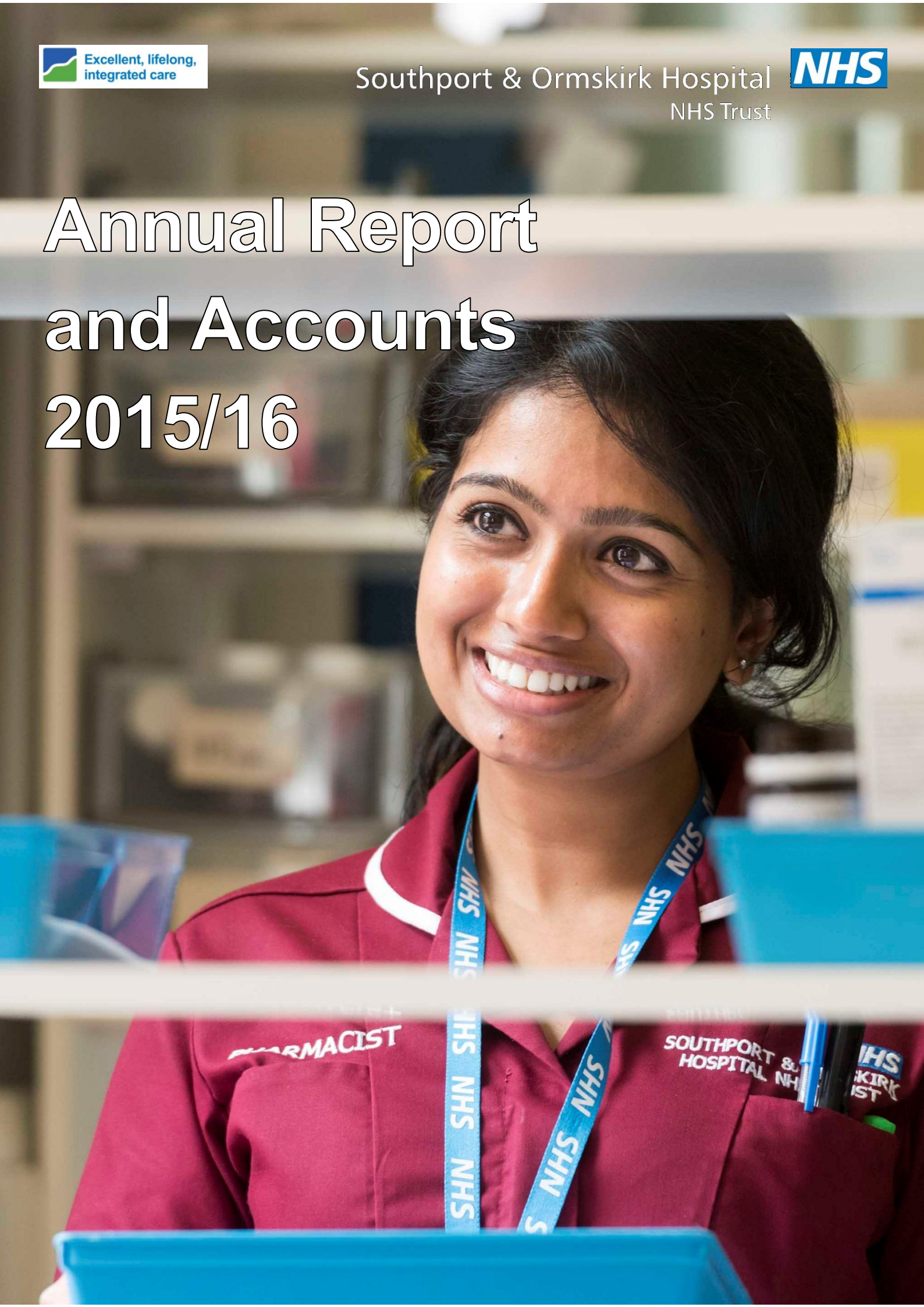
Excellent, lifelong, integrated care

Southport & Ormskirk Hospital
NHS Trust

NHS

Annual Report and Accounts 2015/16



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Chair and interim Chief Executive foreword

Welcome to the Trust's Annual Report and Accounts for 2015/16.

This year has been a challenging one for the NHS as a whole as well as our Trust. We would like to thank staff for the extraordinary care they have continued to deliver for patients against a background of organisational change, financial challenge and an increasing demand for services.

In feedback following an inspection of the Trust in April 2016, the Care Quality Commission also recognised this dedication. Inspectors praised the Trust's "committed, compassionate and passionate staff who are willing to go above and beyond to do their best for patients".

This commitment and professionalism is reflected in the performance of the Trust when measured against our peers in national priority areas, including:

- 5th best trust for patients treated within 18 weeks
- Exceeding national performance targets in cancer referral
- Lowest rate of patient falls in the North West
- Recognition as a best practice organisation nationally in delivering end of life care
- Fewer pressure ulcers, particularly in the community
- One of the top NHS organisations for staff flu vaccination

Although the Trust continues to identify recruitment to clinical roles as a risk, the past year has also seen some improvement in recruitment. A better fill rate for nursing posts was helped by the arrival of 18 nurses from Romania and the first of our Filipino recruits. We have also appointed numerous new consultants to specialties including A&E, gastroenterology, orthopaedics, anaesthesia, care of the elderly, urology, dermatology and ophthalmology.

During the year, three whistleblowing complaints led to the exclusion of four members of staff, including three executive directors. The Trust has been fortunate to secure highly experienced interim executive directors with a proven track record to ensure that safe, effective care has continued to be delivered while investigations are completed.

Sue Musson
Chair

Kim Hodgson
Interim Chief Executive

Performance report

Our Trust, our values

Southport and Ormskirk Hospital NHS Trust provides healthcare in hospital and the community to 258,000 people across Southport, Formby and West Lancashire. We are an “integrated care organisation” (ICO) delivering care in hospital and the community.

Acute care is provided at Southport and Formby District General Hospital and Ormskirk and District General Hospital.

This includes adults’ and children’s accident and emergency services, intensive care and a range of medical and surgical specialities. Women’s and children’s services, including maternity, are provided at Ormskirk hospital.

In addition, the Trust is responsible for many adult community health services, mainly in north Sefton and West Lancashire, which are provided in health centres, clinics and at patients’ homes.

Community urgent care services are provided at Skelmersdale Walk-in Centre and, since February 2016, West Lancashire Health Centre.

The North West Regional Spinal Injuries Centre at Southport hospital provides specialist care for spinal patients from across the North West, North Wales and the Isle of Man.

The Trust also provided sexual health services across the Metropolitan Borough of Sefton and the Borough of West Lancashire.

A comprehensive list of services is summarised in appendix 1.

Our vision and values

The Trust aims to establish and embed exemplary healthcare using the ICO model. This is expressed in our vision: excellent, lifelong, integrated care. The vision will help us achieve our goal of becoming patients’ healthcare provider of choice.

Our values are expressed through “Scope”, developed from what staff told us was important to them about the Trust. They are:

- Supportive
- Caring
- Open and honest
- Professional
- Efficient, with any qualified provider

Our strategy

The Trust's current corporate strategy contains five objectives or "strategic domains". They are:

- Provide lifelong, integrated care across the local health economy
- Ensure excellence in treatment and care
- Deliver performance, within resources, comparable with the best the NHS can offer
- Empower and develop staff to achieve their objectives
- Maintain organisational sustainability

However, the strategy is being reviewed in light of changing national priorities, tightening public finances and an increasing demand for NHS services from an ageing population.

The Trust's strategy review will feed into a wider health economy Sustainability and Transformation Plan described in NHS England's Delivering the Forward View: NHS Shared Planning Guidance 2016/17 to 2020/21.

The Trust faces a risk to its integrated care model from the decisions in June by NHS Southport and Formby and NHS West Lancashire clinical commissioning groups to put the community services provided by the Trust out to tender.

Highlights from the year

Charitable fund and donations

We are grateful to all those patients, their families and members of staff who fundraise or make gifts to the Trust each year.

Some donations come in the form of direct funding for specific projects such as support provided by the League of Friends at Ormskirk hospital. But many gifts are received by our charitable fund (registered charity 1049227).

As far as reasonably practical gifts are used in accordance with the givers' wishes. Where the donation has been made for specific purpose this is accepted as binding.

Grants worth £101,000 were made for new equipment in the most recently audited account for the year ended 31st March 2015. These included £22,250 for the North West Regional Spinal Injuries Unit and £4,950 for the Critical Care Unit.

Among the notable gifts made directly by member of the public in 2015/16 were:

- £40,000 raised by three families for a transport incubator for premature babies delivered at Ormskirk hospital neo-natal unit
- £22,532 raised to refurbish the North West Regional Spinal Injuries Centre patients' day room at Southport hospital
- £840 from 11-year-old Tom Heyes for the Medical Day Unit at Southport hospital in memory of his grandads. Tom wrote to celebrities for jokes which he then compiled into a book and sold to raise money

Chaplaincy service

The chaplaincy and spiritual care service aims to offer spiritual, pastoral and religious support to the whole hospital community.

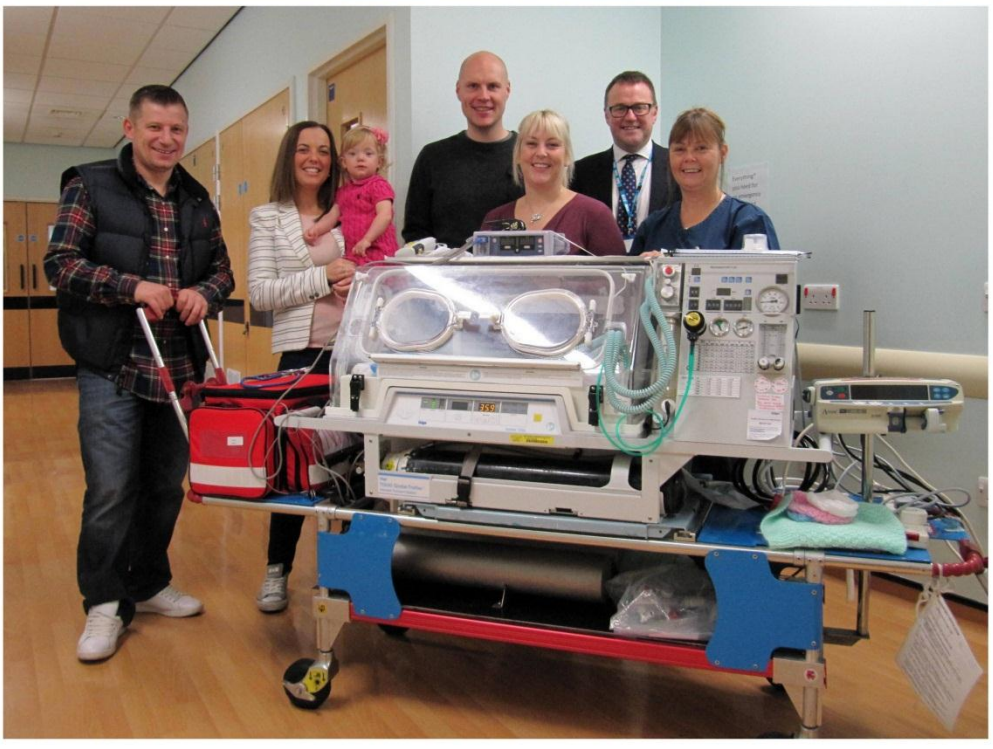
Each month between 60 and 100 referrals are received (between six to 20 being out of hours). In response there is initial assessment and support, and frequent follow-up. Informal non-referred support is also commonplace.

Excellent multi-faith links have been developed. This year faith consultation meetings were held at the Jewish synagogue and Muslim mosque. The new ablution room at Southport hospital is greatly appreciated by the Islamic community.

The chaplaincy supports and works very closely with many other groups within the hospital.

In December the chaplaincy was key in planning and leading the first annual baby memorial service, out of which a baby loss support group has grown.


Tom's
Great Joke Book




PATIENT
SAFETY
AWARDS

In May the Rev Martin Abrams, Trust chaplain, presented a poster Improving Spiritual Care at the End of Life to the European Association of Palliative Care in Copenhagen.

Staff service and innovation recognised

Among staff who were recognised for their service to the NHS and innovation this year were:

- **Dr Bakul Soni** received the Liz Martin Award for Achievement from the Spinal Injuries Association. The specialist doctor has treated more than 1,000 spinal injured patients since joining the North West Regional Spinal Injuries Centre at Southport hospital in 1985. He has published more than 300 research articles on the subject
- **Dr Andrew Falzon**, a Foundation Year 1 doctor, and Consultant Urological Surgeon **Mr Rahul Mistry**, won the Patient Safety in Care of Older People Award with their projects “Breaking AKI” and “Ur-ine-volved” at the Patient Safety Congress and Awards
- **Dr May Ng**, Clinical Director for Paediatrics, was shortlisted for Clinical Leader of the Year in the 2015 HSJ Awards. She was also shortlisted in the 2016 Asian Women of Achievement Awards
- **Shirley Coward**, Matron for Paediatric Services, was nominated a Nurse Leader of the Year by the Nursing Times

Triplets delivered at Ormskirk hospital

Southport health care assistant Sarah Johnson, 31, gave birth to triplets Darcie, Macy and Bobbie-Ann at Ormskirk hospital in January. The triplets were conceived naturally. The chance of this is approximately one in 25,000.

Facing page, clockwise from top left: Trust chaplain the Rev Martin Abrams; the Johnson triplets; Tom Heyes shares a joke with the nurses in the Medical Day Unit at Southport hospital; Dr Andrew Falzon and Mr Rahul Mistry receiving their national award; two of the three families who helped raise money for a transport incubator for the neo-natal unit.

Clinical performance

The Trust's clinical performance is described in more detail in the annual Quality Report which is published on the Trust website and at NHS Choices.

Key highlights are shown in the tables below. A notable achievement is the on-going pathway for patients treated with 18 weeks of referral in which the Trust finished the year as fifth best national performer.

We also exceed national performance in cancer referral and nationally have the most improved one-year patient survivorship.

Patient mortality continues to fall on both national measures and is within expected margins except for pneumonia where further work is being done.

There has been a 27% fall in pressure ulcers and more than 95% of patients receive harm-free care.

Fewer patients fall when in our care compared to other trusts in the North West.

The high quality of end of life care was recognised by the Trust being selected as an exemplar for the national Building on the Best programme.

The Care Quality Commission Chief Inspector of Hospitals report published in May 2015 formed the basis of our improvement priorities. These are described in more detail in the 2015/16 Quality Account and the Quality and Safety Committee report on page 32.

Safe in our hands … the Trust has fewer patients falls than other North West trusts

Performance against national targets in 2015/16 is shown in the following table:

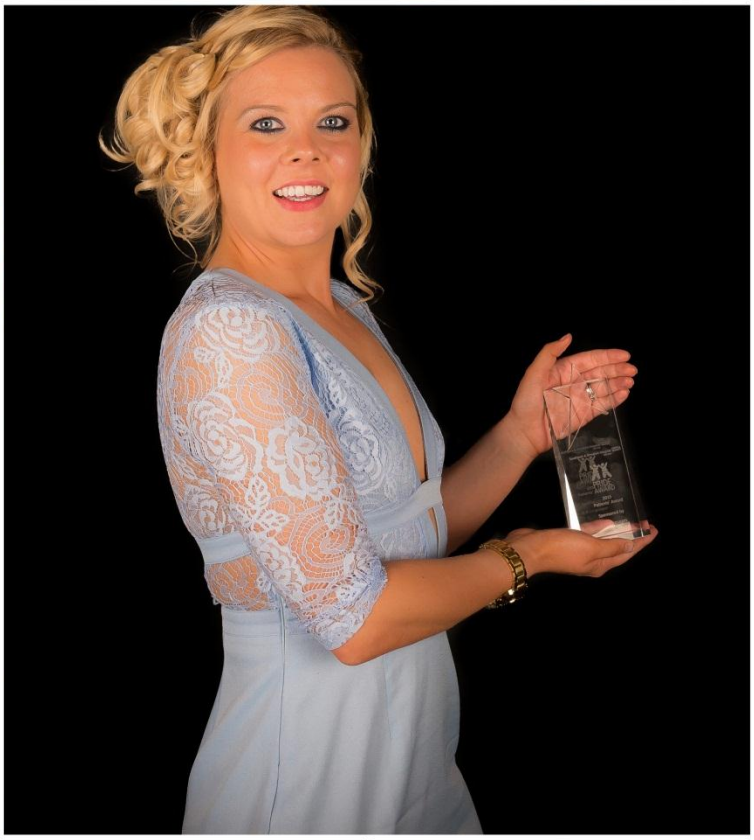
Target	Target	2015/16
% of urgent care patients seen within 4 hours	95	90.82
% of patients first seen within two weeks when referred from their GP with suspected cancer	93	95.30
% of patients receiving treatment within 62 days of GP referral	85	86.5
% of admitted patients treated within 18 weeks of referral		
• On-going	92	97.10%
• Admitted	90	84.60%
• Non-admitted	95	96.60%
% of patients treated within 28 days following a cancelled operation	100	100
Hospital-acquired MRSA bacteraemias	0	2
C Difficile cases attributed following appeal	36	24

This table shows clinical activity compared against the previous year:

Clinical activity	2014/15	2015/16
Outpatient 1st attendances	78,910	76,164
Outpatient follow-up attendances	191,147	186,940
Elective inpatients	3,325	3,423
Day cases	25,014	25,487
Non-elective inpatients	25,456	24,528
Adults A&E attendances	47,929	47,992
Child A&E attendances	25,055	27325
Walk-in centres (West Lancashire HC from Feb)	46,051	51,128
All births	2,695	2,530
Community referrals	115,656	112,608
Community contacts	409,688	454,473








PRIDE
2015
Health Care Assistant

Staff and volunteers

The Trust is the major local employer with 3,506 working at Southport hospital, Ormskirk hospital and in community services across Sefton and West Lancashire.

