

Annual Report and Accounts 2022-23



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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

NHSE	NHS England
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 Report

1.1 Chief Executive's Introduction



I am pleased to present my second annual report and accounts as Chief Executive of the Trust, which reviews the performance and achievements during 2022/23.

The past year has seen many challenges for our Trust and the wider NHS,

but I am very proud that the skill and dedication of staff has meant we have had many successes and much to celebrate. This annual report demonstrates the progress made in delivering against the agreed plans for the year both financially and operationally. This improvement means that services are more stable, and patients have increased local access to the services that they need.

Responding to the double impact of increased emergency and urgent care pressures and the need to reduce the elective backlog to the pre-COVID 19 levels, has been the main challenge of 2022/23 for Southport and Ormskirk Hospital NHS Trust and the majority of other hospitals delivering acute care. At times bed occupancy at the Trust has been over 100%, which has a detrimental impact on patient flow. The number of patients who are experiencing delayed discharges has also increased, and it has been good to see the developing role of the Place Based Partnerships working alongside the Trust to ensure patients get the support they need in the community as quickly as possible. There remains a lot to do, but progress is being made. Similarly, it is encouraging that the Trust has delivered more elective activity than in 2021/22, but again there remains more work to do to achieve the NHS access targets and restore activity to 2019/20 levels.

Staff remain focused on providing the best quality of care possible for patients, as reflected in the 2022/23 Quality Account.

The collaborative working with St Helens and Knowsley Teaching Hospitals NHS Trust (STHK) has continued to deliver benefits for both organisations, and I am particularly pleased at the new investment that has been secured for the Southport and Ormskirk Hospital sites, that will address some of the infrastructure concerns the Trust has been facing for many years, but also create new facilities which will increase the capacity to undertake diagnostic tests and help reduce waiting lists.

This relationship has been formalised in 2023/24 with the Trusts coming together to create a single new organisation. The Boards of both Trusts believe this will help us improve services for patients and address some of the sustainability issues faced by S&O for many years. Whilst undoubtedly the right decision, the transaction process is long and complex and I am conscious that this has created a level of uncertainty for staff, which is disruptive. 2023/24 will be a year when we bring the two organisations together to create a single structure and most importantly a shared set of values and ambitions for how we continue to develop services and meet the needs of all our patients.

Ann Marr OBE
Chief Executive

27th September 2023

1.2 Chair's Statement



During 2022/23, with the on-going support of St Helens and Knowsley Teaching Hospitals NHS Trust (STHK) through the Agreement for Long Term Collaboration (ALTC) the Trust has continued to make steady progress to improve hospital services

for the people of Southport, Formby, and West Lancashire. This has been achieved during a period where the NHS has experienced some severe operational pressures and continues the journey to recover from the impact of the Covid-19 pandemic.

A key driver of our partnership with STHK has been the dozen or so “fragile” clinical services which have proven difficult for us to provide on our own. Thanks to the dedication of staff from both organisations, we have been able to stabilise a good number of these in the past year.

In addition to the stabilisation of services, the partnership has seen significant extra capital investment in our hospitals. This has included additional physical capacity in which to see patients who require endoscopy and other diagnostic procedures, with Southport Hospital being designated as one of the new Community Diagnostic Centres. Other significant investment has been made in our IT systems and infrastructure and in repairing and modernising our buildings to improve the experience for both patients and staff.

The Board took the decision in September 2022 that the best way to continue the improvement journey and secure sustainable services for the populations of Southport, Formby, and West Lancashire, was to formalise the relationship with STHK and start the process of bringing the two trusts together to form a single organisation.

This resulted in the submission of a Business Case to NHS England which was approved. The transaction will take place on 1st July 2023, and the two Trusts will form a new organisation which will be known as Mersey and West Lancashire Teaching Hospitals NHS Trust. Preparatory work for the transaction has continued alongside business as usual, and it has been heartening for the Board to see and hear of so many examples of staff from both trusts working together and learning from each other to improve services.

Support for the integration from our system partners and wider stakeholders has been crucial to the progress that we have seen over the past year, and I am confident these relationships will continue to grow and develop with Mersey and West Lancashire Teaching Hospitals NHS Trust.

Because of the integration of the two Trusts, this will be my last annual report as Chair of the Trust, and I would like to formally record my thanks to my fellow board members for their courage and sense of purpose in always focusing on the needs of the patients we serve. I would also like to thank the dedicated and talented staff of Southport and Ormskirk Hospitals, who have risen to every challenge we have faced over the last few years and continued to provide excellent care to our patients. I know they will continue to do this as part of Mersey and West Lancashire Teaching Hospitals NHS Trust with our STHK colleagues.

Neil Masom OBE
Trust Chair

27th September 2023

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 2022/23 and the associated principal risks are set out below:

Strategic Objective	Principal Risks
<i>SO1: Improve clinical outcomes and patient safety</i>	If quality is not maintained in line with regulatory standards this will impede clinical outcomes and patient safety
<i>SO2: Deliver high quality, well-performing services</i>	If the Trust cannot achieve its key performance targets it could lead to failure in delivering safe, high quality patient care and experience and failure to deliver contracts If the condition of the Trust estate is not improved then there is a risk to the delivery of high quality safe and effective services and to the experience of patients, visitors, and staff There is a risk of major and sustained failure of essential IT systems
<i>SO3: Efficiently and productively provide care within agreed financial limits</i>	Failure to develop or deliver long term financial sustainability plans for the Trust and with system partners
<i>SO4: Develop a flexible, responsive workforce of the right size and with the right skills who feel valued and motivated</i>	Failure to attract, develop, and retain a resilient and adaptable workforce with the right capabilities and capacity there will be an impact on clinical outcomes and patient experience
<i>SO5: Enable all staff to be patient-centred leaders building on an open and honest culture and the delivery of the Trust values</i>	If the Trust does not have leadership at all levels patient and staff satisfaction will be impacted
<i>SO6: Engage strategic partners to maximise the opportunities to design and deliver sustainable services for the population of Southport, Formby, and West Lancashire</i>	If the Trust, as a small DGH, fails to exploit all potential opportunities to engage and collaborate with strategic partners; delivery of an acute services strategy will fail to provide sustainable services to our population

Table 1

2. 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 (see figure 1) setting out the aims and ambitions for the Trust in 2022/23 to bring it closer to achieving the vision and strategic objectives.

Trust Objectives 2022/23



Figure 1

2.2 Financial Performance

Key financial targets

As a result of the Health and Care Act 2022, which resulted in the creation of Integrated Care Boards and the dissolution of Clinical Commissioning Groups, the Trust is now part of the Cheshire & Merseyside Integrated Care System (ICS).

The ICS approved the Trust's 2022/23 planned deficit and the results below are consistent with the achievement of this target:

Adjusted financial performance	£
Gross Deficit	-£17,750,000
Remove net impairments not scoring to the Departmental expenditure limit	£2,902,000
Remove impact of capital donations	£38,000
Remove net impact of DHSC centrally procured inventories	£80,000
Adjusted Deficit	-£14,730,000

Table 2

For performance monitoring the deficit on the face of the accounts is adjusted for impairments, donations and centrally procured inventories as shown above.

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

Performance indicator	Target 22/23	Actual 22/23	Variance	Achieved
Adjusted financial performance	-£14,730,000	-£14,730,000	£0	Yes
External Financing Limit	£56,509,000	£56,509,000	£0	Yes
Capital Resource Limit	£53,241,000	£27,241,000	-£26,000,000	No
Better Payment Practice Code (non-NHS) by value of invoices	95%	97%	2%	Yes
Better Payment Practice Code (NHS) by value of invoices	95%	97%	2%	Yes

Table 3

The adjusted financial performance is set out in the opening paragraphs.

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 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. The action plan implemented in September 2021 has now resulted in the Trust exceeding the 95% performance target with actual performance reaching 97% for both NHS and non NHS suppliers overall.

Financial analysis

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

Accounting heading	2022/23	2021/22	Movement	Variance
	£'000s	£'000s	£'000s	%
Turnover	260,139	251,859	8,280	3.3%
Operating expenses	273,390	247,602	25,788	10.4%
Non-current asset base	160,517	115,719	44,798	38.7%
Total assets employed	118,225	95,382	22,843	23.9%

Table 4

Turnover

Income has increased by £8.3m from 2021/22 levels. This is due to the following:

- Increases in pay award and inflation funding
- Education and training income increases
- Increases through commercial outlets such as catering

Operating expenses

This shows an increase of £25.8m from 2021/22 levels. This is split with an increase in pay of £17.2m and an increase in non-pay of £8.6m. This is due to the following:

Pay

- National pay awards
- Investment in staffing
- Quality investments & service developments

Non-pay

- Inflation and activity
- Annual revaluation of land and buildings

Non-current asset base

The overall value of non-current assets has increased in 2022/23 by £44.8m. This is a combination of investments of £53.4m plus the recognition of right of use assets (IFRS 16 implementation) of £2.9m less depreciation/amortisation of £7.2m less a downward revaluation of £3.7m. Note this downward revaluation was split between a £2.9m impairment and a £0.8m reduction in the revaluation reserve.

As highlighted earlier, significant extra investment has been given to the Trust as part of the transaction. In addition, the ICS has the flexibility to manage capital to an overall ICS target and this has allowed the Trust to receive further investment.

These investments included the following:

Capital investment	2022/23
	£m
Estates**	47.0
IT	3.8
Medical equipment	2.6
Total	53.4

Table 5

**includes a £26m investment in backlog that is classified as payment on account with non-current receivables

The total value of the Statement of Financial Position has increased by £22.8m.

There are three components to this increase:

- Receipt of public dividend capital (PDC) of £41.5m. Of this £36.8m was invested in the Trust’s capital programme (highlighted above).
- A reduction of £0.9m to the revaluation reserve which relates to the 2022/23 annual revaluation of land and buildings exercise.
- A decrease in the income and expenditure reserve of £17.8m.



2.3 Clinical Performance

Trust performance continued to be impacted by COVID-19 during 2022/23 with the Trust experiencing multiple ‘waves’ of infections throughout the year.

In 2021/22 the Trust had an average of 22 COVID-19 positive inpatients per day, this accounted for 6% of the General & Acute bed base. In 2022/23 this increased to 10% with peaks of 72 patients in April 2022 and 71 in July 2022.

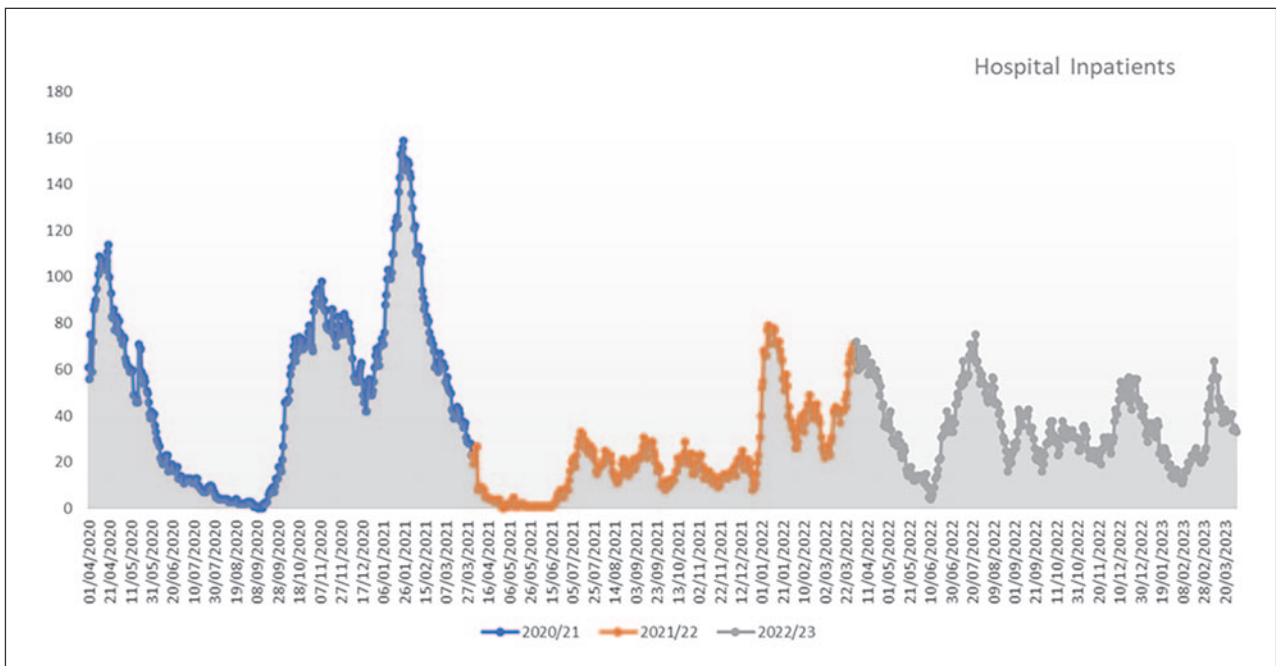


Figure 1

Living with COVID-19

Despite the ongoing management of COVID-19 normal hospital services were resumed or increased from the levels that could be undertaken during 2021/22, and as far as possible the process of recovery and restoration to pre-COVID-19 levels (baseline of 2019/20) continued.

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

Business Intelligence remains critical in aiding care planning, with real-time dashboards providing wards with accurate data on COVID-19 status of patients and oxygen consumption by bed and ward.

- Emergency Department performance – 74.4% of patients were seen, discharged, or transferred within 4 hours in 2022/23 against the target of 95%, which is better than national performance (70.7%).
- Ambulance handovers – 67.6% of handovers were completed within 30 minutes in 2022/23 compared to 79% the year before.
- The 2019/20 activity baseline includes activity from services which are subject to significant changes in service delivery post pandemic (Ophthalmology, Orthodontics etc.) and therefore comparisons are not directly like for like.

