NHS
Southport and Ormskirk Hospital
NHS Trust

Annual Report 2021-22

Delivering excellent care.
For every patient. Every time.

Southport and Ormskirk Hospital NHS Trust

Annual Report and Accounts for the Year Ended

31 March 2022

In Accordance with the Department of Health and Social Care

Group Accounting Manual

2021-2022

Southport and Ormskirk Hospital NHS Trust

Annual Report 2021-2022

GLOSSARY OF TERMS

AHP	Allied Health Professionals
ALTC	Agreement for Long Term Collaboration
AAA	Assure, Alert and Advise
BAF	Board Assurance Framework
BPPC	Better Payment Practice Code
CCG	Clinical Commissioning Groups
CBU	Clinical Business Unit
CHP	Combined Heat and Power
CRG	Clinical Reference Group
CRL	Capital Resource Limit
CQC	Care Quality Commission
DHSC	Department of Health and Social Care
DSPT	Data Security and Protection Toolkit
DBS	Disclosure and Barring Service
EDS2	Equality Delivery System 2
EFL	External Financing Limit
EV	Electronic Vehicle
FPPR	Fit and Proper Persons Regulations
ICS	Integrated Care System
IG	Information Governance
IM&T	Information Management and Technology
IPR	Integrated Performance Report
IST	NSHE/I's Intensive Support Team
MIAA	Mersey Internal Audit Agency
MSRA	Methicillin-resistant staphylococcus aureus
NED	Non-Executive Director
PDC	Public Dividend Capital
PIR sensors	Passive Infrared Sensor
PPE	Personal Protective Equipment
RTT	Referral to Treatment
S&O	Southport and Ormskirk Hospital NHS Trust
SoRD	Scheme of Reservation and Delegation
SDEC	Same Day Emergency Care
SEQOHS	NHS Resolution, Safe, Effective, Quality Occupational Health Service
SOC	Strategy and Operations Committee
SFIs	Standing Financial Instructions
SPC	Statistical Process Control
STHK	St Helens and Knowsley Teaching Hospitals NHS Trust (STHK)
WDES	Workforce Disability Equality Standard Report
WRES	Workforce Race Equality Standard Report

SECTION 1 – PERFORMANCE REPORT

1. OVERVIEW OF PERFORMANCE

1.1 Chief Executive's Introduction

This is my first annual report and accounts as Chief Executive of the Trust. The annual report reviews performance and achievements this year as well as outlining the priorities for improvement in the coming year.

Let me begin by paying tribute to the Trust's remarkable progress despite all the challenges of the past few years, not least during the Covid-19 pandemic. The hard work, dedication, and commitment of our staff have made this possible and we have much to be proud of.

The partnership agreement we entered into with St Helens and Knowsley Hospitals NHS Trust (STHK) during 2021/22 will bring together the best of both organisations, for the greater good of the communities we serve. As Chief Executive of both Trusts I can see that within a few months the partnership has benefitted patients, with the reopening to referrals of haematology and paediatric dietetics services. Mutually beneficial support is also developing between colleagues across many corporate, clinical, and digital teams.

Working together in this way gives the Trust a louder voice within the NHS and has helped us to secure £11.6m in additional capital investment for Southport and Ormskirk Hospital NHS Trust (S&O) during 2021/22, with another £3.2m allocated to us for 2022/23 already and further bids being developed for more new capital investment to support the NHS restoration and recovery objectives.

These investments are directly benefitting patient care. Our newly refurbished endoscopy suite at Ormskirk Hospital has allowed us to increase activity by 43% compared to 2020.

A new building at Southport Hospital to house our discharge lounge will open in July, which will provide a fit for purpose environment for patients waiting to be discharged. During 2022/23 we intend to continue to invest significant sums in maintaining and upgrading the quality of the hospital estate.

Each of these developments supports Shaping Care Together, the continuing programme of work with the local NHS to "futureproof" services by exploring new ways of working and delivering services as well as utilising our staff, facilities, and resources to maximum effect.

The Covid-19 pandemic continued to impact all areas of our work this year but providing the best care and treatment possible for the community remained our priority throughout.

Thanks to the national vaccination programme fewer patients needed hospital care than in 2020/21 but significant numbers of patients poorly with the virus continued to affect the normal running of our hospitals. This combined with increased demand for urgent and emergency care has meant the Trust has faced significant operational pressures, especially over the winter period.

The restoration of normal service levels and recovery of the waiting time targets for all patients back to pre-Covid-19 performance levels was a national priority for 2021/22. Both planned and non-elective admissions recovered significantly from the previous year's falls but were still down against 2019/20 (the last normal year before Covid-19).

Despite these challenges, however, the Trust was a better performer both regionally and nationally against the four-hour A&E standard and the 18-week referral target.

The Trust was supported in facing the challenges of Covid-19 by the fantastic response of our staff and colleagues in local NHS and social care organisations to deliver the national vaccination programme. Nearly 96% of staff received at least one dose and 25,784 doses were administered in total by our vaccination team.

Our Research and Development team also played their part recruiting 66% (1,970) of our Covid-19 positive inpatients to six urgent public health trials.

No never events were recorded in 2021/22. 70 pressure ulcers at grade two or above were reported and eight falls causing severe harm. Two methicillin-resistant staphylococcus aureus (MRSA) bacteraemia cases were recorded as unavoidable following root cause analyses. We are committed to learning from these incidents and putting measures in place to improve the care we provide. These are outlined in more detail in the Trust's Quality Account.

At what has been the most challenging of times for the NHS, I know the pride people feel in their local hospital staff from the many letters sent to the Trust.

They are grateful for the skills, courage, and kindness of our staff as they save lives, take away pain and provide comfort in a family or friend's darkest moment.

I want to add my most sincere thanks too. I continue to be incredibly proud of all our staff and the services they deliver to our local communities.

Ann Marr OBE

Chief Executive
21 June 2022

1.2 Chair's Statement

Together over the past three years we have made steady progress to secure, stabilise and improve hospital services for the people of Southport, Formby, and West Lancashire.

The report by the inspectors from the Care Quality Commission (CQC) in May 2021 was especially gratifying when they noted improvements across all areas they visited.

Such plaudits are always most welcome but significant challenges remain – not least around a dozen or so "fragile" clinical services which are important to patients but remain difficult for us to continue providing alone.

Our staff most certainly have the skill and the will to develop great patient services but as an organisation we do not always have the resource or the scale to be the outstanding hospitals our community deserve. So, it is important for everyone, not least our patients, we do not slip back on our hard-won progress.

That is why 2021 marked an important turning point in the Trust's ambitions when we entered a partnership for long-term collaboration STHK on 20 September.

STHK is a high-performing Trust, rated outstanding by the CQC and scores highly in the annual NHS Staff Survey. The two organisations already had a record of working together – most notably, our pathology service has been provided by STHK since 2014.

The partnership, which was backed by NHS England and had the unanimous support of the Trust Board, aims to:

- Sustain the delivery of improved outcomes for patients
- Ensure high quality and sustainable hospital services
- Give staff greater opportunity to develop their professional skills
- Make best use of available resources
- Share with S&O the benefits and experiences of a Trust rated "outstanding"

The partnership also complements our Shaping Care Together programme which continues with local health and social care partners and aims to "futureproof" local NHS services.

To maximise the benefits of the partnership for both organisations, the Board agreed changes to its structure.

Ann Marr, Chief Executive at STHK, became our Chief Executive while Anne-Marie Stretch was appointed to the new post of Managing Director. She has day-to-day management responsibility for the Trust and leads the Executive team. The new arrangements, which included changes to our Board Committee structure, became effective in September.

This is a great opportunity for both Trusts and is building on the best of both organisations. It is the next stage on our improvement journey and the right one to accelerate the progress we have made.

Finally, thank you to the Board members who have moved on in the past year.

They are Trish Armstrong-Child, who left in September to lead Blackpool hospitals trust; Chief Operating Officer and Deputy Chief Executive Steve Christian; Director of Nursing, Midwifery and Therapies Bridget Lees; Medical Director Dr Terry Hankin and Non-Executive Directors NEDs Jim Birrell and Julie Gorry. We also said farewell to former Director of Finance Steve Shanahan who retired.

Neil Masom OBE

Trust Chair
21 June 2022

1.3 Statement on the Purpose and Activities of the Trust

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

The Trust also hosts the North West Regional Spinal Injuries Centre at Southport Hospital and provides sexual health care in the Metropolitan Borough of Sefton and a small number of community services, including a wheelchair service for people in Chorley and South Ribble, and West Lancashire.

1.3.1 History of the Trust

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

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

Strategic objectives for 2021/22 and the associated principal risks are set out below:

Key Priority Area	Strategic Objective	Principal Risk
Aspects of Clinical Quality, e.g. mortality figures	***SO1: Improve clinical outcomes and patient safety***	If quality is not maintained in line with regulatory standards this will impede clinical outcomes and patient safety
Performance on statutory targets	***SO2: Deliver high quality, well-performing services***	Failure to meet key performance targets leading to loss of services
Financial Performance	***SO3: Provide care within agreed financial limit***	Failure to live within resources leading to increasingly difficult choices for commissioners
Staffing issues, including morale, sickness levels and meeting safe staffing levels	***SO4: Ensure staff feel valued in a culture of open and honest communication***	Failure to attract and retain staff
Managerial capacity and capability	***SO5: Establish a stable, compassionate leadership team***	Inability to provide direction and leadership
Strategic Direction	***SO6: Agree with partners a long term acute services strategy***	Absence of clear direction leading to uncertainty, drift of staff and declining clinical standards

Table 1

PERFORMANCE ANALYSIS

2.1 Trust Vision and Objectives

During the latter half of 2021/22, the Trust developed a new vision statement to encapsulate its strategic objectives: -

Delivering excellent care. For every patient. Every time.

The six long term strategic objectives are now supported by a set of Trust annual objectives setting out the aims and ambitions for the Trust in 2022/23 to bring it closer to achieving the strategic objectives (see figure 1)

Trust Objectives 2022/23

Figure 1

2.2 Financial Performance

Key financial targets

The Trust achieved a small surplus of £81,000 in 2021/22.

Note: this surplus is after technical adjustments for donated assets and Department of Health & Social Security (DHSC) centrally procured inventories. This is explained in the table below:

Adjusted financial performance	£
Gross Deficit	-£130,000
Remove impact of capital donations	£100,000
Remove net impact of DHSC centrally procured inventories	£111,000
Adjusted surplus	**£81,000**

Table 2

The changes to the Trust's business model adopted in 2020/21 continued into 2021/22 i.e., simplified contractual arrangements whereby block contracts (as opposed to contracts that varied with activity levels) were agreed with the Trust's commissioners and the continued regional oversight and support by Cheshire & Merseyside Integrated Care System (ICS).

Financial performance against target extracted from the audited accounts is summarised below:

Performance indicator	Target 21/22	Actual 21/22	Variance	Achieved
Adjusted financial performance	£0	£81,000	£81,000	Yes
External Financing Limit	-£5,797,000	-£5,797,000	£0	Yes
Capital Resource Limit	£13,595,000	£13,594,000	£1,000	Yes
Better Payment Practice Code (non-NHS) by value of invoices	95%	91%	-4%	No
Better Payment Practice Code (NHS) by value of invoices	95%	91%	-4%	No

Table 3

The adjusted financial performance is set out on the face of the Statement of Comprehensive Income and is after the adding back technical adjustments for donations

and DHSC inventories. The Trust achieved a surplus of £81,000 against the breakeven target.

The External Financing Limit (EFL) is a cash-based control for NHS Trusts, it is shown in note 34 of the accounts. Although no longer a statutory duty the Trust has achieved this target.

The capital resource limit (CRL) is a control on capital expenditure in full accruals terms. All NHS Trusts have capital resource limits which they are not permitted to overspend. The Trust underspent against its CRL in 2021/22 by £1,000. This is shown in note 35 of the accounts. More importantly this shows a fully utilised significant investment in the Trust's assets.

The Better Payment Practice Code (BPPC) requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. Performance significantly improved during the year and certainly from the beginning of September the Trust was achieving a 95% in month target. However, the cumulative full year figures show that the Trust was marginally away from the target at 91%.

Financial analysis

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

Accounting heading	2021/22	2020/21	Movement	Variance %
	£'000s	£'000s	£'000s	%
Turnover	251,859	238,590	13,269	5.6%
Operating expenses	247,602	238,887	8,715	3.6%
Non-current asset base	114,464	105,813	8,651	8.2%
Total assets employed	95,382	85,666	9,716	11.3%

Table 4

Turnover

Income has increased by £13.3m from 2020/21 levels. This is due to the following:

- Funding to improve elective (planned) activity of £4m.
- Targeted investment of £2.2m for radiology and endoscopy.
- Regional funding in both halves of the financial year totalling £6.5m.
- Inflation funding of £3.8m.
- Urgent and Emergency Care funding of £0.4m.

- Reduction of £3m in charitable and other contributions to expenditure – this relates to donated DHSC personal protection equipment.
- Reduction of £0.6m to the receipts of capital grants and donations which relates to DHSC donated equipment in 2020/21.

Operating expenses

This shows an increase of £8.7m from 2020/21. This is split with an increase in pay of £8.5m and an increase in non-pay of £0.2m. This is due to the following:

Pay

- Pay award, £3.7m.
- Additional waiting lists, £0.9m
- Clinical excellence awards and additional activities, £0.4m.
- Service developments in neonatal and spinal injuries, £0.7m.
- Increase in temporary staff payments due to vacancies, £0.9m.
- Additional central pension contributions, £0.5m.
- Increase in central pension costs, £0.3m.
- Other pay accruals including annual leave, £1.1m.

Non-pay

- There were no impairments to the valuation of land and buildings in 2021/22 which resulted in a £5m reduction in non-pay costs.
- However, there were increases in other areas e.g., Premises £1.8m (this includes utility costs), drug costs £1m, insurance increase £0.9m, purchase of healthcare from other bodies £1.3m and transport costs £0.2m.

Non-current asset base

The overall value of capital assets has increased in 2021/22 by £8.6m. This is a combination of investments of £13.7m less depreciation/amortisation of £6.3m plus an upward revaluation of £1.2m.

These investments included the following:

Capital investment	2021/22
	£m
IT investment **	5.5
Enhanced fire precautions	2.4
Estates backlog maintenance	2.0
Medical equipment	1.5
Discharge Lounge	1.0
Ormskirk Endoscopy enhancements	0.6
Radiology equipment and installation	0.5
Donated equipment	0.1
Catering equipment	0.1

Table 5

** IT investment includes multiple schemes including clinical noting, network improvements, digital whiteboards, blood track, digital maternity, development of electronic prescribing, digital consent, electronic drug cabinets and radiology network improvements.

Total assets employed

The total value of the Statement of Financial Position has increased by £9.7m.

There are three components to this increase:

- Receipt of public dividend capital (PDC) of £8.6m which was invested in the Trust's capital programme (highlighted above).
- An upward revaluation of £1.2m.
- A decrease in the income and expenditure reserve of £0.1m.

2.3 Clinical Performance

The Covid-19 pandemic once again dominated Trust performance in 2021/22 with multiple 'waves' experienced by the Trust.

Following the initial Covid-19 wave in March 2020, there was the 'Kent variant' which ran from September 2020 through to Spring 2021, then the Trust felt the impact of two more waves in 2021/22 – namely the 'Delta variant' and current 'Omicron variant.'

The Delta wave began in April 2021 and cases began to increase over the Summer as national restrictions were lifted. Numbers remained consistent over the Autumn and into early Winter with the Trust managing to treat it's Covid-19 cohort of patients in a single ward.

In December 2021, the Omicron variant became established across the country which led to a spike in hospital patients in January 2022, which dipped but then increased again to around 16% of general and acute bed capacity by the end of the year.

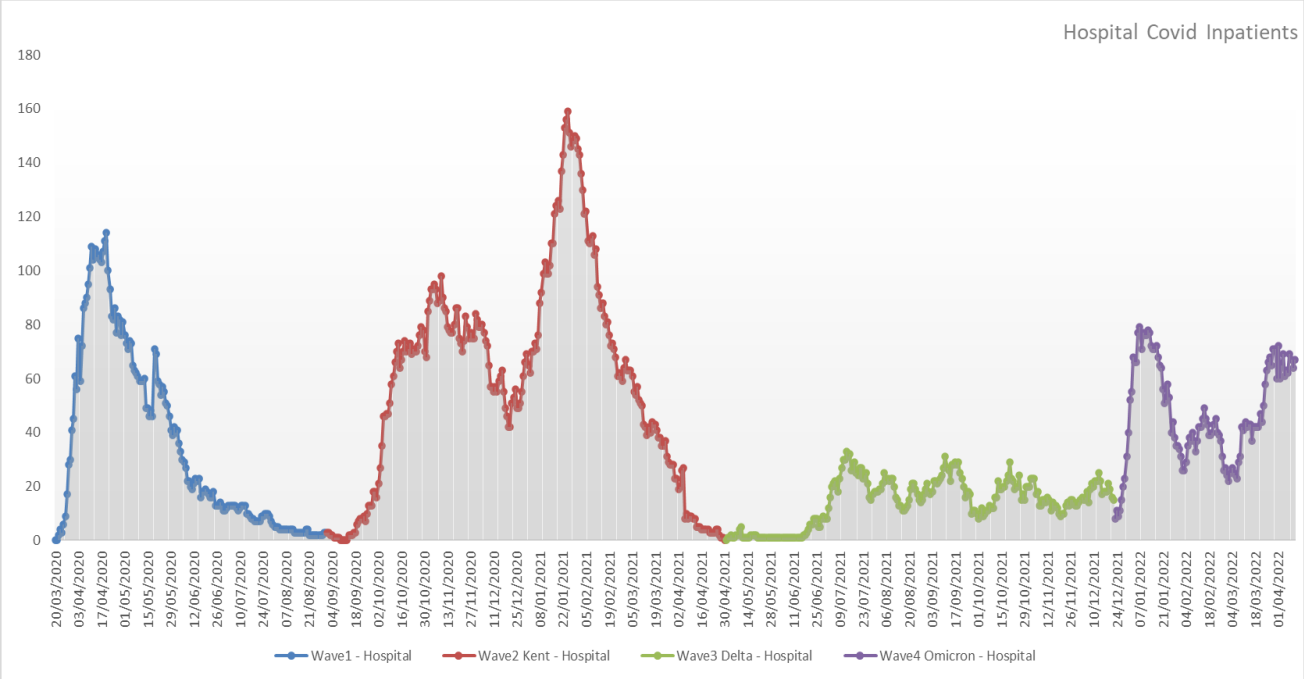


Figure 2

Command and control

Maintaining a clear command and control structure was pivotal to the Trust's success in managing another year with Covid-19.