Staff engagement

The Trust participates in the NHS national staff Friends and Family Test, the results of which initially showed the Trust has improved on its friends and family scores. The NHS National Staff Survey was conducted between the October and December 2015. The Trust overall staff engagement improved in the 2015 survey and scored 3.74 out of a possible score of five (highly engaged staff). The Trust has a staff engagement working group who are developing an action plan to take forward in 2016/17.

Pride Awards

The Trust held its annual Pride Awards for staff in June at the Floral Hall in Southport. More than 400 staff and guests attended the awards dinner and ceremony at which 13 awards recognising the skill and dedication of staff were presented. The winners, some of whom are pictured on the facing page, were:

Patients' Award: **Cassandra Garner**, HCA in Outpatients
Team of the Year: **Cancer Services**; **Paediatric Diabetes team**; **Tarleton District Nursing team**
The Chief Executive's Award: **Clair Gahan**, EPR Manager
Volunteer Award: **Ray and Jackie Hughes**, reception desk at Southport hospital
Doctor of the Year: **Dr Athmanatha Nauaswami**
Nurse/Midwife of the Year: **Esther Lennon**, Oncology Specialist Nurse
Health Care Assistant of the Year: **Renata Dodd**, GP Assessment Unit
Health Professional of the Year: **John Gwilliam**, Antimicrobial Pharmacist
Support Worker of the Year: **Jackie Conway**, Housekeeper
Administrative/Clerical Worker of the Year: **Jan Stevenson**, Ward Clerk, Paediatrics
Patient Safety Award: **Yvonne Taylor**, Frail Elderly Short Stay Unit
Safely Reducing Costs Award: **Sarah Huyton**, Finance
Leadership Award: **Susan Gara**, Deputy CERT Team Leader

Scope for Change

The Scope for Change programme was completed in December 2015. More than 800 staff attended focus groups which led to the identification by staff of key projects which were taken forward during 2015. The projects included improvements to mandatory training, time to hire, car parking, recognition and career development.

Health and well-being

The Health and Wellbeing Department's achievements continued in 205/16 with the team vaccinating over 80% of healthcare staff against flu, an increase on the previous year's achievement and being one of the top performers nationally.

The department has maintained SEQOHS (Safe, Effective, Quality, Occupational Health Service) accreditation and continues to improve access and response times for staff being referred.

Staff physiotherapy services are delivered from both Southport and Ormskirk sites. Support to increase and encourage physical activity includes yoga and circuit training available for staff. The Trust participated in the North West NHS Games in July with staff representing the organisation in a number of events including golf, football and running.

Education and training

Health Education North West visited the Trust twice in the past 12 months with a focus on both postgraduate and undergraduate medical education along with the University of Liverpool.

The Trust received good feedback on both occasions with notes on areas for improvement.

A key deliverable was to undertake a thorough review of our statutory and mandatory training offer. This was achieved with the introduction of a flexible training programme called "You Choose" and improved recording and reporting processes, culminating in a new suite of training reports accessible by all staff. The next step is to look at e-learning options to support all staff to be compliant.

A programme of Leadership Master Classes has been delivered to staff groups from bands 1 to 8b for our emerging, operational and transformational leaders. The Trust aims to build on its leadership and management development programmes over the forthcoming year.

The Trust has supported more than 40 new apprenticeships for its current staff, in subjects such as business administration, health and social care, team leading and customer service.

The Library and Knowledge Service achieved a score of 98% in the Library Qualities Assurance Framework against an average rating of 93% for acute trusts across the region.

Two specialist groups were formed – the Clinical Skills Forum and the Simulation and Human Factors Group – to establish a comprehensive programme of clinical skills and simulation training for members of the multi-disciplinary team. The ethos of both groups is to strengthen the Trust's patient safety agenda.

Volunteering

We continue to be indebted to the contribution our volunteers make to supporting the care we provide to patients and visitors.

These include dining companions, welcomers at our hospital receptions and chaplaincy volunteers.

We are also fortunate to benefit from a number of long-standing volunteer groups whose fund-raising activities make a valuable contribution to patient care. These include the RVS hospital shops, the Spinal Unit Action Group, and the League of Friends at Ormskirk hospital.

Radio Ormskirk, our volunteer-run hospital radio service, rebranded itself Radio Heartbeat in the summer when it extended its service to Southport hospital.

The technical changes were made possible by a donation from the Mayor of West Lancashire's charity and cloud technologies provider Novosco.

On air … Cllr Doreen Stephenson, Mayor of West Lancashire 2014/15 (seated), with station manager Bill Jarvis, Eric Phipps from the Trust IT team and volunteers marking the relaunch of Ormskirk hospital radio at Radio Heartbeat

Sustainability report

Southport and Ormskirk hospitals are powered by energy from a combined heat and power plant at each site.

Excess energy from the plants is exported to the National Grid. In 2015/16 this was enough to supply 1,067 three-bedroomed houses for a whole year.

The power plants have also reduced the Trust's reliance on the National Grid with only 23% of our power coming from that source.

We are also saving water. New working practices in the laundry, which is based at Ormskirk hospital, saving around 675,000 litres a month – that's the content of nearly three-and-a-half Olympic-sized swimming pools a year.

The Trust recently took delivery of an all-electric vehicle to help reduce fuel emissions. The van has been loaned for four years by Veolia which runs the combined heat and power plants. It will be charged using the electric generated on site.

Two electric vehicle charging points have also been installed outside the main entrance at Southport Hospital. These are available for the general public to use via a booking system.

Financial performance

Key financial targets

It has been a financially challenging year for the Trust. Like all NHS providers, the Trust has seen pressures around activity, difficulty in recruitment, high agency spend and delivery of the cost improvement programme. In addition there have been local pressures with the exceptional costs associated with the Board exclusions.

Consequently, the Trust with the agreement of the Trust Development Authority (TDA) altered the original target of a £10.67m deficit to a £16.935m deficit (including contractual penalties which are inter-NHS). The final position was a deficit of £17.202m which represents an adverse variance of £267k which is less than 2% away from target. The table shows performance against key financial targets:

	Target 15/16	Actual 15/16	Variance	Achieved
Retained deficit **	-£16,935,000	-£17,202,000	-£267,000	Yes
Return on capital employed	3.50%	3.50%	0.00%	Yes
External Financing Limit	£16,360,000	£16,206,000	£154,000	Yes
Capital Resource Limit	£4,521,000	£4,507,000	£14,000	Yes
Better Payment Practice Code (non NHS)	95%	85%	-10%	No
Better Payment Practice Code (NHS)	95%	66%	-29%	No
Liquidity	-19.5 days	-21.6 days	-11%	No

** *Note: the figures for both the target and actual include £2.685m for contractual penalties and CQUIN deductions (Commissioning for Quality and Innovation payment framework) from the three main Clinical Commissioning Groups (Southport and Formby, West Lancashire and South Sefton).*

The dividend payable on public dividend capital is based on the actual average relevant net assets (rather than forecast) and therefore the actual return on capital employed rate is automatically 3.5%.

The External Financing Limit (EFL) is a cash-based control for NHS Trusts. Although no longer a statutory duty the Trust has achieved this target with an undershoot of £154k. Note in terms of cash balance at year end the Trust's cash resources increased from £94k last year to £1.022m. This was a planned increased in order to satisfy a loan condition to maintain a minimum £1m cash balance.

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 underspent against its CRL by £14k.

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. Due to the combination of cash issues and processing issues at NHS Shared Business Services this target was not met. Figures are broadly in line with last year.

Liquidity performance is still an issue at -21.6 days. The Trust was able to mitigate some of the problems with the lack of liquidity by obtaining advances from Clinical Commissioning Groups and with Department of Health loans. Moving forward there is a better system in place in 16/17 to access cash.

Financial analysis: high level comparison between two financial years

	15/16	14/15	Variance	Variance
	£'000s	£'000s	£'000s	%
Turnover	182,236	188,905	-6,669	-3.53%
Operating expenses	195,851	190,036	5,815	3.06%
Non-current asset base	118,878	120,533	-1,655	-1.37%
Total assets employed	71,844	89,496	-17,652	-19.72%

Turnover

Income has fallen by £6.7m from 2014/15 levels. This is due to the reduction in winter pressure funding, tariff deflation and financial penalties. Some of this is offset by activity over-performance. In addition the 2014/15 turnover figure includes a non-recurrent, non-cash item of £2.9m in relation to a financial lease restructure transaction.

Operating expenses

This shows an increase in operating expenses of £5.8m, although the 2014/15 figure includes an impairment of £3.4m which means the underlying increase is £9.2m. Of this increase, £4.4m is on pay and the majority of this is around the premium on agency costs. The balance of £4.8m is predominately associated with the pathology contract with St Helens & Knowsley NHS Trust £3.8m (contract started October 14, meaning 14/15 figures represent 6 months of the contract and 15/16 figures are the full 12 months) and also an increase in amortisation. The £1.1m increase in amortisation is associated with the Electronic Patient Record (EPR) system going live at the end of 2014/15.

Non-current asset base

The overall value of capital assets has reduced in 15/16 as the value of depreciation/amortisation has exceeded the value of capital investment.

Total assets employed

The total value of the Statement of Financial Position has fallen in line with the value of the deficit.

Accountability report

Directors' Report

The names of the directors and composition of the Board of Directors is set out in the tables below. The membership of Board committees is included within the Annual Governance Statement.

All directors are required to declare the details of company directorships and other significant interests held which may conflict with their director responsibilities.

The Register of Directors' Interests is available upon request from the Company Secretary and is published annually within the Trust public Board papers. There are no significant interests which require disclosure within this Directors' Report.

Each director knows of no information which would be relevant to the auditors for the purpose of their audit report, and of which the auditors are not aware, and has taken all the steps that he or she ought to have taken to make himself/herself aware of any such information and to establish that the auditors are aware of it.

Executive directors 2015/16

	Position	Name	Appointed/left
Executive directors	Chief Executive	Jonathan Parry *	April 1999
	Interim Chief Executive	Ann Marr	September 2015
	Director of Finance	Damian Reid	Dec 2012-Oct 2015
	Director of Finance	Steve Shanahan	November 2015
	Executive Medical Director	Rob Gillies	June 2013
	Director of Nursing and Quality	Simon Featherstone	January 2015
	Chief Operating Officer	Sheilah Finnegan *	November 2009
	Interim Chief Operating Officer	Lisa Hunt	September 2015
	Director of HR and Communications	Sharon Partington *	May 2003
	Interim Director of HR and Communications	Louise Ludgrove	September 2015

** excluded August 2015*

Non-executive directors 2015/16

	Position	Name	Appointed/left
Non-executive directors	Chair	Sue Musson	November 2014
	Vice-chair	Graham Slee	September 2011
	Senior Independent Director	Paul Burns	June 2010
	Non-executive director	Rodney Dykes	Feb 2008-Jan 2016
	Non-executive director	Jeannette Newman	July 2012
	Non-executive director	Su Fowler-Johnson	July 2012
	Non-executive director	Caroline Whalley-Hunter	Sept 2012- Nov 2015
	Non-executive director	Ann Pennell	December 2015
	Non-executive director	Carol Baxter	February 2016

Annual Governance Statement

SCOPE OF RESPONSIBILITY

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

THE GOVERNANCE FRAMEWORK OF THE ORGANISATION

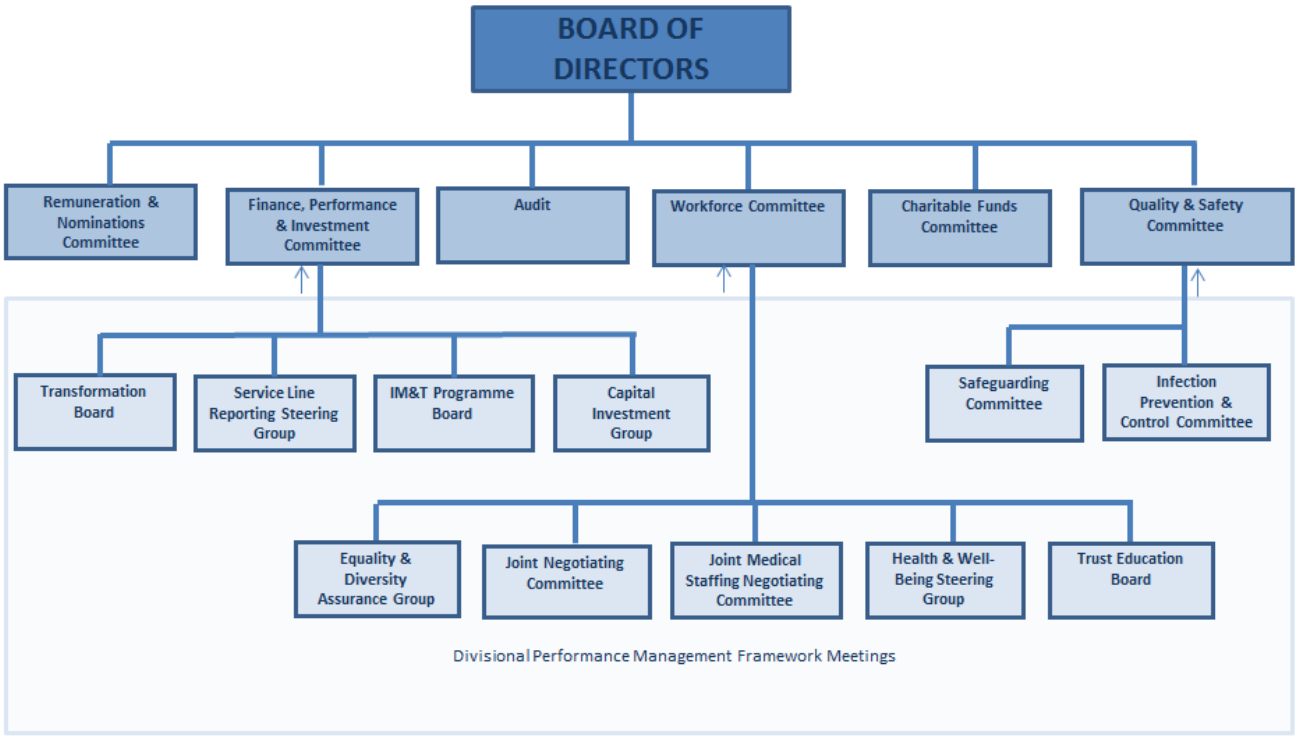
A governance framework is established within the Trust to ensure that the organisation is able to facilitate the system of internal control. The system of internal control is designed to manage risk to an acceptable level recognising that it is not possible to eliminate all risk of failure to achieve 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 to identify and prioritise the risks to the achievement of the Trust's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The system of internal control has been in place for Southport & Ormskirk Hospital NHS Trust for the year ended 31st March 2016 and up to the date of the approval of the annual report and accounts. The system of internal control is underpinned by a number of controls including but not limited to the Trust Standing Orders, Standing Financial Instructions, Scheme of Reservation and Delegation, Senior Management Structure, policies and procedures, committee structure and performance management framework. The governance arrangements are continually reviewed and, where appropriate, have been revised.

Through the Performance Management Framework the executive team hold the Clinical Business Units (CBUs) to account using a 'comply or explain' approach in relation to their performance against finance, workforce, quality and performance metrics. The Performance Management Framework is a key mechanism for providing assurance through to the Board Committees.

The Board Committee structure is set out as follows:



Board of Directors

The Board of Directors has overall responsibility for the governance of the Trust. The Board meets on a monthly basis and comprises the Chair, five Non-Executive Directors, one Designate Non-Executive Director (appointed in accord with the Appointments Commission policy for aspirant foundation trusts), the Chief Executive and four voting Executive Directors. The Director of Human Resources (HR) and the Company Secretary are also regular in attendance at Board.

During 2015/16 the following changes occurred in Board membership:

- Caroline Whalley-Hunter resigned from office as a NED and was replaced by Ann Pennell bringing experience of large-scale change and improvement programmes working collaboratively with a range of partners to the Board.
- Rodney Dykes term of office expired as a NED and he was replaced by Carol Baxter bring clinical experience and experience of leadership in the third sector to the Board.
- Damian Reid resigned from office as Director of Finance and was replaced by Steve Shanahan on secondment from North Cumbria University Hospitals NHS Trust.
- Jonathan Parry, Chief Executive, was excluded from office following an independent whistleblowing investigation. Ann Marr was appointed by the TDA as Interim Accountable Officer whilst the Chief Executive remains excluded from office.
- Sheilah Finnegan, Chief Operating Officer, was excluded from office following an independent whistleblowing investigation. Gaynor Hales was appointed by

the TDA to provide executive cover for the immediate period with Lisa Hunt appointed as Interim Chief Operating Officer from September 2015.

- Sharon Partington, Director of HR, was excluded from office following an independent whistleblowing investigation. Sheila Samuels was appointed by the TDA to provide Interim Director of HR cover for the immediate period following the exclusions with Louise Ludgrove replacing her from September 2015.

All Board meetings were quorate with an appropriate level of attendance from individual Board Members as set out in the table overleaf.

Board of Directors attendance 2015/16												
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Members:												
S Musson (Chair)	✓	✓	A		✓	✓	✓	✓	✓	✓	✓	✓
G Slee) (Vice Chair)	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
P Burns (Senior Independent Director)	✓	✓	✓		✓	✓	A	✓	✓	A	✓	✓
R Dykes	✓	✓	✓		✓	✓	✓	✓	✓	✓		
J Newman	✓	A	✓		✓	A	✓	✓	✓	A	✓	✓
C Whalley-Hunter	✓	✓	✓		✓	A	A	A				
S Fowler-Johnson*	✓	✓	✓		✓	✓	✓	A	✓	✓	✓	✓
A Pennell										A	✓	✓
C Baxter											✓	✓
J Parry	✓	✓	✓		X	X	X	X	X	X	X	X
A Marr					✓	✓	A	✓	✓	✓	✓	✓
D Reid	✓	✓	✓		✓	✓						
S Shanahan									✓	✓	✓	✓

S Finnegan	✓	✓	✓		X	X	X	X	X	X	X	X
G Hales					✓	✓						
L Hunt							✓	✓	✓	✓	✓	✓
S Partington*	✓	✓	A		X	X	X	X	X	X	X	X
S Samuels*					✓							
L Ludgrove*							✓	✓	✓	A	✓	✓
S Featherstone	✓	✓	✓		A	✓	✓	✓	✓	✓	✓	✓
R Gillies	✓	✓	✓		✓	✓	✓	✓	✓	✓	A	✓

Notes:

* Indicates non-voting members of the Board

A – Apologies

X – Excluded from the Trust

Rodney Dykes term of office as a Non-Executive Director ended on 31st January 2016.

