NHS
Southport and Ormskirk Hospital
NHS Trust

Annual Report and Accounts

2016/17

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Foreword

Welcome to the Trust's Annual Report and Accounts for 2016/17.

Health care and the NHS are rarely out of the headlines and this year has been no exception.

We were delighted to welcome BBC TV's Songs of Praise in March whose host Aled Jones made a programme about the Trust chaplaincy service.

He was fortunate that one of our patients chose to get married during filming at Southport hospital at a ceremony conducted by our chaplain, the Rev Martin Abrams.

The joyful occasion became the centrepiece of the programme showing the NHS and the Trust at their very best: compassionate, selfless and devoted to putting the patient first.

It is their commitment and unstinting dedication to high quality care that has once again this year served with distinction our patients and the people of our community.

Richard Fraser
Chair

Karen Jackson
Interim Chief Executive

Performance report
2016/17

Overview

Chief Executive's statement

By any measure it has been a challenging year for the Trust and its staff.

The effect of the exclusion of four members of the senior leadership team in 2015 was felt throughout the year. The disciplinary hearings that followed concluded in February this year.

In the meantime, we were fortunate to benefit from the services of a number of high quality interim directors. It was only in the latter stages of the year that we could recruit to substantive posts and begin to stabilise executive membership of the Board.

A significant amount of time and effort was also dedicated to bidding for our community services when they were put out to contract and, subsequently, supporting their safe transfer to new providers.

Financial performance was challenged by lower outpatient and elective activity than expected, pressure from premium agency staff and higher costs related to sickness absence. The Trust did, however, meet a reforecast deficit for the year of £20.7m.

Against all this I pay tribute to the resilience, dedication and hard work of our staff.

Despite the challenges of the year, they have continued putting care for patients first as the Care Quality Commission recognised following their April 2016 inspection.

Their commitment has also helped us maintain performance against key national targets such as infection control, cancer referrals and 18-week referrals.

Karen Jackson
Interim Chief Executive

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 West Lancashire Health Centre at Ormskirk hospital.

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.

Our vision and values

The Trust aims to establish and embed exemplary healthcare using the integrated 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

Objectives of the Trust strategy

The Trust's corporate strategy contains five objectives or "strategic domains":

- 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

Risks and issues to delivering the strategy

a) Effects of re-tendering community services

In summer 2015 NHS Southport and Formby and NHS West Lancashire clinical commissioning groups put out to tender the adult community services

and community urgent care services provided by the Trust. These were awarded to new providers during 2016 with contracts commencing on 1 May 2017.

These decisions are playing into a review of the strategy which will also reflect changing national priorities, tightening public finances and an increasing demand for NHS services from an ageing population. It will also take into account work taking place in the wider health economy known as the Cheshire and Merseyside Five Year Forward View, published in November as a sustainability and transformation plan.

b) Recruitment

The Trust continues to successfully recruit medical and specialist staff but, like other NHS organisations, remains challenged in areas where there is a national shortage of talent. We also recognise and are acting on the need to engage better to support and retain the staff we have.

c) Clinical performance

Treatment of urgent care patients remains challenging at all hospitals. Discharging medically fit patients is a particular issue given the pressure on social care. The Trust is working closely with North Mersey A&E Delivery Board to address this by developing a whole-systems approach to improving the flow of patients.

Highlights from the year

Wedding bells

Patient weddings are a rare event in hospital life. But the Trust was privileged to have two in 2016.

By chance BBC TV's religious strand Songs of Praise was filming in Southport hospital in March when patient Frank Heath, 72, and Kate Hart, 69, were married on ward 15A. The service was conducted by Trust chaplain, the Rev Martin Abrams, watched by their family, friends, staff and show host Aled Jones.

A second wedding was held in the Spinal Injuries centre in January for patient Tricia Lorenz and her partner of four years, Steve McEntee.

On both occasions staff rallied round from across the Trust to make their days as special as possible.

Investing for patients

January saw the arrival of 10 new ventilators worth £200,000 for intensive care patients at Southport hospital. A new phototherapy cabinet in the dermatology department at Ormskirk will help patients with skin conditions such as psoriasis and eczema.

Wifi for patients and visitors was switched on at both hospital sites in November.

A mobile phone wayfinding app was launched for visitors to Southport hospital, developed with our partners Innove Solutions, of Liverpool.

The Trust is also benefitting from a £50,000 grant from NHS England to develop innovative ways of getting feedback from mums and their partners who use our maternity service.

Promoting good health

The Trust supports organisations promoting good health and well-being. Many of them make use of our reception areas to advertise their work.

In September, our maternity team won the support of Sefton Central MP Bill Esterson while raising awareness of Foetal Alcohol Syndrome Disorder when he visited Ormskirk hospital.

Southport Football Club helped the Trust promote organ donation at a match in April when hundreds of information packs were distributed at a National League game.

Our patient safety collaborative on pressure ulcers, or bed sores, engaged local care homes as well as Trust staff to promote good skin care. Collaborative member Park Grove Care Home in Burscough was commended by the Care Quality Commission for its work reducing pressure sores.

Screening programmes also play their part in keeping our community healthy. The newborn hearing screening team has been based at Southport hospital since 2005 and last year screened their 24,000th baby, Jake Owen, who passed with flying colours.

Fundraising and donations

We continue to thank and be indebted to the many patients, families and members of staff who fundraise or make gifts to the Trust each year.

Our maternity team recreated poses from down the ages for a 2017 charity calendar to raise money for their patient bereavement fund. They sourced and dressed in the uniforms from different eras of midwifery, visiting Churchtown in Southport and Dunham Massey stately home, near Altrincham, for authentic backdrops.

Other 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 are gifts 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 a specific purpose this is accepted as binding.

Among other notable gifts this year were:

- Members of Hurlston Hall Golf Club at Ormskirk raised £16,000 for the children's unit at Ormskirk hospital
- The Community Links Foundation funded a room for relatives of patients in A&E
- Gifts and fundraising by patients to refurbish the day room in the Spinal centre. It was officially opened by Southport MP John Pugh in May

Previous page: TV's Aled Jones with chaplain the Rev Martin Abrams celebrating after the wedding of patient Frank Heath and Kate Hart; Jake Owen gets the all-clear from the hearing screening team; a staff member shows off Dermatology's new phototherapy cabinet; and one of the images of staff posing for the maternity team charity calendar

Performance analysis
2016/17

Excellence in treatment and care

The Trust's clinical performance is described in detail in the annual Quality Report published in June 2017.

Of note this year was a four-day inspection of the Trust by the Care Quality Commission in April. In November, the CQC reported the Trust remained rated "requires improvement".

Surgery at Southport was rated inadequate. However, the North West Regional Spinal Injuries Centre jumped from an inadequate rating in the 2014 inspection to "good" and Maternity rose from "inadequate" to "requires improvement".

A&E performance remains a challenge for the overwhelming majority of trusts across the NHS. The outstanding progress of our staff towards the four-hour treat, transfer or admit standard was recognised in November when the Trust was awarded Most Improved status in the north of England by NHS Improvement.

The Trust has seen an improvement in the culture of incident reporting since 2014 when it was in the bottom quartile of trusts. By September the Trust was in the top quartile, 33rd out of 136 organisations.

We continue to perform well on a number of other measures including:

- Infection control with a single MRSA bacteraemia report and well-below expected rates of C. Difficile. Norovirus outbreaks are infrequent and well contained, minimising disruption to patients
- Cardiac arrests have fallen 51% since 2010. There was a further 31% fall in the past year
- We continue to ensure our patients benefit from prompt care when cancer is suspected with 95% being seen within two weeks after referral by their GP

Top trust … Staff celebrate a national award for improvements in A&E

Performance against key national targets in 2016/17:

Target	Target	2016/17
% of urgent care patients seen within 4 hours	95	90.4
% of patients first seen within two weeks when referred from their GP with suspected cancer	93	95.2
% of patients receiving treatment within 62 days of GP referral	85	82.6
% of admitted patients treated within 18 weeks of referral (March 2017)		
• Ongoing < 18 weeks	92	94.1
• Admitted	90	81.2
• Non-admitted	95	92.6
% of patients treated within 28 days following a cancelled operation	100	100
Hospital-acquired MRSA bacteraemia	0	1
C Difficile cases attributed following appeal	36	14

Clinical activity compared to 2015/16:

Clinical activity	2015/16	2016/17
Outpatient 1st attendances	76,164	72,260
Outpatient follow-up attendances	186,940	193,442
Elective inpatients	3,423	3,239
Day cases	25,487	23,773
Non-elective inpatients	24,528	23,849
Adults A&E attendances	47,992	48,671
Child A&E attendances	27,325	27,542
Walk-in centres (West Lancashire HC from Feb 16)	51,128	61,416
All births	2,530	2,312
Community referrals	112,608	113,191
Community contacts	454,473	462,337

Our staff and volunteers

The Trust is the major local employer. On 31 March 2017 Southport hospital, Ormskirk hospital and our community services employed 3,504 staff across Sefton and West Lancashire.

We held our annual Pride Awards for staff in June at the Floral Hall in Southport. Nearly 300 staff and guests attended the awards dinner and ceremony at which eight awards recognising the skill and dedication of staff were presented. The winners, some of whom are pictured on the facing page, were:

Outstanding Achievement Award: **End of Life Team**
Volunteer Award: **John Rutherford** and **Marguerite Ross**
Community Care Team of the Year: **Wheelchair Services**
People's Choice Award: **Medical Day Unit**
Excellence in Patient Experience Award: **Women and Children's Bereavement**
Support Services Team of the Year: **IT**
Acute Team of the Year: **Ward 14B**
Excellence in Service Improvement: **NW Regional Spinal Injuries Centre**

The Trust itself was recognised for the "outstanding support" given to staff who are members of the Reserve Forces as public sector winner at the North West Armed Forces Business Awards. On top of their regular medical jobs, several hospital staff give time as reservists and have been deployed across the world from the Balkans to Sierra Leone.

Pictures shows (left to right): Lt Col James Hammond, Consultant Anaesthetist; Mrs Joyce Jordan, acting Head of Nursing for Community Services; Brig Christopher Coles, Commander North West Reservists; Maj Helen Mackay, Consultant Orthopaedic Surgeon; Dr John Kirby, Associate Medical Director for Planned Care and Consultant Anaesthetist.

NHS staff survey 2016

All eligible staff (3,334) were invited to take part in the NHS Staff Survey 2016 rather than a randomly selected cross-section as in previous years. A total of 1,646 completed the survey, which is a response rate of 49%, above average for combined acute and community trusts across England. The main areas of concern for the Trust were:

- Effective use of patient/service user feedback
- Fairness and effectiveness of procedures for reporting errors, near misses and incidents
- Effective team working
- Quality of appraisals
- Percentage of staff appraised in the last 12 months
- Percentage of staff reporting good communication between senior management and staff
- Recognition and value of staff by managers and the organisation
- Support from immediate managers
- Percentage believing the organisation provides equal opportunities for career progression/promotion

The Board has approved a high-level action plan to address these issues.

Education, Training and Library Services

Our Library and Knowledge Management Service plays an integral role in the support of learning, development and educational activities.

It maintained its “green” rating by achieving a 98% result against the standards of the Library Quality Assurance Framework (LQAF), making our service one of the top ranking in the region.

To support our nursing workforce, the library launched a suite of opportunities to strengthen our nurses’ ability to achieve their revalidation such as journal clubs, information skills training and evidence based literature searches.

Continuing professional development is key to maintaining and developing personal and professional competence for our clinical staff.

The Trust has accessed higher education courses in areas as diverse as life support, research, rheumatology, leadership, communication, wound management and obstetrics ultrasound. Clinical skills training continues to be delivered by our internal experts and 2016/17 saw the launch of a rolling programme of Clinical Skills Thursdays.

Recognition and management of the deteriorating patient has been a high priority for the Trust. To support this, a new programme of Acute Illness Management courses

has been rolled out to train/update over 80 multi-professional registered and non-registered staff the skills to identify and respond to the deteriorating patient.

Simulation training has gained pace over the last 12 months, with the purchase of a new obstetrics simulator for the midwives to train on, and our adult SimMan has been on the move out in the organisation for staff to practice in situ.

Apprenticeship programme. The Trust values the development of its entire staff and as such has a robust programme of apprenticeship programmes on offer.

In 2016/17, there were 39 new registrations on Level 2 to 5 programmes and 22 staff successfully completing.

Our apprenticeships cover business administration, AHP Support, customer service, health and social care, medical administration, pharmacy, team leading and management plus others.

As part of our widening participation programme, we worked with Southport College to develop the Acorn programme.

This new programme offers 16 to18 year-old students who are interested in a career as a nurse, paramedic or midwife, the opportunity to have a work placement in a hospital. This course has been specifically designed for the students by staff at the Trust and curriculum staff at Southport College.

The programme consists of an BTEC Extended Diploma in Health and Social Care and hospital work placements in 12 areas across Southport and Ormskirk hospital including the maternity ward, the X ray department and the occupational therapy ward. The care certificate and core skills will also form part of the programme.

Medical education. The Trust supports medical education for both undergraduate and postgraduate doctors.

We welcome cohorts of 4th year and 5th year undergraduate medical students each year, providing them with robust programmes of education and training which contribute significantly to an annual success rate of 100% at LOCAS examinations.

We are pleased to see an increase in former students returning to the Trust to continue with their training at foundation level and beyond into their core/speciality training which they attribute to the consistency, quality and breadth of their training experience here.

In addition to core programmes of teaching and clinical experience, the medical education department continues to develop and expand upon additional training opportunities offered, including monthly CPD meetings and educator development programmes to encourage our experienced colleagues and our trainee doctors to share best practice and reinvest their own knowledge and experience in the next generation of medical professionals.

During this academic year, the Trust has undertaken to support development of the Physician Associate role which is closely aligned to the work of our medical professionals.

Those who have rotated through the Trust during this initial period feel they have benefited significantly from the experience and support provided, resulting in requests to return for future rotations. The Trust will continue to support the programme in its second and subsequent years, expanding the cohort to ensure their successful progression into long term careers with us.

Statutory and mandatory training. Health and safety is a high priority at the Trust so we have invested further in our statutory and mandatory training in 2016/17. Monthly reports provide managers and staff regular updates on their training which is aligned to the national Core Skills Framework.

