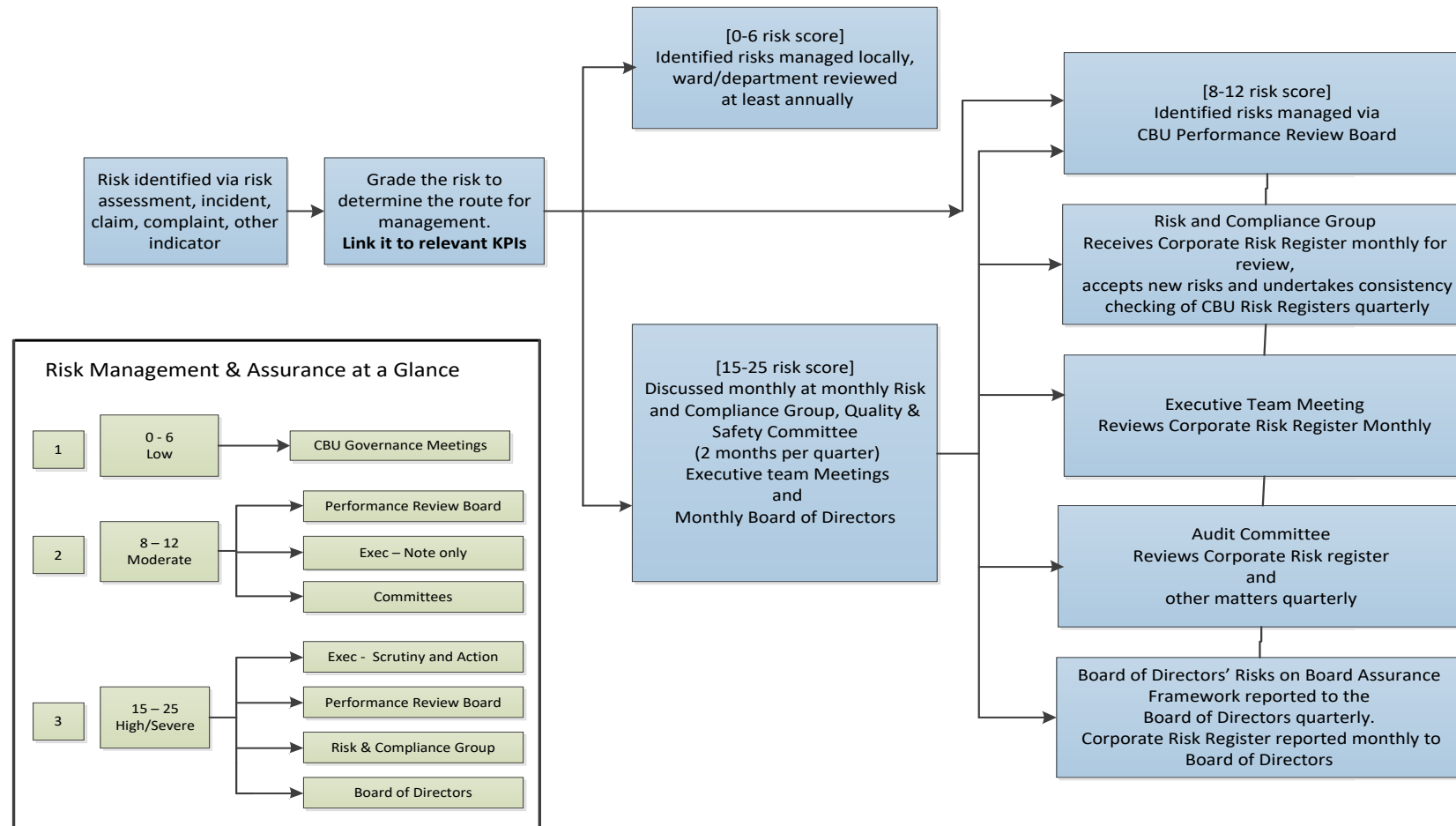
Each ward, team, CBU or department produces a local risk register. The register is developed in response to the identification of local risks that may impact on the delivery of their immediate service. Local risk registers are recorded using the Risk module on Datix.

Appropriate steps have been taken to ensure that processes are in place at both clinical service and departmental levels to update and maintain their risk registers. Monthly updates from local and directorate risk registers are provided via the Risk Manager for inclusion into the Trust's Risk Register. The appropriateness of updates, scores and escalation are discussed at the RCG.

All local risks are systematically reviewed within a specified time frame by the local teams to ensure that controls in place are effective, and assess whether the risk changes over time.

Risks may be identified through internal processes e.g. complaints, incidents, claims, service delivery changes, risk assessments or financial interests. They may also be identified by external factors e.g. national reports and recommendations or regulatory and enforcement notices etc.

Management and Assurance of Risks



A description of the principal risks to compliance with the NHS provider licence^{1, 2} condition 4 and actions identified to mitigate these risks, particularly in relation to items listed below are set out:

- the strengthening of effectiveness of governance structures which includes the Hospital Management Board and CBU Performance Review Boards whose function is to hold to account
- the responsibilities of directors and subcommittees: each committee has robust terms of reference and annual business cycles. Assurance Committees are chaired by Non-Executive Directors. There are job roles for both non-executive and executive directors
- reporting lines and accountabilities between the board, its subcommittees and the executive team-the assurance committees on behalf of the Board holds management to account on operational issues and report monthly to the Board via three areas: Alert, Advise and Assure;
- the submission of timely and accurate information to assess risks to compliance with the conditions of the licence-this is done on an annual basis with sign off by the Board after review by the Audit Committee;
- the degree and rigour of oversight the board has over the Trust's performance-the Board receives a monthly Integrated Performance Report with each executive director giving assurance and/or action plans relating to regulatory and constitutional standards and other areas of performance.

2.1.9 Statutory and Assurance Committees

The Trust has three statutory committees as required by the Health and Social Care Act 2012.

They are:

- Audit Committee
- Remuneration and Nominations Committee
- Charitable Funds Committee

The Audit Committee is responsible for scrutinising the overall systems of internal control (clinical and non-clinical) and for ensuring the provision of effective independent assurance *via internal audit, external audit and local anti-fraud services*. *The Audit Committee reports to the Board quarterly via an Assure, Alert and Advise Highlight Report along with minutes of*

¹ <https://www.gov.uk/government/publications/the-nhs-provider-licence>

² While NHS trusts are exempt from the requirement to apply for and hold the licence, directions from the Secretary of State require NHS TDA to ensure that NHS trusts comply with conditions equivalent to the licence as it deems appropriate. This includes giving directions to an NHS trust where necessary to ensure compliance. We aim to treat all providers in comparable circumstances similarly unless there is sound reason not to. We therefore base our oversight, using the Single Oversight Framework, of all NHS trusts and NHS foundation trusts on the conditions of the NHS provider licence.

its monthly meetings and annually, on its work via the *Annual Report of the Audit Committee* in support of the *Annual Governance Statement*, specifically commenting on whether the BAF is fit for purpose, the efficacy of the assurances within the BAF, the completeness and extent to which risk management is embedded in the Trust and the integration of governance arrangements.

The Audit Committee met on a quarterly basis except for an extra meeting in May to review and make recommendations to the Board on the *Annual Governance Statement, Annual Report, Annual Accounts and Quality Accounts*.

A Risk and Compliance Group (RCG) which reports into the Audit Committee was established in 2019 and ensures that risks are appropriately managed at operational level, that is, within the Clinical Business Units and that the appropriate risks are placed on the Corporate Risk Register and are appropriately escalated. In addition, the RCG monitors risks relating to policy management, claims and the Information Governance Risk Register which is also monitored at the Information Governance Steering Group.

The Remuneration and Nominations Committee

The Remuneration and Nominations Committee has the delegated authority from the Board to:

Remuneration:

- Determine the framework for the remuneration of the Chief Executive and members of the Executive Management Team including performance related elements, pensions and cars as well as arrangements for termination of employment and other contractual terms.
- Take into consideration when determining performance related elements the performance of individual directors and senior managers
- Oversee appropriate calculation and scrutiny of termination payments.

Nomination:

- Regularly review the structure, size and composition of the Board and make recommendations to it with regards to any changes.
- Give full consideration to succession planning for Directors and other senior managers, taking into account current challenges and future opportunities.
- Ensure appropriate job specifications are prepared for Board vacancies
- Be responsible for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise.
- Review the results of Board performance evaluation as they relate to the composition of the Board.

The Charitable Funds Committee

The Committee is established to manage the charitable funds on behalf of the Trustees in line with appropriate legislation, Charity Commission requirements and the Trust's Charitable Funds Governance Procedures.

In order to achieve its purpose the Committee will:

- Ensure that the charity is managed and administered in accordance with the requirements of the Charities Act 1993 and Charities Act 2006 (or any modification of that Act).
- To agree appropriate limits, policies and procedures to ensure the effective distribution and management of the charitable funds.
- To make decisions involving the sound investment of charitable funds in a way which both preserves their capital value and produces a proper return consistent with prudent investment and ensuring compliance with:
 - Trustee Act 2000
 - The Charities Act 1993 and 2006
 - Charitable Fund Governance Procedures
- To receive reports for the ratification of investment decisions and action taken through delegated powers.
- To recommend a Scheme of Delegation and authorisation limits to the Board of Directors as Corporate Trustee.
- To monitor expenditure in line with the delegated authority.
- To approve all individual charitable fund expenditure within appropriate limits defined by the Scheme of Delegation.
- To ensure funding decisions are appropriate and consistent with the purpose of the fund, the donors' wishes and the Trust's objectives and values.
- To receive the Annual Report and Annual Accounts of the Charity and recommend them for approval by the Board of Directors as Corporate Trustee

The Committees below are the Trust's assurance committees:

The Finance, Performance and Investment (FP&I) Committee

FP&I has delegated authority to monitor and scrutinise:

- Financial performance – includes monthly performance, working capital and Cost Improvement Plans (CIPs)
- Patient flow, includes activity levels, Accident and Emergency Department and waiting time performance
- Capital Programme, including IT
- Annual review of the Performance Framework
- Investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any requests made by the Committee

The Quality and Safety Committee (QSC)

Quality and Safety Committee scrutinises and gives overview on clinical risks and holds the Executives to account by ensuring that clinical risks processes as set out in the Risk Management Strategy are adhered to and how they are being managed and controlled. This includes oversight of the performance and quality dashboards which show compliance with CQC registration requirements and other statutory compliance with quarterly reports being scrutinised prior to their submission to the Board.

The Quality and Safety Committee's other duties include:

- Seeking and providing assurance to the Board in respect of the effectiveness of the Trust's Integrated Governance arrangements underpinned by organisational development.
- Overseeing the development and implementation of the Trust's Risk Management, Quality and Nursing and Care Strategies including the Quality Improvement Strategy.
- To provide the Board with assurance regarding the effectiveness of all aspects of mortality and morbidity in the Trust.
- Triangulate mortality and morbidity with patient safety, quality and risk issues with workforce performance addressing areas of concern or deteriorating performance as required.
- Reviewing mortality data and clinical outcomes.
- Receiving reports on recommendations made by internal or external forums or bodies and monitoring the achievement of associated action plans
- Reviewing clinical service changes
- Seeking and providing assurance to the Board in respect of the effectiveness of the Trust's risk management arrangements in respect of mortality.
- Reviewing forecasts of future performance and lessons learned from past performance.

The Workforce Committee

The Workforce Committee has delegated authority to:

- Review evidence relating to external standards, including NHS Resolution (formerly (NHSR), Safe, Effective, Quality Occupational Health Service (SEQOHS), NHS Employers Guidance and CQC standards, raising any concerns regarding non-compliance in a timely manner and focusing on outcomes and improvements to the quality of patient and staff experience
- Review performance data and quality indicators covering key aspects of the Trust-wide workforce matters, identifying areas for action at a corporate and local level.
- Monitor the achievement of action plans covering key people management activities, including response to the annual Staff Survey, Staff Engagement Strategy, Recruitment and Retention Strategy, Equality Strategy (Equality Delivery Scheme (EDS2), Workforce Race Equality Standard (WRES) the Health Work and Well Being

agenda and other strategic workforce priorities including national recommendations, e.g. the Francis, Berwick, Cavendish, Saville and Keogh reports

- Review and take appropriate action based on reports from the Workforce Committee sub-groups
- With delegated authority from the Trust Board ratify relevant policies and procedures approved by Workforce Committee sub-groups
- Provide a report on activities of the Committee to the Trust Board on a monthly basis.
- Ensure any areas of risk relating to HR practices and activities are highlighted and escalated as appropriate

2.1.9 Equality, Diversity and Human Rights

As a public sector organisation, the Trust is statutorily required to ensure that equality, diversity and human rights are embedded into its functions and activities in line with the Equality Act 2010 and Human Rights Act 1998.

The Trust will have due regard to achieving the General Duties set out in the Equality Act 2010 to:

- Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Equality Act 2010.
- Advance equality of opportunity between people who share protected characteristics and those who do not.
- Foster good relations between people who share protected characteristics and those who do not.

To achieve the Specific Duties the Trust publishes on its public website a range of equality diversity and inclusion information:

- Annual Equality Diversity and Inclusion Report
- The Workforce Race Equality Standard Report (WRES)
- Workforce Disability Equality Standard Report
- Equality Delivery System 2 Report (EDS2)
- Gender Pay Gap Report

Control measures are in place to ensure that the organisation complies with all relevant equality, diversity and human rights legislation. They are:

- Trust Board Sign Off
- Workforce Committee
- Valuing our Peoples Group
- Patient Experience Group
- Learning Disability Group
- Updates to the Clinical Commission Groups (CCGs)
- Updates to NHS England

With regards to the Modern Slavery and Human Trafficking Act 2015, we are committed to maintaining and improving systems, processes and policies to avoid complicity in human rights violation. We realise that slavery and human trafficking can occur in many forms, such as forced labour, domestic servitude, sex trafficking and workplace abuse. This statement is on our website.

Our policies, governance and legal arrangements are robust, ensuring that proper checks including pre-employment, fit and proper persons' in relation to Schedule 5 of the Fit and Proper Persons' Regulation 2014 and due diligence take place in our employment procedures to ensure compliance with this legislation set out in the Modern Slavery and Human Trafficking Act 2015.

2.1.10 Workforce Strategies and Compliance

The key ways in which the Trust ensures that short, medium and long-term workforce strategies and staffing systems are in place and which assure the Board that staffing processes are safe, sustainable and effective are described *below and also shows how the Trust complies with the 'Developing Workforce Safeguards'*³

Short-term Workforce

The key issues are:

Daily safe staffing huddles with established terms of reference.

Currently Nurse staffing shortfalls are escalated, discussed and resolved on a day by day basis at the Safe Staffing Huddle. Safe Staffing Huddle is chaired by Head of Nursing/Midwifery, Associate Director of Nursing or Deputy Director of Nursing. Due consideration is given to the following:

- Any immediate adverse implications from staffing shortfalls
- Unexpected changes in acuity and dependency within a clinical area
- 1:1 supervision, Enhanced Levels of Care or cohorting of patients with specific nursing dependency needs is reviewed
- The mitigation of risk using professional nursing judgement for wards where nurse staffing numbers fall below planned levels

Out of hours this process is undertaken by the Site Manager, who is 'clinical'. In addition, any adverse incidents relating to nurse staffing are reported through the existing Datix system and discussed at the Daily Incident Review Meeting including the 'Red Flag Events'

Medium-term Workforce

- Bi-annual staffing establishment review – The bi-annual nurse staffing establishment review is currently due to be completed and will be presented at Board in July 2020
- Monthly Safe Staffing reports are presented at Workforce Committee and Trust Board to provide assurances around shift fill rates and care hours per patient day using UNIFY data

³ <https://improvement.nhs.uk/resources/developing-workforce-safeguards/>

- Working in collaboration with HEIs to promote via media - education and career opportunities within healthcare, focusing on nursing.

Long-term Workforce

- Workforce plan – recruitment and retention for both nursing and medical workforce
- Increase in the number of nursing student placements within the trust to increase conversion rates on qualification
- Implementation of International Nurse Recruitment

Care Quality Commission Regulatory Requirements

The Trust is fully compliant with the registration requirements of the Care Quality Commission (CQC). The Trust registered with the CQC on 1 April 2010 and is fully compliant with the registration requirements.

The CQC undertook an unannounced core services inspection in 2019 and the Trust achieved an overall rating of Requires Improvement. Actions from that inspection are being addressed. The Quality and Safety Committee receives monthly updates on the CQC action plan and this also presented to the Board quarterly.

2.1.11 Register of Interests

The Trust has published an up-to-date register of interests for decision-making staff, the Board of Directors on the Trust Website and internally for other decision-making staff within the past twelve months, as required by the 'Managing Conflicts of Interest in the NHS' guidance. Our policy, Standards of Business Conduct and Managing Conflict of Interests, has clearly set out these obligations which are monitored by the Audit Committee on behalf of the Board.

2.1.12 Pension Scheme

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.

2.1.13 Climate Change and Carbon Emission

Information about environmental matters

The Trust has programmes aimed at minimising power and water use, and maximising the amount of waste sent for recycling

Power and Water: Both Southport and Ormskirk hospitals generate their own energy from a combined heat and power (CHP) plant at each site.

Excess energy from these plants is exported to the National Grid. In 19/20 this was enough to supply 1,187 three-bedroomed houses for a whole year.

The power plants have also reduced the Trust's reliance on the National Grid with only 11% of total power used on site being derived from that source (7% Ormskirk, 15% Southport).

The Trust Improved working practices within the laundry has continued to make inroads into saving water and our early detection of issues around the Trust have this year discovered a leak at ODGH which was quickly fixed within the week preventing excessive water loss.