Caroline Whalley-Hunter resigned from office as a Non-Executive Directors on 30th November 2015

Jonathan Parry, Sheilah Finnegan and Sharon Partington were excluded from the Trust on 4th August 2015

Ann Marr joined the Trust as Interim Chief Executive on 4th August 2015

Gaynor Hales joined the Trust to provide Interim Director support on 4th August 2015 until 15th September 2015. Mrs Hales was replaced by Lisa Hunt, Interim Chief Operating Officer on 16th September 2015

Sheila Samuels joined the Trust as Interim Director of HR on 4th August 2015 until 31st August 2015. Mrs Samuels was replaced by Louise Ludgrove on 16th September 2015

Damian Reid left the Trust on 22nd September 2015

Steve Shanahan joined the Trust on secondment as Director of Finance on 9th November 2015

Ann Pennell joined the Trust as a Non-Executive Director on 22nd December 2015

Carol Baxter joined the Trust as a Non-Executive Director on 1st February 2016

The Board takes strategic decisions and monitors the performance of the Trust, holding the Executive Directors to account for the Trust's achievements. The Board has approved a formal Scheme of Reservation and Delegation which includes a scheme of matters reserved for the Board and those delegated to Board Committees or management. This is available on the Trust website.

The Board continues to self review Board performance as a standing agenda item at the end of each Board meeting, this provides the Board with the opportunity to

review whether it is fulfilling the standards required of Boards. At the start of the year the Board had identified that it needed to spend more time developing strategy and to have a less operational focus. Through a review of Board agendas, review of the use of Board Committees and the Interim Chief Executive's report the Board has begun to spend more time considering strategy. Due to its current interim composition the Board has not conducted or commissioned a formal evaluation of its performance and recognises that this needs to be carried out with a clear focus on key areas for development.

Individual Directors were set objectives for 2015/16 and are appraised based upon the achievement of their objectives. The NHS Trust Development Authority led the appraisal of the Chair.

Non-Executive Directors are invited to consider whether they regard themselves to be independent in character and judgement, based upon the criteria set in the UK Corporate Governance Code. The Chair reviews the declarations made and the consensus of the Board in 2015/16 was that the Non-Executive Directors of the Trust were independent in character and judgement.

Throughout 2015/16 the Board has paid particular attention to:

- The Chief Inspector of Hospitals Action Plan and the Maternity Services Improvement Plan
- The Trust's financial position and the Financial Recovery Plan
- The sustainability of the Trust
- Recruitment
- Community Services
- Winter Resilience

Board committees

The Board annually reviews the effectiveness of its Committee structure and any areas for development are addressed within the Committee Terms of Reference and Committee Work Plans.

The Chairs of each Board Committee verbally report to the Board on key issues being considered and formally submit a copy of the minutes of meetings held. In addition the Board receives the following key reports via the Committees:

- Chair of Audit Committee Annual Report
- External Audit Letter and Accounts
- Quality Account
- Board Assurance Framework

As well as providing the opportunity for the Committee Chair to inform the Board of assurance received each Committee report includes the opportunity for the Committee Chair to escalate matters requiring Board attention. Throughout the year this has been used to highlight performance and quality issues, the financial position, concerns regarding the risk management framework, results of external reviews and workforce concerns such as recruitment.

The Audit Committee together with the Finance, Performance & Investment Committee, Quality & Safety Committee and Workforce Committee ensures that all significant risk is properly scrutinised and managed in accordance with the Board's appetite for risk.

The Board Assurance Framework (BAF) is a standing agenda item at each Board Committee meeting and provides the opportunity for the Committee to update the Board in relation to the identified risks on the BAF. The Trust recognises that the use of the BAF to drive the business of the Board Committees is an area which could be strengthened further and will be taken forward in 2016/17.

Audit Committee

The Audit Committee has responsibility for critically reviewing governance and assurance processes on which the Board places reliance with particular regard to the Board Assurance Framework.

A key area of focus for the Audit Committee has been monitoring the integrity of the Trust's financial statements and reviewing the system of internal control. The Committee meets six times a year and comprises four Non-Executive Directors including the Chairs of the Finance, Performance & Investment Committee, Quality & Safety Committee and Workforce Committee.

The Committee is chaired by a Non-Executive Director who has relevant financial experience and a financial qualification having been a previous NHS Director of Finance. Members are required to attend 75% of meetings held. Average attendance of members is 81%. Attendance of individual members is set out in the table below.

Audit Committee attendance 2015/16											
	May	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Members:											
R Dykes	✓		✓		✓		✓		✓		
J Newman (Chair)	✓		✓		✓		✓		✓		✓
S Fowler-Johnson	✓		✓		✓		A		✓		A
C Whalley-Hunter	✓		✓		A		A				
A Pennell											✓
Notes: A – Apologies See Board notes regarding changes in membership											

Audit Committee members meet privately with internal and external audit representatives immediately before each Audit Committee meeting. The Director of Finance, Director of Nursing, Quality & Risk, Company Secretary and internal and external audit representatives are in routine attendance at the Audit Committee.

The Chair of the Audit Committee reports to the Board of Directors to ensure the Board is kept informed of significant risks and reviews all disclosure statements that flow from the Trust's assurance processes. The Committee reviews its annual work plan against the NHS Audit Committee Handbook.

Throughout the year the Committee has paid particular attention to:

- the Board Assurance Framework;
- the Mortality Framework;
- the quality of data underpinning the Integrated Performance Report;
- Ward level rostering;
- Non-PO invoices;
- Information Governance.

Finance, Performance and Investment Committee

The Finance, Performance & Investment Committee has responsibility for the Trust's financial and commercial strategies as well as oversight of the Trust corporate performance dashboard.

The Committee meets monthly and for the first 6 months of the year was chaired by a Non-Executive Director who has a financial qualification and commercial experience having worked in a FTSE 100 Company. Following the resignation of this Non-Executive Director the Vice Chair has been chairing the meeting. However, Committee membership has been reviewed and commencing in 2016/17 this Committee will once again be chaired by a Non-Executive Director who has a financial qualification.

Members are required to attend 75% of meetings held. Average attendance of members is 73%. Attendance of individual members is set out in the table overleaf. In the majority of cases where Executive Directors sent their apologies deputies attended on their behalf. The Committee is reviewing the membership to ensure it remains relevant.

Finance, Performance & Investment Committee attendance 2015/16												
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Members:												
C Whalley-Hunter (Chair)	✓	✓	✓	✓	✓	✓	A	A				

G Slee (Acting Chair)	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓
J Newman	✓	A	✓	✓	A	✓	✓	✓	✓	✓	A	A
S Musson											✓	
A Pennell												✓
J Parry	✓	✓	A	✓	X	X	X	X	X	X	X	X
A Marr					✓	A	A	✓	✓	✓	✓	A
S Featherstone	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓
S Finnegan	A	✓	✓	✓	X	X	X	X	X	X	X	X
G Hales					✓							
L Hunt						A	A	A	A	A	A	✓
R Gillies	✓	✓	✓	✓	A	✓	A	✓	✓	✓	A	A
S Partington	✓	✓	A	✓	X	X	X	X	X	X	X	X
S Samuels					✓							
L Ludgrove						✓	✓	✓	✓	A	A	A
D Reid	✓	✓	✓	✓	✓							
S Shanahan								✓	A	✓	✓	✓

Notes:

A – apologies; X – excluded from the Trust

See Board notes regarding changes in membership

During the year the Trust had to submit a revised forecast deficit and in the latter half of the year the Committee has focused on the delivery of the Financial Recovery Plan which consisted of three main elements namely, recovering income, restricting expenditure and delivery of the Cost Improvement Programme.

The Committee has overseen the development of a Transformation Board led by the Chief Operating Officer with a key focus on developing clinically and financially sustainable services, driving productivity and regaining market share. Whilst the Committee has continued with its standard reporting to the Board via a Chair's report and the formal submission of Committee minutes, as the financial position worsened the Board also received a Director of Finance Report each month clearly setting out the financial position and the mitigations being taken to recover this.

Quality and Safety Committee

The Quality & Safety Committee has responsibility for providing the Board with assurance regarding the effectiveness of all aspects of the clinical governance arrangements of the Trust, with a particular focus on quality and risk management.

The Committee meets monthly and is chaired by a Non-Executive Director (Designate) who has a clinical background. Members are required to attend 75% of meetings held. Average attendance of members is 67.5%. Attendance of individual members is set out in the table below. Six individuals failed to meet the required 75% attendance. The Committee is reviewing the membership to ensure it remains relevant.

Quality & Safety Committee attendance 2015/16												
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Members:												
S Fowler-Johnson (Chair)	✓	✓	✓	✓		✓	✓	A		✓	✓	✓
R Dykes	✓	✓	✓	✓		A	✓	A		✓		
G Slee	✓	A	✓	A		✓	✓	✓		✓	✓	✓
C Baxter											✓	A
S Featherstone	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
J Parry	✓	✓	✓	✓		X	X	X		X	X	X
D Reid	A	A	A	✓								
S Shanahan								A		A	A	A
R Gillies	✓	✓	✓	✓		A	✓	✓		✓	A	✓
S Partington	✓	A	A	✓		X	X	X		X	X	X
L Ludgrove							A	A		A	A	A
S Finnegan	✓	A	✓	A		X	X	X		X	X	X
L Hunt							✓	✓		A	✓	A

Notes:

A – apologies; X – excluded from the Trust

See Board notes regarding changes in membership

Throughout the year the Quality & Safety Committee has particularly focussed on seeking assurance in relation to areas of risk which feature on the Corporate Risk Register and/or have the subject of external reviews such as:

- Mortality
- Maternity Services
- Infection Control
- Falls
- Pressure Ulcers
- Stroke management

The Chief Inspector of Hospitals inspection in November 2014 raised a number of areas of concern, which have been monitored throughout the year by the Committee. The Chief Inspector of Hospitals action plan itself was escalated to the Board and monitored directly by the Board on a monthly basis. A summary of the issues and action taken is proved below:

Area of concern	Summary of action taken
Nurse Staffing Levels	Full establishment review Daily staff staffing review Monthly Board focus on staffing
Equipment Management	Assessment Management System procured and being implemented Programme of prioritised equipment replacement commenced
Medicines Management	Improved audit programme Improved medicines security in critical care Improvement in the storage and administration of controlled drugs Additional pharmacy support in high risk areas
Infection Prevention and Control	Environmental changes and water safety training Infection Prevention & Control Action Plan implemented

Maternity Services	External culture review Staffing and skill mix review High risk patients transferred to other units Review of risk management Introduction of Maternity Information System
Spinal Injuries Centre	Investment in staffing levels Refurbished environment Investment in clinical leadership Improvements in the management of challenging patient behaviour

The Committee has also received assurance that all CIPs have been quality impact assessed and signed off by the Medical Director and Director of Nursing. The Committee also has a standing agenda item for horizon scanning to proactively identify areas for focus, national quality developments and reports.

Workforce Committee

The Workforce Committee has responsibility for ensuring that workforce and organisational development strategies are effectively implemented. The Committee met five times in 2015/16 and was chaired by a Non-Executive Director. In February 2016 following a review of the effectiveness of the Committee a decision was taken to stand this Committee down and have direct reporting to the Board on the main workforce risks via a Director of HR's report.

Members are required to attend 75% of meetings held. Average attendance of members was 56%. Attendance of individual members is set out in the table below.

Workforce Committee attendance 2015/16												
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Members:												
R Dykes (Chair)		A		✓			✓	✓		✓		
S Fowler-Johnson		✓		✓			A	A		A		
J Newman		✓		✓			A	A		✓		
S Partington		✓		✓			X	X		X		
L Ludgrove							A	✓		✓		
D Reid		✓		✓								
S Shanahan								A		✓		
S Featherstone		A		✓			A	✓		✓		
R Gillies		✓		✓			✓	A		✓		
S Finnegan		A		✓			X	X		X		
L Hunt								A		A		
J Parry		A		A			X	X		X		
Notes: A – apologies; X – excluded from the Trust See Board notes regarding changes in membership												

Throughout the year the Committee paid particular attention to the areas of medical and nurse recruitment, staff engagement and agency usage. The Committee oversaw the implementation of the Recruitment Action Plan and the development of a 'golden key' process requiring senior management sign off for use of agencies which were not compliant with the national cap.

Agency costs in 2015/16 were £11.7m against £8.5m in 2014/15.

Due to the areas of escalating concern in relation to the workforce, namely, recruitment, agency usage, staff engagement and organisational culture the decision was taken to stand down the Workforce Committee and replace this with direct reporting to the Board. The Board will review this decision at the start of 2016/17.

Remuneration and Nominations Committee

The Remuneration & Nominations has responsibility for advising the Board on the appropriate remuneration and terms of service for the Executive Directors, considering Board succession planning and ensuring a formal, rigorous and transparent procedure for Board appointments. The Committee is chaired by a Non-Executive Director.

Members are required to attend 75% of meetings held. Average attendance of members is 81.8%. Attendance of individual members is set out below.

Remuneration & Nominations Committee attendance 2015/16												
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Members:												
P Burns (Chair)	✓		✓				A					✓
J Newman	✓		✓				✓					✓
S Fowler-Johnson	✓		✓				✓					✓
G Slee	✓		✓				✓					✓
S Musson							✓					✓
R Dykes							A					
C Whalley-Hunter							A					
A Pennell												✓
C Baxter												A

During the year the Committee has overseen a review of the Board composition to inform succession planning and reviewed the Framework for determining and reviewing Executive Director remuneration. The Committee also approved the appointment of the interim Executive Directors and sought assurance that Treasury approval was obtained for the continuation of the two interim off-payroll appointments beyond the initial six months.

Charitable Funds Committee

The Charitable Funds Committee manages the Trust charitable fund on behalf of the Trust (the corporate Trustee) in line with the appropriate legislation, Charity Commission requirements and Trust Charitable Funds governance procedures. The Committee is chaired by a Non-Executive Director with two other members namely, another Non-Executive Director and the Director of Finance.

Members are required to attend 75% of meetings held. Attendance of individual members is set out below. Average attendance of members is 100%.

Charitable Funds Committee attendance 2015/16												
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Members:												
R Dykes (Chair)			✓	✓				✓		✓		
D Reid			✓	✓								
J Newman								✓				
S Shanahan										✓		
Notes: A – Apologies See Board notes regarding changes in membership												

Corporate governance arrangements

NHS Trusts are not required to comply with the UK Corporate Governance Code however, when reporting on corporate governance arrangements they are advised to draw on best practice available including those aspects of the UK Corporate Governance Code considered to be relevant to the Trust and best practice.

The Trust also draws upon best practice within Monitor's Code of Governance for Foundation Trusts. Insofar as the Trust is able, the Trust complies with the best practice principles set out in both Codes although the Trust has identified that it needs to complete a more formal evaluation of the Board's performance.

Quality governance

The Director of Nursing, Quality & Risk is the Executive Lead for Quality Governance. Quality governance sits within the Integrated Governance structure, which brings together clinical risk management, complaints, quality standards, clinical audit and effectiveness under a single co-ordinated management structure.

There is an internal audit rolling programme across three years to provide the Board with assurance, through the Audit Committee on various aspects of quality governance. During 2015/16 the internal auditors gave significant assurance for the following aspects of quality governance:

- Mortality Framework
- Information Governance
- Falls Service

The Trust is required to prepare a Quality Account for each financial year. The Trust follows the national guidance on the form and content of the Quality Account to ensure that it meets the legislative requirements and requisite external assurance arrangements. The Director of Nursing, Quality & Risk leads on the Quality Account. The external auditors provide assurance on the content of the Quality Account.

In April 2015 the Trust received its inspection report from the Chief Inspector of Hospitals (CIH), which provided the Trust with the opportunity to develop a robust action plan against the CIH five domains. The action plan has been monitored by the Board as a standing agenda item throughout 2015/16.

In November 2015 the Board approved the implementation of the Southport and Ormskirk Nursing Accreditation Scheme (SONAS), which is a comprehensive internal assessment process for clinical areas. It mirrors the approach of CIH and provides evidence against the CIH five domains and the corresponding key lines of enquiry, 6 C's and Trust's SCOPE values. The scheme was introduced into the acute inpatient areas in December 2015 and is designed to support nurses in practice to understand how they deliver care, recognises and shares best practice and identifies where further improvements are needed. The assessment will be continually evaluated and rolled out to ambulatory and community areas during 2016/17.

The Board approved a new Quality Improvement Strategy in February 2016, which builds upon the evidence based patient safety collaborative approach to drive excellence in patient care and reduce harm. Two patient safety collaboratives were launched in 2015/16 covering pressure ulcers and the deteriorating patient.

The Trust reported two never events during 2015/16 neither resulted in serious harm to patients. Nonetheless the Trust takes its responsibilities extremely seriously in terms of identifying the reasons for their occurrence and reviewing existing processes and systems to minimise the risk of a similar event recurring.

The first incident occurred in November 2015 and involved a patient receiving oral morphine solution via an intravenous syringe. A full investigation was completed and

revealed that the Trust needs to review its systems and processes in relation to responding to national patient safety alerts as well as a review of internal use of oral syringes. In addition a reflective learning process was undertaken with the staff involved to address the human factors in the incident.