A new Covid-19 Escalation Matrix allowed the Trust to stand up and stand down Gold and Silver Command dependent on a set of key performance indicators related to Covid-19 and operational performance.

The Chief Operating Officer led Gold Command meetings, reviewed Covid-19 management, ensuring plans were developed and delivered to support patients and staff welfare. This was supported by Silver Command cells at both hospitals overseen by a dedicated senior operational and clinical leadership team.

A Clinical Reference Group (CRG) ensured clinical risks and decisions were understood with clinical directors responsible for developing safe and effective actions to mitigate them.

Business intelligence was critical to forecasting demand and helping plan care. A digital dashboard provided wards with real-time updates on the location and Covid-19 status of each patient, including oxygen consumption by bed.

Daily situation reports to Gold Command gave detailed visibility of Personal Protective Equipment (PPE) availability. This helped ensure that at no point did the Trust run out of any items of PPE.

Maintaining 'business as usual' care with Covid-19

The lessons learned locally and nationally from the first few waves of Covid-19 meant staff and the Trust were better prepared for the Delta wave and long winter of the Omicron wave of the virus. Not least was the development of new therapies and novel treatments that improved the outcomes for admitted patients. The nature of the disease also changed as more of the population was vaccinated and had built up a level of immunity.

Despite the ongoing management of Covid-19 normal hospital services were resumed or increased from the levels that could be undertaken during 2020/21, and as far as possible the process of recovery and restoration to pre-Covid-19 levels (baseline of 2019/20) was started.

- In the emergency departments, performance in 2021/22 against the four-hour standard for patients to be seen, discharged, or transferred was 78.0% - just below national performance (80.2%). In Cheshire and Merseyside, the Trust was the best performing non-specialist Trust.
- Ambulance handovers - 79% completed in 30 minutes in 2021/22 compared to 86% the year before
- Emergency and urgent cancer surgeries continued through the pandemic. Other elective services re-started in 2021/22 although there remained Infection Prevention and Control (IPC) restrictions which continued to limit the capacity.

Summary of Planned Activity in 2021/22

	2019/20	2020/21	2021/22	2021/22 % vs 2019/20	2021/22 % vs 2020/21
Elective	2,271	1,266	2,126	-6.40%	67.90%
Day Case	21,863	12,660	16,239	-25.70%	28.30%
Outpatients	258,575	212,863	247,538	-4.30%	16.30%
Scopes	5,146	3,199	4,625	-10.10%	44.60%
Radiology	53,956	45,185	53,777	-0.30%	19.00%

Table 6

2021/22 Quality and Access Performance

Key access and quality targets	Target (%)	2019/20	2020/21	2021/22
% of urgent care patients seen within 4 hours	95	85.4%	87.3%	78.0%
% of patients first seen within two weeks when referred from their GP with suspected cancer	93	95.2%	91.3%	81.0%
% of patients receiving cancer treatment within 62 days of GP referral	85	80.2%	76.9%	66.2%
% admitted patients treated in 18 weeks of referral	92	93.0%	76.6%	81.4%
% waiting more than 6 weeks for diagnostic test	1	3.1%	24.5%	32.8%
Hospital-acquired MRSA bacteraemia	0	1	2	2
C Difficile cases (Trust-attributed)*	<36	31	34	41

Key activity data	2019/20	2020/21	2021/22
Outpatient 1st attendances	65,948	51543	66,746
Outpatient follow-up attendances	192,627	161,320	178,263
Elective Inpatients	2,271	1,266	2,123
Day cases	21,863	12,660	16,159
Non-elective inpatients (*excluding Obstetrics*)	32,417***	23,757	28,066
Adult A&E attendances**	57,727	47,561	59,620
Adult A&E admissions	22,056***	17,329	17,903
Child A&E attendances**	28,958	14,726	30,073
Child A&E admissions	3,422	1,382	2,975
All births	2,340	2,095	2,391

**National criteria adjusted 2020/21; higher use of antimicrobials for Covid-19 related infections*

**A&E attendances

***Same Day Emergency Care (SDEC) wards were opened which impacted activity numbers

Table 7 and 8

The activity data demonstrates the non-elective pressure the Trust faced as demand for urgent and emergency care increased above 2019/20 baseline levels in 2021/22.

2.4 Care Quality Commission inspection

There were no comprehensive CQC Inspections undertaken between 01 April 2021 to 31 March 2022. The last comprehensive CQC inspection took place in July/August 2019, with the final report was published on 29 November 2019 and the overall Trust rating was Requires Improvement, this rating remains in place.

An unannounced CQC inspection of the Medicine Core Service took place in March 2021. Inspectors reported 'significant improvements' across all the reviewed areas from the 2019 position, with no regulatory breaches or 'must do' actions identified. This inspection was not rated.

As part of the CQC's transitional regulatory approach to monitoring, the Trust completed and submitted a monitoring template for Maternity Services in September 2021 and for Medicine Core Services in November 2021. There were no concerns raised as a result of these submissions and improvement from the previous inspection was noted.

The Trust maintains a positive and open relationship with CQC colleagues and face-to-face engagement meetings started again in September 2021. We look forward to continuing our improvement journey with regulatory partners.

2.5 Collaboration and Partnerships

The Trust provides services to the population of both the Cheshire and Merseyside ICS and the Cumbria and Lancashire ICS, and its services have traditionally been commissioned by the Clinical Commissioning Groups (CCGs) in Southport and Formby, South Sefton and West Lancashire.

The Spinal Injuries unit is a regional specialist unit providing services to patients across the whole of the North West of England.

The Trust is now also a member of the Cheshire and Merseyside Acute and Specialist Trust Provider Collaborative and worked as part of the Hospital Cell which was a key part of the regional control and command structure during the pandemic.

The Trust has not been subject to any contractual disputes or regulatory action from NHS England/NHS Improvement during 2021/22.

During 2021/22 the Trust entered into a partnership agreement with STHK. Please see Director's Report (section 3.1) for details.

Performance Report - Accountable Officer's Approval

Signed as Accountable Officer of the Trust

Chief Executive:	**Ann Marr, OBE**
Signed:	
Date:	**21 June 2022**

SECTION 2 - THE ACCOUNTABILITY REPORT

3. CORPORATE GOVERNANCE REPORT

3.1 THE DIRECTORS' REPORT

3.1.1 The Trust Board

Agreement for Long Term Collaboration with St Helens and Knowsley Hospitals NHS Trust

Following discussions with NHSE the Trust declared a major risk relating to the delivery of several services at the Trust that had been assessed as clinically "fragile". As a result of these discussions, it was agreed that the Trust needed a strategic partner and in September 2021 the Trust Board entered into an Agreement for Long Term Collaboration (ALTC) with STHK and NHSE. Under the terms of this agreement the strategic and operational management of the Trust was delegated from the S&O Board to a new committee named the Strategy and Operations Committee (SOC). The membership of this committee is the STHK Board and the Executive Directors of S&O. Under these arrangements the STHK NEDs became responsible for the oversight and challenge at the three assurance committees: Quality and Safety, Finance, Performance and Investment and, Workforce. The S&O NEDs retained responsibility for the statutory committee functions of Audit, Charitable Funds and Nominations and Remuneration, which cannot be delegated.

In addition, under the terms of the ALTC the Chief Executive of STHK was also appointed as the Chief Executive of Southport and Ormskirk Hospital NHS Trust and a Managing Director was appointed from the STHK Executive.

As a result, the membership of the SOC and the assurance committees changed from September 2021, and these are reflected in the attendance tables and figures.

Another feature of the ALTC is that NED vacancies on the S&O Board will be filled with STHK NEDs (provided they have the requisite skills and experience), and under these provisions NHSE/I appointed Ian Clayton as a Non-Executive Director and Audit Chair for S&O, in November 2021.

The S&O Board continues to meet quarterly, following joint meetings with NHSE to receive assurance on the effectiveness of the ALTC and to conduct statutory business

that cannot be delegated to the SOC. The Board remains statutorily accountable for the services the Trust is commissioned to provide.

Directors of the Trust during 2021/22

CHAIR AND NON-EXECUTIVE DIRECTORS

Neil Masom Chair

Appointed December 2018 (Reappointed December 2020 until Nov 2022)

Chair of the Board of Directors.

Chair of Charitable Funds Committee

Chair of Remuneration and Nominations Committee

David Bricknell Non-Executive Director

Appointed April 2018
(re-appointed in April 2021 until April 2024)

Chair of Quality and Safety Committee
(Until September 2021)

Chair of Audit Committee (July to November 2021)

Committee Membership

- Audit Committee
- Remuneration and Nominations Committee
- Charitable Funds Committee
- Workforce Committee (until September 2021)

Ian Clayton Non-Executive Director

Appointed November 2021 (until October 2023)

Chair of Audit Committee (from December 2022)

Committee Membership
- Strategy and Operations Committee
- Finance Performance and investment Committee
- Remuneration and Nominations Committee
- Charitable Funds Committee

Ian Craig Associate Non-Executive Director

Appointed June 2021 (until May 2024)

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

Pauline Gibson Non-Executive Director

Appointed as an Associate Non-Executive Director July 2017

Appointed as Non-Executive Director May 2021 (until April 2024)

Chair of Workforce Committee (until September 2021)

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

Graham Pollard Non-Executive Director

Appointed March 2020 (until February 2023)

Chair of Finance, Performance, and Investment Committee
(until September 2021)

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

Gurpreet Singh MBE Non-Executive Director

Appointed April 2018 (until April 2022)

Committee Membership
- Quality and Safety Committee *(until September 2021)*
- Workforce Committee *(until September 2021)*
- Charitable Funds Committee
- Remuneration and Nominations Committee

EXECUTIVE DIRECTORS

Ann Marr OBE

Chief Executive

Appointed September 2021

Anne-Marie Stretch

Managing Director

Appointed September 2021

Lynne Barnes

Interim Director of Nursing, Midwifery and Therapies

Appointed January 2022

Dr Kate Clark

Executive Medical Director

Appointed June 2021

John McLuckie

Director of Finance

Appointed June 2021

Lesley Neary

Chief Operating Officer

Appointed June 2021

Jane Royds*

Director of Human Resources and Organisational Development

Appointed October 2018

Nina Russell*

Interim Director of Transformation

Appointed April 2021

*Associate Executive Directors

3.1.2 Changes to the Board

The following changes to the Board of Directors occurred in 2021/22

Non-Executive Directors

James Birrell

Non-Executive Director

Appointed July 2017

Term ended July 2021

Julie Gorry

Non-Executive Director

Appointed August 2017 and left April 2021

Executive Directors

Trish Armstrong-Child

Chief Executive

Appointed December 2019 and left September 2021

Steve Christian

Deputy Chief Executive and Chief Operating Officer

Appointed October 2018 and left May 2021

Dr Terry Hankin

Executive Medical Director

Appointed in January 2019 and left June 2021

Bridget Lees

Executive Director of Nursing, Midwifery and Therapies

Appointed in March 2020 and left December 2021

In February 2022 the Company Secretary (Sharon Katema) started a 12 month secondment to another Trust and this position has been filled on a interim basis by Nicola Bunce, Director of Corporate Services, STHK.

3.1.3 The Trust's Governance Framework

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

The Corporate Governance Manual is a suite of documents which contains the Trust's Standing Orders, Standing Financial Instructions, and Scheme of Reservation and Delegation of powers, and set out the regulatory framework for the business conduct of the organisation.

In line with best practice, high standards of governance are maintained through the independence of the NEDs, achieved by the following.

- All NEDs are appointed for fixed terms, ensuring a regular turnover and the introduction of new skills and experience.
- The non-executive membership of the Board outnumbers the executive element for all issues requiring a vote.
- There are regular briefings between the NEDs and the Chair to discuss Trust business independent of the executive. These meetings are held throughout the year.
- Effective management of the Board composition ensuring NEDs have the breadth of skills and experience required to discharge their roles and hold the executive

directors to account for the performance and delivery of the strategic agenda set by the Board.

- All Committee Chairs, through the Assure, Alert and Advise (AAA) Highlight Reports lead the Board discussion within their area and provide assurance that the Trust is effectively governed.
- To meet the objectives of the ALTC with STHK a new committee, the SOC was created in September 2021. Under the terms of the agreement the S&O Board delegated all strategic and operational management of the Trust to the SOC and in turn this committee became responsible for the assurance committees. The Board remains statutorily accountable for the services it is commissioned to provide.

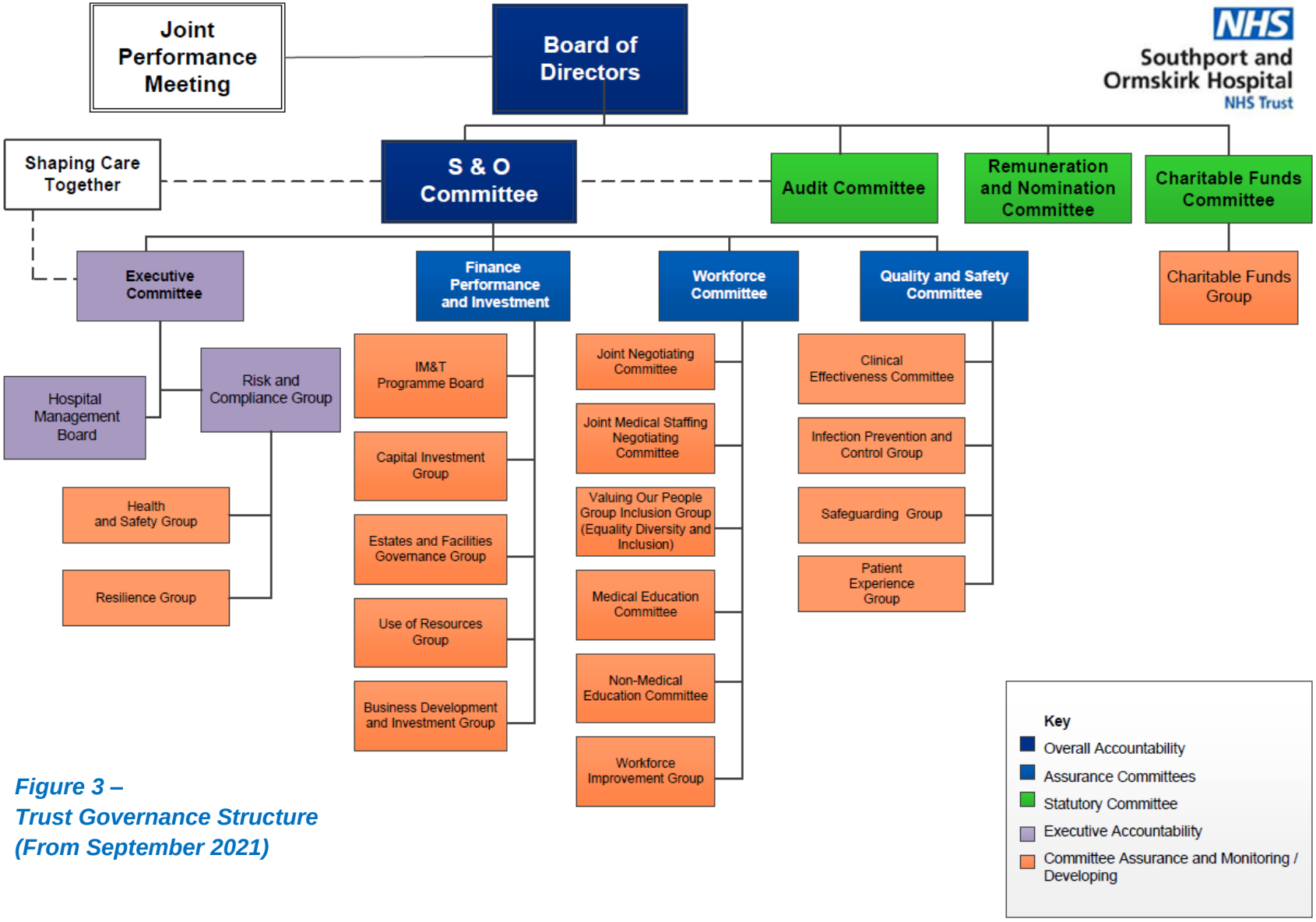


Figure 3 –
Trust Governance Structure
(From September 2021)

Assurance Committees

Strategy and Operations Committee

The role of the Committee is the strategic and operational management of the Trust and the delivery of the objectives set out in the ALTC. The Committee is chaired by the Chair of STHK, and the members are the STHK Board and the Executive Directors of S&O. The work of the SOC is overseen by a Joint Review meeting with NHSE which is held each quarter.

