Southport and Ormskirk Hospital NHS Trust

Annual Report and Accounts 2023-24

Contents

SECTION 3 - ANNUAL ACCOUNTS

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. Performance Review

1.1. Statement from the Chief Executive

Due to a delay in the transaction approval timetable until 1st July 2023, the Southport and Ormskirk Hospital NHS Trust (S&O) has produced a final set of accounts covering the first quarter of 2023/24, until 30th June 2023, when the trust was dissolved and became part of Mersey and West Lancashire Teaching Hospital NHS Trust (MWL).

S&O had been working in partnership with St Helens and Knowsley Teaching Hospitals NHS Trust since September 2021 and formally started the legal transaction process in September 2022.

The rationale for the transaction was to help address and move forward some of the long-standing sustainability issues that had faced S&O, such as the increasing number of fragile services, the growing underlying financial deficit and the need to reconfigure services between the two hospital sites to address clinical sustainability and improve outcomes.

Throughout the year there was uncertainty for staff, but despite this the teams at S&O continued to strive to deliver compassionate and individualised care to their patients. I would like to offer my heartfelt thanks to the staff for their dedication and professionalism. I am looking forward to continuing to work with the S&O teams as we move forward together as Mersey and West Lancashire Teaching Hospitals NHS Trust.

Ann Marr OBE
Chief Executive

27th June 2024

1.2. Overview of the purpose and activities of the Trust

S&O provided acute hospital services to a community of approximately 258,000 across Southport, Formby, and West Lancashire, from two hospitals, Southport and Formby and Ormskirk. Women's and Children's services, including obstetric-led maternity care and the paediatric Emergency Department (ED), were provided at Ormskirk Hospital. Acute services including the adult ED, intensive care, and a range of medical and surgical specialties were provided at Southport Hospital.

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

Southport and Ormskirk Hospital NHS Trust was 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 was Southport District General Hospital, Town Lane, Kew, PR8 6PN.

The Trust was dissolved by The Southport and Ormskirk Hospital National Health Service Trust (Dissolution) Order 2023 No. 699, and assets transferred to St Helens and Knowsley Teaching Hospitals NHS Trust 1st July 2023, whose name was changed to Mersey and West Lancashire Teaching Hospitals NHS Trust to reflect the new organisation more appropriately.

1.3. Key issues and risks

The key issues and risk facing S&O were:

- Long term financial sustainability
- Fragile services
- Service configuration between the two hospital sites
- Estate and IT infrastructure vulnerabilities
- Inability to attract suitably skilled and qualified applicants for key posts.

These risks and issues led the Board of S&O to seek a strategic partnership with STHK as detailed above. This had the support of the Cheshire and Merseyside ICB, the Lancashire and South Cumbria ICB and NHS England (North West).

2. Performance Analysis

2.1. Key activity and performance measures

The Trust remained under pressure during the first quarter of 2023/24 with a continued need to manage and respond to the care and treatment of increasing numbers of patients, focussing on those who had waited the longest, as well as those most clinically urgent, whilst also managing high and sustained levels of non-elective demand and bed occupancy.

There was a continued focus on recovery, whilst also responding to an increase in referrals. There was a targeted effort to reduce the number of patients waiting for appointments, tests, and procedures, which in turn reduced the numbers of the longest waiting patients.

However, in common with most other acute trusts the greatest impact on activity and performance during this period continued to be the number of patients attending the urgent and emergency services, with increasing levels of acuity and dependency. Against a backdrop of increasing urgent and emergency activity, and consistently high numbers of delayed discharges, this resulted in an increase in length of stay and bed occupancy which led to congestion within the adult emergency department, which then had a direct impact on the ambulance service being able to handover patients to the Emergency Department in a timely manner.

The table below compares activity in quarter 1 of 2023/24 to the preceding years, including 2019/20 which was the last year of "normal" activity before the COVID-19 pandemic and the baseline used for assessing elective recovery.

2.2. Performance in 2023/24

Key access and quality targets	Target (%)	2019/20	2020/21	2021/22	2022/23	2023/24*
% of urgent care patients seen within 4 hours	95	85.4%	87.3%	78.0%	74.4%	77.0%
% of patients first seen within two weeks when referred from their GP with suspected cancer	93	95.2%	91.3%	81.0%	83.5%	81.1%
% of patients receiving cancer treatment within 62 days of GP referral	85	80.2%	76.9%	66.2%	57.9%	53.3%
% of admitted patients treated in 18 weeks of referral	92	93.0%	76.6%	81.4%	68.0%	61.1%
% waiting more than 6 weeks for a diagnostic test	1	3.10%	24.50%	32.80%	34.70%	16.9%
Hospital-acquired MRSA bacteraemia	0	1	2	2	0	0
C Difficile cases (Trust-attributed)	<49	31	34	43	48	48

*2023/24 consists of Quarter 1 only, until the Trust was dissolved 1st July 2023

Key activity data	2019/20	2020/21	2021/22	2022/23	2023/24*
Outpatient 1st attendances	65,950	51,552	67,243	68,025	17,533
Outpatient follow-Up attendances	192,633	161,346	180,547	174,199	42,797
Elective Inpatients	2,271	1,265	2,124	2,098	539
Day cases	21,863	12,662	16,240	19,690	4,837
Non-Elective inpatients (*Excluding Obstetrics*)	32,436***	23,774	27,972	30,956	6,218
Adult A&E attendances	58,624	47,707	59,829	56,168	22,175
All births	2,340	2,095	2,392	2,211	490

*2023/24 consists of Quarter 1 only, until the Trust was dissolved 1st July 2023

2.3. Financial performance

Key financial targets

The Trust achieved its agreed financial plan for Quarter 1 2023/24, delivering a planned deficit of £2.015m.

Adjusted financial performance	£ms
Gross Deficit	-118.809
Remove (gains) / losses on transfers by absorption	115.928
Remove I&E impact of capital grants and donations	0.051
Remove impact of IFRS 16 on IFRIC 12 schemes	0.917
Adjusted Deficit	**-2.015**

Note: for performance monitoring the deficit on the face of the accounts is adjusted for the loss on transfer by absorption (acquired by Mersey & West Lancashire Teaching Hospitals NHS Trust on 1st July 2023), donations and the impact of IFRS 16 on IFRIC 12 schemes. Both of these are explained below.

Transfer by absorption:

The net value of Southport & Ormskirk Hospital NHS Trust assets and liabilities just prior to the transfer to Mersey & West Lancashire on 1st July 2023 are shown as a loss on transfer by absorption in the books of Southport & Ormskirk and an equal and opposite gain in the books of Mersey & West Lancashire. This value was £115.928m.

Impact of IFRS 16 on IFRIC 12 schemes:

This was a nationally implemented change applying the leasing standard IFRS 16 to the Trust's 2 managed service contracts (IFRIC 12). The result of an in-year remeasurement of lease liabilities to account for inflation within the contracts resulted in an increase in the liability with a subsequent increase in Financing costs. This value (£0.917m) was removed when assessing the Trust's financial performance.

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

Performance indicator	Target 23/24	Actual 23/24	Variance	Achieved
Adjusted financial performance	-2.015	-2.015	0	Yes
External Financing Limit	-9.824	-2.015	0	Yes
Capital Resource Limit	0.420	0.420	0	Yes
Better Payment Practice Code (non-NHS) by value of invoices	95%	97%	2%	Yes
Better Payment Practice Code (NHS) by value of invoices	95%	90%	-5%	Yes

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

The capital resource limit (CRL) is a control on capital expenditure in full accruals terms. All NHS Trusts have capital resource limits which they are not permitted to overspend. The Trust achieved its CRL and this is shown in note 36 of the accounts.

The Better Payment Practice Code (BPPC) requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. Performance target is set at 95%. The Trust exceeded this for non-NHS suppliers but was 5% under target for NHS suppliers.

Financial analysis

The following table gives a high-level comparison between the two financial years. Note for comparison purposes as 23/24 is for only one quarter, the data for 22/23 has been divided by 4 to show realistic movements:

Accounting heading	2022/23	2022/23 full year	2022/23 Quarter year	Movement	Variance
	£'000s	£'000s	£'000s	£'000s	%
Turnover	67,088	260,139	65,035	2,053	0.8%
Operating expenses	67,805	273,390	68,353	(548)	-0.2%
Non-current asset base	161,836	160,517		1,319	0.8%
Total assets employed	115,928	118,225		(2,297)	-1.9%

Turnover

Income increased by £2.1m from 2022/23 levels. This is due to the following:

- Patient care income increases of £2.5m due to changes in allocations.
- Other operating income reduction of £0.4m with £0.2m reduction relating to education and training caused by a reduction in overseas recruitment, with the remaining balance driven by a reduction in income from non-patient care to other bodies and charitable contributions to expenditure.

Operating expenses

This shows a decrease of £0.5m from 2022/23 levels. This is split with a decrease in pay of £0.1m and a decrease in non-pay of £0.4m. The only material variance between the 2 years is that in 2022/23 there was an impairment relating to the valuation of land and buildings (£2.9m full year) whereas there was no impairment in 2023/24.

Non-current asset base

The overall value of non-current assets increased by £1.3m. This is split £1m on property, plant & equipment (PPE) and £0.3m on receivables (Injury Cost Recovery claims) due in more than one year.

The PPE increase is a combination of investments of £0.5m plus an upward revaluation of £2.4m less depreciation of £1.9m.

Total assets employed

The total value of the Statement of Financial Position has decreased by £2.3m.

This is explained in the table below:

Total assets employed	2023/24 movement
	£ms
Impact of IFRS 16 @ 01/04/23	(1.839)
In-year unadjusted deficit	(2.881)
Revaluation of land and buildings	2.423
Total assets employed movement	(2.297)

Performance Report – Accountable Officer's Approval

Signed as Accountable Officer of the Trust

Ann Marr OBE
Chief Executive

27th June 2024


NHS

Section 2 - Accountability Report

3. Corporate Governance Report

3.1 The Directors Report

3.1.1.The Board of Directors

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

In February 2021, 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 an Agreement for Long Term Collaboration (ALTC) came into effect in September 2021.

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

Under the terms of the ALTC the Chief Executive of STHK became the Chief Executive of Southport and Ormskirk Hospital NHS Trust from September 2021.

Another feature of the ALTC was that NED vacancies on the S&O Board were filled with STHK NEDs (provided they had 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 continued to meet quarterly until June 2023, to conduct statutory business that could not be delegated to the SOC. The Board remained statutorily accountable for the services the Trust was commissioned to provide.

In September 2022 the Boards of both 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.

The transaction was completed in July 2023, and as a result S&O ceased to exist as a separate legal entity and its staff, property, and assets were acquired by STHK, who then changed the name of the Trust to Mersey and West Lancashire Teaching Hospitals NHS Trust (MWL) to reflect the enlarged population to which the new organisation provides services.