The Trust continues to progress in this area and will start to build an eLearning culture over the next year.

Leadership. Working closely with NW Employers, the Trust delivered a programme of leadership, management and personal development master classes and workshops throughout 2016/17.

We had more than 350 staff from Bands 1-8d across the professions attending with excellent feedback. The themes for this year focused on behaviour and personal impact, building resilience, managing change and holding quality conversations. The Trust continues to access opportunities available through the NHS Leadership Academy, namely the leadership programmes, master classes, coaching and mentoring.

Dying to Work Charter

The Trust was the first in the country to sign the Dying to Work Charter, supporting employees who become terminally ill at work.

Interim Chief Executive Iain McInnes joined Staff Side lead John Flannery from Unison and North West TUC Regional Secretary Lynn Collins in September for the signing at Southport hospital. They pictured with representatives of other staff side organisations.

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.

Towards a greener Trust

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

Excess energy from these plants is exported to the National Grid. In 2016/17 this was enough to supply 1,026 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 derived externally.

We are still continuing to save water. New working practices in the laundry, which were developed last financial year, have delivered savings of around 266,500 litres a month – that's the content of just over one-and-a-quarter Olympic-sized swimming pools a year.

The Trust took delivery of an all-electric vehicle loaned to us for four years by Veolia who run the CHP plants. After a year's use just over 5,000 miles have been travelled using 1,742kWh of electricity.

This has cost the Trust £96 (£226 at average National Grid rate), but would have cost approximately £650 for an equivalent diesel vehicle – therefore saving £554, as well as the environment.

E-wheels … West Lancashire MP Rosie Cooper at the handover of our electric vehicle

Our financial performance

Key financial targets

The main challenges in 2016/17 which affected financial performance were as follows:

- A&E pressures both in terms of increased activity and complication together with consultant vacancies resulting in additional costs of providing this service
- Lower activity in outpatients and planned elective inpatients meaning lower income
- Recruitment difficulties particularly in nursing with the Trust operating with significant vacant posts
- Agency staff covering vacant posts at premium rates - although national action on rates of pay did start to reduce these costs later in the financial year
- Difficulty in achieving the Cost Improvement Programme target particularly in the areas of clinical productivity and the workforce programme
- Higher sickness absence rates than planned
- Further exceptional costs in relation to the Board exclusions
- Original financial control total set by NHS Improvement (NHSI) was not achieved meaning that the Trust was unable to access any of its share (£6.1m) of the national provider sustainability and transformation fund (STF)

The Trust, therefore, agreed with the regulator, NHS Improvement (NHSI) in January 2017 to amend its forecast outturn from a deficit of £6.6m to a deficit of £20.7m. Almost half of the increase in deficit was due to not being able to access £6.1m of STF funding.

Performance measurements in the table below are based on the revised financial target:

Performance indicator	Target 16/17	Actual 16/17	Variance	Achieved
Retained deficit	-£20,700,000	-£20,709,000	-£9,000	Yes
Return on capital employed	3.50%	3.50%	0.00%	Yes
External Financing Limit	£18,571,000	£18,510,000	£61,000	Yes
Capital Resource Limit	£5,708,000	£5,692,000	£16,000	Yes
Better Payment Practice Code (non NHS)	95%	54%	-41%	No
Better Payment Practice Code (NHS)	95%	41%	-54%	No
Liquidity	-23.1 days	-24.7 days	-7%	No

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 £61k. Note in terms of cash balance at year end the Trust's cash resources increased from £1.022m last year to £1.623m. This was a planned increase to demonstrate to NHSI that the Trust had ring-fenced £600k of capital monies to utilise in the 2017/18 financial year.

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 £16k.

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. Up until the agreed change in the forecast outturn in January 2017, the Trust was restricted in the value of its loan applications and this impacted on having sufficient cash resources to meet the Better Payment Practice Code. As such the Trust did not achieve this target.

Liquidity performance was broadly in line with the revised forecast with a final figure of -24.7 days. The Trust is able to manage its cash flow by obtaining contract payments on the 1st of the month and Department of Health approved loans in the middle of the month.

Financial analysis

The following table gives a high level comparison between the two financial years:

Accounting heading	2016/17 £'000s	2015/16 £'000s	Variance £'000s	Variance %
Turnover	186,695	182,236	4,459	2.45%
Operating expenses	204,015	195,851	8,164	4.17%
Non-current asset base	123,991	118,878	5,113	4.30%
Total assets employed	56,453	71,844	-15,391	-21.42%

Turnover

Income has increased by £4.5m from 2016/17 levels. This is due to the following:

- Inflation uplift £1.7m.
- West Lancashire Health Partnership income now part of the Trust £2.2m.
- A reduction in financial penalties by our commissioners £1.2m.
- Increase in Injury Cost Recovery income £0.5m.
- Decrease in Local Authority income -£0.8m.
- Decrease in capital to revenue funding -£0.4m

Operating expenses

This shows an increase in operating expenses of £8.2m, although the 2016/17 figure includes an impairment of £0.4m which means the underlying increase is £7.8m.

Of this increase, £7.5m is on pay. This increase can be explained as follows:

- National insurance increase £2m
- Pay awards £1.5m
- Nursing vacancies increased from 100 in 15/16 to 180 in 16/17. These are being covered mostly by part-time staff working additional shifts and full-time staff working overtime

This leaves an underlying increase in non-pay costs of £0.3m. There were a number of increases and decreases but the most significant issues were an increase in clinical negligence costs (£0.5m) and non NHS healthcare costs (£0.6m) in relation to radiology services. Decreases in depreciation/amortisation due to a review of medical equipment and IT asset lives by the District Valuer (-£0.6m) and legal expenses reductions (-£0.5m).

Non-current asset base

The overall value of capital assets has increased in 16/17 by £5.1m. A revaluation exercise at 1st January 2017 of land and building assets resulted in an upward revaluation of £5.5m offset by an impairment of £0.4m.

Total assets employed

The total value of the Statement of Financial Position has reduced by £15.4m. This is a combination of the in-year deficit position before technical adjustments for impairments and donated assets (£21.2m) offset by the revaluation increase of £5.5m and an increase in public dividend capital of £0.4m.

Accountability report
2016/17

Directors' Report

Directors' responsibilities
The Trust Board comprises the non-executive directors and executive directors who form a unitary body, and functions as a corporate decision-making body.

The Chair and five other non-executive directors, the Chief Executive Officer, Director of Finance, Chief Operating Officer, Director of Nursing and Quality and Medical Director are responsible for the decisions of the organisation. They are supported by a Director of Human Resources and designate non-executive director who provide additional advice and expertise to the Board.

Appointment of Board directors
Due consideration is given to the composition of the Board in terms of the protected characteristic groups in the Equality Act 2010. Each Board member is appointed for their experience, business acumen, and their relationship with the community.

The Secretary of State for Health has the power to make the appointments of the Chair and non-executive directors but delegated this role to the NHS Improvement. As a result NHS Improvement was responsible on behalf of the Secretary of State for Board member appointment and removal, on-going support through appraisal, mentoring and training.

Terms of appointment are normally for periods of two years with members eligible to be re-appointed or to re-apply up to a maximum of 10 years. A non-executive director is responsible for:

- Helping to plan for the future growth and success of the organisation
- Making sure that the management team meets its performance targets
- Ensuring that finances are properly managed with accurate information
- Helping the Board ensure it is working in the public interest

The Chief Executive and the executive directors are appointed, via public advertisement, by members of the Remuneration Committee which is composed of the non-executive directors including the Chair.

During 2016 the Interim Director of Finance was appointed to the post substantively in September having joined the organisation on an interim basis in November 2015. Substantive appointments were made to the Chief Operating Officer and Director of Nursing, Midwifery and Therapies from October 2016.

Membership of the Board of Directors 2016-17

The following were members of the Board of Directors during 2016-17:

Position	Name	Term
Interim Chief Executive	Ann Marr	Left May 2016
Interim Chief Executive	Kim Hodgson	May 2016 to Aug 2016
Interim Chief Executive	Iain McInnes	Aug 2016 to April 2017
Interim Chief Executive	Karen Jackson	April 2017
*Director of Finance	Steve Shanahan	Commenced Sept 2016 -
Chief Operating Officer	Lisa Hunt	Left May 2016
Chief Operating Officer	Patrick Johnson	Left October 2016
Chief Operating Officer	Therese Patten	Commenced Oct 2016
Director of Nursing and Quality	Simon Featherstone	Left August 2016
Acting Director of Nursing and Quality	Angela Kelly	Aug – Nov 2016
Director of Nursing and Quality	Sheila Lloyd	Commenced Nov 2016
Executive Medical Director	Rob Gillies	Full year
Director of HR	Louise Ludgrove	September 15 to June 16
Director of HR	Richard Jones	July – Nov 2016;
Director of HR	Jayne Royds	Nov 2016
Chair	Sue Musson	Left Nov 2016
Chair	Richard Fraser	Commenced Dec 2016
Non-Executive Director (Vice Chair)	Jeanette Newman	Full Year
Non-Executive Director (SID)	Paul Burns	Full Year
Non-Executive Director	Su Fowler-Johnson	Full Year
Non-Executive Director	Ged Clarke	Commenced 1st May 2016
Non-Executive Director	Carol Baxter	Full Year
Non-Executive Director	Ann Pennell	Full Year

Table 1

Following the exclusion of three members of the Board in August 2015 the roles of Chief Executive, Chief Operating Officer and Director of Human Resources were covered on an interim basis.

- Mr Jonathan Parry, CEO left the organisation in October 2016
- Mrs Sheila Finnegan retired in July 2016
- Mrs Sharon Partington retired in September 2016.

Company directorships held by directors

There are no company directorships or other significant interests held by Directors that are considered to conflict with their responsibilities. Registers of Interests for all members of the Board of Directors are held within the Trust and updated as required. The Board of Directors' register is taken at least annually to the public Board of Directors meetings. The register is available on the Trust website (link) and on request from the Company Secretary's Office.

Each Director has confirmed that they know of no information which would be relevant to the auditors for the purposes 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.

Modern Slavery Act 2015

The Trust Board approved a statement in October 2016 in relation to the steps the organisation had taken to ensure that slavery and human trafficking is not taking place in any of the organisations supply chains. Further work was undertaken to ensure that the top 100 suppliers used by the Trust are compliant with the requirements of the Act. The Trust's statement can be found on our website.

Meetings of the Board of Directors 2016-17

The Board met on 11 occasions during 2016-17. Attendance at the meetings and the meetings of its committees is shown below.

Title	Name	Trust Board	Audit Committee	Quality and Safety Committee	Finance, Performance & Investment Committee	Nomination & Remuneration Committee	Charitable Funds Committee
Chair	S Musson	7/8	N/A	N/A	N/A	5/7	N/A
Chair	R Fraser	2/3	N/A	N/A	N/A	1/1	N/A
Non-Executive Director	J Newman	9/11	3/5	N/A	8/11	5/8	3/4
Non-Executive Director	P Burns	7/11	N/A	N/A	N/A	8/8	N/A
Non-Executive Director[1]	S Fowler-Johnson	9/11	3/5	10/11	6/6	4/8	2/2
Non-Executive Director	A Pennell	9/11	4/5	7/11	3/5	4/8	1/2
Non-Executive Director	G Clarke	7/11	4/5	N/A	8/10	1/8	3/4
Non-Executive Director	C Baxter	8/11	N/A	9/11	N/A	5/8	N/A
Non-Executive Director	G Slee	1/11	N/A	N/A	1/1	N/A	N/A
Interim Chief Executive[2]	A Marr K Hodgson I McInnes	9/11	1/5	5/11	6/11	N/A	N/A
Director of Finance	S Shanahan	10/11	3/5	0/5	11/11	N/A	4/4
Chief Operating Officer[3]	Lisa Hunt Patrick Johnson Therese Patten	11/11	N/A	7/11	9/11	N/A	N/A
Director of Nursing, Midwifery & Therapies[4]	Simon Featherstone Angela Kelly Sheila Lloyd	9/11	4/5	10/11	1/6	N/A	N/A
Medical Director	Rob Gillies	10/11	N/A	6/11	5/6	N/A	N/A
Director of HR[1]	Louise Ludgrove Richard Jones Jane Royds	9/11	N/A	2/11	4/10	N/A	N/A

Table 2

* - denotes a non-voting member of the Board For detailed information regarding the tenure of Board members please refer to *Table 1* within the Directors Report.
The Terms of Reference of the Quality and Safety Committee were revised in Sept 2016 and the Director of Finance was no longer required as a member of the Committee
The Director of Nursing Midwifery and Therapies was not required to attend Finance, Performance and Investment Committee from September 2016

2016-17 Annual Accounts of Southport & Ormskirk Hospital NHS Trust

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;

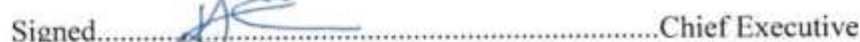
- effective and sound financial management systems are in place; and

- 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.....**24/05/2017**.....................

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 for 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 is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Southport and Ormskirk NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they materialise, and to manage them effectively, efficiently and economically. The system of internal control has been in place for the period ended 31 March 2017 and up to the date of approval of the annual report and accounts.

Board of Directors

The Board has overall responsibility for the activity, integrity and strategy of the Trust and is accountable, through its Chairman to NHS Improvement. Its role is largely supervisory and strategic, and is has six key functions, namely to

- Set strategic direction, define objectives and agree plan for the Trust
- Monitor performance and ensure corrective action
- Ensure financial stewardship
- Ensure high standards of corporate and clinical governance
- Appoint appraise and remunerate the executives
- Ensure dialogue with external bodies and the local community

The Board met on 11 occasions in 2016-17. The attendance of Board members can be found in table 2 within the Directors' Report. Changes to the membership of the Board of Directors can be found in table 1 of the Directors' Report.

Performance evaluation of the Board of Directors

Evaluation of the Board of Directors is delivered formally via a number of channels, which can include:

- Appraisal of Executive Director performance by the Chief Executive and Chair on an annual basis
- Appraisal of Non-Executive Director performance by the Chairman on an annual basis
- Appraisal of the Chief Executive by the Chairman
- An annual Board development programme including Board development exercise led by an external assessor
- An annual review of the effectiveness of each sub-committee

As a standing agenda item the Board reviews its performance at the end of each Board meeting. This assessment has identified that the Board needs to focus more time on developing strategy and it has taken steps to do this via its Board development programme.