At the beginning of 2016, the Trust took delivery of an all-electric vehicle, loaned for four years by Veolia which runs the CHP plants, to help reduce fuel emissions and reduce costs. This loan is now coming to an end, but during that period the van has travelled 20,000 miles and has cost the Trust approximately £368 to run (Trust rate of electric due to CHP - £880 at average National Grid rate). This is a cost of £1.84 per 100 miles – the approximate cost for use of an equivalent diesel vehicle is £15.83 per 100 miles, therefore, a saving of £2,800 has been achieved for the time the Trust has operated the vehicle.

Next year the Trust will consider:

- Agree with Veolia to have another vehicle on loan
- Modifying all large motors and pumps at Southport to make them run more efficiently
- Evaluate the costs/benefits of utilising solar heat for heating the swimming pool

Waste Management/Segregation: The switch across the NHS from reusable items to single-use, disposable items increases the quantity of waste produced and the cost of waste disposal. However, better segregation and re-using items where possible meant the waste generated has stayed constant.

The new confidential waste disposal method has also caused logistical issue in working and this has led to a significant cost pressure on the waste budget, and this will be reviewed in the coming year. Regarding Waste Segregation, in 2020/21, the Trust will be reconfiguring its waste cupboards for improved segregation and reduced handling of waste. Whilst this doesn't necessarily make a cost saving it will mean the Trust is fully compliant and it is widely accepted that improved segregation will provide costs savings.

2.1.14 Review of Economy, Efficiency and Effectiveness of the Use of Resources

The following sets out a number of initiatives, systems and achievements demonstrating how effectively we have used our resources to deliver safe care for our patients.

- The Workforce and Organisational Development Strategy has been in place and will be reviewed during 2020

- Workforce and Organisational Development Plan which will be reviewed in 2020
- Plans are in place with Advancing Quality Alliance (AQuA) to co-design a Quality Improvement Strategy and training programme for all staff
- External Funding has been secured to ensure that there is a quality appraisal conversations training programme
- Staff Survey Action Plan has been developed with a focus on the three key areas where the Trust was below average
- At Our Best Leadership Development Programme
- Shadow Board Programme geared at Aspiring Directors was undertaken with one cohort of staff
- A dedicated apprenticeship lead is now in place to enable the Trust to deliver an extensive range of apprenticeship programmes aimed at recruiting and developing clinical and non-clinical staff
- Develop our career pathway offer including learning roles, rotational roles, secondment opportunities and internal transfer schemes to enable us to grow our own linked to apprenticeship opportunities
- Flexible approaches to role design and career pathways
- Engage and group our early years careers opportunities and pipeline of staff joining from the military
- Launched eLearning to deliver core mandatory training, clinical knowledge and management skills
- NHS Elect designed our staff engagement approach “Big Conversations” with a focus in year one on culture, values and behaviour. This work is now undertaken in-house

Quality, Patient Safety and Clinical Outcomes

Quality continued to be a key focus for the Trust and during the period we have given particular focus to the following:

- The Quality Improvement Action Plan with monthly reports to the Quality and Safety Committee and the Board
- Monthly Safe Staffing Report to Board and Quality and Safety Committee
- Commissioned External Reviews including:
 - Quality Spot Check
 - Clinical Business Unit Governance
 - Safeguarding

Research Development and Innovation (RDI)

Background

The Trust recognises that staff, from any discipline or activity, can generate new research, development and innovation, and that it is integral to transforming the delivery of evidence-based, safe, efficient, cost-effective care and improving health outcomes.

Research is a core function of health and social care. It develops the skills of staff and involves patients, service users and the public in the pursuit of knowledge that may benefit them and others.

Patients benefit enormously from research and innovation, with breakthroughs enabling prevention of ill-health, earlier diagnosis, more effective treatments, better outcomes and faster recovery.

Research governance

Anyone connected with research which involves NHS patients, samples, information, facilities, staff or services is expected to conduct research to the appropriate standards. This includes staff with letters of access, students and part-time staff, or those on short term attachments.

The Trust is also committed to ensuring research is conducted to the appropriate standards and legislative requirements (e.g. UK Policy Framework for Health and Social Care Research 2017, the Medicines for Human Use (Clinical Trials) 2004 and others). The 19 principals in the UK Policy Framework for Health and Social Care Research (2017) serve as a benchmark for the conduct of research.

The RDI has developed a suite of standard operating procedures (SOPs). All research activity is conducted in accordance with the Trust approved SOPs. These cover all aspects of the set up and conduct of a research project. These are reviewed and amended to reflect changes in the regulations.

To maintain the highest standards of rigour and integrity at all times, principal investigators are expected to sign an investigator declaration form prior to commencing any new research study. The declaration form clearly outlines the investigators' responsibilities when undertaking research.

The Research Management Office at St Helens and Knowsley Teaching Hospitals NHS Trust continues to provide a research management service to the Trust. This includes support from the research manager the senior research nurse and the RDI coordinator. This was agreed in a service level agreement which is due for review on 31 March 2021.

Key achievements

Covid-19

This year's annual report comes at a time of unprecedented upheaval for the NHS. The impact of Covid-19 on research has been immense and the Trust has responded in the most positive way.

The research team, supported by consultants, medics, nurses, and support services such as pharmacy and the laboratories have opened six National Institute for Health Research Urgent Public Health Research studies at short notice. These have included:

- ISARIC – a study aiming to discover the background of the virus so we can try to find better ways to manage and treat the infection in the future
- RECOVERY – a clinical trial to test the effects of potential drug treatments for patients admitted to hospital with both suspected and confirmed Covid-19

National orthopaedic award

Orthopaedic surgeons Mr Krushroo Suraliwala and Mr Imran Ullah were winners of the National Institute for Health Research 2019 Network awards. They were named best Musculoskeletal Trauma Principal Investigator and Best Musculoskeletal Trauma Trainee Principal Investigator, respectively. They were involved in the multi-centre research projects WHITE 5 and WHITE Cohort which have the potential to alter NICE guidelines for patients with hip fractures.

Top study recruiter

The Trust was recognised as a top recruiting site for:

- FLOELA – a clinical trial of blood flow optimisation for patients who have emergency bowel surgery).
- WHITE – a comprehensive cohort study of patients with fracture of the proximal femur
- PEAT – The Trust was the first site in the country to recruit the first patient to a study exploring the extent to which models of “teachable moments” explain eating behaviour in pregnancy. We continue to be one of the highest recruiting sites, having recruited 46 participants, which was over half of the recruitment target in the first 4 weeks

NIHR Portfolio studies

For the fourth year running the Trust exceeded its target for recruitment to NIHR Portfolio studies. Of the 21 partner organisations, the Trust was one of only eight trusts to exceed the recruitment target during 2019/20.

Promoting research

The RDI team increased their research participation by promoting research to staff and patients via:

- Regular posts on the Trust social media pages
- Library services
- Training and education
- Trust open days

Service developments

The Trust took action to **protect the experience of patients and the ability of staff to work safely** at Southport hospital against a 10% rise in A&E attendance.

At the same time, the Trust had empty and under-used wards at Ormskirk District General Hospital.

To free up beds at Southport hospital, the outpatient physiotherapy team temporarily began working out of Ormskirk hospital on 7 December. Outpatient physiotherapy service continued to be provided at Southport as necessary.

The vacated space at Southport became a ward for patients who were waiting, or would be shortly ready, to go home from hospital.

The Trust also refurbished E ward at Ormskirk for use by inpatients who need orthopaedic rehabilitation, freeing more than dozen beds at Southport.

Staff at **Sefton Sexual Health Services** celebrated the official opening of their St Hugh's clinic in Bootle in September. The Trust opened the clinic earlier this year following a £260,000 investment.

The clinic incorporates services previously available at the nearby May Logan Centre and the PACE service for under-19-year-olds at Bootle Health Centre.

The Trust has invested in services and equipment including £535,000 on 31 anaesthetic machines and £170,000 on 15 bladder scanners.

Electronic prescribing will also mean information about patient's medicines can be more easily and reliably shared between all the organisations that a patient is in contact with e.g. general practitioners.

Around £200,000 was invested in refurbishments to the **North West Regional Spinal Injuries Centre** when it was temporarily closed to new admissions in the summer.

The closure decision was taken in the best interests of patients and in accordance with guidance in our infection outbreak policy following an increase in the incidence of patients colonised with the Klebsiella bacteria.

Smaller but important improvements have included:

- The hanging of disposable rather than washable bed curtains across the Trust, enhancing both the ward environment and infection control
- Regular ward visits to patients of Pets as Therapy dogs. Patients on the paediatric ward and intensive also met a pair of American miniature horses who visited in the summer
- Staff at Ormskirk hospital created a new role of "theatre escort nursing associate" to free up registered nurses and ensure patients arrived for their operation on time

Performance improvements

A year on from officially launching our **Getting It Right First Time (GIRFT)** programme in Orthopaedics, the programme's national champion Prof Tim Briggs returned in November to inspect progress.

Mr Chetan Sangani, Clinical Director for Orthopaedics, and Medical Director Dr Terry Hankin walked him through their many improvements at a presentation for staff. They included:

- A near 100% Advancing Quality score for hip and knee operations
- Achieving four-joint list on some all-day lists – minimum is 3 joints and 1 or 2 arthroscopies
- Changed from reverse hybrid hip replacement to fully cemented hip 70+
- All surgeons undertaking at least 20 primary hip and knee a year
- Consultant of the Week introduced
- Dedicated Paediatric trauma at Ormskirk every week

Staff engagement

The **Organisational Development** team led a series of Big Brews and Big Conversation events for staff over the spring and summer to hear how they feel about working at the Trust and what our organisation's values mean to them. What they learned will feed into the workforce development plans for the Trust.

More than 400 visitors joined staff hosting our Trust **open day** at Ormskirk hospital in September.

The theatre tour was a big hit with our younger visitors which included a history of anaesthesia as well as the opportunity to have a go at 3D keyhole surgery. Maternity, Orthopaedics on F ward, Paediatrics and Radiography also had a steady stream of visitors getting a feel for what it is like behind the scenes at hospital.

Trust chaplain, the Rev Martin Abrams, led the rededication of our **memorial baby garden** organised by a staff and patients focus group. Around 100 people joined the service and planted bulbs in the garden afterwards.

Engaging staff will be crucial to the successful relaunch of **Southport and Ormskirk Hospitals Charity**. A silly sock and jumper day in November was the first fundraising awareness event.

Patchwork, the new **medical bank provider**, enabled development of a closer relationship with locum staff, enhancing their experience of working for the Trust.

The Meeting Place, a dedicated Trust staff Facebook page continues to go from strength to strength, with approaching 2,000 members. It has become a lively community for ideas, mutual support and sharing stories.

Staff awards

Two hundred and fifty staff and guests attended the Trust's annual Time to Shine Awards at Formby Hall hotel in October. A record of nearly 300 nominations were received from colleagues and members of the public for the People's Vote Award. The winners were:

- Team of the Year (clinical): **Stroke ward**
- Behind the Scenes Award: **Chris Pilkington** (Emergency Planning Officer)
- People's Vote Award: **Hospital Alcohol Liaison Team**
- Every Day Excellence Award: **Roger Nicholson**
- Improvement Award: **Clinical Decisions Unit**
- Clinical Mentor of the Year: **Mark Warburton**
- Compassion in Action Award: **Dr Sharryn Gardner**
- Apprentice of the Year Award: **Jasmin Groom** (9B Trainee Practitioner Nurse)
- Volunteer of the Year Award: **Southport hospital welcomers**
- Thanks a Bunch Award: **Matt Parry** (Casting Manager)

We also continued our **Thanks a Bunch** awards made to two teams or individuals nominated by colleagues each month.

2.1.15 Information Governance

Information Governance is the standard and process for ensuring that organisations comply with statutory and regulatory requirements regarding handling, accessing and dealing with personal information. The Trust has clear policies and processes in place to ensure that information, including patient information, is handled in a confidential and secure manner.

The Information Governance Steering Group (IGSG) sits bi-monthly and is chaired by the Executive Director of Finance in his capacity of Senior Information Risk Owner (SIRO). The IGSG is a well-established sub-committee that is accountable to the Finance, Performance and Investment Committee and ultimately to the Trust Board. The purpose of the IGSG is to support, lead and evidence the Trusts Information Governance agenda and provide the Board with assurance.

In line with Trust policy, all members of staff are required to complete Information Governance training every 12 months. For new starters, Information Governance training is delivered as a standing item at Corporate Induction ensuring that all new staff are compliant within their first month of employment with the Trust. Ongoing compliance monitoring is conducted by the Information Governance team who send weekly emails.

Furthermore, training is also delivered through eLearning Data Security Awareness session, completion of the Information Governance Handbook and classroom training delivered at

both our Southport and Ormskirk sites. The Information Governance team also deliver training directly to teams upon request.

The Information Governance training modules include an outline of the relevant legal position, NHS guidance and the Trust's policies relating to the safe and appropriate processing, handling and storage of information.

In January 2020 the Trust Board attended a two hour GCHQ certified cyber security training and awareness session provided by Templar Consultant who were contracted by NHS Digital to provide the training. This was followed by the Executive Director of Finance completing the Senior Information Risk Owner training in February.

Information security-related incidents are reported via the Trust's incident reporting system. Incidents are reviewed by the Information Governance Steering Group which is chaired by the Senior Information Risk Owner. Where an ongoing information risk is identified, this is recorded on the relevant risk register, along with a note of actions to be taken to minimise the chances of re-occurrence and impact.

There were seven incidents requiring investigation during the period from April 2019 to March 2020, these incidents were reported firstly to NHS Digital via the Data Security and Protection Toolkit, of the seven incidents only one required reporting to the ICO.

The ICO reportable incident related to a complainant writing to the Trust and providing a previous address as their correspondence address, the Trust sent further correspondence to this address. The incident was reported to the ICO on 20/01/2020 and was closed by the ICO 11/02/2020 with no actions taken against the Trust.

In the last financial year the Access to Medical Records team who deal with records for records from patients, the police, solicitors and family courts was moved under the management of the Information Governance Manager, during this period they have facilitated 1240 requests for medical records. In the same period the Trust has received 655 requests for Information made under the Freedom of Information Act.

2.1.16 Data Quality and Governance

The Trust has a number of ways of ensuring the quality and accuracy of waiting time data. Weekly Access Meetings take place to discuss patients who are waiting. These meetings are used to understand and remove potential blockers to the patients' timely treatment and to help ensure the patients are seen in line with the Trust's Access Policy.

We have undergone audits from both NHS Improvement and MIAA (Mersey Internal Audit Agency) to check the accuracy of our data as well as the processes and procedures around load and using the data. The NHS Improvement audit in particular focused on RTT and Planned Waiters and assured us that our reporting was robust and accurate but also gave us some areas for improvement which we have addressed.

With regards to providing access to the data, we have a SQL Server 2014 Data Warehouse which is updated every 30 minutes with data from the Clinical System, Medway. This data is

then used in a number of self service reports which allow users to interrogate the data and access the required information. Weekly snapshots of the data are also taken to better understand trends so timely action can be taken in event the number of waiters rise in a Specialty.

The Information Department has processes in place for checking the data available in report to check it accurately reflects the Clinical System, there are also checks made by the Access Office to ensure accurate information is being entered in the first instance.

2.1.17 Key Financial Governance Policies and Processes

As Accountable Officer I have responsibility to the Board for the economy, efficiency and effectiveness of the use of resources. This is achieved operationally through good governance and systems of internal control designed to ensure that resources are applied efficiently and effectively.

The effective and efficient use of resources is managed by the following key policies:

Standing Orders

The *Standing Orders* are contained within the Trust's legal and regulatory framework and set out the regulatory processes and proceedings for the Board of Directors and its committees and working groups including the Audit Committee, whose role is set out below, thus ensuring the efficient use of resources.

Standing Financial Instructions (SFIs)

The SFIs detail the financial responsibilities, policies and principles adopted by the Trust in relation to financial governance. They are designed to ensure that its financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness.

They do this by laying out very clearly who have responsibility for all the key aspects of policy and decision making in relation to the key financial matters. This ensures that there are clear divisions of duties, very transparent policies in relation to competitive procurement processes, effective and equitable recruitment and payroll systems and processes. The budget planning and allocation process is clear and robust and ensures costs are maintained within budget or highlighted for action.

The SFIs are to be used in conjunction with the Trust's *Standing Orders* and the Scheme of Reservation and Delegation and the individual detailed procedures set by directorates.

Scheme of Reservation and Delegation

This sets out those matters that are reserved to the Board and the areas of delegated responsibility to committees and individuals. The document sets out who is responsible and the nature and purpose of that responsibility. It assists in the achievement of the efficient and effective resources by ensuring that decisions are taken at an appropriate level within the organisation by those with the experience and oversight relevant to the decision being made.

It ensures that the focus and rigor of the decision making processes are aligned with the strategic priorities of the Trust and it ensures that the Trust puts in place best practice in relation to its decision making.

Anti-Fraud, Bribery and Corruption Policy

The Bribery Act which came into force in April 2011 makes it a criminal offence for commercial organisations to fail to prevent bribes being paid on their behalf. Failure to take appropriate measures to avoid (or at least minimise) the risk of bribery taking place could lead to the imposition of fines, or imprisonment of the individuals involved and those who failed to act to prevent it. This will help ensure that the taking or receiving of bribes is less likely and improve the integrity and transparency of the Trust's transactions and decisions.

The Trust Board places reliance on the *Audit Committee* to ensure appropriate and sound governance arrangements are in place to deliver the efficient and effective use of resources and the Trust's internal control systems are robust and can be evidenced.

The Audit Committee agrees an annual work programme for the Trust's Internal Auditors and the Anti-Fraud Service, and reviews progress on implementation of recommendations following audit and other assurance reports and reviews.

Independent assurance is provided through the Trust's internal audit programme and the work undertaken by NHS Counter Fraud Authority, reports from which are reviewed by the Audit Committee.

Work of the Board of Directors in Monitoring Finance

The Board of Directors receive on a monthly basis, a Director of Finance report which includes sustainability and CIP issues.