The composition of the Board during 2023/24 (1st April to 30th June 2023) was as follows:

	Position	Name	Term of Office	Committee Membership
Non-executive directors	Chair	Neil Masom	Appointed December 2018 Reappointed March 2023	Charitable Funds Remuneration
	Non-executive director	David Bricknell	Appointed April 2018 Reappointed April 2021	Audit Charitable Funds Remuneration
	Non-executive director	Ian Clayton	Appointed November 2021	Strategy and Operations Audit Charitable Funds Finance Performance and Investment Remuneration
	Associate non-executive director	Ian Craig	Appointed June 2021 until May 2024	Audit Charitable Funds Remuneration
	Non-executive director	Pauline Gibson	Appointed as Associate NED July 2017 Appointed as substantive non-executive director May 2021	Audit Charitable Funds Remuneration
	Non-executive director	Gill Brown	Appointed April 2022	Strategy and Operations Audit Charitable Funds Remuneration Quality and Safety
Executive Directors	Chief Executive	Ann Marr OBE	Appointed September 2021	Strategy and Operations
	Managing Director	Anne-Marie Stretch	Appointed September 2021	Strategy and Operations Quality and Safety Finance Performance and Investment Workforce Executive
	Interim Director of Nursing, Midwifery and Therapies	Lynne Barnes	Appointed January 2022	Strategy and Operations Charitable Funds Finance Performance and Investment Quality and Safety Workforce Executive
	Medical Director	Dr Kate Clark	Appointed June 2021	Strategy and Operations Charitable Funds Finance Performance and Investment Quality and Safety Workforce Executive
	Director of Finance	John McLuckie	Appointed June 2021	Strategy and Operations Charitable Funds Finance Performance and Investment Quality and Safety Workforce Executive
	Chief Operating Officer	Lesley Neary	Appointed June 2021	Strategy and Operations Charitable Funds Finance Performance and Investment Quality and Safety Workforce Executive

	Position	Name	Term of Office	Committee Membership
Associate Directors	Director of Human Resources and Organisational Development	Jane Royds	Appointed October 2018	Strategy and Operations Charitable Funds Finance Performance and Investment Quality and Safety Workforce Executive
	Director of Strategy	Nina Russell	Appointed as Interim Director April 2021 Appointed substantively June 2022 Left on secondment to CMAST May 2023	Strategy and Operations Finance Performance and Investment Executive
	Director of Corporate Services	Nicola Bunce	Appointed February 2022	Strategy and Operations Charitable Funds Finance Performance and Investment Quality and Safety Workforce Executive
	Director of Informatics	Christine Walters	Appointed November 2022	Strategy and Operations

Note: all S&O board positions ended on 30th June 2023 when the Trust was dissolved. The employment of the officers of the Board transferred to MWL and the appointments of the Non-Executive Directors ended. The S&O Assurance Committees were also populated by STHK Board members as part of the ALTC agreement.

3.1.2. The Trust Governance Framework

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

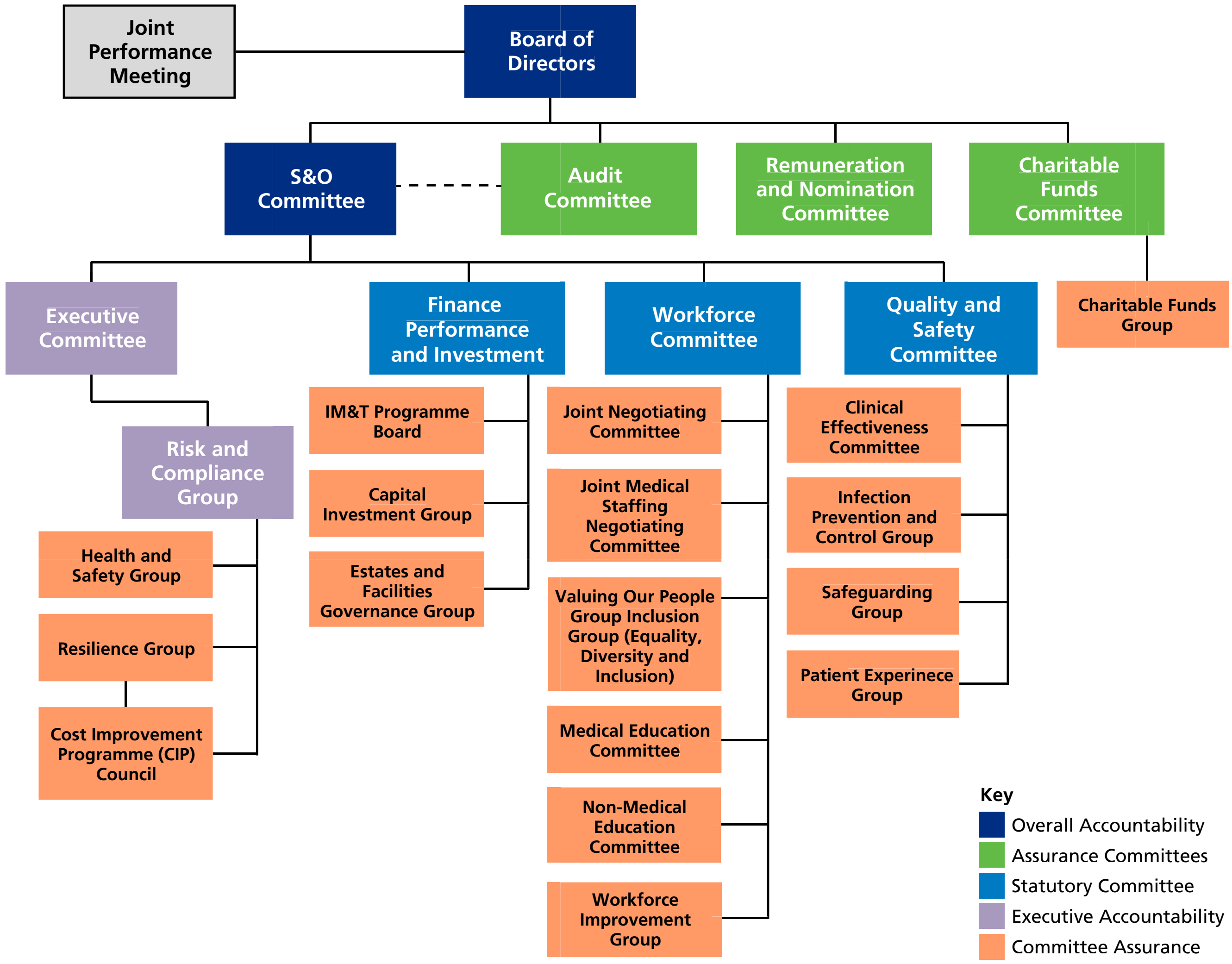
The Trust's Standing Orders, Standing Financial Instructions, and Scheme of Reservation and Delegation of Powers set out the regulatory framework for the business conduct of the organisation.

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

- All NEDs were appointed for fixed terms, ensuring a regular turnover and the introduction of new skills and experience.
- The non-executive membership of the Board outnumbered the executive element for all issues requiring a vote.
- There were regular briefings between the NEDs and the Chair to discuss Trust business independent of the executive. These meetings were held throughout the year.
- Effective management of the Board composition ensured NEDs had 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 led the Board discussion within their area and provided assurance that the Trust was 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 remained statutorily accountable for the services it was commissioned to provide.

The corporate governance structure is represented in the following chart:



Trust Board

Under the ALTC, the Board met quarterly. As such in 2023/24, the Board met once, in June 2023, to approve the 2022/23 Annual Report, the 2022/23 Quality Account, and to receive relevant assurance reports.

Strategy and Operations Committee

The role of the committee was the strategic and operational management of the Trust and the delivery of the objectives set out in the ALTC. The committee was chaired by the Chair of STHK, and the members were the STHK Board and the Executive Directors of S&O.

The SOC met three times between April 2023 and June 2023. All meetings were quorate.

The assurance committees reported to the SOC in line with the ALTC governance arrangements.

Quality and Safety Committee

The Quality and Safety Committee scrutinised and provided an overview on the clinical risks including how they were being managed and controlled. This included oversight of the performance and quality dashboards. The Quality and Safety Committee also ratified relevant policies and procedures recommended by Quality and Safety Committee sub-groups.

The Quality and Safety Committee met three times between April 2023 and June 2023. All meetings were quorate.

Finance, Performance and Investment Committee

The Finance, Performance and Investment Committee scrutinised and monitored:

- Financial performance.
- Activity and operational performance.
- Delivery of the capital programme.
- The ratification of relevant policies and procedures recommended the by Finance, Performance and Investment Committee sub-groups.

The Finance, Performance and Investment Committee met three times between April 2023 and June 2023. All meetings were quorate.

Workforce Committee

The Workforce Committee scrutinised and monitored:

- Evidence relating to compliance with workforce standard e.g., Occupational Health Service (SEQOHS), raising any concerns regarding non-compliance and focusing on improvements to the quality of patient and staff experience.
- Workforce performance data and quality indicators.
- The delivery 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 (EDS), Workforce Race Equality Standard (WRES) and Workforce Disability Equality Standard (WDES).
- The ratification of relevant policies and procedures recommended by the Workforce Committee sub-groups.
- The assurance that any areas of risk relating to HR practices and activities were highlighted and escalated as appropriate.

The Workforce Committee met three times between April 2022 and March 2023. All meetings were quorate.

Remuneration Committee

The Remuneration Committee had delegated authority from the Board to:

- Determine the framework for the remuneration of the Chief Executive and members of the Executive Management Team and other contractual terms.
- 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.
- Consider succession planning for Directors and other senior managers, taking into account challenges and future opportunities.

The remuneration committee met once during quarter 1 of 2023/24, the meeting was quorate.

Charitable Funds Committee

The Charitable Funds Committee was responsible for managing the income and expenditure of any charitable and donated monies and assets held by the Trust.

The Charitable Funds Committee did not meet in quarter 1 of 2023/24.

Audit Committee

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

Three independent NEDs were core members of the Committee, and the other NEDs were also members, if they wished to attend.

The Audit Committee met twice during 2023/24. All meetings were quorate.

Executive Committee

The team of Executive and Associate Directors, led by the Managing Director was the senior management decision making group within the Trust and was responsible for planning, organising, directing, and controlling the organisation's systems and resources to achieve the objectives and targets set by the Board and SOC. The Executive Committee usually met on a weekly basis and exercised the authority delegated by the Chief Executive.

There were 9 Executive Committee meetings in quarter 1 of 2023/24, all meetings were quorate.

Attendance by the Directors at Board and Committee meetings:

Name	Position	Board	Strategy and Operations	Executive	Audit	FP&I	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		**1**	**3**	**9**	**2**	**3**	**3**	**3**	**0**	**1**	**25**	
Neil Masom (OBE)	Chair	1 (1)							0	1 (1)	2(2)	100%
David Bricknell	Non-executive director	1 (1)			2 (2)				0	1 (1)	4 (4)	100%
Ian Clayton	Non-executive director, STHK and Non-executive Director S&O	1 (1)	3 (3)		2 (2)	3 (3)			0	1 (1)	9 (9)	100%
Ian Craig	Associate non-executive director	1 (1)			1 (2)				0	1 (1)	3 (4)	75%
Pauline Gibson	Non-executive director	1 (1)			1 (2)				0	1	3 (4)	75%
Gill Brown	Non-executive director, STHK and Non-executive Director S&O	1 (1)	3 (3)		1 (2)		3 (3)		0		8 (9)	89%
Marr, Ann (OBE)	Chief Executive	0 (1)	2 (3)								2 (4)	50%
Stretch, Anne-Marie	Managing Director	1 (1)	1 (3)	7(9)		2 (3)	2 (3)	2 (3)	0		15 (22)	68%
Lynne Barnes	Interim Director of Nursing, Midwifery and Therapies	0 (1)	2 (3)	7(9)		3 (3)	3 (3)	0 (3)	0		15 (22)	68%
Dr Kate Clark	Medical Director	1 (1)	3 (3)	9(9)		2 (3)	3 (3)	3 (3)	0		21 (22)	95%
John McLuckie	Director of Finance	1 (1)	3 (3)	8(9)	2 (2)	3 (3)	2 (3)	2 (3)	0		21 (24)	87%
Lesley Neary	Chief Operating Officer	1(1)	3 (3)	8(9)		2 (3)	1 (3)	2 (3)	0		17 (22)	77%
Jane Royds*	Director of Human Resources and Organisational Development	1(1)	3 (3)	7(9)		2 (3)	2 (3)	2 (3)	0		17 (22)	77%
Nina Russell* (secondment from May 2023)	Director of Strategy		0 (1)	0(2)		1 (1)	0 (1)	1 (1)	0		2 (6)	33%
Nicola Bunce*	Director of Corporate Services	1 (1)	3 (3)	9(9)	2 (2)	3 (3)	3 (3)	2 (3)	0		24 (25)	96%
Christine Walters*	Director of Informatics		3 (3)								3 (3)	100%
Richard Fraser	Chair, Strategy and Operations Committee		1 (3)								1 (3)	33%