Summary of Planned Activity in 2022/23

	2019/20	2020/21	2021/22	2022/23	2022/23 vs 2019/20	2022/23 vs 2021/22
Elective	2,271	1,265	2,124	2,108	-7.18%	-0.75%
Day Case	21,863	12,662	16,240	19,960	-8.70%	22.91%
Outpatient appointments	258,583	212,898	247,790	242,224	-6.33%	-2.25%
Scopes	5,146	3,199	4,633	7,363	43.08%	58.93%
Radiology	53,956	45,185	53,784	57,658	6.86%	7.20%

Table 6

2022/23 Quality and Access Performance

Key access and quality targets	Target (%)	2019/20	2020/21	2021/22	2022/23
% of urgent care patients seen within 4 hours	95	85.4%	87.3%	78.0%	74.4%
% of patients first seen within two weeks when referred from their GP with suspected cancer	93	95.2%	91.3%	81.0%	83.5%
% of patients receiving cancer treatment within 62 days of GP referral	85	80.2%	76.9%	66.2%	57.9%
% of admitted patients treated in 18 weeks of referral	92	93.0%	76.6%	81.4%	68.0%
% waiting more than 6 weeks for a diagnostic test	1	3.10%	24.50%	32.80%	34.70%
Hospital-acquired MRSA bacteraemia	0	1	2	2	0
C Difficile cases (Trust-attributed)**	<49	31	34	43	48

Key activity data	2019/20	2020/21	2021/22	2022/23	% of 19/20
Outpatient 1st attendances	65,950	51,552	67,243	68,025	103%
Outpatient follow-Up attendances	192,633	161,346	180,547	174,199	90%
Elective Inpatients	2,271	1,265	2,124	2,098	92%
Day cases	21,863	12,662	16,240	19,690	90%
Non-Elective inpatients (<i>Excluding Obstetrics</i>)	32,436***	23,774	27,972	30,956	95%
Adult A&E attendances	58,624	47,707	59,829	56,168	96%
Adult A&E admissions	22,056***	17,329	17,948	21,056	95%
Child A&E attendances	29,537	15,126	30,431	33,420	113%
Child A&E admissions	3,422	1,382	2,984	3,168	93%
All births	2,340	2,095	2,392	2,211	94%

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

***Same Day Emergency Care (SDEC) wards were newly opened which were re-configured during the Covid pandemic

Table 7 and 8

2.4 Care Quality Commission inspection

The Trust has not participated in any special reviews or investigations by the Care Quality Commission between 01 April 2022 to 31 March 2023. The last comprehensive CQC inspection took place in July and August 2019, with the final report 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.

The Trust maintains a positive and open relationship with CQC colleagues and regular engagement meetings are held via Microsoft Teams. In line with the timescales for the Transaction, we continue to work with StHK colleagues in relation to any required changes to our CQC registration. To date, no concerns have been flagged by the CQC Registration Team. We look forward to continuing our improvement journey with regulatory partners.

The Trust is required to register with the Care Quality Commission and its current registration status is registered without conditions.

The Care Quality Commission has not taken any enforcement action against the Trust during 2022/23.

2.5 Collaboration and Partnerships

The Trust provides services to the population of both the Cheshire and Merseyside ICB and the Lancashire and South Cumbria ICB. The Trust is a partner in the Place Based Partnerships for Sefton and 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 a member of the Cheshire and Merseyside Acute and Specialist Trust Provider Collaborative (CMAST), which coordinates the acute and specialist providers response to the challenges of elective recovery, sharing best practice and offering mutual aid.

The Trust has not been subject to any contractual disputes or regulatory action from NHS England during 2022/23.

During 2021/22 the Trust entered into a partnership agreement with STHK. Please see Director's Report (section 3.1) for details. The Trust has also agreed in 2022/23 to progress to a transaction with STHK to create a new combined Trust.

Performance Report - Accountable Officer's Approval

Signed as Accountable Officer of the Trust

Ann Marr OBE
Chief Executive

27th September 2023



Section 2 - 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

The Trust Board declared a major risk relating to the delivery of several services that had been assessed as clinically “fragile” and the need for a strategic partner to mitigate it. St Helens and Knowsley Teaching Hospitals NHS Trust was identified as that partner and as a result the Agreement for Long Term Collaboration has been in effect since September 2021.

Under the terms of this agreement the strategic and operational management of the Trust is delegated from the S&O Board to a committee named the Strategy and Operations Committee (SOC). The members of this committee are the STHK Board and the Executive Directors of S&O. Under these arrangements the STHK Non-Executive Directors (NEDs) are responsible for the oversight and challenge at the three assurance committees: Quality and Safety, Finance, Performance, and Investment and, Workforce. The S&O NEDs retain responsibility for the statutory committee functions of Audit, Charitable Funds and Nominations and Remuneration, which cannot be delegated.

Under the terms of the ALTC the Chief Executive of STHK has been the Chief Executive of Southport and Ormskirk Hospital NHS Trust since September 2021.

Another feature of the ALTC is that NED vacancies on the S&O Board have been filled with STHK NEDs (provided they have the requisite skills and experience), and under these provisions NHSE appointed Ian Clayton as a Non-Executive Director and Audit Committee Chair for S&O in November 2021 and Gill Brown as a Non-Executive Director and Quality and Safety Committee Chair for S&O in April 2022.

The S&O Board continues to meet quarterly, 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.

In September 2022 the Boards of S&O and STHK reviewed the effectiveness of the ALTC and agreed to evolve the partnership by initiating the transaction process to become a single organisation. As a result of this the S&O Board has held extraordinary board meetings during 2022/23 to support key decisions relating to the transaction process.

The transaction was completed on 1st July 2023, and as a result S&O will cease to exist as a separate legal entity and its staff, property, and assets will be acquired by STHK, who will then change the name of the Trust to reflect the enlarged population to which the new trust will provide services.

Directors of the Trust during 2022/23

Committee memberships relate to 2022/23 only.

CHAIR AND NON-EXECUTIVE DIRECTORS



Neil Masom Chair

Appointed December 2018

(Reappointed March 2023 until June 2023)

- 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

(Reappointed in April 2021 until April 2024)

Committee Membership

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



Ian Clayton Non-Executive Director

Appointed November 2021 (until October 2023)

Chair of Audit Committee (from December 2021)

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)

Committee Membership

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



Gill Brown Non-Executive Director

Appointed as Non-Executive Director April 2022

Chair of Quality and Safety Committee (from September 2021)

Committee Membership

- Strategy and Operations Committee
- Audit Committee
- 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

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*

Director of Transformation

Appointed June 2022

Appointed as Interim Director (April 2021)



*Associate Executive Directors

3.1.2 Changes to the Board

The following changes to the Board of Directors occurred in 2022/23

Non-Executive Directors



Graham Pollard Non-Executive Director

Appointed March 2020

Term Ended February 2023

Committee Membership

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



Gurpreet Singh MBE Non-Executive Director

Appointed April 2018

Term ended April 2022

Committee Membership

- Charitable Funds Committee
- Remuneration and Nominations Committee

3.1.3 The Trust's Governance Framework

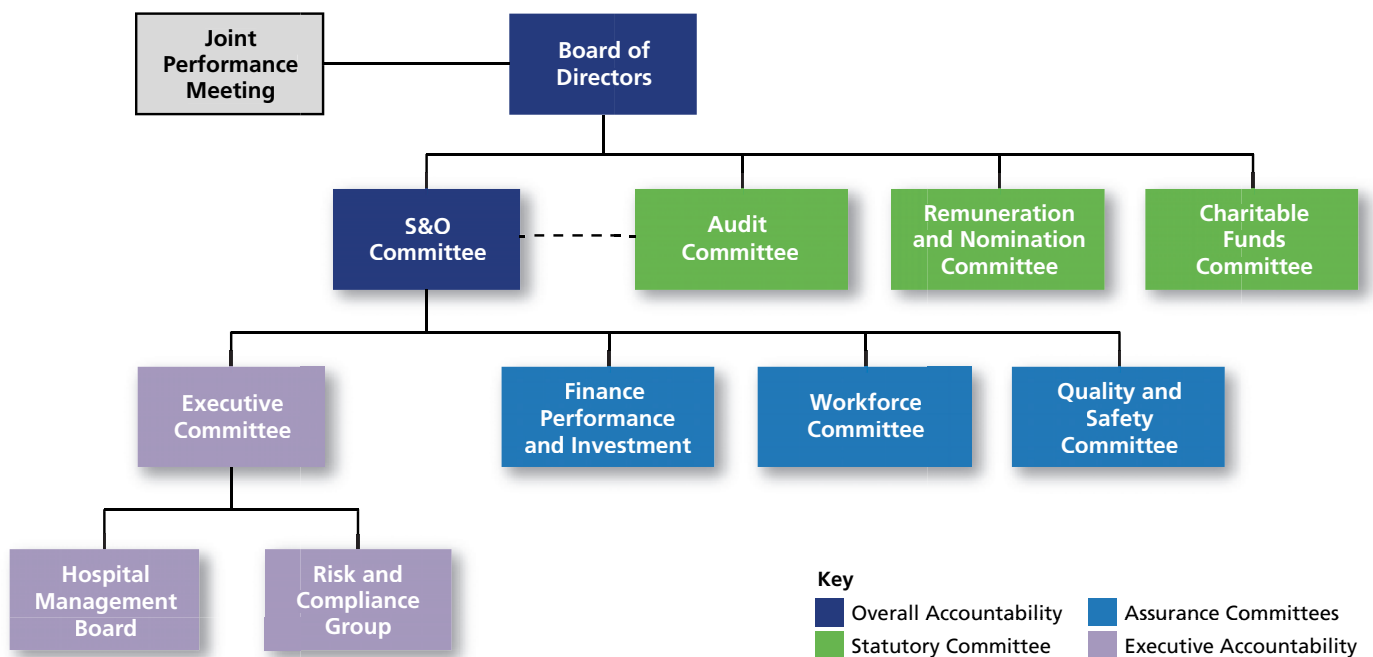
The Board is collectively responsible for establishing a system of internal control and for putting in place arrangements for gaining assurance about the effectiveness of that system.

The Trust's Standing Orders, Standing Financial Instructions, and Scheme of Reservation and Delegation of powers 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, 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.



Trust Board

The Board met quarterly during 2022/23 as scheduled and held a series of extraordinary meetings between August and March to make key decisions in support of the planned transaction with STHK to create a single organisation. This included approval of the transaction business case and its supporting documents, approval of the transaction agreement and the decision to apply to the Secretary of State for the dissolution of the trust so that the legal process of transferring the assets, staff and liabilities to STHK to create a single legal body, could happen when the transaction was approved. In total the Board met 9 times during 2022/23.

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 ten times between April 2022 and March 2023. All meetings were quorate.

The assurance committees continued to report via the SOC in line with the ALTC governance arrangements.

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 2022 and March 2023. All meetings were quorate.

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 2022 and March 2023. All meetings were quorate.

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 2022 and March 2023. All meetings were quorate.

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 2022 and March 2023. 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 2022 and March 2023. 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, and the other NEDs are also members, if they wish to attend.

The Committee met five times during 2022/23 and all meetings, excluding the meeting in January 2023 were quorate. The recommendations of the January 2023 committee meeting were circulated for approval from the full membership to ensure the resolutions 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	FP&I	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		9	10	5	10	10	10	4	2	60	
Masom, Neil	Chair	9 (9)						3 (4)	1 (2)	13 (15)	87%
Bricknell, David	Non-Executive Director	8 (9)		4 (5)				4	2	18 (20)	90%
Clayton, Ian	Non-Executive Director, STHK and Non-Executive Director, S&O	8 (9)	7 (10)	3 (5)	7 (10)			3 (4)	2	30 (38)	79%
Brown, Gill	Non-Executive Director, S&O and Non-Executive Director STHK	7 (9)	7 (10)	3 (5)		10		4		31 (38)	82%
Craig, Ian	Non-Executive Director	8 (9)		5 (5)				1 (4)	2	16 (20)	80%
Gibson, Pauline	Non-Executive Director	6 (9)		4 (5)				3 (4)	1 (2)	13 (20)	65%
Pollard, Graham	Non-Executive Director (until 28/02/2023)	5 (7)		2 (5)				1 (4)	2	10 (18)	56%

Name	Position	Board	Strategy and Operations	Audit	FP&I	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		9	10	5	10	10	10	4	2	60	
Singh, Gurpreet	Non-Executive Director (until 08/04/2022)										
Marr, Ann	Chief Executive	5 (9)	9 (10)							14 (19)	74%
Stretch, Anne-Marie	Managing Director	9 (9)	9 (10)		10	10	9 (10)	3 (4)		50 (53)	94%
Barnes, Lynne	Acting Director of Nursing, Midwifery and Therapies	6 (9)	9 (10)		10	10	9 (10)	2 (4)		46 (53)	87%
Clark, Kate	Executive Medical Director	8 (9)	8 (10)		7 (10)	9 (10)	9 (10)	2 (4)		43 (53)	81%
McLuckie, John	Director of Finance	8 (9)	10	4 (5)	10	9 (10)	8 (10)	4		53 (58)	91%
Neary, Lesley	Chief Operating Officer	9 (9)	10		9 (10)	8 (10)	9 (10)	3 (4)		48 (53)	91%
Royds, Jane	Director of Human Resources and Organisation Development	5 (9)	8 (10)	1 (1)	6 (10)	7 (10)	7 (10)	4 (4)		38 (54)	70%
Nina Russell	Director of Transformation	5 (9)	7 (10)		7 (10)	6 (10)	5 (10)	1 (4)		31 (53)	58%
Richard Fraser	Chair, Strategy and Operations Committee		9 (10)							9 (10)	90%
Appleton, Geoffrey	STHK Board Advisor Non-Executive Director STHK (from 01/07/2022))		8 (9)		9 (10)	7 (10)	7 (7)			30 (36)	83%
Growney, Paul	Non-Executive Director, STHK		0 (10)		0 (10)					0 (20)	0%
Knight, Lisa	Associate Non-Executive Director, STHK		8 (10)				10			18 (20)	90%
Kozer, Jeff	Non-Executive Director, STHK		10		10					20 (20)	100%
Sharples, Alan	STHK Board Advisor (01/11/2021 to 31/08/2022)		3		2 (3)					5 (6)	83%
Thind, Rani	Associate Non-Executive Director, STHK		9 (10)			9 (10)				18 (20)	90%
Bunce, Nicola	Director of Corporate Services, STHK and S&O	9 (9)	10	4 (5)	9 (10)	8 (10)	5 (10)	0 (4)		45 (58)	78%