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. The changes in Board membership have prevented this but there is a plan in place to commence this work in early 2017.

During 2016-17 the Board has focussed on:

- The achievement of constitutional targets
- The CQC action plan
- Safe staffing
- The Trust's financial position and the financial recovery plan
- The Trust's position and role in the Five Year Forward View
- Recruitment and training

The Board disbanded its Workforce Committee in 2016 following an effectiveness review. Information in relation to workforce has been presented to the Board of Directors on a quarterly basis throughout 2016-17 and where additional assurances have been requested this information was received and reviewed by the Finance,

Performance and Investment Committee or when relevant to the quality of care by the Quality and Safety Committee.

Board committees

The Board operates with the support of five committees: Audit: Finance, Performance and Investment: Quality and Safety: Nomination and Remuneration Committee; and a Charitable Funds Committee. These committees have been established on the basis of the following principles:

- Supporting the Board in fulfilling its role, given the nature and magnitude of the Trust's wider agenda, to support background development work and to perform scrutiny in more detail than is possible at Board meetings

- To strengthen the Trust's overall governance arrangements and support the Board in the achievement of the Trust's strategic aims and objectives

- Maximising the value of their input from non-executive directors given their limited time and providing clarity around their role

The chair of each committee reports at each Board meeting on the key issues considered by the respective committee. The minutes of the meetings are also formally submitted to the Board. In addition the Board receives the following key reports:

- Chair of Audit Committee Annual Report
- External Audit Letter and Accounts
- Quality Account
- Updates on risks identified within the Board Assurance Framework

Each committee chair also escalates matters requiring Board attention. Throughout the year this has been used to highlight performance and quality issues, the financial position and concerns regarding the risk management framework and workforce issues such as mandatory training.

In addition each committee, including the Board undertakes an annual review of its effectiveness. This review is used to produce an annual report to the Board and any areas for development are addressed within the committee terms of reference and committee work plans.

The Trust has in place arrangements to ensure that it discharges its statutory functions and that it complies with legislative requirements. These include but are not limited to;

- The use of internal audit to consider the systems and processes which support the delivery of the Trust's functions

- Monitoring compliance with Care Quality Commission registration requirements

- Monitoring compliance with quality, operational and financial performance standards, including the NHS Constitution

- All Board members have access to external legal and audit advice should they require this in line with undertaking their role

Audit Committee

The Audit Committee exists to oversee the establishment and maintenance of an effective system of internal control throughout the organisation. It ensures that there are effective internal audit standards and provide independent assurance to the board.

The committee reviews the work and findings of external audit and provides a conduit through which their findings can be considered by the board. It also reviews the Trust's annual statutory accounts before they are presented to the Board, ensuring that the significance of figures, notes and important changes are understood. The committee also maintains an oversight of the Trust's internal audit and counter fraud arrangements.

The committee is chaired by a non-executive director with recent financial experience and a financial qualification. Members also include the chairs of the Finance, Performance and Investment Committee and Quality and Safety Committee. The committee held five meetings in 2016-17 and was quorate for each meeting.

Audit Committee members meet privately with internal and external audit representatives following each Audit Committee meeting. The Director of Finance, Director of Nursing, Midwifery and Therapies and the Company Secretary are in routine attendance at the Audit Committee.

The chair of the Audit Committee reports to the Board of Directors to ensure that the Board is kept informed of significant risks and reviews all disclosure statements that are derived from the Trust's assurance processes. The committee reviews its annual cycle of business against the NHs Audit Committee Handbook.

Throughout the year the committee has paid particular attention to:

- The Board Assurance Framework
- The Risk Management arrangements including a regular review of the Extreme Risk Register
- Assurance of Reference Costs
- Management of ESR/Payroll
- IM&T – service continuity
- Arrangements for patients property
- Compliance with the Freedom of Information Act
- Cyber security

Finance, Performance and Investment Committee

The Finance and Performance Committee's main responsibilities are to review the Trust's financial and operational performance against annual plans and budgets, and to provide overview of the development of the Trust's medium and long term financial models. Other responsibilities include oversight of the Trust's activity and operational performance via the performance dashboard.

The committee met on 11 occasions during 2016-17. The committee is chaired by a non-executive director with a financial qualification and they are supported by two other non-executives directors. The attendance record for the committee can be seen at table 2.

During the year the Trust had to submit a revised forecast deficit and the committee had oversight of this on a monthly basis.

In 2016 the Trust was not successful in the tender process for both community services contracts. The financial impact of this was discussed at the FP&I Committee. The Chief Operating Officer provided a monthly update from the weekly Executive work-stream meetings. Through these meeting key risks to the transition of services were identified and plans to mitigate them developed. Monthly reports from this meeting were presented to the FP&I Committee. Any areas requiring Board oversight were escalated by the committee chair to Trust Board.

Quality and Safety Committee

The Quality and Safety Committee is responsible for providing the Trust Board with assurance on aspects of the quality of clinical care; on clinical governance systems, including the management of risk, and on standards of quality and safety. The Quality and Safety Committee oversees the Trust's compliance with the Care Quality Commissions Fundamental Standards of Quality and Safety.

The committee met on 11 occasions during 2016-17. The committee is chaired by a non-executive director, supported by 2 other non-executives, who both have a clinical background.

Throughout the year the committee has paid particular attention to areas of risk which featured on the Board Assurance Framework or the extreme risk register. It has also seen the development of detailed reporting from the Clinical Business Units which enables clear sight of quality issues at ward level. This reporting demonstrates the effectiveness of clinical governance arrangements within the Clinical Business Units and enables the Committee to challenge areas for improvement.

The committee has also received reports in relation to statutory and mandatory training compliance where the Board has requested more detailed assurance.
The committee has also focussed on gaining assurance on:

- CQC recommendations
- Stroke service – following previous service review
- Mortality including cardiac arrests

- Falls
- Safeguarding
- Infection prevention and control
- Pressure ulcers
- Complaints reporting
- Safe staffing reports
- Steis Incident reporting including never events.
- Dementia strategy
- Patient experience
- Clinical audit

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for determining the policy on executive remuneration, approving contracts of employment for executives and agreeing arrangements for termination of contracts. The committee has regard to the arrangements in the wider NHS and any relevant guidance from the Treasury.

During 2016-17 The Committee focussed on succession planning for the Board and oversaw the process for the appointment of the Director of Finance, Chief Operating Officer and the Director of Nursing. The Committee also reviewed the arrangements for the appointment of interim Executive Directors.

The Risk and Control Framework

The Trust has a Risk Management Strategy which sets out the trust's philosophy for the management of risk and individual accountabilities and responsibilities in this regard. Operational responsibility for the implementation of risk management has been delegated to executive directors as follows:

As Chief Executive I am The Chief Executive is accountable to the board for the development of a board assurance framework, and have delegated the authority for the development and maintenance of this to the Company Secretary

The Director of Finance has responsibility for financial governance

The Director of Nursing, Midwifery and Therapies has responsibility for the risk management framework, including clinical governance, clinical risk, incident management and joint responsibility with the Medical Director for quality

The Medical Director has joint responsibility for quality and works closely with the Director of Nursing, Midwifery and Therapies to ensure patient safety issues are fully addressed. The Medical Director is also Caldicott Guardian for the Trust and ensures that arrangements are in place to protect the confidentiality of patient and service-user information and enables appropriate information-sharing.

Executive directors have responsibility for the management of strategic risk and operational risks within their individual portfolios. These responsibilities include the maintenance of a risk register and the promotion of risk management training to staff within their directorates.

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 Governance Meetings and by review of the Integrated Performance Report to Trust Board. .

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 Risk Management Strategy describes the roles and responsibilities of all staff in relation to the identification management and control of risk and encourages the use of risk management processes as a mechanism to highlight areas they believe require improvement.

The Risk Management Strategy sets out an integrated approach to the management of risk across the organisation. The aim is to encourage considered risk taking, including innovation within authorised limits, but to reduce those that that impact on patient and staff safety, and have an adverse effect on the trust's reputation as well as its financial and operational performance.

The Trust's risk assessment process covers all areas of its activities – clinical services, clinical support services and business support functions. Each Clinical Business Unit is responsible for maintaining its own risk register in accordance with the Risk Management Strategy. These risk registers are reviewed regularly and risks are escalated, where their ratings warrant this for inclusion in the High Level Risk Register. During the year a number of new risks were added to the Extreme Risk Register this included recognition of the challenges in delivering financial balance and in relation to the transfer of Community Services.

The Executive Directors have ultimate responsibility for the delivery of the Trust's stated outcomes, as described within the Operational Plan, and for ensuring compliance with regulatory and legislative requirements. The Executive Team fulfil this function by delegating the detailed consideration of performance to Board sub-committees, which include Health and Safety, Clinical Effectiveness, Information Management and Technology Programme Board. These groups are constituted with clear terms of reference and report to the relevant Board Committee. This enables any issues or risks outside the remit of the sub-committee to be escalated.

Risk Management is embedded within the organisation in a variety of ways. All staff have a duty to report on incidents, hazards complaints and near misses in accordance with the relevant policies. The Trust also supports a "learning" culture, and we share and embed learning from incidents following an objective investigation or review. The Trust has seen an increase in incident reporting during the reporting period. More details on this are included within the Quality Account.

Risk assessment

The Trust has a system of integrated governance described in the Risk Management Strategy. Risk identification and assessment is the process that enables the Trust to understand the range of risks faced, the level of ability to control those risks, their likelihood of occurrence and their potential impacts. Risk assessment is a continuous process with risks assessed at ward, team and department level in line with risk assessment guidance. This is carried out proactively as part of the health and safety processes as well as reactively when risks are identified from incidents, complaints, local reviews, patient feedback etc.
Risks are scored based on the likelihood of the risk materialising (score 1-5) multiplied by the impact or consequence of that risk (score 1-5). The risk scoring matrix evaluates the level of risk as low (1-5), medium (6-10) or high (12-25), and therefore the priority for action, and must be used for all risk scoring within the Trust in order to ensure a consistent and standardised approach. This allows the organisation to gain an appreciation of the magnitude of each risk, set targets for improvement based on its risk appetite, and track progress against an agreed, timed action plan.
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 Extreme Risk Register.
There are three main mechanisms for escalating risk to the Board, these are:

- The Chief Executive's Report which is a standing agenda item and provides an early warning mechanism to alert the Board to emerging risks.
- 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.
- A functional Extreme Risk Register, which captures the significant operational risks identified by the Clinical Business Units and informs the Board Assurance Framework.

Risks presented on the extreme risk register for 2016-17 and going forward relate to:

- Risk of failing to address improvements identified by CQC
- Risk of failing to develop a plan to return to financial balance by 2021
- Risk of patient harm due to lack of out of hours CAMHS provision
- Risk of failing to achieve compliance with statutory and mandatory training targets
- Risk of failing to engage effectively with our staff
- A number of relating to the transfer of community services

- Risk of insufficient cash to meet current liabilities.

During 2016/17 the strategic risks identified on the Board Assurance Framework included:

- Lack of sufficient levels of medical, nursing and clinical staff;
- Failure to develop effective partnerships across the health economy
- Failure to develop a clear and effective clinical strategy
- Failure to comply with the CQC's standards for the quality and safety of services,
- Failure to implement effective risk management and governance systems
- Failure to identify adequate resources to implement the IM&T strategy
- Failure to identify alternative facilities/pathways will impact on activity and performance targets
- Failure to deliver the control total
- Cyber threats may compromise Information Technology availability and data integrity.

Key mitigations that have been in place or delivered during 2016-17 include:

- Appointment of a substantive executive management team
- Involvement in the Cheshire &Merseyside STP and the Mid Mersey Alliance (LDS)
- Development and monitoring of a CQC Action Plan for 16-17
- Development of an Experience of Care Strategy
- Ongoing review and reporting on Safe Staffing levels
- Delivery of the Emergency Care Improvement Programme Recommendations

The Trust's financial position continues to be challenging and like other NHS providers the Trust is working with local and regional NHS organisations to return to a financially sustainable organisation within the five year forward time-frame of 2020/21. In addition the Trust continues to experience challenges around

The Trust has been heavily reliant on temporary staff throughout the year and recruitment to clinical roles remains a significant challenge for the Trust. The Trust is working with the NHSI national lead for Workforce to provide support around this.
In 2016/17 the Board of Directors ensured that detailed controls were in place to mitigate risks and support assurance.

The Board of Directors will ensure going forward that controls will continue to be in place to mitigate risks. All risks, mitigation and progress against actions are monitored formally at Clinical Business Unit, Corporate and Board level every month.

Quality Governance

The Director of Nursing, Midwifery and Therapies 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 2016-17 the internal auditors gave significant assurance for the following aspects of quality governance:

- Incident Reporting
- Emergency Preparedness
- Clinical Diagnostic and screening procedures

The Trust was inspected by the Care Quality Commission as part of its routine programme of inspections in April 2016. Immediate action was taken to address concerns that were raised around staffing levels in Urgent Care. Other areas identified for improvement include:

- Safety of medicines
- Safe staffing levels
- Quality governance/risk processes
- Identifying deteriorating patients
- Sepsis management
- Compliance with the Duty of Candour
- Application of the Fit and Proper Person Test

All clinical service lines have detailed actions plans in place, with an agreed commitment to complete all must-do actions by end June 17 and all should-do actions by end December 2017. An action plan matrix has been developed to track progress and compliance, being monitored through Quality and Safety Committee Several key roles have been developed to support progress: Assistant Director of Nursing for Workforce and Associate Medical Director for patient safety.

To support ward to board reporting and escalation, a Board Assurance Escalation Framework was introduced and is in place to support good governance and patient safety management

The plan was received in full by the Board in December 2016 and continues to be monitored by the Board and the Quality and Safety Committee on a monthly basis.

During the reporting period three never event incidents were reported. The incidents occurred in the period June 2016 – January 2017 and related to the following:

- Retained foreign object post-operation
- Wrong implant/prosthesis
- Wrong site surgery

A number of actions were taken following these events and further actions will be identified as part of the on-going investigations.