Name	Position	Board	Strategy and Operations	Executive	Audit	FP&I	Quality and Safety	Workforce	Charitable Funds	Rem Committee	Total Meetings	% Attendance
Total Meetings		1	3	9	2	3	3	3	0	1	25	
Geoffrey Appleton	Non-executive director, STHK		3 (3)			3 (3)	3 (3)	3 (3)			12 (12)	100%
Paul Growney	Non-executive director, STHK		0 (3)			0 (3)					0 (3)	0%
Lisa Knight	Non-executive director, STHK		3 (3)					3 (3)			6 (6)	100%
Jeff Kozer	Non-executive director, STHK		3 (3)					3 (3)			6 (6)	100%
Rani Thind	Associate Non-executive director, STHK		3 (3)					3 (3)			6 (6)	100%
Rob Cooper	Director of Operations & Performance, STHK		2 (3)								2 (3)	67%
Gareth Lawrence	Director of Finance and Information, STHK		2 (3)								2 (3)	67%
Sue Redfern	Director of Nursing, Midwifery and Governance, STHK		3 (3)								3 (3)	100%
TOTAL		**12 (14)**	**49 (60)**	**55 (63)**	**11 (14)**	**27 (34)**	**25 (31)**	**20 (28)**	**0 (0)**	**5 (5)**	**204 (249)**	**82%**

*Associate Directors

3.1.3. Fit and Proper Persons requirements

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 2023/24 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.

3.1.4. Statement on disclosure 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

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
- 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.

Ann Marr OBE
Chief Executive

27th June 2024

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 was in place in Southport and Ormskirk Hospital NHS Trust until the dissolution of the Trust 1 July 2023.

3.3.3. Key Financial Governance Policies and Processes

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

Standing Orders

The Standing Orders were 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 including the Audit Committee.

Standing Financial Instructions (SFIs)

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

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

The SFIs were used in conjunction with the Trust's Standing Orders and the Scheme of Reservation and Delegation, and the individual detailed procedures set by directors.

Scheme of Reservation and Delegation

This set out the matters that were reserved to the Board and the areas of delegated responsibility to committees and individuals. The document set out who was responsible and the nature and purpose of that responsibility.

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.

Independent assurance was provided through the Trust's internal audit programme and the work undertaken by NHS Counter Fraud Authority, reports from which were reviewed by the Audit Committee. The audited Counter Fraud Functional Standard Return for the Trust for 2022/23 had 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 Cost Improvement Programme (CIP) delivery were presented to the Finance, Performance, and Investment Committee and via the Integrated Performance Report (IPR) to the SOC.

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

3.3.4. Capacity to handle risk

Leadership

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

Performance monitoring

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

The Trust had a Single Accountability Framework which set out the approach to overseeing and supporting Clinical Business Units (CBU) in understanding how the Trust monitored their performance; identified any support needed to improve standards and outcomes; and ensured that agreed support packages were coordinated. Each CBU had its own IPR, which was developed in line with the measures in the Trust IPR. There were monthly performance meetings with each CBU to monitor performance and delivery.

The assurance committees reviewed and monitored the IPR monthly. Where concerns were identified, the assurance committees sought clarification or further assurance that the issues were being managed and could escalate any concerns to the SOC through the AAA Highlight Reports.

Staff Responsibility

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

Risk management training was part of the Trust's Induction programme with mandatory training for all staff throughout the Trust which included health and safety, fire, security, incident reporting, claims and complaints.

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

- 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 was 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 was 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 was reviewed quarterly, and as such was reviewed once during 2023/24 in April 2023.

The BAF provided a mechanism for the Board/ SOC to be assured that the systems, policies, and procedures in place were operating in a way that was effective and focussed on the key strategic risks which might have prevented the Trust's strategic objectives from being achieved. The BAF also allowed any gaps in control and assurance to be identified and rectified.

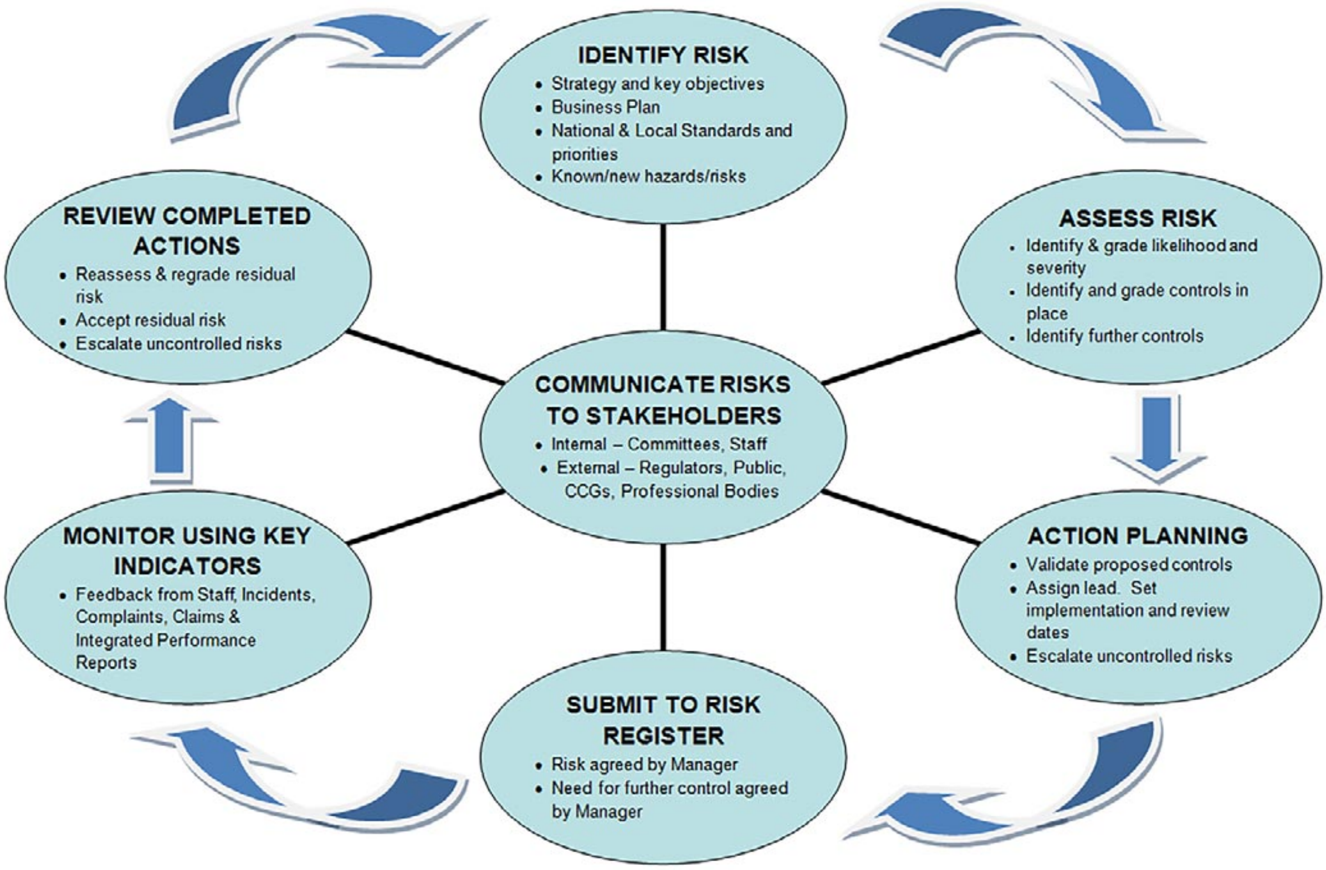
Strategic Objective	Principal Risk
SO1 Improve clinical outcomes and patient safety to ensure that we deliver high quality services	Risk ID1 If quality is not maintained in line with regulatory standards this will impede clinical outcomes and patient safety
SO2 Deliver services that meet NHS constitutional and regulatory standards	Risk 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
SO2 Deliver services that meet NHS constitutional and regulatory standards	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
SO2 Deliver services that meet NHS constitutional and regulatory standards	Risk ID2c There is a risk of major and sustained failure of essential IT systems
SO3 Efficiently and productively provide care within agreed financial limits	Risk ID3 Failure to develop or deliver long term financial sustainability plans for the Trust and with system partners
SO4 Develop a flexible, responsive workforce of the right size and with the right skills who feel valued and motivated	Risk ID4 Failure to attract, develop, and retain a resilient and adaptable workforce with the right capabilities and capacity there will be an impact on clinical outcomes and patient experience
SO5 Enable all staff to be patient-centred leaders building on an open and honest culture and the delivery of the Trust values	Risk ID5 If the Trust does not have leadership at all levels patient and staff satisfaction will be impacted
SO6 Engage strategic partners to maximise the opportunities to design and deliver sustainable services for the population of Southport, Formby, and West Lancashire	Risk ID6 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

Risk Management Process

The *Risk Management Framework (RMF)* outlined the responsibilities for risk management as well as the processes for managing risks within the Trust. During 2023/24 the Trust had continued to use Datix as its risk management system and had reviewed all risk registers via the Risk and Compliance Group to ensure a consistent application of the Risk Management Framework across all CBUs.

The figure below shows how risk management involved the identification, analysis, evaluation, and treatment of risks.

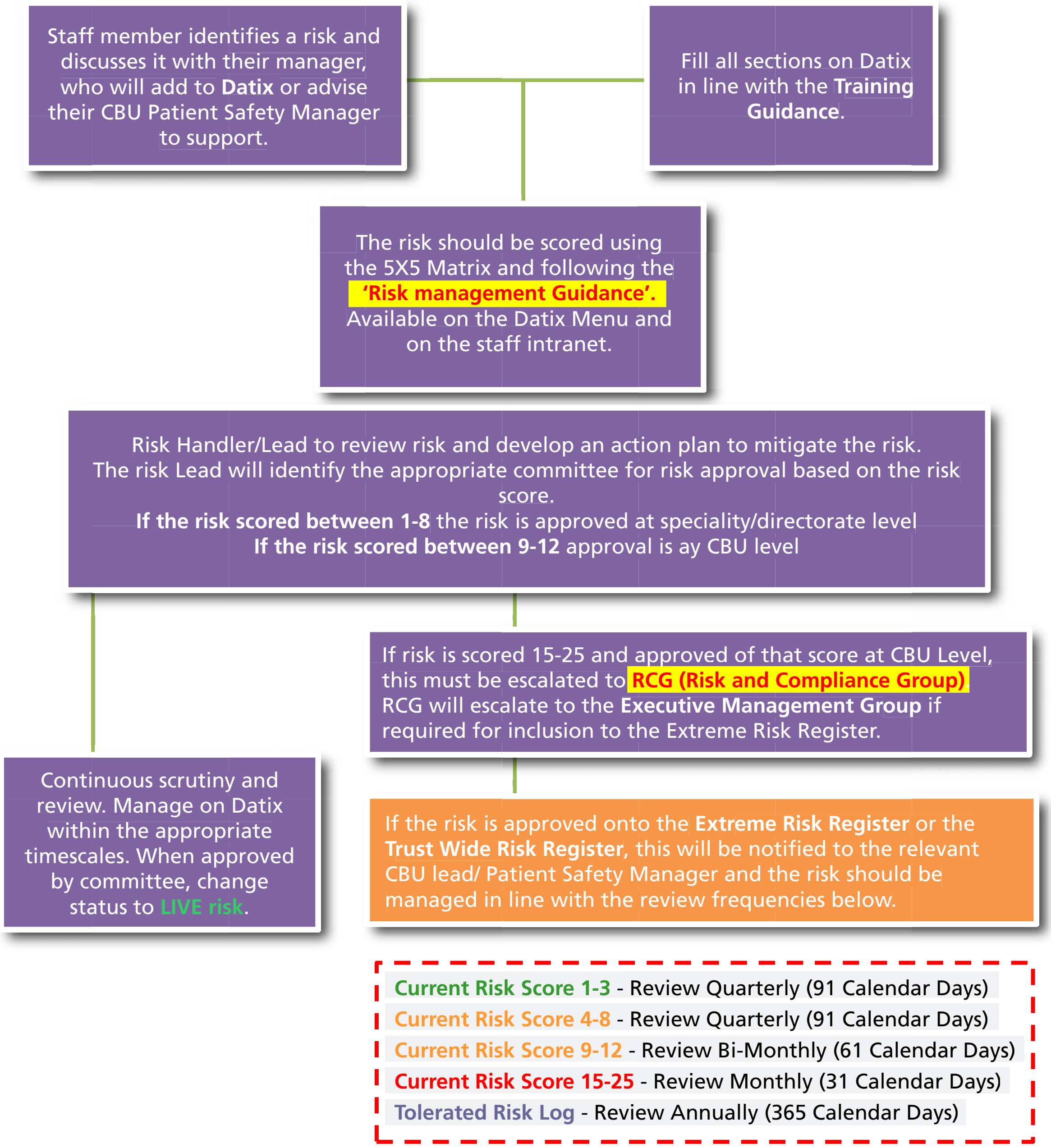
There were quarterly reports to the SOC on activity within the Trust's Risk Register which detailed the approved risks and those that had either been added to the Trust risk register or removed.