Name	Position	Board	Strategy and Operations	Audit	FP&I	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		9	10	5	10	10	10	4	2	60	
Cooper, Rob	Director of Operations and Performance, STHK		9 (10)							9 (10)	90%
Pritchard-Jones, Rowan	Medical Director, StHK (until June 2022)		2 (3)							2 (3)	67%
Redfern, Sue	Director of Nursing, Midwifery and Governance, STHK	0	10							10 (10)	100%
Walters, Christine	Director of Informatics, StHK		10							10 (10)	100%
Knight, Lisa	Associate Non-Executive Director, STHK		3 (5)				6 (6)			9 (11)	90%
Lawrence, Gareth	Director of Finance, STHK (from 01/04/2022)		8 (10)							8 (10)	80%
Williams, Peter	Medical Director, STHK (from 01/07/2022)		6 (7)							6 (7)	86%
TOTAL		115 (142)	186 (222)	30 (41)	96 (123)	93 (110)	77 (97)	38 (60)	10 (10)	645 (805)	80%

Table 10

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 available on the Trust's website (<https://www.southportandormskirk.nhs.uk/lists-and-registers>) or from the 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, mismanagement, 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 2022/23 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 England has designated that the Chief Executive should be the Accountable Officer of the trust. The relevant responsibilities of Accountable Officers are set out in the *NHS Trust Accountable Officer Memorandum*. These include ensuring that:

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

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

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

Signed

Ann Marr OBE
Chief Executive

3rd October 2023

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 Southport and Ormskirk Hospital NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in Southport and Ormskirk Hospital NHS Trust for the year ended 31 March 2023 and up to the date of approval of the annual report and accounts.

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 decision-making processes are aligned with the strategic priorities of the Trust and 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. MIAA have drafted the Counter Fraud Functional Standard Return for the Trust for 2022/23 and provided an overall rating of Green, with 11 components rated green, and 2 rated amber.

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 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 were amended during 2022/23 through the addition of ID2b and ID2c, relating to critical estate and building infrastructure, and critical IT infrastructure, reflecting newly identified strategic risks for the organisation. The wording of ID3 was also amended to reflect the long-term nature of the risk and that the risk requires support from system partners to be fully mitigated.

Strategic Objective	Principal Risk
<i>SO1 Improve clinical outcomes and patient safety to ensure that we deliver high quality services</i>	Risk ID1 If quality is not maintained in line with regulatory standards this will impede clinical outcomes and patient safety
<i>SO2 Deliver services that meet NHS constitutional and regulatory standards</i>	Risk ID2a If the Trust cannot achieve its key performance targets it could lead to failure in delivering safe, high quality patient care and experience and failure to deliver contracts
<i>SO2 Deliver services that meet NHS constitutional and regulatory standards</i>	Risk ID2b If the condition of the Trust estate is not improved then there is a risk to the delivery of high quality safe and effective services and to the experience of patients, visitors, and staff
<i>SO2 Deliver services that meet NHS constitutional and regulatory standards</i>	Risk ID2c There is a risk of major and sustained failure of essential IT systems
<i>SO3 Efficiently and productively provide care within agreed financial limits</i>	Risk ID3 Failure to develop or deliver long term financial sustainability plans for the Trust and with system partners
<i>SO4 Develop a flexible, responsive workforce of the right size and with the right skills who feel valued and motivated</i>	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
<i>SO5 Enable all staff to be patient-centred leaders building on an open and honest culture and the delivery of the Trust values</i>	Risk ID5 If the Trust does not have leadership at all levels patient and staff satisfaction will be impacted
<i>SO6 Engage strategic partners to maximise the opportunities to design and deliver sustainable services for the population of Southport, Formby, and West Lancashire</i>	Risk ID6 If the Trust, as a small DGH, fails to exploit all potential opportunities to engage and collaborate with strategic partners; delivery of an acute services strategy will fail to provide sustainable services to our population

Table 11

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 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.

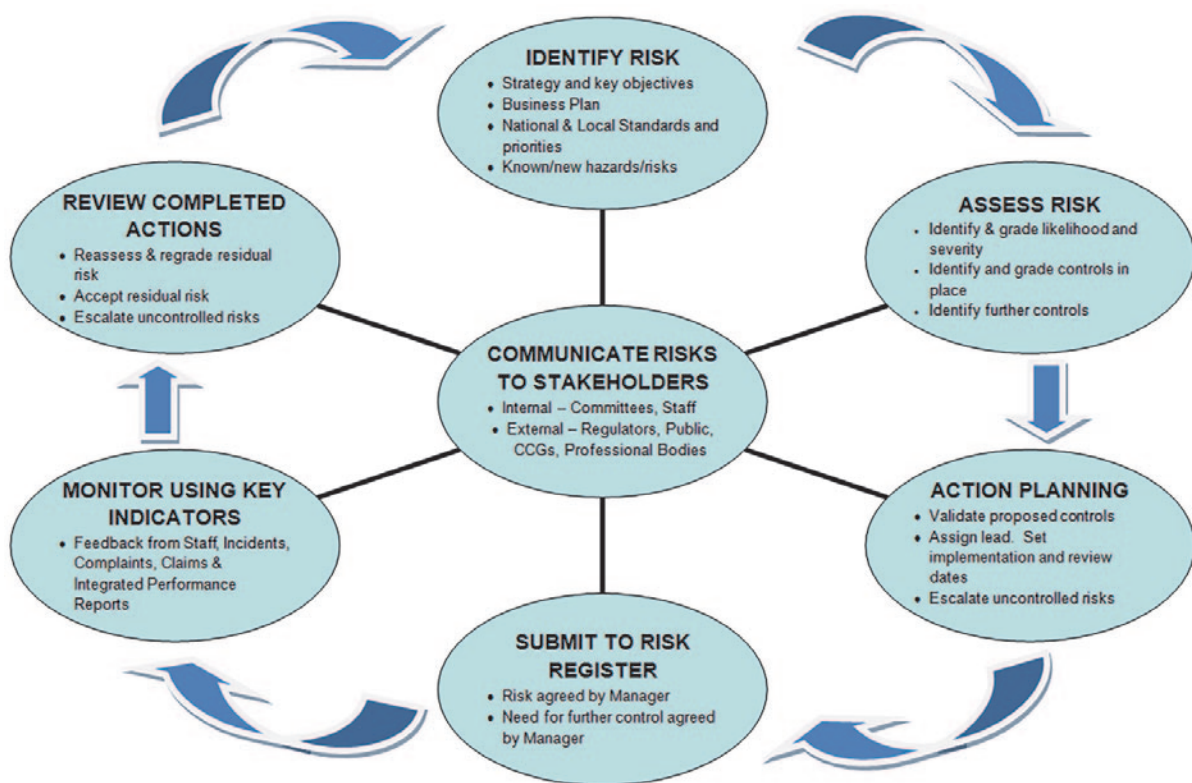


Figure 4

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.

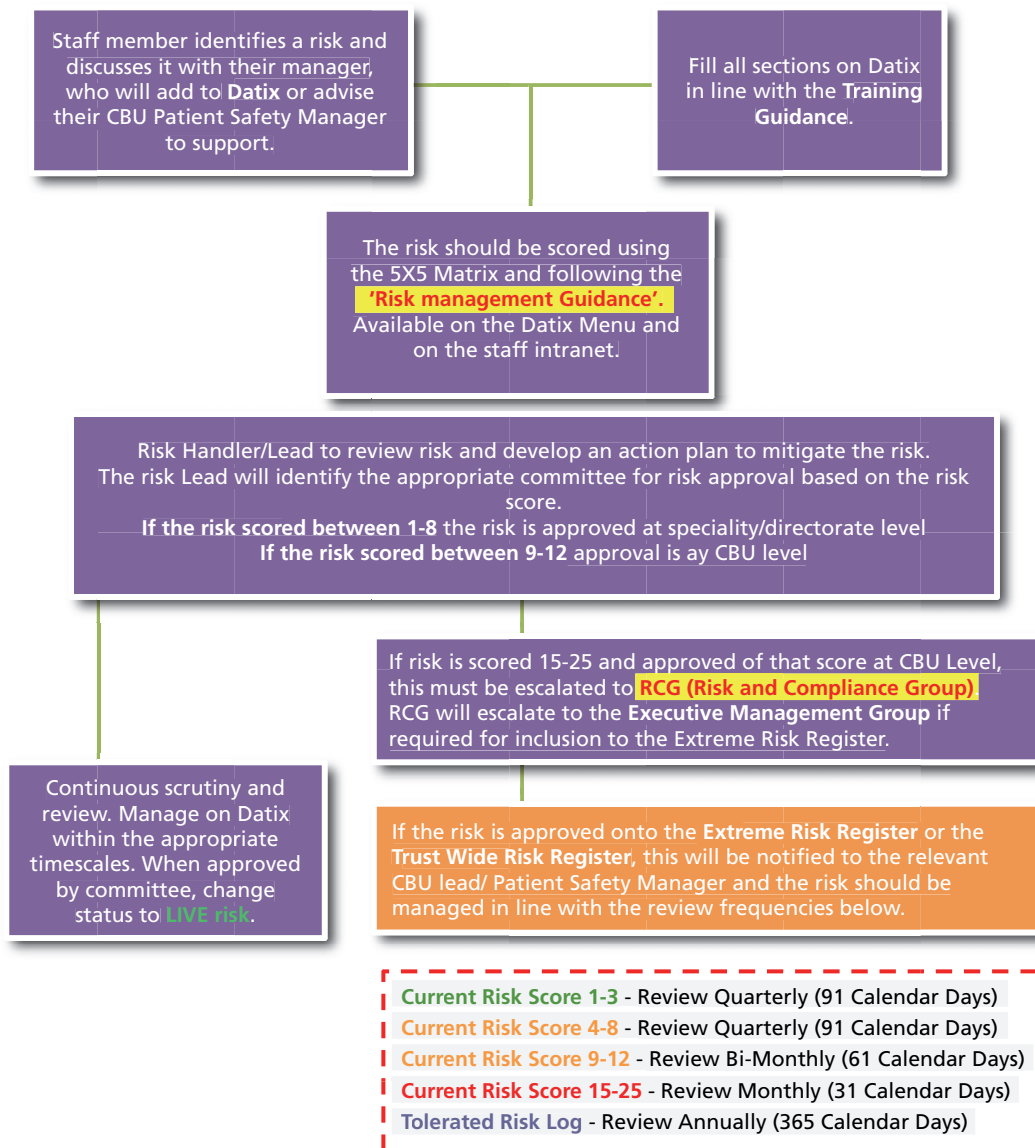


Figure 5

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.

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.
- 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 2022/23.

The Trust remained compliant with the conditions of the NHS Provider Licence, NHS acts and the NHS Constitution. As an NHS Trust the organisation only received a Provider Licence in April 2023.

Care Quality Commission Regulatory Requirements

The Trust is fully compliant with the registration requirements of the CQC and remained registered throughout 2022/23.

NHSE 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 required by law 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 NHSE

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.

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.

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'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.

Careflow 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)

Information Governance management is provided by Mid Mersey Digital Alliance.

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 DSPT and received a 'Standards Met' rating. The MIAA conducted a two-day audit on the Trust's evidence submission and deemed that there was overall 'Substantial Assurance' of the validity of this rating. In addition, MIAA deemed there to be 'Substantial Assurance' for 8 of the National Data Guardian Standards, and Moderate Assurance for 2 of the standards. The 2022/23 DSPT self-assessment and independent audit are to be completed by 30th June 2023 in line with the NHSE required timetable.

2022/23 also saw the Trust receive quarterly phishing reports. Following on from previous annual NHS Digital Simulated Phishing Exercise, the frequency has been increased 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 2022/2023 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), to reach net zero by 2040, with an ambition to reach an 80% reduction by 2028 to 2032
- For the emissions the NHS can influence (our NHS Carbon Footprint Plus), to reach net zero by 2045, with an ambition to reach an 80% reduction by 2036 to 2039.

In response and as requested by NHSE, the Trust developed a Green Plan to demonstrate how the Trust would achieve these targets.