The Finance, Performance and Investment Committee meet on a monthly basis to scrutinise finance and performance issues and gives assurance to the Board where applicable. It further analyses finance and performance strategic and operational risks and make recommendations to the Board as to what actions are needed in relat

ion to those risks.

Work of the Audit Committee

The Audit Committee provides an 'oversight' role on behalf of the Board, reviewing the adequacy and effectiveness of controls. It is supported by the Quality and Safety Committee, Finance and Performance Investment Committee, Remuneration and Nominations Committee, Charitable Funds Committee and Workforce Committee which carry out their duties as assurance committees, in reviewing systems of control and governance in relation to all matters of clinical quality and safety, financial control and investment and workforce and organisational development.

Work of the Finance, Performance and Investment Committee

As stated above *The Finance, Performance and Investment Committee* has delegated authority to monitor and scrutinise:

- Financial performance – includes monthly performance and CIP
- Patient flow- includes activity levels, AED and waiting time performance
- Capital Programme, including IT
- Annual review of the Performance Framework
- Investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any requests made by the Committee
- Scrutinise strategic and operational risks in relation to performance and finance and receives reports on the above on a monthly basis. Any major concerns are escalated to the Board of Directors.

2.1.18 Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the Trust who have responsibility for the development and maintenance of the internal control framework.

I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Quality and Safety Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In describing the process that had been applied in maintaining and reviewing the effectiveness of the system of internal control, I have set out below some examples of the work undertaken and the roles of the Board and Committees in this process:

The Board reviews the Board Assurance Framework on a quarterly basis along with the Risk Register on a monthly basis.

- The establishment of a Risk and Compliance Group whose purpose is to promote effective risk management, regulation and compliance and to maintain a dynamic Board Assurance Framework, risk registers and compliance and regulatory registers through which the Board can monitor the arrangements in place to achieve a satisfactory level of corporate integrated internal control, safety and quality.
- The Group will promote local level responsibility and accountability and will challenge risk assessment and risk assurance arrangements in areas of Trust activity where

robust controls are not evident, in order to raise standards and ensure continuous improvement

- A programme of Risk Management training for all staff
- The Internal Audit Plan which is risk based and is approved by the Audit Committee at the beginning of each year. Progress reports are then presented to the Audit Committee on a quarterly basis with the facility to highlight any major issues. The Chair of the Audit Committee can, in turn, quickly escalate any areas of concern to the Board via a Committee Report and produces an annual report on the work of the Committee and a self-evaluation of its effectiveness.
- The Executive Team meets on a weekly basis and has a process whereby key issues such as performance management, serious incidents, recruitment and retention, safe staffing, action plans arising from external reviews and risk management are considered both on a planned timetable and an ad-hoc basis if there is a need. Members of the Clinical Business Units' (CBUs) Triumvirate were invited and in attendance at the Thursday meeting to give update reports on performance issues in the CBUs.
- The Board and its statutory and assurance committees have clear cycles of business and reporting structure to allow issues to be escalated via the 'floor to board' risk escalation framework.(see **Figure 4**). The purpose of each committee is outlined in the Governance Structure at **Figure 1** and their work is summarised above.

The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by the work of internal and external audit, the external review processes for the Clinical Negligence Scheme along with the NHS Resolution and the Care Quality Commission.

Work is continuing on a robust action plan to address the Must Dos and other recommendations from the CQC Inspection. These updates on the CQC Action Plan are discussed on a monthly basis at both the Quality and Safety Committee and quarterly at the Board of Directors.

2.1.19 Head of Internal Audit Opinion

Internal Audit reviews the system of internal control during the course of the financial year and report accordingly to the Audit Committee. The Head of Internal Audit has provided an overall opinion of Substantial **Assurance** based on their work during 2019-20, which gives me confidence that we have a good foundation on which to build our improvement work.

Specifically, the Head of Internal Audit has stated:

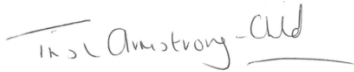
Substantial Assurance can be given that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently

2.1.20 Conclusion

Over the course of the year the Trust's system of internal control has highlighted some opportunities for development in a number of areas, all of which are being addressed. These resulted in additional support systems and personnel that were put into the Trust by the regulator with a view to enhance quality and safety service delivery. It is pleasing to note the acknowledgement of our progress by the regulator, on our continued improvement journey which resulted in regulators formally announced that the Improvement Director and Turnaround Director would be moving on to their next assignments.

Notwithstanding the challenges we faced I believe we have demonstrated that the system of internal control itself has proved to be robust and has been further strengthened in the period as outlined in this Statement.

Accountable Officer:



Trish Armstrong-Child:

Chief Executive

Date: 17 June 2020

2.2 Board Statutory and Assurance Committees

The *Audit Committee* is responsible for scrutinising the overall systems of internal control (clinical and non-clinical) and for ensuring the provision of effective independent assurance via internal audit, external audit and local anti-fraud services. The Audit Committee reports to the Board quarterly via an Assure, Alert and Advise Highlight Report along with minutes from the meeting after every meeting and annually on its work via the Annual Report of the Audit Committee in support of the *Annual Governance Statement*, specifically commenting on the fitness for purpose of the BAF, the completeness and extent to which risk management is embedded in the Trust and the integration of governance arrangements.

The Committee met on a quarterly basis except for an extra meeting in May to review and make recommendations to the Board on the Annual Report, Annual Accounts and Quality Accounts.

The Annual Report 2019/20 of the Audit Committee is set out below:

2.2.1 Work of the Audit Committee during 2019/20

Role of the Audit Committee

The Audit Committee's (Committee) main role is to provide independent assurance to the Board of Directors (Board) on the effectiveness of SOHT's internal control and governance arrangements. It follows the best practice guidance set out in the current NHS Audit Committee Handbook. Its responsibilities are described in terms of reference; these were reviewed in April 2019 and are available on the SOHT website:

Membership and Meetings

Four (4) independent non-executive directors are members of the Committee:

Mr Jim Birrell	Member from September 2017 and Chair from May 2019
Mr David Bricknell	Member from March 2018
Mrs Julie Gorry	Member from July 2019
Mr Graham Pollard	Member from March 2020

Table 13

The Committee met five times during the year including a special meeting in May to review the end of year documents.

The internal and external auditors, anti-fraud service, the Finance director, Director of Nursing, Deputy Finance director, and the Company Secretary regularly attend meetings to assist the Committee with its duties. Other directors and senior managers are invited to attend to provide assurance on specific items. The Chief Executive attends annually to discuss the annual accounts and annual governance statement. The Chief Executive attended the meeting held in May 2019 to present the Annual Governance Statement.

The Committee members also held private meetings with both the external audit partner and the Director of Internal Audit during the year.

2.2.2 Board Governance Arrangements

There are three statutory Board committees: Audit; Remuneration and Nominations and Charitable Funds. There are three Board assurance committees: Finance, Performance and Investment (FP&I); Quality and Safety (QSC) and Workforce, all with a monitoring and oversight role.

The last 12 months has seen a gradual change in the Audit Committee's approach to its work programme. For example, the Committee is working closer with the Trust's Assurance Committees and holding more informal knowledge sharing meetings with the Internal and External Auditors, the impact of which has been enriched discussions at meetings and feedback to the Board. At all times the aim has been to improve the Committee's effectiveness - a process that includes recognition of the need to be self-critical and open to constructive criticism so all suggestions for further/alternative ways of improvement will be warmly welcomed.

2.2.3 Business of the Audit Committee

The Committee has an annual work plan developed from its terms of reference. The following provides an overview of the business conducted during the year demonstrating how an effective Committee can bring benefits. The internal and external auditors also provided regular audit, governance and legal briefings for the Committee.

2.2.4 Risk Management, Assurance and Governance

- **Risk Management Strategy** – the Committee reviewed and agreed the Trust's Risk Strategy in July 2019. Subsequent discussions confirmed that the organisation has a good understanding of its key risks. However, the Committee has occasionally challenged the appropriateness and scores attributed to some of the high level risks. Feedback and action on comments made has generally been slower than the Committee would expect.
- **Risk Register** - the Committee reviewed a quarterly risk report from the clinical risk team. As well as reviewing the Trust's principal risks, the Committee also focused on the high clinical and non-clinical operational risks.
- **Board Assurance Framework** – the Committee has agreed with the assessment of Strategic Objectives and their associated key risks. However, it has expressed the view that the presentation should be more reader-friendly so that this important topic receives the attention it deserves. The Committee has also pointed out that gaps in controls and assurances need to be addressed in a more timely fashion.
- **Governance Systems** – the Committee has not identified any areas of significant duplication or omission in the trust's systems of governance.

Preparing the Annual Governance Statement (AGS) is an important part of the governance process. To ensure that the AGS can be recommended for inclusion in the annual accounts,

the Committee received regular reports on the control framework and the internal assurance processes throughout the year. These included:

- A revision and approval of the Scheme of Reservation and Delegation, approval of the Standing Orders and Standing Financial Instructions
- Finance metrics reports which included write-off of aged debts, losses and special payments
- Tenders
- Corporate Registers including
 - Fit and Proper Persons' test
 - Declaration of Interests
 - Gift and Hospitality
 - Corporate Policies
 - Use of Trust Seal

2.2.5 Other Issues and Concerns Addressed in the Year

- **Financial Reporting Systems** – bearing in mind the positive assessments made by both External and Internal Auditors during their audit programmes, the Committee felt confident in relying upon the Trust's financial reporting systems.
- **Financial Statements** - the Committee examined and agreed the Trust's annual accounts, annual report and supporting statements without making any comment of significance. However, it should be noted that the Finance, Performance & Investment Committee has expressed concerns about the delay in producing reliable specialty costing information, the absence of which has impacted on the assessment of service viability and the use of such information in developing future service models.
- **Internal Controls** – whilst no instances were found of internal controls resulting in significant loss, both the Audit and the Finance, Performance & Investment Committees have commented on the absence of an adequate accountability framework to challenge under-performance and the failure to deliver the Trust's Cost Improvement target.
- **Governance Weaknesses** – no major problems have come to light but “limited assurance” internal audit reports have highlighted concerns in respect of consultant job planning, e-rostering and the recording of important patient observations. Action plans have been agreed for all these areas and the Committee will consider progress in due course. There is one outstanding area from last year's Audit Committee Annual report and that relates to the incomplete recording of gifts and hospitality. The Board Secretary is addressing this issue. On a more general note, the Committee considered an assurance map that confirmed both the scoring associated with Strategic Objectives and the key risks facing the Trust. The Committee plans to revisit this work in coming months.
- **Clinical Information Systems** – whilst clinical information systems are generally felt to be robust, the Internal Audit report on patient observations referred to in the previous section together with the findings of External Auditors when test checking the 2018/19 Quality Accounts suggest that there are some problems in terms of what is and is not recorded within clinical information systems. The Director of Nursing is aware of this situation and is undertaking a number of actions that should address the problems. The Quality & Safety Committee will monitor and provide periodic updates to the Audit

Committee. With regards to Clinical Audit, the Committee noted the work undertaken in 2018/19 but felt it would be more appropriate in future for assurance on the subject to come to the Audit Committee from the Quality & Safety Committee. However, this will not prevent the Committee expressing direct concerns if necessary.

2.2.6 Raising Concerns (Whistleblowing) Processes

The Raising Concerns (Whistleblowing) Policy and process were reviewed by the Committee who discussed how concerns were investigated. It received quarterly reports on the declaration of concerns, how they were managed and outcomes from the Freedom to Speak Up (FTSU) Guardian. It also received assurance on this issue via the appointment of an independent NED Board lead as FTSU Champion and a substantive Freedom to Speak Up Guardian who is in the process of appointing local FTSU Champions across CBUs and departments

2.2.7 Internal Audit

Mersey Internal Audit Agency (MIAA) continued with internal audit provision during 2019/20. A progress update on reviews and follow up on recommendations was presented at all meetings. Each assurance report included an opinion and a management action plan to address any weaknesses. A senior member of the management team, if requested, attended the Committee to respond to the report and update on the action plan. The Committee subsequently followed up the actions and referred some reports to other assurance committees for a more in-depth discussion.

The Committee reviewed the Internal Audit's Annual Report for the year including the Head of Internal Audit Opinion (HOIA) opinion. The opinion was one of **substantial assurance** which was subsequently included in the AGS and the Annual Report

2.2.8 Anti-Fraud, Bribery and Corruption

MIAA, the local anti-fraud services (AFS) provider, presented updates on fraud and an Anti-Fraud Annual Report to the Committee. These detailed the Anti-Fraud Policy work and gave an analysis of emerging fraud risks across the provider sector and the wider NHS. They showed that more pro-active anti-fraud work was being carried out and also included information about cases under investigation.

2.2.9 External Audit, Review of Financial Statements and Annual Reports

The Committee reviewed and agreed the external audit plan with Mazars and received quarterly progress updates and briefings throughout the year.

The 2019/20 final audited accounts received an unqualified opinion. The auditors will be obliged to make a statement to the Secretary of State for Health and Social Care regarding the Trust's inability to abide by its duty under section 30 to break even.

The Committee has been content with the work and input of the External Auditors.

2.2.10 Non-Audit Work

The Committee reviewed the engagement of the external auditors' policy which governs the use of non-audit services. Mazars do not provide any non-audit services to the Trust.

2.2.11 Planned 2020/21 Work Programme

During 2020/21 the Audit Committee will continue to cast a critical eye on matters relating to risk management, governance and assurance. It intends to work even more closely with the assurance committees, which would facilitate the introduction of jointly agreed reviews into key Strategic Risks and more shared analysis on assurance. An added benefit from this joint working should be that greater weight is attributed to the key messages within the "Alert, Advise, Assure" reports produced after each Committee meeting, which can only help the Board in its overarching review of topical Trust issues.

The frequency of meetings is not scheduled to change but additional sessions will be arranged if members feel that the terms of reference are not being adequately addressed.

2.2.12 Evaluation and Assessment and Briefings

The Committee's performance will be conducting its annual evaluation using the Performance and Effectiveness Tool and self-assessment against the checklist in the Audit Handbook and the Committee's Terms of Reference.

2.2.13 Conclusion

In making this statement, the Committee is grateful to the Executive Team for their support and acknowledges the support given by both external and internal audit.

The Audit Committee shall review the Annual Report, the Annual Governance Statement and Financial Statements before submission to the Board, focusing particularly on:

- The wording in the *Annual Governance Statement* and other disclosures relevant to the Terms of Reference of the Committee.
- Changes in, and compliance with, accounting policies, practices and estimation techniques.
- Unadjusted mis-statements in the financial statements.
- Significant judgements in preparation of the financial statements.
- Significant adjustments resulting from the audit.
- Letters of representation.
- Explanations for significant variances.

Jim Birrell

Audit Committee Chair
17 June 2020

2.2.2 Business of the Quality and Safety Committee

The Quality and Safety Committee scrutinises and gives overview on clinical risks and holds the Executives to account with ensuring that clinical risks processes as set out in the Risk Management Strategy are adhered to and how they are being managed and controlled. This includes oversight of the performance and quality dashboards which show compliance with CQC registration requirements and other statutory compliance with quarterly reports being scrutinised prior to their submission to the Board.

The Quality Committee's other duties include:

- Seeking and providing assurance to the Board in respect of the effectiveness of the Trust's Integrated Governance arrangements underpinned by organisational development.
- Overseeing the development and implementation of the Trust's Risk Management, Quality and Nursing and Care Strategies including the Quality Improvement Strategy.
- To provide the Board with assurance regarding the effectiveness of all aspects of mortality and morbidity in the Trust.
- Triangulate mortality and morbidity with patient safety, quality and risk issues with workforce performance addressing areas of concern or deteriorating performance as required.
- Reviewing mortality data
- Reviewing clinical outcomes
- Reviewing clinical service changes
- Seeking and providing assurance to the Board in respect of the effectiveness of the Trust's risk management arrangements in respect of mortality.
- Reviewing forecasts of future performance and lessons learned from past performance.

The Quality and Safety Committee met 11 times during the April 2019 to March 2020. All meetings were quorate with the exception of the meeting held in October 2019 which was subsequently cancelled. The Trust Chair and Chief Executive, as Ex-Officio members also attend Committee meetings.

2.2.3 Business of the Finance, Performance and Investment Committee

The Finance, Performance and Investment Committee has delegated authority to monitor and scrutinise:

- Financial performance – includes monthly performance and CIP
- Patient flow- includes activity levels, AED and waiting time performance
- Capital Programme, including IT
- Annual review of the Performance Framework

- Investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any requests made by the Committee

The Finance, Performance and Investment Committee met 11 times during the April 2019 to March 2020. All meetings were quorate. The Trust Chair and Chief Executive, as Ex-Officio members also attend Committee meetings.

2.2.4 Business of the Workforce Committee

The Workforce Committee has delegated authority to:

- Review evidence relating to external standards, including NHS Resolution (formerly NHS Litigation Authority (NHSLA) (NHSR), Safe, Effective, Quality Occupational Health Service (SEQOHS), NHS Employers Guidance and CQC standards, raising any concerns regarding non-compliance in a timely manner and focusing on outcomes and improvements to the quality of patient and staff experience
- Review performance data and quality indicators covering key aspects of the Trust-wide workforce matters, identifying areas for action at a corporate and local level, ensuring follow up takes place:
- Monitor the achievement of action plans covering key people management activities, including response to the annual Staff Survey, Staff Engagement Strategy, Recruitment and Retention Strategy, Equality Strategy (Equality Delivery Scheme (EDS2), Workforce Race Equality Standard (WRES) the Health Work and Well Being agenda and other strategic workforce priorities including national recommendations, e.g. the *Francis, Berwick, Cavendish, Saville and Keogh reports*
- Review and take appropriate action based on reports from the Workforce Committee sub-groups
- With delegated authority from the Trust Board ratify relevant policies and procedures approved by Workforce Committee sub-groups
- Provide a report on activities of the Committee to the Trust Board on a monthly basis.
- Ensure any areas of risk relating to HR practices and activities are highlighted and escalated as appropriate

The Workforce Committee met 10 times during the April 2019 to March 2020. All meetings were quorate. The Trust Chair and Chief Executive, as Ex-Officio members also attend Committee meetings.