Trust's Risk Monitoring Escalation and Assurance Process

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

The Trust operated three tiers of risk management which were all interlinked via an escalation process. The escalation of a risk was dependent upon the level of the risk, or whether the risk needed specialist management at a higher tier, such as a risk requiring a multi-directorate approach to its management. This is illustrated below.



Risks were recorded using a standardised 5x5 risk matrix and the severity of each risk rated according to the Consequence x Likelihood risk assessment matrix within the Risk Management Framework to create a risk score which helped guide action at the appropriate level.

3.3.6. Statutory and regulatory compliance

Compliance with the NHS Provider Licence

The Trust was not subject to any regulatory special interventions or support during April to June 2023.

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

Care Quality Commission Regulatory Requirements

The Trust continued to meet the registration requirements of the CQC until the Trust was dissolved and the registration passed to MWL.

NHSE Compliance with Declarations of Interests

The Trust published a register of interests is on the Trust Website, as required by the 'Managing Conflicts of Interest in the NHS' guidance.

Pension Scheme

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

3.3.7. Social responsibility

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

To achieve the Specific Duties the Trust published 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.

These were published on an annual basis and will be published for the whole of Mersey and West Lancashire Teaching Hospital NHS Trust for 2023/24.

Overview of activity to eliminate unlawful discrimination.

The Trust was committed to the promotion of equality, diversity, and inclusion for both patient and staff experience and had processes in place to ensure that any unlawful discrimination was prevented or eliminated.

Climate Change and the NHS Net Zero Ambition

The Southport and Ormskirk Hospital NHS Trust had a Green Plan that was approved in January 2022, which included a three-year plan to reduce carbon emissions and outlined several strategies to aid the UK Government's plan to be the world's first net zero national health service by 2040 for directly controlled emissions and 2045 for the emissions we can influence (our NHS Carbon Footprint Plus). The plan incorporated a risk assessment on the effects of climate change and severe weather.

Oversight of the Green Plan was managed via the Executive Committee, who received an annual report detailing progress against defined deliverables. Assurance was provided to the Strategy and Operations Committee, under the terms of the ALTC through the Alert, Advise, Assure (AAA) highlight reports.

Carbon emission figures are calculated on an annual basis and as such, full year progress on the Green Plan and details of carbon reduction in 2023/24 can be found in the Mersey and West Lancashire Teaching Hospital NHS Trust 2023/24 Annual Report.

In this way the Trust ensured that its obligations under the Climate Change Act and the Adaption Reporting requirements were complied with.

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

The trust had regularly reviewed the economic, efficient and effective use of resources.

These arrangements included:

- Annual Operational and Financial Planning cycle.
- Delivery of cost improvement plans.
- Monthly reporting to the SOC and the Executive Team on key performance indicators.
- Monthly CBU Finance, Performance & Investment Meetings.
- Monthly review of financial targets by the Finance, Performance & Investment Committee.
- Procurement of goods and services undertaken by professional procurement staff working with neighbouring organisations within a procurement hub.

3.3.9. Information governance

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

Information Governance management was provided by Mid Mersey Digital Alliance.

The Trust used the Data Security and Protection Toolkit (DSPT) to benchmark its Information Governance (IG) controls. 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 had to address all mandatory requirements within the DPST to publish a successful assessment.

The Trust submitted the 2022/23 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 Trust had a Data Breach Management Procedure in place but there were no reportable incidents between April – June 2023.

3.3.10. Data quality

The Trust recognised the importance of quality and accuracy when processing and reporting waiting time data. Weekly Access meetings were held with representation from both Operations and Business Intelligence to discuss patients waiting on both Referral to Treatment (RTT) and non RTT pathways as well as associated waiting lists. These meetings were used to understand and remove potential delays to the patients' timely treatment and to help ensure the patients were seen in line with the Trust's Access Policy.

Mersey Internal Audit Agency (MIAA) undertook regular audits of data quality as part of the internal audit programme, with no significant issues found and all outstanding actions monitored to completion. Outstanding audit actions were transferred to MWL at the point of the transaction and continued to be tracked.

The Information Department had processes in place for checking data provided in reports to ensure it accurately reflected the clinical systems. Governance of all data quality was managed through a Data Quality Group.

3.3.11. 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.

3.3.12. Conclusion

No significant internal control issues have been identified or reported in the annual governance statement for April – June 2023/24.

Annual Governance Statement signed by

Ann Marr OBE
Chief Executive

27th June 2024

4. Remuneration and Staff Report

4.1. 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.

2023/24 Composition by gender at 30th June 2023

Gender	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	Band 8A	Band 8B	Band 8C	Band 8D	Medical and Dental	Trust Chair	Trust Scale Senior Manager	Grand Total
Female	564	379	199	608	430	276	86	44	8	4	98	0	5	2701
Male	214	59	53	100	95	58	15	14	2	3	192	1	1	807
Grand Total	778	438	252	708	525	334	101	58	10	7	290	1	6	3508

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	Medical and Dental	Trust Chair	Trust Scale Senior Manager	Grand Total
Female	548	363	202	613	430	265	77	41	8	4	92	0	5	2648
Male	201	53	55	104	99	55	17	13	2	4	190	1	1	795
Grand Total	749	416	257	717	529	320	94	54	10	8	282	1	6	3443

4.2. Staff costs and average employee numbers

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

Staff costs	Permanent £000	Other £000	Q1 2023/24 Total £000	2022/23 Total £000
Salaries and wages	31,198	-	**31,198**	129,068
Social security costs	3,916	-	**3,916**	13,366
Apprenticeship levy	185	-	**185**	538
Employer's contributions to NHS pension scheme	5,500	-	**5,500**	20,647
Pension cost - other	24	-	**24**	81
Temporary staff	-	7,320	**7,320**	29,306
Total gross staff costs	**40,823**	**7,320**	**48,143**	**193,006**
Recoveries in respect of seconded staff	-	-	**-**	-
Total staff costs	**40,823**	**7,320**	**48,143**	**193,006**
Of which				
Costs capitalised as part of assets	116	44	**160**	752

Average number of employees (WTE basis)	Permanent Number	Other Number	Q1 2023/24 Total Number	2022/23 Total Number
Medical and dental	240	89	**329**	347
Administration and estates	318	22	**340**	344
Healthcare assistants and other support staff	1,122	139	**1,261**	1,216
Nursing, midwifery and health visiting staff	988	131	**1,119**	1,081
Scientific, therapeutic and technical staff	361	6	**367**	369
Other	4	-	**4**	5
Total average numbers	**3,033**	**387**	**3,420**	**3,362**
Of which:				
Number of employees (WTE) engaged on capital projects	10	1	**11**	13

Trade Union Facility Time

The total time spent on Trade Union activities in the quarter amounted to 228 hours. This equates to a cost of £5,032 to the Trust.

Expenditure on consultancy

Consultancy expenditure was £1,716 (prior year £13,252). This was spent on strategic advice, benchmarking, and communication services.


Audiology
Reception
PORTER
NHS
PORTER
Our Vision is 5 Star Patient Care

4.3. Staff sickness absence data

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

	2023/24 (to 30/06/2023)	2022/23
Staff group	**% Full-time equivalent days sickness**	**% Full-time equivalent days sickness**
Medical and Dental	2.82	3.50
Administrative and Clerical	3.81	5.78
Estates and Ancillary	6.47	7.01
Additional Clinical Services	8.10	9.29
Nursing and Midwifery Registered	6.39	7.49
Students	2.18	3.75
Allied Health Professionals	1.96	3.41
Professional Scientific and Technical	4.08	6.57
Healthcare Scientists	4.33	3.73
Average	**5.46**	**6.70**

4.4. Off-payroll engagement

For all off-payroll engagements as of 30th June 2023, for more than £245 per day and that last longer than six months:

	Number
Number of existing engagements as at 30th June 2023	1
Of which, the number that have existed:	
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

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 30th June 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 1st April 2023 and 30th June 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

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 1st April 2023 and 30th June 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.	14

4.5. Senior managers' remuneration policy

The key principles from the Remuneration framework developed and approved by the Remuneration Committee were:

(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 the Trust.

(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.

(f) The Committee must be able to justify any salary higher than the salary of the Prime Minister in accordance with NHS England policy.

(g) The Committee will have regard to NHS Code of Governance, 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 performance related pay and/or any cost-of-living rise awarded and/or other benefits are awarded as part of remuneration then the extent to which these elements (or any one of them) affect the total remuneration for any individual shall be considered and considered as part of the determination of appropriate total remuneration for that individual.

(k) Where the Chief Executive or any Executive Director is released by the Trust to carry out a role elsewhere (for example as a non-executive director elsewhere) then subject to the terms of the contract of employment the Committee may determine whether the Chief Executive or Executive Director will retain any or all of the earnings arising from that role.

Service contracts

Directors' contracts were not time limited and the required notice period for Executive Directors was six months.

4.6. Further remuneration disclosures which are subject to audit

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

2023-2024 (01/04/2023 - 30/06/2023)							
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	15-20					15-20
AM Stretch - Managing Director	2	35-40					35-40
L Barnes - Nursing Director		25-30					25-30
L Neary - Chief Operating Officer		25-30					25-30
N Russell - Director of Transformation		20-25					20-25
J Royds - Human Resources Director		25-30					25-30
J McLuckie - Director of Finance		30-35					30-35
K Clark - Medical Director		45-50					45-50
N Masom - Trust Chair		10-15					10-15
P Gibson - Non-Executive Director		0-5					0-5
DJ Bricknell - Non-Executive Director		0-5					0-5
I Clayton - Non-Executive Director		0-5					0-5
IA Craig - Non-Executive Director		0-5					0-5
G Brown - Non-Executive Director		0-5					0-5

For 2023/24 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.