The SOC met five times between September 2021 and March 2022. All meetings were quorate.

From September 2021 the assurance committees report via the SOC

Business of the Quality and Safety Committee

The Quality and Safety Committee scrutinises and provides an overview on the clinical risks and holds the Executives to account by ensuring that the clinical risks process, as set out in the Risk Management Strategy, is adhered to and risks are being managed and controlled. This includes oversight of the performance and quality dashboards which show compliance with CQC registration requirements and other statutory compliance with quality related reports being scrutinised prior to their submission to the SOC and Board. The Quality and Safety Committee also ratifies relevant policies and procedures approved by Quality and Safety Committee sub-groups.

The Quality and Safety Committee met 10 times between April 2021 and March 2022. All meetings were quorate. From September 2021 the membership of the Committee changed to reflect the ALTC with STHK, as described above.

Business of the Finance, Performance, and Investment Committee

The Finance, Performance and Investment Committee scrutinises and monitors:

- Financial performance – includes monthly performance and CIP.
- Patient flow - includes activity levels, AED and waiting time performance.
- Capital Programme, including IT.
- Annual review of the Performance Framework.
- Investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee.

- Ratify relevant policies and procedures approved by Finance, Performance and Investment Committee sub-groups.

The Finance, Performance and Investment Committee met 10 times between April 2021 and March 2022. All meetings were quorate. From September 2021 the membership of the Committee changed to reflect the ALTC with STHK, as described above.

Business of the Workforce Committee

The Workforce Committee scrutinises and monitors:

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

The Workforce Committee met ten times between April 2021 and March 2022. All meetings were quorate. From September 2021 the membership of the Committee changed to reflect the ALTC with STHK, as described above.

Statutory Committees

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

a) Remuneration and Nominations Committee
b) Charitable Funds Committee
c) Audit Committee

The work of the statutory committees cannot be delegated and continues to be managed by the Trust Board.

Business of the Remuneration and Nominations Committee

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

- Determine the framework for the remuneration of the Chief Executive and members of the Executive Management Team including performance related elements and pensions as well as arrangements for termination of employment and other contractual terms.
- Take into consideration when determining performance related elements, the performance of individual directors and senior managers.
- Oversee appropriate calculation and scrutiny of termination payments.
- Regularly review the structure, size and composition of the Board and make recommendations to it with regards to any changes.
- Consideration of succession planning for Directors and other senior managers, taking into account current challenges and future opportunities.
- Ensure appropriate job specifications are prepared for Board vacancies.
- Be responsible for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise.
- Review the results of Board performance evaluation as they relate to the composition of the Board.

The Remuneration and Nomination Committee met twice between April 2021 and March 2022. All meetings were quorate.

Business of the Charitable Funds Committee

The Charitable Funds Committee has the authority to appoint and delegate functions in respect of charitable funds pursuant to *section 11 of the Trustee Act 2000.*

The Charitable Funds Committee met four times between April 2021 and March 2022. All meetings were quorate.

Business of the Audit Committee

The Audit Committee is responsible for scrutinising the overall systems of internal control (clinical and non-clinical) and for ensuring the provision of effective independent assurance via internal audit, external audit, and local anti-fraud services. The Audit Committee reports to the Board via an AAA Highlight Report, and via the Annual Report and Accounts, which includes the *Annual Governance Statement.*

The Audit Committee also provides assurance on the effectiveness of the Trusts internal control and governance arrangements. It follows the best practice guidance set out in the NHS Audit Committee Handbook.

Three independent NEDs are core members of the Committee, but the other NEDs were also invited to attend the meetings from October 2021:

Mr James Birrell	Member from September 2017 and Chair from May 2019 until July 2021
Mr Ian Clayton	Member from November 2021 and Chair from November 2021
Mr Ian Craig	Member from June 2021
Mr David Bricknell	Member from March 2018 and Chair from August to October 2021
Mrs Julie Gorry	Member from July 2019 until April 2021
Mr Graham Pollard	Member from March 2020
Mrs Pauline Gibson	Member from October 2021

Table 9

The Committee met five times during 2021/22 and all meetings were quorate.

The internal and external auditors, anti-fraud service, the Finance Director, Deputy Finance Director, and the Company Secretary regularly attend meetings to assist the Committee with its duties.

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

Name	Position	Board	Strategy and Operations	Audit	FPI	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		**7**	**5**	**5**	**10**	**10**	**10**	**4**	**2**	**53**	
Masom, Neil	Chair	7 (7)						4 (4)	2 (2)	13 (13)	100
Birrell, James	Non-Executive Director (Term expired 04/07/2021)	3 (3)		2 (2)	3 (3)	1 (1)		0 (1)		9 (10)	90
Bricknell, David	Non-Executive Director	7		4 (5)	2 (2)	4 (4)	4 (4)	4 (4)	2 (2)	26 (28)	96
Clayton, Ian	Non-Executive Director, STHK (wef 20/09/2021) and also Non-Executive Director S&O (wef 01/11/2021))	2 (2)	5 (5)	2 (2)	6 (6)			2 (2)	2 (2)	19 (19)	100
Craig, Ian	Non-Executive Director (wef 01/06/2021)	3 (4)		3 (3)	2 (2)			3 (3)	2 (2)	13 (14)	93
Gibson, Pauline	Associate Non-Executive Director (until 30/04/2021)	1 (1)			1 (1)		1 (1)	0 (1)		3 (4) (3)	75
Gibson, Pauline	Non-Executive Director (wef 01/05/2021)	4 (6)		2 (2)	1 (1)		4 (4)	2 (3)	2 (2)	15 (16)	83
Gorry, Julie	Non-Executive Director (Resigned 30/04/2021)	1 (1)				0 (2)		1 (1)		3 (4)	50
Pollard, Graham	Non-Executive Director	6 (7)		4 (5)	10			2 (4)	2 (2)	24 (28)	86
Singh, Gurpreet	Non-Executive Director	5 (7)		1 (2)		4 (4)	4 (4)	2 (4)	1 (2)	17 (23)	74

Name	Position	Board	Strategy and Operations	Audit	FPI	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		**7**	**5**	**5**	**10**	**10**	**10**	**4**	**2**	**53**	
Marr, Ann	Chief Executive (wef 20/09/2021)	2 (2)	5 (5)							7 (7)	100
Stretch, Anne-Marie	Managing Director (wef 20/09/2021)	2 (2)	5 (5)		6 (6)	6 (6)	6 (6)	2 (3)	1 (2)	28 (30)	93
Armstrong-Child, Trish	Chief Executive (until 19/09/2021)	5 (5)		2 (2)	2 (4)	3 (4)	1 (3)	0 (1)		13 (19)	68
Barnes, Lynne	Acting Director of Nursing, Midwifery and Therapies (wef 01/01/2022)	2 (2)	2 (2)		3 (3)	3 (3)	3 (3)	2 (2)		15 (15)	100
Christian, Steven	Deputy CEO & Chief Operating Officer (until 02/05/2021)	1 (1)						0 (1)		1 (2)	50
Clark, Kate	Executive Medical Director (wef 07/06/2021)	4 (4)	5 (5)		3 (3)	7 (7)	4 (4)			23 (23)	100
Gregory, Bill	Interim Director of Finance (until 30/05/2021)	2 (2)		1 (1)	2 (2)			1 (1)		6 (6)	100
Hankin, Terry	Executive Medical Director (until 06/06/2021)	3 (3)				2 (2)	1 (1)	0 (1)		6 (7)	86
Katema, Sharon	Associate Director of Corporate Governance & Company Secretary (until 20/02/2022 when seconded to another Trust)	6 (6)	3 (4)	5 (5)	7 (8)	7 (8)	7 (8)	3 (3)	1 (1)	39 (43)	91

Name	Position	Board	Strategy and Operations	Audit	FPI	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		**7**	**5**	**5**	**10**	**10**	**10**	**4**	**2**	**53**	
Lees, Bridget	Director of Nursing, Midwifery and Therapies (until 31/12/2021)	5 (5)	3 (3)	4 (4)	1 (1)	6 (7)	2 (7)	0 (2)		21 (29)	72
McLuckie, John	Director of Finance (wef 01/06/2021)	5 (5)	5 (5)	4 (4)	8 (8)	4 (4)	2 (3)	3 (3)		31 (33)	97
Neary, Lesley	Chief Operating Officer (wef 01/06/2021)	5 (5)	5 (5)		8 (8)	5 (6)	5 (5)	2 (3)		30 (32)	94
Royds, Jane	Director of Human Resources and Organisation Development	6 (7)	5 (5)		2 (3)	2 (3)	10 (10)	2 (4)	2 (2)	29 (34)	85
Russell, Nina	Director of Transformation (wef 01/04/2021)	6 (6)	5 (5)		6 (9)	5 (8)	2 (4)			24 (32)	75
Richard Fraser	Chair, Strategy and Operations Committee (wef 20/09/2022)		5 (5)							5 (5)	100
Appleton, Geoffrey	STHK Board Advisor (wef 01 November 2021)		3 (3)		3 (3)	3 (3)				9 (9)	100
Brown, Gill	Non-Executive Director, STHK (wef 20/09/2021)		5 (5)			6 (6)	1 (1)			12 (12)	100
Davies, Val	Non-Executive Director STHK (wef 20/09/2021 until 31/03/2022)		5 (5)			6 (6)	2 (5)			13 (16)	81

Name	Position	Board	Strategy and Operations	Audit	FPI	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		**7**	**5**	**5**	**10**	**10**	**10**	**4**	**2**	**53**	
Growney, Paul	Non-Executive Director, STHK (wef 20/09/2021)		0 (5)		1 (6)					1 (11)	9
Knight, Lisa	Associate Non-Executive Director, STHK (wef 20/09/2021)		3 (5)				6 (6)			9 (11)	82
Kozer, Jeff	Non-Executive Director, STHK (wef 20/09/2021)		4 (5)		6 (6)					10 (11)	91
Alan Sharples	STHK Board Advisor (wef 01 November 2021)	N/A	3 (3)		4 (4)	3 (3)	2 (3)			12 (13)	92
Thind, Rani	Associate Non-Executive Director, STHK (wef 20/09/2021)		3 (4)			1 (1)				4 (5)	80
Bunce, Nicola	Director of Corporate Services, STHK and also Interim Director of Corporate Services/Company Secretary for S&O (wef 20/02/2022)	1 (1)	5		1 (1)	1 (1)	1 (1)		0 (1)	9 (10)	90
Cooper, Rob	Director of Operations and Performance, StHK (wef 20/09/2021)		3 (5)							3 (5)	60
Khashu, Nikhil	Director of Finance and Information, StHK (wef 20/09/2021 until 31/03/2022)		4 (5)							4 (5)	80

Name	Position	Board	Strategy and Operations	Audit	FPI	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		**7**	**5**	**5**	**10**	**10**	**10**	**4**	**2**	**53**	
Pritchard-Jones, Rowan	Medical Director, StHK (wef 20/09/2021)		4 (5)							4 (5)	80
Redfern, Sue	Director of Nursing, Midwifery and Governance, StHK (wef 20/09/2021)		3 (5)							3 (5)	60
Walters, Christine	Director of Informatics, StHK (wef 20/09/2021)		5 (5)							5 (5)	100
TOTAL		**94 (101)**	**103 (119)**	**34 (37)**	**88 (100)**	**79 (89)**	**68 (83)**	**35 (51)**	**17 (18)**	**518 (598)**	**87**

Table 10

All meetings of the Board and its committees have been quorate during 2021/22.

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

Details of Interest declared by members of the Board of Directors including Company Directorships are set out in the table below and the register of Directors' interests is available on the Trust's website (https://www.southportandormskirk.nhs.uk/about-us/declarations-of-interest/) or from the Company Secretary/Director of Corporate services at:
Southport and Ormskirk Hospital NHS Trust
Southport Hospital
Town Lane Kew
Southport
PR8 6PN
Telephone 01704 704783

3.1.5 Fit and Proper Persons Requirement (FPPR)

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

The Trust requires all Directors to make an annual declaration of compliance with the FPPR standards. In 2021/22 all Board members were required to complete a self-certificate to confirm compliance with these standards, and where appropriate external assessments, including Disclosure and Barring Service (DBS) checks were undertaken.

3.1.6 Statement of Disclosure of Information to Auditors

So far as the Directors are aware, at the time of approving this Annual Report there is no information which would be relevant to the auditors for the purposes of their audit report, and of which the auditors are not aware. In addition, each Director has taken all of the steps that they ought to have taken to make themselves aware of any such information, and to establish that the auditors are aware of it.

3.2 STATEMENTS OF RESPONSIBILITIES

3.2.1 Statement of the Chief Executive's responsibilities as the Accountable officer of the Trust

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of accountable officers are set out in the NHS Trust Accountable Officer Memorandum.

These include ensuring that

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

As far as I am aware, there is no relevant audit information of which the Trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

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

Statement of the Chief Executive's responsibilities signed by

Ann Marr OBE
Chief Executive 21 June 2022

3.3 ANNUAL GOVERNANCE STATEMENT

3.3.1 Scope of Responsibility

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

3.3.2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of S&O Hospital NHS Trust, to evaluate the likelihood of those risks being realised and the impact, should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in S&O Hospital NHS Trust for the year ended 31 March 2022 and up to the date of approval of the Annual Report and Accounts.

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

3.3.3 Key Financial Governance Policies and Processes

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

Standing Orders

The *Standing Orders* are contained within the Trust's legal and regulatory framework and set out the regulatory processes and proceedings for the Board of Directors and its committees and working groups including the Audit Committee.

Standing Financial Instructions (SFIs)

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

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

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

Scheme of Reservation and Delegation

This sets out those matters that are reserved to the Board and the areas of delegated responsibility to committees and individuals. The document sets out who is responsible and the nature and purpose of that responsibility. It assists in the achievement of the efficient and effective resources by ensuring that decisions are taken at an appropriate level within the organisation by those with the experience and oversight relevant to the decision being made. It ensures that the focus and rigor of the decision making processes are aligned with the strategic priorities of the Trust and it ensures that the Trust puts in place best practice in relation to its decision making.

Anti-Fraud, Bribery and Corruption Policy

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

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

Work of the Board of Directors in Monitoring Finance

Monthly Finance Reports, including sustainability and CIP delivery are presented to the Finance, Performance and Investment Committee and via the Integrated Performance Report (IPR) to the SOC.

The Finance, Performance and Investment Committee plays a key role in scrutinising finance and performance issues and provides assurance to the SOC where relevant.

It further analyses finance and performance strategic and operational risks and make recommendations to the SOC as to what actions are needed in relation to those risks.

Under the arrangements agreed as part of the ALTC, the SOC provides assurance to the Board via the joint quarterly meetings.

3.3.4 Capacity to Handle Risk

Leadership

The Executive Management Team monitor management capability, financial resources, staff skills and knowledge, to ensure the processes and internal controls work effectively and provide assurance via the governance committees to the SOC.

Performance monitoring

The Integrated Performance Report (IPR) provides assurance and comprehensive information on all aspects of performance, quality, activity, finance, and workforce. The IPR uses Statistical Process Control (SPC) charts to plot data over time and highlight variation and reflects best practice and supports the Board/SOC in measuring improvement and understanding variation. The IPR is reviewed and updated annually to reflect any new targets or metrics introduced via the national planning guidance.

The Trust has a Single Accountability Framework which sets out the approach to overseeing and supporting Clinical Business Units (CBU) in understanding how the Trust monitors their performance; identifies any support they may need to improve standards and outcomes; and ensuring that agreed support packages are coordinated, where relevant. Each CBU has its own IPR, which was developed in line with the measures in the Trust IPR. There are monthly performance meetings with each CBU to monitor performance and delivery.

The Financial Management Framework forms an integral part of the Trust's overall Single Accountability Framework as it provides the mechanisms for monitoring financial performance against cash limited budgets. The Financial Management Framework outlines the Trust's approach to the Annual Budget setting and the management of available resources to deliver clinically and financially sustainable health services for the local population.

The assurance committees review and monitor the IPR monthly. Where concerns are identified, the assurance committees may seek clarification or further assurance that the issues are being managed and may escalate any concerns to the Board or from September 2021 the SOC through the AAA Highlight Reports.

Staff Responsibility

The Trust supports staff to identify and plan for potential risks to the delivery of the Trust's objectives. Members of staff have responsibility for handling the management of clinical and non-clinical risks according to their roles and duties within the Trust. All risks are owned by an appropriate manager and reviewed regularly to ensure mitigation plans are effective in reducing the level of risk exposure.

Mandatory training on key risk areas is undertaken by all staff at induction into the Trust and on a regular refresh basis. Risk management training is part of the Trust's Induction programme and mandatory training for all staff throughout the Trust which includes health and safety, fire, security, incident reporting, claims and complaints.

The Trust fosters an open and accountable reporting culture, and staff are encouraged to identify and report incidents. Sharing learning through risk related issues, incidents, complaints, and claims is an essential component of maintaining the risk management culture within the Trust. Learning is shared through Clinical Business Units' Meetings and Trust wide forums such as the Quality and Safety Committee and Clinical Effectiveness Committee. Learning is acquired from a variety of sources which include:

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

3.3.5 The Risk and Control Framework

Risk management is recognised within the organisation as being fundamental to the ability to effectively deliver safe, high quality services, with systems and processes in place throughout the organisation to identify, assess and mitigate risk, as well as provide the necessary training and development opportunities for staff with specific responsibilities for co-ordinating and advising on risk management.

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

- The Board Assurance Framework (BAF)
- Trust Risk Register (informed by Clinical Business Units, Departments, and service risk registers)

- The Trust Risk Management Framework

Board Assurance Framework

The BAF is reviewed four times a year.