As part of the Green Plan the Trust has calculated its emissions baseline for both Southport and Ormskirk hospitals based on 2019/20 Estates Return Information Collection (ERIC) figures (see Table 13). This year has been chosen over 2020/21 as the latter has been impacted by Covid-19, and it would not represent a true reflection of the Trusts consumption. Emissions used in the baseline are defined under three categories or scopes:

Scope 1 – Direct emissions from owned or directly controlled sources, on site

Scope 2 – Indirect emissions from the generation of purchased electricity

Scope 3 – All other indirect emissions

Baseline CO ² emissions (tonnes) for 2019/2020	
Scope 1	7,930
Scope 2	246
Scope 3	68
Total CO² emissions	8,244

Table 13

Trust Targets For 2022/23

To deliver the aspirations outlined in the Trust Green Plan, the Trust developed an action plan to be undertaken over a 3-year period. A number of these have been completed by the Sustainability Team in 2022/23 including:

- The Promotion of blended working/ flexible working/Virtual desk top infrastructure/ Agile working, enabling staff to work from home and numerous locations across the Trust.
- Highlighting the Green Plan and raising awareness of sustainability across the Trust.
- Staff benefit schemes such as cycle to work scheme/ salary sacrifice/ rail discounts/ car parking discounts have been reviewed and updated making it easier for staff to travel to work without the use of a car.
- Attend anywhere - virtual consultations so that patients do not have to attend site for some routine check-ups.
- A Climate Change Risk Assessment (CCRA) has been developed to enable the Trust to identify future risks from climate change and thus develop a plan to mitigate these risks.
- Promotion of electric vehicles, via salary sacrifice scheme to enable staff to change from petrol/diesel cars to electric.
- Developed whole life costing, energy consumption, social value and environmental considerations to be included in the tendering processes (e.g such as 100% renewable energy, 0% landfill for suppliers) to communicate our ambitions to suppliers and partners.

Trust Targets For 2023/24

The Trust has targets for 2023/24 based on the Green Plan include:

- Developing a net zero carbon heat plan.
- Printer reduction and the switch to purchasing and using 100% recycled paper within the printers
- Reporting fully on the Trusts scope 3 carbon emissions
- Green spaces/wildlife areas are currently being developed and will be complete by Spring 2023
- Expansion of EV charging points. The Trust has 2 electric vehicle chargers installed at Southport for both staff and public to use.

Continual Good Work

Additional ongoing works during 2022/23 supportive of the Green Plan include:

- Installation of PIR sensors for internal lighting systems, and replacement of lighting with LED fittings
- Loan use of another all-electric van for the next 3 years
- The Trust does not send any of its waste to landfill
- Use of Combined Heat Power Plants (CHP) on each hospital site, improving efficiency and reducing carbon emissions. CHPs have reduced reliance on the National Grid to 52% of total power used on site, and excess energy from them is exported to the National Grid.

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, the Audit Committee, the Finance, Performance and Investment Committee, the Workforce Committee and the Quality and Safety Committee.

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 2022/23.

Conclusion

No significant internal control issues have been identified during 2022/23.

Ann Marr OBE
Chief Executive

27th September 2023



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 and Nominations Committee are as follows:

- a) The level of remuneration should be reflective of the responsibility of the role to which the remuneration applies;
- b) The level of remuneration should be sufficient to recruit, retain and fairly reward directors of the quality and with the skills and experience required to lead Southport & Ormskirk NHS Trust successfully;
- c) The Committee should avoid remuneration which is more than necessary for the purposes set out at (a) and (b) above;
- d) The Committee must be sensitive to pay and employment conditions elsewhere in the Trust and external to the Trust;
- e) The Committee must ensure that any decisions as to remuneration are affordable and provide value for money having regard to the full cost of remuneration (including pension effects);
- f) The Committee must be able to justify any salary higher than the Prime Minister's salary of £159,584 (2022/23 value).
- g) The Committee will have regard to NHS Code of Governance 2022 as it pertains to Director Remuneration (as amended from time to time), any guidance issued by NHS England and such other principles and guidance as may be applicable and brought to its attention from time to time.
- h) No director shall be involved in deciding his or her own remuneration;
- i) Where any director participates in advising or supporting the Committee care must be taken to recognise and avoid conflicts of interest;
- j) Where the Chief Executive or any Executive Director is released by the Trust to carry out a role elsewhere (for example as a non-executive director elsewhere) then subject to the terms of the contract of employment the Remuneration and Nominations Committee may determine whether the Chief Executive or Executive Director will retain any or all of the earnings arising from that role;
- k) The Remuneration and Nominations Committee is accountable to the Board and will comply with the standards of integrity and transparency consistent with its function within the NHS as a public authority.

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.

4.1.2 Annual Report on Remuneration

Remuneration and Nominations 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.

The Remuneration and Nominations Committee made the following appointments during 2022/23:

- Appointment of the Director of Transformation

Methodology

The Annual Review peer group comparison data will principally be the Capita Median for F.T.s (as amended from time to time) for Trusts with a turnover within a band in which the Trust falls. At the time of this policy coming into force the benchmark is Trusts that are classed as small – medium size acute Trusts.

The Remuneration and Nominations Committee must use such comparison data with caution to avoid any risk of an increase in remuneration levels with no corresponding improvement in performance and considers all relevant matters that would impact on the consideration or determination of remuneration for the Executive Directors.

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.



4.1.3 Disclosures required by the Health and Social Care Act

Senior Managers' Remuneration

Senior Managers remuneration details and pension benefits for 2022/23 set out at table 14 below and table 15 gives a comparison to 2021/22:

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

2022-2023							
Name & Title	Note	Salary (bands of £5,000)	Expense Payments (Taxable) to nearest £100	Performance Pay and Bonuses (bands of £5,000)	Long Term Performance Pay and Bonuses (bands of £5,000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)
		£000	£	£000	£000	£000	£000
A Marr - Chief Executive Officer	1	60-65					60-65
AM Stretch - Managing Director	2	140-145					140-145
L Barnes - Nursing Director		110-115				120-122.5	235-240
L Neary - Chief Operating Officer		120-125	2			0	120-125
N Russell - Director of Transformation	3	90-95				25-27.5	120-125
J Royds - Human Resources Director		110-115				47.5-50	160-165
J McLuckie - Director of Finance		125-130				5-7.5	130-135
K Clark - Medical Director		180-185	1			37.5-40	220-225
N Masom - Trust Chair		45-50					45-50
P Gibson - Non-Executive Director		10-15					10-15
DJ Bricknell - Non-Executive Director		10-15					10-15
G Pollard - Non-Executive Director	4	10-15					10-15
G Singh - Non-Executive Director	5	0-5					0-5
I Clayton - Non-Executive Director		10-15					10-15
IA Craig - Non-Executive Director		10-15					10-15
G Brown - Non-Executive Director	6	10-15					10-15

Table 14

For 2022/23 The Chief Executive has confirmed that all Board members have the responsibility for directing and controlling major activities in the organisation.

Foot Note

- 1) Agreed salary recharge from St Helens & Knowsley under the Agreement for Long Term Collaboration (ALTC) from 20th September 2021.
- 2) Agreed salary recharge from St Helens & Knowsley under the Agreement for Long Term Collaboration (ALTC) from 20th September 2021.
- 3) On S&O payroll from 01/06/22. Unable to calculate pension benefits as prior-year information unavailable.
- 4) Left on 28/02/23.
- 5) Left on 08/04/22.
- 6) Started on 09/04/22

2021-2022							
Name & Title	Note	Salary (bands of £5,000)	Expense Payments (Taxable) to nearest £100	Performance Pay and Bonuses (bands of £5,000)	Long Term Performance Pay and Bonuses (bands of £5,000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)
		£000	£	£000	£000	£000	£000
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-Executive Director	16	10-15					10-15

Table 15

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

Foot Note

- 1) Left on 06/06/21.
- 2) Left on 19/09/21.
- 3) Agreed salary recharge from St Helens & Knowsley under the Agreement for Long Term Collaboration (ALTC) from 20th September 2021.
- 4) Agreed salary recharge from St Helens & Knowsley under the Agreement for Long Term Collaboration (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 Russel 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 and superannuation plus expenses and is for the period April to June 2021.
- 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.

Additional notes relating to Senior Managers

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

The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

This value does not represent an amount that will be received by the individual. It is a calculation that is intended to convey to the reader of the accounts an estimation of the benefit that being a member of the pension scheme could provide.

The pension benefit table provides further information on the pension benefits accruing to the individual.

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 (subject to audit)

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). The 2022/23 figures below include the non-consolidated pay award that is due to be paid by the end of June 2023 for all staff covered by the agenda for change contract:

Year	25th percentile pay value	Median pay value	75th percentile pay value
2022/23	23,415	29,384	42,750
2021/22	21,777	25,655	39,027

Table 16

All values have increased since 2021/22. The largest percentage increase is in the medial value (14.5%). Although this is a significant increase it is because for 2022/23 the median value now includes two points on the band 5 scale whereas last year it only included the entry point for Band 5.

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 2022/23 was between £180,000 and £185,000 (2021/22, £175,000 to £180,000). This represents an increase of 3.0%. Note the highest paid Director for 2022/23 has been determined by reviewing annualised salaries for those in post at 31st March 2023.

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
2022/23	7.79:1	7.79:1	6.21:1	6.21:1	4.27:1	4.27:1
2021/22	8.13:1	8.13:1	6.9:1	6.9:1	4.53:1	4.53:1

Table 17

In 2022/23, 21 (2021/22, 16) employees received remuneration in excess of the highest-paid director.

The overall range of remuneration was from £21,925 to £313,102 (2021/22 £18,546 to £267,321).

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 2022/23.

Pension benefits (subject to audit)

Name & title	Real increase (decrease) in pension at pension age (bands of £2,500)	Real increase (decrease) in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31 March 2023 (Bands of £5,000)	Lump sum at pension age related to accrued pension at 31 March 2023 (Bands of £5,000)
	£'000s	£'000s	£'000s	£'000s
J Royds - Human Resources Director	2.5-5	0-2.5	45-50	100-105
N Russell - Director of Transformation	0-2.5	0-2.5	25-30	30-35
K Clark - Medical Director	2.5-5	(0-2.5)	55-60	110-115
J McLuckie - Director of Finance	0-2.5	(2.5-5)	60-65	125-130
L Barnes - Nursing Director	5-7.5	7.5-10	30-35	50-55

Name & title	Cash Equivalent Transfer Value at 1 April 2022	Real increase/ (decrease) in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2023	Employer's contribution to stakeholder pension
	£'000s	£'000s	£'000s	£'000s
J Royds - Human Resources Director	866	68	961	0
N Russell - Director of Transformation	284	25	322	0
K Clark - Medical Director	912	54	994	0
J McLuckie - Director of Finance	1,182	37	1,255	0
L Barnes - Nursing Director	375	104	490	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.

L Neary is not in the pension scheme so there are no pension benefits.

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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023 to 24 CETV figures.

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	Permanent £000	Other £000	2022/23 Total £000	2021/22 Total £000
Salaries and wages	129,068	-	129,068	116,459
Social security costs	13,366	-	13,366	11,220
Apprenticeship levy	538	-	538	592
Employer's contributions to NHS pension scheme	20,647	-	20,647	19,085
Pension cost - other	81	-	81	73
Other post-employment benefits	-	-	-	-
Other employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Temporary staff	-	29,306	29,306	28,295
Total gross staff costs	163,700	29,306	193,006	175,724
Recoveries in respect of seconded staff	-	-	-	-
Total staff costs	164,042	28,964	193,006	175,724
Of which				
Costs capitalised as part of assets	623	129	752	637

Table 20

Average number of employees (WTE basis)	Permanent Number	Other Number	2022/23 Total Number	2021/22 Total Number
Medical and dental	270	77	347	358
Ambulance staff	-	-	-	-
Administration and estates	321	23	344	319
Healthcare assistants and other support staff	1,052	164	1,216	1,231
Nursing, midwifery, and health visiting staff	943	138	1,081	1,008
Nursing, midwifery, and health visiting learners	-	-	-	-
Scientific, therapeutic, and technical staff	365	4	369	348
Healthcare science staff	-	-	-	-
Social care staff	-	-	-	-
Other	5	-	5	3
Total average numbers	2,956	406	3,362	3,267
Of which:				
Number of employees (WTE) engaged on capital projects	12	1	13	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.

2022/23 Composition by gender

Gender	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	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	548	363	202	613	430	265	77	41	8	4	1	92	0	2	0	5	2651
Male	201	53	55	104	99	55	17	13	2	4	0	190	1	3	1	1	799
Grand Total	749	416	257	717	529	320	94	54	10	8	1	282	1	5	1	6	3450

Table 22

2021/22 Composition by gender

Gender	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	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	0	1	0	4	2591
Male	170	53	47	98	85	53	15	11	4	4	0	180	1	4	1	1	727
Grand Total	707	395	281	695	501	303	83	48	10	9	2	272	1	5	1	5	3318

Table 23

4.2.3 Sickness absence data

	2022/23	2021/22
Staff group	% Full-time equivalent days sickness	% Full-time equivalent days sickness
Medical and Dental	3.50	2.66
Administrative and Clerical	5.78	5.56
Estates and Ancillary	7.01	7.34
Additional Clinical Services	9.29	9.96
Nursing and Midwifery Registered	7.49	8.11
Students	3.75	1.35
Allied Health Professionals	3.41	4.80
Professional Scientific and Technical	6.57	6.12
Additional Clinical Services	9.29	9.96
Nursing and Midwifery Registered	7.49	8.11
Students	3.75	1.35
Allied Health Professionals	3.41	4.80
Professional Scientific and Technical	6.57	6.12
Average	6.70	7.03

Table 24

4.2.4 Staff policies applied during the financial year

In 'Our People Plan' the Board set out the strategic vision for the equality, diversity and inclusion agenda aligned to the 'Sense of Belonging' pillar of the national NHS People Plan, underpinned by the "We are compassionate and inclusive" theme from the NHS People Promise. The Trust's EDI Policy has been refreshed, making a commitment to improve training & career development opportunities for disabled, BME and LGBT+ staff through career conversations, access to apprenticeships & external courses supported by the new Staff Networks model. By March 2023, the Trust has shown improvement in the relative likelihood of BME staff accessing non mandatory training and CPD as shown in the 2023 Workforce Race Equality Standard report.