The Trust identified was one case of MRSA bacteraemia against an annual zero limit. There was a full post-infection review and lessons learned were delivered via

formal educational sessions with junior nursing and medical staff from the Urgent Care Clinical Business Unit.

Cost Improvement Programmes are assessed for their impact on quality by the Medical Director and Director of Nursing, Midwifery and Therapies. Where potential negative impact is identified, mitigating actions are defined or, in cases of significant impact, the scheme is not progressed. In addition all policies are impact assessed to ensure that they do not negatively impact one or more groups of staff, patients or the public.

In order to make the right improvements to our organisation and services we need to have the views of people who use our services. We have continued to engage patients and the public in a number of ways to help the Trust make improvements. These include the following:

- Involvement in national PLACE visits
- Participating in service specific surveys
- Informing the developing of a revised Experience of Care Strategy

With the patients permission a case study and associated learning is presented to the Trust Board on a regular basis. These stories are shared with clinical teams to help them better understand what they do well and what needs to improve.

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

Data collection for equality and diversity takes place and raw data is published on the Trust's website. This is reviewed by the Equality and Diversity Group. The Trust has identified gaps within its Equality and Diversity reporting including the production of a Workforce Racial Equality Scheme (WRES) plan and EDS2. A high level action plan has been reported to the Trust Board.

The Trust currently has carbon reduction targets, has undertaken risk assessments and has contingency plans in place in accordance with the civil contingency requirements, to ensure that the organisations requirements under the Climate Change Act and the Adaption Reporting requirements are complied with.

Regular reports have been received by the Board relating to important areas of activity and ad hoc reports have been provided in year where required.

The Board receives an integrated performance report which triangulates financial, operational, quality and workforce indicators to identify areas of deteriorating performance and forecast future risks to performance.

Elective Waiting Time data is reviewed on a weekly basis at a Joint Access Meeting where a member of the Information Team meets with the Service Teams to discuss

the data and quality concerns are raised where required. The 18 Week Tracking team also work with the data on a daily basis and the Information Team also have processes to check the data is flowing correctly into the reports on a daily basis.

The Information Governance Steering Group oversees data quality and reports any concerns through the IM&T Programme Board to the Finance, Performance and Investment Committee. Any risks that are identified are entered onto the Risk Register and reviewed at the FP&I Committee.

Information Governance

All new staff are provided with Information Governance (IG) training at corporate induction. This includes an outline of the relevant legal position, NHS guidance and the Trust's polices relating to the safe and appropriate processing, handling and storage of information.

Additionally, in accordance with the requirements of the IG Toolkit, all existing staff are required to undergo IG training on an annual basis. This training is available as classroom training, workbook or E-learning.

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

There were three Serious Incidents Requiring Investigation during the period from April 2016 to March 2017.

The Incidents were reported to the Information Commissioners Office (ICO). One incident related to patient attendance summaries intended for a GP but sent to a patient in error. As an incident affecting patients, the Caldicott Guardian advised on the incident grading and approved the reporting to the ICO. The Caldicott Guardian notified the patients and acted as their point of contact for any concerns.

This incident was closed by the ICO following corrective measures introduced by the Trust. In the second incident information was sent to an incorrect email account. This was closed by the ICO as it presented no risk to patients. The third incident related to the alleged receipt of a confidential document by a third party. This was also closed by the ICO as the Trust had acted on legal advice on how to mitigate any risks.

Two further incidents have been reported to the ICO of inappropriate access to records by members of staff, in breach of the Data Protection Act section 55. One has since been closed by the ICO and the other remains under investigation by the Trust.

Annual Quality Account

The directors are required under the Health Act 2009 and the National Health Service (Quality Account) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. The Quality Account is subject to a full External Audit review, prior to its publication. This review provides assurance that the Quality Account has been produced based on valid data and is accurate.

The content of the Quality Account has been prepared within the established governance structures and framework and in accordance with the Annual Reporting Manual and other guidance from NHSI. Leadership comes from the Board of Directors with clearly devolved responsibility and accountability for individual quality improvement priorities.

Quality improvement priorities informed the Trust's Quality Strategy and reflect the priorities of the organisation. These measurable goals against which progress can be monitored are overseen by the Quality and Safety Committee.

The Director of Nursing, Midwifery and Therapies is responsible for the preparation of the Quality Account and for ensuring that this document presents a balanced view of quality within the Trust. The Quality Account is prepared with contributions from all responsible and accountable leads. The Quality and Safety Committee is responsible for reviewing the report prior to submission with the Annual Report and Accounts to the Audit Committee and then the Board of Directors. The Trust's External Auditors KPMG carry out a limited review of the arrangements around the data quality and information included in the Quality Account and assess whether a balanced view of quality is presented based on other information.

Internal Audit provides further assurance regarding the systems in place to ensure that the Quality Account is compliant with national guidance and that adequate data quality controls are in place to ensure that performance data is accurate and complete.

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

The Trust did not achieve the quarter 1 financial plan due to pay pressures and a shortfall in activity and could not therefore be in receipt of Sustainability and Transformation funds (STF) for quarter 1. This prompted a review of the Trust's financial projections for the year end as it became evident that the full STF funding (£6.1m) was unlikely to be received. Reports were shared with both the Finance, Performance and Investment Committee and Trust Board from September 2016 onwards explaining why the position was deteriorating, potential areas of mitigation and the impact that this was likely to have on the year end deficit position. NHS Improvement was also fully informed of the financial pressures being experienced through the monthly returns and Integrated Delivery Meetings (IDM) that take place with the Trust Executive Team.

Following scrutiny at Finance, Performance and Investment Committee and Trust Board, a Financial Recovery Plan was agreed at the December 2016 Trust Board meeting. As well as the loss of £6.1m STF funding it became apparent that activity

was reducing with a consequent loss of income. The CCG's worsening financial position also meant that it would be difficult to increase activity levels in order to achieve plan. Agency costs that had increased in quarter 4 of 2015/16 continued to remain high and the CIP programme was not delivered in full. As a result of all of these pressures the deficit control total was revised from £-6.6m to £-20.7m and this was subsequently delivered at the year end.

One of the key areas of focus in 2016/17 has been the Trust's use of agency staff. Agency costs are discussed in detail within the Director of Finance's report to Finance, Performance and Investment Committee and Trust Board each month. The Quality & Safety Committee receives a report on nurse safe staffing and reflects any quality issues at an individual ward level. There has been a national focus to reduce agency costs. Each organisation was set a control total for annual agency spend in 2016/17; the Trust's target was £7.2M, but the Trust actually spent £11.3M during the year. The Trust has worked with its suppliers to keep within the national capped rates and progress has been made in all staff groups, with the exception of medical staff.

The financial performance in 2016/17 represented a continuation of the financial decline seen in the previous financial year. As a result NHS Improvement conducted a financial investigation into the decline between April 2015 and November 2016. The report recognised a number of issues which we are addressing in the short-term but also noted the fundamental structural challenges the Trust faces which hinder its ability to return to financial balance in its current form without support from NHS Improvement, commissioners and the local health economy. Key to this is the Trust's involvement in the restructuring of services within the Cheshire & Merseyside Sustainability & Transformation Partnership (STP).

NHS improvement highlighted weaknesses relating to the construction and delivery of the CIP programme which are being addressed. Workforce planning and controls were also highlighted as requiring improvement with recruitment, retention and high sickness rates being factors. It is planned to transfer HR services to St Helens & Knowsley NHS Trust in 2017/18. Additional funding has been secured from NHS Improvement for both 2017/18 and 2018/19. This will provide the resource to appoint an Improvement Director to lead on the issues raised within the report and improve the financial positon of the Trust.

The financial deficit continues to have an adverse impact on the Trust's cash position. Each month, the Trust provides NHS Improvement with a rolling 13 week cash flow forecast. This enables NHS Improvement too support any loan requests which are authorised by the Department of Health. The Trust Board is fully sighted on this process and approves the value of any loan application and their conditions. As the Trust has a deficit control total of £-18.1m in 2017/18 then further loans with the Department of Health will be required throughout the year. The Trust has an outstanding loan balance of £42.2m (£20.7m was borrowed in 2016/17).

Whilst there are future uncertainties, however, like other NHS providers the Trust is working with local and regional NHS organisations to return to a financially sustainable organisation within the five year forward time-frame of 2020/21. The basis of management's going concern assessment is the continuation of the

provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents. NHS Improvement are providing support in terms of an Interim Chief Executive and access to specialised resources to aid efficiency and productivity.

The Trust has well-developed systems and processes for managing its resources. The annual budget setting process for 2016/17 was approved by the Board before the start of the financial year and was communicated to all managers in the organisation. The Director of Finance and his team work closely with divisional and corporate managers throughout the year to ensure that a robust annual budget is prepared and delivered.

Monthly financial and operational performance reports are presented to the Finance, Performance and Investment Committee and the Trust Board. A new system of performance management is being developed alongside a review of the Corporate Governance Manual and the Scheme of Delegation contained within. These proposals have been discussed at Trust Board and will be signed off once the revised levels of authority have been provided. This will improve financial control and accountability.

The Trust makes use of both internal and external audit functions to ensure that controls are operating effectively and to advise on areas for improvement. In addition to financially-related audits, the internal audit programme covers governance and risk issues. Individual recommendations and overall conclusions are risk assessed, such action plan priorities are agreed with Trust management for implementation. As mentioned above, all action plans are monitored and implementation is reviewed regularly and reported to the Audit Committee as appropriate.

As part of their annual audit, the Trust's external auditors are required to satisfy themselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. They do this by examining documentary evidence and through discussions with senior managers. The conclusions in relation to this work are made available to the Trust and presented to the Audit Committee.

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 2016/17 which resulted in four instances where specific enquiries were undertaken.

One investigation related to an allegation of fraud by false representation. The subject counter fraud case is currently being considered for criminal prosecution.

A second investigation related to an allegation of fraud by abuse of position. Whilst NHS Protect decided not to pursue the referral Local Counter Fraud Specialist (LCFS) enquiries are on-going.

The third case was received by the LCFS relating to an allegation of fraud by false representation. Following enquiries it was determined that there was no further action to be taken.

Review of Effectiveness of Risk Management and Internal Control

As Accountable Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review was informed by the work of internal auditors, clinical audit, the Executive Team and clinical leads I have drawn on the content of the Quality Account attached to this Annual Report and other performance information available to me.

My review was also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, the Quality and Safety Committee and the Finance, Performance and Investment Committee. Plans are put in place to address weaknesses and ensure continuous improvement of the system is in place.
I have also reviewed the systems for writing and validating the Quality Account and for the involvement of stakeholders therein.

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 in implementing the action plans is monitored by the relevant Committee. Residual risk is recorded on the Trust wide 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 recommended actions that remain outstanding. All reviews are routinely followed up by the Audit Committee.

During 2016-17 Internal Audit conducted a review of the Trust's incident reporting process which provided significant assurance of the systems and processes in place for escalating, managing and reporting incidents.

The Trust Board approved a revised Risk Management Strategy in October 2016 which addressed the recommendations made by internal Audit in 2015-16. Work has taken place throughout the year to ensure that risks registers are complete and that risks are reviewed in line with their date of review.

Assurance of the 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 a 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 limited assurance as some information was not available at the time of the audit but the audit did not classify the Trusts assessment as overstated.

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. The relevant metrics are also reviewed by the Finance, Performance and Investment Committee and the Quality and Safety Committee and the IPR continues to be developed to meet the Trust's needs.

During 2016-17 the Trust has seen a number of changes to the leadership of the organisation. The Trust was reliant on Interim directors to provide cover until a time when substantive appointments could be made. The Remuneration Committee has considered succession planning on behalf of the Board and has approved the process for the appointment of the relevant executives. Where changes in personnel have occurred arrangements have been made to ensure that there has been an appropriate handover process.

The Board continues to receive support from NHS Improvement in relation to the CEO post and the success of these arrangements is kept under review and discussed on a regular basis.

In January 2017 the Trust's Mortality & Surveillance Group raised concerns with the accuracy of mortality performance data being reported by Dr Foster (a 3rd party organisation who report NHS performance statistics).

The Trust's Information Department were charged with conducting the investigation and found errors in systems and processes by System C (the Trust's PAS and Business Intelligence provider) and NHS Digital (who supply the data to Dr Foster) which were collectively causing this issue. The results of the investigation were fed back to these organisations who acknowledged these errors and a series of

additional checks and processes were implemented to mitigate and prevent any reoccurrence. Working collaboratively with both of these organisations the scale of the issue also became apparent and several other NHS Trusts were identified as having been affected.

The Trust has continued to closely monitor mortality performance both internally and externally and are working closely with both providers to maximise the accuracy of our reporting.

In December 2016 the Trust was recognised as achieving the most improved A&E performance in the North of England against the 95% target. The Trust has continued working to consolidate this improvement.

Despite increasing cancer referrals, the Trust has continually met the national standard for 14 days from GP referral to appointment currently set at 93%. We met or exceeded target in 11 out of 12 months with an end of year compliance of 94.3%. The one month where we didn't met target, our compliance was 92.9%.

The 62 day GP referral to treatment target was challenging for the Trust partly due the small number of patients treated here. The national target is 85% and our end of year compliance was 82.6%.

In May 2017 the Trust amongst other NHS trusts in Lancashire was exposed to an unknown cyber-attack. Whilst the Trust has action plans in place it is currently developing a Cyber Security Strategy which will encompass all existing processes. These will be reviewed in full and the relevant resources to implement them identified.

The Trust has taken all the necessary actions to protect its existing systems in line with NHS Digital guidance and will continue to monitor the national position.

Conclusion

The Board of Directors has concluded that the systems of internal control are effective, and evidenced by:

- CQC registration with no conditions
- The Board Assurance Framework and the Extreme Risk Register
- Presentation of the Annual Governance Statement to the Audit Committee by the Accountable Officer
- The Audit Committee Annual Report
- Internal and Clinical Audit Plan, prioritised on areas of risk and concern;
- Clinical Audit Annual Report
- Internal Audit periodic reports and follow up of Internal Audit recommendations
- Internal Audit Annual Report
- Head of Internal Audit opinion of significant assurance
- ISA260 Audit Highlights Memorandum (External Audit Report)

I am assured adequate and well-designed systems are in place, but there remain some control weaknesses in the operational compliance with these systems, evidenced by Internal Audit and the Head of Internal Audit opinion in relation to discharge planning, mandatory training and the governance arrangements around estates and facilities and plans are in place to address these matters through a robust Performance Management Framework underpinned by a revised Scheme of Delegation.