The BAF provides a mechanism for the Board/ SOC to be assured that the systems, policies, and procedures in place are operating in a way that is effective and focussed on the key strategic risks which might prevent the Trust's strategic objectives being achieved. The BAF also allows any gaps in control and assurance to be identified and rectified.

Ahead of presentation at Board and SOC each quarter, the BAF is presented at assurance committees ensuring that each principal risk and progress updates are reviewed. The BAF is also discussed at the Audit Committee.

In December 2021, the Board approved a new format of the BAF, which provides greater clarity and easier tracking of risk scores and progress against actions in place to improve the position against strategic risks. The BAF also includes the risk appetite for each risk and additional background information including links to associated risks on the Risk Register.

The significant risks in relation to the Trust's strategic objectives remained unchanged during 2021/22 and are shown below:

	Strategic Objective	Principal Risk
	SO1 Improve clinical outcomes and patient safety to ensure that we deliver high quality services	Risk ID1 If quality is not maintained in line with regulatory standards this will impede clinical outcomes and patient safety
	SO2 Deliver services that meet NHS constitutional and regulatory standards	Risk ID2 Failure to meet key performance targets leading to loss of services
	SO3 Efficiently and productively provide care within agreed financial limits	Risk ID3 Failure to meet financial regulatory standards and operate within agreed financial resources the sustainability of services will be in question
	SO4 Develop a flexible, responsive workforce of the right size and with the right skills who feel valued and motivated	Risk ID4 Failure to attract, develop, and retain a resilient and adaptable workforce with the right capabilities and capacity there will be an impact on clinical outcomes and patient experience.

	SO5 Enable all staff to be patient-centred leaders building on an open and honest culture and the delivery of the Trust values	Risk ID5 Failure to have leadership at all levels patient and staff satisfaction will be negatively impacted with the following outcomes
	SO6 Engage strategic partners to maximise the opportunities to design and deliver sustainable services for the population of Southport, Formby, and West Lancashire	Risk ID6 Absence of clear direction, engagement and leadership across the system is a risk to the sustainability of the Trust and will lead to declining clinical standards.

Table 11

The SOC has also identified that failure of critical IT infrastructure and failure of critical estate and building infrastructure are additional strategic risks and these will be incorporated into the BAF during quarter one of 2022/23.

Risk Management Process

The *Risk Management Framework (RMF)* outlines the responsibilities for risk management as well as the process for managing risks within the Trust. During 2022 the Trust has continued to use Datix as its risk management system and has reviewed all risk registers via the Risk and Compliance Group to ensure a consistent application of the Risk Management Framework across all CBUs.

Figure 4 shows how risk management involves the identification, analysis, evaluation, and treatment of risks.

There are quarterly reports to the Board/SOC on activity within the Trust's Risk Register which details the approved risks and those that have either been added onto the Trust risk register or removed.

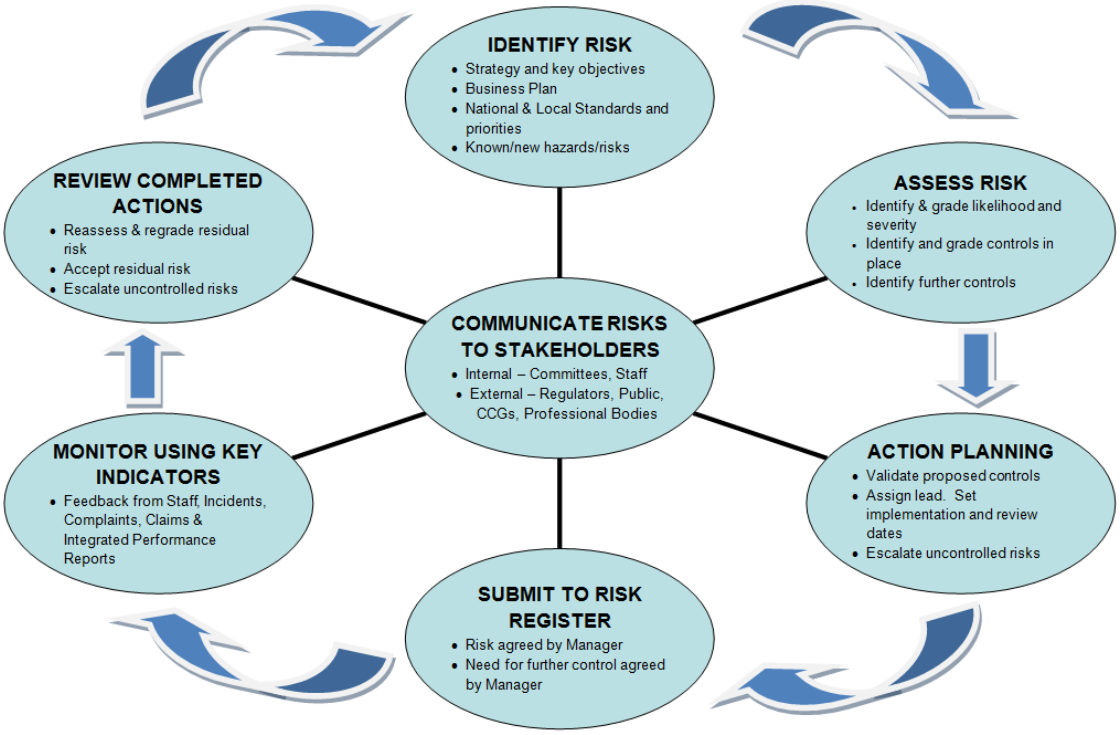


Figure 4

Trust's Risk Monitoring Escalation and Assurance Process

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

The Trust operates three tiers of risk management which are all interlinked via an escalation process. The escalation of a risk is dependent upon the level of the risk, or on whether it is felt that the risk needs specialist management at a higher tier, such as the risk requiring a multi-directorate approach to its management. This is illustrated at Figure 5 below.

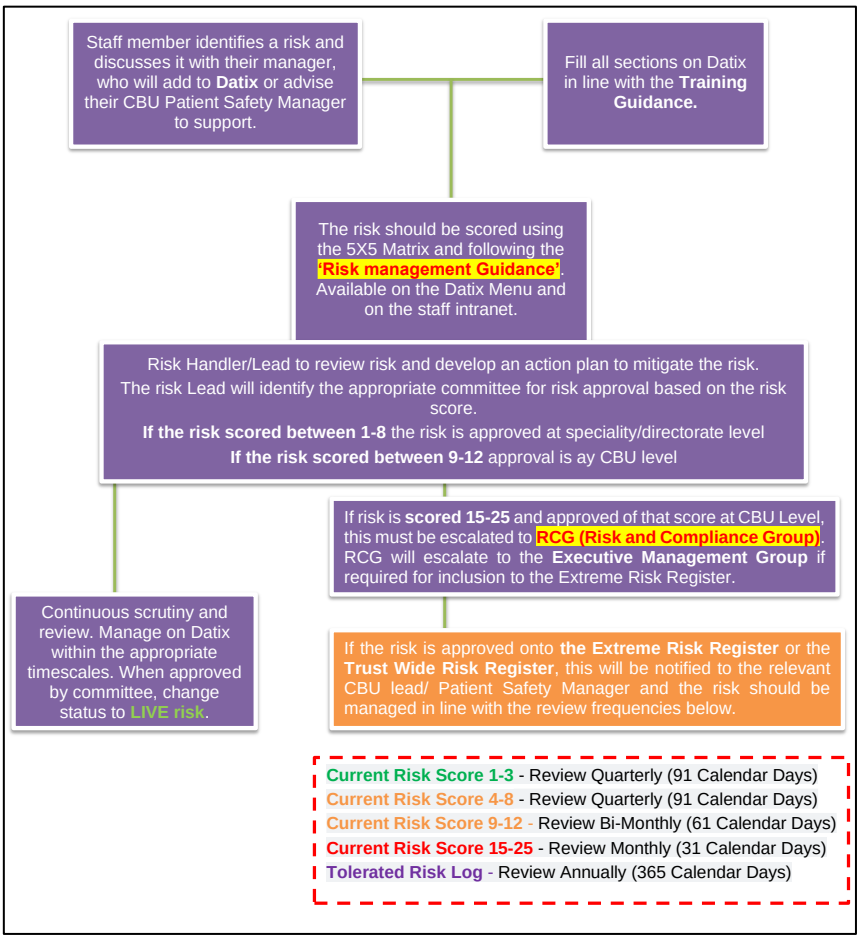


Figure 5

The registers are recorded using a standardised 5x5 risk matrix and the severity of each risk is rated according to the Consequence x Likelihood risk assessment matrix within the Risk Management Framework to establish the risk score which helps guide action at the appropriate level.

Risk Appetite

The SOC is responsible for setting the Trust's 'Risk Appetite'. This relates to both the amount and type of risk that the Trust is prepared to be exposed to and tolerate and is determined after consideration of;

- Confidence in the effectiveness of the controls employed
- The availability of resources required to reduce the impact of a particular risk, should it occur.
- The balance of reward versus risk from pursuing the activity relating to the risk to be considered.

- The category of risk being considered. For example, most organisations will have a low ‘Risk Appetite’ in respect of any risks within a ‘Health and Safety’ category.
- The timeframe required to mitigate a particular risk.

	OBJECTIVES	RISK APPETITE CATEGORY	AREA OF RISK	RISK APPETITE	STRATEGIC BLUEPRINT	PRINCIPAL RISKS
Quality	Improve clinical outcomes and patient safety to ensure we deliver high quality services	CAUTIOUS	Recognition management of the deteriorating patient	Cautious	We will protect people from harm, provide effective care and make sure that they have a good experience of care. We will collect appropriate information on quality and share this information quickly with the people who are best placed to improve care. We will empower our people to get things done and will be constantly vigilant in keeping quality standards high. We will take every opportunity to compare ourselves with other providers so that we continue to strive for excellence. We will put patient experience at the heart of what we do and report consistently high quality experiences.	If quality is not maintained in line with regulatory standards this will impede clinical outcomes and patient safety.
			Care of the older person	Cautious		
			Infection prevention and control	Cautious		
			Medicines management	Cautious		
Operations	Deliver services that meet NHS constitutional and regulatory standards	OPEN	Achievement of quality targets for ED	Moderate	Our service users and carers will tell us that our services are of high quality. Our local GP colleagues will recommend us to family and friends. We will be respected by our commissioners and other providers as a co-producing partner in shaping new service models that deliver our aligned strategies. We will have achieved a national reputation for excellence and will build a multi-region secure services business.	If the Trust cannot achieve its key performance targets it may lead to loss of services.
			Achievement of quality targets for RTT	Open		
			Achievement of quality targets for cancer	Moderate		
			Achievement of quality targets for diagnostics	Moderate		
Finance	Efficiently and productively provide care within agreed financial limits	OPEN	Deliver our control total	Open	We will operate at, at least our current scale. We will provide services that offer excellent value for money without compromising financial stability. Local accountability and decision-making will enable services to sustain margins to fund investment. We will be outwards looking and actively seeking business opportunities to expand and serve new geographies, whilst concentrating on things that add value for our customers and for local people. We will succeed by competing on quality.	If the Trust cannot meet its financial regulatory standards and operate within agreed financial resources the sustainability of services will be in question
			Maximize capacity using transformative efficiency and productivity tools within the specified timeline as set out in the BAF	Open		
Workforce	a. Develop a flexible, responsive workforce of the right size and with the right skills who feel valued and motivated b. Enable all staff to be patient-centred leaders building on an open and honest culture and the delivery of the Trust values	OPEN	Culture – organisational development	Hungry	We will have effective and appreciative leadership throughout the organisation, creating a high performance environment. Out people will be clear about what is expected on them, receive regular feedback and understand that poor performance will be addressed. Our employees will be engaged, supported to reach their potential and embrace change. People will want to work here.	a. If the Trust does not attract, develop, and retain a resilient and adaptable workforce with the right capabilities and capacity there will be an impact on clinical outcomes and patient experience. b. If the Trust does not have leadership at all levels patient and staff satisfaction will be impacted
			Staff Recruitment & Retention	Open		
			Employer of Choice	Open		
			Staff Engagement	Hungry		
			Workforce Transformation	Open		
Strategy	Engage strategic partners to maximise the opportunities to design and deliver sustainable services for the population of Southport, Formby and West Lancashire	HUNGRY	Engage with partners to develop opportunities for joint working	Hungry	We will deliver integrated mental and physical health care services. We will reduce waiting times across all services and localities. We will deliver increased volume to meet demand and increase productivity. We will focus our efforts on key services and initiatives and change services that do not deliver agreed outcomes. We will ensure patients are cared for in appropriate environments and services and will pilot innovative services earlier in patient pathways.	There is a risk due to the system not having an agreed acute services strategy leading to non-alignment of partner organisations plans resulting in the inability to develop and deliver sustainable services
			Develop an affordable, sustainable acute services model	Hungry		

Averse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.	Cautious	Willing to accept some low risks while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.	Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.	Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risks.	Hungry	Eager to seek original/creative/ pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

Table 12

Workforce Strategies and Compliance

Our People Plan

The Trust's workforce strategy 'Our People Plan' has been developed in line with the ambitions of the national NHS People Plan that we need more people, working differently, in a compassionate and inclusive culture. It is designed to be flexible enough to respond to the lived experience of our staff and our shared hopes for the Trust over the coming years. Our People Plan describes how we will support our staff to *recover* from our response to the pandemic, *reset* to a post-Covid-19 world and *cope with changes* in demand and delivery of services to patients across Southport and Ormskirk. At the same time, ensuring that staff feel empowered, valued, developed, trusted and motivated to move towards the future, embracing change and the introduction of technology and new ways of working and endeavouring to improve the quality of care they provide.

The fundamental purpose of Our People Plan is to identify the Trust's people priorities and to ensure that everyone connected to the Trust understands the contribution they make. This overarching strategy is aligned to the NHS People Plan and will be supported by detailed annual plans covering key aspects of the four enabling pillars identified below:

- Looking after our people
- Belonging to the NHS
- New ways of working and delivering care
- Growing for the future

The delivery of Our People Plan affects every one of our colleagues, and its impact is monitored by the Trust's Workforce Committee.

Short-term workforce – Safe Staffing Levels

Daily Safe Staffing Huddles with established terms of reference. Currently Nurse staffing shortfalls are escalated, discussed, and resolved on a day-by-day basis at the Safe Staffing Huddle. Safe Staffing Huddle is chaired by Assistant Director of Nursing Workforce. Due consideration is given to the following:

- Any immediate adverse implications from staffing shortfalls
- Unexpected changes in acuity and dependency within a clinical area
- 1:1 supervision, enhanced Levels of Care or cohorting of patients with specific nursing dependency needs is reviewed

- The mitigation of risk using professional nursing judgement for wards where nurse staffing numbers fall below planned levels.
- Trust capacity and requirements to respond to any escalation. Staffing Matron supports staffing processes seven days a week up to 8pm and then hands over to the Clinical Coordinator and 1st on call manager until 7am.

In addition, any adverse incidents relating to nurse staffing are reported through the existing Datix system and discussed at the Daily Incident Review Meeting including the 'Red Flag Events'.

Medium-term Workforce Assurance

- Bi-annual staffing establishment review
- Safe Staffing reports are presented at Workforce Committee and the Quality and Safety Committee, and the overall fill rates are included in the IPR to the SOC to provide assurances around shift fill rates and care hours per patient day using UNIFY data.
- Working in collaboration with HEIs to promote via media - education and career opportunities within healthcare, focusing on nursing.

Long-term Workforce Planning

- Clinical workforce plan for both nursing and medical workforce
- Increase in the number of nursing student placements within the Trust to increase conversion rates on qualification.
- Ongoing International Nurse Recruitment
- Active recruitment to Registered Nurse Degree Apprenticeships
- Advanced roles within nursing and Allied Health Professionals (AHP) and new dual registration roles i.e. nurse/paramedic roles to support and deliver the Trust's agenda

3.3.6 Statutory and Regulatory Compliance

Compliance with the NHS Provider Licence

The Trust has not been subject to any regulatory special interventions or support during 2021/22.

The Trust remained compliant with the NHS Provider Licence, NHS acts and the NHS Constitution. The requirement for the Trust to self-certify remained suspended during 2021/22.

Care Quality Commission Regulatory Requirements

The Trust is fully compliant with the registration requirements of the CQC and remained registered throughout 2021/22.

NHSE/I Compliance with Declarations of Interests

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

Pension Scheme

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

3.3.7 Social Responsibility

Information about Social, Community and Human Rights Issues including Equality, Diversity and Inclusion

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

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

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

- Foster good relations between people who share protected characteristics and those who do not.

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

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

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

- Trust Board scrutiny and Sign Off
- Reports to Workforce Committee
- Updates to the Clinical Commission Groups (CCGs)
- Updates to NHSE/I

Overview of activity to eliminate unlawful discrimination.

The Trust is committed to the promotion of Equality, Diversity, and Inclusion for both patient and staff experience and has processes in place to ensure that any unlawful discrimination is prevented or eliminated. All staff are required to complete the mandatory Equality Training module and communications have been provided with regards to unconscious bias for all existing staff and new recruits.

The Trust does not tolerate any action of unlawful discrimination and such acts or behaviour would be subject to disciplinary proceedings and referral to Anti-Fraud to progress criminal proceedings.

Summary of activities through the year

The Trust has a set of Equality Objectives in place that cover the following themes: Improving our intelligence, developing staff and working with our communities. The Equalities Lead has continued to be actively engaged with patient and staff groups,

despite the constraints caused by the pandemic, including through a Faith Consultation Group.