2.2.5 Business of the Charitable Funds Committee

The Board has established a Committee of the Trust to be known as the Charitable Funds Committee. The Board has the power to appoint and delegate functions in respect of charitable funds pursuant to *section 11 of the Trustee Act 2000*.

The Charitable Funds Committee met twice during the April 2019 to March 2020. All meetings were quorate.

2.2.6 Business of the Remuneration and Nominations Committee

The Remuneration and Nominations Committee has the delegated authority from the Board to:

- seek any information it requires from any employee of the Trust in order to perform its duties as set out below
- obtain, within the limits set out in the Trust's *Scheme of Delegation*, outside professional advice on any matter within its terms of reference
- call any employee to be questioned at a meeting of the committee as and when required.

The Remuneration and Nomination Committee met five times during the April 2019 to March 2020. All meetings, which were held virtually, were quorate.

2.3 The Directors' Report

2.3.1 The Trust Board

Chair and Non-Executive Directors



Neil Masom

Chair of the Board of Directors;
Chair of Remuneration and Nominations Committee
Chair of Charitable Funds

Appointed December 2018

(1st term until Nov 2020)



Jim Birrell

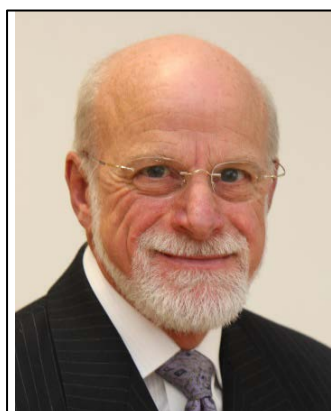
Non-Executive Director;
Chair of Audit Committee
Finance, Performance and Investment Committee (interim chair)

Committee membership

Remuneration and Nominations Committee
Charitable Funds

Appointed July 2017

(2nd term until July 2021)



David Bricknell

Non-Executive Director; Chair of Quality and Safety Committee

Committee Membership

Audit Committee
Remuneration and Nominations Committee
Charitable Funds

Appointed April 2018

(1st term until April 2021)



Pauline Gibson**
 Associate Non-Executive Director;
Appointed July 2017
(2nd term until July 2021)
 Chair of Workforce Committee

Committee Membership

- Finance, Performance and Investment Committee
- Charitable Funds Committee
- Remuneration and Nominations Committee



Julie Gorry
 Non-Executive Director
Appointed August 2017
(2nd term until June 2021)

Committee Memberships:

- Quality and Safety Committee
- Audit Committee
- Workforce Committee
- Charitable Funds Committee
- Remuneration and Nominations Committee



Graham Pollard
 Non-Executive Director;
Appointed March 2020
(1st term until Feb 2023)

Committee Memberships

- Finance, Performance and Investment Committee
- Audit Committee
- Charitable Funds Committee
- Remuneration and Nominations Committee



Gurpreet Singh
 Non-Executive Director;
Appointed April 2018
(2nd term until April 2022)

Committee Memberships

- Quality and Safety Committee
- Workforce Committee
- Charitable Funds Committee
- Remuneration and Nominations Committee

EXECUTIVE DIRECTORS



Trish Armstrong-Child

Chief Executive

Joined the Trust December 2019



Therese Patten

Deputy Chief Executive / Director of Strategy

Joined the Trust in October 2016



Steve Shanahan

Executive Director of Finance

Joined the Trust in November 2015



Terry Hankin

Executive Medical Director

Joined the Trust in January 2019



Bridget Lees

Executive Director of Nursing, Midwifery, Therapies and Governance

Appointed March 2020



Steve Christian**

Chief Operating Officer

Appointed October 2018



Jane Royds**

Director of Human Resources and Organisational Development

Appointed October 2018

****indicates non-voting members**

2.3.2 Changes to our Board

The following changes to the Board of Directors occurred in 2019/20

- Ged Clarke retired from his role as a non-executive director in May 2019
- Jo Morgan resigned from her role as a NED in October 2019.
- Silas Nicholls left the Trust in October 2019
- Trish Armstrong-Child was appointed Chief Executive and joined the Trust in December 2019
- Juliette Cosgrove left the Trust in February 2020
- Bridget Lees was appointed Director of Nursing, Midwifery and Therapies in March 2020
- Graham Pollard was appointed non-executive director in March 2020

FORMER DIRECTORS



Ged Clarke

Non-Executive Director;

**Appointed May 2016 -
left April 2019**



Jo Morgan

Non-Executive Director

**Appointed April 2019
left October 2019**



Silas Nicholls

Chief Executive

**Appointed April 2018
left October 2019**



Juliette Cosgrove

Executive Director of
Nursing, Midwifery and
Therapies

**Appointed May 2018 left
February 2020**

The Board of Directors held 11 meeting in public during 2019/20 which were quorate. The Board achieved the agreed 75% attendance by all directors at all meeting. Attendance at some of the Committee was impacted by the transition to another role and periods of absence due to ill health for others.

2.3.3 Attendance by the Directors at Board and Committee meetings is summarised in table 10 below.

Name	Position	Trust Board	Audit Committee	FPI	Quality and Safety	Workforce	Charitable Funds	Rem Committee
Total Meetings		11	5	10	11	10	2	5
Neil Masom	Chair	10					2	5
Trish Armstrong-Child	Chief Executive	4 (4)						
Jim Birrell	Non-Executive Director	11	5	9	1(2)		1	5
David Bricknell	Non-Executive Director	10	4	8	11	7	1	5
Ged Clarke	Non-Executive Director	1 (of 1)	1 (of 1)					
Juliette Cosgrove	Executive Director of Nursing, Midwifery and Therapies	10(of 10)	5		9(10)		0	
Julie Gorry	Non-Executive Director	11	3(3)	2 (2)	8		2	5
Terry Hankin	Executive Medical Director	9			7		0	
Steve Shanahan	Executive Director of Finance	11		11			1	
Gurpreet Singh	Non-Executive Director	9		1(1)	8	8	0	5
Silas Nicholls	Chief Executive	6 (of 6)					0	
Jo Morgan	Non-Executive Director	3 (of 4)		3(6)			1	
Therese Patten	Deputy CEO / Director of Strategy	11		2(2)				
Bridget Lees	Director of Nursing, Midwifery and Therapies	1 (of 1)			1(1)			
Pauline Gibson	Associate Non-Executive Director	10		1(9)		9	1	
Jane Royds	Director of Human Resources and Organisation Development	10						5
Steve Christian	Chief Operating Officer				1(2)			
Audley Charles	Company Secretary	4(4)	3(3)	1(4)			0	2 (2)
Anita Davenport	Interim Company Secretary	3(3)	2(2)	3(3)				1(1)
Sharon Katema	Company Secretary	4(4)	1(1)		2(2)			2(2)

2.3.4 Details of Company Directorships and Other Significant Interest Held by Directors

Details of Interest declared by members of the Board of Directors including Company Directorships are set out in the Table below and the register of Directors' interests is available on the Trust's website or from the Company Secretary at:

Southport and Ormskirk Hospital NHS Trust

Town Lane Kew

Southport

PR8 6PN

Telephone 01704 704769

See the Register of Interests in **Table 14** below:

Register of Interests Declared by the Board of Directors 2019/2020

NAME	POSITION / ROLE	Directorship, including non-executive directorship held in private companies or PLCs (with the exception of those dormant companies)	Ownership, or part ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Majority or controlling shareholdings in organisations likely or possibly seeking to do business with the NHS	A position of authority in a charity or voluntary body in the field of health and social care	Any connection with a voluntary or other body contracting for NHS services	Related to anybody that works in the Trust	Loyalty: An officer with close ties to a decision making colleague from an organisation who may seek to do business with the Trust	Other
ARMSTRONG-CHILD Mrs Trish	Chief Executive Officer	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
BIRRELL, Mr Jim	Non-Executive Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
BRICKNELL, Dr David	Non-Executive Director	Pilkington Family Trust St Joseph's Hospice The World of Glass Pilkington Glass Collection	Nil	Nil	Director, St Joseph's Hospice Director, Pilkington Family Trust	Trustee at The Rainford Trust	Nil	Nil	Nil
CHRISTIAN, Mr Steven	Chief Operating Officer	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
COSGROVE Mrs Juliette	Director of Nursing, Midwifery & Therapies	Nil	Nil	Nil	Nil	Nil	Nil	Appointed Chief Nurse for NHS Professionals	Governor Southport College
GIBSON,	Non-		Director; Excel	Nil	Nil	Nil	Nil	Nil	Nil

NAME	POSITION / ROLE	Directorship, including non-executive directorship held in private companies or PLCs (with the exception of those dormant companies)	Ownership, or part ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Majority or controlling shareholdings in organisations likely or possibly seeking to do business with the NHS	A position of authority in a charity or voluntary body in the field of health and social care	Any connection with a voluntary or other body contracting for NHS services	Related to anybody that works in the Trust	Loyalty: An officer with close ties to a decision making colleague from an organisation who may seek to do business with the Trust	Other
Mrs Pauline	Executive Director Designate		Coaching and Consultancy. Provision of coaching services to Directorate and senior NHS Management personnel						
GORRY, Mrs Julie	Non-Executive Director	Catalyst Choices C.I.C.	Nil	Nil	Nil	Project Adviser: Hospice of the Good Shepherd Specialist Adviser CQC Macmillan Cancer Information and Support Specialist	Nil	Nil	NED Representative on the North West Coast Strategic Clinical Network for Palliative and End of Life Care

NAME	POSITION / ROLE	Directorship, including non-executive directorship held in private companies or PLCs (with the exception of those dormant companies)	Ownership, or part ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Majority or controlling shareholdings in organisations likely or possibly seeking to do business with the NHS	A position of authority in a charity or voluntary body in the field of health and social care	Any connection with a voluntary or other body contracting for NHS services	Related to anybody that works in the Trust	Loyalty: An officer with close ties to a decision making colleague from an organisation who may seek to do business with the Trust	Other
HANKIN Dr Terence	Medical Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
KATEMA Mrs Sharon	Associate Director of Corporate Governance	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
LEES Ms Bridget	Director of Nursing, Midwifery and Therapies	Nil	Nil	Nil	Nil	Nil	Spouse employed as a Pharmacy Technician	Nil	Nil
MASOM Mr Neil	Chairman and Non-Executive Director	Industrial and Financial Systems (IFS) AB NDLM Ltd	CQC Holdings Ltd (manufacturer of textile products) JSSH Ltd	Nil	Nil	Nil	Nil	Nil	Nil
MORGAN Mrs Joanne	Non-Executive Director	Director of Alasdair Morgan Ltd	Nil	Nil	Nil	Nil	Nil	Nil	Nil
NICHOLLS Mr Silas	Chief Executive	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

NAME	POSITION / ROLE	Directorship, including non-executive directorship held in private companies or PLCs (with the exception of those dormant companies)	Ownership, or part ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Majority or controlling shareholdings in organisations likely or possibly seeking to do business with the NHS	A position of authority in a charity or voluntary body in the field of health and social care	Any connection with a voluntary or other body contracting for NHS services	Related to anybody that works in the Trust	Loyalty: An officer with close ties to a decision making colleague from an organisation who may seek to do business with the Trust	Other
PATTEN, Ms Therese	Deputy Chief Executive/Director of Strategy	Nil	Nil	Nil	Nil	Trustee - Blackburn House Group	Nil	Nil	Nil
POLLARD Mr Graham	Non-Executive Director	Nil	Nil	Nil	Nil	Trustee at Alder Hey Children's Kidney fund	Nil	Nil	Employed by the University of Liverpool
ROYDS, Mrs Jane	Director of HR and OD	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Vice Chair of Governors, Farnborough Rd, Junior School, Southport
SHANAHAN, Mr Steve	Director of Finance	Nil	Nil	Nil	Member of the Board of Trustees for Age Concern	Nil	Nil	Nil	Trustee – Age Concern

NAME	POSITION / ROLE	Directorship, including non- executive directorship held in private companies or PLCs (with the exception of those dormant companies)	Ownership, or part ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Majority or controlling shareholding s in organisation s likely or possibly seeking to do business with the NHS	A position of authority in a charity or voluntary body in the field of health and social care	Any connectio n with a voluntary or other body contracti ng for NHS services	Related to anybody that works in the Trust	Loyalty: An officer with close ties to a decision making colleague from an organisation who may seek to do business with the Trust	Other
SINGH, Mr Gurpreet	Non- Executive Director	Nil	GS Urology Ltd: providing practice and GMC work	Nil	Nil	Private practice at Ramsay Health Trustee of the Southport and District Medical Education Centre Fund Trustee of the Ormskirk & District Post Graduate Medical Trust.	Nil	Nil	Nil

Table 12

2.3.5 Statement of Compliance with Cost Allocation and Charging Guidance

We have complied with the cost allocation and charging requirements set out in the HM Treasury and Office of Public Sector Information Guidance.

2.3.6 Details of Political Donation

There were no political donations made by the Trust during the reporting period.

2.3.7 How the Trust has regard to the Quality Governance Framework

Quality governance is the combination of structures and processes at and below Board level to lead on Trust-wide quality performance including:

- ensuring required standards are achieved
- investigating and taking action on sub-standard performance
- planning and driving continuous improvement
- identifying, sharing and ensuring delivery of best practice and
- identifying and managing risks to quality of care.

2.3.8 Material Inconsistencies in Reporting

There are no material inconsistencies in reporting (to include any material inconsistencies between AGS, Annual and Quarterly Board Statements, Corporate Governance Statement, Annual Plan (Operational), Quality Report, CQC reports and associated Action Plans)

2.3.9 Summary of Stakeholder Relations

SOHT operates within the Cheshire and Mersey Sustainability Transformation Partnership (STP) footprint and has positive and developing relationships with all key stakeholders within that Partnership. SOHT itself is leading or undertaking a supportive role across a number of work streams, including the STP-wide mental health work stream.

The Sefton Transformation Board continued to operate during the period. The Trust has identified a number of areas where through working together we can potentially deliver better services and outcomes for the people of Southport and Ormskirk.

2.3.10 Income Disclosures

Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) states that the income from the provision of goods and services for the purposes of the health service in England must be greater than its income from the provision of goods and services for any other purposes. We have met this requirement.

2.3.11 Statement of Disclosure of Information to Auditors

The Directors of the Trust are responsible for preparing the Annual Report and Financial Statements (annual accounts) in accordance with applicable law and regulations.

Each of the Directors, whose name and functions are listed in the Board of Directors section of this Annual Report and Accounts and was a Director at the time the report is approved, confirms that, to the best of each person's knowledge and belief:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that ought to have been taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Trust's auditors are aware of that information, as set out in a Letter of Representation to the external auditors.

2.4 The Remuneration and Staff Report

2.4.1 The Remuneration Report

2.4.2 Annual Statement on Remuneration

Substantial changes related to senior managers' remuneration (including details of the context in which those charges occurred)

The remuneration of the Executive Team does not include a deferred performance pay scheme.

2.4.3 Senior Managers' Remuneration Policy

Service Contract Obligations

The Trust is obliged to give Directors six months' notice of termination of employment, which matches the notice period, expected of Executive Directors from the Trust. The Trust does not make termination payments beyond its contractual obligations which are set out in the contract of employment and related terms and conditions. Executive Directors' terms and conditions, with the exception of salary shadow the national arrangements, inclusive of sick pay and redundancy arrangements and do not contain any obligations above the national level.

Policy on Payment for Loss of Office

The principles of the determination of payments for loss of office are in accordance with the national agenda for change guidance and in accordance with employment legislation.

Statement of Consideration of Employment conditions

The Trust adheres to the national agenda for change guidelines for the setting of notice periods. Director contracts, however, are subject to six months' notice periods.

2.4.4 Annual Report on Remuneration

Service contracts

All directors are subject to six months' notice period. **Table 3 below** shows their start and finishing dates, where applicable or if their role is current:

Remuneration Committee

The Trust has a Remuneration and Nominations Committee. The Committee reviews and makes recommendations to the Board on the composition, skills mix and succession planning of the Executive Directors of the Trust and is chaired by the Trust Chair.

All Non-Executive Directors are members of the Committee and the Chief Executive, Company Secretary, and the Director of Human Resources are normally in attendance.

The Remuneration and Nominations Committee made recommendations to the Board of Directors on the following appointments:

- Remuneration and appointment of the Company Secretary
- Appointment and remuneration of the substantive Chief Executive
- Appointment and remuneration of the Executive Director of Nursing, Midwifery and Therapies
- Appointment and remuneration of one Non-Executive Directors

2.4.5 Disclosures required by the Health and Social Care Act

Senior Managers' Remuneration

Senior Managers remuneration details and pension benefits for 2019-2020 are set out at **Table 15** below:

Salary and pension entitlements of senior managers

		<u>2019-2020</u>					
Name & Title	Note	Salary (bands of £5,000) £000	Expense Payments (Taxable) to nearest £100 £	Performance Pay and Bonuses (bands of £5,000) £000	Long Term Performance Pay and Bonuses (bands of £5,000) £000	All pension-related benefits (bands of £2,500) £000	TOTAL (bands of £5,000) £000
T Hankin - Medical Director		185-190				102.5-105	290-295
S Shanahan - Director of Finance		130-135	7			17.5-20	150-155
TA Patten - Deputy Chief Executive Officer		120-125				65-67.5	185-190
J Cosgrove - Nursing Director	1	95-100				100-102.5	195-200
S Nicholls - Chief Executive Officer	2	95-100	55			0.00	100-105
P Armstrong-Child - Chief Executive Officer	3	55-60				25-27.5	85-90
B Lees - Nursing Director	4	5-10				27.5-30	35-40
S Christian - Chief Operating Officer		105-110				37.5-40	145-150
J Royds - Human Resources Director		105-110				130-132.5	235-240
N Masom - Trust Chair		25-30					25-30
J Birrell - Non-Executive Director		10-15					10-15
J Gorry - Non-Executive Director		10-15					10-15

P Gibson - Non-Executive Director		10-15					10-15
GJ Clarke - Non-Executive Director	5	0-5					0-5
DJ Bricknell - Non-Executive Director		10-15					10-15
G Pollard - Non-Executive Director	6	0-5					0-5
G Singh - Non-Executive Director		10-15					10-15

For 2019/20 The Chief Executive has confirmed that all Board members have the responsibility for directing and controlling major activities in the organisation.