This is an area of constant vigilance for myself as Accounting Officer and the Board of Directors, and progress will be monitored and subject to further audit during 2017-18.

In summary I am assured that the NHS Trust has a sound system of internal control in place, which is designed to manage the key organisational objectives and minimise the NHS Trust's exposure to risk. The Board of Directors is committed to continuous improvement and enhancement of the system of internal control.

Karen Jackson
Interim Chief Executive
24th May 2017

Remuneration and staff report

Remuneration – note in respect of the remuneration table

All the figures contained in this report have been subject to audit except for the off-payroll disclosure, exit packages, median pay and pay range calculations.

Chief executive role

Due to a Board exclusion, the Trust utilised the services of Ann Marr, Kim Hodgson and Iain McInnes through 2016/17. The figures in relation to Ann Marr represent the recharge costs from St Helens and Knowsley Teaching Hospitals NHS Trust. Kim Hodgson was paid via an agency and her figures are the total costs from the agency including commission and irrecoverable VAT.

Iain McInnes was seconded to the Trust from NHS Improvement (NHSI) from August 2016. However, as part of NHSI's support his services were not charged to the Trust and so no figures have been entered into the remuneration table.

Finance director role

Steve Shanahan was the interim Finance Director up until the end of August 16 and the figures to that date represent the recharged costs from his employing organisation, North Cumbria University Hospitals NHS Trust.

From 1st September 2016, Mr Shanahan was appointed the permanent Finance Director and the figures in the table represent the salary costs from this time until the end of March 2017.

Human resources director role

Due to a Board exclusion, the Trust utilised the services of Louise Ludgrove, Richard Jones and Jane Royds. Louise Ludgrove was paid via an agency and her figures are the total costs from the agency including commission and irrecoverable VAT. Jane Royds was recharged from her employing organisation, Queenscourt Hospice of Southport, and the costs represent the full recharge including employers' national insurance and superannuation.

The figures for Richard Jones represent salary costs up until the end of March 2017. Note that his salary is non-pensionable and there was a month gap in service which was covered by Jane Royds.

Nursing director role

The figures for the nursing directors all relate to salaried individuals.

Salary and pension entitlements of senior managers

	2016/17						2015/16					
Name and title	Salary (bands of £5,000)	Expense payments (taxable) to nearest £100	Performance pay and bonuses (bands of £5,000)	Long term performance pay & bonuses (bands of £5,000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of £5,000)	Expense payments (taxable) to nearest £100	Performance pay and bonuses (bands of £5,000)	Long term performance pay and bonuses (bands of £5,000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)
K. Hodgson, Interim Chief Executive **(1)**	80-85					80-85						
J. Parry, Chief Executive **(2)**	90-95				25-27.5	115-120	150-155				25-27.5	175-180
A. Marr, Interim Chief Executive **(3)**	15-20					15-20	70-75				47.5-50	120 - 125
D.Reid, Deputy Chief Executive/Director of Finance **(4)**							55-60				10-12.5	65-70
S.Finnegan, Chief Operating Officer **(5)**	30-35				7.5-10	40-45	100-105				15-17.5	115-120
L.Hunt Interim Chief Operating Officer **(6)**	40-45					40-45	175-180					175-180
P.Johnson Interim Chief Operating Officer **(7)**	140-145					140-145						
TA.Patten, Chief Operating Officer **(8)**	50-55				32.5-35	80-85						
G.Hales, Chief Operating Officer **(9)**							0-5					0-5
R.Fraser, Chair **(10)**	10-15					10-15						
S.Musson, Chair **(11)**	20-25					20-25	30-35					30-35
L.Ludgrove, Interim HR Director **(12)**	60-65					60-65	145-150					145-150
S.Partington, Director of HR **(13)**	50-55				15-17.5	65-70	90-95				17.5-20	105-110
R.Jones, Interim HR Director **(14)**	35-40					35-40						
J.Royds, Interim HR Director **(15)**	10-15					10-15						
S.Samuels, Interim Director of HR **(16)**							10 15					10 15
S.Shanahan, Finance Director **(17)**	125-130				25-27.5	150-155	45-50				10-12.5	55-60

CE.Baxter, Non-Executive Director **(18)**	5-10					5-10		0-5					0-5
G-Slee, Non-Executive Director **(19)**	0-5					0-5		5-10					5-10
GJ.Clarke, Non-Executive Director **(20)**	5-10					5-10							
AC.Pennel-Johnson Non-Executive Director **(21)**	5-10					5-10		0-5					0-5
C.Whalley-Hunter, Non-Executive Director **(22)**								0-5					0-5
R.Dykes, Non-Executive Director **(23)**								0-5					0-5
PA.Burns, Non-Executive Director	5-10					5-10		5 10					5-10
J.Newman, Non-Executive Director	5-10					5-10		5 10					5-10
S.Fowler-Johnson, Non-Executive Director	5-10					5-10		5 10					5-10
S. Featherstone, Director of Nursing **(24)**	35-40				27.5-30	65-70		100-105				185-187.5	285-290
AJ.Kelly, Acting Director of Nursing **(25)**	30-35					30-35							
S.Lloyd, Nursing Director **(26)**	35-40				110-112.5	150-155							
R.Gillies, Medical Director	175-180				40-42.5	215-220		175-180				22.5-25	195-200

Expense payments are not shown in the above table as they were all below £50 and relate to taxable mileage. The Trust does not make any performance related payments.

(1) May 16 – Aug 16
(2) Left on 24.10.16
(3) Started 04.08.15 - Left 10.05.16
(4) Left 22.09.15
(5) Left 31.07.16
(6) Started 16.09.15 - Left May 16
(7) Left 30.10.16
(8) Started 01.10.16
(9) Aug 15 Only
(10) Started 01.12.16
(11) Left 30.11.16
(12) Started 16.09.15 - Left June 16
(13) Left 05.09.16
(14) 04.07.16 - 31.10.16 then 6.12.16 - 31.03.17
(15) Left Nov 16
(16) 05.08.15 - 26.08.15
(17) Started 09.11.15 - 31.08.16 as Interim Finance Director then made permanent 01.09.16
(18) Started 01.02.16
(19) Left 30.04.16
(20) Started 01.05.16
(21) Started 22.12.15
(22) Left 30.11.15
(23) Left 31.01.16
(24) Left 21.08.16
(25) Aug 16 – Nov 16
(26) Nov 16 – Mar 17

Chief operating officer role

Due to a Board exclusion, the Trust utilised the services of Lisa Hunt and Patrick Johnson before making a permanent appointment, Therese Patten. The figures for both Lisa Hunt and Patrick Johnson who were paid by agencies are the total agency costs including commission and irrecoverable VAT.

Additional notes

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

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 2016-17 was £177,760 (2015-16, £177,760). This was 7.3 times the median remuneration of the workforce (2015-16, 7.4 times). The median value is £24,304 (2015-16, £24,063). The range of staff remuneration (excluding any additional shift allowances) was from £15,121 to £177,760 in 2016/17 compared with £14,332 to £177,760 in 2015/16.

In 2016-17, 12 (2015-16, eight) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £179,154 to £252,755 (2015-16 £185,259 to £206,558).

Number of off-payroll engagements of Board members, and/or senior officers with significant financial responsibility, during the financial year	4
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 includes payroll and off-payroll engagements	26

The off-payroll arrangements in year cover Kim Hodgson, Lisa Hunt, Patrick Johnson and Louise Ludgrove. Pension information for these people is therefore not applicable. The recharges from St Helens and Knowsley Teaching Hospitals NHS Trust and North Cumbria University Hospitals NHS Trust are not deemed off-payroll as they are recharges for individuals on their payrolls.

There have been no awards made to past senior managers.

a) Pension benefits

Name and title	Real increase in pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31 Mar 17 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31 Mar 17 (bands of £5,000)
	£'000s	£'000s	£'000s	£'000s
J Parry (Chief Executive)	0-2.5	0-2.5	65-70	200-205
R Gillies (Medical Director)	0-2.5	2.5-5	75-80	230-235
S Featherstone (Director of Nursing)	0-2.5	0-2.5	35-40	105-110
S Finnegan (Chief Operating Officer)	0-2.5	0-2.5	45-50	145-150
T Patten (Chief Operating Officer)	0-2.5	0-2.5	15-20	45-50
S Shanahan (Director of Finance)	0-2.5	0-2.5	15-20	50-55
S Partington (Director of HR)	0-2.5	0-2.5	30-35	90-95
S Lloyd (Nursing Director)	2.5-5	5-7.5	30-35	100-105

Name and title	Cash Equivalent Transfer Value at 31 March 2017	Cash Equivalent Transfer Value at 31 March 2017	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)	N/A	In receipt of pension		
R Gillies (Medical Director)	1,733	1,646	59	0
S Featherstone (Director of Nursing)	716	671	18	0
S Finnegan (Chief Operating Officer)	N/A	In receipt of pension		
T Patten (Chief Operating Officer)	269	247	20	0
S Shanahan (Director of Finance)	385	349	21	0
S Partington (Director of HR)	N/A	In receipt of pension		
S Lloyd (Director of Nursing, Midwifery and Therapies)	577	483	43	0

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

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.

Members of the Remuneration and Nominations Committee:

All non-executive directors are 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) – left 30/11/16
R Fraser (Trust Chair) – started 01/12/16
S Fowler-Johnson (Non-executive Director Designate)
J Newman (Non-executive Director)
G Slee (Non-executive Director) – left 30/04/16
A Pennell (Non-executive Director)
C Baxter (Non-executive Director)
G Clarke (Non-executive Director) – started 01/05/16

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 F.T.s (as amended from time to time) for Trusts with a turnover within a band in which the Trust falls. At the time of this policy coming into force the benchmark is Trusts with annual total revenue of between £101m and £200m.

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

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

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

Service contracts

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

Staff costs and numbers

	2016/17				2015/16		
	Permanently employed	**Other**	**Total**		Permanently employed	Other	Total
Average staff numbers							
Medical and dental	**213**	**44**	**257**		215	48	263
Ambulance staff							
Administration and estates	**576**	**61**	**637**		585	47	632
Healthcare assistants and other support staff	**793**	**82**	**875**		774	44	818
Nursing, midwifery and health visiting staff	**968**	**210**	**1,178**		973	243	1,216
Nursing, midwifery and health visiting learners							
Scientific, therapeutic and technical staff	**382**	**19**	**401**		377	39	416
Social care staff							
Healthcare science staff							
Other	**10**		**10**		7		7
TOTAL	**2,942**	**416**	**3,358**		2,931	421	3,352
Of the above - staff engaged on capital projects	**15**	**0**	**15**		14	0	14

Note that average staff numbers have been restated for 2015/16 to reflect the up to date occupation codes and to provide a like for like comparison with 2016/17.

The numbers above are based on whole time equivalents not headcount.

2016/17 staff costs

	Permanently employed YTD £000s	Other £000s	Other agency/ contract £000s	Other excl agency/ contract £000s	Total £000s
Salaries and wages	101,063	20,242	16,259	3,983	121,305
Social Security costs	9,424				9,424
NHS Pensions Scheme	11,993				11,993
Other pension costs	79				79
Termination Benefits					
Total including capitalised costs	**122,559**	**20,242**	**16,259**	**3,983**	**142,801**
Recognised as: Costs capitalised as part of assets	611				611
Total excluding capitalised costs	**121,948**	**20,242**	**16,259**	**3,983**	**142,190**

2015/16 staff costs

	Permanently employed YTD £000s	Other £000s	Other agency/ contract £000s	Other excl agency/ contract £000s	Total £000s
Salaries and wages	97,506	18,722	15,080	3,642	116,228
Social Security costs	7,160				7,160
NHS Pensions Scheme	11,788				11,788
Other pension costs	82				82
Termination Benefits					
Total including capitalised costs	**116,536**	**18,722**	**15,080**	**3,642**	**135,258**
Recognised as: Costs capitalised as part of assets	525				525
Total excluding capitalised costs	**116,011**	**18,722**	**15,080**	**3,642**	**134,733**

Staff composition

The tables below show 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.

2016/17 composition by gender

Pay band	1	2	3	4	5	6	7	8a-d **	Medical	Trust	
Female	170	429	404	212	642	526	279	94	79	3	**2,838**
Male	58	132	57	38	85	61	42	30	157	6	**666**
	228	561	461	250	727	587	321	124	236	9	**3,504**

2015/16 composition by gender

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*

Sickness absence data

Staff group	2016/17 % Full-time equivalent days sickness	2015/16 % Full-time equivalent days sickness
Professional Scientific and Technical	5.83	4.29
Additional Clinical Services	7.66	8.05
Administrative and Clerical	4.84	5.28
Allied Health Professionals	3.61	2.16
Estates and Ancillary	6.01	5.90
Healthcare Scientists	2.98	3.56
Medical and Dental	1.67	2.21
Nursing and Midwifery Registered	5.95	6.07
	5.47	**5.54**

Staff policies applied during the financial year

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

Expenditure on consultancy

Consultancy expenditure was £116,000 (prior year £373,000). It supported work in Procurement, Human Resources and service improvements.

Off-payroll engagements

Off pay roll engagements	Number
Number of existing engagements as of 31 March 2017	1
Of which, the number that have existed:	
• for less than one year at the time of reporting	
• for between one and two years at the time of reporting	
• for between 2 and 3 years at the time of reporting	1
• for between 3 and 4 years at the time of reporting	
• for 4 or more years at the time of reporting	

The Trust is required to report an off-payroll arrangements as of 31st March 2017, for more than £220 per day and that last longer than six months. There is only one arrangement and that has been in existence for between 2 and 3 years at the time of reporting. There are no new off-payroll engagements between 1st April 2016 and 31st March 2017, for more than £220 per day and that last longer than six months.

This existing off payroll engagement has been risk assessed in February 2017 with the individual using HMRC's Employment Status Indicator Tool to provide assurance that the individual is correctly classified and paying the appropriate amount of tax.

Exit packages

There were no exit packages paid in 2016/17.