Actions have been identified for the next 12 months to increase the diversity in our workforce, promote an inclusive and supportive culture and improve the experience of colleagues with protected characteristics. The impact of these actions will be measured by improvements to the WRES/WDES indicators and staff survey responses.

The Modern Slavery and Human Trafficking Act 2015

S&O Hospital NHS Trust is committed to maintaining and improving systems, processes, and policies to avoid complicity in human rights violation. We realise that slavery and human trafficking can occur in many forms, such as forced labour, domestic servitude, sex trafficking and workplace abuse. Our policies and governance and legal arrangements are robust, ensuring that proper checks and due diligence take place in our employment procedures to ensure compliance with this legislation.

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

The following sets out the initiatives, systems and achievements demonstrating how effectively we have used our resources to deliver safe care for our patients. We regularly review the economic, efficient and effective use of resources with robust arrangements in place for setting objectives and targets on a strategic and annual basis.

These arrangements include:

- Annual Operational and Financial Planning cycle - ensuring the Operational Plan is deliverable within available resources prior to approval by the SOC/Board of Directors.
- Delivery of cost improvement plans – developed through Efficiency Group Meetings across CBUs and Corporate services.
- Monthly reporting to the SOC and the Executive Team on key performance indicators
- Monthly CBU Finance, Performance & Investment Committees provide a forum where CBU's are held to account for performance against quality, operational and financial objectives.
- Monthly review of financial targets by the Finance, Performance & Investment Committee.

- Procurement of goods and services undertaken thorough professional procurement staff and through working with neighbouring organisations within a procurement hub.
- The Workforce and Organisational Development Strategy, Our People Plan - launched during 2021.
- A dedicated apprenticeship lead, to enable the Trust to deliver an extensive range of apprenticeship programmes aimed at recruiting and developing clinical and non-clinical staff.

3.3.9 Data Quality and Governance

The Trust recognises the importance of quality and accuracy when processing and reporting waiting time data. Weekly Access meetings are held with representation from both Operational and Business Intelligence colleagues to discuss patients waiting on both Referral to Treatment (RTT) and non RTT pathways as well as associated waiting lists. These meetings are used to understand and remove potential delays to the patients' timely treatment and to help ensure the patients are seen in line with the Trust's Access Policy. These meetings adhere to a strict Governance policy to ensure consistency across our Divisions and Specialties. The tracking team has been centralised and is now fully staffed. This validation function now sits under the management of the Directorate Manager for Access and Bookings.

Audits undertaken by Mersey Internal Audit Agency (MIAA) as part of the internal audit programme and NHSE/I's Intensive Support Team (IST) have reported no significant concerns or issues, information was found to be robust and accurate. Following the impact of the Coronavirus pandemic on the waiting times of our patients the Trust undertook a system wide review of all digital processes and governance processes related to waiting times through a System and Data Quality Assurance group which reported directly into Information Management and Technology (IM&T) Committee. No major issues were found, and all recommended actions have been completed.

Medway remains our primary clinical system for recording referrals to our clinical teams, data is processed through our Data Warehouse twice an hour and information made available to users for interrogation via a range of self-service reports. Data from EMIS is also made available daily for the Joint Health, Community Gynaecology and Community Paediatrics services. Snapshots of data are taken on a weekly and monthly basis to provide trend analysis of all specialties and supports pre-emptive action to be taken where performance is declining.

The Information Department has processes in place for checking data provided in reports to ensure it accurately reflects the clinical systems, governance of all data quality is now managed through a Data Quality Group and a new Data Quality Analyst

has been brought into the team this year to support this. Checks are also made by the Access Office to ensure accurate information is being entered in the first instance.

3.3.10 Information Governance

Information Governance (IG) is the way in which the Trust manages its information and ensures that all information, particularly personal and confidential data is handled legally, securely, efficiently and effectively. It provides both a consistent way and a framework for employees to deal with the many different information handling requirements in line with Data Protection legislation.

Information Governance is underpinned by the following legislation and standards.

- The Computer Misuse Act 1990
- The Data Protection Act 2018
- The General Data Protection Regulation (GDPR)
- The common law duties of care and confidentiality
- The Human Rights Act 1998
- The Freedom of Information Act 2000
- The Privacy and Electronic Communication Regulations 2003
- The rights and pledges made to patients within the NHS Constitution
- The Confidentiality NHS Code of Practice
- The Information Security NHS Code of Practice
- The first Caldicott Report and Information: To Share or Not to Share? The Information Governance Review (the Caldicott 2 Report)

The Information Governance Team, at the Trust, is comprised of the Head of Information Governance and the Information Governance Officer.

The Trust uses the Data Security and Protection Toolkit (DSPT) to benchmark its Information Governance (IG) controls, also known as the IG Assessment Report. The DSPT is an annual online self-assessment tool that allows health and social care organisations to measure their performance against the National Data Guardian's 10 Data Security Standards (covering topics such as staff responsibilities, training and continuity planning) and reflects legal rules relevant to IG. The Trust must address all mandatory requirements within the DPST in order to publish a successful assessment.

The Trust submitted the 2021/22 Data Security and Protection Toolkit and received a 'Standards Met' rating. The MIAA conducted a two-day audit on the Trust's evidence submission and gave the Trust a 'substantial' rating in respect of the veracity of the self-assessment and an overall 'moderate' assurance for the Trust's compliance to the 10 Data National Data Guardian Standards.

To understand the evolving cyber-threat landscape, vulnerabilities and risks the Trust Board attended the National Cyber Security Centre approved training provided by NHS Digital. The training covered learning about staff personal and corporate responsibilities and how the Trust demonstrates compliance with cyber security legislations and regulations. 2021/22 also saw the Trust again partake in NHS Digital's Simulated Phishing Exercise. The Exercise simulated a phishing email being sent to all staff to test how they would deal with a phishing email. Following on from the event new awareness material has been distributed and the exercise has been increased from an annual to a quarterly event to provide the Trust with the assurance necessary that staff are confident with spotting and dealing with phishing emails.

Adherence to IG is actively monitored through regular information governance audits and looks at both physical and technical controls. Results of these audits are fed back to the appropriate managers and, if trends are noted, directly impacts on the information governance awareness material.

The Trust has a Data Breach Management Procedure in place which is adhered to when a personal data breach/incident occurs.

There have been no reportable incidents for 2021/2022 for the Trust.

3.3.11 Climate Change and Carbon Emission

The UK Government has an aim to be the world's first net zero national health service and have set two targets

- For the emissions controlled directly (the NHS Carbon Footprint), we will reach net zero by 2040, with an ambition to reach an 80% reduction by 2028 to 2032
- For the emissions we can influence (our NHS Carbon Footprint Plus), we will reach net zero by 2045, with an ambition to reach an 80% reduction by 2036 to 2039.

NHS England have requested trusts develop a Green Plan with three clear outcomes

- Ensure every NHS organisation is supporting the NHS-wide ambition to become the world's first healthcare system to reach net zero carbon emissions

- Prioritise interventions which simultaneously improve patient care and community wellbeing while tackling climate change and broader sustainability issues
- Support organisations to plan and make prudent capital investments while increasing efficiencies.

Therefore during 2021/22 the Trust created a Board Approved Green Plan with nine key areas of focus

- Workforce and system leadership
- Sustainable models of care
- Digital transformation
- Travel and transport
- Estates and facilities
- Medicines
- Supply chain and procurement
- Food and nutrition
- Adaptation

As part of the Green Plan the Trust has calculated its emissions baseline for both Southport and Ormskirk hospitals based on figures for the financial year 2019/20 ERIC figures. This year has been chosen over 2020/21 as the latter has been impacted by Covid-19, therefore it was felt a true result of consumption could not be achieved.

Data for baseline year 2019/2020			
Baseline CO_2 emissions (tonnes)	**Scope 1**	**Scope 2**	**Scope 3**
	7,930	**246**	**68**
Total CO_2 emissions (tonnes) 8,244			

Table 13

Trust Targets For 2022/23

The Trust has set 13 main targets for 2022/23 which include switching to purchasing 100% recycled paper, installing EV (Electric Vehicle) chargers across both sites, launching a cycle to work scheme, creating a Trust wide Decarbonisation Plan linked to the Green Plan and implementing a medicines management scheme to reduce medicine waste.

What Has the Trust Already Achieved?

- Installation of PIR sensors for internal lighting systems

PIR sensors have been fitted on most internal areas within the Trust automatically turning lights off when areas are unoccupied.

- Replaced lighting with LED

The Trust has a continual programme of replacing lighting with LED fittings. All new and refurbishment works includes LED lighting being fitted as standard.

- Electric Vehicle in transport

The Trust has run an all-electric van, loaned by Veolia which runs the Combined Heat and Power (CHP) plants, to help reduce fuel emissions and reduce costs for six years. During that period the van has travelled 40,000 miles and has cost the Trust approximately £736 to run (Trust rate of electric due to CHP - £1,760 at average National Grid rate). This is a cost of £1.84 per 100 miles – the approximate cost for use of an equivalent diesel vehicle is £15.83 per 100 miles, therefore, a saving of £5,596 has been achieved for the time the Trust has operated the vehicle.

- Electric Vehicle chargers at Southport

The Trust has two electric vehicle chargers installed at Southport for both staff and public to use.

- Zero waste to landfill

The Trust does not send any of its waste to landfill.

- CHPs (Combined Heat Power Plants)

Both Southport and Ormskirk Hospitals generate their own energy from a CHP plant at each site.

Excess energy from these plants is exported to the National Grid. In 2021/22 this was enough to supply 970 three-bedroomed houses for a whole year.

The power plants have also reduced the Trust's reliance on the National Grid with only 17% of total power used on site being derived from that source (22% Ormskirk, 12% Southport).

- Inverters on motors and fans

All large fans and motors within the Trust's plant room have inverters, making them more energy efficient.

- Water monitoring/reduction at Southport

The Trust has applied water monitoring techniques which has saved over 25,000m3 of water.

3.3.12 Review of Effectiveness

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

I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the SOC (from September 2021), the Audit Committee, the Finance, Performance and Investment Committee, the Workforce Committee and the Quality and Safety Committee.

Conclusion

No significant internal control issues have been identified during 2021/22.

Chief Executive: **Ann Marr, OBE**

Signed: 

Date: **21 June 2022**

3.3.13 Head of Internal Audit Opinion

Internal Audit reviews the system of internal control during the financial year and report accordingly to the Audit Committee. The Head of Internal Audit has provided an overall opinion of Substantial Assurance based on their work during 2021/22.

4. THE REMUNERATION AND STAFF REPORT

4.1 Annual Statement on Remuneration

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

4.1.1 Senior Managers' Remuneration Policy

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

- The level of remuneration should be reflective of the responsibility of the role to which the remuneration applies
- The level of remuneration should be sufficient to recruit, retain and fairly reward directors of the quality and with the skills and experience required to lead Southport & Ormskirk NHS Trust successfully
- The Committee should avoid remuneration which is more than necessary for the purposes set out above
- The Committee must be sensitive to pay and employment conditions elsewhere in the Trust and external to the Trust
- 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)
- The Committee must be able to justify any salary higher than the Prime Minister's salary of £157,372 (2020/21 value)
- 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 NHS England or NHS Improvement and such other principles and guidance as may be applicable and brought to its attention from time to time
- No director shall be involved in deciding his or her own remuneration
- Where any director is involved in advising or supporting the Committee care must be taken to recognise and avoid conflicts of interest
- 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;
- 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 NED 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

Service Contract Obligations

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

Policy on Payment for Loss of Office

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

Statement of Consideration of Employment conditions

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

4.1.2 Annual Report on Remuneration

Remuneration Committee

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

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

Members of the Committee at 31 March 2022 are as follows:

N Masom - Trust Chair
P Gibson - Non-Executive Director
DJ Bricknell - Non-Executive Director
G Pollard – Non-Executive Director
G Singh - Non-Executive Director

I Clayton – Non-Executive Director
IA Craig – Non-Executive Director

In line with the Trust's Standing Orders, the Remuneration and Nominations Committee has fully delegated powers from the Board.

The Remuneration and Nominations Committee made the following appointments during 2021/22:

- Appointment and remuneration of the Chief Executive
- Appointment and remuneration of the Managing Director
- Appointment and remuneration of the Chief Operating Officer
- Appointment and remuneration of the Director of Finance
- Appointment and remuneration of the Medical Director
- Appointment of the Interim Director of Transformation

Methodology

The annual review peer group comparison data will principally be the Capita Median (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, the peer group comparison data represents is used as 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. The Committee takes 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.

4.1.3 Disclosures required by the Health and Social Care Act

Senior Managers' Remuneration

Senior Managers remuneration details and pension benefits for 2021/22 set out at table 14 below and table 15 gives a comparison to 2020/21:

Salary and pension entitlements of senior managers (subject to audit):

-	-	2021-2022					
Name & Title	**Note**	**Salary (bands of £5,000)** £000	**Expense Payments (Taxable) to nearest £100** £	**Performance Pay and Bonuses (bands of £5,000)** £000	**Long Term Performance Pay and Bonuses (bands of £5,000)** £000	**All pension-related benefits (bands of £2,500)** £000	**TOTAL (bands of £5.000)** £000
T Hankin - Medical Director	1	25-30					25-30
P Armstrong-Child - Chief Executive Officer	2	80-85				45-47.5	130-135
A Marr - Chief Executive Officer	3	30-35					30-35
AM Stretch - Managing Director	4	60-65					60-65
B Lees - Nursing Director	5	85-90				0	75-80
L Barnes - Nursing Director	6	15-20				0	10-15
S Christian - Deputy Chief Executive	7	10-15				0	10-15
L Neary - Chief Operating Officer	8	90-95	2				90-95
N Russell - Director of Transformation	9	110-115					110-115
J Royds - Human Resources Director		105-110				32.5-35	140-145

W Gregory - Interim Director of Finance	10	35-40					35-40
J McLuckie - Director of Finance	11	100-105				0	45-50
K Clark - Medical Director	12	140-145				55-57.5	200-205
N Masom - Trust Chair		40-45					40-45
J Birrell - Non-Executive Director	13	0-5					0-5
J Gorry - Non-Executive Director	14	0-5					0-5
P Gibson - Non-Executive Director		10-15					10-15
DJ Bricknell - Non-Executive Director		10-15					10-15
G Pollard - Non-Executive Director		10-15					10-15
G Singh - Non-Executive Director		10-15					10-15
I Clayton - Non-Executive Director	15	5-10					5-10
IA Craig - Non-Excutive Director	16	10-15					10-15

Table 14

For 2021/22 The Chief Executive has confirmed that all Board members have the responsibility for directing and controlling major activities in the organisation.

1. Left on 06/06/21.

2. Left on 19/09/21.

2. Agreed salary recharge from STHK under the ALTC from 20th September 2021.

4. Agreed salary recharge from STHK under the ALTC from 20th September 2021.

5. Left on 31/12/21.

6. Started on 01/02/22.

7. Left on 02/05/21.

8. Started on 01/06/21.

9. Estimated recharge (including employers national insurance and superannuation) from NHS England. N Russell has been on secondment from NHS England since April 2021.

10. Figure represents the recharge value from Liverpool University Hospitals Foundation Trust including on-costs - employers national insurance & Superannuation plus expenses and is for the period Apr to Jun 21.

11. Started on 01/06/21.

12. Started on 07/06/21.

13. Left on 04/07/21.

14. Left on 30/04/21.

15. Started on 01/11/21.

16. Started on 01/06/21.

-	-	2020-2021					
Name & Title	**Note**	**Salary (bands of £5,000)** **£000**	**Expense Payments (Taxable) to nearest £100** **£**	**Performance Pay and Bonuses (bands of £5,000)** **£000**	**Long Term Performance Pay and Bonuses (bands of £5,000)** **£000**	**All pension-related benefits (bands of £2,500)** **£000**	**TOTAL (bands of £5.000)** **£000**
T Hankin - Medical Director		155-160					155-160
S Shanahan - Director of Finance	1	130-135	6			22.5-25	155-160
TA Patten - Deputy Chief Executive Officer	2	65-70				17.5-20	85-90
P Armstrong-Child - Chief Executive Officer		180-185				150-152.5	330-335
B Lees - Nursing Director		110-115				185-187.5	295-300
S Christian - Deputy Chief Executive		125-130				77.5-80	205-210
J Royds - Human Resources Director		105-110				22.5-50	130-135
Y Bottomley - Interim Director of Finance	3	75-80					75-80
W Gregory - Interim Director of Finance	4	45-50					45-50
N Masom - Trust Chair		30-35					30-35
J Birrell - Non-Executive Director		10-15					10-15

J Gorry - Non-Executive Director		10-15					10-15
P Gibson - Non-Executive Director		10-15					10-15
DJ Bricknell - Non-Executive Director		10-15					10-15
G Pollard - Non-Executive Director		10-15					10-15
G Singh - Non-Executive Director		10-15					10-15

Table 15

For 2020/21 The Chief Executive has confirmed that all Board members have the responsibility for directing and controlling major activities in the organisation.

Foot Note

(1) Full salary is included for completeness but note from 18/06/20 to the year-end Mr Shanahan was not fulfilling the Director of Finance role. There was a period of sickness which ended on 19.01.21 after which he was leading the Shaping Care Together programme.

(2) Left 06.09.20

(3) Figure represents agency costs including irrecoverable VAT charged to the Trust rather than actual salary paid. Dates from 24.08.20 to 17.12.20.

(4) Figure represents the recharge value from Liverpool University Hospitals Foundation Trust including on-costs - employers national insurance & Superannuation plus expenses and is for the period Jan to Mar 21.