A particular focus this year has been to establish an Addressing Inequalities Working Group to scrutinise the Trust's recruitment processes to identify and remove barriers where possible for disabled employees and other groups with protected characteristics. Activity for shortlisting and appointment of disabled staff is monitored via the Trust's Annual Workforce Disability Equality Standard Report. By March 2023, the Trust metrics show that the relative likelihood of disabled staff being appointed from shortlisting has doubled to 27.66%.

The Trust has maintained its Disability Confident Employer status and successfully achieved the Navajo charter mark in recognition for its work with the LGBT+ community. The Trust recently achieved the Liverpool City Region's Fair Employment Charter status at 'Aspiring' Level demonstrating its commitment to paying the Real Living Wage, working in partnership with Trade Unions and offering staff opportunities to develop and thrive. The Trust will look to consolidate and progress to higher level charter marks once formerly partnered with St Helens and Knowsley Teaching Hospitals NHS Trust when the planned transaction to become a single organisation is completed.

The Trust was recognised by Dame Ruth May, Chief Nursing Officer for England, for successfully meeting its ambition for international nurse recruitment for 2022. The Trust put in place bespoke educational and pastoral support for this group leading to good retention rates and making a positive impact on both staff and patient experience. Recent higher-grade appointments have been achieved by colleagues from this staff group which was recognised and celebrated by members at April's Workforce Committee. By March 2023, the Trust has seen a 14% increase in the likelihood of BME staff being appointed from shortlisting.

The Trust achieved an overall 'Developing' status following its annual Equality Delivery System (2022) assessment in February 2023, with individual areas across commissioned or provider services, staff health & wellbeing and inclusive leadership gaining 'Achieving' level. As the Trust looks to the future, it recognises its distinct responsibilities around equality, diversity & inclusion to staff, patients and its community and will work hard to achieve its goals as the local employer of choice and deliver the highest quality, five-star patient care for communities across Mersey and West Lancashire.

4.2.5 Trade Union Facility Time

Relevant union officials

Number of employees who were relevant union officials during the relevant period:	19
Full-time equivalent employee number:	17.76

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	1
1-50%	18
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time:	£107,063
Total pay bill:	£192,468,000
Percentage of total pay bill spent on facility time:	0.06%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time:	13.49%
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4.2.6 Expenditure on consultancy

Consultancy expenditure was £13,252 (prior year £42,353). This was spent on strategic advice.

4.2.7 Off-payroll engagements

For all off-payroll engagements as of 31 March 2023, for more than £245 per day and that last longer than six months:

	Number
Number of existing engagements as at 31 March 2023	1
<i>Of which, the number that have existed:</i>	
for less than one year at the time of reporting	1
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 2023, for more than £245 per day and that last longer than six months:

	Number
Number of new engagements, or those that reached six months in duration, between 1 April 2022 and 31 March 2023	1
Of which ...	
No. assessed as caught by IR35	1
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 2022 and 31 March 2023

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.	16

Table 27

4.2.8 Exit packages (subject to audit)

Reporting of compensation schemes - exit packages 2022/23			
	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:

Exit packages: other (non-compulsory) departure payments				
	2022/23		2021/22	
	Payments agreed	Total value of agreements	Payments agreed	Total value of agreements
	Number	£000	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	-	-	-	-
Of which:				
Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary	-	-	-	-

Table 29

Signed as Accountable Officer of the Trust

Ann Marr OBE
Chief Executive

27th September 2023



Section 3 - Annual Accounts 2022/23

5. Annual Accounts

Annual Accounts for the year ended
31 March 2023

AUDIT REPORT

5.1 Statement of the chief executive's responsibilities as the accountable officer of the trust

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

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

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

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

Signed



Ann Marr OBE
Chief Executive

3rd October 2023

5.1.1 Statement of the director's 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, signed by

Ann Marr

Ann Marr OBE
Chief Executive

3rd October 2023

Gareth Lawrence

Gareth Lawrence
Director of Finance & Information

3rd October 2023

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 2023, 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 2022/23 as contained in the Department of Health and Social Care Group Accounting Manual 2022/23, 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 2023 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 2022/23; 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, and taking into account the requirements of the Department of Health and Social Care Group Accounting Manual, 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 2022/23 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 public sector 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 2023.

We have nothing to report in this respect.

Responsibilities of the Accountable Officer

As explained in the Statement of Chief Executive's Responsibilities, 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 January 2023.

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 17 May 2023, we issued a referral to the Secretary of State under sections 30 (1) (b) of the Local Audit and Accountability Act 2014 in relation to the breach of the Trust's statutory financial duty at 31 March 2019 under Paragraph 2(1) of Schedule 5 of the National Health Service Act 2006 that: 'Each NHS trust must ensure that its revenue is not less than sufficient, taking one year with another, to meet outgoings properly chargeable to revenue account'.

Use of the audit report

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

Certificate

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

Daniel Watson

Daniel Watson, Key Audit Partner
For and on behalf of Mazars LLP

One St Peters Square
Manchester
M2 3DE

18th October 2023

5.2 Annual Accounts for the year ended 31 March 2023

Annual Accounts 2022-23

Statement of Comprehensive Income (SoCI)

	Note	2022/23 £000	2021/22 £000
Operating income from patient care activities	3	245,578	240,060
Other operating income	4	14,561	11,799
Operating expenses	6, 8	(273,390)	(247,602)
Operating surplus/(deficit) from continuing operations		<u>(13,251)</u>	<u>4,257</u>
Finance income	10	382	9
Finance expenses	11	(1,933)	(1,805)
PDC dividends payable		(3,027)	(2,603)
Net finance costs		<u>(4,578)</u>	<u>(4,399)</u>
Other gains / (losses)	12	79	12
Surplus / (deficit) for the year from continuing operations		<u>(17,750)</u>	<u>(130)</u>
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(858)	-
Revaluations	16	-	1,236
Total comprehensive income / (expense) for the period		<u>(18,608)</u>	<u>1,106</u>

Statement of Financial Position (SoFP)

	Note	31 March 2023 £000	31 March 2022 £000
Non-current assets			
Intangible assets	13	4,791	4,390
Property, plant and equipment	14	119,068	110,074
Right of use assets	17	9,956	
Receivables	19	26,702	1,255
Total non-current assets		160,517	115,719
Current assets			
Inventories	18	2,615	2,487
Receivables	19	15,789	7,685
Cash and cash equivalents	20	1,030	18,452
Total current assets		19,434	28,624
Current liabilities			
Trade and other payables	21	(33,550)	(32,350)
Borrowings	23	(2,134)	(1,622)
Provisions	24	(894)	(1,344)
Other liabilities	22	(13,070)	(2,989)
Total current liabilities		(49,648)	(38,305)
Total assets less current liabilities		130,303	106,038
Non-current liabilities			
Borrowings	23	(11,828)	(10,242)
Provisions	24	(250)	(414)
Total non-current liabilities		(12,078)	(10,656)
Total assets employed		118,225	95,382
Financed by			
Public dividend capital		286,601	245,150
Revaluation reserve		3,047	3,905
Income and expenditure reserve		(171,423)	(153,673)
Total taxpayers' equity		118,225	95,382

The notes on subsequent pages form part of these accounts.

The financial statements were approved by the Board and signed on its behalf by:

Signed

27th September 2023

Ann Marr

Ann Marr OBE, Chief Executive

Statement of Changes in Equity for the year ended 31 March 2023

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2022				
- brought forward	245,150	3,905	(153,673)	95,382
Surplus/(deficit) for the year	-	-	(17,750)	(17,750)
Impairments	-	(858)	-	(858)
Public dividend capital received	41,451	-	-	41,451
Taxpayers' and others' equity at 31 March 2023	286,601	3,047	(171,423)	118,225

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' 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' and others' equity at 31 March 2022	245,150	3,905	(153,673)	95,382

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 (SoCF)

	Note	2022/23 £000	2021/22 £000
Cash flows from operating activities			
Operating surplus / (deficit)		(13,251)	4,257
Non-cash income and expense:			
Depreciation and amortisation	6.1	7,177	6,272
Net impairments	7	2,902	-
Income recognised in respect of capital donations	4	(146)	(93)
(Increase) / decrease in receivables and other assets		(7,551)	509
(Increase) / decrease in inventories		(128)	493
Increase / (decrease) in payables and other liabilities		12,251	6,892
Increase / (decrease) in provisions		(615)	765
Net cash flows from / (used in) operating activities		639	19,095
Cash flows from investing activities			
Interest received		382	9
Purchase of intangible assets		(2,144)	(512)
Purchase of PPE and investment property		(50,889)	(8,986)
Sales of PPE and investment property		110	12
Receipt of cash donations to purchase assets		146	93
Net cash flows from / (used in) investing activities		(52,395)	(9,384)
Cash flows from financing activities			
Public dividend capital received		41,451	8,610
Movement on loans from DHSC		(200)	(400)
Capital element of finance lease rental payments		(1,263)	(1,030)
Capital element of PFI, LIFT and other service concession payments		(901)	(877)
Interest on loans		(2)	(8)
Interest paid on finance lease liabilities		(382)	(321)
Interest paid on PFI, LIFT and other service concession obligations		(1,578)	(1,467)
PDC dividend (paid) / refunded		(2,791)	(2,118)
Net cash flows from / (used in) financing activities		34,334	2,389
Increase / (decrease) in cash and cash equivalents		(17,422)	12,100
Cash and cash equivalents at 1 April - brought forward		18,452	6,352
Cash and cash equivalents at 31 March	20.1	1,030	18,452



Notes to the Accounts

Note 1 Accounting policies

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 2022/23 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.

During 2022/23, the Trust Board took the decision to formalise the relationship with St Helens & Knowsley Teaching Hospitals NHS Trust, and undertake a process of bringing the two trusts together to form a single organisation. This resulted in the submission of a Business Case to NHS England which was later approved by the Secretary of State for Health & Social Care. The transaction took place on 1st July 2023, resulting in the two Trusts forming a new organisation known as Mersey and West Lancashire Teaching Hospitals NHS Trust. From 1st July 2023 therefore, Southport & Ormskirk Hospital NHS Trust dissolved as a legal entity, with services (and accompanying assets) transferring to the new NHS body. This does not prevent the going concern basis for accounts being adopted, and is not a material uncertainty over going concern.

Note 1.3 Revenue from contracts with customers

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

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

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. Funding envelopes are set at an Integrated Care System (ICS) level. The majority of the Trust's income is earned from NHS commissioners in the form of fixed payments to fund an agreed level of activity.

In 2022/23 fixed payments are set at a level assuming the achievement of elective activity targets. These are termed 'aligned payment and incentive' contracts.

Elective recovery funding provides additional funding for the delivery of elective services. In 2022/23 elective recovery funding was included within the aligned payment and incentive contracts. In 2021/22 income earned by the system based on achievement of elective recovery targets was distributed between individual entities by local agreement and income earned from the fund was accounted for as variable consideration.

The Trust also receives income from commissioners under Commissioning for Quality Innovation (CQUIN) and Best Practice Tariff (BPT) schemes. Delivery under these schemes is part of how care is provided to patients. As such CQUIN and BPT payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the overall contract with the commissioner. In 2022/23 payment under these schemes is included in fixed payments from commissioners based on assumed achievement of criteria.

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 grant 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 a finance cost 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	3	54
Dwellings	37	37
Plant & machinery	5	15
Transport equipment	7	7
Information technology	5	7
Furniture & fittings	5	15

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	7	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.

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 leasing arrangements 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 or fair value through other comprehensive income.

Financial liabilities classified as subsequently measured at amortised cost or fair value through income and expenditure.

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.

Impairment of financial assets

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

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

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

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

Derecognition

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

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

Note 1.12 Leases

A lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. An adaptation of the relevant accounting standard by HM Treasury for the public sector means that for NHS bodies, this includes lease-like arrangements with other public sector entities that do not take the legal form of a contract. It also includes peppercorn leases where consideration paid is nil or nominal (significantly below market value) but in all other respects meet the definition of a lease. The trust does not apply lease accounting to new contracts for the use of intangible assets.

The Trust determines the term of the lease term with reference to the non-cancellable period and any options to extend or terminate the lease which the Trust is reasonably certain to exercise.

The Trust as a lessee

Recognition and initial measurement

At the commencement date of the lease, being when the asset is made available for use, the Trust recognises a right of use asset and a lease liability.

The right of use asset is recognised at cost comprising the lease liability, any lease payments made before or at commencement, any direct costs incurred by the lessee, less any cash lease incentives received. It also includes any estimate of costs to be incurred restoring the site or underlying asset on completion of the lease term.

The lease liability is initially measured at the present value of future lease payments discounted at the interest rate implicit in the lease. Lease payments includes fixed lease payments, variable lease payments dependent on an index or rate and amounts payable under residual value guarantees. It also includes amounts payable for purchase options and termination penalties where these options are reasonably certain to be exercised.

Where an implicit rate cannot be readily determined, the Trust's incremental borrowing rate is applied. This rate is determined by HM Treasury annually for each calendar year. A nominal rate of 0.95% applied to new leases commencing in 2022 and 3.51% to new leases commencing in 2023.

The Trust does not apply the above recognition requirements to leases with a term of 12 months or less or to leases where the value of the underlying asset is below £5,000, excluding any irrecoverable VAT. Lease payments associated with these leases are expensed on a straight-line basis over the lease term. Irrecoverable VAT on lease payments is expensed as it falls due.