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		235-240				120-122.5	235-240
L Neary - Chief Operating Officer		120-125	2			0	120-125
N Russell - Director of Transformation	3	120-125				25-27.5	120-125
J Royds - Human Resources Director		160-165				47.5-50	160-165
J McLuckie - Director of Finance		130-135				5-7.5	130-135
K Clark - Medical Director		220-225	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

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.

Additional notes relating to Senior Managers

Expense payments relate to the benefits in kind of 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 2023/24 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
2023/24 (to 30/06/2023)	22,816	30,639	42,618
2022/23	21,730	29,180	40,588

All values have increased since 2022/23. The increase is consistent for the 25th percentile, median and 75th percentile of remuneration at 5%. The explanation for this is that for 2023 to 2024, the government has given Agenda for Change staff a 5% consolidated increase in pay, worth at least £1,065 per employee.

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 2023/24 (to 30/06/2023) was between £45,000 and £50,000 (2022/23, £180,000 to £185,000). There has been no increase in annual salary between 31st March 2023 and 30th June 2023. Note the highest paid Director for 2023/24 (to 30/06/2023) has been determined by reviewing annualised salaries for the quarter for those in post at 30th June 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
2023/24 (to 30/06/2024)	8.33:1	8.33:1	6.20:1	6.25:1	4.46:1	4.46:1
2022/23	7.87:1	7.87:1	5.86:1	5.86:1	4.21:1	4.21:1

In 2023/24, 30 (2022/23, 21) employees received remuneration in excess of the highest-paid director.

The overall range of remuneration was from £5,596 to £124,521 for the first quarter of 2023/24 (2022/23 £21,925 to £313,102).

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 2023/24.

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 30 June 2023 (Bands of £5,000)	Lump sum at pension age related to accrued pension at 30 June 2023 (Bands of £5,000)
	£'000s	£'000s	£'000s	£'000s
J Royds - Human Resources Director	0	5-7.5	50-55	140-145
N Russell - Director of Transformation	0	5-7.5	25-30	60-65
K Clark - Medical Director	0	7.5-10	60-65	160-165
J McLuckie - Director of Finance	0	5-7.5	50-55	160-165
L Barnes - Nursing Director	0	5-7.5	30-35	80-85

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	961	38	1,224	0
N Russell - Director of Transformation	322	23	461	0
K Clark - Medical Director	994	53	1,330	0
J McLuckie - Director of Finance	1,255	3	1,400	0
L Barnes - Nursing Director	490	27	661	0

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.

Pension benefits relating to AM Stretch and A Marr (recharges from St Helens & Knowsley NHS Trust) are shown in the Mersey & West Lancashire Teaching Hospital NHS Trust's annual report (note St Helens & Knowsley NHS Trust renamed to Mersey & West Lancashire on 1st July).

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 30th June 2023.

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).

Exit packages (subject to audit)

Reporting of compensation schemes - exit packages 2023/24 (to 30/06/2023)			
	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**

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 Southport & Ormskirk Hospital NHS 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				
	22023/24 (to 30/06/2023)		2022/23	
	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	-	-	-	-

Accountability Report signed by

Ann Marr OBE
Chief Executive

27th June 2024


NHS
Southport and
Ormskirk Hospital
NHS Trust

Section 3 - Annual Accounts

5. Annual Accounts

5.1. 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.
- 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

Ann Marr

Ann Marr OBE

Chief Executive
27th June 2024

Gareth Lawrence

Gareth Lawrence

Director of Finance & Information
27th June 2024

5.2. Independent auditor's report

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

5.2.1. 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 period ended 30 June 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 material accounting policy information. 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 2023/24 as contained in the Department of Health and Social Care Group Accounting Manual 2023/24, 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 30 June 2023 and of its income and expenditure for the period then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2023/24; 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 other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. 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 2023/24 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Trust is in compliance with laws and regulations, and discussing their 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.

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 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 February 2023.

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.

5.2.2. 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 period ended 30 June 2023.

We have nothing to report in this respect.

Responsibilities of the Accountable Officer

As explained in the Statements of 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 May 2024.

5.2.3. 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 period 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 England; 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'.

5.2.4. 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.

5.2.5. Certificate

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

D Watson

Daniel Watson
Key Audit Partner

For and on behalf of Forvis Mazars LLP
One St Peter's Square Manchester M2 3DE

27/06/2024


Our Vision
Mersey and West Lancashire Teaching Hospitals
NHS Trust

5.3. Annual Accounts 2023/24

Annual Accounts 2023-24

5.3.1. Statement of Comprehensive Income

	Note	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Operating income from patient care activities	3	**63,907**	245,578
Other operating income	4	**3,181**	14,561
Operating expenses	6, 8	**(67,805)**	(273,390)
Operating surplus/(deficit) from continuing operations		**(717)**	(13,251)
Finance income	10	**200**	382
Finance expenses	11	**(1,499)**	(1,933)
PDC dividends payable		**(867)**	(3,027)
Net finance costs		**(2,166)**	(4,578)
Other gains / (losses)	12	**2**	79
Gains / (losses) arising from transfers by absorption	32	**(115,928)**	-
Surplus / (deficit) for the period from continuing operations		**(118,809)**	(17,750)
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	-	(858)
Revaluations	16	**2,423**	-
Total comprehensive income / (expense) for the period		**(116,386)**	(18,608)

5.3.2. Statement of Financial Position

	Note	30 June 2023	31 March 2023
Non-current assets		£000	£000
Intangible assets	13	**4,676**	4,791
Property, plant, and equipment	14	**119,662**	118,561
Right of use assets	17	**10,490**	10,463
Receivables	19	**27,008**	26,702
Total non-current assets		**161,836**	160,517
Current assets			
Inventories	18	**2,613**	2,615
Receivables	19	**9,172**	15,789
Cash and cash equivalents	20	**10,495**	1,030
Total current assets		**22,280**	19,434
Current liabilities			
Trade and other payables	21	**(40,198)**	(33,550)
Borrowings	23	**(2,112)**	(2,134)
Provisions	24	**(272)**	(894)
Other liabilities	22	**(10,995)**	(13,070)
Total current liabilities		**(53,577)**	(49,648)
Total assets less current liabilities		**130,539**	130,303
Non-current liabilities			
Borrowings	23	**(14,365)**	(11,828)
Provisions	24	**(246)**	(250)
Total non-current liabilities		**(14,611)**	(12,078)
Total assets employed		**115,928**	118,225
Financed by			
Public dividend capital		**286,601**	286,601
Revaluation reserve			3,047
Income and expenditure reserve		**(170,673)**	(171,423)
Total taxpayers' equity		**115,928**	118,225

The notes on subsequent pages form part of these accounts.

Annual Accounts signed by:

Signed **27th June 2024**

Ann Marr

Ann Marr OBE, Chief Executive

5.3.3.Statement of Changes in Equity for the period ended 30 June 2023

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
Taxpayers' and others' equity at 1 April 202	£000	£000	£000	£000
- brought forward	**245,150**	**3,905**	**(153,673)**	**95,382**
Application of IFRS 16 measurement principles to PFI liability on 1 April 2023	-	-	(1,839)	(1,839)
Surplus/(deficit) for the period	-	-	(118,809)	(118,809)
Transfers by absorption: transfers between reserves		(5,470)	121,398	115,928
Revaluations	-	2,423	-	2,423
Taxpayers' and others' equity at 30 June 2023	**286,601**	**-**	**(170,673)**	**115,928**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
Taxpayers' and others' equity at 1 April 2022	£000	£000	£000	£000
- brought forward	236,540	2,669	(153,543)	85,666
Prior period adjustment	-	-	-	-
Taxpayers' and others' equity at 1 April 2022 - restated	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

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.

5.3.5. Statement of Cash Flows

	Note	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Cash flows from operating activities			
Operating surplus / (deficit)		**(717)**	(13,251)
Non-cash income and expense:			
Depreciation and amortisation	6.1	**1,926**	7,177
Net impairments	7	**-**	2,902
Income recognised in respect of capital donations	4	**(96)**	(146)
(Increase) / decrease in receivables and other assets		**6,311**	(7,551)
(Increase) / decrease in inventories		**2**	(128)
Increase / (decrease) in payables and other liabilities		**8,542**	12,251
Increase / (decrease) in provisions		**(627)**	(615)
Net cash flows from / (used in) operating activities		**15,341**	639
Cash flows from investing activities			
Interest received		**200**	382
Purchase of intangible assets		**(1,110)**	(2,144)
Purchase of PPE and investment property		**(4,242)**	(50,889)
Sales of PPE and investment property		**3**	110
Receipt of cash donations to purchase assets		**96**	146
Net cash flows from / (used in) investing activities		**(5,053)**	(52,395)
Cash flows from financing activities			
Public dividend capital received		**-**	41,451
Movement on loans from DHSC		**-**	(200)
Capital element of finance lease rental payments		**(39)**	(1,263)
Capital element of PFI, LIFT and other service concession payments		**(320)**	(901)
Interest on loans		**-**	(2)
Interest paid on finance lease liabilities		**(107)**	(382)
Interest paid on PFI, LIFT and other service concession obligations		**(357)**	(1,578)
PDC dividend (paid) / refunded		**-**	(2,791)
Net cash flows from / (used in) financing activities		**(823)**	34,334
Increase / (decrease) in cash and cash equivalents		**9,465**	(17,422)
Cash and cash equivalents at 1 April - brought forward		**1,030**	18,452
Cash and cash equivalents at 30 June 2023	20.1	**10,495**	1,030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BEFORE ENTERING
THE AREA

5.3.6. Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2023/24 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.

The Secretary of State approved a transaction business case which had the following impact. On 1st July 2023, Southport & Ormskirk Hospital NHS Trust dissolved. All its assets and liabilities were acquired by St Helens & Knowsley NHS Trust who subsequently renamed as Mersey and West Lancashire Teaching Hospitals NHS Trust. Services at both hospital sites continue but under the management of the new entity. 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 NHS income is earned from NHS commissioners under the NHS Payment Scheme (NHSPS) which replaced the National Tariff Payment System on 1 April 2023. The NHSPS sets out rules to establish the amount payable to trusts for NHS-funded secondary healthcare.

Aligned payment and incentive contracts form the main payment mechanism under the NHSPS. In 2023/24 API contracts contain both a fixed and variable element. Under the variable element, providers earn income for elective activity (both ordinary and day case), out-patient procedures, out-patient first attendances, diagnostic imaging and nuclear medicine, and chemotherapy delivery activity. The precise definition of these activities is given in the NHSPS. Income is earned at NHSPS prices based on actual activity. The fixed element includes income for all other services covered by the NHSPS assuming an agreed level of activity with 'fixed' in this context meaning not varying based on units of activity. Elements within this are accounted for as variable consideration under IFRS 15 as explained below.

In 2022/23 fixed payments were set at a level assuming the achievement of elective activity targets within aligned payment and incentive contracts.

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 and accounted for as variable consideration under IFRS 15. Payment for CQUIN and BPT on non-elective services is included in the fixed element of API contracts with adjustments for actual achievement being made at the end of the year. BPT earned on elective activity is included in the variable element of API contracts and paid in line with actual activity performed.

Where the relationship with a particular integrated care board is expected to be a low volume of activity (annual value below £0.5m), an annual fixed payment is received by the provider as determined in the NHSPS documentation. Such income is classified as 'other clinical income' in these accounts.

Elective recovery funding provides additional funding to integrated care boards to fund the commissioning of elective services within their systems. In 2023/24, Trusts do not directly earn elective recovery funding, instead earning income for actual activity performed under API contract arrangements as explained above. The level of activity delivered by the Trust contributes to system performance and therefore the availability of funding to the Trust's commissioners. In 2022/23 elective recovery funding for providers was separately identified within the aligned payment and incentive contracts.

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 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, e.g., 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 (i.e. operational assets used to deliver either frontline 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. Annual contract payments to the operator (the unitary charge) are apportioned between the repayment of the liability including the finance cost, the charges for services and lifecycle replacement of components of the asset.