Additional notes relating to Senior Manager

Additional notes relating to Senior Manager

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

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

Total remuneration includes salary, non-consolidated performance-related pay, taxable expense payments as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. However, for Senior Managers who are recharged to us from other organisations the value of total remuneration does include employer pension and employer national insurance costs which are included in the purchase invoices that we receive.

Pay ratio information

The Trust is required to report the 25th percentile, median and 75th percentile of the salary component of remuneration of the reporting entity's staff (based on annualised, full-time equivalent remuneration of all staff).

Year	25th percentile pay value	Median pay value	75th percentile pay value
2021/22	21,777	25,655	39,027
2020/21	21,142	24,907	37,890

Table 16

Values have increased in line with pay awards. The percentage increase in median pay is 3%.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director / member in their organisation against the 25th percentile, median and 75th percentile of remuneration of the organisation's workforce. Total remuneration is further broken down to show the relationship between the highest paid director's salary component of their total remuneration against the 25th percentile, median and 75th percentile of salary components of the organisation's workforce.

The banded remuneration of the highest paid director in Southport & Ormskirk Hospital NHS Trust in the financial year 2021/22 was between £175,000 and £180,000 (2020/21, £180,000 to £185,000). This represents a reduction of 1.9%. Note the highest paid Director for 2021/22 has been determined by reviewing annualised salaries for those in post at 31st March 2022. The relationship to the remuneration of the organisation's workforce is disclosed in the below table.

Year	25th percentile total remuneration ratio	25th percentile Salary ratio	Median total remuneration ratio	Median salary ratio	75th percentile total remuneration ratio	75th percentile Salary ratio
2021/22	8.13:1	8.13:1	6.9:1	6.9:1	4.53:1	4.53:1
2020/21	8.47:1	8.47:1	7.19:1	7.19:1	4.73:1	4.73:1

Table 17

Ratios have all reduced and this is because staff values have increased but the value of the highest paid director (annualised value based on directors in post at 31 March 2022) has reduced.

In 2021/22, 16 (2020/21, 6) employees received remuneration in excess of the highest-paid director.

The overall range of remuneration was from £18,546 to £267,321 (2020/21 £18,005 to £221,326).

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

There are no off-payroll engagements of Board members for 2021/22.

Pension benefits

Name & title	Real increase (decrease) in pension at pension age (bands of £2,500)	Real increase (decrease) in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31 March 2022 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31 March 2022 (bands of £5,000)
	£'000s	£'000s	£'000s	£'000s
P Armstrong-Child - Chief Executive Officer	2.5-5	2.5-5	70-75	175-180
K Clark - Medical Director	2.5-5	5-7.5	50-55	110-115
B Lees - Nursing Director	0-2.5	0-2.5	30-35	65-70
J McLuckie - Director of Finance	(0-2.5)	(10-12.5)	55-60	125-130
S Christian - Deputy Chief Executive	0-2.5	0-2.5	25-30	40-45
J Royds - Human Resources Director	0-2.5	0-2.5	45-50	95-100
L Barnes - Nursing Director	0-2.5	(0-2.5)	20-25	40-45

Name & title	Cash Equivalent Transfer Value at 1 April 2021	Real increase/(decrease) in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2022	Employer's contribution to stakeholder pension
	£'000s	£'000s	£'000s	£'000s
P Armstrong-Child - Chief Executive Officer	1,335	59	1,469	0
K Clark - Medical Director	828	64	912	0
B Lees - Nursing Director	509	7	520	0
J McLuckie - Director of Finance	1,214	(31)	1,182	0
S Christian - Deputy Chief Executive	311	1	325	0
J Royds - Human Resources Director	810	51	866	0
L Barnes - Nursing Director	358	2	375	0

Table 18 and 19

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

The pension figures in the tables have been audited.

Cash Equivalent Transfer Values

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

Real increase in CETV

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

4.2 Staff Report

4.2.1 Staff numbers and costs (subject to audit)

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

Staff costs				
			2021/22	**2020/21**
	Permanent	**Other**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
Salaries and wages	116,459	-	**116,459**	110,699
Social security costs	11,220	-	**11,220**	10,058
Apprenticeship levy	592	-	**592**	558
Employer's contributions to NHS pension scheme	19,085	-	**19,085**	18,099
Pension cost - other	73	-	**73**	58
Other post employment benefits	-	-	**-**	-
Other employment benefits	-	-	**-**	-
Termination benefits	-	-	**-**	-
Temporary staff	-	28,295	**28,295**	27,358
Total gross staff costs	**147,429**	**28,295**	**175,724**	**166,830**
Recoveries in respect of seconded staff	-	-	**-**	-
Total staff costs	**147,429**	**28,295**	**175,724**	**166,830**
Of which				
Costs capitalised as part of assets	496	141	**637**	296

Table 20

Average number of employees (WTE basis)				
			2021/22	2020/21
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	275	83	**358**	380
Ambulance staff	-	-	**-**	-
Administration and estates	297	22	**319**	596
Healthcare assistants and other support staff	1,091	140	**1,231**	930
Nursing, midwifery and health visiting staff	869	139	**1,008**	950
Nursing, midwifery and health visiting learners	-	-	**-**	-
Scientific, therapeutic and technical staff	343	5	**348**	337
Healthcare science staff	-	-	**-**	-
Social care staff	-	-	**-**	-
Other	3	-	**3**	-
Total average numbers	**2,878**	**389**	**3,267**	**3,193**
Of which:				
Number of employees (WTE) engaged on capital projects	11	3	**14**	-

Table 21

4.2.2 Staff composition

The tables below show the number of staff (headcount) employed by gender against their pay bands. Most staff are paid according to the NHS Agenda for Change bandings ranging from 2 to 9.

2021/22 Composition by gender

Gender	Band 02	Band 03	Band 04	Band 05	Band 06	Band 07	Band 8A	Band 8B	Band 8C	Band 8D	Band 9	Medical and Dental	Trust Chair	Trust Non Exec Director	Trust Scale Medical and Dental	Trust Scale Senior Manager	Grand Total
Female	537	342	234	597	416	250	68	37	6	5	2	92				4	2590
Male	170	53	47	98	85	53	15	11	4	4		180	1	2	1	1	725
Grand Total	707	395	281	695	501	303	83	48	10	9	2	272	1	2	1	5	3315

Table 22

2020/21 Composition by gender

Gender	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	Band 8A	Band 8B	Band 8C	Band 8D	Medical and Dental	Trust Scale	Grand Total
Female	556	389	251	537	403	236	73	28	3	5	97	3	2,581
Male	179	53	49	94	83	47	13	10	5	5	174	5	717
Grand Total	735	442	300	631	486	283	86	38	8	10	271	8	3,298

Table 23

Sickness absence data

	2021/22	2020/21
Staff group	**% Full-time equivalent days sickness**	**% Full-time equivalent days sickness**
Medical and Dental	2.66	3.33
Administrative and Clerical	5.56	4.96
Estates and Ancillary	7.34	7.47
Additional Clinical Services	9.96	9.01
Nursing and Midwifery Registered	8.11	7.19
Students	1.35	1.27
Allied Health Professionals	4.80	3.14
Professional Scientific and Technical	6.12	6.84
Average	**7.03**	**6.50**

Table 24

Staff turnover percentage

The staff turnover percentage based on headcount is 16.16%.

4.2.3 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.

Trade Union Facility Time

The total time spent on Trade Union activities in the year amounted to 1,108 hours. This equates to a cost of £20,512 to the Trust.

Expenditure on consultancy

Consultancy expenditure was £42,353 (prior year £262,636). This was spent on strategic advice, benchmarking and communication services.

Off-payroll engagements

For all off-payroll engagements as of 31 March 2022, for more than £245 per day and that last longer than six months:

	Number
Number of existing engagements as of 31 March 2022	0
Of which, the number that have existed:	
for less than one year at the time of reporting	0
for between one and two years at the time of reporting	0
for between 2 and 3 years at the time of reporting	0
for between 3 and 4 years at the time of reporting	0
for 4 or more years at the time of reporting	0

Table 25

The £245 threshold is set to approximate the minimum point of the pay scale for a Senior Civil Servant.

New off-payroll arrangements where the reformed public sector rules apply. These are for off-payroll arrangements as of 31 March 2022, for more than £245 per day and that last longer than six months.

No. of new engagements, or those that reached six months in duration, between 1 April 2021 and 31 March 2022	Number
Of which …	
No. assessed as caught by IR35	0
No. assessed as not caught by IR35	0

No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year.	0
No. of engagements that saw a change to IR35 status following the consistency review	0

Table 26

A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the Department must undertake an assessment to determine whether that worker is in-scope of Intermediaries legislation (IR35) or out-of-scope for tax purposes.

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022

Number of off-payroll engagements of board members, and/or senior officers with significant financial responsibility, during the financial year	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	23

Table 27

Exit packages

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number
Exit package cost band (including any special payment element)			
<£10,000	-	-	-
£10,000 - £25,000	-	-	-
£25,001 - 50,000	-	-	-

£50,001 - £100,000	-	-	-
£100,001 - £150,000	-	-	-
£150,001 - £200,000	-	-	-
>£200,000	-	-	-
Total number of exit packages by type	**-**	**-**	**-**
Total cost (£)	£0	£0	**£0**

Table 28

There were no redundancy or other departure costs in year but when these have been previously paid they are in accordance with the provisions of the NHS redundancy scheme. Exit costs in this note are the full costs of departures agreed in the year. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS Pensions Scheme. Ill-health retirement costs are met by the NHS Pensions Scheme and are not included in the table.

Analysis of other departures:

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

Table 29

Signed as Accountable Officer of the Trust

Ann Marr, OBE

Chief Executive

NHS
Southport and Ormskirk Hospital
NHS Trust

Annual Accounts 2021-22

Delivering excellent care.
For every patient. Every time.

Southport And Ormskirk Hospital NHS Trust

Annual accounts for the year ended 31 March 2022

Statement of directors' responsibilities in respect of the accounts

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

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

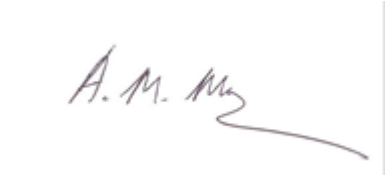
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They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

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

The directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS trust's performance, business model and strategy

By order of the Board

Date 21st June 2022 **Chief Executive**
Ann Marr



Date 21st June 2022 **Finance Director**
John McLuckie

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Southport and Ormskirk Hospital NHS Trust ('the Trust') for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual 2021/22 as contained in the Department of Health and Social Care Group Accounting Manual 2021/22, and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to NHS Trusts in England.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2021/22; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors and the Accountable Officer for the financial statements
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Directors are required to comply with the Department of Health and Social Care Group Accounting Manual 2021/22 and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. The Directors are responsible for assessing each year whether or not it is appropriate for the Trust to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Trust, we identified that the principal risks of non-compliance with laws and regulations related to the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012) and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Accountable Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Trust which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the Comptroller and Auditor General in April 2021.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Trust's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weakness in the Trust's arrangements for the year ended 31 March 2022.

In September 2021 we identified a significant weakness in relation to financial sustainability. In our view this significant weakness remains for the year ended 31 March 2022:

Significant weakness in arrangements – issued in a previous year	Recommendation

Financial Sustainability The Trust complied with relevant temporary financial planning requirements put in place during 2020/21 and delivered a surplus financial position for the first time since 2014/15. However, the Trust does not have a viable plan to return to financial balance once the normal operating framework is reinstated. The Trust's financial sustainability is dependent on the resolution of long-standing issues in workforce planning, cost improvements and other efficiencies. It is also dependent on the integrated care structures yet to be fully determined. There are weaknesses in the Trust's arrangements for financial sustainability because its financial plans are based on key assumptions that are reliant on non-recurrent income streams and because of the failure to deliver cost improvement plans at the scale and pace required.	Following the end of the 31 March 2021 year, the Trust agreed a formal long term collaboration with St Helen's & Knowsley NHS Trust, and as further details of the financial and operating framework for the NHS are emerging, the Trust should put in place a new financial plan that is agreed with the integrated care system, and will deliver a balanced financial position in the short to medium term.

We will report the outcome of our work on the Trust's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any further matters which we are required to report by exception.

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 21 of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Code of Audit Practice
In our opinion:

- the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Accounts Direction made under the National Health Service Act 2006; and
- the other information published together with the audited financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required to report to you if:

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

We have nothing to report in respect of these matters.

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

We are also required to report to you if we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

On 15 June 2022, we issued a referral to the Secretary of State under sections 30 (1) (a) and (b) of the Local Audit and Accountability Act 2014 in relation to the breach of the Trust's statutory financial duty at 31 March 2019 under Paragraph 2(1) of Schedule 5 of the National Health Service Act 2006 that: 'Each NHS trust must ensure that its revenue is not less than sufficient, taking one year with another, to meet outgoings properly chargeable to revenue account'.

Use of the audit report

This report is made solely to the Board of Directors of Southport and Ormskirk Hospital NHS Trust, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Directors of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources.

Karen Murray

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

One St Peter's Square, Manchester, M2 3DE

21 June 2022

Audit Completion Certificate issued to the Directors of Southport and Ormskirk Hospital NHS Trust for the year ended 31 March 2022

In our auditor's report dated 21June 2022 we explained that the audit could not be formally concluded until we had completed the work necessary to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources.

This work has now been completed.

No matters have come to our attention since 21 June 2022 that would have a material impact on the financial statements on which we gave our unqualified opinion.

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

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

In our auditor's report dated 21 June 2022 we reported that we had identified a significant weakness in the Trust's arrangements for the year ended 31 March 2022. On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have no further matters to report in this respect.

Certificate

We certify that we have completed the audit 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.

Karen Murray

Key Audit Partner
For and on behalf of Mazars LLP

One St Peter's Square, Manchester, M2 3DE

20 July 2022

Statement of Comprehensive Income

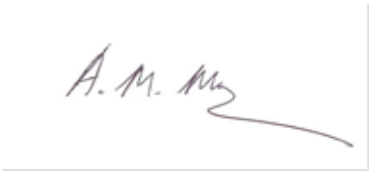
	Note	2021/22 £000	2020/21 £000
Operating income from patient care activities	3	**240,060**	201,041
Other operating income	4	**11,799**	37,549
Operating expenses	5, 7	**(247,602)**	(238,887)
Operating surplus/(deficit) from continuing operations		**4,257**	(297)
Finance income	10	**9**	-
Finance expenses	11	**(1,805)**	(1,741)
PDC dividends payable		**(2,603)**	(2,129)
Net finance costs		**(4,399)**	(3,870)
Other gains / (losses)	12	**12**	73
Surplus / (deficit) for the year from continuing operations		**(130)**	(4,094)
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Revaluations	16	**1,236**	335
Total comprehensive income / (expense) for the period		**1,106**	(3,759)

Statement of Financial Position

	Note	31 March 2022 £000	31 March 2021 £000
Non-current assets			
Intangible assets	13	**4,390**	2,840
Property, plant and equipment	14	**110,074**	102,973
Receivables	18	**1,255**	1,338
Total non-current assets		**115,719**	107,151
Current assets			
Inventories	17	**2,487**	2,980
Receivables	18	**7,685**	8,483
Cash and cash equivalents	19	**18,452**	6,352
Total current assets		**28,624**	17,815
Current liabilities			
Trade and other payables	20	**(32,350)**	(22,914)
Borrowings	22	**(1,622)**	(864)
Provisions	24	**(1,344)**	(545)
Other liabilities	21	**(2,989)**	(1,608)
Total current liabilities		**(38,305)**	(25,931)
Total assets less current liabilities		**106,038**	99,035
Non-current liabilities			
Borrowings	22	**(10,242)**	(12,919)
Provisions	24	**(414)**	(450)
Total non-current liabilities		**(10,656)**	(13,369)
Total assets employed		**95,382**	85,666
Financed by			
Public dividend capital		**245,150**	236,540
Revaluation reserve		**3,905**	2,669
Income and expenditure reserve		**(153,673)**	(153,543)
Total taxpayers' equity		**95,382**	85,666

The notes form part of these accounts.

The financial statements were approved by the Board on 15th June 2022 and signed on its behalf by:



Name Ann Marr
Position Chief Executive
Date 21st June 2022

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2021 - brought forward	**236,540**	**2,669**	**(153,543)**	**85,666**
Surplus/(deficit) for the year	**-**	**-**	**(130)**	**(130)**
Revaluations	**-**	**1,236**	**-**	**1,236**
Public dividend capital received	**8,610**	**-**	**-**	**8,610**
Taxpayers' equity at 31 March 2022	**245,150**	**3,905**	**(153,673)**	**95,382**

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2020 - brought forward	99,965	2,334	(149,449)	(47,150)
Surplus/(deficit) for the year	-	-	(4,094)	(4,094)
Revaluations	-	335	-	335
Public dividend capital received	136,575	-	-	136,575
Taxpayers' equity at 31 March 2021	236,540	2,669	(153,543)	85,666

Information on reserves

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

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

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

Statement of Cash Flows

	Note	2021/22 £000	2020/21 £000
Cash flows from operating activities			
Operating surplus / (deficit)		**4,257**	(297)
Non-cash income and expense:			
Depreciation and amortisation	5.1	**6,272**	6,416
Net impairments	6	**-**	4,958
Income recognised in respect of capital donations	4	**(93)**	(662)
(Increase) / decrease in receivables and other assets		**509**	4,908
(Increase) / decrease in inventories		**493**	(511)
Increase / (decrease) in payables and other liabilities		**6,892**	2,268
Increase / (decrease) in provisions		**765**	309
Net cash flows from / (used in) operating activities		**19,095**	17,389
Cash flows from investing activities			
Interest received		**9**	-
Purchase of intangible assets		**(512)**	(1,490)
Purchase of PPE and investment property		**(8,986)**	(9,684)
Sales of PPE and investment property		**12**	53
Receipt of cash donations to purchase assets		**93**	39
Net cash flows from / (used in) investing activities		**(9,384)**	(11,082)
Cash flows from financing activities			
Public dividend capital received		**8,610**	136,575
Movement on loans from DHSC		**(400)**	(130,942)
Capital element of finance lease rental payments		**(1,030)**	(955)
Capital element of PFI, LIFT and other service concession payments		**(877)**	(827)
Interest on loans		**(8)**	(667)
Interest paid on finance lease liabilities		**(321)**	(362)
Interest paid on PFI, LIFT and other service concession obligations		**(1,467)**	(1,343)
PDC dividend (paid) / refunded		**(2,118)**	(2,501)
Net cash flows from / (used in) financing activities		**2,389**	(1,022)
Increase / (decrease) in cash and cash equivalents		**12,100**	5,285
Cash and cash equivalents at 1 April - brought forward		**6,352**	1,067
Prior period adjustments			-
Cash and cash equivalents at 1 April - restated		**6,352**	1,067
Cash and cash equivalents at 31 March	19.1	**18,452**	6,352

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2021/22 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting convention

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

Note 1.2 Going concern

These accounts have been prepared on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The directors have a reasonable expectation that this will continue to be the case.