Subsequent measurement

As required by a HM Treasury interpretation of the accounting standard for the public sector, the Trust employs a revaluation model for subsequent measurement of right of use assets, unless the cost model is considered to be an appropriate proxy for current value in existing use or fair value, in line with the accounting policy for owned assets. Where consideration exchanged is identified as significantly below market value, the cost model is not considered to be an appropriate proxy for the value of the right of use asset.

The Trust subsequently measures the lease liability by increasing the carrying amount for interest arising which is also charged to expenditure as a finance cost and reducing the carrying amount for lease payments made. The liability is also remeasured for changes in assessments impacting the lease term, lease modifications or to reflect actual changes in lease payments. Such remeasurements are also reflected in the cost of the right of use asset. Where there is a change in the lease term or option to purchase the underlying asset, an updated discount rate is applied to the remaining lease payments.

The Trust as a lessor

The Trust assesses each of its leases and classifies them as either a finance lease or an operating lease. 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.

Where the Trust is an intermediate lessor, classification of the sublease is determined with reference to the right of use asset arising from the headlease.

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

Income from operating leases is recognised on a straight-line basis or another systematic 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.

Initial application of IFRS 16

IFRS 16 Leases as adapted and interpreted for the public sector by HM Treasury has been applied to these financial statements with an initial application date of 1 April 2022. IFRS 16 replaces *IAS 17 Leases*, *IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations.

The standard has been applied using a modified retrospective approach with the cumulative impact recognised in the income and expenditure reserve on 1 April 2022. Upon initial application, the provisions of IFRS 16 have only been applied to existing contracts where they were previously deemed to be a lease or contain a lease under IAS 17 and IFRIC 4. Where existing contracts were previously assessed not to be or contain a lease, these assessments have not been revisited.

The Trust as lessee

For continuing leases previously classified as operating leases, a lease liability was established on 1 April 2022 equal to the present value of future lease payments discounted at the Trust's incremental borrowing rate of 0.95%. A right of use asset was created equal to the lease liability. Hindsight has been used in determining the lease term where lease arrangements contain options for extension or earlier termination.

No adjustments have been made on initial application in respect of leases with a remaining term of 12 months or less from 1 April 2022 or for leases where the underlying assets has a value below £5,000. No adjustments have been made in respect of leases previously classified as finance leases.

The Trust as lessor

Leases of owned assets where the Trust is lessor were unaffected by initial application of IFRS 16.

2021/22 comparatives

Comparatives for leasing transactions in these accounts have not been restated on an IFRS 16 basis. Under IAS 17 the classification of leases as operating or finance leases still applicable to lessors under IFRS 16 also applied to lessees. In 2021/22 lease payments made by the Trust in respect of leases previously classified as operating leases were charged to expenditure on a straight line basis.

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 2023:

		Nominal rate	Prior year rate
Short-term	Up to 5 years	3.27%	0.47%
Medium-term	After 5 years up to 10 years	3.20%	0.70%
Long-term	After 10 years up to 40 years	3.51%	0.95%
Very long-term	Exceeding 40 years	3.00%	0.66%

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 2023:

	Inflation rate	Prior year rate
Year 1	7.40%	4.00%
Year 2	0.60%	2.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of 1.70% in real terms (prior year: minus 1.30%).

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 24.2 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

Note 1.14 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 a note where an inflow of economic benefits is probable. Note the Trust has no contingent assets at 31st March 2023.

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 (Financial Instruments: Presentation).

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 2022/23.

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

IFRS 16 Leases - application of liability measurement principles to PFI and other service concession arrangements

From 1 April 2023, the measurement 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. Such remeasurements will be recognised as a financing cost. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred.

Initial application of these principles will be on 1 April 2023 using a modified retrospective approach with the cumulative impact taken to reserves. This is expected to result in an increased PFI liability on the statement of financial position. The effect of this has not yet been quantified.

Other standards, amendments and interpretations

IFRS 14 Regulatory deferral accounts is not UK endorsed and applies to first time adopters of IFRS after 1st January 2016. It is therefore not applicable to DHSC group bodies.

IFRS 17 Insurance Contracts. Application required for accounting periods beginning on or after 1st January 2021. Standard is not yet adopted by 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:

Property plant and equipment

(i) Valuation of radiology equipment assets under the GE managed equipment service and the Energy Centre at Ormskirk under the Veolia managed service are valued excluding VAT as the contract payments are fully VAT recoverable.

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

(iii) Impairments or upward revaluation of land and buildings are assessed at a site level rather than at a District Valuer block level.

Consolidation

- (i) The Trust has one segment which is healthcare.
- (ii) Due to materiality the Trust's charitable funds are not consolidated into the main Trust's accounts.

Income deferral

- (i) Income received from Cheshire & Mersey ICB of £10m in March 2023 for transaction support has been deferred to 2023/24.
- (ii) The transaction refers to St Helens & Knowsley NHS Trust acquiring the assets and liabilities for Southport & Ormskirk Hospital NHS Trust and this will take place in 2023/24.

Implementation of IFRS 16

- (i) All Trust contracts were assessed to determine whether there were under the scope of IFRS 16.
- (ii) From this assessment it was determined that 4 contracts - 2 involving the rental of buildings, one connected with the Trust's multi-function devices and one relating to a vehicle lease came under IFRS 16 and as such values to record on the Statement of Financial Position as a right of use asset were determined using DHSC models.
- (iii) In year a 7 year lease of medical equipment also fell under the scope of IFRS 16.
- (iv) Existing finance leases for the Trust's modular buildings at Southport, an MRI scanner and pathology equipment were re-classified as right of use assets.

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:

Property plant and equipment

- (i) The independent valuers' index 31st March 2023 values using the RICS Building Costs Information Service "All In" Tender Price Index.
- (ii) An obsolescence review is undertaken between the Valuers and Estates to reflect the actual usage of assets.
- (iii) Remaining useful lives of building assets are assessed in a desktop revaluation exercise taking into account the anticipated physical depreciation over the period.
- (iv) A 5% change in the value of land and buildings (£93,917k including right of use assets) would result in a £4,696k movement in the valuation.

Accruals

- (i) Accruals are made in the accounts, for example, in expenditure where an invoice has not been received and therefore an estimated amount is put into expenditure based on past invoicing trends.
- (ii) NHS England have advised the Trust to accrue £5.877m of expenditure in relation to the 2022/23 agenda for change non-consolidated pay offer.
- (iii) The above is matched with an equal accrual to income from NHS England.

Provisions

- (i) Public and employer liabilities plus other legal provisions are calculated using a percentage likelihood of a successful claim.
- (ii) NHS England have provided a calculation for the provision liabilities arising from the 2019/20 clinicians' pensions compensation scheme at £258k.

Central employer pension contribution

- (i) Providers are required to account for the additional expenditure arising from the 6.3% pension contributions paid by NHS England and the related income on a gross basis.
- (ii) For Southport & Ormskirk Hospital NHS Trust this pension contribution is £6.222m.



Note 2 Operating Segments

The Trust has an internal divisional structure based on specialties and functions. There are 4 divisions - Planned Care, Medicine and Emergency Care, Specialist and Corporate.

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)

	2022/23 £000	2021/22 £000
Acute services		
Income from commissioners under API contracts*	216,327	221,123
High cost drugs income from commissioners (excluding pass-through costs)	5,160	4,762
Other NHS clinical income	743	-
Community services		
Income from commissioners under API contracts*	2,180	2,180
Income from other sources (e.g. local authorities)	3,027	3,027
All services		
Private patient income	43	60
Elective recovery fund	5,258	1,497
Agenda for change pay offer central funding***	5,877	-
Additional pension contribution central funding**	6,222	5,814
Other clinical income	741	1,597
Total income from activities	245,578	240,060

*Aligned payment and incentive contracts are the main form of contracting between NHS providers and their commissioners. More information can be found in the 2022/23 National Tariff payments system documents.

<https://www.england.nhs.uk/publication/past-national-tariffs-documents-and-policies/>

**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.

*** NHS England will provide funding to cover the costs of the 2022/23 non-consolidated pay awards for NHS employers (subject to unions acceptance) that are currently funded through the NHS mandate.

Note 3.2 Income from patient care activities (by source)

	2022/23	2021/22
	£000	£000
Income from patient care activities received from:		
NHS England	34,011	26,173
Clinical commissioning groups	48,740	209,203
Integrated care boards	158,354	
Department of Health and Social Care	-	-
Other NHS providers	743	837
NHS other	-	-
Local authorities	2,946	3,027
Non-NHS: private patients	43	60
Non-NHS: overseas patients (chargeable to patient)	26	3
Injury cost recovery scheme	384	505
Non NHS: other	331	252
Total income from activities	<u>245,578</u>	<u>240,060</u>
Of which:		
Related to continuing operations	245,578	240,060

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

	2022/23	2021/22
	£000	£000
Income recognised this year	26	3
Cash payments received in-year	7	-

Note 4 Other operating income

	Contract income £000	2022/23 Non- contract income £000	Total £000	Contract income £000	2021/22 Non- contract income £000	Total £000
Research and development	308	-	308	313	-	313
Education and training	8,087	512	8,599	6,835	470	7,305
Non-patient care services to other bodies	1,782		1,782	1,377		1,377
Reimbursement and top up funding	-		-	149		149
Income in respect of employee benefits accounted on a gross basis	-		-	-		-
Receipt of capital grants and donations and peppercorn leases		146	146		93	93
Charitable and other contributions to expenditure *	593	593		749	749	
Support from the Department of Health and Social Care for mergers	-	-		-	-	
Revenue from finance leases (variable lease receipts)	-	-		-	-	
Revenue from operating leases		25	25		25	25
Amortisation of PFI deferred income / credits		-	-		-	-
Other income **	3,108	-	3,108	1,788	-	1,788
Total other operating income	13,285	1,276	14,561	10,462	1,337	11,799
Of which:						
Related to continuing operations			14,561			11,799

* This row includes donated inventories for COVID response

** Other income includes car parking, catering, pharmacy sales, staff accommodation rental and non-clinical services recharged to other bodies.

Note 5 Operating leases - Southport & Ormskirk Hospital NHS Trust as lessor

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

The Trust has applied IFRS 16 to account for lease arrangements from 1 April 2022 without restatement of comparatives. Comparative disclosures in this note are presented on an IAS 17 basis. This includes a different maturity analysis of future minimum lease receipts under IAS 17 compared to IFRS 16.

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

Note 5.1 Operating lease income

	2022/23 £000	2021/22 £000
Lease receipts recognised as income in year:		
Minimum lease receipts	25	25
Total in-year operating lease income	<u>25</u>	<u>25</u>

Note 5.2 Future lease receipts

	31 March 2023 £000
Future minimum lease receipts due at 31 March 2023:	
- not later than one year	25
- later than one year and not later than two years	25
- later than two years and not later than three years	25
- later than three years and not later than four years	25
- later than four years and not later than five years	25
- later than five years	25
Total	<u>150</u>
	31 March 2022 £000
Future minimum lease receipts due at 31 March 2022:	
- not later than one year;	25
- later than one year and not later than five years;	100
- later than five years.	25
Total	<u>150</u>

Note 6.1 Operating expenses

	2022/23	2021/22
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	1,490	1,241
Purchase of healthcare from non-NHS and non-DHSC bodies	3,670	2,624
Staff and executive directors costs	191,944	174,761
Remuneration of non-executive directors	133	120
Supplies and services - clinical (excluding drugs costs)	23,099	20,247
Supplies and services - general	3,247	2,653
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	10,184	9,175
Inventories written down	3	-
Consultancy costs	13	42
Establishment	2,169	2,826
Premises	12,180	11,191
Transport (including patient travel)	619	675
Depreciation on property, plant and equipment	6,539	5,458
Amortisation on intangible assets	638	814
Net impairments	2,902	-
Movement in credit loss allowance: contract receivables / contract assets	104	669
Increase/(decrease) in other provisions	158	909
Change in provisions discount rate(s)	(11)	2
Audit services- statutory audit *	88	80
Internal audit costs	128	125
Clinical negligence	8,498	8,775
Legal fees	182	245
Insurance	206	245
Research and development	336	406
Education and training	1,716	1,110
Operating lease expenditure (comparative only)	177	
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	1,646	1,581
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	-	-
Car parking & security	622	446
Hospitality	15	25
Other services, eg external payroll	291	302
Other	581	678
Total	<u>273,390</u>	<u>247,602</u>
Of which:		
Related to continuing operations	273,390	247,602

* Fees payable to the external auditor include irrecoverable VAT.

Note 6.2 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2022/23 or 2021/22.

Note 7 Impairment of assets

	2022/23 £000	2021/22 £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	2,902	-
Other	-	-
Total net impairments charged to operating surplus / deficit	<u>2,902</u>	<u>-</u>
Impairments charged to the revaluation reserve	858	-
Total net impairments	<u>3,760</u>	<u>-</u>

The impairment relates to buildings on both Southport and Ormskirk Hospital sites. The Trust is subject to an annual desktop valuation with a full revaluation occurring every 5 years. Impairment is driven by a combination of the investment in backlog maintenance in year only being recognised at 67p in the pound plus a new ventilation standard that the Trust does not fully meet and therefore this impacts on obsolescence.