Foot Note

(1) Left 29.02.20

(2) Left 31.10.19

(3) Started 01.12.19

(4) Started 01.03.20

(5) Left 30.04.19

(6) Started 01.03.20

Name & Title	Note	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)
		£000	£	£000	£000	£000	£000
S Nicholls - Chief Executive Officer	1	175-180				5-7.5	180-185
TA Patten - Deputy Chief Executive Officer		105-110				32.5-35	140-145
S Shanahan - Director of Finance		130-135	6			2.5-5	135-140
R Gillies - Medical Director	2	100-105	9				100-105
J Mahajan - Interim Medical Director	3	110-115				100-102.5	210-215
T Hankin - Medical Director	4	40-45				2.5-5	45-50
J Cosgrove - Nursing Director	5	95-100				100-102.5	195-200
R Fraser - Trust Chair	6	20-25					20-25
N Masom - Trust Chair	7	10-15					10-15
J Birrell - Non-Executive Director		5-10					5-10
J Gorry - Non-Executive Director		5-10					5-10
P Gibson - Non-Executive Director		5-10					5-10
GJ Clarke - Non-Executive Director		5-10					5-10
DJ Bricknell - Non-Executive Director	8	5-10					5-10
G Singh - Non-Executive Director	9	5-10					5-10

For 2018/19 The Chief Executive has confirmed that only voting Board members have the responsibility for directing and controlling major activities in the organisation.

Foot Note

(1) Started 03.04.18

(2) Left 31.10.18 but had been excluded since Aug 17.

(3) Left 31.12.18

(4) Started 07.01.19

(5) Started 07.05.18

(6) Left 30.11.18

(7) Started 01.12.18

(8) Started 09.04.18

(9) Started 09.04.18

Additional notes

Expense payments relate to the benefits in kind of salary sacrifice cars and are rounded to the nearest hundred pounds.

The pension related benefits column reflects the annual increase in pension entitlement. It is not a cash payment but a figure calculated from pension information.

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

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.

The banded remuneration of the highest paid director in Southport & Ormskirk Hospital NHS Trust in the financial year 2019-20 was between £185,000 and £190,000 (2018-19, £175,000 to £180,000). This was 7.7 times the median remuneration of the workforce (2018-19, 7.1 times). The median value is £24,214 (2018-19, £24,915).

The median value has decreased by nearly 3% and this seems to be driven by increase in headcount numbers 3,164 at the end of 2019-20 against 3,083 in 2018-19 with more of the increases being in staff paid below the median.

For the pay multiple calculation this has increased in 2019-20 because the banded remuneration of the highest paid director has increased but the median has increased (reasons above).

In 2019-20, 6 (2018-18, 13) employees received remuneration in excess of the highest-paid director.

The overall range of remuneration was from £17,652 to £230,014 (2018-19 £17,460 to £266,416).

The remuneration of each director, median remuneration of the workforce and highest paid employee figures have all been audited.

There are no off-payroll engagements of Board members for 2019/20.

a) Pension benefits (subject to audit)

Name & title	Real increase (decrease) in pension at pension age (bands of £2,500)	Real increase (decrease) 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)
	£'000s	£'000s	£'000s	£'000s
P Armstrong-Child - Chief Executive Officer	0-2.5	2.5-5	60-65	155-160
TA Patten - Deputy Chief Executive Officer	2.5-5	2.5-5	25-30	55-60
S Shanahan - Director of Finance	0-2.5	2.5-5	20-25	65-70
B Lees - Nursing Director	0-2.5	2.5-5	20-25	40-45
T Hankin - Medical Director	5-7.5	17.5-20	70-75	220-25
J Cosgrove - Nursing Director	5-7.5	0-2.5	40-45	90-95
S Christian - Chief Operating Officer	2.5-5	0-2.5	20-25	30-35
J Royds - Human Resources Director	5-7.5	12.5-15	35-40	95-100

Name & title	Cash Equivalent Transfer Value at 1 April 2019	Real increase/(decrease) in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2020	Employer's contribution to stakeholder pension
	£'000s	£'000s	£'000s	£'000s
P Armstrong-Child - Chief Executive Officer	1,026	33	1,151	0
TA Patten - Deputy Chief Executive Officer	456	74	542	0
S Shanahan - Director of Finance	N/A	N/A	N/A	N/A
B Lees - Nursing Director			320	0
T Hankin - Medical Director	1,545	194	1,776	0
J Cosgrove - Nursing Director	706	93	825	0
S Christian - Chief Operating Officer	212	30	247	0
J Royds - Human Resources Director	607	134	756	0

N/A - Member is above the scheme retirement age and therefore a Cash Equivalent Transfer Value (CETV – explained below) is not applicable.

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

The pension figures in the tables have been audited.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's (or other allowable beneficiary's) pension payable from the scheme. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 2008.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

Members of the Remuneration and Nominations Committee:-

All Non-Executive Directors are members of the Remuneration and Nominations Committee. The members are:

N Masom - Trust Chair
J Birrell - Non-Executive Director
J Gorry - Non-Executive Director
P Gibson - Non-Executive Director
GJ Clarke - Non-Executive Director (left 30.04.19)
DJ Bricknell - Non-Executive Director
G Singh - Non-Executive Director
G Pollard – Non-Executive Director (started 01.03.20)

2.4.6 Remuneration policy

The key principles from the Remuneration framework developed and approved by the Remuneration Committee are as follows:

- (a) The level of remuneration should be reflective of the responsibility of the role to which the remuneration applies;
- (b) The level of remuneration should be sufficient to recruit, retain and fairly reward directors of the quality and with the skills and experience required to lead Southport & Ormskirk NHS Trust successfully;
- (c) The Committee should avoid remuneration which is more than necessary for the purposes set out at (a) and (b) above;
- (d) The Committee must be sensitive to pay and employment conditions elsewhere in the Trust and external to the Trust;
- (e) The Committee must ensure that any decisions as to remuneration are affordable and provide value for money having regard to the full cost of remuneration (including pension effects);
- (f) The Committee must be able to justify any salary higher than the Prime Minister's salary of £154,908.
- (g) The Committee will have regard to The UK Corporate Governance Code and The Monitor NHS Foundation Trust Code of Governance as it pertains to Director Remuneration (as amended from time to time), any guidance issued by the Trust Development Authority and such other principles and guidance as may be applicable and brought to its attention from time to time.
- (h) No director shall be involved in deciding his or her own remuneration;
- (i) Where any director is involved in advising or supporting the Committee care must be taken to recognise and avoid conflicts of interest;
- (j) Where performance related pay and/or any cost of living rise awarded and/or other benefits are awarded as part of remuneration then the extent to which these elements (or any one of them) affect the total remuneration for any individual shall be considered and taken into account as part of the determination of appropriate total remuneration for that individual;
- (k) Where the Chief Executive or any Executive Director is released by the Trust in order to carry out a role elsewhere (for example as a non-executive director elsewhere) then subject to the terms of the contract of employment the Committee may determine whether the Chief Executive or Executive Director will retain any or all of the earnings arising from that role;

- (l) The Committee is accountable to the Board and will comply with the standards of integrity and transparency consistent with its function within the NHS as a public authority.

Methodology

The Annual Review peer group comparison data will principally be the Capita Median for F.T.s (as amended from time to time) for Trusts with a turnover within a band in which the Trust falls. At the time of this policy coming into force the benchmark is Trusts with annual total revenue of between £101m and £200m.

However it is emphasised that the FT Capita Median data represents no more than a reference point for the consideration and determination of remuneration since the Committee must use such comparison data with caution to avoid any risk of an increase in remuneration levels with no corresponding improvement in performance as set out in Section 6 below. However the Committee will take into account all relevant matters as shall apply at the time of any consideration or determination of remuneration.

In consequence the Committee may at its discretion, and subject to the contractual employment terms of any individual to which this Framework applies, determine the remuneration of the Chief Executive and each Executive Director.

The Committee will consider the individual circumstances of the Chief Executive and each Executive Director when reviewing remuneration. Accordingly a determination of remuneration in respect of one Executive Director will not necessarily impact upon the remuneration of any other Executive Director.

Service contracts

Directors' contracts are not time limited and the required notice period for new Executive Directors is six months.

2.4.7 The Staff report

Staff numbers and costs (subject to audit)

	Permane nt £000	Other £000	2019/20 Total £000	2018/19 Total £000
Salaries and wages	99,067	-	99,067	93,322
Social security costs	8,832	-	8,832	8,448
Apprenticeship levy	512	-	512	482
Employer's contributions to NHS pension scheme	16,480	-	16,480	10,624
Pension cost - other	52	-	52	30
Other post employment benefits	-	-	-	-
Other employment benefits	-	-	-	-
Termination benefits	45	-	45	-
Temporary staff	-	24,748	24,748	18,783

Total gross staff costs	124,988	24,748	149,736	131,689
Recoveries in respect of seconded staff	-	-	-	-
Total staff costs	124,988	24,748	149,736	131,689
Of which				
Costs capitalised as part of assets	284	-	284	200

The numbers above have been audited and are based on whole time equivalents not headcount.

	Permanent Number	Other Number	2019/20 Total Number	2018/19 Total Number
Medical and dental	307	51	358	339
Ambulance staff	-	-	-	-
Administration and estates	555	16	571	520
Healthcare assistants and other support staff	724	118	842	809
Nursing, midwifery and health visiting staff	783	160	943	880
Nursing, midwifery and health visiting learners	-	-	-	-
Scientific, therapeutic and technical staff	312	6	318	314
Healthcare science staff	-	-	-	-
Social care staff	-	-	-	-
Other	-	-	-	-
Total average numbers	2,681	351	3,032	2,862
Of which:				
Number of employees (WTE) engaged on capital projects	3	3	6	5

2.4.8 Staff composition

The tables below show the number of staff (headcount) employed by gender against their pay bands. Most staff are paid according to the NHS Agenda for Change bandings ranging from 1 to 9.

2019/20 Composition by gender

Gender	AFC Band 2	AFC Band 3	AFC Band 4	AFC Band 5	AFC Band 6	AFC Band 7	AFC Band 8 **	AFC Band 9 **	AFC Band 10 **	AFC Band 11 **	Medical staff	Trust scale	Grand total
Female	552	356	206	504	404	226	73	31	2	5	93	4	2,456
Male	184	42	40	83	75	43	15	10	3	2	156	5	658
Grand total	736	398	246	587	479	269	88	41	5	7	249	9	3,114

2018/19 Composition by gender

Gender	AFC Band 1	AFC Band 2	AFC Band 3	AFC Band 4	AFC Band 5	AFC Band 6	AFC Band 7	AFC Band 8 **	AFC Band g**	Medical Staff	Trust Scale	Grand Total
Female	160	387	332	190	489	407	207	93	1	100	4	2,370
Male	57	120	53	26	75	66	37	29		172	8	643
Grand Total	217	507	385	216	564	473	244	122	1	272	12	3,013

** Senior managers

2.4.9 Sickness absence data

	2019/20	2018/19
Staff group	% Full-time equivalent days sickness	% Full-time equivalent days sickness
Medical and Dental	1.94	1.76
Administrative and Clerical	4.17	4.77
Estates and Ancillary	6.70	7.20
Additional Clinical Services	7.87	8.85
Nursing and Midwifery Registered	5.44	5.71
Students	0.00	24.26
Allied Health Professionals	3.07	3.16
Professional Scientific and Technical	5.11	7.14
Healthcare Scientists	1.60	1.59
Average	5.24	5.76

2.4.10 Staff policies applied during the financial year

The appropriate staff policies are applied as required and where appropriate. They are regularly reviewed in accordance with Trust policy.

2.4.11 Expenditure on consultancy

Consultancy expenditure was £151,459 (prior year £281,241). This was spent within clinical coding and the Project Management Office.

2.4.12 Off-payroll engagements

For 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	0
<i>Of which, the number that have existed:</i>	
for less than one year at the time of reporting	0
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

New off-payroll arrangements where the reformed public sector rules apply. These are for off-payroll arrangements as of 31 March 2020, for more than £245 per day and that last longer than six months.

No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	Number
Of which ...	
No. assessed as caught by IR35	0
No. assessed as not caught by IR35	0
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year.	0
No. of engagements that saw a change to IR35 status following the consistency review	0

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

Number of off-payroll engagements of board members, and/or senior officers with significant financial responsibility, during the financial year	0
Total no. 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 should include both on payroll and off-payroll engagements.	15

2.4.13 Exit packages

Exit package cost band (including any special payment element)	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages compulsory redundancies	Total cost of exit packages	Number of departures where special payments have been made	Cost of special payment element included in exit packages
	WHOLE NUMBERS ONLY	£000s	WHOLE NUMBERS ONLY	£000s	WHOLE NUMBERS ONLY	£000s	WHOLE NUMBERS ONLY	£000s
<£10,000	1	5			1	5		
£10,001 - £25,000	2	40			2	40		
£25,001 - 50,000								
£50,001 - £100,000								
£100,001 - £150,000								
£150,001 - £200,000								
>£200,000								
Totals	3	45	-	-	3	45	-	-

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS redundancy scheme. 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 in the table.

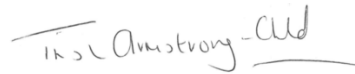
Analysis of other departures:

	Agreements Number	Total value of agreements £000
Voluntary redundancies including early retirement contractual costs	-	-
Mutually agreed resignations (MARS) contractual costs	-	-
Early retirements in the efficiency of the service contractual costs	-	-
Contractual payments in lieu of notice	-	-
Exit payments following Employment Tribunals or court orders	-	-
Non-contractual payments requiring HMT approval	-	-
Total	-	-

Signed as Accountable Officer of the Trust

Accountable Officer: Trish Armstrong-Child

Signed:



Date: 17 June 2020

2.4.14 Staff Survey Results

2.4.15 NHS Staff Survey 2019, Response Rate

The NHS Staff Survey took place between October and December 2019. The survey had a response rate of 47.1% which is a 7% increase on the 2018 survey that was 44%.

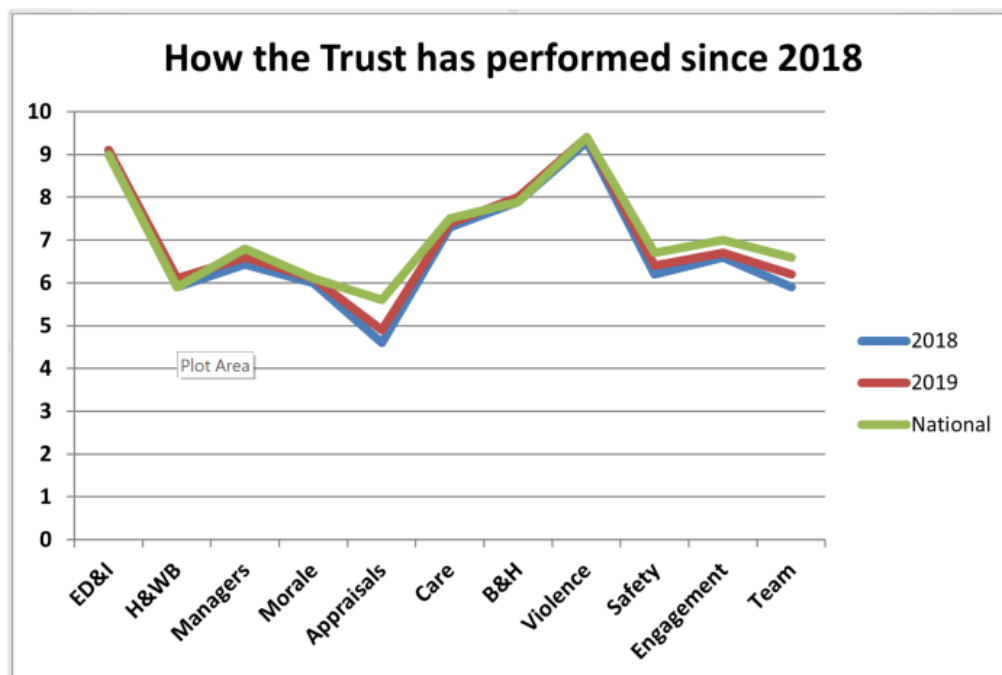


Table 13

Themed Responses:

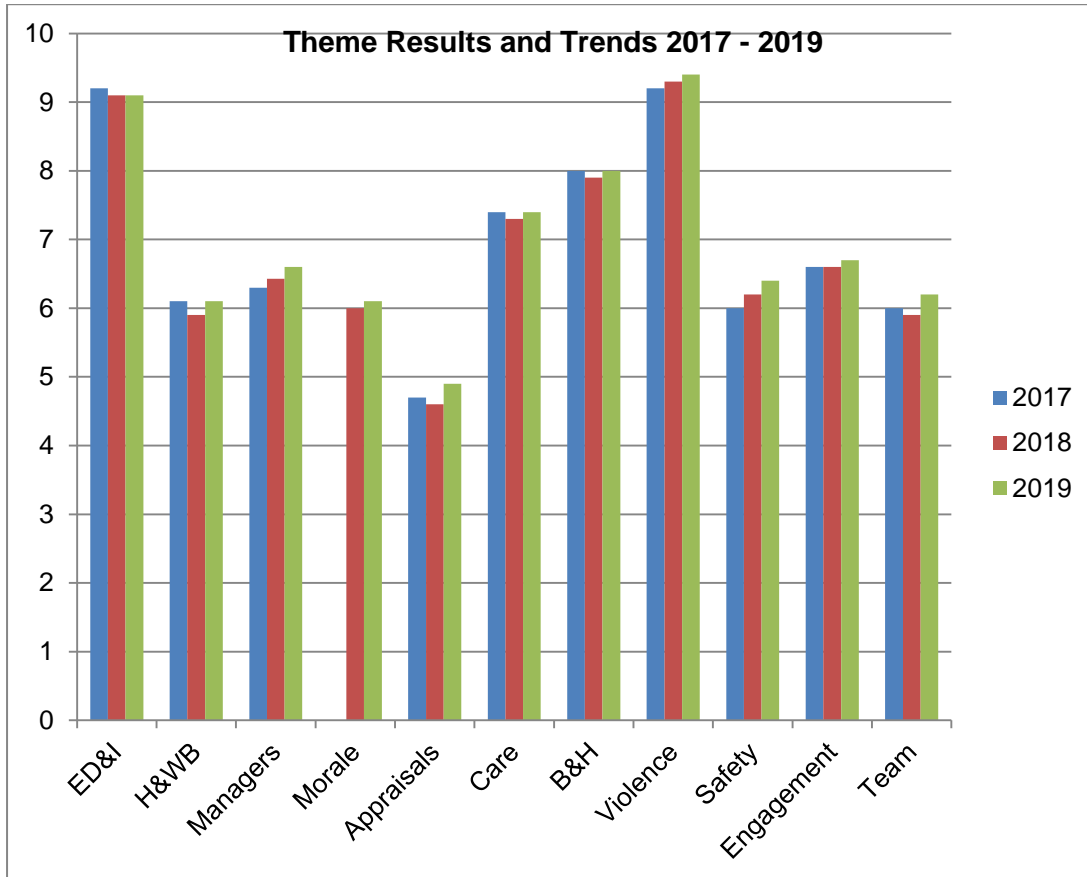
The Trust has seen incremental increases in the responses to 10 of the 11 themed areas since 2018, when many areas showed a decrease. However the Trust remains below the national average in a number of areas including Quality of Appraisals and Overall Staff engagement, with results showing the Trust is in the bottom 20% of Acute Trusts. Work to improve these particular areas will be taking place for the latter half of 2020 and into 2021.