Note 1.3 Revenue from contracts with customers

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

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

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. In 2021/22 and 2020/21, the majority of the trust's income from NHS commissioners was in the form of block contract arrangements. The Trust receives block funding from its commissioners, where funding envelopes are set at an Integrated Care System level. For the first half of the 2020/21 comparative year these blocks were set for individual NHS providers directly, but the revenue recognition principles are the same. The related performance obligation is the delivery of healthcare and related services during the period, with the trust's entitlement to consideration not varying based on the levels of activity performed.

The Trust also receives additional income outside of the block payments to reimburse specific costs incurred and, in 2020/21, other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration.

In 2021/22, the Elective Recovery Fund enabled systems to earn income linked to the achievement of elective activity targets including funding any increased use of independent sector capacity. Income earned by the system is distributed between individual entities by local agreement. Income earned from the fund is accounted for as variable consideration.

Revenue from research contracts

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract. Some research income alternatively falls within the provisions of IAS 20 for government grants.

NHS injury cost recovery scheme

The Trust receives income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The Trust recognises the income when performance obligations are satisfied. In practical terms this means that treatment has been given, it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Note 1.4 Other forms of income

Grants and donations

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grants is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.5 Expenditure on employee benefits

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

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the trust commits itself to the retirement, regardless of the method of payment.

Note 1.6 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

Note 1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Measurement

Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

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

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

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

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

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

Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating expenditure.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Impairments

In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.
Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

De-recognition

Assets intended for disposal are reclassified as 'held for sale' once the criteria in IFRS 5 are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

Donated and grant funded assets

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

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

This includes assets donated to the trust by the Department of Health and Social Care or NHS England as part of the response to the coronavirus pandemic. As defined in the GAM, the trust applies the principle of donated asset accounting to assets that the trust controls and is obtaining economic benefits from at the year end.

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

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM*, are accounted for as 'on-Statement of Financial Position' by the trust. In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

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

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

Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	5	51
Dwellings	37	37
Plant & machinery	5	15
Transport equipment	7	7
Information technology	5	7
Furniture & fittings	7	15

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

Note 1.8 Intangible assets

Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised. Expenditure on development is capitalised where it meets the requirements set out in IAS 38.

Software

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

Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

Amortisation

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

Useful lives of intangible assets

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

	Min life Years	**Max life Years**
Software licences	5	7

Note 1.9 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average cost method.

In 2020/21 and 2021/22, the Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

Note 1.10 Cash and cash equivalents

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

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

Note 1.11 Financial assets and financial liabilities

Recognition

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

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

Classification and measurement

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

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

Financial assets are classified as subsequently measured at amortised cost, fair value through income and expenditure.

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract asset, the Trust recognises an allowance for expected credit losses.

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

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

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

Derecognition

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

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Note 1.12 Leases

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

The trust as a lessee

Finance leases

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

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

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities on the statement of financial position and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

The trust as a lessor

Finance leases

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

Operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Note 1.13 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective from 31 March 2022:

		Nominal rate	Prior year rate
Short-term	Up to 5 years	0.47%	Minus 0.02%
Medium-term	After 5 years up to 10 years	0.70%	0.18%
Long-term	After 10 years up to 40 years	0.95%	1.99%
Very long-term	Exceeding 40 years	0.66%	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective from 31 March 2022:

	Inflation rate	Prior year rate
Year 1	4.00%	1.20%
Year 2	2.60%	1.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 1.30% in real terms (prior year: minus 0.95%).

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 24 but is not recognised in the Trust’s accounts.

Non-clinical risk pooling

The trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to NHS Resolution and in return receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses when the liability arises.

Note 1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity’s control) are not recognised as assets, but are disclosed in note 26 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 25, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

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

Note 1.15 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

The Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, with certain additions and deductions as defined by the Department of Health and Social Care.

This policy is available at https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts.

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

Note 1.16 Value added tax

Most of the activities of the trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.17 Third party assets

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

Note 1.18 Losses and special payments

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

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

Note 1.19 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2021/22.

Note 1.20 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

IFRS 16 Leases will replace *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2022. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2022, the trust will apply the standard retrospectively without restatement and with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The trust's incremental borrowing rate will be defined by HM Treasury. For 2022, this rate is 0.95%. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. No adjustments will be made on 1 April 2022 for existing finance leases.

For leases commencing in 2022/23, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

The trust has estimated the impact of applying IFRS 16 in 2022/23 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions as follows:

	£000
Estimated impact on 1 April 2022 statement of financial position	
Additional right of use assets recognised for existing operating leases	2,815
Additional lease obligations recognised for existing operating leases	-
Net impact on net assets on 1 April 2022	**2,815**
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	(217)
Additional finance costs on lease liabilities	(26)
Lease rentals no longer charged to operating expenditure	224
Estimated impact on surplus / deficit in 2022/23	**(19)**
Estimated increase in capital additions for new leases commencing in 2022/23	**2,815**

From 1 April 2022, the principles of IFRS 16 will also be applied to the Trust's PFI liabilities where future payments are linked to a price index representing the rate of inflation. The PFI liability will be remeasured when a change in the index causes a change in future repayments and that change has taken effect in the cash flow. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred. This is expected to increase the PFI liability on the statement of financial position upon transition to IFRS 16.

It is impracticable to make a disclosure on the likely impact on the PFI liability as guidance is still awaited.

Other standards, amendments and interpretations

IFRS 17 Insurance contracts is required for accounting periods beginning on or after 1st January 2021. Standard is not yet adopted by the FReM which is expected to be from April 2023: early adoption is not permitted.

Note 1.21 Critical judgements in applying accounting policies

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

For land and buildings valuation, a modern equivalent asset is considered to be a multi-storey building on a single site.

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

Note 1.22 Sources of estimation uncertainty

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

The independent valuers index 31st March 2021 values using the RICS Building Costs Information Service "All In" Tender Price Index. Additionally they adjust the remaining useful lives for each element within a building to take account of the anticipated physical depreciation over the period.

Public and employer liabilities plus other legal provisions are calculated using a percentage likelihood of a successful claim.

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

Note 2 Operating Segments

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

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

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

The Trust has reviewed the thresholds and 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.

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

Note 3 Operating income from patient care activities

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

Note 3.1 Income from patient care activities (by nature)	2021/22	2020/21
	£000	£000
Acute services		
Block contract / system envelope income	**221,123**	181,187
High cost drugs income from commissioners (excluding pass-through costs)	**4,762**	4,588
Other NHS clinical income	**-**	1,726
Community services		
Block contract / system envelope income	**2,180**	2,137
Income from other sources (e.g. local authorities)	**3,027**	2,900
All services		
Private patient income	**60**	50
Elective recovery fund	**1,497**	-
Additional pension contribution central funding*	**5,814**	5,531
Other clinical income	**1,597**	2,922
Total income from activities	**240,060**	201,041

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

Note 3.2 Income from patient care activities (by source)

	2021/22	2020/21
Income from patient care activities received from:	**£000**	**£000**
NHS England	**26,173**	28,293
Clinical commissioning groups	**209,203**	168,392
Other NHS providers	**837**	629
Local authorities	**3,027**	2,900
Non-NHS: private patients	**60**	50
Non-NHS: overseas patients (chargeable to patient)	**3**	4
Injury cost recovery scheme	**505**	461
Non NHS: other	**252**	312
Total income from activities	**240,060**	201,041
Of which:		
Related to continuing operations	**240,060**	201,041

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

	2021/22	2020/21
	£000	£000
Income recognised this year	**3**	4
Cash payments received in-year	**-**	-
Amounts added to provision for impairment of receivables	**-**	-
Amounts written off in-year	**-**	18

Note 4 Other operating income

	2021/22			2020/21		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	**313**	**-**	**313**	272	-	272
Education and training	**6,835**	**470**	**7,305**	6,220	339	6,559
Non-patient care services to other bodies	**1,377**		**1,377**	1,169		1,169
Reimbursement and top up funding	**149**		**149**	23,930		23,930
Receipt of capital grants and donations		**93**	**93**		662	662
Charitable and other contributions to expenditure		**749**	**749**		3,758	3,758
Rental revenue from operating leases		**25**	**25**		25	25
Other income	**1,788**	**-**	**1,788**	1,174	-	1,174
Total other operating income	**10,462**	**1,337**	**11,799**	32,765	4,784	37,549
Of which:						
Related to continuing operations			**11,799**			37,549

Note 5.1 Operating expenses

	2021/22	2020/21
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	**1,241**	1,028
Purchase of healthcare from non-NHS and non-DHSC bodies	**2,624**	1,557
Staff and executive directors costs	**174,761**	166,281
Remuneration of non-executive directors	**120**	106
Supplies and services - clinical (excluding drugs costs)	**20,247**	21,418
Supplies and services - general	**2,653**	3,324
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	**9,175**	8,199
Inventories written down	**-**	98
Consultancy costs	**42**	413
Establishment	**2,826**	1,986
Premises	**11,191**	9,426
Transport (including patient travel)	**675**	510
Depreciation on property, plant and equipment	**5,458**	5,102
Amortisation on intangible assets	**814**	1,314
Net impairments	**-**	4,958
Movement in credit loss allowance: contract receivables / contract assets	**669**	244
Increase/(decrease) in other provisions	**909**	377
Change in provisions discount rate(s)	**2**	4
Fees payable to the external auditor		
audit services- statutory audit **	**80**	64
other auditor remuneration (external auditor only)	**-**	-
Internal audit costs	**125**	123
Clinical negligence	**8,775**	7,902
Legal fees	**245**	198
Insurance	**245**	227
Research and development	**406**	336
Education and training	**1,110**	808
Rentals under operating leases	**177**	140
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	**1,581**	1,429
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	**-**	-
Car parking & security	**446**	398
Hospitality	**25**	33
Other services, eg external payroll	**302**	288
Other	**678**	596
Total	**247,602**	238,887
Of which:		
Related to continuing operations	**247,602**	238,887

** Fees payable to the external auditor include irrecoverable VAT.

Note 5.2 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2021/22 or 2020/21.

Note 6 Impairment of assets

	2021/22	2020/21
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	-	-
Over specification of assets	-	-
Abandonment of assets in course of construction	-	-
Unforeseen obsolescence	-	-
Loss as a result of catastrophe	-	-
Changes in market price	-	4,958
Other	-	-
Total net impairments charged to operating surplus / deficit	**-**	**4,958**
Impairments charged to the revaluation reserve	-	-
Total net impairments	**-**	**4,958**

Note 7 Employee benefits

	2021/22 Total £000	2020/21 Total £000
Salaries and wages	**116,459**	110,699
Social security costs	**11,220**	10,058
Apprenticeship levy	**592**	558
Employer's contributions to NHS pensions	**19,085**	18,099
Pension cost - other	**73**	58
Temporary staff (including agency)	**28,295**	27,358
Total gross staff costs	**175,724**	166,830
Recoveries in respect of seconded staff	**-**	-
Total staff costs	**175,724**	166,830
Of which		
Costs capitalised as part of assets	**637**	296

Note 7.1 Retirements due to ill-health

During 2021/22 there was 1 early retirement from the trust agreed on the grounds of ill-health (none in the year ended 31 March 2021). The estimated additional pension liabilities of these ill-health retirements is £60k (0k in 2020/21).

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

Note 8 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay.

The 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

HMT published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports.

Note 9 Operating leases

Note 9.1 Southport And Ormskirk Hospital NHS Trust as a lessor

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

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

	2021/22	2020/21
	£000	£000
Operating lease revenue		
Minimum lease receipts	**25**	25
Total	**25**	25

	31 March 2022	31 March 2021
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	**25**	25
- later than one year and not later than five years;	**100**	100
- later than five years.	**25**	50
Total	**150**	175

Note 9.2 Southport And Ormskirk Hospital NHS Trust as a lessee

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

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

	2021/22	2020/21
	£000	£000
Operating lease expense		
Minimum lease payments	**177**	140
Total	**177**	140

	31 March 2022	31 March 2021
	£000	£000
Future minimum lease payments due:		
- not later than one year;	**63**	121
- later than one year and not later than five years;	**6**	57
Total	**69**	178

Note 10 Finance income

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

	2021/22	2020/21
	£000	£000
Interest on bank accounts	**9**	-
Total finance income	**9**	**-**

Note 11.1 Finance expenditure

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

	2021/22	2020/21
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	**5**	12
Finance leases	**335**	388
Main finance costs on PFI and LIFT schemes obligations	**329**	368
Contingent finance costs on PFI and LIFT scheme obligations	**1,138**	975
Total interest expense	**1,807**	1,743
Unwinding of discount on provisions	**(2)**	(2)
Total finance costs	**1,805**	1,741

Note 11.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

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

Note 12 Other gains / (losses)

	2021/22	2020/21
	£000	£000
Gains on disposal of assets	**12**	73
Total gains / (losses) on disposal of assets	**12**	73

Note 13.1 Intangible assets - 2021/22

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2021 - brought forward	**17,637**	**-**	**17,637**
Additions	**14**	**980**	**994**
Reclassifications	**906**	**464**	**1,370**
Valuation / gross cost at 31 March 2022	**18,557**	**1,444**	**20,001**
Amortisation at 1 April 2021 - brought forward	**14,797**	**-**	**14,797**
Provided during the year	**814**	**-**	**814**
Amortisation at 31 March 2022	**15,611**	**-**	**15,611**
Net book value at 31 March 2022	**2,946**	**1,444**	**4,390**
Net book value at 1 April 2021	**2,840**	**-**	**2,840**

Note 13.2 Intangible assets - 2020/21

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2020 - as previously stated	16,373	-	16,373
Prior period adjustments	-	-	-
Valuation / gross cost at 1 April 2020 - restated	16,373	-	16,373
Additions	1,264	-	1,264
Valuation / gross cost at 31 March 2021	17,637	-	17,637
Amortisation at 1 April 2020 - as previously stated	13,483	-	13,483
Prior period adjustments	-	-	-
Amortisation at 1 April 2020 - restated	13,483	-	13,483
Provided during the year	1,314	-	1,314
Amortisation at 31 March 2021	14,797	-	14,797
Net book value at 31 March 2021	2,840	-	2,840
Net book value at 1 April 2020	2,890	-	2,890

Note 14.1 Property, plant and equipment - 2021/22

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2021 - brought forward	**4,348**	**79,372**	**152**	**1,370**	**50,296**	**597**	**14,036**	**2,469**	**152,640**
Additions	**-**	**4,253**	**-**	**1,993**	**1,800**	**-**	**4,647**	**-**	**12,693**
Revaluations	**341**	**(1,597)**	**30**	**-**	**-**	**-**	**-**	**-**	**(1,226)**
Reclassifications	**-**	**266**	**-**	**(1,636)**	**7**	**-**	**-**	**(7)**	**(1,370)**
Valuation/gross cost at 31 March 2022	**4,689**	**82,294**	**182**	**1,727**	**52,103**	**597**	**18,683**	**2,462**	**162,737**
Accumulated depreciation at 1 April 2021 - brought forward	**-**	**-**	**-**	**-**	**36,467**	**515**	**10,582**	**2,103**	**49,667**
Provided during the year	**-**	**2,457**	**5**	**-**	**2,202**	**25**	**710**	**59**	**5,458**
Revaluations	**-**	**(2,457)**	**(5)**	**-**	**-**	**-**	**-**	**-**	**(2,462)**
Accumulated depreciation at 31 March 2022	**-**	**-**	**-**	**-**	**38,669**	**540**	**11,292**	**2,162**	**52,663**
Net book value at 31 March 2022	**4,689**	**82,294**	**182**	**1,727**	**13,434**	**57**	**7,391**	**300**	**110,074**
Net book value at 1 April 2021	**4,348**	**79,372**	**152**	**1,370**	**13,829**	**82**	**3,454**	**366**	**102,973**

Note 14.2 Property, plant and equipment - 2020/21

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2020 - as previously stated	4,010	81,706	163	951	46,939	604	12,851	2,365	149,589
Additions	-	3,133	-	2,729	4,281	8	783	104	11,038
Impairments	-	(7,352)	(11)	-	-	-	-	-	(7,363)
Revaluations	338	(23)	-	-	-	-	-	-	315
Reclassifications	-	1,908	-	(2,310)	-	-	402	-	-
Disposals / derecognition	-	-	-	-	(924)	(15)	-	-	(939)
Valuation/gross cost at 31 March 2021	4,348	79,372	152	1,370	50,296	597	14,036	2,469	152,640
Accumulated depreciation at 1 April 2020 - as previously stated	-	-	-	-	35,489	485	9,892	2,050	47,916
Provided during the year	-	2,420	5	-	1,902	32	690	53	5,102
Impairments	-	(2,400)	(5)	-	-	-	-	-	(2,405)
Revaluations	-	(20)	-	-	-	-	-	-	(20)
Disposals / derecognition	-	-	-	-	(924)	(2)	-	-	(926)
Accumulated depreciation at 31 March 2021	-	-	-	-	36,467	515	10,582	2,103	49,667
Net book value at 31 March 2021	4,348	79,372	152	1,370	13,829	82	3,454	366	102,973
Net book value at 1 April 2020	4,010	81,706	163	951	11,450	119	2,959	315	101,673

Note 14.3 Property, plant and equipment financing - 2021/22

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2022									
Owned - purchased	**4,689**	**71,619**	**182**	**1,727**	**9,461**	**57**	**7,371**	**212**	**95,318**
Finance leased	**-**	**7,821**	**-**	**-**	**226**	**-**	**-**	**-**	**8,047**
On-SoFP PFI contracts and other service concession arrangements	**-**	**1,539**	**-**	**-**	**2,887**	**-**	**-**	**-**	**4,426**
Owned - donated/granted	**-**	**1,315**	**-**	**-**	**860**	**-**	**20**	**88**	**2,283**
NBV total at 31 March 2022	**4,689**	**82,294**	**182**	**1,727**	**13,434**	**57**	**7,391**	**300**	**110,074**

Note 14.4 Property, plant and equipment financing - 2020/21

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2021									
Owned - purchased	4,348	68,955	152	1,370	8,890	82	3,439	261	87,497
Finance leased	-	7,653	-	-	363	-	-	-	8,016
On-SoFP PFI contracts and other service concession arrangements	-	1,490	-	-	2,978	-	-	-	4,468
Owned - donated/granted	-	1,274	-	-	1,598	-	15	105	2,992
NBV total at 31 March 2021	4,348	79,372	152	1,370	13,829	82	3,454	366	102,973

Note 15 Donations of property, plant and equipment

Donations received by Southport & Ormskirk Hospitals charity were used to purchase equipment and to enhance facilities for staff and patients.