Initial recognition

In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Initial measurement of the asset and liability are in accordance with the initial measurement principles of IFRS 16 (see leases accounting policy).

Subsequent measurement

Assets are subsequently accounted for as property, plant and equipment and/or intangible assets as appropriate.

The liability is subsequently reduced by the portion of the unitary charge allocated as payment for the asset and increased by the annual finance cost. The finance cost is calculated by applying the implicit interest rate to the opening liability and is charged to finance costs in the Statement of Comprehensive Income. The element of the unitary charge allocated as payment for the asset is split between payment of the finance cost and repayment of the net liability.

Where there are changes in future payments for the asset resulting from indexation of the unitary charge, the Trust remeasures the PFI liability by determining the revised payments for the remainder of the contract once the change in cash flows takes effect. The remeasurement adjustment is charged to finance costs in the Statement of Comprehensive Income.

The service charge is recognised in operating expenses in the Statement of Comprehensive Income.

Initial application of IFRS 16 liability measurement principles to PFI and LIFT liabilities

IFRS 16 liability measurement principles have been applied to PFI, LIFT and other service concession arrangement liabilities in these financial statements from 1st April 2023. The change in measurement basis has been applied using a modified retrospective approach with the cumulative impact of remeasuring the liability on 1st April 2023 recognised in the income and expenditure reserve.

Comparatives for PFI, LIFT and other service concession arrangement liabilities have not been restated on an IFRS 16 basis, as required by the DHSC Group Accounting Manual. Under IAS 17 measurement principles which applied in 2022/23 and earlier, movements in the liability were limited to repayments of the liability and the annual finance cost arising from application of the implicit interest rate. The cumulative impact of indexation on payments for the asset was charged to finance costs as contingent rent as incurred.

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, e.g. 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, e.g. 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, i.e., 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.

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 include 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 3.51% applied to new leases commencing in 2023 and 4.72% to new leases commencing in 2024.

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 in 2022/23

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

The standard was applied using a modified retrospective approach with the cumulative impact recognised in the income and expenditure reserve on 1st April 2022. Upon initial application, the provisions of IFRS 16 were only 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 were not 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 was used in determining the lease term where lease arrangements contained options for extension or earlier termination.

No adjustments were made on initial application in respect of leases with a remaining term of 12 months or less from 1st April 2022 or for leases where the underlying assets had a value below £5,000. No adjustments were 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.

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 31st March 2024:

		Nominal rate	Prior year rate
Short-term	Up to 5 years	4.26%	3.27%
Medium-term	After 5 years up to 10 years	4.03%	3.20%
Long-term	After 10 years up to 40 years	4.72%	3.51%
Very long-term	Exceeding 40 years	4.40%	3.00%

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 31st March 2024:

	Inflation rate	Prior year rate
Year 1	3.60%	7.40%
Year 2	1.80%	0.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's post-employment benefits discount rate of 2.45% in real terms (prior year: minus 1.70%).

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 Note 25 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 25, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

- Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.
- Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.15 Public dividend capital

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

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

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

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

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

Note 1.16 Value added tax

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

Note 1.17 Climate change levy

Expenditure on the climate change levy is recognised in the Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption.

Note 1.18 Third party assets

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

Note 1.19 Losses and special payments

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

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

Note 1.20 Transfers of functions to other NHS bodies

For functions that the Trust has transferred to another NHS body, the assets and liabilities transferred are de-recognised from the accounts as at the date of transfer. The net loss corresponding to the net assets/ liabilities transferred is recognised within expenses, but not within operating activities. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve.

Note 1.21 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards had been early adopted in the 3 months to 30th June 2023.

Note 1.22 Standards, amendments and interpretations in issue but not yet effective or adopted

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 2023. Standard is not yet adopted by FreM which i.e. expected to be from April 2025. Early adoption is not permitted.

Note 1.23 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:

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.

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

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

The hospitals are valued on a modern equivalent basis, and this is considered to be a multi-storey building on a single site.

Consolidation

The Trust has one segment which is healthcare.

Due to materiality the Trust's charitable funds are not consolidated into the main Trust's accounts.

Note 1.24 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

The independent valuers index 30th June 2023 values using the RICS Building Costs Information Service. The "All In" Tender Price Index was used to revalue buildings.

There are no applicable indices, nor was there sufficient market evidence of land transactions in the locality, and therefore land was not revalued at 30th June 2023.

Accruals

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.

Provisions

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

NHS England has provided a calculation for the provision liabilities arising from the 2019/20 clinicians' pensions compensation scheme at £258k.

Central employer pension contribution

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.

For Southport & Ormskirk Hospital NHS Trust this pension contribution is £1.674m (April to June 2023).

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 reviewed the thresholds and concluded that as all the contractual income for the Trust was held within the Corporate Division and that as this accounted for 90% of total revenue only one division exceeded the 10% revenue threshold and therefore only one operating segment needed 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)

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Acute services		
Income from commissioners under API contracts - fixed element*	**48,904**	216,327
High cost drugs income from commissioners	**1,288**	5,160
Other NHS clinical income	**255**	743
Community services		
Income from commissioners under API contracts*	**594**	2,180
Income from other sources (e.g. local authorities)	**737**	3,027
All services		
Private patient income	**2**	43
Elective recovery fund	**-**	5,258
National pay award central funding***	**-**	5,877
Additional pension contribution central funding**	**1,674**	6,222
Other clinical income	**185**	741
Total income from activities	**63,907**	245,578

*Aligned payment and incentive contracts are the main form of contracting between NHS providers and their commissioners. More information can be found in the 2023/25 NHS Payment Scheme documentation. https://www.england.nhs.uk/pay-syst/nhs-payment-scheme/

**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.

*** Additional funding was made available by NHS England in 2023/24 and 2022/23 for implementing the backdated element of pay awards where government offers were made at the end of the financial year.

2023/24: In March 2024, the government announced a revised pay offer for consultants, reforming consultant pay scales with an effective date of 1st March 2024. Trade Unions representing consultant doctors accepted the offer in April 2024.

2022/23: In March 2023, the government made a pay offer for staff on Agenda for Change (AfC) terms and conditions which was later confirmed in May 2023. The additional pay for 2022/23 was based on individuals in employment at 31st March 2023.

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
NHS England	**7,317**	34,011
Clinical commissioning groups	**48,740**	
Integrated care boards	**55,166**	158,354
Department of Health and Social Care	**-**	-
Other NHS providers	**255**	743
NHS other	**-**	-
Local authorities	**737**	2,946
Non-NHS: private patients	**2**	43
Non-NHS: overseas patients (chargeable to patient)	**11**	26
Injury cost recovery scheme	**132**	384
Non NHS: other	**287**	331
Total income from activities	**63,907**	245,578
Of which:		
Related to continuing operations	**63,907**	245,578
Related to discontinued operations	**-**	-

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

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Income recognised this year	**11**	26
Cash payments received in-year	**1**	7

Note 4 Other operating income

	3 months to 30 June 2023			12 months to 31 March 2023		
	Contract income £000	Non-contract income £000	Total £000	Contract income £000	Non-contract income £000	Total £000
Research and development 308	**90**	**-**	**90**		308	-
Education and training 8,599	**1,843**	**120**	**1,963**		8,087	512
Non-patient care services to other bodies	**293**		**293**	1,782		1,782
Receipt of capital grants and donations and peppercorn leases		**96**	**96**		146	146
Charitable and other contributions to expenditure *		**17**	**17**		593	593
Revenue from operating leases		**6**	**6**		25	25
Other income **	**716**	**-**	**716**	3,108	-	3,108
Total other operating income	**2,942**	**239**	**3,181**	13,285	1,276	14,561
Of which:						
Related to continuing operations			**3,181**			14,561

* 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 and Ormskirk Hospital NHS Trust as lessor

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

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

Note 5.1 Operating lease income

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Lease receipts recognised as income in year:		
Minimum lease receipts	**6**	25
Total in-year operating lease income	**6**	25

Note 5.2 Future lease receipts

	30 June 2023 £000	31 March 2023 £000
Lease receipts recognised as income in year:		
- not later than one year	**25**	25
- later than one year and not later than two years	**25**	25
- later than two years and not later than three years	**25**	25
- later than three years and not later than four years	**25**	25
- later than four years and not later than five years	**25**	25
- later than five years	**19**	25
Total	**144**	150

Note 6.1 Operating expenses

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	**317**	1,490
Purchase of healthcare from non-NHS and non-DHSC bodies	**674**	3,670
Staff and executive directors costs	**47,882**	191,944
Remuneration of non-executive directors	**30**	133
Supplies and services - clinical (excluding drugs costs)	**5,760**	23,099
Supplies and services - general	**947**	3,247
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	**2,522**	10,184
Inventories written down	**-**	3
Consultancy costs	**2**	13
Establishment	**479**	2,169
Premises	**2,849**	12,180
Transport (including patient travel)	**156**	619
Depreciation on property, plant, and equipment	**1,766**	6,539
Amortisation on intangible assets	**160**	638
Net impairments	**-**	2,902
Movement in credit loss allowance: contract receivables / contract assets	**(23)**	104
Movement in credit loss allowance: all other receivables and investments	**-**	-
Increase/(decrease) in other provisions	**(172)**	158
Change in provisions discount rate(s)	**-**	(11)
Fees payable to the external auditor audit services- statutory audit *	**102**	88
Internal audit costs	**32**	128
Clinical negligence	**2,290**	8,498
Legal fees	**57**	182
Insurance	**44**	206
Research and development	**106**	336
Education and training	**302**	1,716
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g., PFI / LIFT)	**424**	1,646
Car parking & security	**185**	622
Hospitality	**2**	15
Other services, e.g., external payroll	**77**	291
Other	**835**	581
Total	**67,805**	273,390
Of which:		
Related to continuing operations	**67,805**	273,390

*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 3 months to 30 June 2023 or 12 months to 31st March 2023.

Note 7 Impairment of assets

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	-	-
Over specification of assets	-	-
Abandonment of assets in course of construction	-	-
Unforeseen obsolescence	-	-
Loss as a result of catastrophe	-	-
Changes in market price	-	2,902
Other	-	-
Total net impairments charged to operating surplus / deficit	-	2,902
Impairments charged to the revaluation reserve	-	858
Total net impairments	-	3,760

Note 8 Employee benefits

	3 months to 30 June 2023 Total £000	12 months to 31 March 2023 Total £000
Salaries and wages	**31,198**	129,068
Social security costs	**3,916**	13,366
Apprenticeship levy	**185**	538
Employer's contributions to NHS pensions	**5,500**	20,647
Pension cost - other	**24**	81
Temporary staff (including agency)	**7,320**	29,306
Total gross staff costs	**48,143**	193,006
Recoveries in respect of seconded staff	**-**	-
Total staff costs	**48,143**	193,006
Of which		
Costs capitalised as part of assets	**160**	752

Total staff costs of £48,143k are made up of Staff and Executive Director costs of £47,882k (note 6) plus research of

£101k (note 6) and costs capitalised as part of assets £160k.

Note 8.1 Retirements due to ill-health

During 3 months to 30th June 2023 there were 2 early retirements from the Trust agreed on the grounds of ill-health (3 in the year ended 31st March 2023). The estimated additional pension liabilities of these ill-health retirements is £109k (£204k in 12 months to 31st March 2023).