The Themes ranked from 1 to 10 are shown below. Themes can be considered as summary scores for groups of questions which, when taken together, give more information about a particular area. Themes are presented as scale scores (on a scale of 0 to 10).

Themes

Ranking	Theme	Score (out of 10)
1	Theme 8 Safe Environment - Violence	9.37
2	Theme 1 Equality, Diversity & Inclusion	9.15.
3	Theme 7 Safe Environment - Bullying & Harassment	7.99
4	Theme 6 Quality of Care	7.53
5	Theme 10 Staff Engagement	6.74
6	Theme 3 Immediate Managers	6.57
7	Theme 9 Safety Culture	6.39

8	Theme 2 Health & Wellbeing	6.10
9	Theme 11 Team Working	6.2
10	Theme 4 Morale	6.05
11	Theme 5 Quality of Appraisals	4.93



Significantly Better than Sector Scores:

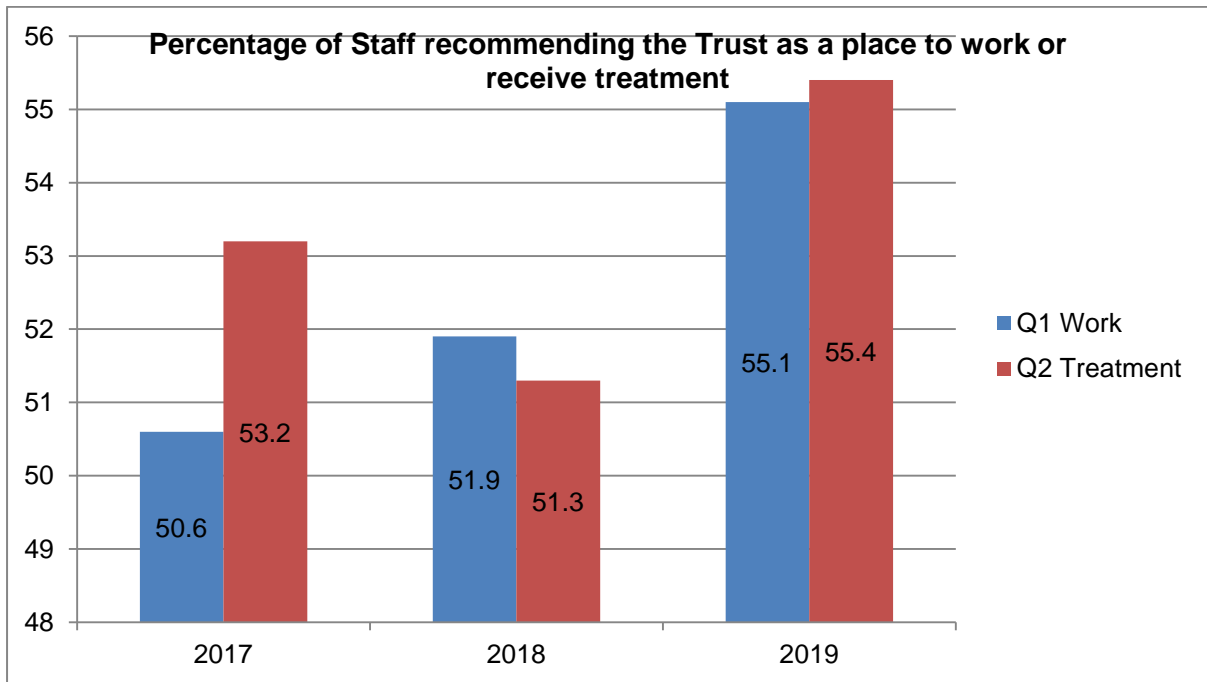
Theme 1 Equality Diversity & Inclusion 9.15. - Sector Score 8.99

Significantly Worse than Sector Score (Bottom 20%):

- Theme 3 Immediate Managers. 6.57 - Sector Score 6.84
- Theme 3 Quality of Appraisals 4.93 – Sector Score 5.58
- Theme 9 Safety Culture 6.39 – Sector Score 6.65
- Theme 10 Staff Engagement 7.74 – Sector Score 7.01
- Theme 11 Team Working 6.2 – Sector Score 6.6

2.4.16 Overall Staff Engagement:

Overall staff engagement has shown a small increase to 6.7%. However, the Trust remains in the bottom 20% of the comparative group. The Trust scored lower than average in all of the themed questions for staff engagement covering Advocacy (FFT), Motivation and Involvement.



Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust

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

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

As far as I am aware, there is no relevant audit information of which the 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.

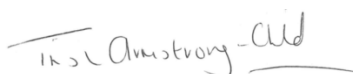
To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

Accountable Officer's Approval

Signed as Accountable Officer of the Trust

Accountable Officer: **Trish Armstrong-Child**

Signed:

Handwritten signature of Trish Armstrong-Child in black ink, written over a horizontal line.

Date: **17 June 2020**

Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust

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

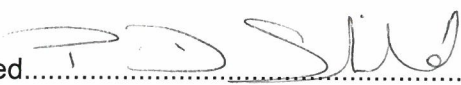
- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the Trust;
- the expenditure and income of the Trust has been applied to the purposes intended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

As far as I am aware, there is no relevant audit information of which the 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.

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

Accountable Officer's Approval

Signed as Accountable Officer of the Trust

Signed.......... Chief Executive

Trish Armstrong-Child:

Date: 17 June 2020

Independent auditor's report to the Directors of Southport and Ormskirk Hospital NHS Trust

Report on the financial statements

Opinion on the financial statements

We have audited the financial statements of Southport and Ormskirk Hospital NHS 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 Taxpayers' Equity, the Statement of Cash Flows, and notes to the financial statements, including the 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 HM Treasury's Financial Reporting Manual 2019/20 as contained in the Department of Health and Social Care Group Accounting Manual 2019/20, and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to NHS Trusts in England.

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 income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20; and
- have been properly 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 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.

Material uncertainty relating to going concern

We draw attention to Note 1.2 in the financial statements, which sets out the Directors' view concerning the Trust's ability to continue as a going concern.

In 2019/20 the Trust delivered a financial performance deficit of £3.6m against its agreed financial control total. Whilst this represents an improving position over the previous year, the Trust is continuing to run a recurrent deficit and continues to face a number of underlying challenges.

As a result of the Covid-19 pandemic the NHS planning regime in England was halted and a temporary finance regime was put in place on 17 March 2020. This temporary finance regime has been extended until October 2020 and guarantees the Trust income under the temporary block contracts and top up mechanisms. It is not clear at this stage how the finance regime will operate for the rest of the 2020/21, but as a consequence of the suspension of the NHS planning regime the Trust does not have an agreed control total for the financial year, and does not have agreed funding in place from its commissioners or from central NHS support mechanisms.

As a result of this assessment, the Directors' have concluded that there is a material uncertainty related to going concern. As stated in note 1.2, these events or conditions, along with the other matters as set

forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Directors and the Accountable Officer for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Directors are required to comply with the Department of Health and Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. The Directors are responsible for assessing each year whether or not it is appropriate for the Trust to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

As explained in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust, the Accountable Officer is responsible for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is responsible for ensuring that the financial statements are prepared in a format directed by the Secretary of State.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Accounts Direction made under the National Health Service Act 2006; and
- the other information published together with the audited 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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance issued by NHS Improvement; or
- we issue a report in the public interest under section 24 and schedule 7(1) of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 and schedule 7(2) of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Referral to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014

We are required to report to you if we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, 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.

On 25 June 2020, we issued a referral to the Secretary of State under section 30 (1)(b) of the Local Audit and Accountability Act 2014 in relation to the breach of the Trust's statutory financial duty at 31 March 2019 under Paragraph 2(1) of Schedule 5 of the National Health Service Act 2006 that:

'Each NHS trust must ensure that its revenue is not less than sufficient, taking one year with another, to meet outgoings properly chargeable to revenue account'.

The Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied 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.

Qualified conclusion – Adverse

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are not satisfied that, in all significant respects, Southport and Ormskirk Hospital NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified conclusion

In considering the Trust's arrangements for securing sustainable resource deployment, we identified the following matters:

- The Trust incurred a deficit of £23.757 million in 2019/20. The final outturn for 2019/20 resulted in an underlying cumulative deficit of £118.951 million as at 31 March 2020. This represents a breach of the Trust's statutory 'break-even' duty, and represents over 61% of the Trust's operating income.
- The Trust was reliant on significant cash support of £32.0m from the Department of Health and Social care in 2019/20, and the 2020/21 plan includes significant further support loans from the Department of Health and Social Care.
- The Care Quality Commission 2019 inspection report (issued in November 2019) provided an overall rating of 'Requires Improvement', a rating of 'Requires Improvement' in the Well Led Domain, and a rating of 'Inadequate' in the assessment of whether resources are used productively. Whilst the Trust has developed plans to implement the required actions, a number of actions are not yet implemented and the CQC has yet to reassess the Trust.

These issues are evidence of significant weaknesses in the Trust's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Responsibilities of the Accountable Officer

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

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

We are required by section 21(3)(c) and schedule 13(10)(a) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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 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.

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.

Use of the audit report

This report is made solely to the Board of Directors of Southport and Ormskirk Hospital NHS Trust, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Directors of the Trust 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 Directors of the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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



Karen Murray, Key Audit Partner
For and on behalf of Mazars LLP

One St Peter's Square
Manchester
M2 3DE

25 June 2020

Statement of Directors' Responsibilities in Respect of the Accounts

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

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

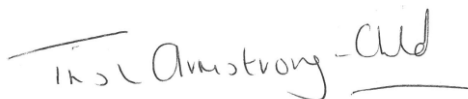
The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

The directors 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 trust's performance, business model and strategy.

By order of the Board

17 June 2020
(Date)

Trish Armstrong-
Child



Chief Executive

17 June 2020
(Date)

Steve Shanahan



**Executive
Director of
Finance**

Southport And Ormskirk Hospital NHS Trust

Annual accounts for the year ended 31 March 2020

Statement of Comprehensive Income

		2019/20	2018/19
	Note	£000	£000
Operating income from patient care activities	3	174,362	155,816
Other operating income	4	18,660	12,296
Operating expenses	6, 8	<u>(224,880)</u>	<u>(192,666)</u>
Operating surplus/(deficit) from continuing operations		<u>(31,858)</u>	<u>(24,554)</u>
Finance income	11	64	48
Finance expenses	12	<u>(5,264)</u>	<u>(4,440)</u>
Net finance costs		<u>(5,200)</u>	<u>(4,392)</u>
Other gains / (losses)	13	<u>41</u>	<u>(2)</u>
Surplus / (deficit) for the year from continuing operations		<u>(37,017)</u>	<u>(28,948)</u>
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Revaluations	17	<u>(6,982)</u>	<u>(3,924)</u>
Total comprehensive income / (expense) for the period		<u>(43,999)</u>	<u>(32,872)</u>
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the period		(37,017)	(28,948)
Remove net impairments not scoring to the Departmental expenditure limit		13,158	17
Remove I&E impact of capital grants and donations		102	(30)
Adjusted financial performance surplus / (deficit)		<u>(23,757)</u>	<u>(28,961)</u>

Statement of Financial Position

		31 March 2020	31 March 2019
	Note	£000	£000
Non-current assets			
Intangible assets	14	2,890	4,076
Property, plant and equipment	15	101,673	118,991
Receivables	19	1,380	966
Total non-current assets		105,943	124,033
Current assets			
Inventories	18	2,469	2,382
Receivables	19	12,977	11,678
Cash and cash equivalents	20	1,067	1,042
Total current assets		16,513	15,102
Current liabilities			
Trade and other payables	21	(21,761)	(22,771)
Borrowings	23	(132,739)	(22,051)
Provisions	25	(231)	(199)
Other liabilities	22	(1,212)	(1,025)
Total current liabilities		(155,943)	(46,046)
Total assets less current liabilities		(33,487)	93,089
Non-current liabilities			
Borrowings	23	(13,206)	(97,784)
Provisions	25	(457)	(207)
Total non-current liabilities		(13,663)	(97,991)
Total assets employed		(47,150)	(4,902)
Financed by			
Public dividend capital		99,965	98,214
Revaluation reserve		2,334	9,316
Income and expenditure reserve		(149,449)	(112,432)
Total taxpayers' equity		(47,150)	(4,902)

The financial statements were approved by the Board on 17th June 2020 and signed on its behalf by:

Name	Trish Armstrong-Child
Position	Chief Executive
Date	17th June 2020

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward	98,214	9,316	(112,432)	(4,902)
Surplus/(deficit) for the year	-	-	(37,017)	(37,017)
Revaluations	-	(6,982)	-	(6,982)
Public dividend capital received	1,751	-	-	1,751
Taxpayers' and others' equity at 31 March 2020	99,965	2,334	(149,449)	(47,150)

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018 - brought forward	97,241	13,240	(83,484)	26,997
Prior period adjustment	-	-	-	-
Taxpayers' and others' equity at 1 April 2018 - restated	97,241	13,240	(83,484)	26,997
Surplus/(deficit) for the year	-	-	(28,948)	(28,948)
Revaluations	-	(3,924)	-	(3,924)
Public dividend capital received	973	-	-	973
Taxpayers' and others' equity at 31 March 2019	98,214	9,316	(112,432)	(4,902)

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 as the public dividend capital dividend.

Revaluation reserve

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

Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of the trust.

Statement of Cash Flows

	2019/20	2018/19
Note	£000	£000
Cash flows from operating activities		
Operating surplus / (deficit)	(31,858)	(24,554)
Non-cash income and expense:		
Depreciation and amortisation	6.1 6,544	6,282
Net impairments	7 13,158	17
Income recognised in respect of capital donations	4 (50)	(170)
(Increase) / decrease in receivables and other assets	(1,778)	(1,606)
(Increase) / decrease in inventories	(87)	72
Increase / (decrease) in payables and other liabilities	(3,570)	(1,033)
Increase / (decrease) in provisions	283	(4)
Net cash flows from / (used in) operating activities	(17,358)	(20,996)
Cash flows from investing activities		
Interest received	64	48
Purchase of intangible assets	(93)	(528)
Purchase of Property, plant & equipment (PPE) and investment property	(5,075)	(5,370)
Sales of PPE and investment property	41	73
Receipt of cash donations to purchase assets	50	170
Net cash flows from / (used in) investing activities	(5,013)	(5,607)
Cash flows from financing activities		
Public dividend capital received	1,751	973
Movement on loans from DHSC	27,307	31,600
Capital element of finance lease rental payments	(1,002)	(990)
Capital element of PFI, LIFT and other service concession payments	(554)	(737)
Interest on loans	(3,305)	(2,383)
Interest paid on finance lease liabilities	(478)	(439)
Interest paid on PFI, LIFT and other service concession obligations	(1,388)	(1,349)
PDC dividend (paid) / refunded	65	(109)
Net cash flows from / (used in) financing activities	22,396	26,566
Increase / (decrease) in cash and cash equivalents	25	(37)
Cash and cash equivalents at 1 April - brought forward	1,042	1,079
Prior period adjustments		-
Cash and cash equivalents at 1 April - restated	1,042	1,079
Cash and cash equivalents at 31 March	20.1 1,067	1,042

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 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

These accounts have been prepared on a going concern basis.