The second incident occurred in February 2015 and involved a single dose of Methotrexate being administered to a patient who was not prescribed it. An investigation is underway. As an immediate action a Medicines Safety Bulletin has been issued across the Trust emphasising the safe use of Methotrexate.

The Board receives a report each month on any never events or serious untoward incidents which have occurred. Follow-up action is monitored through the Quality and Safety Committee. Following the two never events the Board requested a specific report providing assurance on the Trust's medicines management arrangements and action taken in response to the never events.

Counter-fraud

In line with NHS Protect requirements the Trust has in place appropriate anti-fraud and security management arrangements. The Local Counter Fraud Specialist conducts a local risk assessment which considers national and local fraud risk areas. The outcomes form a prioritised anti-fraud work plan which is approved by the Audit Committee.

Prevention and deterrence is a significant element of the Counter Fraud Annual Work Plan which includes communications, fraud alerts, awareness training, fraud-proofing Trust policies, HR employment, procurement and invoicing compliance checks. The Local Counter Fraud Specialist provides a mid-year report and an annual report to the Audit Committee reporting on progress against the annual work plan, this also includes details of any incidents investigated by Counter Fraud and their outcome, and an assessment against the NHS Protect Standards for Providers.

The Trust Counter Fraud service received several referrals during 2015/16 which resulted in four instances where specific enquiries were undertaken.

One investigation related to an allegation of fraud by false representation. The subject was dismissed following a parallel disciplinary investigation and the counter fraud case is currently being considered for criminal prosecution.

A second investigation related to an allegation of fraud by abuse of position. Following counter fraud enquiries, it was determined there was no criminal case to answer so the case was closed with no further action by the Local Counter Fraud Specialist (LCFS). However, the matter was referred internally to senior management for consideration as to whether any procedural weaknesses or breaches were identifiable.

The third case was received by the LCFS and was passed to NHS Protect for consultation and consideration, due to the nature of the allegations in respect of

potential abuse of position offences but no count fraud action was taken and the case was closed.

The fourth and final case is currently active, relates to alleged abuse of position offences and is subject to potential further enquiries. Due to the nature of the allegations the LCFS is in consultation with NHS Protect to determine the most appropriate course of action to be taken.

External audit

Arrangements are in place for external audit to provide independent assurance on the Annual Accounts, Annual Report, Annual Governance Statement and the Quality Accounts. This meets the requirement that the Trust has arrangements in place for the discharge of statutory functions to check for any irregularities and ensure that they are legally compliant.

RISK ASSESSMENT

As the Accountable Officer I have responsibility for risk management and the system of internal control within the Trust although I have delegated operational responsibility for risk management systems to the Director of Nursing, Quality & Risk. Each Executive Director has a clearly defined objective to manage risk within their area of responsibility. The Risk Management Department sits within the Integrated Governance Structure. In addition, each Clinical Business Unit and Service Division has a Governance Lead who works in conjunction with the Risk Management Department to manage risk within their area and develop the risk management processes throughout the whole organisation.

There are three main mechanisms for escalating risk to the Board, these are:

1. The Chief Executive's Report which is a standing agenda item and provides an early warning mechanism to alert the Board to emerging risks.
2. The Board Assurance Framework, which captures significant strategic risks to the Trust delivering its strategic objectives and is monitored by the Board and Audit Committee. The Board Assurance Framework is a dynamic framework used to inform the focus of the Board and its Committees throughout the year.
3. A functional Corporate Risk Register, which captures the significant operational risks identified by the divisions and informs the Board Assurance Framework.

The following risks were identified as key strategic risks at the start of 2015/16:

- Failure to sustain clinically viable services
- Failure to balance competing priorities of finance, performance and quality
- Failure to maintain an effective and efficient workforce
- Failure to respond to increasing competition
- Failure to adapt and be resilient to local, regional and national changes
- Failure to deliver Care Closer to Home

- Insufficient information systems to support business intelligence and service redesign in an ICO environment
- Failure to deliver a recurrent surplus.

During the year some of the above risks were reworded to more accurately reflect the position and the following new risks were added to the Board Assurance:

- Limited management capacity and continuity
- Poor staff engagement particularly in relation to clinical engagement with decision making
- Failure to deliver the 2015/16 forecast
- Inability to retain community services
- Ineffective systems for clinical and corporate governance for assurance and escalation across the Trust
- The Trust fails to deliver a strategy that is clinically or financially sustainable

The Board Assurance Framework details the controls in place to mitigate the risks and the mechanisms for reporting controls and assurances through the governance structure.

Key mitigations which have been in place during 2015/16 include:

- Continuation of the Trust-wide Recruitment Action Plan with specific consideration to medical and nurse recruitment.
- Appointment of an interim executive management team and temporary restructuring of wider management posts.
- The development of the Financial Recovery Plan.
- Strengthened systems for IT disaster recovery and business continuity.
- The implementation of a new electronic recruitment system TRAC.
- Executive Roadshows.
- Use of CBU Performance Management Framework meetings as a forum for early warning escalation together with the introduction of an executive-led supportive intervention programme for services identified as requiring supportive measures.

In the latter quarter of 2015/16 the Trust began to identify a Trust vision, informed in part by the externally supported Sustainability Review. This will be taken forward during 2016/17 through the development of a Sustainability and Transformation Plan with the model developed in conjunction with the consultant body.

Despite the mitigations put in place during the year the Trust did not deliver the 2015/16 forecast and were not shortlisted for the West Lancashire Community Services contract. In the latter half of 2015/16 the Trust began to see a significant improvement in recruitment to medical vacancies, however, nurse recruitment remains a significant challenge for the Trust.

The Trust is continually seeking to improve its risk management processes particularly its risk assessment framework to ensure that there is an organisation-wide risk awareness culture which enables risk management to occur as close to the

risk source as possible and ensures that risks which cannot be managed locally are escalated appropriately.

Data security risks are managed through strict controls and enforced by multiple technical solutions. Policies are in place to provide guidance on the use of data within the organisation and an approval process to agree the movement of data. The Trust is satisfied that all its data security controls are robust and these are monitored on a regular basis.

During 2015/16 the Trust reported one incident to the Information Commissioner's Office (ICO) for a breach of the Data Protection Act 1998. Advice was sought from the Caldicott Guardian throughout the management of the incident.

In June 2015 a clinical handover sheet used by Surgical Doctors was left unattended on a bedside table; this was inadvertently picked up by a patient and taken home. The patient notified the Trust and the handover sheet was recovered by the District Nursing team. The sheet contained the information of 16 patients, including name and clinical investigation. All patients were contacted via letter to inform them of the data breach and the patients were given the opportunity to contact the Trust. The incident was closed by the Information Commissioner in August 2015 with no further action necessary from the Trust.

THE RISK AND CONTROL FRAMEWORK

The Trust is working to further improve and embed its risk management culture. The systems for risk identification and control are described within the Trust's Risk Management Strategy which has been approved by the Board. The Trust has a comprehensive list of policies which support the risk management framework, the key ones are:

- Reporting and Management of Incidents
- Health and Safety
- Emergency Contingency and Business Continuity Planning
- Security Management
- Major Incident
- Handling of Clinical Negligence, Employers and Public Liability Claims
- Comments, Concerns Complaints
- Whistleblowing
- Counter Fraud

Once risks are identified they are evaluated and graded in accordance with the risk assessment model described in the Risk Management Strategy. Reasonable practicable control measures are implemented and the risk is recorded on the CBU and/or Corporate Risk Register.

Training is provided to all staff on risk assessment and incident reporting via the Induction Programme for all new employees and the Mandatory Training Programme for all staff. Compliance is monitored through the Clinical Business Unit Performance Management Framework meetings. At March 2016 compliance with risk management mandatory training was 94.1%.

Incidents, complaints, claims and patient and staff feedback are routinely analysed to identify lessons learnt and improve internal control. Lessons learnt are disseminated to staff using a variety of methods including newsletters, team meetings, safety huddles and personal feedback.

The Trust outsources its financial transaction processing to NHS Shared Business Services (SBS). The Trust has received external assurance that effective controls operate in this shared service environment from the ISAE 3402 report. This report, from independent auditors, provides significant assurance that controls are appropriate and effective.

The Assurance Framework supports the achievement of the Trust's Strategic Objectives. The Audit Committee reviews the Assurance Framework at each Committee meeting and the Board reviews the Framework every six months throughout the year. The Board Assurance Framework is used to inform Board and Board Committee work-plans. This is reviewed periodically throughout the year however the Trust recognises that this needs to be further embedded.

The Board has identified that the Board Committees need to have a greater focus upon receiving assurance. To this end during 2015/16 the Board spent time agreeing the principles for the strategic assurance committees. One of the principles agreed upon was the use of the Board Assurance Framework to ensure that there is a golden thread between the Board, Board Committees and risks facing the organisation. This will be taken forward during 2016/17.

The Corporate Risk Register is reviewed and updated in conjunction with the Assurance Framework. Individual CBU Risk Registers are reviewed in PMF meetings. The Risk Registers enable the Trust to proactively identify risk. This includes the identification of risk in the development of the Trust Annual Plan and service development plans, clinical audit, internal audit, Quality Impact Assessments of CIPs and horizon scanning through the Chief Executive's Report to Board and Board Committee horizon scanning.

The Board Business Cycle ensures that the Board receives regular reports throughout the year on:

- Integrated Performance
- Patient experience
- Mortality
- Quality
- Risk
- National Inquiries

A robust governance process is in place to ensure that all cost improvement schemes are subject to a risk assessment including quality impact assessment, and signed off by the Director of Nursing, Quality & Risk and Medical Director prior to review by the Finance, Performance and Investment Committee.

Control measures are in place to ensure that all the Trust's obligations under equality and diversity legislation are complied with.

REVIEW OF THE EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL

As Accountable Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Board Assurance Framework and on the controls reviewed as part of the Internal Audit work plan. The overall opinion provided for 2015/16 is one of significant assurance.

Executive Managers and Board Committees within the organisation who have delegated responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the Trust achieving its strategic objectives have been reviewed.

My review is also informed by:

- External Audit
- Internal Audit
- NHS Trust Development Authority
- NHS Protect
- Care Quality Commission
- Board of Directors
- Executive Directors
- Company Secretary
- Integrated Governance Team
- Audit Committee
- Quality & Safety Committee
- Finance, Performance & Investment Committee
- Workforce Committee
- Advancing Quality
- Board Compliance Statements

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the above-mentioned processes and committees. Plans are put in place to address weaknesses and ensure continuous improvement of the system.

Where internal control issues are identified the risk management process results in the establishment of specific action plans to control, as far as is practicable, the risk. Management and implementation of the action plan is the responsibility of the relevant Executive Director and progress implementing the action plans is monitored by the relevant Committee. Residual risk is recorded on the Corporate Risk Register.

Internal Audit report regularly to the Audit Committee and provide full reports to the Director of Finance and relevant Senior Managers. The Audit Committee also receives details of any actions that remain outstanding following the follow up review

of Internal Audit reviews. All reviews are routinely followed up by the Audit Committee.

During 2015/16 internal audit conducted a review of risk management to provide an opinion that appropriate risk management processes are in place and embedded through the Trust to support the delivery of the annual plan. The review resulted in limited assurance. The areas of weakness identified were:

- The Risk Management Strategy was inconsistent with the Risk Assessment and Risk Register Policy.
- Clinical Business Unit (CBU) Risk Registers were incomplete.
- A number of risks on the Corporate Risk Register had exceeded their date of review.
- The Risk Matrix could be further improved by including time framed descriptors for likelihood as per the National Patient Safety Agency (NPSA) Risk Matrix.

In response to the review the Risk Management Strategy has been reviewed and updated the Risk Assessment and Risk Register Policy is being aligned to the Strategy. The Corporate Risk Register and CBU Risk Registers have been fully reviewed. The Risk Matrix has been updated to reflect the NPSA Risk Matrix.

Assurance of effective controls for information governance is provided through the completion of the Information Governance Toolkit and in particular those aspects that relate to information governance security standards. The Trust has achieved Level 2 of the Information Governance Toolkit. Internal Audit have conducted an in year assessment of the Information Governance Toolkit to provide an opinion on the adequacy of the policies, systems and operational activities to complete, approve and submit the IG Toolkit scores. The assessment concluded significant assurance.

During the year the Information Commissioner's Office completed a desk based follow-up to their best practice Data Protection audit from January 2015 to measure the extent to which the Trust had implemented the agreed recommendations. This was based on a management action plan update and some accompanying supporting evidence. The progress the Trust is making towards the completion of the original recommendations against the scope areas was acknowledged. However, there is still further progress to be made. The ongoing work should serve to improve the Trusts compliance with the Data Protection Act and other information assurance standards. The audit engagement is complete however additional follow up will be monitored by the Information Governance Steering Group.

There is a formal system of performance monitoring and control against the CQC Fundamental Standards. The Trust continues to be registered with the CQC without conditions.

The Board receives an integrated performance report (IPR) which triangulates financial, operational, quality and workforce indicators to identify areas of deteriorating performance and forecast future risks to performance. In the last quarter of 2015/16 the Executive Team reviewed the format and content of the IPR

to ensure that appropriate forecasting and benchmarking information is included. The revised IPR will be implemented during 2016/17.

During 2015/16 the Trust achieved all cancer targets with the exception of the national cancer target 62 day Screening Referred to Treatment. Due to the Trust's reliance on referrals from other providers this target remains at risk.

The Trust failed to meet the A&E 4 hour target year to date due to the exceptional demand experienced. The Trust has an agreed trajectory in place to achieve compliance with this target by the end of 2016/17. In the meantime the Trust will continue to mitigate any risk to patient safety. A clinical services strategy is in development which aims to redesign all pathways taking account of previous advice from NHS England's Emergency Care Intensive Support Team.

The Trust had two cases of MRSA during 2015/16 breaching the target of 0. Full root cause analyses were carried out in both cases with lessons learned fed back to the relevant clinical teams.

Due to pressures around activity, difficulty in recruitment, high agency spend, delivery of the cost improvement programme and exceptional costs associated with the Executive Director exclusions the Trust agreed to amend its 2015/16 financial target to a deficit of £14.25m. This was after technical adjustments for donated assets and did not include any potential contractual penalties that the Commissioners might impose.

The Trust has reported contractual penalties in the monthly returns to the NHS Trust Development Authority (TDA) since month 7 (October 20150. Initially the view was that these penalties would be reinvested so the Trust could tackle any issues. Therefore there was no financial risk. However, later in the financial year there was a change in that Commissioners would now penalise providers and the Trust estimated these penalties at £1.5m. The view from the TDA was that this still did not constitute a risk as the net effect to the NHS was nil in that the provider's income and the commissioner's expenditure would reduce by the same amount.

At the end of 2015/16 the Trust reported deficit is £17.202m. This includes contractual penalties of £2.685m and is after technical adjustments. When these penalties are stripped out the Trust is only marginally away from its target by £267k. This represents an adverse variance of less than 2% away from target.

The deficit impacted on the Trust's cash reserves and throughout the year the Trust was reliant on Department of Health loans and support from local commissioners. Moving forward the Trust has secured further resources in 2016/17 and there is a clear structure of how monies can be accessed. The Trust has an existing fully utilised interim Revolving Working Capital Facility (RWCF) agreement for 30 days' worth of operating expenses. DH has now confirmed that this facility has been extended to the maximum 40 days which gives the Trust access to a further £5m. If this facility is insufficient then the Trust can apply for a new Interim Term Loan but this is subject to validation by NHS Improvement (NHSI) and DH. The Trust submits a 13 week rolling cash flow forecast to NHSI at the end of each month so any issues are flagged up at an early stage.

With the exception of the Better Payment Practice Code the Trust achieved its other statutory financial targets namely the 3.5% on average net relevant assets, the capital resource limit and the external financing limit.

In summary my review confirms that Southport & Ormskirk Hospital NHS Trust has a sound system of internal control that supports the achievement of its policies, aims and objectives although the Trust does need to strengthen its risk management framework in line with the recommendations made by internal audit during the year. Clearly the exclusion of several executive directors has had a significant impact upon the organisation but this has been mitigated by the Trust working with the NHS Trust Development Authority to establish an interim executive team with appropriate experience to provide effective stewardship of the organisation.

There are ongoing significant risks which continue to challenge the Trust and will need to be managed during 2016/17. A significant challenge is the development of a viable five year strategy for the Trust. Work on this has commenced with the development of the Trust vision supported by discussions across the local health economy and the wider Merseyside footprint. This will be taken forward during 2016/17 by the development of the Sustainability and Transformation Plan at a Trust level and by the discussions taking place on the wider health economy footprint.

Interim Accountable Officer: Kim Hodgson

Organisation: Southport & Ormskirk Hospitals NHS Trust

Signature: 

Date: 1ST JUNE 2016.

Remuneration report

Salary and pension entitlements of senior managers:

a) Remuneration

Expense payments only relate to taxable mileage. All of these were less than £50 so show as zero in the above table on page 49.

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 remuneration of the highest paid director in Southport and Ormskirk Hospital NHS Trust in the financial year 2015-16 was £177,760 (2014-15, £177,760). This was 7.4 times the median remuneration of the workforce (2014-15, 7.8 times). The median value is £24,063 (2014-15, £22,903).

In 2015-16, eight (2014-15, seven) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £185,259 to £206,558 (2014-15, £181,664 to £247,812).

The Annual Governance Statement highlights the changes to Board membership during the year which includes a number of exclusions following an independent whistleblowing investigation (see page 25).

Due to the exceptional circumstances in relation to the exclusions, two of the interim Board members are paid via an agency contract and the Treasury deems this to be an off-payroll arrangement.