Note 16 Revaluations of property, plant and equipment

The Trust's land and building assets were revalued effective at 31st March 2022. The valuation was carried out by an independent valuation firm, Cushman & Wakefield using a modern equivalent asset valuation approach. The valuers used are all registered with RICS (Royal Institute of Chartered Surveyors).

In determining the valuation, a single site was the basis of a modern equivalent asset.

The total increase in the value of land and building assets for 2021/22 was £1,236,000. This upward revaluation was all processed through the revaluation reserve with £341,000 relating to land and the balance to buildings.

Note in the prior-year there was a reduction in value of land and building assets was £4,623,000. This was split between an impairment of £4,958,000 taken through expenditure and an upward revaluation of £335,000 taken through the revaluation reserve.

Note 17 Inventories

	31 March 2022	31 March 2021
	£000	£000
Drugs	**826**	853
Work In progress	**-**	-
Consumables	**1,544**	1,998
Energy	**117**	129
Other	**-**	-
Total inventories	**2,487**	2,980
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £11,904k (2020/21: £12,673k). Write-down of inventories recognised as expenses for the year were £0k (2020/21: £98k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2021/22 the Trust received £734k of items purchased by DHSC (2020/21: £3,727k).

These inventories were recognised as additions to inventory at deemed cost with the corresponding benefit recognised in income. The utilisation of these items is included in the expenses disclosed above.

Note 18.1 Receivables

	31 March 2022 £000	31 March 2021 £000
Current		
Contract receivables	**5,969**	6,211
Allowance for impaired contract receivables / assets	**(175)**	(93)
Prepayments (non-PFI)	**1,404**	1,528
PDC dividend receivable	**-**	372
VAT receivable	**471**	449
Other receivables	**16**	16
Total current receivables	**7,685**	8,483
Non-current		
Contract receivables	**1,521**	1,179
Allowance for impaired contract receivables / assets	**(623)**	(198)
Other receivables	**357**	357
Total non-current receivables	**1,255**	1,338
Of which receivable from NHS and DHSC group bodies:		
Current	**3,139**	4,570
Non-current	**405**	357

Note 18.2 Allowances for credit losses

	2021/22	2020/21
	Contract receivables and contract assets	**Contract receivables and contract assets**
	£000	**£000**
Allowances as at 1 April - brought forward	**291**	270
New allowances arising	**604**	244
Changes in existing allowances	**65**	-
Utilisation of allowances (write offs)	**(162)**	(223)
Allowances as at 31 Mar 2022	**798**	291

Note 19.1 Cash and cash equivalents movements

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

	2021/22	2020/21
	£000	£000
At 1 April	**6,352**	1,067
Net change in year	**12,100**	5,285
At 31 March	**18,452**	6,352
Broken down into:		
Cash at commercial banks and in hand	**81**	152
Cash with the Government Banking Service	**18,371**	6,200
Total cash and cash equivalents as in SoFP	**18,452**	6,352
Bank overdrafts (GBS and commercial banks)	**-**	-
Drawdown in committed facility	**-**	-
Total cash and cash equivalents as in SoCF	**18,452**	6,352

Note 19.2 Third party assets held by the trust

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

	31 March 2022	31 March 2021
	£000	£000
Bank balances	**1**	1
Total third party assets	**1**	1

Note 20.1 Trade and other payables

	31 March 2022 £000	31 March 2021 £000
Current		
Trade payables	**7,382**	5,691
Capital payables	**7,365**	3,553
Accruals	**11,721**	8,626
Social security costs	**1,692**	1,469
Other taxes payable	**1,653**	1,344
PDC dividend payable	**113**	-
Other payables	**2,424**	2,231
Total current trade and other payables	**32,350**	22,914
Of which payables from NHS and DHSC group bodies:		
Current	**2,335**	2,113

Note 21 Other liabilities

	31 March 2022 £000	31 March 2021 £000
Current		
Deferred income: contract liabilities	**2,989**	1,608
Total other current liabilities	**2,989**	1,608

Note 22.1 Borrowings

	31 March 2022 £000	31 March 2021 £000
Current		
Loans from DHSC	**202**	405
Obligations under finance leases	**1,026**	112
Obligations under PFI, LIFT or other service concession contracts	**394**	347
Total current borrowings	**1,622**	864
Non-current		
Loans from DHSC	**-**	200
Obligations under finance leases	**5,093**	7,023
Obligations under PFI, LIFT or other service concession contracts	**5,149**	5,696
Total non-current borrowings	**10,242**	12,919

Note 22.2 Reconciliation of liabilities arising from financing activities - 2021/22

	Loans from DHSC	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2021	**605**	**7,135**	**6,043**	**13,783**
Cash movements:				
Financing cash flows - payments and receipts of principal	**(400)**	**(1,030)**	**(877)**	**(2,307)**
Financing cash flows - payments of interest	**(8)**	**(321)**	**(329)**	**(658)**
Non-cash movements:				
Additions	**-**	**-**	**377**	**377**
Application of effective interest rate	**5**	**335**	**329**	**669**
Carrying value at 31 March 2022	**202**	**6,119**	**5,543**	**11,864**

Note 22.3 Reconciliation of liabilities arising from financing activities - 2020/21

	Loans from DHSC	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2020	132,202	8,097	5,646	145,945
Cash movements:				
Financing cash flows - payments and receipts of principal	(130,942)	(955)	(827)	(132,724)
Financing cash flows - payments of interest	(667)	(362)	(368)	(1,397)
Non-cash movements:				
Additions	-	-	1,224	1,224
Application of effective interest rate	12	388	368	768
Change in effective interest rate	-	(33)	-	(33)
Carrying value at 31 March 2021	605	7,135	6,043	13,783

Note 23 Finance leases

Note 23.1 Southport And Ormskirk Hospital NHS Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	31 March 2022 £000	31 March 2021 £000
Gross lease liabilities	**6,119**	7,135
of which liabilities are due:		
- not later than one year;	**1,026**	1,022
- later than one year and not later than five years;	**4,717**	4,430
- later than five years.	**376**	1,683
Net lease liabilities	**6,119**	7,135
of which payable:		
- not later than one year;	**1,026**	112
- later than one year and not later than five years;	**4,717**	5,340
- later than five years.	**376**	1,683

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

Note 24.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2021	**165**	**304**	**526**	**995**
Change in the discount rate	**2**	**-**	**-**	**2**
Arising during the year	**36**	**829**	**73**	**938**
Utilised during the year	**(72)**	**(44)**	**(30)**	**(146)**
Reversed unused	**-**	**-**	**(29)**	**(29)**
Unwinding of discount	**(2)**	**-**	**-**	**(2)**
At 31 March 2022	**129**	**1,089**	**540**	**1,758**
Expected timing of cash flows:				
- not later than one year;	**72**	**1,089**	**183**	**1,344**
- later than one year and not later than five years;	**57**	**-**	**47**	**104**
- later than five years.	**-**	**-**	**310**	**310**
Total	**129**	**1,089**	**540**	**1,758**

The other provision relates to public/employer liabilities and the clinical pension tax reimbursement provision.

Note 24.2 Clinical negligence liabilities

At 31 March 2022, £172,022k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Southport And Ormskirk Hospital NHS Trust (31 March 2021: £132,202k).

Note 25 Contingent assets and liabilities

	31 March 2022	31 March 2021
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	**(86)**	(70)
Other	**(100)**	(200)
Gross value of contingent liabilities	**(186)**	(270)
Amounts recoverable against liabilities	**-**	-
Net value of contingent liabilities	**(186)**	(270)

Contingent Liabilities consists of £100k 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 permanently within the next year then the Trust would be liable to refund the donation on a pro rata basis (£100k per year of the contract remaining).

Note 26 Contractual capital commitments

	31 March 2022	31 March 2021
	£000	£000
Property, plant and equipment	**990**	47
Total	**990**	47

Note 27 On-SoFP PFI, LIFT or other service concession arrangements

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

Note 27.1 On-SoFP PFI, LIFT or other service concession arrangement obligations

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

	31 March 2022 £000	31 March 2021 £000
Gross PFI, LIFT or other service concession liabilities	**5,543**	6,043
Of which liabilities are due		
- not later than one year;	**394**	347
- later than one year and not later than five years;	**2,660**	2,618
- later than five years.	**2,489**	3,078
Net PFI, LIFT or other service concession arrangement obligation	**5,543**	6,043
- not later than one year;	**394**	347
- later than one year and not later than five years;	**2,660**	2,618
- later than five years.	**2,489**	3,078

Note 27.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	31 March 2022 £000	31 March 2021 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**46,499**	46,379
Of which payments are due:		
- not later than one year;	**4,035**	3,700
- later than one year and not later than five years;	**16,877**	15,861
- later than five years.	**25,587**	26,818

Note 27.3 Analysis of amounts payable to service concession operator

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

	2021/22	2020/21
	£000	£000
Unitary payment payable to service concession operator	**3,925**	3,599
Consisting of:		
- Interest charge	**329**	368
- Repayment of balance sheet obligation	**877**	827
- Service element and other charges to operating expenditure	**1,581**	1,429
- Contingent rent	**1,138**	975
Total amount paid to service concession operator	**3,925**	3,599

Note 28 Financial instruments

Note 28.1 Financial risk management

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

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

Currency Risk

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

Interest Rate Risk

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

The Trust has no DHSC revenue loans and therefore there is no interest rate risk in relation to revenue loans. There is one DHSC capital loan and this will be fully paid in April 2022.

Credit Risk

Since the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31st March 2022 are in receivables from customers, as disclosed in the trade and other receivables note (Note 18).

Liquidity risk

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

The financial regimes implemented in 2020/21 (and continued for 2021/22) particularly around block contracts has meant that the Trust has not suffered any liquidity risk in year.

Note 28.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2022	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	**7,065**	-	-	**7,065**
Cash and cash equivalents	**18,452**	-	-	**18,452**
Total at 31 March 2022	**25,517**	**-**	**-**	**25,517**

Carrying values of financial assets as at 31 March 2021	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	7,472	-	-	7,472
Cash and cash equivalents	6,352	-	-	6,352
Total at 31 March 2021	13,824	-	-	13,824

Note 28.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2022	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Loans from the Department of Health and Social Care	**202**	**-**	**202**
Obligations under finance leases	**6,119**	**-**	**6,119**
Obligations under PFI, LIFT and other service concession contracts	**5,543**	**-**	**5,543**
Trade and other payables excluding non financial liabilities	**28,892**	**-**	**28,892**
Total at 31 March 2022	**40,756**	**-**	**40,756**

Carrying values of financial liabilities as at 31 March 2021	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Loans from the Department of Health and Social Care	605	-	605
Obligations under finance leases	7,135	-	7,135
Obligations under PFI, LIFT and other service concession contracts	6,043	-	6,043
Trade and other payables excluding non financial liabilities	20,101	-	20,101
Total at 31 March 2021	33,884	-	33,884

Note 28.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual undiscounted cash flows. This differs to the amounts recognised in the statement of financial position which are discounted to present value.

	31 March 2022 £000	31 March 2021 £000
In one year or less	**30,514**	21,881
In more than one year but not more than five years	**7,377**	7,250
In more than five years	**2,865**	4,761
Total	**40,756**	33,892

Note 28.5 Fair values of financial assets and liabilities

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

Note 29 Losses and special payments

	2021/22		2020/21	
	Total number of cases Number	**Total value of cases £000**	**Total number of cases Number**	**Total value of cases £000**
Losses				
Cash losses	**3**	**1**	-	-
Bad debts and claims abandoned	**229**	**161**	251	166
Stores losses and damage to property	**3**	**96**	5	111
Total losses	**235**	**258**	256	277
Special payments				
Ex-gratia payments	**26**	**405**	18	41
Total special payments	**26**	**405**	18	41
Total losses and special payments	**261**	**663**	274	318
Compensation payments received		-		-

Note 30 Related parties

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

The Department of Health & Social Care 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 :

NHS Southport & Formby CCG
NHS West Lancashire CCG
NHS England
NHS South Sefton CCG

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

The value of transactions with Southport & Ormskirk Hospital NHS Trust Charitable Fund amounted to £255,880 in 2021/22 (£168,238, 2020/21). The majority of transactions were pure recharges for equipment bought using the Trust's finance system. Only £15,000 (£32,078 2020/21) has been recorded as income (shown in note 4) and this is for a service level agreement to provide financial services to the charity.

Note due to materiality the Trust does not consolidate the results of the charity into the Trust's accounts.

There are no related party declarations (recorded on the Declaration of Interests) between Trust Board members and current suppliers outside of the whole of government accounting boundary.

Note 31 Prior period adjustments

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

Note 32 Events after the reporting date

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

Note 33 Better Payment Practice code

	2021/22 Number	2021/22 £000	2020/21 Number	2020/21 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	**37,060**	**138,459**	31,268	69,344
Total non-NHS trade invoices paid within target	**32,172**	**126,446**	25,221	47,748
Percentage of non-NHS trade invoices paid within target	**86.8%**	**91.3%**	80.7%	68.9%
NHS Payables				
Total NHS trade invoices paid in the year	**1,915**	**59,385**	1,660	21,836
Total NHS trade invoices paid within target	**1,361**	**53,796**	935	8,122
Percentage of NHS trade invoices paid within target	**71.1%**	**90.6%**	56.3%	37.2%

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

Note 34 External financing limit

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

	2021/22 £000	2020/21 £000
Cash flow financing	**(5,797)**	(1,434)
External financing requirement	**(5,797)**	(1,434)
External financing limit (EFL)	**(5,797)**	(1,355)
Under / (over) spend against EFL	**-**	79

Note 35 Capital Resource Limit

	2021/22 £000	2020/21 £000
Gross capital expenditure	13,687	12,302
Less: Disposals	-	(13)
Less: Donated and granted capital additions	(93)	(662)
Plus: Loss on disposal from capital grants in kind	-	-
Charge against Capital Resource Limit	**13,594**	**11,627**
Capital Resource Limit	13,595	11,715
Under / (over) spend against CRL	**1**	**88**

Note 36 Breakeven duty financial performance

	2021/22 £000	2020/21 £000
Adjusted financial performance (control total basis):		
Surplus / (deficit) for the period	**(130)**	(4,094)
Remove net impairments not scoring to the Departmental expenditure limit	**-**	4,958
Remove I&E impact of capital grants and donations	**100**	(522)
Remove net impact of inventories received from DHSC group bodies for COVID response	**111**	(217)
Adjusted financial performance surplus / (deficit)	**81**	125

Note 37 Breakeven duty rolling assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		500	853	204	1,258	1,950	(896)
Breakeven duty cumulative position	812	1,312	2,165	2,369	3,627	5,577	4,681
Operating income		146,757	153,368	178,182	181,098	189,224	188,905
Cumulative breakeven position as a percentage of operating income		0.9%	1.4%	1.3%	2.0%	2.9%	2.5%

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(17,202)	(20,709)	(33,003)	(28,961)	(23,757)	125	**81**
Breakeven duty cumulative position	(12,521)	(33,230)	(66,233)	(95,194)	(118,951)	(118,826)	**(118,745)**
Operating income	182,236	186,695	158,277	168,112	193,022	238,590	**251,859**
Cumulative breakeven position as a percentage of operating income	(6.9%)	(17.8%)	(41.8%)	(56.6%)	(61.6%)	(49.8%)	**(47.1%)**