Signed as Accountable Officer of the Trust

K Jackson Interim Chief Executive

Annual accounts
1 April 2016 to 31 March 2017

2016-17 Annual Accounts of Southport & Ormskirk Hospital NHS Trust

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;

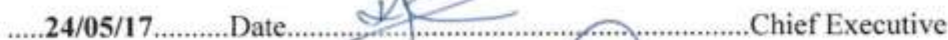
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

.....**24/05/17**..........Date...Chief Executive



.....**24/05/17**..........Date...Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF 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 2017 under the Local Audit and Accountability Act 2014. 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 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 financial statements which 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 Accountability 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 2016, 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 2017.

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 Trust 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 the Trust as at 31 March 2017 and of the Trust's expenditure and income for the year then ended; and
- 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.

Opinion on other matters

In our opinion:

- the parts of the Remuneration and Staff Report subject to audit 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 Department of Health Group Accounting Manual 2016/17; 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 are required to report by exception - referral to Secretary of State

We have a duty under the Local Audit and Accountability Act 2014 to refer the matter to the Secretary of State if we have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

On 30 May 2017 a referral was made to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 in respect of the Trust's forecast failure to achieve its statutory break even duty for the period 2015/16 to 2017/18.

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

We are required to report by exception if we conclude that we are not satisfied that the Trust has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2017.

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

- The Trust incurred a deficit of £20.7 million in 2016/17 against a planned deficit, excluding Sustainability and Transformation funding, of £12.7 million. This resulted in an underlying cumulative deficit of £33.2 million as at 31 March 2017.
- The Trust has not met its original Cost Improvement Programme (CIP) target for 2016/17. The target set at the beginning of the year was £6.4m, of which only £4.1m was delivered, with over half of this delivery made up of non-recurrent schemes.
- The Trust incurred agency expenditure of £11.7 million in 2016/17 against planned expenditure of £7.2 million. This exceeded the agency ceiling set by NHS Improvement.
- The Trust has yet to develop a service delivery model, and organisational configuration, that is able to deliver sustainable services in the future. These have not yet been formalised into a comprehensive strategy, with accompanying detailed operational plans.
- The Trust's plan, submitted to NHS Improvement, shows a deficit for 2017/18 of £18.1 million indicating a potential breach of the Trust's statutory 'break-even' duty.
- The Trust was reliant on significant cash support of £20.7m from the Department of Health in 2016/17, and the 2017/18 plan includes significant further interim revenue support loans from the Department of Health.
- Although some improvements were identified by the Care Quality Commission in its 2016 inspection report in areas rated as Inadequate or Requires Improvement in the previous 2015 CQC report, the Trust's overall CQC rating remained Requires Improvement in 2016/17.

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

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2016, we are not satisfied that, in all significant respects, Southport and Ormskirk Hospital NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

31 May 2017

Statement of Comprehensive Income for year ended 31 March 2017

	NOTE	**2016-17 £000s**	2015-16 £000s
Gross employee benefits	9.1	**(142,190)**	(134,733)
Other operating costs	7	**(61,825)**	(61,118)
Revenue from patient care activities	4	**174,458**	170,261
Other operating revenue	5	**12,237**	11,975
Operating surplus/(deficit)		**(17,320)**	(13,615)
Investment revenue	11	**18**	28
Other gains and (losses)	12	**1**	5
Finance costs	13	**(2,067)**	(1,390)
Surplus/(deficit) for the financial year		**(19,368)**	(14,972)
Public dividend capital dividends payable		**(1,828)**	(2,362)
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		**(21,196)**	(17,334)

Other Comprehensive Income

	2016-17 £000s	2015-16 £000s
Impairments and reversals taken to the revaluation reserve	**0**	0
Net gain/(loss) on revaluation of property, plant & equipment	**5,455**	0
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 comprehensive income for the year	**(15,741)**	(17,334)

Financial performance for the year

Retained surplus/(deficit) for the year	**(21,196)**	(17,334)
Prior period adjustment to correct errors and other performance adjustments	**0**	0
IFRIC 12 adjustment (including IFRIC 12 impairments)	**0**	0
Impairments (excluding IFRIC 12 impairments)	**393**	0
Adjustments in respect of donated gov't grant asset reserve elimination	**94**	132
Adjustment re absorption accounting	**0**	0
Adjusted retained surplus/(deficit)	**(20,709)**	(17,202)

The Trust reported a deficit of £20,709k in 2016/17 after technical adjustments for donated asset rese elimination and an asset impairment. The adjustment in respect of donated assets is the difference between donated income of £67k less donated depreciation of £161k. An impairment review of Community service properties resulted in an impairment of one of the buildings of £393k.

The notes on pages 6 to 40 form part of this account.

Statement of Financial Position as at 31 March 2017

	NOTE	**31 March 2017** £000s	31 March 2016 £000s
Non-current assets:			
Property, plant and equipment	15	**117,207**	111,794
Intangible assets	16	**6,784**	7,084
Investment property		**0**	0
Other financial assets		**0**	0
Trade and other receivables	20.1	**1,267**	1,102
Total non-current assets		**125,258**	119,980
Current assets:			
Inventories	19	**2,586**	2,286
Trade and other receivables	20.1	**8,042**	6,590
Other financial assets		**0**	0
Other current assets		**0**	0
Cash and cash equivalents	21	**1,623**	1,022
Sub-total current assets		**12,251**	9,898
Non-current assets held for sale		**0**	0
Total current assets		**12,251**	9,898
Total assets		**137,509**	129,878
Current liabilities			
Trade and other payables	22	**(21,083)**	(16,886)
Other liabilities		**0**	0
Provisions	26	**(164)**	(192)
Borrowings	23	**(1,559)**	(1,507)
Other financial liabilities		**0**	0
DH revenue support loan	23	**0**	0
DH capital loan	23	**(400)**	(400)
Total current liabilities		**(23,206)**	(18,985)
Net current assets/(liabilities)		**(10,955)**	(9,087)
Total assets less current liablilities		**114,303**	110,893
Non-current liabilities			
Trade and other payables	22	**0**	0
Other liabilities		**0**	0
Provisions	26	**(303)**	(359)
Borrowings	23	**(15,716)**	(17,159)
Other financial liabilities		**0**	0
DH revenue support loan	23	**(40,031)**	(19,331)
DH capital loan	23	**(1,800)**	(2,200)
Total non-current liabilities		**(57,850)**	(39,049)
Total assets employed:		**56,453**	71,844
FINANCED BY:			
Public Dividend Capital		**96,202**	95,852
Retained earnings		**(49,977)**	(28,781)
Revaluation reserve		**10,228**	4,773
Other reserves		**0**	0
Total Taxpayers' Equity:		**56,453**	71,844

The notes on pages 6 to 40 form part of this account.

The financial statements on pages 1 to 40 were approved by the Board on 25th May 2017 and signed on its behalf by

Chief Executive: Date: **25/05/2017**

Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2017

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**95,852**	**(28,781)**	**4,773**	**0**	**71,844**
Changes in taxpayers' equity for 2016-17					
Retained surplus/(deficit) for the year		(21,196)			**(21,196)**
Net gain / (loss) on revaluation of property, plant, equipment			5,455		**5,455**
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			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**
Temporary and permanent PDC received - cash	350				**350**
Temporary and permanent PDC repaid in year	0				**0**
PDC written off	0	0			**0**
Transfer due to change of status from Trust to Foundatio	0	0	0	0	**0**
Other movements	0	0	0	0	**0**
Net actuarial gain/(loss) on pension		0		0	**0**
Other pensions remeasurement		0		0	**0**
Net recognised revenue/(expense) for the year	**350**	**(21,196)**	**5,455**	**0**	**(15,391)**
Balance at 31 March 2017	**96,202**	**(49,977)**	**10,228**	**0**	**56,453**

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
Balance at 1 April 2015	**96,170**	**(11,447)**	**4,773**	**0**	**89,496**
Changes in taxpayers' equity for the year ended 31 March 2016					
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 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 between revaluation reserve & retained earnings reserve in respect of assets transferred under		0	0		0
On disposal of available for sale financial assets			0		0
Originating capital for Trust established in year	0				0
New PDC received - cash	32				32
PDC repaid in year	(350)				(350)
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	**(318)**	**(17,334)**	**0**	**0**	**(17,652)**
Balance at 31 March 2016	**95,852**	**(28,781)**	**4,773**	**0**	**71,844**

Information on reserves

1 Public dividend capital
Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities. Additional PDC may also be issued to NHS trusts by the Department of Health. A charge, reflecting the cost of capital utilised by the NHS foundation trust, is payable to the Department of Health as the public dividend capital dividend.

2 Income and expenditure reserve
The balance of this reserve is the accumulated surpluses and deficits of the NHS trust.

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

Statement of Cash Flows for the Year ended 31 March 2017

	NOTE	**2016-17 £000s**	2015-16 £000s
Cash Flows from Operating Activities			
Operating surplus/(deficit)		**(17,320)**	(13,615)
Depreciation and amortisation	7	**5,708**	6,276
Impairments and reversals	17	**393**	0
Other gains/(losses) on foreign exchange	12	**0**	0
Donated Assets received credited to revenue but non-cash	5	**0**	0
Government Granted Assets received credited to revenue but non-cash		**0**	0
Release of PFI/deferred credit		**0**	0
(Increase)/Decrease in Inventories		**(300)**	(146)
(Increase)/Decrease in Trade and Other Receivables		**(1,617)**	587
(Increase)/Decrease in Other Current Assets		**0**	0
Increase/(Decrease) in Trade and Other Payables		**3,485**	(532)
(Increase)/Decrease in Other Current Liabilities		**0**	0
Provisions utilised		**(156)**	(187)
Increase/(Decrease) in movement in non cash provisions		**46**	49
Net Cash Inflow/(Outflow) from Operating Activities		**(9,761)**	(7,568)
Cash Flows from Investing Activities			
Interest Received		**19**	28
(Payments) for Property, Plant and Equipment		**(3,885)**	(3,882)
(Payments) for Intangible Assets		**(1,624)**	(557)
(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)		**11**	5
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		**(5,454)**	(4,381)
Net Cash Inform / (outflow) before Financing		**(15,215)**	(11,949)
Cash Flows from Financing Activities			
Gross Temporary and Permanent PDC Received		**350**	32
Gross Temporary and Permanent PDC Repaid		**0**	(350)
Loans received from DH - New Capital Investment Loans		**0**	0
Loans received from DH - New Revenue Support Loans		**20,700**	19,331
Other Loans Received		**0**	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		**(400)**	(400)
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		**(1,539)**	(1,479)
Interest paid		**(2,012)**	(1,642)
PDC Dividend (paid)/refunded		**(1,283)**	(2,615)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		**0**	0
Net Cash Inflow/(Outflow) from Financing Activities		**15,816**	12,877
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**601**	928
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		**1,022**	94
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	**21**	**1,623**	1,022

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 Accounting Manual, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Accounting Manual 2016-17 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 DH Group Accounting Manual 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.

Going Concern

These accounts have been prepared on a going concern basis

The basis of management’s going concern assessment is the continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents.

There are future uncertainties, however, like other NHS providers the Trust is working with local and regional NHS organisations to return to a financially sustainable organisation within the five year forward time-frame of 2020/21. Cash support is being given by the Department of Health via interest-bearing loans and NHS Improvement are providing support in terms of an Interim Chief Executive and access to specialised resources to aid efficiency and productivity.

On this basis, it therefore remains appropriate to report on a going concern basis.

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.

NOTES TO THE ACCOUNTS

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

The asset valuation of a PFI building (Veolia Energy Centre) now exlcudes VAT. This is on the basis that the unitary charge is VAT recoverable and therefore, the valuation should also reflect this recoverability. In addition for one of the modular buildings (finance lease) there is a 50% VAT recovery and therefore on this asset the valuation only includes 50% of irrecoverable VAT.

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

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

1.5.2 Key sources of estimation uncertainty

The Trust's latest asset valuation was 1st January 2017. The previous one being 1st January 2015. This was a desktop valuation using a modern equivalent asset value approach with the following assumptions:

The index from 1 January 2015 to 1 January 2017 has moved from 257 to 290 and the Location Factor from 96 to 98. The associated combined increase in value is therefore 14.9% plus the increase in value associated with improvement works. This has in part been offset by the additional physical obsolescence which will have accrued since 2015, which would have a circa -5% impact on value, and the additional functional and external obsolescence agreed at review with the Trust's Estates team. Net effect is an 8.36% uplift in value over the two years.

1.6 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services.

Revenue relating to patient care spells that are part-completed at the year end is calculated using actual coded patient data from April 2016 to January 2017. 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 Pension Schemes. These schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The schemes 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, the schemes are accounted for as though they were defined contribution schemes: the cost to the NHS body of participating in a 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 NHS trust commits itself to the retirement, regardless of the method of payment.

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

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

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 NHS trust;
● it is expected to be used for more than one financial year;
● the cost of the item can be measured reliably; and either
● the item cost at least £5,000; or
● Collectively, a number of items have a total 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.

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. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

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

The Trust has a rolling programme of valuations of properties with an annual desktop revaluation and a full revaluation every 5 years. The last full revaluation took place as at 1st January 2015 and the last desktop valuation was 1st January 2017.

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.

In applying this, the Trust compares the new value of the whole site (split between land and buildings) to the existing value. Where the total value of the land or buildings on a site has increased this goes to the revaluation reserve. Where the valuation has reduced this is an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the class of asset and, thereafter, to expenditure.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowing costs. Assets are revalued and depreciation commences when they are brought into use.

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

For 2016/17 the Trust contracted with the District Valuer to re-assess the remaining useful economic lives of its medical equipment and IT assets. This resulted in an increase in remaining lives and consequently a reduction in depreciation. This depreciation reduction was approximately £1m.

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.

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.

NOTES TO THE ACCOUNTS

Intangible assets acquired separately are initially recognised at cost. Software that is integral to the operation 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; and
- 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 current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. 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, assets under construction or development, and assets held for sale are not depreciated/amortised.

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight line basis over their estimated useful lives. 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 the shorter of the lease term and the estimated useful lives.

At each financial year-end, the NHS trust checks whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of such an impairment, 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 at the financial year end.

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 are 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 current value in existing use, if they will be held for their service potential, or otherwise at 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 treated in the same way as 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 current value in existing use, if they will be held for their service potential, or otherwise at 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.

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.

NOTES TO THE ACCOUNTS

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 of 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.