As these contracts are in excess of six months, the Trust is required to report the following information for any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016:

Number of off-payroll engagements of board members, and/or senior officers with significant financial responsibility, during the financial year	3
Total number of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements	21

Name and title	REMUNERATION 2015-16					
	(a) Salary (bands of £5,000)	(b) Expense payments (taxable) total to nearest £100	(c) Performance pay and bonuses (bands of £5,000)	(d) Long term Performance pay and bonuses (bands of £5,000)	(e) All pension-related benefits (bands of £2,500)	(f) TOTAL (a to e) (bands of £5.000)
	£'000s	£'00s	£'000s	£'000s	£'000s	£'000s
J Parry (Chief Executive)	150-155				25-27.5	175-180
A Marr (interim Chief Executive from 04/08/15)	70-75				47.5-50	120-125
R Gillies (Medical Director)	175-180				22.5-25	195-200
S Featherstone (Director of Nursing)	100-105				185-187.5	285-290
S Finnegan (Chief Operating Officer	100-105				15-17.5	115-120
D Reid (Deputy Chief Executive/Director of Finance until 22/09/15)	55-60				10-12.5	65-70
S Shanahan (interim Director of Finance from 09/11/15)	45-50				10-12.5	55-60
S Partington (Director of HR)	90- 95				17.5-20	105-110
S Samuels (interim HR Director 05/08/15 to 26/08/15)	10-15				N/A	10-15
G Hales (Aug 2015 only)	0-5				N/A	0-5
L Hunt (interim Chief Operating Officer from 16/09/15)	175-180				N/A	175-180
L Ludgrove (interim HR Director from 16/09/15)	145-150				N/A	145-150
S Musson (Chair)	30-35					30-35
J Newman (Non-Executive Director)	5-10					5-10
C Whalley-Hunter (Non-Executive Director until 30/11/15)	0-5					0-5
R Dykes (Non-Executive Director until 31/01/16)	0-5					0-5
P Burns (Non-Executive Director)	5-10					5-10
G Slee (Non-Executive Director	5-10					5-10
S Fowler-Johnson (Non-Executive Director)	5-10					5-10
C Baxter (Non-Executive Director from 01/02/16)	0-5					0-5
A Pennell (Non-Executive Director from 22/12/15)	0-5					0-5

** *Note that the salary information for Sheila Samuels, Louise Ludgrove and Lisa Hunt represents the costs to the Trust and not their actual salary. The value is based on the agency invoices for the period and includes irrecoverable VAT.*

The off-payroll arrangements in-year cover Sheila Samuels (August 2015 only) and current contracts for Louise Ludgrove and Lisa Hunt. Gaynor Hales was provided by the TDA at no cost to support the Trust for a short period and this was not an off-payroll arrangement. Pension information for these people is therefore not applicable.

Comparative remuneration information for 2014/15 is shown below.

	REMUNERATION 2014-15					
	(a) Salary (bands of £5,000)	(b) Expense payments (taxable) total to nearest £100	(c) Performance pay and bonuses (bands of £5,000)	(d) Long term performance pay and bonuses (bands of £5,000)	(e) All pension-related benefits (bands of £2,500)	(f) TOTAL (a to e) (bands of £5.000)
	£'000s	£'00s	£'000s	£'000s	£'000s	£'000s
J Parry (Chief Executive)	160-165	4			2.5-5.0	165-170
R Gillies (Medical Director)	175-180	7			87-5-90.0	265-270
E Yates (Director of Nursing until 30/09/14)	45-50				0	45-50
S Featherstone (Director of Nursing from 01/02/15)	15-20				65-67.5	80-85
S Finnegan (Chief Operating Officer	100-105				0-2.5	100-105
D Reid (Deputy Chief Executive/Director of Finance)	115-120				25-27.5	140-145
R Watson (Chair until 31/10/14)	10-15	2				10-15
S Musson (Chair from 01/11/14)	10-15					10-15
J Newman (Non-Executive Director)	5-10					5-10
C Whalley-Hunter (Non-Executive Director)	5-10	1				5-10
R Dykes (Non-Executive Director)	5-10					5-10
P Burns (Non-Executive Director)	5-10					5-10
G Slee (Non-Executive Director)	10-15					10-15

Note that the 2014/15 salary figure for the Chief Executive includes £11,126 of back dated pay which relates to 2013/14.

b) Pension benefits

	Real increase in pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31 March 2016 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31 March 2016 (bands of £5,000)
	£'000s	£'000s	£'000s	£'000s
J Parry (Chief Executive)	0-2.5	2.5-5	65-70	200-205
A Marr (interim Chief Executive from 04/08/15)	10-12.5	32.5-35	85-90	255-260
R Gillies (Medical Director)	0-2.5	2.5-5	75-80	225-230
S Featherstone (Director of Nursing)	7.5-10	22.5-25	30-35	100-105
S Finnegan (Chief Operating Officer	0-2.5	0-2.5	45-50	145-150
D Reid (Deputy Chief Executive/Director of Finance until 22/09/15)	0-2.5	0-2.5	10-15	35-40
S Shanahan (interim Director of Finance from 09/11/15)	0-2.5	0-2.5	15-20	45-50
S Partington (Director of HR)	0-2.5	0-2.5	30-35	90-95

Name & title	Cash Equivalent Transfer Value at 31 March 2016	Cash Equivalent Transfer Value at 31 March 2015	Real increase in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension (to nearest hundred £s)
	£'000s	£'000s	£'000s	£'00s
J Parry (Chief Executive)	1,437	1,383	38	0
A Marr (interim Chief Executive from 04/08/15)	1,835			
R Gillies (Medical Director)	1,646	1,589	38	0
S Featherstone (Director of Nursing)	671	505	160	0
S Finnegan (Chief Operating Officer	1,022	984	26	0
D Reid (Deputy Chief Executive/Director of Finance until 22/09/15)	216	183	8	0
S Shanahan (interim Director of Finance from 09/11/15)	349			
S Partington (Director of HR)	603	575	21	0

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

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 the Occupational Pension Schemes (Transfer Values) Regulations 2008.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

On 16 March 2016, the Chancellor of the Exchequer announced a change in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate from 3.0% to 2.8%. This rate affects the calculation of CETV figures in this report. Due to the lead time required to perform calculations and prepare annual reports, the CETV figures quoted in this report for members of the NHS Pension scheme are based on the previous discount rate and have not been recalculated.

Members of the Remuneration and Nominations Committee:-

The Board decided in September 2015 that all Non-Executive Directors would be members of the Remuneration and Nominations Committee. The members are:

P Burns (Non-Executive Director) – Chair of the Remuneration and Nominations Committee
S Musson (Trust Chair)
S Fowler-Johnson (Non-Executive Director - Designate)
J Newman (Non-Executive Director)
G Slee (Non-Executive Director)
R Dykes (Non-Executive Director) – left 31/01/16
C Whalley-Hunter (Non-Executive Director) – left 30/11/15
A Pennell (Non-Executive Director) – started 22/12/15
C Baxter (Non-Executive Director) – 01/02/16

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 and 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 £142,500
(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 foundation trusts (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.

Signed as Accountable Officer of the Trust

INTERIM CHIEF EXECUTIVE ..... **K Hodgson**

Staff data report

Equality and diversity

The Trust made significant progress in achieving its Equality Delivery System Objectives during 2014/15 and this resulted in a number of revised objectives for 2015/16 to take this work forward.

We achieved the Navajo charter mark standard which takes into account an organisation's practices and policies, how it trains and recruits, and how it engages with lesbian, gay, bisexual, transgender and intersex people.

The Trust introduced staff support networks for staff with protected characteristics. We are also a Two Ticks employer.

All policies are equality impact assessed to ensure that there no detriment to any employee or prospective employee who may be have protected characteristics.

Opportunities for training and promotion are available to all employees regardless of disability, gender or ethnicity.

2016 will see a revision of our existing objectives and analysis of equality data against the requirements of the Workforce Race Equality System and preparation for the Workforce Disability System to be introduced in 2017.

The Trust allows for reasonable adjustments, where required, as part of a selection process or where an employee requires adjustment to their job due to a disability. We work with external agencies, such as Access to Work, to facilitate adjustments to the workplace. Staff also benefit from the advice and of the Health and Well-being Team.

Consultancy expenditure

Expenditure on consultancy was £373,000. It supported work in such areas as procurement, strategy and organisational change.

Off payroll expenditure

The Trust had two new off-payroll engagements between 1 April 2015 and 31 March 2016 for more than £220 per day and that lasted longer than six months. However, as these two engagements relate to directors, the information is shown in the Remuneration report.

Staff composition by gender

Table shows the number of staff employed by gender against their pay bands. Most staff are paid according to the NHS Agenda for Change bandings ranging from 1 to 8d.

Pay band	1	2	3	4	5	6	7	8a-d **	Medical	Trust	
Female	172	446	402	209	680	501	278	88	76	5	**2857**
Male	60	134	50	39	75	62	38	29	158	5	**650**
	232	580	452	248	755	563	316	117	234	10	**3507**

*** Senior managers*

A full analysis of staff numbers is provided in the Annual Accounts.

Staff sickness absence

Staff group	% full-time equivalent days sickness
Professional scientific and technical	4.29
Additional clinical services	8.05
Administrative and clerical	5.28
Allied health professionals	2.16
Estates and ancillary	5.90
Healthcare scientists	3.56
Medical and dental	2.21
Nursing and midwifery registered	6.07
Average	**5.54**

Staff policies

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

Disclosures subject to audit

The following disclosures are subject to audit and shown in the remuneration and staff reports:

- Single total figure of remuneration for each director
- CETV disclosures for each director
- “Fair pay” (pay multiples/median pay) disclosures
- Analysis of staff numbers

Annual accounts 2015/16

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

The Chief Executive of the NHS Trust Development Authority has designated that the Chief Executive should be the Accountable Officer to the trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Chief Executive of the NHS Trust Development Authority. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;

- value for money is achieved from the resources available to the trust;

- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;

- effective and sound financial management systems are in place; and

- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

I confirm that, 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 trust's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Signed.....Chief Executive

Date..1ST JUNE 2016.

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 the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, directors are required to:

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

- make judgements and estimates which are reasonable and prudent;

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

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

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

By order of the Board

1st June 2016 Date..... Chief Executive

1st June 2016 Date..... Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF SOUTHPORT AND ORMSKIRK HOSPITAL NHS TRUST

We have audited the financial statements of Southport and Ormskirk Hospital NHS Trust for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to NHS Trusts in England. We have also audited the information in the Remuneration and Staff Report that is subject to audit.

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 Board of the Trust, as a body, 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 Board of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors, the Accountable Officer and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

As explained in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources. We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountabilty Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Section 21(5)(b) of the Local Audit and Accountability Act 2014 requires that our report must not contain our opinion if we are satisfied that proper arrangements are in place.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to

identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2015, 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 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Tust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Southport and Ormskirk Hospital NHS Trust as at 31 March 2016 and of its expenditure and income for the year then ended; andhave been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to NHS Trusts in England.

Opinion on other matters

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to NHS Trusts in England; and
- the other information published together with the audited financial statements in the annual report and accounts 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 governance statement does not comply with the NHS Trust Development Authority's guidance; or
- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have 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; or

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014.

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

Other matters on which we report by exception: Adequacy of arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you if we are not satisfied that the trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

The Trust's outturn position for 2015/16 was a £17.3 million deficit, which is a significant deterioration compared to the original planned deficit for 2015/16 of £10.7 million. The final outturn for 2015/16 includes £2.6m of commissioner fines and penalties, which were not included in the original or revised forecasts.

The original planned deficit of £10.7m for 2015/16 was revised in Quarter 3, to a re-forecast position of £14.75 million excluding penalties, which was agreed with the Trust Development Authority. The deterioration in the trust's financial outturn between the original and revised planned outturn was due to unfavourable variances in commissioner income, unplanned increases in expenditure (particularly around agency staff costs) and delays to the establishment and approval of the cost improvement programme. Whilst the Trust went on the achieve the re-forecast position due to the delivery of agreed CIPs and a financial recovery plan in the second half of the year, the year end deficit is indicative of inadequate arrangements to deploy resources in the first two quarters of 2015/16.

Furthermore, we have concerns regarding the arrangements put in place by the Trust, as at 31 March 2016, to devise a sustainable plan for service delivery in the future. We note that the Trust has established an outline vision in partnership with local stakeholders, including Southport and Formby CCG. However, this has not yet been fully developed into a clear and robust strategy, supported by operational plan and financial forecasts, to which the Trust Board and external stakeholders have committed.

Lastly, the Trust's 2016/17 plan indicates a forecast deficit of £6.6 million. While this represents an improvement on the outturn for 2015/16, the scale of this deficit together with the 2015/16 outturn means that there is a significant risk that the Trust will breach its statutory break-even duty for the period 2015/16 – 2017/18.

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

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are 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 2016.

Certificate

We certify that we have completed the audit of the accounts of Southport and Ormskirk Hospital NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Amanda Latham

Amanda Latham
for and on behalf of KPMG LLP, Appointed Auditor

1 St Peter's Square
Manchester
M2 3AE

1 June 2016

Southport and Ormskirk Hospital NHS Trust

Annual Accounts for the period

1 April 2015 to 31 March 2016

Statement of Comprehensive Income for year ended 31 March 2016

	NOTE	2015-16 £000s	2014-15 £000s
Gross employee benefits	10.1	**(134,733)**	(130,210)
Other operating costs	8	**(61,118)**	(59,826)
Revenue from patient care activities	5	**170,261**	175,067
Other operating revenue	6	**11,975**	13,838
Operating surplus/(deficit)		**(13,615)**	(1,131)
Investment revenue	12	**28**	25
Other gains and (losses)	13	**5**	2
Finance costs	14	**(1,390)**	(761)
Surplus/(deficit) for the financial year		**(14,972)**	(1,865)
Public dividend capital dividends payable		**(2,362)**	(2,719)
Transfers by absorption - gains		**0**	0
Transfers by absorption - (losses)		**0**	0
Net Gain/(loss) on transfers by absorption		**0**	0
Retained surplus/(deficit) for the year		**(17,334)**	(4,584)

Other Comprehensive Income

	2015-16 £000s	2014-15 £000s
Impairments and reversals taken to the revaluation reserve	**0**	0
Net gain/(loss) on revaluation of property, plant & equipment	**0**	174
Net gain/(loss) on revaluation of intangibles	**0**	0
Net gain/(loss) on revaluation of financial assets	**0**	0
Other gain /(loss) (explain in footnote below)	**0**	0
Net gain/(loss) on revaluation of available for sale financial assets	**0**	0
Net actuarial gain/(loss) on pension schemes	**0**	0
Other pension remeasurements	**0**	0
Reclassification adjustments		
On disposal of available for sale financial assets	**0**	0
Total Other Comprehensive Income	**0**	174
Total comprehensive income for the year*	**(17,334)**	(4,410)

Financial performance for the year

Retained surplus/(deficit) for the year	**(17,334)**	(4,584)
Prior period adjustment to correct errors and other performance adjustments	**0**	0
IFRIC 12 adjustment (including IFRIC 12 impairments)	**0**	517
Impairments (excluding IFRIC 12 impairments)	**0**	2,923
Adjustments in respect of donated gov't grant asset reserve elimination	**132**	248
Adjustment re absorption accounting	**0**	0
Adjusted retained surplus/(deficit)	**(17,202)**	(896)

The Trust reported a deficit of £17,202k in 2015/16 after a technical adjustment for donated asset reserve elimination. The adjustment in respect of donated assets is the difference between donated income of £114k less donated depreciation of £246k.

The notes on pages 6 to 46 form part of this account.

Statement of Financial Position as at 31 March 2016

	NOTE	31 March 2016 £000s	31 March 2015 £000s
Non-current assets:			
Property, plant and equipment	15	**111,794**	112,219
Intangible assets	16	**7,084**	8,314
Investment property		**0**	0
Other financial assets		**0**	0
Trade and other receivables	19.1	**1,102**	676
Total non-current assets		**119,980**	121,209
Current assets:			
Inventories	18	**2,286**	2,140
Trade and other receivables	19.1	**6,590**	7,603
Other financial assets		**0**	0
Other current assets		**0**	0
Cash and cash equivalents	20	**1,022**	94
Sub-total current assets		**9,898**	9,837
Non-current assets held for sale	21	**0**	0
Total current assets		**9,898**	9,837
Total assets		**129,878**	131,046
Current liabilities			
Trade and other payables	22	**(16,886)**	(17,865)
Other liabilities		**0**	0
Provisions	26	**(192)**	(255)
Borrowings	23	**(1,507)**	(1,348)
Other financial liabilities		**0**	0
DH revenue support loan	23	**0**	0
DH capital loan	23	**(400)**	(400)
Total current liabilities		**(18,985)**	(19,868)
Net current assets/(liabilities)		**(9,087)**	(10,031)
Total assets less current liablilities		**110,893**	111,178
Non-current liabilities			
Trade and other payables	22	**0**	0
Other liabilities		**0**	0
Provisions	26	**(359)**	(430)
Borrowings	23	**(17,159)**	(18,652)
Other financial liabilities		**0**	0
DH revenue support loan	23	**(19,331)**	0
DH capital loan	23	**(2,200)**	(2,600)
Total non-current liabilities		**(39,049)**	(21,682)
Total assets employed:		**71,844**	89,496
FINANCED BY:			
Public Dividend Capital		**95,852**	96,170
Retained earnings		**(28,781)**	(11,447)
Revaluation reserve		**4,773**	4,773
Other reserves		**0**	0
Total Taxpayers' Equity:		**71,844**	89,496

The financial statements were approved by the Board on 1st June 2016 and signed on its behalf by

Chief Executive: Date: 1ST JUNE 2016

Kotecha.

Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2016

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	**96,170**	**(11,447)**	**4,773**	**0**	**89,496**
Changes in taxpayers' equity for 2015-16					
Retained surplus/(deficit) for the year		(17,334)			**(17,334)**
Net gain / (loss) on revaluation of property, plant, equipment			0		**0**
Net gain / (loss) on revaluation of intangible assets			0		**0**
Net gain / (loss) on revaluation of financial assets			0		**0**
Net gain / (loss) on revaluation of available for sale financial			0		**0**
Impairments and reversals			0		**0**
Other gains/(loss) (provide details below)				0	**0**
Transfers between reserves		0	0	0	**0**
Reclassification Adjustments					
Transfers between Reserves in respect of assets transferred under absorption	0	0	0	0	**0**
On disposal of available for sale financial assets			0		**0**
Reserves eliminated on dissolution		0	0	0	**0**
Originating capital for Trust established in year	0				**0**
Permanent PDC received - cash	32				**32**
Permanent PDC repaid in year	(350)				**(350)**
PDC written off	0	0			**0**
Transfer due to change of status from Trust to Foundation Trust	0	0	0	0	**0**
Other movements	0	0	0	0	**0**
Net actuarial gain/(loss) on pension				0	**0**
Other pensions remeasurement				0	**0**
Net recognised revenue/(expense) for the year	**(318)**	**(17,334)**	**0**	**0**	**(17,652)**
Balance at 31 March 2016	**95,852**	**(28,781)**	**4,773**	**0**	**71,844**
Balance at 1 April 2014	**95,236**	**(6,863)**	**4,599**	**0**	**92,972**
Changes in taxpayers' equity for the year ended 31 March 2015					
Retained surplus/(deficit) for the year		(4,584)			(4,584)
Net gain / (loss) on revaluation of property, plant, equipment			174		174
Net gain / (loss) on revaluation of intangible assets			0		0
Net gain / (loss) on revaluation of financial assets			0		0
Net gain / (loss) on revaluation of assets held for sale			0		0
Impairments and reversals			0		0
Other gains / (loss)				0	0
Transfers between reserves		0	0	0	0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource	0	0	0	0	0
Transfers between revaluation reserve & retained earnings reserve in respect of assets transferred under absorption		0	0		0
On disposal of available for sale financial assets			0		0
Originating capital for Trust established in year	0				0
New temporary and permanent PDC received - cash	934				934
New temporary and permanent PDC repaid in year	0				0
Other movements	0	0	0	0	0
Net actuarial gain/(loss) on pension				0	0
Other pension remeasurement				0	0
Net recognised revenue/(expense) for the year	**934**	**(4,584)**	**174**	**0**	**(3,476)**
Balance at 31 March 2015	**96,170**	**(11,447)**	**4,773**	**0**	**89,496**

Statement of Cash Flows for the Year ended 31 March 2016

	NOTE	2015-16 £000s	2014-15 £000s
Cash Flows from Operating Activities			
Operating surplus/(deficit)		**(13,615)**	(1,131)
Depreciation and amortisation	8	**6,276**	5,022
Impairments and reversals		**0**	3,440
Other gains/(losses) on foreign exchange	13	**0**	0
Donated Assets received credited to revenue but non-cash	6	**0**	0
Government Granted Assets received credited to revenue but non-cash		**0**	0
Interest paid		**(1,642)**	(752)
PDC Dividend (paid)/refunded		**(2,615)**	(2,973)
Release of PFI/deferred credit		**0**	0
(Increase)/Decrease in Inventories		**(146)**	162
(Increase)/Decrease in Trade and Other Receivables		**587**	240
(Increase)/Decrease in Other Current Assets		**0**	0
Increase/(Decrease) in Trade and Other Payables		**(532)**	848
(Increase)/Decrease in Other Current Liabilities		**0**	0
Provisions utilised		**(187)**	(264)
Increase/(Decrease) in movement in non cash provisions		**49**	(119)
Net Cash Inflow/(Outflow) from Operating Activities		**(11,825)**	4,473
Cash Flows from Investing Activities			
Interest Received		**28**	26
(Payments) for Property, Plant and Equipment		**(3,882)**	(4,419)
(Payments) for Intangible Assets		**(557)**	(4,890)
(Payments) for Investments with DH		**0**	0
(Payments) for Other Financial Assets		**0**	0
(Payments) for Financial Assets (LIFT)		**0**	0
Proceeds of disposal of assets held for sale (PPE)		**5**	762
Proceeds of disposal of assets held for sale (Intangible)		**0**	0
Proceeds from Disposal of Investment with DH		**0**	0
Proceeds from Disposal of Other Financial Assets		**0**	0
Proceeds from the disposal of Financial Assets (LIFT)		**0**	0
Loans Made in Respect of LIFT		**0**	0
Loans Repaid in Respect of LIFT		**0**	0
Rental Revenue		**25**	25
Net Cash Inflow/(Outflow) from Investing Activities		**(4,381)**	(8,496)
Net Cash Inform / (outflow) before Financing		**(16,206)**	(4,023)
Cash Flows from Financing Activities			
Gross Temporary (2014/15 only) and Permanent PDC Received		**32**	934
Gross Temporary (2014/15 only) and Permanent PDC Repaid		**(350)**	0
Loans received from DH - New Capital Investment Loans		**0**	2,200
Loans received from DH - New Revenue Support Loans		**19,331**	0
Other Loans Received		**0**	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		**(400)**	(500)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		**0**	0
Other Loans Repaid		**0**	0
Cash transferred to NHS Foundation Trusts or on dissolution		**0**	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		**(1,479)**	(1,083)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		**0**	0
Net Cash Inflow/(Outflow) from Financing Activities		**17,134**	1,551
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**928**	(2,472)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		**94**	2,566
Effect of exchange rate changes in the balance of cash held in foreign currencies		**0**	0
Cash and Cash Equivalents (and Bank Overdraft) at year end	20	**1,022**	94

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2015-16 issued by the Department of Health. The accounting policies contained in that manual 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 Manual for Accounts permits a choice of accounting policy, the accounting policy which 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 by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Movement of assets within the DH Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

1.4 Charitable Funds

Under the provisions of IAS 27 Consolidated and Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. In accordance with IAS 1 Presentation of Financial Statements, restated prior period accounts are presented where the adoption of the new policy has a material impact.

Although the charity is under common control of the NHS Trust an assessment of materiality has concluded that the charity's figures should not be consolidated into the Trust's accounts. There are two elements to the materiality assessment - quantitative and qualitative. Firstly on the quantitative side the value of the charity's income, expenditure, assets and liabilities all fall below 1% the value of the Trust's. Secondly on the qualitative side omission of the charity figures in the Trust accounts would not affect a user's understanding of the accounts. As such the Trust has not consolidated the charity's figures into these accounts as they are not material.

1.5 Critical accounting judgements and key sources of estimation uncertainty

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

1.5.1 Critical judgements in applying accounting policies

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

Managed service contracts with GE Medical Systems Ltd (radiological equipment facility) and Dalkia (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.

A partnership, West Lancashire Health Partnership Ltd was set up by the Trust and West Lancashire GP out of hours service (OWLS) to run urgent care and GP facilities at the West Lancashire Health Centre based on the Ormskirk Hospital site until the end of January 2016. This partnership has been assessed as a joint venture under IAS 28 (2011) and the results of the partnership have been consolidated into the Trust's accounts using equity consolidation. From February 2016 all existing Clinical Commissioning Group (CCG) contracts with the Partnership were novated to the Trust and the income and expenditure is recorded in full from this point.

1.5.2 Key sources of estimation uncertainty

The Trust's last asset valuation was 1st January 2015. Although the BCIS 'All in' Tender Price Index is up 5.8% since this period, this is offset by a downward movement in the BCIS Location Factor -2.1% and additional physical obsolescence to the buildings of circa -3.0%, meaning that the Trust's current valuation has not materially altered since the last valuation.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.6 Revenue

Revenue relating to patient care spells that are part-completed at the year end is calculated using actual coded patient data from April 2015 to January 2016. The value at the end of each month is calculated based on the patients' length of stay at the end of the month compared to the total length of stay for that spell. An average of all the months is taken and used to calculate the year end value.

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

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

1.7 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is 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, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.8 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.9 Property, plant and equipment

Recognition
Property, plant and equipment is capitalised if:
● 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 will be supplied to the Trust;
● it is expected to be used for more than one financial year;
● the cost of the item can be measured reliably; and
● 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 a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
● Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

Valuation
All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.
Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any impairment.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:
● Land and non-specialised buildings – market value for existing use
● Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure
Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.10 Intangible assets

Recognition
Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement
The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.11 Depreciation, amortisation and impairments
Freehold land, properties under construction, and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the NHS trust expects to obtain economic benefits or service potential from the asset. This is specific to the NHS trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

At each reporting period end, the NHS trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.12 Donated assets
Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.13 Government grants
Government grant funded assets are capitalised at their fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.14 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.15 Leases

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

The trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's surplus/deficit.

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

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

The NHS trust as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS trust's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the 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 on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.16 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

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

PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

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

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

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

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

Lifecycle replacement

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

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

Assets contributed by the NHS trust to the operator for use in the scheme

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

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

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

1.17 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.

1.18 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 NHS trust's cash management.

1.19 Provisions
Provisions are recognised when the NHS trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 0.7% in real terms (1.37% for employee early departure obligations).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.20 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the NHS trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at Note 27.

1.21 Non-clinical risk pooling

The NHS trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the NHS trust pays an annual contribution to the NHS Litigation Authority 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 as and when they become due.

1.22 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.23 Financial assets

Financial assets are recognised when the NHS trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the NHS trust's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the NHS trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced directly/through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.24 Financial liabilities
Financial liabilities are recognised on the statement of financial position when the NHS trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

Financial guarantee contract liabilities
Financial guarantee contract liabilities are subsequently measured at the higher of:

● The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ; and

● The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

Financial liabilities at fair value through profit and loss
Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the NHS trust's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability.

Other financial liabilities
After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.25 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.

1.26 Foreign currencies
The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.27 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 36 to the accounts.

1.28 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

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

1.29 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had [NHS bodies] not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.30 Subsidiaries

Material entities over which the NHS trust has the power to exercise control are classified as subsidiaries and are consolidated. The NHS trust has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the NHS trust or where the subsidiary's accounting date is not co-terminus.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

Although the Trust has the power to exercise control in accordance with IAS27 requirements over the Southport & Ormskirk Hospital NHS Trust Charitable Fund, the entity is not material (representing less than 1% of the Trust's figures) and therefore is not consolidated into the Trust's accounts.

1.31 Associates

Material entities over which the NHS trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the NHS trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the NHS trust share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the NHS trust from the entity.

Associates that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

NOTES TO THE ACCOUNTS

1.32 Joint arrangements

Material entities over which the NHS trust has joint control with one or more other entities are classified as joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement. A joint arrangement is either a joint operation or a joint venture.

A joint operation exists where the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Where the NHS body is a joint operator it recognises its share of, assets, liabilities, income and expenses in its own accounts.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are recognised as an investment and accounted for using the equity method.

A partnership, West Lancashire Health Partnership Ltd was set up by the Trust and West Lancashire GP out of hours service (OWLS) to run urgent care and GP facilities at the West Lancashire Health Centre based on the Ormskirk Hospital site until the end of January 2016. This partnership has been assessed as a joint venture under IAS 28 (2011) and the results of the partnership have been consolidated into the Trust's accounts using equity consolidation. From February 2016 all existing Clinical Commissioning Group (CCG) contracts with the Partnership were novated to the Trust and the income and expenditure is recorded in full from this point.

1.33 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SOCI on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.34 Accounting Standards that have been issued but have not yet been adopted

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2015-16. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

● IFRS 9 *Financial Instruments* – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
● IFRS 15 *Revenue for Contracts with Customers* - Application required for accounting periods beginning on or after 1 January 2017, but not yet adopted by the FReM: early adoption is not therefore permitted
● IFRS 16 *Leases* – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

2. Joint Venture

Southport & Ormskirk Hospital NHS Trust and West Lancashire GPs out of hours service (OWLS) established a community interest company - West Lancashire Health Partnership (2009) Ltd in December 2009 in order to provide urgent care and GP services at the West Lancashire Health Centre located within Ormskirk District General Hospital.

The share in profits for the first 10 months of 2015/16 was £70k (2014/15 £18k).

3. Operating segments

The Trust has an internal divisional structure based on specialties and functions. For example there is a medical division, a surgical division, long term care and women & childrens divisions etc. The divisions are not site specific and healthcare is delivered across both hospital sites.

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 2nd March 2016. 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.

4. Income generation activities

The trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. There are no income generation activities whose full costs exceeded £1m.

5. Revenue from patient care activities

	2015-16 £000s	2014-15 £000s
NHS Trusts	**261**	267
NHS England	**18,605**	20,519
Clinical Commissioning Groups	**144,443**	147,791
Foundation Trusts	**973**	749
Department of Health	**0**	0
NHS Other (including Public Health England and Prop Co)	**535**	833
Additional income for delivery of healthcare services	**350**	0
Non-NHS:		
Local Authorities	**3,695**	3,474
Private patients	**59**	88
Overseas patients (non-reciprocal)	**11**	8
Injury costs recovery	**1,203**	1,176
Other	**126**	162
Total Revenue from patient care activities	**170,261**	175,067

6. Other operating revenue

	2015-16 £000s	2014-15 £000s
Recoveries in respect of employee benefits	**0**	0
Patient transport services	**0**	0
Education, training and research	**6,013**	5,706
Charitable and other contributions to revenue expenditure - NHS	**29**	29
Charitable and other contributions to revenue expenditure -non- NHS	**0**	0
Receipt of donations for capital acquisitions - Charity	**114**	35
Support from DH for mergers	**0**	**0**
Receipt of Government grants for capital acquisitions	**0**	0
Non-patient care services to other bodies	**2,573**	2,283
Income generation (Other fees and charges)	**3,187**	2,817
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**24**	25
Other revenue	**35**	2,943
Total Other Operating Revenue	**11,975**	13,838
Total operating revenue	**182,236**	188,905

7. Overseas Visitors Disclosure

	2015-16 £000	2014-15 £000s
Income recognised during 2015-16 (invoiced amounts and accruals)	**11**	8
Cash payments received in-year (re receivables at 31 March 2015)	**0**	0
Cash payments received in-year (iro invoices issued 2015-16)	**7**	8
Amounts added to provision for impairment of receivables (re receivables at 31 March 2015)	**0**	0
Amounts added to provision for impairment of receivables (iro invoices issued 2015-16)	**0**	0
Amounts written off in-year (irrespective of year of recognition)	**0**	0

8. Operating expenses

	2015-16 £000s	2014-15 £000s
Services from other NHS Trusts	**8,349**	4,492
Services from CCGs/NHS England	**0**	0
Services from other NHS bodies	**0**	0
Services from NHS Foundation Trusts	**401**	1,013
Total Services from NHS bodies	**8,750**	5,505
Purchase of healthcare from non-NHS bodies	**842**	865
Purchase of Social Care	**0**	
Trust Chair and Non-executive Directors	**70**	65
Supplies and services - clinical	**23,648**	23,447
Supplies and services - general	**2,243**	2,361
Consultancy services	**373**	211
Establishment	**2,140**	1,856
Transport	**427**	531
Service charges - ON-SOFP PFIs and other service concession arrangements	**1,450**	1,415
Service charges - On-SOFP LIFT contracts	**0**	0
Total charges - Off-SOFP PFIs and other service concession arrangements	**0**	0
Total charges - Off-SOFP LIFT contracts	**0**	0
Business rates paid to local authorities	**1,297**	840
Premises	**7,904**	7,990
Hospitality	**5**	27
Insurance	**176**	172
Legal Fees	**700**	209
Impairments and Reversals of Receivables	**156**	291
Inventories write down	**0**	0
Depreciation	**4,285**	4,155
Amortisation	**1,991**	867
Impairments and reversals of property, plant and equipment	**0**	3,440
Impairments and reversals of intangible assets	**0**	0
Impairments and reversals of financial assets [by class]	**0**	0
Impairments and reversals of non current assets held for sale	**0**	0
Internal Audit Fees	**123**	
Audit fees	**61**	87
Other auditor's remuneration [detail]	**0**	0
Clinical negligence	**3,007**	3,096
Research and development (excluding staff costs)	**28**	29
Education and Training	**399**	425
Change in Discount Rate	**(2)**	18
Other	**1,045**	1,924
Total Operating expenses (excluding employee benefits)	**61,118**	59,826
Employee Benefits		
Employee benefits excluding Board members	**133,842**	129,415
Board members	**891**	795
Total Employee Benefits	**134,733**	130,210
Total Operating Expenses	**195,851**	190,036

9. Operating Leases

Operating leases for 2015/16 only relate to lease cars and multi function devices (printers/scanners/photocopiers).

The prior year figure relates to the Trust's modular buildings which were still classified as operating leases until a financial restructure which amended their accoutning treatment to finance leases.

9.1. Southport and Ormskirk Hospital NHS Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2015-16 Total £000s	2014-15 £000s
Payments recognised as an expense					
Minimum lease payments				**284**	1,612
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**284**	1,612
Payable:					
No later than one year	0	0	169	**169**	231
Between one and five years	0	0	40	**40**	217
After five years	0	0	0	**0**	0
Total	**0**	**0**	**209**	**209**	448
Total future sublease payments expected to be received:				0	0

9.2. Southport and Ormskirk Hospital NHS Trust as lessor

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

	2015-16 £000	2014-15 £000s
Recognised as revenue		
Rental revenue	24	25
Contingent rents	0	0
Total	**24**	25
Receivable:		
No later than one year	25	25
Between one and five years	100	100
After five years	175	200
Total	**300**	325

10. Employee benefits and staff numbers

10.1. Employee benefits

	2015-16		
	Total £000s	**Permanently employed £000s**	**Other £000s**
Employee Benefits - Gross Expenditure			
Salaries and wages	**116,228**	97,506	18,722
Social security costs	**7,160**	7,160	0
Employer Contributions to NHS BSA - Pensions Division	**11,788**	11,788	0
Other pension costs	**82**	82	0
Termination benefits	**0**	0	0
Total employee benefits	**135,258**	**116,536**	**18,722**
Employee costs capitalised	**525**	525	0
Gross Employee Benefits excluding capitalised costs	**134,733**	**116,011**	**18,722**

Employee Benefits - Gross Expenditure 2014-15	**Total £000s**	**Permanently employed £000s**	**Other £000s**
Salaries and wages	112,284	97,729	14,555
Social security costs	7,399	7,399	0
Employer Contributions to NHS BSA - Pensions Division	11,752	11,752	0
Other pension costs	83	83	0
Termination benefits	12	12	0
TOTAL - including capitalised costs	131,530	116,975	14,555
Employee costs capitalised	1,320	1,320	0
Gross Employee Benefits excluding capitalised costs	130,210	115,655	14,555

In 2012-13 there were rows for 'other post-employment benefits' and 'other employment benefits'. These are now included within the 'Salaries and wages' row.