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 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 the 1995/2008 and 2015 schemes are accounted for, and the scheme liability valued, as a single combined scheme. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period 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 31st March 2024, is based on valuation data as 31st March 2023, updated to 31st March 2024 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. 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 31st March 2020. The results of this valuation set the employer contribution rate payable from April 2024. The Department of Health and Social Care has recently laid Scheme Regulations confirming the employer contribution rate will increase to 23.7% of pensionable pay from 1 April 2024 (previously 20.6%). The core cost cap cost of the scheme was calculated to be outside of the 3% cost cap corridor as at 31st March 2020. However, when the wider economic situation was taken into account through the economic cost cap cost of the scheme, the cost cap corridor was not similarly breached. As a result, there was no impact on the member benefit structure or contribution rates.

Note 10 Finance income

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

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Interest on bank accounts	**200**	382
Total finance income	**200**	382

Note 11.1 Finance expenditure

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

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Interest expense:		
Interest on loans from the Department of Health and Social Care	**-**	2
Interest on lease obligations	**105**	353
Finance costs on PFI, LIFT and other service concession arrangements:		
Main finance costs	**356**	298
Contingent finance costs*	**-**	1,279
Remeasurement of the liability resulting from change in index or rate*	**1,037**	
Total interest expense	**1,498**	1,932
Unwinding of discount on provisions	**1**	1
Total finance costs	**1,499**	1,933

* From 1 April 2023, IFRS 16 liability measurement principles are applied to PFI, LIFT and other service concession liabilities. Increases to imputed lease payments arising from inflationary uplifts are now included in the liability, and contingent rent no longer arises. More information is provided in Note 28.

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)

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Gains on disposal of assets	**2**	79
Total gains / (losses) on disposal of assets	**2**	79

Note 13.1 Intangible assets – 3 months to 30 June 2023

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2023 - brought forward	**18,816**	**2,224**	**21,040**
Additions	**32**	**13**	**45**
Reclassifications	**68**	**(68)**	**-**
Valuation / gross cost at 30 June 2023	**18,916**	**2,169**	**21,085**
Amortisation at 1 April 2023 - brought forward	**16,249**	**-**	**16,249**
Provided during the year	**160**	**-**	**160**
Amortisation at 30 June 2023	**16,409**	**-**	**16,409**
Net book value at 30 June 2023	**2,507**	**2,169**	**4,676**
Net book value at 1 April 2023	**2,567**	**2,224**	**4,791**

Note 13.2 Intangible assets – 12 months to 31 March 2023

	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 14.1 Property, plant and equipment 3 months to 30 June 2023

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2023 - brought forward	4,689	78,820	222	11,887	52,577	617	21,407	2,517	172,736
Valuation/gross cost at start of period as FT	-	-	-	-	-	-	-	-	-
Additions	-	72	-	216	119	41	23	-	471
Revaluations	-	2,039	6	-	-	-	-	-	2,045
Reclassifications	-	85	-	(779)	838	-	(135)	(9)	-
Disposals / derecognition	-	-	-	-	(264)	-	-	-	(264)
Valuation/gross cost at 30 June 2023	4,689	81,016	228	11,324	53,270	658	21,295	2,508	174,988
Accumulated depreciation at 1 April 2023 - brought forward	-	-	-	-	38,806	563	12,591	2,215	54,175
Provided during the year	-	637	5	-	559	5	417	12	1,635
Revaluations	-	(220)	-	-	-	-	-	-	(220)
Disposals / derecognition	-	-	-	-	(264)	-	-	-	(264)
Accumulated depreciation at 30 June 2023	-	417	5	-	39,101	568	13,008	2,227	55,326
Net book value at 30 June 2023	4,689	80,599	223	11,324	14,169	90	8,287	281	119,662
Net book value at 1 April 2023	4,689	78,820	222	11,887	13,771	54	8,816	302	118,561

Note 14.2 Property, plant and equipment – 12 months to 31 March 2023

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 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 **	-	6,224	-	(6,731)	-	-	-	-	-
Disposals / derecognition	-	-	-	-	(617)	-	-	-	(507)
Valuation/gross cost at 31 March 2023	**4,689**	**78,820**	**222**	**11,887**	**52,577**	**617**	**21,407**	**2,517**	**172,736**
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**	**78,820**	**222**	**11,887**	**13,771**	**54**	**8,816**	**302**	**118,561**
Net book value at 1 April 2022	**4,689**	**82,294**	**182**	**1,727**	**13,434**	**57**	**7,391**	**300**	**110,074**

** Reclassification of -£507k on buildings which represents a transfer from purchased buildings to right of use asset buildings. In 2022/23 accounts the reported total net book value at 31st March 2023 was £119,068k. Due to this reclassification the brought forward figure is now £507k lower.

Note 14.3 Property, plant and equipment financing – 30 June 2023

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Owned - purchased	4,689	77,427	223	11,324	10,484	49	8,222	204	**112,622**
On-SoFP PFI contracts and other service concession arrangements	-	1,911	-	-	2,965	-	-	-	4,876
Owned - donated/granted	-	1,419	-	-	720	41	65	77	**2,322**
Total net book value at 30 June 2023	**4,689**	**80,757**	**223**	**11,324**	**14,169**	**90**	**8,287**	**281**	**119,820**

Note 14.4 Property, plant and equipment financing – 31 March 2023

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Owned - purchased	4,689	75,480	222	11,887	9,949	54	8,772	222	111,275
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	78,820	222	11,887	13,771	54	8,816	302	118,561

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 for 30th June 2023, the Valuers provided appropriate indices for buildings. No indexation was applied to land.

The value of buildings increased by £2,422,476 between 1st April 2023 and 30th June 2023.

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.

Note 17.1 Right of use assets – 3 months to 30 June 2023

	Property (land and buildings)	Plant & machinery	Transport equipment	Information technology	Total	Of which: leased from DHSC group bodies
	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2023 - brought forward	**10,707**	**1,769**	**11**	**72**	**12,559**	**2,734**
Additions	-	-	-	-	-	-
Remeasurements of the lease liability	-	-	-	-	-	-
Valuation/gross cost at 30 June 2023	**10,865**	**1,769**	**11**	**72**	**12,717**	**2,734**
Accumulated depreciation at 1 April 2023 - brought forward	**521**	**1,497**	**6**	**72**	**2,096**	**164**
Provided during the period	114	16	1	-	131	41
Accumulated depreciation at 30 June 2023	**635**	**1,513**	**7**	**72**	**2,227**	**205**
Net book value at 30 June 2023	**10,230**	**256**	**4**	**-**	**10,490**	**2,529**
Net book value at 1 April 2023	**10,186**	**272**	**5**	**-**	**10,463**	**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	-

Note 17.2 Right of use assets – 12 months to 31 March 2023

	Property (land and buildings) £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Total £000	Of which: leased from DHSC group bodies £000
Valuation / gross cost at 1 April 2022 - brought forward	-	-	-	-	-	-
IFRS 16 implementation - reclassification of existing finance leased assets from PPE or intangible assets **	8,396	1,644	-	-	10,040	-
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	10,707	1,769	11	72	12,559	2,734
Accumulated depreciation at 1 April 2022 - brought forward	-	-	-	-	-	-
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	10,186	272	5	-	10,463	2,570
Net book value at 1 April 2022	-	-	-	-	-	-

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

** Adjustment of £507k made to 22/23 opening balance. Reported balance in 22/23 accounts was £507k lower at £9,956k. Due to this correction the brought forward balance is £507k higher at £10,463k.

Note 17.3 Revaluations of right of use assets

There is no material impact on the revaluation of the Trust's 2 modular buildings on the Southport site.

Note 17.4 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.

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Carrying value at 31 March	**7,853**	6,119
Prior period adjustments		-
Carrying value at 31 March - restated	**7,853**	6,119
IFRS 16 implementation - adjustments for existing operating leases		2,901
Lease additions	**-**	125
Interest charge arising in year	**105**	353
Lease payments (cash outflows)	**(146)**	(1,645)
Carrying value at 30 June	**7,812**	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.

Note 17.5 Maturity analysis of future lease payments

	Total 30 June 2023	Of which leased from DHSC group bodies: 30 June 2023	Total 31 March 2023	Of which leased from DHSC group Total 31 March 2023
	£000	£000	£000	£000
Undiscounted future lease payments payable in:				
- not later than one year;	1,129	44	1,279	178
- later than one year and not later than five years;	4,278	178	4,799	713
- later than five years.	2,405	2,321	1,775	1,691
Total gross future lease payments	**7,812**	**2,543**	7,853	2,582
Finance charges allocated to future periods	-	-	-	-
Net lease liabilities at 30 June 2023	**7,812**	**2,543**	7,853	2,582
Of which:				
Leased from other NHS providers		-		-
Leased from other DHSC group bodies		2,543		2,582

Note 17.6 Leases – other information

Due to the dissolution of the Trust, all leases have novated to Mersey and West Lancashire Teaching Hospitals NHS Trust.

Note 18 Inventories

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Drugs	**1,102**	1,127
Consumables	**1,422**	1,399
Energy	**89**	89
Total inventories	**2,613**	2,615
of which:		
Held at fair value less costs to sell	**-**	-

Inventories recognised in expenses for the year were £2,792k (12 months to 31 March 2023: £12,789k). Write-down of inventories recognised as expenses for the year were £0k (12 months to 31 March 2023: £3k).

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 3 months to 30 June 2023 the Trust received £13k of items purchased by DHSC (12 months to 31 March 2023: £578k).

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

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Current		
Contract receivables	**5,180**	13,556
Allowance for impaired contract receivables / assets	**(131)**	(176)
Prepayments (non-PFI)	**3,341**	1,700
VAT receivable	**782**	697
Other receivables	**-**	12
Total current receivables	**9,172**	15,789
Non-current		
Contract receivables	**815**	888
Allowance for impaired contract receivables / assets	**(206)**	(432)
Prepayments (non-PFI)	**26,000**	26,000
Other receivables	**399**	246
Total non-current receivables	**27,008**	26,702
Of which receivable from NHS and DHSC group bodies:		
Current	**1,846**	10,261
Non-current	**325**	350

Note 19.2 Allowances for credit losses

	3 months to 30 June 2023 Contract receivables and contract assets	12 months to 31 March 2023 Contract receivables and contract assets
	£000	£000
Allowances as at 1 April - brought forward	**608**	798
New allowances arising	**-**	186
Changes in existing allowances	**(23)**	(82)
Utilisation of allowances (write offs)	**(248)**	(294)
Allowances as at 30 Jun 2023	**337**	608

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.

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
At 1 April	**1,030**	18,452
Net change in year	**9,465**	(17,422)
At 31 March	**10,495**	1,030
Broken down into:		
Cash at commercial banks and in hand	**134**	105
Cash with the Government Banking Service	**10,361**	925
Total cash and cash equivalents as in SoFP	**10,495**	1,030
Bank overdrafts (GBS and commercial banks)	**-**	-
Drawdown in committed facility	**-**	-
Total cash and cash equivalents as in SoCF	**10,495**	1,030

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.