Note 8 Employee benefits

	2022/23	2021/22
	Total	Total
	£000	£000
Salaries and wages	129,068	116,459
Social security costs	13,366	11,220
Apprenticeship levy	538	592
Employer's contributions to NHS pensions	20,647	19,085
Pension cost - other	81	73
Other post employment benefits	-	-
Other employment benefits	-	-
Termination benefits	-	-
Temporary staff (including agency)	29,306	28,295
Total gross staff costs	<u>193,006</u>	<u>175,724</u>
Recoveries in respect of seconded staff	-	-
Total staff costs	<u>193,006</u>	<u>175,724</u>
Of which		
Costs capitalised as part of assets	752	637

Total staff costs of £193,006k are made up of Staff and Executive Director costs of £191,944k (note 6) plus research of £310k (note 6) and costs capitalised as part of assets £752k.

Note 8.1 Retirements due to ill-health

During 2022/23 there were 3 early retirements from the trust agreed on the grounds of ill-health (1 in the year ended 31 March 2022). The estimated additional pension liabilities of these ill-health retirements is £204k (£60k in 2021/22).

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

Note 9 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2023, is based on valuation data as at 31 March 2022, updated to 31 March 2023 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 at 20.6% of pensionable pay.

The actuarial valuation as at 31 March 2020 is currently underway and will set the new employer contribution rate due to be implemented from April 2024.

National Employment Savings Scheme

Southport & Ormskirk Hospital NHS Trust also offers an additional defined contribution workplace pension scheme - NEST. Contributions are not material representing less than 1% of total pension contributions.



Note 10 Finance income

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

	2022/23	2021/22
	£000	£000
Interest on bank accounts	382	9
Total finance income	<u>382</u>	<u>9</u>

Note 11.1 Finance expenditure

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

	2022/23	2021/22
	£000	£000
Interest expense:		
Interest on loans from the Department of Health and Social Care	2	5
Interest on lease obligations	353	335
Main finance costs on PFI and LIFT schemes obligations	298	329
Contingent finance costs on PFI and LIFT scheme obligations	1,279	1,138
Total interest expense	<u>1,932</u>	<u>1,807</u>
Unwinding of discount on provisions	1	(2)
Total finance costs	<u>1,933</u>	<u>1,805</u>

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)

	2022/23	2021/22
	£000	£000
Gains on disposal of assets	79	12
Total gains / (losses) on disposal of assets	<u>79</u>	<u>12</u>

Note 13.1 Intangible assets - 2022/23

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2022 - brought forward	18,557	1,444	20,001
Additions	19	1,020	1,039
Reclassifications	240	(240)	-
Valuation / gross cost at 31 March 2023	18,816	2,224	21,040
Amortisation at 1 April 2022 - brought forward	15,611	-	15,611
Provided during the year	638	-	638
Amortisation at 31 March 2023	16,249	-	16,249
Net book value at 31 March 2023	2,567	2,224	4,791
Net book value at 1 April 2022	2,946	1,444	4,390

Note 13.2 Intangible assets - 2021/22

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2021 - as previously stated	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 - as previously stated	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 14.1 Property, plant and equipment - 2022/23

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2022									
- brought forward	4,689	82,294	182	1,727	52,103	597	18,683	2,462	162,737
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	-	(7,889)	-	-	(1,644)	-	-	-	(9,533)
Additions	-	3,829	-	16,891	2,735	20	2,724	55	26,254
Impairments	-	(3,253)	-	-	-	-	-	-	(3,253)
Revaluations	-	(2,385)	40	-	-	-	-	-	(2,345)
Reclassifications	-	6,731	-	(6,731)	-	-	-	-	-
Disposals / derecognition	-	-	-	-	(617)	-	-	-	(617)
Valuation/gross cost at 31 March 2023	4,689	79,327	222	11,887	52,577	617	21,407	2,517	173,243
Accumulated depreciation at 1 April 2022 - brought forward	-	-	-	-	38,669	540	11,292	2,162	52,663
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	-	(68)	-	-	(1,418)	-	-	-	(1,486)
Provided during the year	-	2,408	5	-	2,141	23	1,299	53	5,929
Revaluations	-	(2,340)	(5)	-	-	-	-	-	(2,345)
Disposals / derecognition	-	-	-	-	(586)	-	-	-	(586)
Accumulated depreciation at 31 March 2023	-	-	-	-	38,806	563	12,591	2,215	54,175
Net book value at 31 March 2023	4,689	79,327	222	11,887	13,771	54	8,816	302	119,068
Net book value at 1 April 2022	4,689	82,294	182	1,727	13,434	57	7,391	300	110,074

Note 14.2 Property, plant and equipment - 2021/22

	Land £000	Buildings excluding dwellings £000	Dwellings construction £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2021 - as previously stated	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 - as previously stated	-	-	-	-	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 14.3 Property, plant and equipment financing - 31 March 2023

	Land £000	Buildings excluding dwellings £000	Dwellings construction £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Owned - purchased	4,689	75,987	222	11,887	9,949	54	8,772	222	111,782
On-SoFP PFI contracts and other service concession arrangements	-	1,933	-	-	3,082	-	-	-	5,015
Owned - donated/granted	-	1,407	-	-	740	-	44	80	2,271
Total net book value at 31 March 2023	4,689	79,327	222	11,887	13,771	54	8,816	302	119,068

Note 14.4 Property, plant and equipment financing - 31 March 2022

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
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
Total net book value at 31 March 2022	4,689	82,294	182	1,727	13,434	57	7,391	300	110,074

Note 14.5 Property plant and equipment assets subject to an operating lease (Trust as a lessor) - 31 March 2023

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Subject to an operating lease	-	-	-	-	-	-	-	-	-
Not subject to an operating lease	4,689	79,327	222	11,887	13,771	54	8,816	302	119,068
Total net book value at 31 March 2023	4,689	79,327	222	11,887	13,771	54	8,816	302	119,068

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 2023. 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.

There was no change to land values but building assets for 2022/23 reduced in value by £3,760,000. Note 7 details the nature of this impairment.

Note 17 Leases - Southport & Ormskirk Hospital NHS Trust as a lessee

This note details information about leases for which the Trust is a lessee.

Southport & Ormskirk Hospital NHS Trust leases buildings, vehicles and equipment.

The Trust has applied IFRS 16 to account for lease arrangements from 1 April 2022 without restatement of comparatives. Comparative disclosures in this note are presented on an IAS 17 basis.

Note 17.1 Right of use assets - 2022/23

	Property (land and buildings) £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Total £000	Of which: leased from DHSC group bodies £000
IFRS 16 implementation - reclassification of existing finance leased assets from PPE or intangible assets	7,889	1,644	-	-	9,533	-
IFRS 16 implementation - adjustments for existing operating leases / subleases	2,818	-	11	72	2,901	2,734
Additions	-	125	-	-	125	-
Impairments	(507)	-	-	-	(507)	-
Valuation/gross cost at 31 March 2023	10,200	1,769	11	72	12,052	2,734
IFRS 16 implementation - reclassification of existing finance leased assets from PPE or intangible assets	68	1,418	-	-	1,486	-
Provided during the year	453	79	6	72	610	164
Accumulated depreciation at 31 March 2023	521	1,497	6	72	2,096	164
Net book value at 31 March 2023	9,679	272	5	-	9,956	2,570
Net book value of right of use assets leased from other NHS providers						-
Net book value of right of use assets leased from other DHSC group bodies						2,570

Note 17.2 Revaluations of right of use assets

The Trusts 2 modular buildings on the Southport site have now been reclassified from finance leases to right of use assets and these have been subject to the revaluation exercise of land and buildings in 2022/23. The impact of these revaluations are an impairment of £507,000 as detailed in note 17.1.

Note 17.3 Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the statement of financial position. A breakdown of borrowings is disclosed in note 23.1.

	2022/23
	£000
Carrying value at 31 March 2022	6,119
IFRS 16 implementation - adjustments for existing operating leases	2,901
Lease additions	125
Interest charge arising in year	353
Lease payments (cash outflows)	(1,645)
Carrying value at 31 March 2023	7,853

Lease payments for short term leases, leases of low value underlying assets and variable lease payments not dependent on an index or rate are recognised in operating expenditure.

These payments are disclosed in Note 6.1. Cash outflows in respect of leases recognised on-SoFP are disclosed in the reconciliation above.

Income generated from subleasing right of use assets is £0k and is included within revenue from operating leases in note 4.

Note 17.4 Maturity analysis of future lease payments at 31 March 2023

	Total	Of which leased from DHSC group bodies:
	31 March 2023	31 March 2023
	£000	£000
Undiscounted future lease payments payable in:		
- not later than one year;	1,279	178
- later than one year and not later than five years;	4,799	713
- later than five years.	1,775	1,691
Total gross future lease payments	7,853	2,582
Finance charges allocated to future periods	-	-
Net lease liabilities at 31 March 2023	7,853	2,582
Of which:		
Leased from other NHS providers		-
Leased from other DHSC group bodies		2,582

Note 17.5 Maturity analysis of finance lease liabilities at 31 March 2022 (IAS 17 basis)

The following table details the maturity of obligations under leases the trust previously determined to be finance leases under IAS 17 at 31 March 2022.

	31 March 2022
	£000
Undiscounted future lease payments payable in:	
- not later than one year;	1,026
- later than one year and not later than five years;	4,717
- later than five years.	376
Total gross future lease payments	<u>6,119</u>
Finance charges allocated to future periods	-
Net finance lease liabilities at 31 March 2022	<u>12,238</u>
of which payable:	
- not later than one year;	1,026
- later than one year and not later than five years;	4,717
- later than five years.	376
Total of future minimum sublease payments to be received at the reporting date	-

Note 17.6 Commitments in respect of operating leases at 31 March 2022 (IAS 17 basis)

This note discloses costs incurred in 2021/22 and commitments as at 31 March 2022 for leases the trust previously determined to be operating leases under IAS 17.

	2021/22
	£000
Operating lease expense	
Minimum lease payments	177
Total	<u>177</u>
	31 March 2022
	£000
Future minimum lease payments due:	
- not later than one year;	63
- later than one year and not later than five years;	6
- later than five years.	-
Total	<u>69</u>
Future minimum sublease payments to be received	-

Note 17.7 Initial application of IFRS 16 on 1 April 2022

IFRS 16 as adapted and interpreted for the public sector by HM Treasury has been applied to leases in these financial statements with an initial application date of 1 April 2022.

The standard has been applied using a modified retrospective approach without the restatement of comparatives. Practical expedients applied by the Trust on initial application are detailed in the leases accounting policy in note 12.

Lease liabilities created for existing operating leases on 1 April 2022 were discounted using the weighted average incremental borrowing rate determined by HM Treasury as 0.95%.

Reconciliation of operating lease commitments as at 31 March 2022 to lease liabilities under IFRS 16 as at 1 April 2022

	1 April 2022
	£000
Operating lease commitments under IAS 17 at 31 March 2022	69
Impact of discounting at the incremental borrowing rate	
IAS 17 operating lease commitment discounted at incremental borrowing rate	68
Other adjustments:	
Finance lease liabilities under IAS 17 as at 31 March 2022	6,119
Other adjustments	2,833
Total lease liabilities under IFRS 16 as at 1 April 2022	<u>9,020</u>

Note 18 Inventories

	31 March	31 March
	2023	2022
	£000	£000
Drugs	1,127	826
Consumables	1,399	1,544
Energy	89	117
Total inventories	<u>2,615</u>	<u>2,487</u>
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £12,789k (2021/22: £11,904k). Write-down of inventories recognised as expenses for the year were £3k (2021/22: £0k).

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 2022/23 the Trust received £578k of items purchased by DHSC (2021/22: £734k).

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 19.1 Receivables

	31 March 2023 £000	31 March 2022 £000
Current		
Contract receivables *	13,556	5,969
Allowance for impaired contract receivables / assets	(176)	(175)
Prepayments (non-PFI)	1,700	1,404
VAT receivable	697	471
Other receivables	12	16
Total current receivables	<u>15,789</u>	<u>7,685</u>
Non-current		
Contract receivables	888	1,521
Allowance for impaired contract receivables / assets	(432)	(623)
Prepayments (non-PFI)	26,000	-
Other receivables	246	357
Total non-current receivables	<u>26,702</u>	<u>1,255</u>
Of which receivable from NHS and DHSC group bodies:		
Current	10,261	3,139
Non-current	350	405

* includes agenda for change pay offer central funding of £5,877,000.

Note 19.2 Allowances for credit losses

	2022/23 Contract receivables and contract assets £000	2021/22 Contract receivables and contract assets £000
Allowances as at 1 April - brought forward	798	291
New allowances arising	186	604
Changes in existing allowances	(82)	65
Utilisation of allowances (write offs)	(294)	(162)
Allowances as at 31 Mar 2023	<u>608</u>	<u>798</u>

Note 20.1 Cash and cash equivalents movements

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

	2022/23	2021/22
	£000	£000
At 1 April	18,452	6,352
Net change in year	(17,422)	12,100
At 31 March	1,030	18,452
Broken down into:		
Cash at commercial banks and in hand	105	81
Cash with the Government Banking Service	925	18,371
Total cash and cash equivalents as in SoFP	1,030	18,452
Bank overdrafts (GBS and commercial banks)	-	-
Drawdown in committed facility	-	-
Total cash and cash equivalents as in SoCF	1,030	18,452

Note 20.2 Third party assets held by the trust

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

	31 March	31 March
	2023	2022
	£000	£000
Bank balances	1	1
Total third party assets	1	1

Note 21.1 Trade and other payables

	31 March 2023 £000	31 March 2022 £000
Current		
Trade payables	6,003	7,382
Capital payables	6,159	7,365
Accruals	18,534	11,721
Social security costs	18	1,692
Other taxes payable	82	1,653
PDC dividend payable	349	113
Pension contributions payable	1,990	1,925
Other payables	415	499
Total current trade and other payables	33,550	32,350
Of which payables from NHS and DHSC group bodies:		
Current	2,923	2,335



Note 22 Other liabilities

	31 March 2023 £000	31 March 2022 £000
Current		
Deferred income: contract liabilities	13,070	2,989
Total other current liabilities	<u>13,070</u>	<u>2,989</u>

Income received from Cheshire & Mersey ICB of £10m for transaction support received in March 2023 has been deferred to 2023/24. The transaction refers to St Helens & Knowsley NHS Trust acquiring the assets and liabilities for Southport & Ormskirk Hospital NHS Trust and this will take place in 2023/24.