10.2. Staff Numbers

	2015-16			2014-15
	Total Number	**Permanently employed Number**	**Other Number**	Total Number
Average Staff Numbers				
Medical and dental	**270**	222	48	270
Ambulance staff	**0**	0	0	0
Administration and estates	**559**	512	47	569
Healthcare assistants and other support staff	**854**	810	44	901
Nursing, midwifery and health visiting staff	**1,215**	972	243	1,052
Nursing, midwifery and health visiting learners	**0**	0	0	0
Scientific, therapeutic and technical staff	**389**	350	39	418
Social Care Staff	**0**	0	0	0
Healthcare Science Staff	**0**	0	0	0
Other	**30**	30	0	32
TOTAL	**3,317**	**2,896**	**421**	3,242
Of the above - staff engaged on capital projects	**14**	14	0	22

10.3. Staff Sickness absence and ill health retirements

	2015-16 Number	2014-15 Number
Total Days Lost	35,101	30,152
Total Staff Years	2,905	3,056
Average working Days Lost	12.08	9.87

	2015-16 Number	2014-15 Number
Number of persons retired early on ill health grounds	**4**	3
	£000s	£000s
Total additional pensions liabilities accrued in the year	**99**	145

10.4. Exit Packages agreed in 2015-16

2015-16

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	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	0	0	0	0	**0**	**0**	0	0
£10,000-£25,000	0	0	0	0	**0**	**0**	0	0
£25,001-£50,000	0	0	0	0	**0**	**0**	0	0
£50,001-£100,000	0	0	0	0	**0**	**0**	0	0
£100,001 - £150,000	0	0	0	0	**0**	**0**	0	0
£150,001 - £200,000	0	0	0	0	**0**	**0**	0	0
>£200,000	0	0	0	0	**0**	**0**	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

2014-15

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	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	0	0	0	0	**0**	**0**	0	0
£10,000-£25,000	0	0	1	12,154	**1**	**12,154**	0	0
£25,001-£50,000	0	0	0	0	**0**	**0**	0	0
£50,001-£100,000	0	0	0	0	**0**	**0**	0	0
£100,001 - £150,000	0	0	0	0	**0**	**0**	0	0
£150,001 - £200,000	0	0	0	0	**0**	**0**	0	0
>£200,000	0	0	0	0	**0**	**0**	0	0
Total	**0**	**0**	**1**	**12,154**	**1**	**12,154**	**0**	**0**

Redundancy and other departure costs have been paid in accordance with the provisions of the early retirement scheme. Exit costs in this note are accounted for in full in the year of departure. 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.

This disclosure reports the number and value of exit packages agreed in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

10.5. Exit packages - Other Departures analysis

	2015-16 Agreements	Total value of agreements	2014-15 Agreements	Total value of agreements
	Number	£000s	Number	£000s
Voluntary redundancies including early retirement contractual costs	0	0	0	0
Mutually agreed resignations (MARS) contractual costs	0	0	0	0
Early retirements in the efficiency of the service contractual costs	0	0	1	12
Contractual payments in lieu of notice	0	0	0	0
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval*	0	0	0	0
Total	0	0	1	12
Non-contractual payments made to individuals where the payment value was more than 12 months of their annual salary	0	0	0	0

This disclosure reports the number and value of exit packages agreed in the year. Note: the expense associated with these departures may have been recognised in part or in full in a previous period

As a single exit packages can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in Note 10.4 which will be the number of individuals.

The Remuneration Report includes disclosure of exit payments payable to individuals named in that Report.

10.6. Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 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 scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension 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 their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

11. Better Payment Practice Code

11.1. Measure of compliance

	2015-16 Number	2015-16 £000s	2014-15 Number	2014-15 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**40,205**	**63,154**	39,744	55,489
Total Non-NHS Trade Invoices Paid Within Target	**34,358**	**47,644**	32,350	42,120
Percentage of NHS Trade Invoices Paid Within Target	**85.46%**	**75.44%**	81.40%	75.91%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**1,598**	**16,651**	1,705	**15,227**
Total NHS Trade Invoices Paid Within Target	**1,055**	**11,561**	1,129	**9,525**
Percentage of NHS Trade Invoices Paid Within Target	**66.02%**	**69.43%**	66.22%	62.55%

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

11.2. The Late Payment of Commercial Debts (Interest) Act 1998

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

12. Investment Revenue

	2015-16 £000s	2014-15 £000s
Rental revenue		
PFI finance lease revenue (planned)	**0**	0
PFI finance lease revenue (contingent)	**0**	0
Other finance lease revenue	**0**	0
Subtotal	**0**	0
Interest revenue		
LIFT: equity dividends receivable	**0**	0
LIFT: loan interest receivable	**0**	0
Bank interest	**28**	25
Other loans and receivables	**0**	0
Impaired financial assets	**0**	0
Other financial assets	**0**	0
Subtotal	**28**	25
Total investment revenue	**28**	25

13. Other Gains and Losses

	2015-16 £000s	2014-15 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	**0**	0
Gain/(Loss) on disposal of assets other than by sale (intangibles)	**0**	0
Gain/(Loss) on disposal of Financial Assets other then held for sale	**0**	0
Gain (Loss) on disposal of assets held for sale	**5**	2
Gain/(loss) on foreign exchange	**0**	0
Change in fair value of financial assets carried at fair value through the SoCI	**0**	0
Change in fair value of financial liabilities carried at fair value through the SoCI	**0**	0
Change in fair value of investment property	**0**	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	**0**	0
Total	**5**	2

14. Finance Costs

	2015-16 £000s	2014-15 £000s
Interest		
Interest on loans and overdrafts	**422**	25
Interest on obligations under finance leases	**266**	0
Interest on obligations under PFI contracts:		
- main finance cost	**696**	717
- contingent finance cost	**0**	0
Interest on obligations under LIFT contracts:		
- main finance cost	**0**	0
- contingent finance cost	**0**	0
Interest on late payment of commercial debt	**0**	0
Total interest expense	**1,384**	742
Other finance costs	**0**	10
Provisions - unwinding of discount	**6**	9
Total	**1,390**	761

15.1. Property, plant and equipment

2015-16	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2015	6,899	112,197	1,317	1,130	38,138	573	6,691	4,528	**171,473**
Additions of Assets Under Construction				959					**959**
Additions Purchased	0	891	0		1,489	59	203	0	**2,642**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	64	0	0	50	0	0	0	**114**
Additions Leased (including PFI/LIFT)	0	0	0		145	0	0	0	**145**
Reclassifications	0	951	0	(963)	0	0	12	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	**0**
Impairment/reversals charged to operating expenses	0	0	0	0	0	0	0	0	**0**
Impairments/reversals charged to reserves	0	0	0	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accountin	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	**6,899**	**114,103**	**1,317**	**1,126**	**39,822**	**632**	**6,906**	**4,528**	**175,333**
Depreciation									
At 1 April 2015	0	18,593	545		30,486	428	4,961	4,241	**59,254**
Reclassifications	0	0	0		0	0	0	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0		0	0	0	0	**0**
Disposals other than for sale	0	0	0		0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0		0	0	0	0	**0**
Impairment/reversals charged to reserves	0	0	0		0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0		0	0	0	0	**0**
Charged During the Year	0	1,887	16		1,789	44	508	41	**4,285**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0		0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accountin	0	0	0		0	0	0	0	**0**
At 31 March 2016	**0**	**20,480**	**561**	**0**	**32,275**	**472**	**5,469**	**4,282**	**63,539**
Net Book Value at 31 March 2016	**6,899**	**93,623**	**756**	**1,126**	**7,547**	**160**	**1,437**	**246**	**111,794**
Asset financing:									
Owned - Purchased	6,899	77,223	756	1,126	5,015	160	1,409	211	**92,799**
Owned - Donated	0	1,482	0	0	584	0	28	35	**2,129**
Owned - Government Granted	0	0	0	0	0	0	0	0	**0**
Held on finance lease	0	10,261	0	0	1,221	0	0	0	**11,482**
On-SOFP PFI contracts	0	4,657	0	0	727	0	0	0	**5,384**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2016	**6,899**	**93,623**	**756**	**1,126**	**7,547**	**160**	**1,437**	**246**	**111,794**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	4,049	195	0	0	529	0	0	0	**4,773**
Movements (specify)	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	**4,049**	**195**	**0**	**0**	**529**	**0**	**0**	**0**	**4,773**

Additions to Assets Under Construction in 2015-16

Land	0
Buildings excl Dwellings	637
Dwellings	0
Plant & Machinery	322
Balance as at YTD	**959**

15.2. Property, plant and equipment prior-year

2014-15	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2014	6,650	98,187	1,317	2,739	36,834	573	5,735	4,496	**156,531**
Additions of Assets Under Construction				2,319					**2,319**
Additions Purchased	1	1,486	0		80	0	86	32	**1,685**
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	0	15	0	20	0	**35**
Additions Leased (including PFI/LIFT)	0	12,184	0		660	0	0	0	**12,844**
Reclassifications	0	1,195	0	(3,928)	549	0	850	0	**(1,334)**
Reclassifications as Held for Sale and Reversals	0	(781)	0	0	0	0	0	0	**(781)**
Disposals other than for sale	0	0	0	0	0	0	0	0	**0**
Revaluation	248	(74)	0	0	0	0	0	0	**174**
Impairments/negative indexation charged to reserves	0	0	0	0	0	0	0	0	**0**
Reversal of Impairments charged to reserves	0	0	0	0	0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accountin	0	0	0	0	0	0	0	0	**0**
At 31 March 2015	**6,899**	**112,197**	**1,317**	**1,130**	**38,138**	**573**	**6,691**	**4,528**	**171,473**
Depreciation									
At 1 April 2014	0	13,857	103	0	28,651	387	4,507	4,175	**51,680**
Reclassifications	0	0	0		0	0	0	0	**0**
Reclassifications as Held for Sale and Reversals	0	(21)	0		0	0	0	0	**(21)**
Disposals other than for sale	0	0	0		0	0	0	0	**0**
Revaluation	0	0	0		0	0	0	0	**0**
Impairments/negative indexation charged to operating expenses	0	3,022	418	0	0	0	0	0	**3,440**
Reversal of Impairments charged to operating expenses	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	1,735	24		1,835	41	454	66	**4,155**
Transfers (to)/from Other Public Sector Bodies under Absorption Accountin	0	0	0		0	0	0	0	**0**
At 31 March 2015	**0**	**18,593**	**545**	**0**	**30,486**	**428**	**4,961**	**4,241**	**59,254**
Net Book Value at 31 March 2015	**6,899**	**93,604**	**772**	**1,130**	**7,652**	**145**	**1,730**	**287**	**112,219**
Asset financing:									
Owned - Purchased	6,899	76,945	772	1,130	4,610	145	1,691	247	**92,439**
Owned - Donated	0	1,440	0	0	742	0	39	40	**2,261**
Owned - Government Granted	0	0	0	0	0	0	0	0	**0**
Held on finance lease	0	10,498	0	0	1,236	0	0	0	**11,734**
On-SOFP PFI contracts	0	4,721	0	0	1,064	0	0	0	**5,785**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2015	**6,899**	**93,604**	**772**	**1,130**	**7,652**	**145**	**1,730**	**287**	**112,219**

15.3. (cont). Property, plant and equipment

Economic lives of non current assets

	Min Life (Years)	Max Life (Years)
Licences and Trademarks	0	5
Buildings excl. Dwellings	18	80
Dwellings	47	47
Plant and Machinery	0	12
Tansport Equipment	0	7
Information Technology	0	5
Furniture and Fittings	0	9

16. Intangible non-current assets

16.1. Intangible non-current assets

2015-16	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	**0**	**13,442**	**0**	**0**	**0**	**13,442**
Additions Purchased	0	761	0	0	0	**761**
Additions Internally Generated	0	0	0	0	0	**0**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations and Government Grants	0	0	0	0	0	**0**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	**0**
Reclassified as Held for Sale and Reversals	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	**0**
Impairments/reversals charged to reserves	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	**0**
At 31 March 2016	**0**	**14,203**	**0**	**0**	**0**	**14,203**
Amortisation						
At 1 April 2015	**0**	**5,128**	**0**	**0**	**0**	**5,128**
Reclassifications	0	0	0	0	0	**0**
Reclassified as Held for Sale and Reversals	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	**0**
Impairment/reversals charged to reserves	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	**0**
Charged During the Year	0	1,991	0	0	0	**1,991**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	**0**
At 31 March 2016	**0**	**7,119**	**0**	**0**	**0**	**7,119**
Net Book Value at 31 March 2016	**0**	**7,084**	**0**	**0**	**0**	**7,084**
Asset Financing: Net book value at 31 March 2016 comprises:						
Purchased	0	0	0	0	0	**0**
Donated	0	7,084	0	0	0	**7,084**
Government Granted	0	0	0	0	0	**0**
Finance Leased	0	0	0	0	0	**0**
On-balance Sheet PFIs	0	0	0	0	0	**0**
Total at 31 March 2016	**0**	**7,084**	**0**	**0**	**0**	**7,084**

Revaluation reserve balance for intangible non-current assets

						£000's
At 1 April 2015	0	0	0	0	0	**0**
Movements (specify)	0	0	0	0	0	**0**
At 31 March 2016	**0**	**0**	**0**	**0**	**0**	**0**

16.2. Intangible non-current assets prior year

2014-15	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:						
At 1 April 2014	0	7,733	0	0	0	7,733
Additions - purchased	0	4,375	0	0	0	4,375
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0
Reclassifications	0	1,334	0	0	0	1,334
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2015	0	13,442	0	0	0	13,442
Amortisation						
At 1 April 2014	0	4,261	0	0	0	4,261
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	867	0	0	0	867
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2015	0	5,128	0	0	0	5,128
Net book value at 31 March 2015	0	8,314	0	0	0	8,314
Net book value at 31 March 2015 comprises:						
Purchased	0	8,314	0	0	0	8,314
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
On-balance Sheet PFIs	0	0	0	0	0	0
Total at 31 March 2015	0	8,314	0	0	0	8,314

17. Commitments

17.1. Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 March 2016	31 March 2015
	£000s	£000s
Property, plant and equipment	**67**	411
Intangible assets	**0**	0
Total	**67**	411

18. Inventories

	Drugs	Consumables	Work in Progress	Energy	Loan Equipment	Other	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	**628**	**1,445**	**0**	**67**	**0**	**0**	**2,140**	0
Additions	8,766	1,453	0	0	0	0	**10,219**	0
Inventories recognised as an expense in the period	(8,787)	(1,264)	0	(22)	0	0	**(10,073)**	0
Write-down of inventories (including losses)	0	0	0	0	0	0	**0**	0
Reversal of write-down previously taken to SOCI	0	0	0	0	0	0	**0**	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	**0**	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	**0**	0
Balance at 31 March 2016	**607**	**1,634**	**0**	**45**	**0**	**0**	**2,286**	**0**

19.1. Trade and other receivables

	Current		Non-current	
	31 March 2016	31 March 2015	**31 March 2016**	31 March 2015
	£000s	£000s	**£000s**	£000s
NHS receivables - revenue	**2,840**	4,709	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**0**	0	**0**	0
Non-NHS receivables - revenue	**972**	687	**0**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**1,142**	777	**0**	0
PDC Dividend prepaid to DH	**459**	206		
Provision for the impairment of receivables	**(117)**	(199)	**(170)**	(158)
VAT	**413**	295	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**0**	0	**0**	0
Interest receivables	**0**	0	**0**	0
Finance lease receivables	**0**	0	**0**	0
Operating lease receivables	**0**	0	**0**	0
Other receivables	**881**	1,128	**1,272**	834
Total	**6,590**	7,603	**1,102**	676
Total current and non current	**7,692**	8,279		
Included in NHS receivables are prepaid pension contributions:	**0**			

The great majority of trade is with Clinical Commissioning Groups/NHS England, as commissioners for NHS patient care services. As these organisations are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

19.2. Receivables past their due date but not impaired

	31 March 2016	31 March 2015
	£000s	£000s
By up to three months	**154**	752
By three to six months	**208**	67
By more than six months	**166**	72
Total	**528**	891

The Trust provides for doubtful debts on non NHS customers on a sliding scale based on the age of the debt. The above figures relate to NHS debts only.