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 NHS 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 or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

PFI liability

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

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

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

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

Lifecycle replacement

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

NOTES TO THE ACCOUNTS

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

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

Assets contributed by the 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.

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 rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.24% (2015-16: positive 1.37%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:
• A short term rate of negative 2.70% (2015-16: negative 1.55%) for expected cash flows up to and including 5 years
• A medium term rate of negative 1.95% (2015-16: negative 1.00%) for expected cash flows over 5 years up to and including 10 years
• A long term rate of negative 0.80% (2015-16: negative 0.80%) for expected cash flows over 10 years.

All percentages are in real terms.

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 NHS 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.

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 26.

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.

NOTES TO THE ACCOUNTS

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 where 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 - 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.

Financial assets are initially recognised at fair value. 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 that occurred after the initial recognition of the asset and that have 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 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.

NOTES TO THE ACCOUNTS

Loans from the Department of Health are recognised at historic 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 NHS trust's functional 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.

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 35 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 the NHS trust not been bearing its 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.

NOTES TO THE ACCOUNTS

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’

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 trust 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 .

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.

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 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

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

1.35 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

2. Operating segments

The Trust has an internal divisional structure based on specialties and functions.

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 1st March 2017. 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.

3. 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.

4. Revenue from patient care activities

	2016-17	2015-16
	£000s	£000s
NHS Trusts	**265**	261
NHS England	**18,341**	18,605
Clinical Commissioning Groups	**149,603**	144,443
Foundation Trusts	**788**	973
Department of Health	**0**	0
NHS Other (including Public Health England and Prop Co)	**687**	535
Additional income for delivery of healthcare services	**0**	350
Non-NHS:		
Local Authorities	**2,879**	3,695
Private patients	**50**	59
Overseas patients (non-reciprocal)	**13**	11
Injury costs recovery	**1,652**	1,203
Other Non-NHS patient care income	**180**	126
Total Revenue from patient care activities	**174,458**	170,261

5. Other operating revenue

	2016-17	2015-16
	£000s	£000s
Recoveries in respect of employee benefits	**0**	0
Patient transport services	**0**	0
Education, training and research	**6,278**	6,013
Charitable and other contributions to revenue expenditure - NHS	**30**	29
Charitable and other contributions to revenue expenditure -non- NHS	**0**	0
Receipt of charitable donations for capital acquisitions	**67**	114
Support from DH for mergers	**0**	**0**
Receipt of Government grants for capital acquisitions	**0**	0
Non-patient care services to other bodies	**2,716**	2,573
Sustainability & Transformation Fund Income	**0**	
Income generation (Other fees and charges)	**3,099**	3,187
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**25**	24
Other revenue	**22**	35
Total Other Operating Revenue	**12,237**	11,975
Total operating revenue	**186,695**	182,236

6. Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	**13**	**11**
Cash payments received in-year (re receivables at 31 March 2016)	**0**	**0**
Cash payments received in-year (iro invoices issued 2016-17)	**9**	**7**
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	**0**	**0**
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	**0**	**0**
Amounts written off in-year (irrespective of year of recognition)	**1**	**0**

7. Operating expenses

	2016-17 £000s	2015-16 £000s
Services from other NHS Trusts	**8,145**	8,349
Services from CCGs/NHS England	**0**	0
Services from other NHS bodies	**0**	0
Services from NHS Foundation Trusts	**577**	401
Total Services from NHS bodies*	**8,722**	8,750
Purchase of healthcare from non-NHS bodies	**1,459**	842
Purchase of Social Care	**0**	**0**
Trust Chair and Non-executive Directors	**70**	70
Supplies and services - clinical	**23,531**	23,648
Supplies and services - general	**2,328**	2,243
Consultancy services	**116**	373
Establishment	**2,620**	2,140
Transport	**255**	427
Service charges - ON-SOFP PFIs and other service concession arrangements	**1,453**	1450
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	**1,247**	1297
Premises	**8,158**	7,904
Hospitality	**4**	5
Insurance	**168**	176
Legal Fees	**204**	700
Impairments and Reversals of Receivables	**236**	156
Inventories write down	**0**	0
Depreciation	**3,917**	4,285
Amortisation	**1,791**	1,991
Impairments and reversals of property, plant and equipment	**393**	0
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	**121**	123
Audit fees	**75**	61
Other auditor's remuneration [detail]	**0**	0
Clinical negligence	**3,518**	3,007
Research and development (excluding staff costs)	**10**	28
Education and Training	**586**	399
Change in Discount Rate	**25**	(2)
Capital Grants in Kind	**0**	0
Other	**818**	1,045
Total Operating expenses (excluding employee benefits)	**61,825**	61,118
Employee Benefits		
Employee benefits excluding Board members	**141,178**	133,842
Board members	**1,012**	891
Total Employee Benefits	**142,190**	134,734
Total Operating Expenses	**204,015**	195,851

8. Operating Leases

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

8.1. Southport and Ormskirk Hospital NHS Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2016-17 Total £000s	2015-16 £000s
Payments recognised as an expense					
Minimum lease payments				**250**	284
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**250**	284
Payable:					
No later than one year		0	96	**96**	169
Between one and five years	0	0	5	**5**	40
After five years	0	0	0	**0**	0
Total	**0**	**0**	**101**	**101**	209
Total future sublease payments expected to be received:				0	0

8.2. 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.

	2016-17 £000s	2015-16 £000s
Recognised as revenue		
Rental revenue	25	24
Contingent rents	0	0
Total	**25**	24
Receivable:		
No later than one year	25	25
Between one and five years	100	100
After five years	150	175
Total	**275**	300

9. Employee benefits

9.1. Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
Employee Benefits - Gross Expenditure		
Salaries and wages	**121,305**	116,228
Social security costs	**9,424**	7,160
Employer Contributions to NHS BSA - Pensions Division	**11,993**	11,788
Other pension costs	**79**	82
Termination benefits	**0**	0
Total employee benefits	**142,801**	135,258
Employee costs capitalised	**611**	525
Gross Employee Benefits excluding capitalised costs	**142,190**	134,733

9.2. Retirements due to ill-health

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	**4**	4
	£000s	£000s
Total additional pensions liabilities accrued in the year	**153**	99

9.3 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 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.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

10. Better Payment Practice Code

10.1. Measure of compliance

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**43,431**	**63,459**	40,205	63,154
Total Non-NHS Trade Invoices Paid Within Target	**23,297**	**29,893**	34,358	47,644
Percentage of NHS Trade Invoices Paid Within Target	**53.64%**	**47.11%**	85.46%	75.44%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**1,775**	**17,143**	1,598	**16,651**
Total NHS Trade Invoices Paid Within Target	**722**	**5,775**	1,055	**11,561**
Percentage of NHS Trade Invoices Paid Within Target	**40.68%**	**33.69%**	66.02%	69.43%

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.

10.2. 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.

11. Investment Revenue

	2016-17 £000s	2015-16 £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	**18**	28
Other loans and receivables	**0**	0
Impaired financial assets	**0**	0
Other financial assets	**0**	0
Subtotal	**18**	28
Total investment revenue	**18**	28

12. Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	**1**	**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	**0**	**5**
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	**1**	5

13. Finance Costs

	2016-17	2015-16
	£000s	£000s
Interest		
Interest on loans and overdrafts	**884**	**422**
Interest on obligations under finance leases	**496**	**266**
Interest on obligations under PFI contracts:		
- main finance cost	**686**	**696**
- 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	**2,066**	1,384
Other finance costs	**0**	**0**
Provisions - unwinding of discount	**1**	**6**
Total	**2,067**	1,390

14. Finance Costs

14.1. Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2016/17 or 2015/16.

15.1. Property, plant and equipment

2016-17	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 2016	6,899	114,103	1,317	1,126	39,822	632	6,906	4,528	**175,333**
Additions of Assets Under Construction				258					**258**
Additions Purchased	0	1,728	0		1,718	77	669	3	**4,195**
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	7	0	0	42	0	0	18	**67**
Additions Leased (including PFI/LIFT)	0	0	0		110	0	0	0	**110**
Reclassifications	0	213	0	(848)	0	0	282	0	**(353)**
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	(382)	(72)	(951)	(128)	**(1,533)**
Revaluation	0	1,759	(126)	0	0	0	0	0	**1,633**
Impairments/reversals charged to operating expenses	0	(408)	0	0	0	0	0	0	**(408)**
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 Accounting	0	0	0	0	0	0	0	0	**0**
At 31 March 2017	**6,899**	**117,402**	**1,191**	**536**	**41,310**	**637**	**6,906**	**4,421**	**179,302**
Depreciation									
At 1 April 2016	0	20,480	561		32,275	472	5,469	4,282	**63,539**
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		(382)	(63)	(951)	(128)	**(1,524)**
Revaluation	0	(3,789)	(33)		0	0	0	0	**(3,822)**
Impairment/reversals charged to reserves	0	0	0		0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	(15)	0		0	0	0	0	**(15)**
Charged During the Year	0	1,955	16		1,397	40	471	38	**3,917**
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**
At 31 March 2017	**0**	**18,631**	**544**	**0**	**33,290**	**449**	**4,989**	**4,192**	**62,095**
Net Book Value at 31 March 2017	**6,899**	**98,771**	**647**	**536**	**8,020**	**188**	**1,917**	**229**	**117,207**
Asset financing:									
Owned - Purchased	6,899	82,407	647	536	5,808	188	1,898	182	**98,565**
Owned - Donated	0	1,490	0	0	502	0	19	47	**2,058**
Owned - Government Granted	0	0	0	0	0	0	0	0	**0**
Held on finance lease	0	10,833	0	0	933	0	0	0	**11,766**
On-SOFP PFI contracts	0	4,041	0	0	777	0	0	0	**4,818**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2017	**6,899**	**98,771**	**647**	**536**	**8,020**	**188**	**1,917**	**229**	**117,207**

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 2016	4,049	195	0	0	529	0	0	0	**4,773**
Movements (specify)	0	5,454	0	0	0	0	0	0	**5,454**
At 31 March 2017	**4,049**	**5,649**	**0**	**0**	**529**	**0**	**0**	**0**	**10,227**

Additions to Assets Under Construction in 2016-17

Land	0
Buildings excl Dwellings	216
Dwellings	0
Plant & Machinery	42
Balance as at YTD	**258**

15.2. Property, plant and equipment prior-year

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**
Revaluation	0	0	0	0	0	0	0	0	**0**
Impairment/reversals charged to reserves	0	0	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	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 Accounting	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**
Revaluation	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 Accounting	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	1,080	0	0	0	**11,341**
On-SOFP PFI contracts	0	4,657	0	0	868	0	0	0	**5,525**
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**

15.3. (cont). Property, plant and equipment

Economic lives of non current assets

	Min Life (Years)	Max Life (Years)
Licences and Trademarks	0	7
Buildings excl. Dwellings	17	45
Dwellings	45	45
Plant and Machinery	0	15
Tansport Equipment	0	7
Information Technology	0	13
Furniture and Fittings	0	15

16. Intangible non-current assets

16.1. Intangible non-current assets

2016-17	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Intangible Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2016	**0**	**14,203**	**0**	**0**	**0**	**0**	**14,203**
Additions of Assets Under Construction						0	**0**
Additions Purchased	0	1,138	0	0	0	0	**1,138**
Additions Internally Generated	0	0	0	0	0	0	**0**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations and Government Grants	0	0	0	0	0	0	**0**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	**0**
Reclassifications	0	353	0	0	0	0	**353**
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0	**0**
Disposals other than by sale	0	(775)	0	0	0	0	**(775)**
Upward revaluation/positive indexation	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	**0**
Impairments/reversals charged to reserves	0	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0	**0**
At 31 March 2017	**0**	**14,919**	**0**	**0**	**0**	**0**	**14,919**
Amortisation							
At 1 April 2016	**0**	**7,119**	**0**	**0**	**0**		**7,119**
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**	**(775)**	**0**	**0**	**0**		**(775)**
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**	**1,791**	**0**	**0**	**0**		**1,791**
Transfers to NHS Foundation Trust on authorisation as FT	**0**	**0**	**0**	**0**	**0**		**0**
Transfer (to)/from Other Public Sector bodies under Absorption	**0**	**0**	**0**	**0**	**0**		**0**
At 31 March 2017	**0**	**8,135**	**0**	**0**	**0**	**0**	**8,135**
Net Book Value at 31 March 2017	**0**	**6,784**	**0**	**0**	**0**	**0**	**6,784**
Asset Financing: Net book value at 31 March 2017 comprises:							
Purchased	0	6,784	0	0	0	0	**6,784**
Donated	0	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	0	**0**
Finance Leased	0	0	0	0	0	0	**0**
On-balance Sheet PFIs	0	0	0	0	0	0	**0**
Total at 31 March 2017	**0**	**6,784**	**0**	**0**	**0**	**0**	**6,784**
Revaluation reserve balance for intangible non-current assets							
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2016	0	0	0	0	0	0	**0**
Movements (specify)	0	0	0	0	0	0	**0**
At 31 March 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**

16.2. Intangible non-current assets prior year

2015-16	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Licenses and Trademarks £000's	Patents £000's	Development Expenditure - Internally Generated £000's	£000's	Total £000's
Cost or valuation:							
At 1 April 2015	0	13,442	0	0	0	0	**13,442**
Additions - purchased	0	761	0	0	0	0	**761**
Additions - internally generated	0	0	0	0	0	0	**0**
Additions - donated	0	0	0	0	0	0	**0**
Additions - government granted	0	0	0	0	0	0	**0**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	**0**
Impairments/reversals charged to reserves	0	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0	**0**
At 31 March 2016	0	14,203	0	0	0	0	14,203
Amortisation							
At 1 April 2015	0	5,128	0	0	0	0	**5,128**
Reclassifications	0	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	**0**
Impairments/reversals charged to reserves	0	0	0	0	0	0	**0**
Charged during the year	0	1,991	0	0	0	0	**1,991**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0	**0**
At 31 March 2016	0	7,119	0	0	0	0	7,119
Net book value at 31 March 2016	0	7,084	0	0	0	0	**7,084**

17. Analysis of impairments and reversals recognised in 2016-17

	Property Plant and Equipment	Intangible Assets	Financial Assets	Non-Current Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	£000s
Impairments and reversals taken to SoCI					
Loss or damage resulting from normal operations	0	0	0	0	**0**
Over-specification of assets	393	0	0	0	**393**
Abandonment of assets in the course of construction	0	0	0	0	**0**
Total charged to Departmental Expenditure Limit	**393**	**0**	**0**	**0**	**393**
Unforeseen obsolescence	0	0	0	0	**0**
Loss as a result of catastrophe	0	0	0	0	**0**
Other	0	0	0	0	**0**
Changes in market price	0	0	0	0	**0**
Total charged to Annually Managed Expenditure	**0**	**0**	**0**	**0**	**0**
Total Impairments of Property, Plant and Equipment changed	**393**	**0**	**0**	**0**	**393**

18. Commitments

18.1. Capital commitments

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

	31 March 2017	31 March 2016
	£000s	£000s
Property, plant and equipment	**871**	67
Intangible assets	**0**	0
Total	**871**	67

19. 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 2016	**607**	**1,634**	**0**	**45**	**0**	**0**	**2,286**	0
Additions	9,086	1,470	0	27	0	0	**10,583**	0
Inventories recognised as an expense in the period	(9,028)	(1,255)	0	0	0	0	**(10,283)**	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 2017	**665**	**1,849**	**0**	**72**	**0**	**0**	**2,586**	**0**

20.1. Trade and other receivables

	Current		Non-current	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	£000s	£000s	**£000s**	£000s
NHS receivables - revenue	**4,308**	2,840	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**0**	0	**0**	0
Non-NHS receivables - revenue	**998**	972	**0**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**1,258**	1,142	**0**	0
PDC Dividend prepaid to DH	**0**	459	**0**	0
Provision for the impairment of receivables	**(109)**	(117)	**(208)**	(170)
VAT	**430**	413	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income excluding PFI lifecycle	**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	**1,157**	881	**1,475**	1,272
Total	**8,042**	6,590	**1,267**	1,102
Total current and non current	**9,309**	7,692		
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.