In accordance with IAS 1, management has made an assessment of the Trust's ability to continue as a going concern. This is based on the fact that the Trust Board has agreed to the Financial Improvement Trajectory for 2020/21 set by NHS England and NHS Improvement. The expected outturn is a breakeven position after a contribution of £25.085 million from the Financial Recovery Fund.

The Trust revenue loans from the Department of Health & Social Care (DHSC) will be converted to equity (public dividend capital) by September 2020. In effect this removes the obligation that the Trust needs to repay its loans.

With this alteration above the Statement of Financial Position will change significantly to a positive position. This will also improve the Trust's liquidity position.

NHS England and NHS Improvement have sought to ensure that all NHS organisations can continue to operate in light of the significant demands from the global pandemic. This includes simplification of contractual arrangements and pre-payments of monthly block contracts for at least the first four months of the financial year. Additional funding support for specific covid-19 revenue and capital expenditure has been made available. All this support helps to ensure that the money flows particularly to our key suppliers of personal protective equipment.

There are still some uncertainties as the original Financial Improvement Trajectory required an efficiency programme of £8 million which was reliant on contractual agreements with our local commissioners.

Considering the issues described above which may cast some doubt about the Trust's ability to continue as a going concern, the Directors, having made appropriate enquiries and still have a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts and the financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

Note 1.3 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.

A receivable is recognised when the services are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

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. Some research income alternatively falls within the provisions of IAS 20 for government grants.

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 when performance obligations are satisfied. In practical terms this means that treatment has been given, it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

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 1.4 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 1.5 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 recognised in the financial statements nor is the annual leave owed by employees recognised and therefore the net impact 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.

Note 1.6 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 1.7 Discontinued operations

Discontinued operations occur where activities either cease without transfer to another entity, or transfer to an entity outside of the boundary of Whole of Government Accounts, such as private or voluntary sectors. Such activities are accounted for in accordance with IFRS 5. Activities that are transferred to other bodies within the boundary of Whole of Government Accounts are 'machinery of government changes' and treated as continuing operations.

Note 1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

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.

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

The Trust has a rolling programme of valuations of properties with an annual desktop revaluation and a full revaluation every 5 years. The last full revaluation took place as at 31st March 2020.

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. A modern equivalent asset basis is considered to be a multi-storey building on a single site.

Valuation guidance issued by the Royal Institute of Chartered Surveyors (RICS) 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 Private Finance Initiative (PFI) scheme where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for 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 and, where capitalised in accordance with IAS 23, borrowings costs. 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.

Material valuation uncertainty due to Novel Coronavirus (COVID - 19) - Valuer's note

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

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.

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.

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.

Donated and grant funded assets

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

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

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

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM*, are accounted for as 'on-Statement of Financial Position' by the trust. In accordance with 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 Years	Max life Years
Land	-	-
Buildings, excluding dwellings	15	80
Dwellings	80	80
Plant & machinery	5	15
Transport equipment	7	7
Information technology	5	7
Furniture & fittings	10	15

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.

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 where it meets the requirements set out in IAS 38.

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	5	7

Note 1.10 Inventories

Inventories are valued at the lower of cost and net realisable value using the weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

Note 1.11 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Note 1.12 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.

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, fair value through income and expenditure.

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.

Financial assets and financial liabilities at fair value through income and expenditure

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Statement of Comprehensive income.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, 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).

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 1.13 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.

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.

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.

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 1.14 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%

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 25.2 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 1.15 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 26 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 26, 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 1.16 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 1.17 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 1.18 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 a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM*.

Note 1.19 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 note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.20 Early adoption of standards, amendments and interpretations

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

Note 1.21 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 (originally this was to apply from 1 April 2020, however due to covid-19 pressures this was deferred until 2021/22). 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 (1.27%). The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. No adjustments will be made on 1 April 2020 for existing finance leases.

For leases commencing in 2020/21, 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.

The trust has estimated the impact of applying IFRS 16 in 2021/22 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions as follows:

	£000
Estimated impact on 1 April 2021 statement of financial position	
Additional right of use assets recognised for existing operating leases	612
Additional lease obligations recognised for existing operating leases	-
Changes to other statement of financial position line items	(48)
Net impact on net assets on 1 April 2021	564
Estimated in-year impact in 2021/22	
Additional depreciation on right of use assets	(165)
Additional finance costs on lease liabilities	(5)
Lease rentals no longer charged to operating expenditure	122
Other impact on income / expenditure	-
Estimated impact on surplus / deficit in 2021/22	(48)
Estimated increase in capital additions for new leases commencing in 2020/21	-

Note 1.22 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:

Managed service contracts with GE Medical Systems Ltd (radiological equipment facility) and Veolia (Energy Centre and Facilities Management workshops facility) have been accounted for under IFRIC 12 (service concession arrangements). Both contracts were deemed to be on-SOFP (Statement of Financial Position). The manual for accounts specifies that on-SOFP assets under IFRIC 12 must be shown under PFI disclosures.

Radiology equipment assets under the GE managed equipment service are valued excluding VAT as the contract payments are fully VAT recoverable.

The Energy Centre at Ormskirk is valued excluding VAT as the contract payments under this managed service are fully recoverable.

One of the Trust's modular buildings is valued applying 50% VAT recovery as under its finance lease payments, 50% of the charge is recoverable.

Note 1.23 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:

Material valuation uncertainty due to Novel Coronavirus (COVID – 19):

Market activity is being impacted in many sectors. As at the valuation date, the Trust's valuers consider that they 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 they are faced with an unprecedented set of circumstances on which to base a judgement.

The 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 the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuers recommend that the Trust keep the valuation of these properties under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

The calculation of the value of partially completed spells at year-end is based on the previous 10 months data.

Provisions for early retirements are based on estimated life expectancy tables.

Public and employer liabilities are calculated using a percentage likelihood of a successful claim.

Accruals are made in the accounts, for example, in expenditure where an invoice has been received and therefore an estimated amount is put into expenditure based on past invoicing trends.

Note 2 Operating Segments

The Trust has an internal divisional structure based on specialties and functions. In completing its segmental reporting review, these divisions are considered as segments.

The operating results of the Trust are reviewed monthly or more frequently by the Trust's chief operating decision maker which is the overall Trust Board. The Trust Board review the financial position of the whole organisation in their decision making process, rather than individual divisions included in the totals.

Under IFRS8 segmental reporting, the Trust is required to report separate segments only where one of the quantitative thresholds is reached: 10% of revenue, profit/loss or assets; unless this would result in less than 75% of the body's revenue being included in reportable segments.

The Trust has reviewed the thresholds at its Board meeting on 4th March 2020. The Board concluded that as all the contractual income for the Trust is held within the Corporate Division and that as this accounts for 90% of total revenue that only one division exceeds the 10% revenue threshold and therefore only one operating segment needs to be reported. In addition the Board agreed to review the operating segment requirement on an annual basis particularly as a change may be necessary if the organisation adopts service line management whereby income and expenditure budgets are devolved down to service lines and decisions made at the divisional level.

Currently the Trust is viewed as having one segment which is healthcare.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.3

Note 3.1 Income from patient care activities (by nature)	2019/20	2018/19
	£000	£000
Acute services		
Elective income	17,957	17,903
Non elective income	73,554	66,768
First outpatient income	12,269	11,448
Follow up outpatient income	16,004	14,774
A & E income	14,232	11,736
High cost drugs income from commissioners (excluding pass-through costs)	4,958	4,727
Other NHS clinical income	22,393	19,559
Community services		
Community services income from CCGs and NHS England	1,794	1,758
Income from other sources (e.g. local authorities)	3,095	3,307
All services		
Private patient income	73	83
Agenda for Change pay award central funding*		2,027
Additional pension contribution central funding**	5,055	
Other clinical income	2,978	1,726
Total income from activities	174,362	155,816

*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)

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	24,822	18,959
Clinical commissioning groups	144,437	129,366
Department of Health and Social Care	-	2,027
Other NHS providers	848	756
NHS other	-	-
Local authorities	3,058	3,319
Non-NHS: private patients	73	83
Non-NHS: overseas patients (chargeable to patient)	47	65
Injury cost recovery scheme	613	825
Non NHS: other	464	416
Total income from activities	174,362	155,816
Of which:		
Related to continuing operations	174,362	155,816

Note 3.3 Overseas visitors (relating to patients charged directly by the provider)

	2019/20	2018/19
	£000	£000
Income recognised this year	47	65
Cash payments received in-year	3	8
Amounts added to provision for impairment of receivables	-	5
Amounts written off in-year	13	1

Note 4 Other operating income

	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	251	-	251	244	-	244
Education and training	6,217	317	6,534	6,181	219	6,400
Non-patient care services to other bodies	1,775		1,775	1,932		1,932
Provider sustainability fund (PSF)	1,212		1,212	-		-
Financial recovery fund (FRF)	5,182		5,182			
Receipt of capital grants and donations		50	50		170	170
Charitable and other contributions to expenditure		32	32		31	31
Rental revenue from operating leases		25	25		25	25
Other income	3,599	-	3,599	3,494	-	3,494
Total other operating income	18,236	424	18,660	11,851	445	12,296
Of which:						
Related to continuing operations			18,660			12,296

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included within contract liabilities at the previous period end	569	428
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	-	-

Note 5.2 Transaction price allocated to remaining performance obligations

	31 March	31 March
	2020	2019
	£000	£000
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:		
within one year	990	805
after one year, not later than five years	-	-
after five years	-	-
Total revenue allocated to remaining performance obligations	990	805

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 6.1 Operating expenses

	2019/20	2018/19
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	1,336	952
Purchase of healthcare from non-NHS and non-DHSC bodies	1,918	1,333
Staff and executive directors costs	149,171	131,264
Remuneration of non-executive directors	78	70
Supplies and services - clinical (excluding drugs costs)	19,117	18,096
Supplies and services - general	2,449	2,509
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	8,894	8,957
Consultancy costs	152	281
Establishment	1,655	1,886
Premises	8,656	8,027
Transport (including patient travel)	359	333
Depreciation on property, plant and equipment	4,802	4,491
Amortisation on intangible assets	1,742	1,791
Net impairments	13,158	17
Movement in credit loss allowance: contract receivables / contract assets	212	148
Increase/(decrease) in other provisions	71	89
Change in provisions discount rate(s)	10	(4)
Audit fees payable to the external auditor		
audit services- statutory audit	47	47
other auditor remuneration (external auditor only) **	9	13
Internal audit costs	121	119
Clinical negligence	6,702	6,697
Legal fees	85	62
Insurance	183	213
Research and development	256	295
Education and training	839	568
Rentals under operating leases	155	150
Redundancy	45	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	1,403	1,247
Car parking & security	447	427
Hospitality	31	19
Other services, eg external payroll	202	2,005
Other	575	564
Total	224,880	192,666
Of which:		
Related to continuing operations	224,880	192,666

** Non-audit work relating to the Quality Account had originally been estimated at £9,000. However, this was subsequently revised down to £3,522 to reflect the work undertaken prior to change in requirements as the Trust is no longer required to obtain assurance from external audit on the quality account / quality report for 2019/20

Note 6.2 Other auditor remuneration

	2019/20	2018/19
	£000	£000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	-	-
2. Audit-related assurance services	-	-
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	-
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	9	13
Total	<u>9</u>	<u>13</u>

Other non-audit services relates to the quality accounts. Value is an estimate of £9,000. The actual value billed will be £3,522 including irrecoverable VAT.

Note 6.3 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2019/20 or 2018/19.

Note 7 Impairment of assets

	2019/20	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	-	-
Over specification of assets	-	-
Abandonment of assets in course of construction	-	-
Unforeseen obsolescence	-	-
Loss as a result of catastrophe	-	-
Changes in market price	13,158	17
Other	-	-
Total net impairments charged to operating surplus / deficit	<u>13,158</u>	<u>17</u>
Impairments charged to the revaluation reserve	-	-
Total net impairments	<u>13,158</u>	<u>17</u>

Note 8 Employee benefits

	2019/20	2018/19
	Total	Total
	£000	£000
Salaries and wages	99,067	93,322
Social security costs	8,832	8,448
Apprenticeship levy	512	482
Employer's contributions to NHS pensions	16,480	10,624
Pension cost - other	52	30
Other post employment benefits	-	-
Other employment benefits	-	-
Termination benefits	45	-
Temporary staff (including agency)	24,748	18,783
Total gross staff costs	149,736	131,689
Recoveries in respect of seconded staff	-	-
Total staff costs	149,736	131,689
Of which		
Costs capitalised as part of assets	284	200

Note 8.1 Retirements due to ill-health

During 2019/20 there was 1 early retirement from the trust agreed on the grounds of ill-health (1 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £32k (£55k 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 for Health and Social Care 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 at 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 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.

Note 10 Operating leases

Note 10.1 Southport And Ormskirk Hospital NHS Trust as a lessor

This note discloses income generated in operating lease agreements where Southport And Ormskirk Hospital NHS Trust is the lessor.

This lease relates to land on the Southport site used by Fresenius to run the Renal Unit.

	2019/20 £000	2018/19 £000
Operating lease revenue		
Minimum lease receipts	25	25
Total	<u>25</u>	<u>25</u>
	31 March 2020 £000	31 March 2019 £000
Future minimum lease receipts due:		
- not later than one year;	25	25
- later than one year and not later than five years;	100	100
- later than five years.	75	100
Total	<u>200</u>	<u>225</u>

Note 10.2 Southport And Ormskirk Hospital NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Southport And Ormskirk Hospital NHS Trust is the lessee.

Operating leases only relate to lease cars and multi function devices (printers/scanners/photocopiers).

	2019/20 £000	2018/19 £000
Operating lease expense		
Minimum lease payments	155	150
Total	<u>155</u>	<u>150</u>
	31 March 2020 £000	31 March 2019 £000
Future minimum lease payments due:		
- not later than one year;	123	110
- later than one year and not later than five years;	293	269
Total	<u>416</u>	<u>379</u>

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	64	48
Total finance income	64	48

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	3,349	2,664
Finance leases	417	337
Main finance costs on PFI and LIFT schemes obligations	607	575
Contingent finance costs on PFI and LIFT scheme obligations	892	863
Total interest expense	5,265	4,439
Unwinding of discount on provisions	(1)	1
Total finance costs	5,264	4,440

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

There were no relevant amounts included in finance costs or compensation paid under this legislation in either the current or prior years.

Note 13 Other gains / (losses)

	2019/20	2018/19
	£000	£000
Gains on disposal of assets	41	-
Losses on disposal of assets	-	(2)
Total gains / (losses) on disposal of assets	41	(2)

Note 14.1 Intangible assets - 2019/20

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2019 - brought forward	15,805	-	15,805
Additions	556	-	556
Valuation / gross cost at 31 March 2020	16,361	-	16,361
Amortisation at 1 April 2019 - brought forward	11,729	-	11,729
Provided during the year	1,742	-	1,742
Amortisation at 31 March 2020	13,471	-	13,471
Net book value at 31 March 2020	2,890	-	2,890
Net book value at 1 April 2019	4,076	-	4,076

Note 14.2 Intangible assets - 2018/19

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2018 - restated	15,341	4	15,345
Additions	460	-	460
Reclassifications	4	(4)	-
Valuation / gross cost at 31 March 2019	15,805	-	15,805
Amortisation at 1 April 2018 - restated	9,938	-	9,938
Provided during the year	1,791	-	1,791
Amortisation at 31 March 2019	11,729	-	11,729
Net book value at 31 March 2019	4,076	-	4,076
Net book value at 1 April 2018	5,403	4	5,407

Note 15.1 Property, plant and equipment - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward	8,013	97,065	671	-	45,745	637	8,259	4,553	164,943
Additions	-	1,292	-	2,838	2,568	49	810	67	7,624
Impairments	(412)	(12,746)	-	-	-	-	-	-	(13,158)
Revaluations	(3,591)	(5,326)	(508)	-	-	-	-	-	(9,425)
Reclassifications	-	1,421	-	(1,887)	-	-	466	-	-
Disposals / derecognition	-	-	-	-	(236)	(50)	-	-	(286)
Valuation/gross cost at 31 March 2020	4,010	81,706	163	951	48,077	636	9,535	4,620	149,698
Accumulated depreciation at 1 April 2019 - brought forward	-	-	-	-	35,152	533	6,008	4,259	45,952
Provided during the year	-	2,427	16	-	1,711	34	568	46	4,802
Revaluations	-	(2,427)	(16)	-	-	-	-	-	(2,443)
Disposals / derecognition	-	-	-	-	(236)	(50)	-	-	(286)
Accumulated depreciation at 31 March 2020	-	-	-	-	36,627	517	6,576	4,305	48,025
Net book value at 31 March 2020	4,010	81,706	163	951	11,450	119	2,959	315	101,673
Net book value at 1 April 2019	8,013	97,065	671	-	10,593	104	2,251	294	118,991

Note 15.2 Property, plant and equipment - 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
Valuation / gross cost at 1 April 2018 - as previously stated	8,010	100,883	685	612	43,723	637	7,369	4,448	166,367
Additions	-	1,406	-	1,076	2,798	-	737	98	6,115
Impairments	-	(17)	-	-	-	-	-	-	(17)
Revaluations	3	(6,693)	(14)	-	-	-	-	-	(6,704)
Reclassifications	-	1,486	-	(1,688)	42	-	153	7	-
Disposals / derecognition	-	-	-	-	(818)	-	-	-	(818)
Valuation/gross cost at 31 March 2019	8,013	97,065	671	-	45,745	637	8,259	4,553	164,943
Accumulated depreciation at 1 April 2018 - as previously stated	-	545	4	-	34,248	491	5,482	4,214	44,984
Provided during the year	-	2,227	4	-	1,647	42	526	45	4,491
Revaluations	-	(2,772)	(8)	-	-	-	-	-	(2,780)
Disposals / derecognition	-	-	-	-	(743)	-	-	-	(743)
Accumulated depreciation at 31 March 2019	-	-	-	-	35,152	533	6,008	4,259	45,952
Net book value at 31 March 2019	8,013	97,065	671	-	10,593	104	2,251	294	118,991
Net book value at 1 April 2018	8,010	100,338	681	612	9,475	146	1,887	234	121,383

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	4,010	71,033	163	951	8,357	119	2,953	222	87,808
Finance leased	-	7,787	-	-	502	-	-	-	8,289
On-SoFP PFI contracts and other service concession arrangements	-	1,550	-	-	2,151	-	-	-	3,701
Owned - donated	-	1,336	-	-	440	-	6	93	1,875
NBV total at 31 March 2020	4,010	81,706	163	951	11,450	119	2,959	315	101,673

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	8,013	80,910	671	-	7,148	104	2,240	204	99,290
Finance leased	-	10,649	-	-	646	-	-	-	11,295
On-SoFP PFI contracts and other service concession arrangements	-	4,007	-	-	2,295	-	-	-	6,302
Owned - donated	-	1,499	-	-	504	-	11	90	2,104
NBV total at 31 March 2019	8,013	97,065	671	-	10,593	104	2,251	294	118,991

Note 16 Donations of property, plant and equipment

Southport & Ormskirk Hospital NHS Trust Charitable fund purchased plant and equipment for use by the Trust. These purchases were either made from restricted or unrestricted funds and complied with the donors wishes. Any restrictions were concerned with what the fund could be used eg. restricted for use in critical care, spinal unit etc.