19.3. Provision for impairment of receivables

	2015-16 £000s	2014-15 £000s
Balance at 1 April 2015	**(357)**	(304)
Amount written off during the year	**226**	238
Amount recovered during the year	**0**	0
(Increase)/decrease in receivables impaired	**(156)**	(291)
Transfers to NHS Foundation Trust on authorisation as FT	**0**	
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	**0**	0
Balance at 31 March 2016	**(287)**	(357)

20. Cash and Cash Equivalents

	31 March 2016 £000s	31 March 2015 £000s
Opening balance	**94**	2,566
Net change in year	**928**	(2,472)
Closing balance	**1,022**	94
Made up of		
Cash with Government Banking Service	**973**	36
Commercial banks	**39**	47
Cash in hand	**10**	11
Liquid deposits with NLF	**0**	0
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**1,022**	94
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**1,022**	94
Patients' money held by the Trust, not included above	**1**	1
	0	0

21. Non-current assets held for sale

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Construction and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Financial Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	0	0	0	0	0	0	0	0	0	0	**0**
Plus assets classified as held for sale in the year	0	0	0	0	0	0	0	0	0	0	**0**
Less assets sold in the year	0	0	0	0	0	0	0	0	0	0	**0**
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	**0**
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	0	**0**
Transfers to Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	0	0	**0**
Balance at 31 March 2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 1 April 2014	0	0	0	0	0	0	0	0	0	0	**0**
Plus assets classified as held for sale in the year	0	760	0	0	0	0	0	0	0	0	**760**
Less assets sold in the year	0	(760)	0	0	0	0	0	0	0	0	**(760)**
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	**0**
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	0	0	**0**
Balance at 31 March 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2015	0	0	0	0	0	0	0	0	0	0	0

22. Trade and other payables

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
NHS payables - revenue	**3,475**	2,962	**0**	0
NHS payables - capital	**0**	0	**0**	0
NHS accruals and deferred income	**0**	750	**0**	0
Non-NHS payables - revenue	**4,833**	4,780	**0**	0
Non-NHS payables - capital	**289**	736	**0**	0
Non-NHS accruals and deferred income	**4,264**	5,107	**0**	0
Social security costs	**1,154**	1,173		
PDC Dividend payable to DH	**0**	0		
Accrued Interest on DH Loans	**23**			
VAT	**0**	0	**0**	0
Tax	**1,161**	1,146		
Payments received on account	**0**	0	**0**	0
Other	**1,687**	1,211	**0**	0
Total	**16,886**	17,865	**0**	0
Total payables (current and non-current)	**16,886**	**17,865**		
Included above:				
to Buy Out the Liability for Early Retirements Over 5 Years	**0**	0		
number of Cases Involved (number)	**0**	0		
outstanding Pension Contributions at the year end	**1,647**	1,614		

23. Borrowings

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
Bank overdraft - Government Banking Service	**0**	0		
Bank overdraft - commercial banks	**0**	0		
Loans from Department of Health	**400**	400	**21,531**	2,600
Loans from other entities	**0**	0	**0**	0
PFI liabilities:				
Main liability	**548**	495	**6,178**	6,592
Lifecycle replacement received in advance	**0**	0	**0**	0
LIFT liabilities:				
Main liability	**0**	0	**0**	0
Lifecycle replacement received in advance	**0**	0	**0**	0
Finance lease liabilities	**959**	853	**10,981**	12,060
Other	**0**	0	**0**	0
Total	**1,907**	**1,748**	**38,690**	**21,252**
Total borrowings (current and non-current)	**40,597**	**23,000**		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2016		
	DH £000s	**Other £000s**	**Total £000s**
0-1 Years	400	1,508	**1,908**
1 - 2 Years	400	1,537	**1,937**
2 - 5 Years	20,531	4,721	**25,252**
Over 5 Years	600	10,900	**11,500**
TOTAL	**21,931**	**18,666**	**40,597**

24. Deferred income

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
Opening balance at 1 April 2015	**1,088**	351	**0**	0
Deferred revenue addition	**323**	1,088	**0**	0
Transfer of deferred revenue	**(1,089)**	(351)	**0**	0
Current deferred Income at 31 March 2016	**322**	1,088	**0**	0
Total deferred income (current and non-current)	**322**	1,088		

25. Finance lease obligations as lessee

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

Amounts payable under finance leases (Buildings)	**Minimum lease payments**		**Present value of minimum**	
	31 March 2016	31 March 2015	**31 March 2016**	31 March 2015
	£000s	£000s	**£000s**	£000s
Within one year	**746**	631	**746**	631
Between one and five years	**3,039**	3,132	**3,039**	3,132
After five years	**7,498**	8,034	**7,498**	8,034
Less future finance charges	**0**	0		
Minimum Lease Payments / Present value of minimum lease payments	**11,283**	11,797	**11,283**	11,797
Included in:				
Current borrowings			**746**	631
Non-current borrowings			**10,537**	11,166
			11,283	11,797

Amounts payable under finance leases (Other)	**Minimum lease payments**		**Present value of minimum**	
	31 March 2016	31 March 2015	**31 March 2016**	31 March 2015
	£000s	£000s	**£000s**	£000s
Within one year	**213**	222	**213**	222
Between one and five years	**444**	790	**444**	790
After five years	**0**	104	**0**	104
Less future finance charges	0	0		
Minimum Lease Payments / Present value of minimum lease payments	**657**	1,116	**657**	1,116
Included in:				
Current borrowings			**213**	222
Non-current borrowings			**444**	894
			657	1,116

26. Provisions

		Comprising:						
	Total	**Early Departure Costs**	**Legal Claims**	**Restructuring**	**Continuing Care**	**Equal Pay (incl. Agenda for Change**	**Other**	**Redundancy**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2015	**685**	513	0	0	0	0	172	0
Arising during the year	**108**	0	0	0	0	0	108	0
Utilised during the year	**(187)**	(82)	0	0	0	0	(105)	0
Reversed unused	**(59)**	0	0	0	0	0	(59)	0
Unwinding of discount	**6**	6	0	0	0	0	0	0
Change in discount rate	**(2)**	(2)	0	0	0	0	0	0
Transfers to NHS Foundation Trusts on being authorised as FT	**0**	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies under absorption accounting	**0**	0	0	0	0	0	0	0
Balance at 31 March 2016	**551**	**435**	**0**	**0**	**0**	**0**	**116**	**0**
Expected Timing of Cash Flows:								
No Later than One Year	**192**	76	0	0	0	0	116	0
Later than One Year and not later than Five Years	**304**	304	0	0	0	0	0	0
Later than Five Years	**55**	55	0	0	0	0	0	0

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:

As at 31 March 2016	56,560
As at 31 March 2015	31,918

The provisions under the heading "other" relates entirely to public/employer's liability.

27. Contingencies

	31 March 2016	31 March 2015
	£000s	£000s
Contingent liabilities		
NHS Litigation Authority legal claims	**(43)**	(93)
Employment Tribunal and other employee related litigation	**0**	0
Redundancy	**0**	0
Other	**(700)**	(800)
Net value of contingent liabilities	**(743)**	(893)
Contingent assets		
Contingent assets	**0**	0
Net value of contingent assets	**0**	0

Contingent Liabilities consists of £700k 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 7 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 the NHS Litigation Authority.

28. PFI and LIFT - additional information

The information below is required by the Department of Heath for inclusion in national statutory accounts

Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI

	2015-16	2014-15
	£000s	£000s
Total charge to operating expenses in year - Off SoFP PFI	**0**	0
Service element of on SOFP PFI charged to operating expenses in year	**1,450**	1,415
Total	**1,450**	1,415

Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI

No Later than One Year	**1,435**	1,424
Later than One Year, No Later than Five Years	**5,700**	5,581
Later than Five Years	**17,786**	19,340
Total	**24,921**	26,345

Imputed "finance lease" obligations for on SOFP PFI contracts due

	2015-16	2014-15
	£000s	£000s
No Later than One Year	**874**	1,050
Later than One Year, No Later than Five Years	**1,447**	2,356
Later than Five Years	**14,966**	14,930
Subtotal	**17,287**	18,336
Less: Interest Element	**(10,561)**	(11,249)
Total	**6,726**	7,087

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due	**2015-16**	2014-15
Analysed by when PFI payments are due	**£000s**	£000s
No Later than One Year	**548**	406
Later than One Year, No Later than Five Years	**2,557**	911
Later than Five Years	**3,621**	5,770
Total	**6,726**	7,087

Number of on SOFP PFI Contracts

Total Number of on PFI contracts	**2**
Number of on PFI contracts which individually have a total commitments value in excess of £500m	**0**

Number of off SOFP PFI Contracts

Total Number of off PFI contracts	**0**
Number of off PFI contracts which individually have a total commitments value in excess of £500m	**0**

29. Impact of IFRS treatment - current year

The information below is required by the Department of Heath for budget reconciliat	2015-16 Income £000s	2015-16 Expenditure £000s	2014-15 Income £000s	2014-15 Expenditure £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)				
Depreciation charges		421		413
Interest Expense		696		717
Impairment charge - AME		0		517
Impairment charge - DEL		0		0
Other Expenditure		2,229		2,307
Revenue Receivable from subleasing	0		0	
Impact on PDC dividend payable		(35)		(28)
Total IFRS Expenditure (IFRIC12)	**0**	**3,311**	**0**	**3,926**
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease reve		3,393		3,499
Net IFRS change (IFRIC12)		**(82)**		**427**
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12				
Capital expenditure 2015-16		**145**		112
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		**140**		140

	2015-16 Income/ Expenditure IFRIC 12 YTD £000s	2015-16 Income/ Expenditure ESA 10 YTD £000s
Revenue costs of IFRS12 compared with ESA10		
Depreciation charges	**421**	
Interest Expense	**696**	
Impairment charge - AME	**0**	
Impairment charge - DEL	**0**	
Other Expenditure		
Service Charge	**2,229**	3393
Contingent Rent	**0**	
Lifecycle	**0**	
Impact on PDC Dividend Payable	**(35)**	
Total Revenue Cost under IFRIC12 vs ESA10	**3,311**	**3,393**
Revenue Receivable from subleasing	**0**	**0**
Net Revenue Cost/(income) under IDRIC12 vs ESA10	**3,311**	**3,393**

30. Financial Instruments

30.1. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with commissioners (Clincial Commissiong Groups and NHS England) and the way those commissioners]are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

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

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

Interest rate risk
The Trust borrows from government for capital expenditure, subject to affordability as confirmed by theNHS Trust Development Aurthority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2016 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk
The Trust's operating costs are incurred under contracts with primary care 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.

30.2. Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0			**0**
Receivables - NHS		0		**0**
Receivables - non-NHS		0		**0**
Cash at bank and in hand		1,022		**1,022**
Other financial assets	0	0	0	**0**
Total at 31 March 2016	**0**	**1,022**	**0**	**1,022**
Embedded derivatives	0			0
Receivables - NHS		0		0
Receivables - non-NHS		0		0
Cash at bank and in hand		94		94
Other financial assets	0	0	0	0
Total at 31 March 2015	0	94	0	94

30.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
			£000s
Embedded derivatives	0		**0**
NHS payables		0	**0**
Non-NHS payables		0	**0**
Other borrowings		0	**0**
PFI & finance lease obligations		0	**0**
Other financial liabilities	0	0	**0**
Total at 31 March 2016	**0**	**0**	**0**
Embedded derivatives	0		0
NHS payables		0	0
Non-NHS payables		0	0
Other borrowings		2,600	2,600
PFI & finance lease obligations		19,060	19,060
Other financial liabilities	0	0	0
Total at 31 March 2015	0	21,660	21,660

31. Events after the end of the reporting period

There are no adjusting or non-adjusting events after the end of the reporting period.

32. Related party transactions

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 :

	2015/16 £'000s	2014/15 £'000s
Southport & Formby CCG	**75,653**	76,079
West Lancashire CCG	**55,055**	57,670
NHS England	**18,693**	20,602
South Sefton CCG	**8,533**	8,220

The Trust has also received revenue and capital payments from Southport & Ormskirk Hospital NHS Trust, 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 annual report.

The value of transactions with Southport & Ormskrik Hospital NHS Trust Charitable Fund amounted to £217,511 in 20115/16. The majority of transactions were pure recharges for equipment bought using the Trust's finance system. Only £29,498 has been recorded as income (shown in note 6) and this is for a service level agreement to provide financial services to the charity.

In addition to the above the Trust has also undertaken transactions with the a non NHS related party in 2015/16: West Lancashire Health Partnership £1,946,551.

33. Losses and special payments

The total number of losses cases in 2015-16 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	266,886	441
Special payments	152,293	51
Total losses and special payments	419,179	492

The total number of losses cases in 2014-15 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	292,803	431
Special payments	60,515	32
Total losses and special payments	353,318	463

34. Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

34.1. Breakeven performance

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s
Turnover	124,537	137,866	138,448	146,757	153,368	178,182	181,098	189,224	188,905	**182,236**
Retained surplus/(deficit) for the year	(2,823)	2,823	802	(7,267)	812	364	(4,828)	1,632	(4,584)	**(17,334)**
Adjustment for:										
Timing/non-cash impacting distortions:										
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	**0**
2007/08 PPA (relating to 1997/98 to 2006/07)	0									
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0								
Adjustments for impairments			0	7,651	0	0	7,338	208	3,440	**0**
Adjustments for impact of policy change re donated/government grants assets						(64)	(1,252)	110	248	**132**
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				116	41	(96)	0	0	0	**0**
Absorption accounting adjustment							0	0	0	**0**
Other agreed adjustments	0	0	0	0	0	0	**0**	0	0	**0**
Break-even in-year position	**(2,823)**	**2,823**	**802**	**500**	**853**	**204**	**1,258**	**1,950**	**(896)**	**(17,202)**
Break-even cumulative position	**(2,813)**	**10**	**812**	**1,312**	**2,165**	**2,369**	**3,627**	**5,577**	**4,681**	**(12,521)**

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS [organisation]'s financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %
Materiality test (I.e. is it equal to or less than 0.5%):										
Break-even in-year position as a percentage of turnover	-2.27	2.05	0.58	0.34	0.56	0.11	0.69	1.03	-0.47	**-9.44**
Break-even cumulative position as a percentage of turnover	-2.26	0.01	0.59	0.89	1.41	1.33	2.00	2.95	2.48	**-6.87**

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

34.2. Capital cost absorption rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets based on the pre audited accounts and therefore the actual capital cost absorption rate is automatically 3.5%.

34.3. External financing

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

	2015-16	2014-15
	£000s	£000s
External financing limit (EFL)	**16,360**	16,760
Cash flow financing	**16,206**	4,023
Finance leases taken out in the year	**0**	12,733
Other capital receipts	**0**	0
External financing requirement	**16,206**	16,756
Under/(over) spend against EFL	**154**	4

34.4. Capital resource limit

The Trust is given a capital resource limit which it is not permitted to exceed.

	2015-16	2014-15
	£000s	£000s
Gross capital expenditure	**4,621**	21,258
Less: book value of assets disposed of	**0**	(760)
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(114)**	(35)
Charge against the capital resource limit	**4,507**	20,463
Capital resource limit	**4,521**	20,841
(Over)/underspend against the capital resource limit	**14**	378

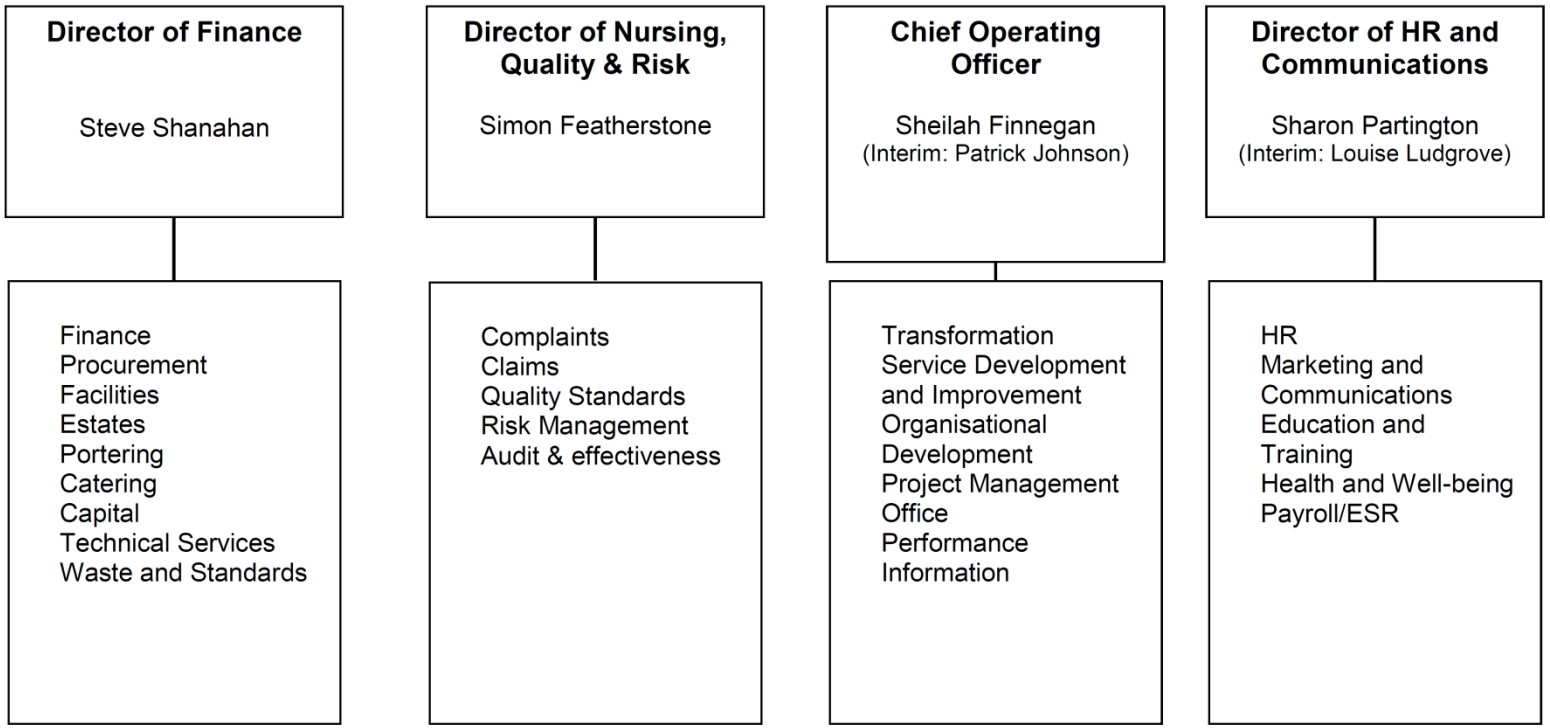
35. Third party assets

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

	31 March 2016	31 March 2015
	£000s	£000s
Third party assets held by the Trust	**1**	1

APPENDIX 1

Corporate Business Unit Structure



Clinical business unit structure