20.2. Receivables past their due date but not impaired

	31 March 2017	31 March 2016
	£000s	£000s
By up to three months	**269**	154
By three to six months	**165**	208
By more than six months	**714**	166
Total	**1,148**	528

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.

20.3. Provision for impairment of receivables

	2016-17	2015-16
	£000s	£000s
Balance at 1 April 2016	**(287)**	(357)
Amount written off during the year	**206**	226
Amount recovered during the year	**0**	0
(Increase)/decrease in receivables impaired	**(236)**	(156)
Transfers to NHS Foundation Trust on authorisation as FT	**0**	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	**0**	0
Balance at 31 March 2017	**(317)**	(287)

21. Cash and Cash Equivalents

	31 March 2017 £000s	31 March 2016 £000s
Opening balance	**1,022**	94
Net change in year	**601**	928
Closing balance	**1,623**	1,022
Made up of		
Cash with Government Banking Service	**1,564**	973
Commercial banks	**48**	39
Cash in hand	**11**	10
Liquid deposits with NLF	**0**	0
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**1,623**	1,022
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**1,623**	1,022
Third Party Assets - Bank balance (not included above)	**1**	0
Third Party Assets - Monies on deposit	**0**	0

22. Trade and other payables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
NHS payables - revenue	**6,078**	3,475	**0**	0
NHS payables - capital	**0**	0	**0**	0
NHS accruals and deferred income	**0**	0	**0**	0
Non-NHS payables - revenue	**4,670**	4,833	**0**	0
Non-NHS payables - capital	**1,001**	289	**0**	0
Non-NHS accruals and deferred income	**4,699**	4,264	**0**	0
Social security costs	**1,406**	1,154		
PDC Dividend payable to DH	**86**	0		
Accrued Interest on DH Loans	**77**	23		
VAT	**0**	0	**0**	0
Tax	**1,193**	1,161		
Payments received on account	**0**	0	**0**	0
Other	**1,873**	1,687	**0**	0
Total	**21,083**	16,886	**0**	0
Total payables (current and non-current)	**21,083**	**16,886**		
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	**1,630**	1,647		

23. Borrowings

	Current		Non-current	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	£000s	£000s	**£000s**	£000s
Bank overdraft - Government Banking Service	**0**	0		
Bank overdraft - commercial banks	**0**	0		
Loans from Department of Health	**400**	400	**41,831**	21,531
Loans from other entities	**0**	0	**0**	0
PFI liabilities - main liability	**569**	548	**5,698**	6,178
LIFT liabilities - main liability	**0**	0	**0**	0
Finance lease liabilities	**990**	959	**10,018**	10,981
Other (describe)	**0**	0	**0**	0
Total	**1,959**	**1,907**	**57,547**	**38,690**
Total other liabilities (current and non-current)	**59,506**	**40,597**		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2017		
	DH	**Other**	**Total**
	£000s	**£000s**	**£000s**
0-1 Years	400	1,559	**1,959**
1 - 2 Years	4,620	1,652	**6,272**
2 - 5 Years	37,011	4,832	**41,843**
Over 5 Years	200	9,232	**9,432**
TOTAL	**42,231**	**17,275**	**59,506**

24. Deferred income

	Current		Non-current	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	£000s	£000s	**£000s**	£000s
Opening balance at 1 April 2016	**322**	1,088	**0**	0
Deferred revenue addition	**501**	323	**0**	0
Transfer of deferred revenue	**(426)**	(1,089)	**0**	0
Current deferred Income at 31 March 2017	**397**	322	**0**	0
Total deferred income (current and non-current)	**397**	322		

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 2017	31 March 2016	**31 March 2017**	31 March 2016
	£000s	£000s	**£000s**	£000s
Within one year	**785**	746	**785**	746
Between one and five years	**3,420**	3,039	**3,420**	3,039
After five years	**6,090**	7,498	**6,090**	7,498
Less future finance charges	**0**	0	**0**	0
Minimum Lease Payments / Present value of minimum lease payments	**10,295**	11,283	**10,295**	11,283
Included in:				
Current borrowings			**785**	746
Non-current borrowings			**9,510**	10,537
			10,295	11,283

Amounts payable under finance leases (Other)	**Minimum lease payments**		**Present value of minimum**	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	£000s	£000s	**£000s**	£000s
Within one year	**205**	213	**205**	213
Between one and five years	**508**	444	**508**	444
After five years	**0**	0	**0**	0
Less future finance charges	**0**	0		
Minimum Lease Payments / Present value of minimum lease payments	**713**	657	**713**	657
Included in:				
Current borrowings			**205**	213
Non-current borrowings			**508**	444
			713	657

26. Provisions

	Total	Comprising: 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 2016	**551**	435	0	0	0	0	116	0
Arising during the year	**78**	0	0	0	0	0	78	0
Utilised during the year	**(156)**	(79)	0	0	0	0	(77)	0
Reversed unused	**(32)**	0	0	0	0	0	(32)	0
Unwinding of discount	**1**	1	0	0	0	0	0	0
Change in discount rate	**25**	25	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 2017	**467**	**382**	**0**	**0**	**0**	**0**	**85**	**0**
Expected Timing of Cash Flows:								
No Later than One Year	**164**	79	0	0	0	0	85	0
Later than One Year and not later than Five Years	**303**	303	0	0	0	0	0	0
Later than Five Years	**0**	0	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 2017	62,436
As at 31 March 2016	56,560

27. Contingencies

	31 March 2017 £000s	31 March 2016 £000s
Contingent liabilities		
NHS Litigation Authority legal claims	**(34)**	(43)
Employment Tribunal and other employee related litigation	**0**	0
Redundancy	**0**	0
Other	**(600)**	(700)
Net value of contingent liabilities	**(634)**	(743)
Contingent assets		
Contingent assets	**0**	0
Net value of contingent assets	**0**	0

Contingent Liabilities consists of £600k 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 6 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

	2016-17	2015-16
	£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	**1,453**	1,450
Total	**1,453**	1,450

Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	**1,376**	1,435
Later than One Year, No Later than Five Years	**5,991**	5,700
Later than Five Years	**16,118**	17,786
Total	**23,485**	24,921

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

	2016-17	2015-16
	£000s	£000s
No Later than One Year	**2,815**	874
Later than One Year, No Later than Five Years	**2,426**	1,447
Later than Five Years	**10,904**	14,966
Subtotal	**16,145**	17,287
Less: Interest Element	**(9,878)**	(10,561)
Total	**6,267**	6,726

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due	**2016-17**	2015-16
Analysed by when PFI payments are due	**£000s**	£000s
No Later than One Year	**569**	548
Later than One Year, No Later than Five Years	**2,566**	2,557
Later than Five Years	**3,132**	3,621
Total	**6,267**	6,726

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

	2016-17		2015-16	
	Income	**Expenditure**	Income	Expenditure
The information below is required by the Department of Heath for budget reconciliation purposes	**£000s**	**£000s**	£000s	£000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)				
Depreciation charges		**438**		421
Interest Expense		**686**		696
Impairment charge - AME		**0**		0
Impairment charge - DEL		**0**		0
Other Expenditure		**2,214**		2,229
Revenue Receivable from subleasing	**0**		0	
Impact on PDC dividend payable		**(40)**		(35)
Total IFRS Expenditure (IFRIC12)	**0**	**3,298**	**0**	**3,311**
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)		**3,430**		3,393
Net IFRS change (IFRIC12)		**(132)**		**(82)**
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12				
Capital expenditure 2015-16		110		145
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		140		140

	2016-17 Income/ Expenditure IFRIC 12 YTD	**2016-17** Income/ Expenditure ESA 10 YTD	2015-16 Income/ Expenditure IFRIC 12 YTD	2015-16 Income/ Expenditure ESA 10 YTD
	£000s	**£000s**	**£000s**	**£000s**
Revenue costs of IFRS12 compared with ESA10				
Depreciation charges	**438**		421	
Interest Expense	**686**		696	
Impairment charge - AME	**0**		0	
Impairment charge - DEL	**0**		0	
Other Expenditure				
Service Charge	**2,214**	**3,430**	2,229	3,393
Contingent Rent	**0**		0	
Lifecycle	**0**		0	
Impact on PDC Dividend Payable	**(40)**		(35)	
Total Revenue Cost under IFRIC12 vs ESA10	**3,298**	**3,430**	**3,311**	**3,393**
Revenue Receivable from subleasing	**0**	**0**	**0**	**0**
Net Revenue Cost/(income) under IDRIC12 vs ESA10	**3,298**	**3,430**	**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 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. 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. TheTrust therefore has low exposure to currency rate fluctuations.

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

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

The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2017 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 Clinical Commissioning Groups/NHS England, which are financed from resources voted annually by Parliament . The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

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		1,623		**1,623**
Other financial assets	0	0	0	**0**
Total at 31 March 2017	**0**	**1,623**	**0**	**1,623**
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

30.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
Embedded derivatives	0		**0**
NHS payables		0	**0**
Non-NHS payables		0	**0**
Other borrowings		41,831	**41,831**
PFI & finance lease obligations		15,716	**15,716**
Other financial liabilities	0	0	**0**
Total at 31 March 2017	**0**	**57,547**	**57,547**
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

31. Events after the end of the reporting period

There are no adjusting or non-adjusting events after the end of the reporting period. However, from 1st May 2017 the majority of community services provided by the Trust will be transferring to other providers. This element represents approximately 15% of turnover and 15% of expenditure.

On 12th May 2017, the Trust along with a significant number of NHS and non NHS organisations worldwide suffered a ransomware cyber attack. In order to mitigate any further damage all computer systems were immediately shutdown. The Trust declared a Major Incident and enacted all the relevant major incident plans. All patients were treated safely and no patient records were compromised. The infection was quarantined and all systems were patched to ensure immunity to further malicious infections.

The whole major incident lasted until the afternoon of 16th May. During this time the Trust focussed on treating emergency admissions and postponed elective surgery and outpatient appointments. The Trust then entered a recovery mode with services returning to normal on 18th May.

As a result of this attack the Trust will be investing further monies into cyber security and be appointing a designated resource with responsibility for cyber security.

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 :

	2016/17	2015/16
	£'000s	£'000s
Southport & Formby CCG	**78,534**	75,653
West Lancashire CCG	**56,312**	55,055
NHS England	**18,341**	18,693
South Sefton CCG	**8,373**	8,533

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

The value of transactions with Southport & Ormskrik Hospital NHS Trust Charitable Fund amounted to £141,545 in 2016/17. The majority of transactions were pure recharges for equipment bought using the Trust's finance system. Only £30,086 has been recorded as income (shown in note 5) and this is for a service level agreement to provide financial services to the charity.

33. Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	288,344	408
Special payments	59,578	34
Gifts	0	0
Total losses and special payments and gifts	347,922	442

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

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	2016-17 £000s
Turnover	124,537	137,866	138,448	146,757	153,368	178,182	181,098	189,224	188,905	182,236	186,695
Retained surplus/(deficit) for the year	(2,823)	2,823	802	(7,267)	812	364	(4,828)	1,632	(4,584)	(17,334)	(21,196)
Adjustment for:											
Timing/non-cash impacting distortions:											
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	0	7,651	0	0	7,338	208	3,440	0	393
Adjustments for impact of policy change re donated/government grants assets						(64)	(1,252)	110	248	132	94
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				116	41	(96)	0	0	0	0	0
Absorption accounting adjustment							0	0	0	0	0
Other agreed adjustments	0	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)**	**(20,709)**
Break-even cumulative position	**(2,813)**	**10**	**812**	**1,312**	**2,165**	**2,369**	**3,627**	**5,577**	**4,681**	**(12,521)**	**(33,230)**

* 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 %	2016-17 %
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	-11.09
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	-17.80

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.

	2016-17	2015-16
	£000s	£000s
External financing limit (EFL)	18,571	16,360
Cash flow financing	18,510	16,206
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	**18,510**	16,206
Under/(over) spend against EFL	**61**	154

34.4. Capital resource limit

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

	2016-17	2015-16
	£000s	£000s
Gross capital expenditure	5,768	4,621
Less: book value of assets disposed of	(9)	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(67)	(114)
Charge against the capital resource limit	**5,692**	4,507
Capital resource limit	5,708	4,521
(Over)/underspend against the capital resource limit	**16**	14

35. Third party assets

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

	31 March 2017	31 March 2016
	£000s	£000s
Third party assets held by the Trust	**1**	1