The total value of donated asset additions in 19/20 was £50,000.

Note 17 Revaluations of property, plant and equipment

The Trust's land and building assets were revalued effective at 31st March 2020. The valuation was carried out by an independent valuation firm, Cushman & Wakefield using a modern equivalent asset valuation approach. The valuers used are all registered with RICS (Royal Institute of Chartered Surveyors).

In determining the valuation, a single site was the basis of a modern equivalent asset. For consistency the opening valuation was altered to reflect this single site basis.

The total reduction in value of land and building assets was £16,141,000. This was split between an impairment of £12,746,000 taken through expenditure and £3,395,000 taken through the revaluation reserve.

Note 18 Inventories

	31 March	31 March
	2020	2019
	£000	£000
Drugs	736	642
Consumables	1,669	1,668
Energy	64	72
Total inventories	<u>2,469</u>	<u>2,382</u>
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £10,086k (2018/19: £9,768k). Write-down of inventories recognised as expenses for the year were £0k (2018/19: £0k).

Note 19.1 Receivables

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables	11,191	10,223
Allowance for impaired contract receivables / assets	(104)	(137)
Prepayments (non-PFI)	1,426	1,120
PDC dividend receivable	-	65
VAT receivable	451	407
Other receivables	13	-
Total current receivables	<u>12,977</u>	<u>11,678</u>
Non-current		
Contract assets	1,241	1,115
Allowance for other impaired receivables	(166)	(149)
Total non-current receivables	<u>1,380</u>	<u>966</u>
Of which receivable from NHS and DHSC group bodies:		
Current	8,676	8,042
Non-current	305	-

Note 19.2 Allowances for credit losses

	2019/20		2018/19	
	Contract receivables and contract assets £000	All other receivables £000	Contract receivables and contract assets £000	All other receivables £000
Allowances as at 1 April - brought forward	286	-	-	353
Prior period adjustments			-	-
Allowances as at 1 April - restated	286	-	-	353
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			353	(353)
New allowances arising	212	-	148	-
Utilisation of allowances (write offs)	(228)	-	(215)	-
Allowances as at 31 Mar 2020	270	-	286	-

Note 20.1 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	1,042	1,079
Prior period adjustments		-
At 1 April (restated)	1,042	1,079
Net change in year	25	(37)
At 31 March	1,067	1,042
Broken down into:		
Cash at commercial banks and in hand	110	79
Cash with the Government Banking Service	957	963
Total cash and cash equivalents as in SoFP	1,067	1,042
Bank overdrafts (GBS and commercial banks)	-	-
Drawdown in committed facility	-	-
Total cash and cash equivalents as in SoCF	1,067	1,042

Note 20.2 Third party assets held by the trust

Southport And Ormskirk Hospital NHS 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	1
Total third party assets	1	1

Note 21.1 Trade and other payables

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	9,058	14,883
Capital payables	4,272	1,525
Accruals	3,911	3,115
Social security costs	1,420	53
Other taxes payable	1,235	1,123
Other payables	1,865	2,072
Total current trade and other payables	<u>21,761</u>	<u>22,771</u>
Of which payables from NHS and DHSC group bodies:		
Current	5,637	11,876

Note 22 Other liabilities

	31 March 2020 £000	31 March 2019 £000
Current		
Deferred income: contract liabilities	1,212	1,025
Other deferred income	-	-
Total other current liabilities	<u><u>1,212</u></u>	<u><u>1,025</u></u>

Note 23.1 Borrowings

	31 March 2020 £000	31 March 2019 £000
Current		
Loans from DHSC	131,602	20,898
Obligations under finance leases	962	930
Obligations under PFI, LIFT or other service concession contracts	175	223
Total current borrowings	<u><u>132,739</u></u>	<u><u>22,051</u></u>
Non-current		
Loans from DHSC	600	83,953
Obligations under finance leases	7,135	8,097
Obligations under PFI, LIFT or other service concession contracts	5,471	5,734
Total non-current borrowings	<u><u>13,206</u></u>	<u><u>97,784</u></u>

Note all revenue loans from DHSC re-classified as current as 31st March 2020. This is because these loans will be converted into public dividend capital (equity) in 2020/21.

Note 23.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2019	104,849	8,925	5,972	119,746
Cash movements:				
Financing cash flows - payments and receipts of principal	27,307	(1,002)	(554)	25,751
Financing cash flows - payments of interest	(3,305)	(478)	(562)	(4,345)
Non-cash movements:				
Additions	-	-	265	265
Application of effective interest rate	3,349	417	607	4,373
Change in effective interest rate	-	133	(67)	66
Carrying value at 31 March 2020	132,200	7,995	5,661	145,856

Note 23.3 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2018	72,635	10,017	5,536	88,188
Prior period adjustment	-	-	-	-
Carrying value at 1 April 2018 - restated	72,635	10,017	5,536	88,188
Cash movements:				
Financing cash flows - payments and receipts of principal	31,600	(990)	(737)	29,873
Financing cash flows - payments of interest	(2,383)	(439)	(575)	(3,397)
Non-cash movements:				
Impact of implementing IFRS 9 on 1 April 2018	333	-	-	333
Additions	-	-	1,173	1,173
Application of effective interest rate	2,664	337	575	3,576
Carrying value at 31 March 2019	104,849	8,925	5,972	119,746

Note 24 Finance leases

Note 24.1 Southport And Ormskirk Hospital NHS 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	8,097	9,027
of which liabilities are due:		
- not later than one year;	962	930
- later than one year and not later than five years;	4,242	4,069
- later than five years.	2,893	4,028
Net lease liabilities	8,097	9,027
of which payable:		
- not later than one year;	962	930
- later than one year and not later than five years;	4,242	4,069
- later than five years.	2,893	4,028

The main finance lease obligations relate to the 2 modular buildings on the Southport site.

Note 25.1 Provisions for liabilities and charges analysis

	Pensions:			
	early departure costs	Clinician pension tax reimburse	Other	Total
	£000	£000	£000	£000
At 1 April 2019	277	-	129	406
Transfers by absorption	-	-	-	-
Change in the discount rate	10	-	-	10
Arising during the year	6	318	109	433
Utilised during the year	(70)	-	(46)	(116)
Reversed unused	-	-	(44)	(44)
Unwinding of discount	(1)	-	-	(1)
At 31 March 2020	222	318	148	688
Expected timing of cash flows:				
- not later than one year;	70	13	148	231
- later than one year and not later than five years;	152	40	-	192
- later than five years.	-	265	-	265
Total	222	318	148	688

The other provision relates to public/employer liabilities.

Note 25.2 Clinical negligence liabilities

At 31 March 2020, £145,936k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Southport And Ormskirk Hospital NHS Trust (31 March 2019: £102,163k).

Note 26 Contingent assets and liabilities

	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities		
NHS Resolution legal claims	(58)	(49)
Other	(300)	(400)
Gross value of contingent liabilities	<u>(358)</u>	<u>(449)</u>
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	<u>(358)</u>	<u>(449)</u>

Contingent Liabilities consists of £300k in relation to the contract with the Marina Dalglish Appeal and the West Lancashire Community Hospice Association. This contract deals with the donation for the Medical Day Unit Extension. If the Trust ceased to provide or moved the services provided in the Medical Day Unit within the next 3 years then the Trust would be liable to refund the donation on a pro rata basis (£100k per year of the contract remaining).

The other element of contingent liabilities is for public/employer liabilities and the figure is the one notified to the Trust by NHS Resolution.

Note 27 Contractual capital commitments

	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	152	-
Intangible assets	-	-
Total	<u>152</u>	<u>-</u>

Note 28 On-SoFP PFI, LIFT or other service concession arrangements

The Trust has 2 managed service contracts. One for energy management and the other for radiology equipment. Both of these contracts are accounted for as On-SOFP service concession arrangements.

Note 28.1 On-SoFP PFI, LIFT or other service concession arrangement obligations

The following obligations in respect of the PFI, LIFT or other service concession arrangements are recognised in the statement of financial position:

	31 March 2020 £000	31 March 2019 £000
Gross PFI, LIFT or other service concession liabilities	5,646	5,957
Of which liabilities are due		
- not later than one year;	175	223
- later than one year and not later than five years;	1,702	1,323
- later than five years.	3,769	4,411
Net PFI, LIFT or other service concession arrangement obligation	5,646	5,957
- not later than one year;	175	223
- later than one year and not later than five years;	1,702	1,323
- later than five years.	3,769	4,411

Note 28.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	31 March 2020 £000	31 March 2019 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	49,539	54,441
Of which payments are due:		
- not later than one year;	3,575	3,549
- later than one year and not later than five years;	15,329	15,217
- later than five years.	30,635	35,675

Note 28.3 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 £000	2018/19 £000
Unitary payment payable to service concession operator	3,575	3,437
Consisting of:		
- Interest charge	607	575
- Repayment of balance sheet obligation	673	752
- Service element and other charges to operating expenditure	1,403	1,247
- Contingent rent	892	863
Total amount paid to service concession operator	3,575	3,437

Note 29 Financial instruments

Note 29.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Due to the continuing service provider relationship that the NHS Trust has with commissioners and the way those commissioners are financed, the NHS 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 NHS 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 NHS Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the Board of Directors. The Trust treasury activity is subject to review by its internal auditors.

Currency Risk

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

Interest Rate Risk

The Trust borrows from government for capital expenditure, subject to approval by NHS Improvement. The borrowings are for 1 – 25 years, in line with the life of the associated assets. Interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

In addition the Trust borrows from the Department of Health & Social Care to support revenue spending as it is running at a deficit. Interest is at a fixed rate for the life of the loan and therefore on these loans there is low exposure to interest rate fluctuations.

Credit Risk

Since 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 31st March 2020 are in receivables from customers, as disclosed in the trade and other receivables note (Note 19).

Liquidity risk

The Trust's operating costs are incurred under contracts with NHS commissioning organisations, 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.

As the Trust is running with a deficit it has to submit monthly cash flow forecasts to NHS Improvement. Within these are requests for revenue loan funding. These are assessed by NHS Improvement and then forwarded to the Department of Health & Social Care who will provide the requested cash support by way of an interest-bearing loan.

Note 29.2 Carrying values of financial assets

	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Carrying values of financial assets as at 31 March 2020				
Trade and other receivables excluding non financial assets	12,480	-	-	12,480
Cash and cash equivalents	1,067	-	-	1,067
Total at 31 March 2020	13,547	-	-	13,547

	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Carrying values of financial assets as at 31 March 2019				
Trade and other receivables excluding non financial assets	11,052	-	-	11,052
Cash and cash equivalents	1,042	-	-	1,042
Total at 31 March 2019	12,094	-	-	12,094

Note 29.3 Carrying values of financial liabilities

	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2020			
Loans from the Department of Health and Social Care	132,202	-	132,202
Obligations under finance leases	8,097	-	8,097
Obligations under PFI, LIFT and other service concession contracts	5,646	-	5,646
Trade and other payables excluding non financial liabilities	19,106	-	19,106
Total at 31 March 2020	165,051	-	165,051

	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2019			
Loans from the Department of Health and Social Care	104,851	-	104,851
Obligations under finance leases	9,027	-	9,027
Obligations under PFI, LIFT and other service concession contracts	5,957	-	5,957
Trade and other payables excluding non financial liabilities	21,595	-	21,595
Total at 31 March 2019	141,430	-	141,430

Note 29.4 Maturity of financial liabilities

	31 March 2020 £000	31 March 2019 £000
In one year or less	151,097	43,646
In more than one year but not more than two years	2,066	52,473
In more than two years but not more than five years	5,226	36,872
In more than five years	6,662	8,439
Total	<u>165,051</u>	<u>141,430</u>

Note 29.5 Fair values of financial assets and liabilities

Book value (carrying value) is a reasonable approximation of fair value.

Note 30 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				
Bad debts and claims abandoned	350	228	366	216
Stores losses and damage to property	5	107	8	99
Total losses	355	335	374	315
Special payments				
Ex-gratia payments	39	67	30	27
Total special payments	39	67	30	27
Total losses and special payments	394	402	404	342

Note 31 Related parties

During the year none of the Department of Health Ministers, trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Southport & Ormskirk Hospital NHS Trust.

The Department of Health is regarded as a related party. During the year Southport & Ormskirk Hospital NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. For example :

	Income		Receivables		Payables	
	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000
Southport & Formby CCG	78,273	69,175	2,437	1,218	765	3,541
West Lancashire CCG	51,559	47,408	1,759	2,891	-	3,853
NHS England	25,389	18,579	371	116	102	964
South Sefton CCG	7,375	6,599	275	258	566	1,045

Note all the above figures are in £'000s.

The Trust has also received revenue and capital payments from Southport & Ormskirk Hospital NHS Trust Charitable Fund, trustees for which are also members of the Trust board. The summary financial statements of the Funds Held on Trust are included in the charitable fund.

The value of transactions with Southport & Ormskirk Hospital NHS Trust Charitable Fund amounted to £186,314 in 2019/20 (£269,555, 2018/19). The majority of transactions were pure recharges for equipment bought using the Trust's finance system. Only £32,078 (£31,448 2018/19) has been recorded as income (shown in note 4) and this is for a service level agreement to provide financial services to the charity.

There are 2 related party declaration (recorded on the Declaration of Interests) between Trust Board members and a current suppliers - University of Liverpool and the Care Quality Commission. The value of invoices in 2019/20 for the University of Liverpool is £2,939 (not a related party on 2019/20) and for the Care Quality Commission £111,605 (not a related party in 2018/19).

Note 32 Prior period adjustments

There are no material prior period adjustments that have required the restatement of prior year accounts.

Note 33 Events after the reporting date

There is one adjusting event after the end of the reporting period. This relates to the reclassification of DHSC revenue loans as all being current liabilities.

The total value of current loans at 31st March 2020 was £131,602,000 (note 22). Of this £1,935,000 relates to capital and £660,000 is accrued interest.

Note 34 Better Payment Practice code

	2019/20	2019/20	2018/19	2018/19
Non-NHS Payables	Number	£000	Number	£000
Total non-NHS trade invoices paid in the year	34,817	62,292	33,825	57,152
Total non-NHS trade invoices paid within target	<u>29,203</u>	<u>39,457</u>	<u>28,560</u>	<u>41,372</u>
Percentage of non-NHS trade invoices paid within target	<u>83.9%</u>	<u>63.3%</u>	<u>84.4%</u>	<u>72.4%</u>
NHS Payables				
Total NHS trade invoices paid in the year	1,557	19,969	1,419	20,437
Total NHS trade invoices paid within target	<u>859</u>	<u>10,655</u>	<u>858</u>	<u>11,867</u>
Percentage of NHS trade invoices paid within target	<u>55.2%</u>	<u>53.4%</u>	<u>60.5%</u>	<u>58.1%</u>

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

Note 35 External financing limit

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

	2019/20	2018/19
	£000	£000
Cash flow financing	27,477	30,883
Finance leases taken out in year		
Other capital receipts		
External financing requirement	<u>27,477</u>	<u>30,883</u>
External financing limit (EFL)	<u>27,608</u>	<u>31,002</u>
Under / (over) spend against EFL	<u>131</u>	<u>119</u>

Note 36 Capital Resource Limit

	2019/20	2018/19
	£000	£000
Gross capital expenditure	8,180	6,575
Less: Disposals	-	(75)
Less: Donated and granted capital additions	(50)	(170)
Charge against Capital Resource Limit	<u>8,130</u>	<u>6,330</u>
Capital Resource Limit	8,134	6,330
Under / (over) spend against CRL	<u>4</u>	<u>-</u>

Note 37 Breakeven duty financial performance

	2019/20
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	(23,757)
Breakeven duty financial performance surplus / (deficit)	<u>(23,757)</u>

Note 38 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		500	853	204	1,258	1,950
Breakeven duty cumulative position	812	1,312	2,165	2,369	3,627	5,577
Operating income		146,757	153,368	178,182	181,098	189,224
Cumulative breakeven position as a percentage of operating income		0.9%	1.4%	1.3%	2.0%	2.9%

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(896)	(17,202)	(20,709)	(33,003)	(28,961)	(23,757)
Breakeven duty cumulative position	4,681	(12,521)	(33,230)	(66,233)	(95,194)	(118,951)
Operating income	188,905	182,236	186,695	158,277	168,112	193,022
Cumulative breakeven position as a percentage of operating income	2.5%	(6.9%)	(17.8%)	(41.8%)	(56.6%)	(61.6%)