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Bank balances	**1**	1
Total third party assets	**1**	1

Note 21.1 Trade and other payables

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Current		
Trade payables	**15,680**	6,003
Capital payables	**1,323**	6,159
Accruals	**12,892**	18,534
Social security costs	**3,070**	18
Other taxes payable	**3,212**	82
PDC dividend payable	**1,216**	349
Pension contributions payable	**2,192**	1,990
Other payables	**613**	415
Total current trade and other payables	**40,198**	33,550
Of which payables from NHS and DHSC group bodies:		
Current	**3,124**	2,923
Non-current	**-**	-

Note 22 Other liabilities

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Current		
Deferred income: contract liabilities	**10,995**	13,070
Total other current liabilities	**10,995**	13,070

Income received from Cheshire & Mersey ICB of £10m for transaction support received in March 2023 has been deferred to 2023/24 and spread over 12 months. 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

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Current		
Lease liabilities	**1,129**	1,279
Obligations under PFI, LIFT or other service concession contracts	**983**	855
Total current borrowings	**2,112**	2,134
Non-current		
Lease liabilities	**6,683**	6,574
Obligations under PFI, LIFT or other service concession contracts	**7,682**	5,254
Total non-current borrowings	**14,365**	11,828

Note 23.2 Reconciliation of liabilities arising from financing activities

	Loans from DHSC	Lease Liability	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2023	**-**	**7,853**	**6,109**	**13,962**
Cash movements:				
Financing cash flows - payments and receipts of principal	**-**	**(39)**	**(320)**	**(359)**
Financing cash flows - payments of interest	**-**	**(107)**	**(356)**	**(463)**
Non-cash movements:				
Application of IFRS 16 measurement principles to PFI liability on 1 April 2023			**1,839**	**1,839**
Remeasurement of PFI / other service concession liability resulting from change in index or rate	**-**	**-**	**1,037**	**1,037**
Application of effective interest rate	**-**	**105**	**356**	**461**
Carrying value at 30 June 2023	**-**	**7,812**	**8,665**	**16,477**

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

	Pensions: early departure costs £000	Legal claims £000	Other £000	Total £000
At 1 April 2023	**77**	**683**	**384**	**1,144**
Arising during the year	**8**	**-**	**51**	**59**
Utilised during the year	**(17)**	**(425)**	**(13)**	**(455)**
Reversed unused	**-**	**(198)**	**(33)**	**(231)**
Unwinding of discount	**1**	**-**	**-**	**1**
At 30 June 2023	**69**	**60**	**389**	**518**
Expected timing of cash flows:				
- not later than one year;	69	60	143	**272**
- later than one year and not later than five years;	-	-	22	**22**
- later than five years.	-	-	224	**224**
Total	**69**	**60**	**389**	**518**

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

Note 24.2 Clinical negligence liabilities

At 30th June 2023, £135,380k (31st March 2203 value was £133,157k) was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Southport & Ormskirk Hospital NHS Trust.

Note 25 Contingent assets and liabilities

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Value of contingent liabilities		
NHS Resolution legal claims	**-**	(96)
Net value of contingent liabilities	**-**	(96)

The Trust no longer has an other contingent liability.

Note 26 Contractual capital commitments

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Property, plant and equipment	**1,149**	424
Total	**1,149**	424

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:

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Gross PFI, LIFT or other service concession liabilities	**8,665**	6,109
Of which liabilities are due		
- not later than one year;	**983**	855
- later than one year and not later than five years;	**3,833**	2,228
- later than five years.	**3,849**	3,026
Finance charges allocated to future periods	**-**	-
Net PFI, LIFT or other service concession arrangement obligation	**8,665**	6,109
- not later than one year;	**983**	855
- later than one year and not later than five years;	**3,833**	2,228
- later than five years.	**3,849**	3,026

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:

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**42,468**	41,585
Of which payments are due:		
- not later than one year;	**3,301**	4,237
- later than one year and not later than five years;	**16,458**	14,639
- later than five years.	**22,709**	22,709

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:

	3 months to 30 June 2023 £000	12 months to 31 March 2023 £000
Unitary payment payable to service concession operator	**1,100**	4,124
Consisting of:		
- Interest charge	**356**	298
- Repayment of balance sheet obligation	**320**	901
- Service element and other charges to operating expenditure	**424**	1,646
- Contingent rent	**-**	1,279
Total amount paid to service concession operator	**1,100**	4,124

Note 28 Impact of change in accounting policy for on-SoFP PFI, LIFT and other service concession liabilities

IFRS 16 liability measurement principles have been applied to PFI, LIFT and other service concession arrangement liabilities from 1st April 2023. When payments for the asset are uplifted for inflation, the imputed lease liability recognised on the SoFP is remeasured to reflect the increase in future payments. Such increases were previously recognised as contingent rent as incurred.

The change in measurement basis has been applied retrospectively without restatement of comparatives and with the cumulative impact on 1st April 2023 recognised in the income and expenditure reserve. The incremental impact of applying the new accounting policy on (a) the allocation of the unitary charge in 2023/24 and (b) the primary statements in 2023/24 is set out in the disclosures below.

Note 28.1 Impact of change in accounting policy on the allocation of unitary payment

	IFRS 16 basis (new basis) 3 months to 30 June 2023	IAS 17 basis (old basis) 3 months to 30 June 2023	Impact of change 3 months to 30 June 2023
	£000	£000	£000
Unitary payment payable to service concession operator	**1,100**		**1,100**
	-		
Consisting of:			
- Interest charge	**356**	**69**	**287**
- Repayment of balance sheet obligation	**320**	**227**	**93**
- Service element	**424**	**424**	**-**
- Contingent rent	**-**	**380**	**(380)**

Note 28.2 Impact of change in accounting policy on primary statements

Impact of change in PFI accounting policy on 31 March 2024 Statement of Financial Position:	£000
Increase in PFI / LIFT and other service concession liabilities	**(2,783)**
Decrease in PDC dividend payable / increase in PDC dividend receivable	**-**
Increase in cash and cash equivalents (impact of PDC dividend only)	**-**
Impact on net assets as at 31 March 2024	**(2,783)**

Impact of change in PFI accounting policy on 2023/24 Statement of Comprehensive Income:	£000
PFI liability remeasurement charged to finance costs	**(1,037)**
Increase in interest arising on PFI liability	**(287)**
Reduction in contingent rent	**380**
Reduction in PDC dividend charge	**-**
Net impact on surplus / (deficit)	**(944)**

Impact of change in PFI accounting policy on 2023/24 Statement of Changes in Equity:	£000
Adjustment to reserves for the cumulative retrospective impact on 1 April 2023	**(1,839)**
Net impact on 2023/24 surplus / deficit	**(944)**
Impact on equity as at 31 March 2024	**(2,783)**

Impact of change in PFI accounting policy on 2023/24 Statement of Cash Flows:	£000
Increase in cash outflows for capital element of PFI / LIFT	**(93)**
Decrease in cash outflows for financing element of PFI / LIFT	**93**
Decrease in cash outflows for PDC dividend	**-**
Net impact on cash flows from financing activities	**-**

Note 29 Financial instruments

Note 29.1 Financial risk management

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

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

Currency Risk

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

Interest Rate Risk

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

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 30th June 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 29.2 Carry values of financial assets

Carrying values of financial assets as at 30 June 2023	**Total book value £000**
Trade and other receivables excluding non financial assets	6,057
Cash and cash equivalents	10,495
Total at 30 June 2023	**16,552**

Carrying values of financial assets as at 31 March 2023	**Total book value £000**
Trade and other receivables excluding non financial assets	14,094
Cash and cash equivalents	1,030
Total at 31 March 2023	**15,124**

Note 29.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 30 June 2023	**Total book value £000**
Loans from the Department of Health and Social Care	-
Obligations under leases	7,812
Obligations under PFI, LIFT and other service concession contracts	8,665
Other borrowings	-
Trade and other payables excluding non financial liabilities	21,480
Total at 30 June 2023	**37,957**

Carrying values of financial liabilities as at 31 March 2023	**Total book value £000**
Obligations under leases	7,853
Obligations under PFI, LIFT and other service concession contracts	6,109
Trade and other payables excluding non financial liabilities	33,101
Total at 31 March 2023	**47,063**

Note 29.4 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.

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
In one year or less	**33,524**	35,235
In more than one year but not more than five years	**8,833**	7,027
In more than five years	**5,318**	4,801
Total	**47,675**	47,063

Note 29.5 Fair values of financial assets and liabilities

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

Note 30 Losses and special payments

	3 months to 30 June 2023		12 months to 31 March 2023	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Bad debts and claims abandoned	**64**	**48**	282	187
Stores losses and damage to property	**3**	**18**	3	97
Total losses	**67**	**66**	285	284
Special payments				
Ex-gratia payments	**7**	**1**	24	106
Total special payments	**7**	**1**	24	106
Total losses and special payments	**74**	**67**	309	390
Compensation payments received				

Note 31 Related parties

During the year none of the Department of Health & Social Care 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 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 £125,201 in 2023/24 (£278,792, 2022/23). The majority of transactions were pure recharges for equipment bought using the Trust's finance system. Only £3,750 (£15,000 2022/23) 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 32 Transfers by absorption

The Trust has divested of all of its assets and liabilities to Mersey and West Lancashire Teaching Hospitals NHS Trust on 1st July 2023. This has been accounted for as a loss on transfer by absorption and is recognised in the SOCI. The value of the loss is £115,928k.

Note 33 Prior period adjustments

A correction has been made on the brought forward figures between tangible and right of use assets with the tangible figure reducing by £507k and right of use assets increasing by £507k.

Note 34 Events after the reporting date

On 1st July 2023, all the assets/liabilities and services from Southport & Ormskirk Hospital NHS Trust transferred to Mersey & West Lancashire Hospitals NHS Trust.

Note 35 Final period of operation as a trust providing NHS healthcare

The Trust has prepared accounts for its final period of operation (up until 30th June 2023). These are prepared immediately before the outward transfers to Mersey & West Lancashire Hospitals NHS Trust on 1st July 2023. Healthcare continues to be provided on the hospital sites by the new organisation.

Note 36 Better Payment Practice code

	3 months to 30 June 2023	3 months to 30 June 2023	12 months to 31 March 2023	12 months to 31 March 2023
Non-NHS Payables	Number	£000	Number	£000
Total non-NHS trade invoices paid in the year	**9,757**	**32,166**	43,105	179,459
Total non-NHS trade invoices paid within target	**9,204**	**31,066**	39,999	173,546
Percentage of non-NHS trade invoices paid within target	**94.3%**	**96.6%**	92.8%	96.7%
NHS Payables				
Total NHS trade invoices paid in the year	**576**	**15,088**	1,936	53,679
Total NHS trade invoices paid within target	**500**	**13,526**	1,675	52,013
Percentage of NHS trade invoices paid within target	**86.8%**	**89.6%**	86.5%	96.9%

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 37 External financing limit

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

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Cash flow financing	**(9,824)**	(5,797)
External financing requirement	**(9,824)**	(5,797)
External financing limit (EFL)	**(9,824)**	(5,797)
Under / (over) spend against EFL	**-**	-

Note 38 Capital Resource Limit

	3 months to 30 June 2023	12 months to 31 March 2023
	£000	£000
Gross capital expenditure	**516**	27,418
Less: Disposals	**-**	(31)
Less: Donated and granted capital additions	**(96)**	(146)
Charge against Capital Resource Limit	**420**	27,241
Capital Resource Limit	**420**	53,241
Under / (over) spend against CRL	**-**	26,000

Note 39 Breakeven duty financial performance

	3 months to 30 June 2023 £000
Adjusted financial performance surplus / (deficit) (control total basis)	(2,015)
Add back incremental impact of IFRS 16 on PFI revenue costs in 3 months to 30 June 2023	(917)
IFRIC 12 breakeven adjustment	856
Breakeven duty financial performance surplus / (deficit)	**(2,076)**

Note 40 Breakeven duty rolling assessment

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £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	188,905	182,236
Cumulative breakeven position as a percentage of operating income		0.9%	1.4%	1.3%	2.0%	2.9%	2.5%	(6.9%)

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	12 months to 31 March 2023 £000	3 months to 30 June 2023
Breakeven duty in-year financial performance	(20,709)	(33,003)	(28,961)	(23,757)	125	81	(14,730)	**(2,076)**
Breakeven duty cumulative position	(33,230)	(66,233)	(95,194)	(118,951)	(118,826)	(118,745)	(133,475)	**(135,551)**
Operating income	186,695	158,277	168,112	193,022	238,590	251,859	260,139	**67,088**
Cumulative breakeven position as a percentage of operating income	(17.8%)	(41.8%)	(56.6%)	(61.6%)	(49.8%)	(47.1%)	(51.3%)	**(202.0%)**


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