Note 23.1 Borrowings

	31 March 2023 £000	31 March 2022 £000
Current		
Loans from DHSC	-	202
Lease liabilities*	1,279	1,026
Obligations under PFI, LIFT or other service concession contracts	855	394
Total current borrowings	<u>2,134</u>	<u>1,622</u>
Non-current		
Lease liabilities*	6,574	5,093
Obligations under PFI, LIFT or other service concession contracts	5,254	5,149
Total non-current borrowings	<u>11,828</u>	<u>10,242</u>

* The Trust has applied IFRS 16 to lease arrangements within these accounts from 1 April 2022 without restatement of comparatives. More information about leases and the impact of this change in accounting policy can be found in note 17.

Note 23.2 Reconciliation of liabilities arising from financing activities - 2022/23

	Loans from DHSC £000	Lease Liability £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2022	202	6,119	5,543	11,864
Cash movements:				
Financing cash flows - payments and receipts of principal	(200)	(1,263)	(901)	(2,364)
Financing cash flows - payments of interest	(2)	(382)	(297)	(681)
Non-cash movements:				
Impact of implementing IFRS 16 on 1 April 2022	-	2,901	-	2,901
Additions	-	125	1,466	1,591
Application of effective interest rate	-	353	298	651
Carrying value at 31 March 2023	-	7,853	6,109	13,962

Note 23.3 Reconciliation of liabilities arising from financing activities - 2021/22

	Loans from DHSC £000	Lease Liability £000	PFI and LIFT schemes £000	Total £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 24.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs £000	Legal claims £000	Other £000	Total £000
At 1 April 2022	129	1,089	540	1,758
Change in the discount rate	(11)	-	(227)	(238)
Arising during the year	30	239	335	604
Utilised during the year	(72)	(480)	(209)	(761)
Reversed unused	-	(165)	(55)	(220)
Unwinding of discount	1	-	-	1
At 31 March 2023	77	683	384	1,144
Expected timing of cash flows:				
- not later than one year;	73	683	138	894
- later than one year and not later than five years;	4	-	22	26
- later than five years.	-	-	224	224
Total	77	683	384	1,144

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

Note 24.2 Clinical negligence liabilities

At 31 March 2023, £133,157k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Southport & Ormskirk Hospital NHS Trust (31 March 2022: £172,022k).

Note 25 Contingent assets and liabilities

	31 March 2023 £000	31 March 2022 £000
Value of contingent liabilities		
NHS Resolution legal claims	(96)	(86)
Other	-	(100)
Gross value of contingent liabilities	(96)	(186)
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	(96)	(186)

The Trust no longer has an other contingent liability.

Note 26 Contractual capital commitments

	31 March 2023 £000	31 March 2022 £000
Property, plant and equipment	424	990
Total	424	990

At the 31st March 2023 the Trust only had a number of small value retentions relating to fire safety schemes which it is contractually committed to pay in 2023/24.

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 2023 £000	31 March 2022 £000
Gross PFI, LIFT or other service concession liabilities	6,109	5,543
Of which liabilities are due		
- not later than one year;	855	394
- later than one year and not later than five years;	2,228	2,660
- later than five years.	3,026	2,489
Net PFI, LIFT or other service concession arrangement obligation	6,109	5,543
- not later than one year;	855	394
- later than one year and not later than five years;	2,228	2,660
- later than five years.	3,026	2,489

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 2023 £000	31 March 2022 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	41,585	46,499
Of which payments are due:		
- not later than one year;	4,237	4,035
- later than one year and not later than five years;	14,639	16,877
- later than five years.	22,709	25,587

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:

	2022/23 £000	2021/22 £000
Unitary payment payable to service concession operator	4,124	3,925
Consisting of:		
- Interest charge	298	329
- Repayment of balance sheet obligation	901	877
- Service element and other charges to operating expenditure	1,646	1,581
- Contingent rent	1,279	1,138
Total amount paid to service concession operator	4,124	3,925

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 received DHSC cash support in March 2023 via the issue of revenue public dividend capital. This is equity finance rather than loan finance and therefore there is no interest rate risk in relation to revenue loans. The final repayment of the DHSC capital loan was 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 2023 are in receivables from customers, as disclosed in the trade and other receivables note (Note 19).

Liquidity risk

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

Note 28.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2023	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Trade and other receivables excluding non financial assets	14,094	-	-	14,094
Cash and cash equivalents	1,030	-	-	1,030
Total at 31 March 2023	15,124	-	-	15,124

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

Note 28.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2023	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Loans from the Department of Health and Social Care	-	-	-
Obligations under leases	7,853	-	7,853
Obligations under PFI, LIFT and other service concession contracts	6,109	-	6,109
Trade and other payables excluding non financial liabilities	33,101	-	33,101
Total at 31 March 2023	47,063	-	47,063

Carrying values of financial liabilities as at 31 March 2022	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Loans from the Department of Health and Social Care	202	-	202
Obligations under 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

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 2023 £000	31 March 2022 £000
In one year or less	35,235	30,514
In more than one year but not more than five years	7,027	7,377
In more than five years	4,801	2,865
Total	47,063	40,756

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

	2022/23 Total number of cases Number	Total value of cases £000	2021/22 Total number of cases Number	Total value of cases £000
Losses				
Cash losses	-	-	3	1
Bad debts and claims abandoned	282	187	229	161
Stores losses and damage to property	3	97	3	96
Total losses	285	284	235	258
Special payments				
Ex-gratia payments	24	106	26	405
Total special payments	24	106	26	405
Total losses and special payments	309	390	261	663

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 Cheshire & Mersey ICB
- NHS Lancashire & South Cumbria ICB
- NHS Southport & Formby CCG
- NHS West Lancashire CCG
- NHS Liverpool CCG
- NHS England
- Health Education England

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 £278,792 in 2022/23 (£255,880, 2021/22). The majority of transactions were pure recharges for equipment bought using the Trust's finance system. Only £15,000 (£15,000 2021/22) 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

During 2022/23, the Trust Board took the decision to formalise the relationship with St Helens & Knowsley Teaching Hospitals NHS Trust, and undertake a process of bringing the two trusts together to form a single organisation. This resulted in the submission of a Business Case to NHS England which was later approved by the Secretary of State for Health & Social Care. The transaction took place on 1st July 2023, resulting in the two Trusts forming a new organisation known as Mersey and West Lancashire Teaching Hospitals NHS Trust. From 1st July 2023 therefore, Southport & Ormskirk Hospital NHS Trust dissolved as a legal entity, with services (and accompanying assets) transferring to the new NHS body.

The agenda for change non-consolidated pay award offer was made on 30th March. Based on the majority of staff accepting this, the award became contractual after 31st March 2023.

Note 33 Better Payment Practice code

	2022/23 Number	2022/23 £000	2021/22 Number	2021/22 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	43,105	179,459	37,060	138,459
Total non-NHS trade invoices paid within target	39,999	173,546	32,172	126,446
Percentage of non-NHS trade invoices paid within target	<u>92.8%</u>	<u>96.7%</u>	<u>86.8%</u>	<u>91.3%</u>
NHS Payables				
Total NHS trade invoices paid in the year	1,936	53,679	1,915	59,385
Total NHS trade invoices paid within target	1,675	52,013	1,361	53,796
Percentage of NHS trade invoices paid within target	<u>86.5%</u>	<u>96.9%</u>	<u>71.1%</u>	<u>90.6%</u>

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

Note 34 External financing limit

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

	2022/23 £000	2021/22 £000
Cash flow financing	56,509	(5,797)
External financing requirement	<u>56,509</u>	<u>(5,797)</u>
External financing limit (EFL)	56,509	(5,797)
Under / (over) spend against EFL	<u>-</u>	<u>-</u>

Note 35 Capital Resource Limit

	2022/23 £000	2021/22 £000
Gross capital expenditure	53,418	13,687
Less: Disposals	(31)	-
Less: Donated and granted capital additions	(146)	(93)
Charge against Capital Resource Limit	<u>53,241</u>	<u>13,594</u>
Capital Resource Limit	53,241	13,595
Under / (over) spend against CRL	<u>-</u>	<u>1</u>

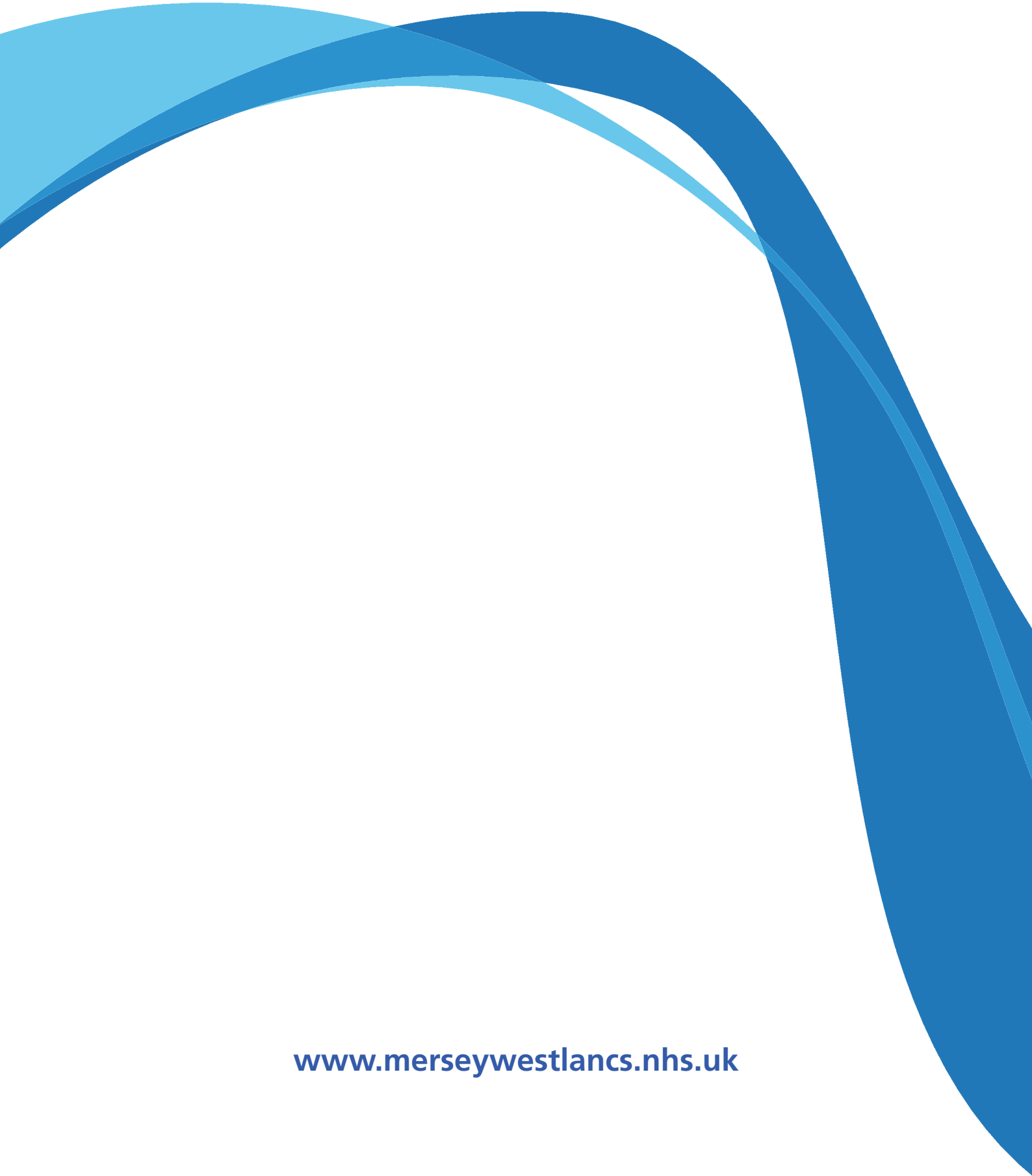
Note 36 Breakeven duty financial performance

	2022/23
	£000
Breakeven duty financial performance surplus / (deficit)	<u>(14,730)</u>

Note 37 Breakeven duty rolling assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		500	853	204	1,258	1,950	(896)	(17,202)
Breakeven duty cumulative position	812	1,312	2,165	2,369	3,627	5,577	4,681	(12,521)
Operating income	146,757	153,368	178,182	181,098	189,224	189,224	188,905	182,236
Cumulative breakeven position as a percentage of operating income		<u>0.9%</u>	<u>1.4%</u>	<u>1.3%</u>	<u>2.0%</u>	<u>2.9%</u>	<u>2.5%</u>	<u>(6.9%)</u>
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(20,709)	(33,003)	(28,961)	(23,757)	125	81	(14,730)	
Breakeven duty cumulative position	(33,230)	(66,233)	(95,194)	(118,951)	(118,826)	(118,745)	(133,475)	
Operating income	186,695	158,277	168,112	193,022	238,590	251,859	260,139	
Cumulative breakeven position as a percentage of operating income	<u>(17.8%)</u>	<u>(41.8%)</u>	<u>(56.6%)</u>	<u>(61.6%)</u>	<u>(49.8%)</u>	<u>(47.1%)</u>	(51.3%)	





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